

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORTS

HILLSBOROUGH EDUCATION FOUNDATION, INC.

June 30, 2018 and 2017

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Hillsborough Education Foundation, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Hillsborough Education Foundation, Inc. (a nonprofit organization) (the "Foundation"), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities and changes in net assets, cash flows, and functional expenses for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

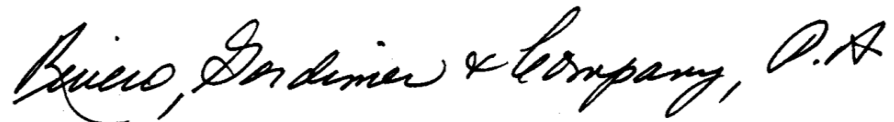
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2018 and 2017, and the changes in its net assets, its cash flows, and its functional expenses for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2018, on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Bueco, Gardner & Company, P.A." The signature is written in a cursive, flowing style.

Tampa, Florida
October 31, 2018

Hillsborough Education Foundation, Inc.
STATEMENTS OF FINANCIAL POSITION

June 30,

	2018	2017
ASSETS		
CURRENT ASSETS		
Cash (note I)	\$ 921,996	\$ 723,820
Accounts receivable, net (note A3)	66,450	56,544
Pledges receivable, net (note D)	57,017	30,815
Investments (notes B and C)	657,527	652,944
Total current assets	1,702,990	1,464,123
PREPAID SCHOLARSHIPS (note E)	3,322,873	3,409,742
FURNITURE, EQUIPMENT AND IMPROVEMENTS, net (notes A5 and F)	145,869	209,652
INVESTMENTS (notes B and C)	3,343,578	3,073,524
BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS (note G)	46,988	58,159
DEPOSITS	18,793	2,793
TOTAL ASSETS	\$ 8,581,091	\$ 8,217,993
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Line of credit (note I)	\$ -	\$ -
Accounts payable	73,515	32,955
Accrued expenses	508,664	691,710
Deferred revenue	31,050	46,000
Total current liabilities	613,229	770,665
NET ASSETS (note A2)		
Unrestricted (note O)	1,906,174	1,292,757
Temporarily restricted (notes J and K)	5,231,011	5,388,894
Permanently restricted (note K)	830,677	765,677
	7,967,862	7,447,328
TOTAL LIABILITIES AND NET ASSETS	\$ 8,581,091	\$ 8,217,993

The accompanying notes are an integral part of these statements.

Hillsborough Education Foundation, Inc.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the year ended June 30, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Community support and revenue				
Public support				
Received directly				
Contributions	\$ 461,869	\$ 1,566,215	\$ 65,000	\$ 2,093,084
State grants	50,931	450,602	-	501,533
Local grants	-	86,418	-	86,418
Fundraising events (note L)	90,057	97,800	-	187,857
Donated goods and services				
School Board	-	9,041	-	9,041
Other (note A9)	7,646	3,433,286	-	3,440,932
Total community support	<u>610,503</u>	<u>5,643,362</u>	<u>65,000</u>	<u>6,318,865</u>
Other revenue				
Unrealized scholarship depreciation (note E)	-	(2,987)	-	(2,987)
Investment income (note A4)	103,068	175,983	-	279,051
Other revenue (note N)	357,766	-	-	357,766
Total other revenue	<u>460,834</u>	<u>172,996</u>	<u>-</u>	<u>633,830</u>
Net assets released from restrictions	<u>5,974,241</u>	<u>(5,974,241)</u>	<u>-</u>	<u>-</u>
Total community support and revenue, other revenue and net assets released from restrictions	<u>7,045,578</u>	<u>(157,883)</u>	<u>65,000</u>	<u>6,952,695</u>
Expenses				
Program services				
Career and Technical Education	98,226	-	-	98,226
Teacher Support and Recognition	535,833	-	-	535,833
Scholarships and Mentoring	1,296,781	-	-	1,296,781
School and Classroom Enrichment Programs	592,280	-	-	592,280
Teaching Tools for Hillsborough Schools	3,384,493	-	-	3,384,493
Total program services	<u>5,907,613</u>	<u>-</u>	<u>-</u>	<u>5,907,613</u>
Supporting services				
Management and general	195,814	-	-	195,814
Fundraising	328,734	-	-	328,734
Total supporting services	<u>524,548</u>	<u>-</u>	<u>-</u>	<u>524,548</u>
Total expenses	<u>6,432,161</u>	<u>-</u>	<u>-</u>	<u>6,432,161</u>
Change in net assets	613,417	(157,883)	65,000	520,534
Net assets at beginning of year	<u>1,292,757</u>	<u>5,388,894</u>	<u>765,677</u>	<u>7,447,328</u>
Net assets at end of year	<u>\$ 1,906,174</u>	<u>\$ 5,231,011</u>	<u>\$ 830,677</u>	<u>\$ 7,967,862</u>

The accompanying notes are an integral part of this statement.

Hillsborough Education Foundation, Inc.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the year ended June 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Community support and revenue				
Public support				
Received directly				
Contributions	\$ 423,192	\$ 1,564,077	\$ 15,000	\$ 2,002,269
State grants	131,283	424,392	-	555,675
Local grants	-	41,700	-	41,700
Fundraising events (note L)	99,703	126,398	-	226,101
Donated goods and services				
School Board	-	9,041	-	9,041
Other (note A9)	55,276	2,665,531	-	2,720,807
Total community support	<u>709,454</u>	<u>4,831,139</u>	<u>15,000</u>	<u>5,555,593</u>
Other revenue				
Unrealized scholarship appreciation (note E)	-	(272,852)	-	(272,852)
Investment income (note A4)	158,266	248,314	-	406,580
Other revenue	-	2,082	-	2,082
Total other revenue	<u>158,266</u>	<u>(22,456)</u>	<u>-</u>	<u>135,810</u>
Net assets released from restrictions	<u>5,599,450</u>	<u>(5,634,450)</u>	<u>35,000</u>	<u>-</u>
Total community support and revenue, other revenue and net assets released from restrictions	<u>6,467,170</u>	<u>(825,767)</u>	<u>50,000</u>	<u>5,691,403</u>
Expenses				
Program services				
Career and Technical Education	247,501	-	-	247,501
Teacher Support and Recognition	318,085	-	-	318,085
Scholarships and Mentoring	1,149,946	-	-	1,149,946
School and Classroom Enrichment Programs	568,639	-	-	568,639
Teaching Tools for Hillsborough Schools	2,825,824	-	-	2,825,824
Total program services	<u>5,109,995</u>	<u>-</u>	<u>-</u>	<u>5,109,995</u>
Supporting services				
Management and general	276,991	-	-	276,991
Fundraising	229,850	-	-	229,850
Total supporting services	<u>506,841</u>	<u>-</u>	<u>-</u>	<u>506,841</u>
Total expenses	<u>5,616,836</u>	<u>-</u>	<u>-</u>	<u>5,616,836</u>
Change in net assets	850,334	(825,767)	50,000	74,567
Net assets at beginning of year	<u>442,423</u>	<u>6,214,661</u>	<u>715,677</u>	<u>7,372,761</u>
Net assets at end of year	<u>\$ 1,292,757</u>	<u>\$ 5,388,894</u>	<u>\$ 765,677</u>	<u>\$ 7,447,328</u>

The accompanying notes are an integral part of this statement.

Hillsborough Education Foundation, Inc.

STATEMENTS OF CASH FLOWS

For the year ended June 30,

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities		
Change in net assets	\$ 520,534	\$ 74,567
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation	75,553	78,858
(Increase) decrease in accounts receivable	(9,906)	4,042
(Increase) decrease in pledges receivable	(26,202)	155,182
Net unrealized gain on investments	(155,525)	(315,984)
Change in scholarship value	2,987	272,852
Net utilization of prepaid scholarships	305,506	292,856
Increase in beneficial interest in assets held by others and deposits	(4,829)	(6,320)
Decrease in accounts payable, accrued expenses and deferred revenue	(157,435)	(316,723)
Total adjustments	<u>30,149</u>	<u>164,763</u>
Net cash provided by operating activities	<u>550,683</u>	<u>239,330</u>
Cash flows from investing activities		
Prepaid scholarship additions	(221,624)	(243,561)
Fixed asset purchases	(11,770)	(15,611)
Purchase of investments	(119,113)	(84,035)
Proceeds from sale of investments	-	686,692
Net cash (used) provided by investing activities	<u>(352,507)</u>	<u>343,485</u>
Net increase in cash	198,176	582,815
Cash at beginning of year	<u>723,820</u>	<u>141,005</u>
Cash at end of year	<u>\$ 921,996</u>	<u>\$ 723,820</u>
Supplemental disclosures of cash flow information		
Cash paid during the year		
Interest	<u>\$ -</u>	<u>\$ -</u>
Taxes	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these statements.

Hillsborough Education Foundation, Inc.

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended June 30, 2018

	Program Services					Supporting Services			
	Career and Technical Education	Teacher Support and Recognition	Scholarships and Mentoring	School and Classroom Enrichment Programs	Teaching Tools for Hillsborough Schools	Total Program Services	Management and General	Fundraising	Total
Salaries, wages and benefits	\$ 37,987	\$ 72,211	\$ 477,908	\$ 77,528	\$ 139,129	\$ 804,763	\$ 100,311	\$ 252,235	\$ 1,157,309
Banquets, facilities and services	7	44,408	13,814	5,222	1,469	64,920	6,614	704	72,238
Grant and awards	53,499	109,842	110,562	489,372	4,434	767,709	1,189	1,761	770,659
Tuition and scholarships	-	-	519,020	-	-	519,020	-	-	519,020
Accounting services	1,058	1,645	15,081	1,668	11,986	31,438	4,088	10,019	45,545
Contractual services	975	660	11	811	61	2,518	31,687	11	34,216
Office supplies and printing	88	5,197	4,061	6,909	4,416	20,671	6,732	1,337	28,740
Software and computer support	1,431	1,776	24,329	1,800	13,048	42,384	6,268	11,807	60,459
Equipment and service lease	187	291	2,666	295	2,386	5,825	1,463	1,771	9,059
Insurance	567	992	8,648	972	17,334	28,513	2,378	6,209	37,100
Conferences and training	55	85	1,215	-	1,170	2,525	1,661	90	4,276
Service charges	-	1,900	2,348	2,473	661	7,382	3,215	1,078	11,675
Equipment maintenance and repairs	5	7	1,168	8	7,369	8,557	504	45	9,106
In-kind (note A10)	110	292,223	67,386	348	3,081,822	3,441,889	413	7,671	3,449,973
Depreciation	1,151	2,015	17,565	1,974	35,398	58,103	4,831	12,619	75,553
Miscellaneous	-	-	4,522	859	23,994	29,375	8,050	894	38,319
Travel	106	655	11,369	280	4,535	16,945	4,026	2,450	23,421
Dues and subscriptions	-	-	20	-	599	619	8,162	510	9,291
Advertisement	-	157	173	-	17	347	47	6,769	7,163
Occupancy	1,000	1,769	14,915	1,761	34,665	54,110	4,175	10,754	69,039
Total expenses	\$ 98,226	\$ 535,833	\$ 1,296,781	\$ 592,280	\$ 3,384,493	\$ 5,907,613	\$ 195,814	\$ 328,734	\$ 6,432,161

The accompanying notes are an integral part of this statement.

Hillsborough Education Foundation, Inc.

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended June 30, 2017

	Program Services					Supporting Services			
	Career and Technical Education	Teacher Support and Recognition	Scholarships and Mentoring	School and Classroom Enrichment Programs	Teaching Tools for Hillsborough Schools	Total Program Services	Management and General	Fundraising	Total
Salaries, wages and benefits	\$ 68,853	\$ 116,762	\$ 483,949	\$ 125,027	\$ 84,599	\$ 879,190	\$ 122,815	\$ 180,879	\$ 1,182,884
Banquets, facilities and services	10,168	69,354	19,766	47,191	935	147,414	2,256	1,656	151,326
Grant and awards	74,089	16,779	30,041	303,190	-	424,099	1,802	192	426,093
Grant supplies and service	5,788	15,462	990	2,539	1,404	26,183	291	-	26,474
Tuition and scholarships	9,000	1,725	486,343	990	-	498,058	-	-	498,058
Accounting services	1,385	1,851	9,808	2,640	5,300	20,984	6,309	4,276	31,569
Contractual services	63,641	4,329	37,007	20,085	5,338	130,400	26,817	8,818	166,035
Office supplies and printing	87	8,170	1,382	11,367	4,983	25,989	4,673	297	30,959
Software and computer support	5,649	1,535	16,381	3,683	4,394	31,642	5,663	3,546	40,851
Equipment and service lease	336	459	2,395	639	6,323	10,152	2,047	1,047	13,246
Insurance	1,208	1,645	8,766	2,135	23,563	37,317	5,359	3,722	46,398
Conferences and training	281	504	1,985	2,703	1,373	6,846	1,677	3,514	12,037
Service charges	-	1,908	-	193	660	2,761	2,927	1,908	7,596
Equipment maintenance and repairs	-	-	-	-	4,862	4,862	37	-	4,899
In-kind (note A10)	251	59,699	6,733	4,860	2,592,238	2,663,781	38,680	3,105	2,705,566
Depreciation	2,099	2,860	14,938	3,979	39,427	63,303	9,023	6,532	78,858
Miscellaneous	15	1,004	1,615	-	9,321	11,955	2,946	1,149	16,050
Bad debt expense	-	-	-	3,600	-	3,600	21,098	-	24,698
Dues and subscriptions	-	71	-	-	500	571	5,799	543	6,913
Meetings	230	630	9,069	19,776	4,260	33,965	3,399	1,266	38,630
Advertisement	2,754	11,078	6,947	10,912	4,688	36,379	6,193	2,253	44,825
Occupancy	1,667	2,260	11,831	3,130	31,656	50,544	7,180	5,147	62,871
Total expenses	\$ 247,501	\$ 318,085	\$ 1,149,946	\$ 568,639	\$ 2,825,824	\$ 5,109,995	\$ 276,991	\$ 229,850	\$ 5,616,836

The accompanying notes are an integral part of this statement.

Hillsborough Education Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018 and 2017

NOTE A - DESCRIPTION OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A description of the organization and a summary of its significant accounting policies consistently applied in the preparation of the accompanying financial statements follow:

1. Description of the Organization

Hillsborough Education Foundation, Inc. (the "Foundation") was incorporated on March 2, 1988 under Chapter 617 of the Florida Statutes as a not-for-profit corporation for educational and charitable purposes. The general nature, purpose, and objectives of the Foundation are to provide support to the teachers and students of the Hillsborough County public schools. The Foundation focuses on initiatives that support academic excellence.

2. Basis of Accounting

The financial statements, presented on the accrual basis of accounting, have been prepared to focus on the Foundation as a whole, and to present balances and transactions according to the existence or absence of donor-imposed restrictions. This has been accomplished by classification of assets, liabilities, and net assets into three self-balancing net asset groups as follows:

- Unrestricted Net Assets - net assets that are not temporarily restricted or permanently restricted as described below.
- Temporarily Restricted Net Assets - net assets subject to donor-imposed stipulations that may or will be met by either actions of the Foundation and/or the passage of time.
- Permanently Restricted Net Assets - net assets subject to donor-imposed restrictions that are to be maintained by the Foundation (see note K).

Contributions received and unconditional promises to give are measured at their fair values at the date of contribution and are reported as increases in net assets. The Foundation reports gifts of cash and other assets as restricted support if they are designated for future periods. Temporarily restricted net assets are reclassified to unrestricted net assets when the restriction expires. Accordingly, the financial statements classify all net assets as unrestricted except those that involve a donor restriction which are classified as temporarily restricted or permanently restricted. During the year ended June 30, 2017 management reviewed net asset classifications resulting in the reclassification of \$482,892 temporarily restricted net assets to unrestricted net assets due to obligations met and expiring restrictions, which is included in the net assets released from restrictions on the statement of activities and changes in net assets.

3. Accounts Receivable

The Foundation receives support from various state and local grants. The Foundation considers the net accounts receivable to be fully collectible. As such, there is no allowance for default accounts included for the years ended June 30, 2018 and 2017. Accounts receivable are written off when management deems the accounts to be uncollectible.

Hillsborough Education Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2018 and 2017

NOTE A - DESCRIPTION OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

4. Investments

Investments are stated at fair value based upon quoted market prices with dividends, interest, realized and unrealized gains and losses captioned as investment income on the Statement of Activities and Changes in Net Assets.

5. Furniture, Equipment and Improvements

Furniture, equipment and improvements are stated at cost or fair value at the date of donation. Depreciation is calculated using the straight-line method over an estimated useful life of five to ten years. The Foundation capitalizes asset acquisitions and repairs which significantly extend the life of the asset exceeding \$1,000 individually.

6. Income Taxes

Income taxes are not provided for in the financial statements since the Foundation is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and similar state provisions. Management is not aware of any activities that would jeopardize the Foundation's tax-exempt status. The Foundation is not aware of any tax positions it has taken that are subject to a significant degree of uncertainty. Tax years after June 30, 2015 remain subject to examination by taxing authorities.

7. Concentrations of Credit Risk

Financial instruments that potentially subject the Foundation to concentrations of credit risk consist principally of cash and money market accounts.

8. Use of Estimates

The preparation of these financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and operating expenses and to disclose contingent assets and liabilities at the date of the financial statements. Actual results could differ from these estimates.

9. Donated Goods and Services

Donations of in-kind items used by the Foundation are recorded as contributions and as assets or expenses to the extent that an objective basis is available to measure the value of such items.

Hillsborough Education Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2018 and 2017

NOTE A - DESCRIPTION OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Contributed services are recorded as contributions and as assets or expenses at their fair value, to the extent they create or enhance nonfinancial assets or require specialized skills, are provided by individuals or organizations possessing these skills, and would typically need to be purchased if not provided by donations.

A substantial number of volunteers have contributed significant amounts of time and services to the Foundation's fundraising activities. However, these services have not been recognized in the financial statements since they do not meet the requirements of Financial Accounting Standards Board *Accounting Standards Codification* ("FASB ASC") 958-605.

10. Functional Expenses

The Foundation allocates its expenses on a functional basis among its various programs and services. Expenses that can be identified with a specific revenue and support service are allocated directly according to their natural expenditure classification.

The Foundation's primary activities comprise of:

Teaching Tools for Hillsborough Schools provides critical school supplies year-round for economically disadvantaged students. The program allows teachers from Title 1 schools the opportunity to shop for free school supplies and distribute to their students in need. Teaching Tools provides tools and resources to 174 schools that serve over 94,000 at-risk students annually. Each year, local partners provide over 5,000 hours of volunteer services to the store.

The Foundation is a provider of statewide Take Stock in Children Program. Through this program over 350 students at poverty level or below along with other risk factors are provided a mentor and the commitment of a college scholarship. Additional scholarships are provided through our community scholarship program, funded by individual and community organizations.

Through School Enrichment Grants the Foundation provides funding for schools and teachers to advance learning through creative and innovative ways. 78 projects are funded for school and classroom enrichment programs.

Hillsborough Education Foundation believes in the need to support teachers through development opportunities and recognition. Research shows investing in teachers results in better student outcomes. We provide the annual teacher of the year recognition event for all Hillsborough County Public School Teachers, as well as provide financial assistance to teachers advancing their education or obtaining board teacher certifications.

Hillsborough Education Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2018 and 2017

NOTE A - DESCRIPTION OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The Foundation puts resources and programming around that help students prepare for the workforce. Resources range from internship programs to student financial assistance for trade tools or participation in activities that expand their knowledge of possible career paths.

11. Reclassifications

Certain amounts previously reported in the financial statements for the prior year have been reclassified in order for them to be in conformity with the current year presentation.

NOTE B - FAIR VALUE MEASUREMENTS

FASB ASC 820-10 establishes a framework for using fair value to measure assets and liabilities and defines fair value as the price that would be received to sell an asset or paid to transfer a liability (an exit price) as opposed to the price that would be paid to acquire the asset or received to assume the liability (an entry price).

Under FASB ASC 820-10, a fair value measure should reflect the assumptions that market participants would use in pricing the asset or liability, including the assumptions about the risk inherent in a particular valuation technique, the effect of a restriction on the sale or use of an asset and the risk of nonperformance. FASB ASC 820-10 requires disclosures that stratify the statement of financial position amounts measured at fair value based on inputs used to derive fair value measurements.

These strata include:

- Level 1 inputs, where the valuation is based on quoted market prices for identical assets or liabilities traded in active markets (which include exchanges and over-the-counter markets with sufficient volume),
- Level 2 inputs, where the valuation is based on quoted market prices for similar instruments traded in active markets, quoted prices for identical or similar instruments in markets that are not active and model-based valuation techniques for which all significant assumptions are observable in the market, and
- Level 3 inputs, where the valuation is generated from model-based techniques that use significant assumptions not observable in the market, but observable based on fund-specific data. These unobservable assumptions reflect estimates or assumptions that market participants would use in pricing the asset or liability. Valuation techniques typically include option pricing models, discounted cash flow models and similar techniques, but may also include the use of market prices of assets or liabilities that are not directly comparable to the subject asset or liabilities.

Hillsborough Education Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2018 and 2017

NOTE B - FAIR VALUE MEASUREMENTS - Continued

The following table presents financial assets measured at fair value on a recurring basis as of June 30,:

<u>2018</u>	<u>Fair Value</u>	<u>Level 1 Inputs</u>	<u>Level 2 Inputs</u>	<u>Level 3 Inputs</u>
Money market and certificate of deposit funds	\$ 275,654	\$ 275,654	\$ -	\$ -
Domestic equities	1,574,469	1,574,469	-	-
International equities	911,288	911,288	-	-
Domestic fixed income	<u>1,239,694</u>	<u>1,239,694</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 4,001,105</u>	<u>\$ 4,001,105</u>	<u>\$ -</u>	<u>\$ -</u>
<u>2017</u>	<u>Fair Value</u>	<u>Level 1 Inputs</u>	<u>Level 2 Inputs</u>	<u>Level 3 Inputs</u>
Money market and certificate of deposit funds	\$ 272,756	\$ 272,756	\$ -	\$ -
Domestic equities	1,370,968	1,370,968	-	-
International equities	828,757	828,757	-	-
Domestic fixed income	<u>1,253,987</u>	<u>1,253,987</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 3,726,468</u>	<u>\$ 3,726,468</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE C - INVESTMENTS

Cash or investments that are designed for long-term purposes or are received with donor imposed restrictions that limit their use are shown as noncurrent assets in the Statements of Financial Position. Investments shown as noncurrent assets consisted of the following at June 30,:

	<u>2018</u>	<u>2017</u>
Endowments/donor advised funds	<u>\$ 3,343,578</u>	<u>\$ 3,073,524</u>

Hillsborough Education Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2018 and 2017

NOTE D - PLEDGES RECEIVABLE

Pledges receivable represent unconditional promises to give by donors. Pledges that are expected to be collected after one year have been discounted using a rate of 1.0% to 4.0% and are reflected in the financial statements at their net present value.

Pledges receivable consisted of the following at June 30,:

	<u>2018</u>	<u>2017</u>
Total pledges	\$ 57,017	\$ 30,815
Less allowance for uncollectible pledges	-	-
Less unamortized discount for present value	-	-
	<u> </u>	<u> </u>
Pledges receivable, net	<u>\$ 57,017</u>	<u>\$ 30,815</u>

Pledges receivable expected to be collected after June 30, 2018:

<u>Year ending June 30,</u>	
2019	\$ 57,017
Less allowance for uncollectible pledges and unamortized discount	<u> </u>
	<u>\$ 57,017</u>

NOTE E - PREPAID SCHOLARSHIPS

The Foundation made purchases totaling \$221,624 and \$243,561 to the Florida Prepaid College Foundation, Inc. during the years ended June 30, 2018 and 2017, respectively, for the purpose of purchasing prepaid scholarships to be awarded in the future to qualified, economically disadvantaged students in Florida. In 2018 and 2017, the State of Florida matched dollar-for-dollar contributions used to purchase prepaid scholarships. The fair value of the prepaid scholarships held with the Florida Prepaid College Foundation, Inc. was \$3,279,797 and \$3,296,742 at June 30, 2018 and 2017, respectively. The prepaid scholarship fund was reduced by \$249,503 and \$350,857 due to the utilization of scholarship recipients for the years ended June 30, 2018 and 2017, respectively. Additionally, for the year ended June 30, 2017 the prepaid scholarships were reduced by \$275,545 related to the scholarship reinvestment opportunity. The Foundation also had \$43,076 and \$113,000 of prepaid scholarships with Hillsborough Community College at June 30, 2018 and 2017, respectively.

Hillsborough Education Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2018 and 2017

NOTE F - FURNITURE, EQUIPMENT AND IMPROVEMENTS

Furniture, equipment and improvements are summarized as follows at June 30,:

	<u>2018</u>	<u>2017</u>
Software and website	\$ 62,073	\$ 62,073
Furniture, fixtures and equipment	67,247	65,086
Leasehold improvements	<u>539,123</u>	<u>529,514</u>
	668,443	656,673
Less accumulated depreciation	<u>(522,574)</u>	<u>(447,021)</u>
	<u>\$ 145,869</u>	<u>\$ 209,652</u>

NOTE G - BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS

The Foundation established a designated fund with the Community Foundation of Tampa Bay, Inc. (the "Community Foundation") for the purpose of providing support for the Foundation's mission.

NOTE H - COMMITMENTS

The Foundation leases equipment which is classified as an operating lease. The following is a schedule of approximate minimum payments under the contracts that expire as follows:

<u>Year ending June 30,:</u>	
2019	\$ 3,700
2020	3,700
2021	3,700
2022	<u>1,200</u>
	<u>\$ 12,300</u>

The Foundation's rental expense was approximately \$9,100 and \$13,200 for the years ended June 30, 2018 and 2017, respectively. Additionally, the Foundation entered into an office space lease with the City of Tampa effective June 2010 for \$1 per year for ten years.

Hillsborough Education Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2018 and 2017

NOTE I - LINE OF CREDIT

The Foundation established a \$250,000 secured line of credit with a financial institution, bearing interest at prime minus .25%. Monthly payments are payable in an amount greater than \$250 or the aggregate sum of accrued interest, plus, 1/60th of the unpaid principal balance. The line of credit is secured by a \$250,022 deposit account with the same financial institution. The line was not drawn on at June 30, 2018.

NOTE J - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets contain donor-imposed restrictions that expire upon the passage of time or once specific actions are undertaken by the Foundation. The net assets are then released and reclassified to unrestricted support when these restrictions are satisfied.

Temporarily restricted net assets consisted of the following balances at June 30,:

	2018	2017
Career and Technical Education	\$ 100,809	\$ 119,517
Scholarships and Mentoring	3,271,995	3,478,046
School and Classroom Enrichment Programs	283,733	215,391
Endowments/donor advised funds	1,352,094	1,288,517
Other programs	222,380	287,423
	<u>\$ 5,231,011</u>	<u>\$ 5,388,894</u>

NOTE K - ENDOWMENT NET ASSETS

The Foundation's endowment is comprised of donor restricted funds designated to function as endowments. Net assets associated with endowment funds are classified and reported based on existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

In July 2011, the State of Florida adopted the Florida Uniform Prudent Management of Institutional Funds Act ("FUPMIFA"). The Foundation has interpreted the FUPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulation to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

Hillsborough Education Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2018 and 2017

NOTE K - ENDOWMENT NET ASSETS - Continued

In accordance with the FUPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the Foundation and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and that appreciation of investments
6. Other resources of the Foundation
7. The investment policies of the Foundation

Return Objectives, Risk Parameters, and Strategies

The Foundation has adopted an investment and spending policy for endowment assets that attempts to preserve the real (inflation adjusted) value of endowment assets, increase the real value of the portfolio and facilitate a potential distribution to support some level of future operations. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period(s). The terms of the operating policies of the endowment funds (the "Fund") requires that the Fund will be managed by the Investment Committee and approved by the Board of Directors.

The Investment Committee is responsible to oversee the portfolio's investments and monitor the investments on an ongoing basis to ensure that long-term objectives are being met. The Investment Committee has agreed to a target asset allocation for the portfolio's assets and seeks advice from professional investment managers which hold the assets. The Fund is to invest funds in accordance with the standards set forth in the Foundation's investment policy.

Spending Policy and How the Investment Objective Relates to Spending Policy

The Foundation's Board of Directors ("Board"), on the recommendation of the Investment Committee, has adopted a spending policy that governs the annual distributions from the endowment fund that may be expended for current operations of the Foundation. This policy authorizes the Foundation to distribute from its endowment fund a specified percentage, to be determined by the Board from time to time, of the current market at budget time or fiscal year-end of the endowment fund. The policy also allows the Board to base the distribution formula on the average market value over a period of several years as it chooses to do so. The Foundation's Board approved policy is to distribute four percent (4%) of the three-year average market value of the endowment as of March 31, each year.

Hillsborough Education Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2018 and 2017

NOTE K - ENDOWMENT NET ASSETS - Continued

Distributions cannot exceed the accumulated unspent earnings of the endowment without the Board's approval. Income earned in excess of the spending rate may be reinvested in endowment principal. This is consistent with the Foundation's objective to maintain the purchasing power of endowment assets as well as to provide additional real growth through investment return.

Changes in the endowment's net assets are as follows:

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets at June 30, 2016	\$ 102,977	\$ 715,677	\$ 818,654
Contributions	6,005	15,000	21,005
Investment income	115,144	-	115,144
Endowment expenditures	(35,466)	-	(35,466)
Transfers	3,000	35,000	38,000
Endowment net assets at June 30, 2017	191,660	765,677	957,337
Contributions	1,350	65,000	66,350
Investment income	87,084	-	87,084
Endowment expenditures	(40,434)	-	(40,434)
Transfers from investments	-	-	-
Endowment net assets at June 30, 2018	<u>\$ 239,660</u>	<u>\$ 830,677</u>	<u>\$ 1,070,337</u>

As a result of donors changing their donor advised agreements to permanently restricted contributions, \$35,000 of temporarily restricted funds were transferred to permanently restricted endowment funds during the year ended June 30, 2017. The earnings on permanently restricted endowments are restricted for a specific purpose.

NOTE L - FUNDRAISING EVENTS

The Foundation conducted a variety of fundraising events during the years ended June 30, 2018 and 2017 to benefit the Foundation. Net special events revenue consisted of the following at June 30,:

	2018	2017
Event revenue	\$ 292,774	\$ 354,063
Direct expenses	104,917	127,962
Net proceeds from special events	<u>\$ 187,857</u>	<u>\$ 226,101</u>

Hillsborough Education Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2018 and 2017

NOTE M - RETIREMENT PLAN

The Foundation participates in a 403(b)-retirement plan that covers all employees. The Foundation revised the plan to include a matching contribution of 50% of the employee's contribution, up to a maximum of 2% and a 2% end of year contribution for employees employed on December 31st and to implement a vesting schedule for the new employees of 33% per year for three years. Previously, each full-time employee covered under the plan had a discretionary contribution of 10% of the employee's eligible wages contributed to the plan by the Foundation, starting after their first 12 consecutive month of employment, or if part-time, after 1,000 hours of employment. Pension expense was \$28,789 and \$51,437 for the years ended June 30, 2018 and 2017, respectively.

NOTE N - OTHER INCOME

The Foundation was awarded a settlement of approximately \$354,000 net of related fees, during the year ended June 30, 2018, for claims filed for benefits available under the Deepwater Horizon Court Supervised Settlement MDL2179 in Re: Oil Spill by Oil Rig Deepwater in the Gulf of Mexico on April 22, 2010 (commonly known as BP Oil Spill). The settlement proceeds were received in January 2018. The settlement is recorded in other revenue.

NOTE O - BOARD DESIGNATION

The Foundation's Board of Directors adopted an operating reserve policy during fiscal year 2018. The policy has a target minimum operating reserve fund equal to not less than six months and not more than eighteen months of average recurring operating costs. Based on this formula, the Foundation's Board of Directors has designated \$1,418,775 and \$0 of unrestricted net assets for the years ended June 30, 2018 and 2017, respectively for future working capital needs.

NOTE P - SUBSEQUENT EVENTS

Subsequent events were evaluated through October 31, 2018, which is the date the financial statements were available to be issued.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

HILLSBOROUGH EDUCATION FOUNDATION, INC.

June 30, 2018



RIVERO, GORDIMER & COMPANY, P.A.
CERTIFIED PUBLIC ACCOUNTANTS

Member
American Institute of Certified Public Accountants
Florida Institute of Certified Public Accountants

Herman V. Lazzara
Marc D. Sasser
Sam A. Lazzara
Kevin R. Bass
Jonathan E. Stein
Richard B. Gordimer, of Counsel
Cesar J. Rivero, in Memoriam (1942-2017)

Stephen G. Douglas
Michael E. Helton
Christopher F. Terrigino
James K. O'Connor

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

The Board of Directors
Hillsborough Education Foundation, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Hillsborough Education Foundation, Inc. (a nonprofit organization) (the "Foundation"), which comprise the statement of financial position as of June 30, 2018 and the related statements of activities and changes in net assets, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 31, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Foundation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

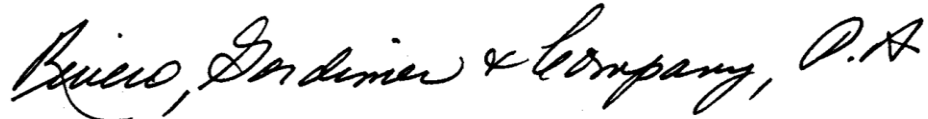
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Buco, Gardner & Company, P.A." The signature is written in a cursive, flowing style.

Tampa, Florida
October 31, 2018