

HILLSBOROUGH EDUCATION FOUNDATION, INC.

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEARS ENDED JUNE 30, 2019 AND 2018



CLAconnect.com

**WEALTH ADVISORY
OUTSOURCING
AUDIT, TAX, AND
CONSULTING**

**HILLSBOROUGH EDUCATION FOUNDATION, INC.
TABLE OF CONTENTS
YEARS ENDED JUNE 30, 2019 AND 2018**

INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
STATEMENTS OF FINANCIAL POSITION	3
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS	4
STATEMENTS OF FUNCTIONAL EXPENSES	6
STATEMENTS OF CASH FLOWS	8
NOTES TO FINANCIAL STATEMENTS	9
SUPPLEMENTARY INFORMATION	
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 <i>GOVERNMENT AUDITING STANDARDS</i>	20



INDEPENDENT AUDITORS' REPORT

Board of Directors
Hillsborough Education Foundation, Inc.
Tampa, Florida

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 statement of financial position as of June 30, 2019, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 auditors' 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.

Board of Directors
Hillsborough Education Foundation, Inc.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hillsborough Education Foundation, Inc. as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

The 2018 financial statements of the Foundation were audited by other auditors whose report dated October 31, 2018, expressed an unmodified opinion on those statements.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2019, 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 solely 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 the effectiveness of the Foundation's 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.



CliftonLarsonAllen LLP

Tampa, Florida
November 19, 2019

HILLSBOROUGH EDUCATION FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2019 AND 2018

	2019	2018
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 1,085,189	\$ 921,996
Accounts Receivable	64,076	66,450
Pledges Receivable	86,588	57,017
Investments	678,465	657,527
Total Current Assets	1,914,318	1,702,990
Prepaid Scholarships	3,328,263	3,322,873
Furniture, Equipment, and Improvements, Net	126,030	145,869
Investments	3,481,240	3,343,578
Beneficial Interest in Assets Held by Others	46,386	46,988
Deposits	12,302	18,793
Total Assets	\$ 8,908,539	\$ 8,581,091
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 133,826	\$ 73,515
Accrued Expenses	595,250	508,664
Deferred Revenue	149,138	31,050
Total Current Liabilities	878,214	613,229
NET ASSETS		
Without Donor Restrictions	1,910,403	1,906,174
With Donor Restrictions	6,119,922	6,061,688
Total Net Assets	8,030,325	7,967,862
Total Liabilities and Net Assets	\$ 8,908,539	\$ 8,581,091

See accompanying Notes to Financial Statements.

HILLSBOROUGH EDUCATION FOUNDATION, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Community Support and Revenue:			
Public Support:			
Received Directly:			
Contributions	\$ 479,961	\$ 1,315,137	\$ 1,795,098
State Grants	-	806,762	806,762
Local Grants	40,000	377,388	417,388
Fundraising Events, Net	123,872	192,990	316,862
Donated Goods and Services:			
Teaching Tools	-	3,545,074	3,545,074
Other	35,505	269,744	305,249
Total Community Support and Revenue	679,338	6,507,095	7,186,433
Other Revenue:			
Unrealized Scholarship Depreciation	-	(16,850)	(16,850)
Investment Return, Net	86,461	59,006	145,467
Other Revenue	12,216	-	12,216
Total Other Revenue	98,677	42,156	140,833
Net Assets Released from Restrictions	6,491,017	(6,491,017)	-
Total Support and Revenue	7,269,032	58,234	7,327,266
EXPENSES			
Program Services	6,695,226	-	6,695,226
Management and General	271,398	-	271,398
Fundraising	298,179	-	298,179
Total Expenses	7,264,803	-	7,264,803
CHANGE IN NET ASSETS	4,229	58,234	62,463
Net Assets - Beginning of Year	1,906,174	6,061,688	7,967,862
NET ASSETS - END OF YEAR	\$ 1,910,403	\$ 6,119,922	\$ 8,030,325

See accompanying Notes to Financial Statements.

HILLSBOROUGH EDUCATION FOUNDATION, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT AND REVENUE			
Community Support and Revenue:			
Public Support:			
Received Directly:			
Contributions	\$ 461,869	\$ 1,631,215	\$ 2,093,084
State Grants	50,931	450,602	501,533
Local Grants	-	86,418	86,418
Fundraising Events, Net	90,057	97,800	187,857
Donated Goods and Services:			
Teaching Tools	-	3,062,879	3,062,879
School Board	-	9,041	9,041
Other	7,646	370,407	378,053
Total Community Support and Revenue	<u>610,503</u>	<u>5,708,362</u>	<u>6,318,865</u>
Other Revenue:			
Unrealized Scholarship Depreciation	-	(2,987)	(2,987)
Investment Return, Net	88,068	175,983	264,051
Other Revenue	357,766	-	357,766
Total Other Revenue	<u>445,834</u>	<u>172,996</u>	<u>618,830</u>
Net Assets Released from Restrictions	<u>5,974,241</u>	<u>(5,974,241)</u>	<u>-</u>
Total Support and Revenue	7,030,578	(92,883)	6,937,695
EXPENSES			
Program Services	5,908,152	-	5,908,152
Management and General	182,005	-	182,005
Fundraising	327,004	-	327,004
Total Expenses	<u>6,417,161</u>	<u>-</u>	<u>6,417,161</u>
CHANGE IN NET ASSETS	613,417	(92,883)	520,534
Net Assets - Beginning of Year	<u>1,292,757</u>	<u>6,154,571</u>	<u>7,447,328</u>
NET ASSETS - END OF YEAR	<u>\$ 1,906,174</u>	<u>\$ 6,061,688</u>	<u>\$ 7,967,862</u>

See accompanying Notes to Financial Statements.

HILLSBOROUGH EDUCATION FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2019

	Program Services	Supporting Services		Total
		Management and General	Fundraising	
Salaries and Benefits	\$ 930,141	\$ 190,027	\$ 214,870	\$ 1,335,038
Occupancy, Infrastructure, and Insurance	146,130	14,636	32,852	193,618
Grant and Award Distributions	627,252	111	1,640	629,003
Scholarships	864,789	-	-	864,789
Depreciation and Amortization	62,031	5,197	13,566	80,794
Other Expenses	226,285	59,025	25,538	310,848
In- Kind Expense	3,838,598	2,402	9,713	3,850,713
Events	-	-	159,832	159,832
Total Expenses by Function	<u>6,695,226</u>	<u>271,398</u>	<u>458,011</u>	<u>7,424,635</u>
Less: Expenses Included with Revenues on the Statement of Activities and Changes in Net Assets:				
Fundraising Event Expense	-	-	(159,832)	(159,832)
Total Expenses Included in the Expense Section on the Statement of Activities and Changes in Net Assets	<u>\$ 6,695,226</u>	<u>\$ 271,398</u>	<u>\$ 298,179</u>	<u>\$ 7,264,803</u>
Functional Expenses as a Percentage of Total	<u>92%</u>	<u>4%</u>	<u>4%</u>	<u>100%</u>

See accompanying Notes to Financial Statements.

HILLSBOROUGH EDUCATION FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2018

	Program Services	Supporting Services		Total
		Management and General	Fundraising	
Salaries and Benefits	\$ 802,686	\$ 99,942	\$ 251,331	\$ 1,153,959
Occupancy, Infrastructure, and Insurance	127,085	13,190	29,675	169,950
Grant and Award Distributions	768,202	700	1,007	769,909
Scholarships	519,020	-	-	519,020
Depreciation and Amortization	58,103	4,831	12,619	75,553
Other Expenses	191,117	62,929	26,432	280,478
In- Kind Expense	3,441,939	413	5,940	3,448,292
Events	-	-	106,598	106,598
Total Expenses by Function	<u>5,908,152</u>	<u>182,005</u>	<u>433,602</u>	<u>6,523,759</u>
Less: Expenses Included with Revenues on the Statement of Activities and Changes in Net Assets:				
Fundraising Event Expense	-	-	(106,598)	(106,598)
Total Expenses Included in the Expense Section on the Statement of Activities and Changes in Net Assets	<u>\$ 5,908,152</u>	<u>\$ 182,005</u>	<u>\$ 327,004</u>	<u>\$ 6,417,161</u>
Functional Expenses as a Percentage of Total	<u>92%</u>	<u>3%</u>	<u>5%</u>	<u>100%</u>

See accompanying Notes to Financial Statements.

HILLSBOROUGH EDUCATION FOUNDATION, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 62,463	\$ 520,534
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities		
Depreciation and Amortization	80,794	75,553
Realized and Unrealized Gains on Investment	(11,805)	(155,525)
Net Utilization of Prepaid Scholarships	304,028	305,506
Change in Scholarship Value	16,850	2,987
(Increase) Decrease in Assets:		
Accounts Receivable	2,374	(9,906)
Pledges Receivable	(29,571)	(26,202)
Beneficial Interest in Assets Held by Others	602	11,171
Deposits	6,491	(16,000)
Increase (Decrease) in Liabilities:		
Accounts Payable	60,311	40,560
Accrued Expenses	86,586	(183,045)
Deferred Revenue	118,088	(14,950)
Net Cash Provided by Operating Activities	697,211	550,683
 CASH FLOWS FROM INVESTING ACTIVITIES		
Prepaid Scholarship Additions	(326,268)	(221,624)
Purchase of Property, Equipment, and Improvements	(60,955)	(11,770)
Purchase of Investments	(4,045,136)	(119,113)
Proceeds from Sale of Investments	3,898,341	-
Net Cash Used by Investing Activities	(534,018)	(352,507)
 NET CHANGE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	163,193	198,176
 Cash, Cash Equivalents, and Restricted Cash - Beginning of Year	921,996	723,820
 CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - END OF YEAR	\$ 1,085,189	\$ 921,996

See accompanying Notes to Financial Statements.

HILLSBOROUGH EDUCATION FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Hillsborough Education Foundation, Inc. (the Foundation), was incorporated on March 2, 1988 under Chapter 617 of the Florida Statutes as a nonprofit corporation for educational and charitable purposes. The mission of the Foundation is to strengthen public education in Hillsborough County through advocacy, investment of resources, and programs that empower every student to achieve both academic and personal success.

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 or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

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. Donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statements of activities and changes in net assets as net assets released from restrictions.

Cash and Cash Equivalents

In keeping with accounting principles generally accepted in the United States of America, the Foundation considers all cash and highly liquid financial instruments with original maturities of three months or less to be cash and cash equivalents.

Accounts Receivable and Pledges Receivable

The Foundation receives support from contributions, state grants, and local grants. The Foundation considers the receivables to be fully collectible. As such, there is no allowance for default accounts included for the years ended June 30, 2019 and 2018. These receivables are written off when management deems the accounts to be uncollectible.

HILLSBOROUGH EDUCATION FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

Investments are stated at fair value based upon quoted market prices with dividends, interest, investment fees, realized and unrealized gains and losses captioned as Investment Return, Net on the statements of activities and changes in net assets. Noncurrent investments include donor-restricted and board designated endowments, as well as donor-advised funds.

Prepaid Scholarships

Prepaid scholarships consist of amounts paid to the Florida Prepaid College Foundation, Inc. for the purpose of purchasing scholarships to be awarded in the future to qualified students. The expenses related to these scholarships are recognized in the statements of activities and changes in net assets at the time scholarships are paid by the Florida Prepaid Foundation, Inc.

Furniture, Equipment and Improvements

Furniture, equipment, and improvements are stated at cost or fair value at the date of donation. Depreciation and amortization is calculated using the straight-line method over an estimated useful life of 1 to 10 years. The Foundation capitalizes asset acquisitions and improvements which have a useful live of over one year and exceed \$1,000 individually.

Beneficial Interest in Assets Held by Others

This consists of a fund with the Community Foundation of Tampa Bay, Inc. (the Community Foundation). The funds are invested in the community foundation's investment pool and the Foundation receives a proportionate share of the overall investment return of the pool. The underlying investments in the Community Foundation's investment pool consists of cash, equity securities, debt securities, private equity funds, limited partnerships, and hedge funds. These assets are measured at fair value, as reported by the Community Foundation.

Revenue Recognition

Contributions are recognized when the donor makes a promise to give to the Foundation that is, in substance, unconditional. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Grant income is recognizable when it is receivable, to the extent that the grant has been spent or the grant requirements have been met by the end of the fiscal year. Provided the grantor retains funding control under defined performance requirements, grant revenue with unspent or unmet requirements are included in deferred revenues shown on the statement of financial position.

Donated Goods and Services

Donations of goods 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. Donated goods for the Teaching Tools Store are recognized when they are distributed to recipients.

HILLSBOROUGH EDUCATION FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Donated Goods and Services (Continued)

Donated 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.

Functional Expenses

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. These expenses are allocated using factors such as square footage and headcounts for depreciation, amortization, occupancy, infrastructure, and insurance. The allocations for salaries and benefits are based on estimated time and effort of the Foundation's personnel.

Income Taxes

The Foundation is exempt from federal income taxes under Section 501(c)(3) and is exempt from state corporate income tax under applicable Florida Statutes. Under certain circumstances, the Internal Revenue Code provides for taxation of unrelated business income. Such status is subject to final determination upon examination of the related income tax returns by the appropriate taxing authorities. Management is not aware of any activities that would jeopardize the Foundation's tax-exempt status.

Management has evaluated all tax positions that could have a significant effect on the financial statements and determined that the Foundation had no uncertain income tax positions at June 30, 2019.

Concentrations of Credit Risk

The Foundation maintains checking and depository accounts with financial institutions which are insured by the Federal Deposit Insurance Corporation up to certain limits. At times, cash balances on deposit may exceed federally insured amounts.

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.

HILLSBOROUGH EDUCATION FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Change in Accounting Standard

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Foundation has implemented ASU 2016-14 and has adjusted the presentation in these financial statements accordingly. The ASU has been applied retrospectively to all periods presented. Net assets that had been previously classified as unrestricted net assets are now classified as net assets without donor restrictions. Net assets that had been previously classified as temporarily restricted net assets and permanently restricted net assets are now combined together and classified as net assets with donor restrictions.

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.

Subsequent Events

We have evaluated subsequent events through November 19, 2019, the date the financial statements were available to be issued.

NOTE 2 LIQUIDITY AND AVAILABILITY

The Foundation manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

The Foundation has a policy to target a year-end balance of reserves of unrestricted, undesignated net assets to meet at least six months of expected expenditures. During the years ended June 30, 2019 and 2018 the level of liquidity and reserves was managed within the policy requirements.

As part of the Foundation's liquidity management, it invests cash in excess of daily requirements in short-term investments. To help manage unanticipated liquidity needs, the Foundation has committed lines of credit in the amount of \$250,000 which it could draw upon. Additionally, the Foundation has a board-designated quasi-endowment of approximately \$1.2 million available.

HILLSBOROUGH EDUCATION FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 2 LIQUIDITY AND AVAILABILITY (CONTINUED)

The Foundation's financial assets available within one year of the statement of financial position date for general expenditures are as follows:

	2019	2018
Cash and Cash Equivalents	\$ 1,085,189	\$ 921,996
Accounts Receivable	64,076	66,450
Pledges Receivable	86,588	57,017
Investments	4,159,705	4,001,105
Total Financial Assets	<u>5,395,558</u>	<u>5,046,568</u>
Less: Donor-Imposed Restrictions	(3,054,953)	(3,038,700)
Less: Board-Designated Quasi-Endowment	<u>(1,223,579)</u>	<u>(1,153,533)</u>
Total Financial Assets Available for General Expenditure Within One Year	<u>\$ 1,117,026</u>	<u>\$ 854,335</u>

NOTE 3 FAIR VALUE MEASUREMENTS

The Foundation reports certain assets and liabilities at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available.

A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that are accessible at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset or liability.

HILLSBOROUGH EDUCATION FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 3 FAIR VALUE MEASUREMENTS (CONTINUED)

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

	2019			Total
	Level 1	Level 2	Level 3	
Cash and Cash Equivalents	\$ 227,890	\$ -	\$ -	\$ 227,890
Fixed Income	1,328,276	-	-	1,328,276
Equities	2,258,721	-	-	2,258,721
Strategic Opportunities	344,818	-	-	344,818
Total Assets at Fair Value	<u>\$ 4,159,705</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,159,705</u>

	2018			Total
	Level 1	Level 2	Level 3	
Cash and Cash Equivalents	\$ 275,654	\$ -	\$ -	\$ 275,654
Fixed Income	1,239,694	-	-	1,239,694
Equities	2,485,757	-	-	2,485,757
Total Assets at Fair Value	<u>\$ 4,001,105</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,001,105</u>

Investment return, net consists of the following for the years ended June 30:

	2019	2018
Interest and Dividend Income	\$ 148,712	\$ 123,526
Realized and Unrealized Gains	11,805	155,525
Investment Fees	(15,050)	(15,000)
Investment Return, Net	<u>\$ 145,467</u>	<u>\$ 264,051</u>

NOTE 4 FURNITURE, EQUIPMENT, AND IMPROVEMENTS

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

	2019	2018
Software and Website	\$ 62,073	\$ 62,073
Furniture, Fixtures, and Equipment	112,931	67,247
Leasehold Improvements	554,394	539,123
Subtotal	729,398	668,443
Less: Accumulated Depreciation and Amortization	(603,368)	(522,574)
Total Furniture, Equipment, and Improvements, Net	<u>\$ 126,030</u>	<u>\$ 145,869</u>

HILLSBOROUGH EDUCATION FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 5 COMMITMENTS

The Foundation entered into an office space lease with the City of Tampa effective June 2010 for \$1 per year for a period of 10 years, with optional renewals for two additional five year terms. The lease agreement required the Foundation to make certain financial commitments for improvements to the leased premises during the 10-year term. The Foundation has fulfilled these commitments as of June 30, 2019.

NOTE 6 LINE OF CREDIT

The Foundation established a \$250,000 secured line of credit with a financial institution, bearing interest at the prime rate minus 0.25%. 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 deposit account with the same financial institution with approximately \$250,000 at June 30, 2019. The line was not drawn on as of June 30, 2019 and 2018.

NOTE 7 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or other events specified by the donors as follows as of June 30:

	<u>2019</u>	<u>2018</u>
Subject to Expenditure for Specified Purpose:		
Scholarships and Mentoring	\$ 4,560,749	\$ 4,624,089
School and Classroom Enrichment	488,006	376,360
Career and Technical Training	149,418	100,809
Teaching Tools	33,497	79,753
Other	51,575	50,000
Total	<u>5,283,245</u>	<u>5,231,011</u>
 Endowments to be Invested in Perpetuity, the Income from Which is Expendable to Support:		
Scholarships and Mentoring	826,677	820,677
School and Classroom Enrichment	10,000	10,000
Total	<u>836,677</u>	<u>830,677</u>
 Total Net Assets with Donor Restrictions	<u><u>\$ 6,119,922</u></u>	<u><u>\$ 6,061,688</u></u>

HILLSBOROUGH EDUCATION FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 7 NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or other events specified by the donors as follows for the years ended June 30:

	2019	2018
Satisfaction of Purpose Restrictions:		
Scholarships and Mentoring	\$ 1,396,556	\$ 1,204,783
School and Classroom Enrichment	553,712	581,835
Career and Technical Training	232,575	88,036
Teaching Tools	3,775,788	3,425,371
Teacher Support and Recognition	532,386	674,216
Total Net Assets Released from Donor Restrictions	\$ 6,491,017	\$ 5,974,241

NOTE 8 ENDOWMENT NET ASSETS

The Foundation's endowment consists of funds established for a variety of purposes, and includes both donor-restricted funds and funds designated by the board of directors to function as endowments. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the board of trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Foundation is subject to the State Prudent Management of Institutional Funds Act (SPMIFA), and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions until the board of directors appropriates such amounts for expenditure and any other purpose restrictions have been met. The board of directors of the Foundation has interpreted SPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Foundation considers a fund to be underwater when the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Foundation has interpreted SPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. Additionally, in accordance with SPMIFA, 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

HILLSBOROUGH EDUCATION FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 8 ENDOWMENT NET ASSETS (CONTINUED)

Endowment net asset composition by type of fund was as follows as of June 30, 2019:

June 30, 2019	Without Donor Restriction	With Donor Restrictions	Total
Board-Designated Endowment Funds	\$ 1,223,579	\$ -	\$ 1,223,579
Donor-Restricted Endowment Funds:			
Original Donor-Restricted Gift Amount and Amounts Required to be Maintained in Perpetuity by Donor	-	836,677	836,677
Portion Subject to Appropriation under SPMIFA	-	236,002	236,002
Total	<u>\$ 1,223,579</u>	<u>\$ 1,072,679</u>	<u>\$ 2,296,258</u>

Endowment net asset composition by type of fund was as follows as of June 30, 2018:

June 30, 2018	Without Donor Restriction	With Donor Restrictions	Total
Board-Designated Endowment Funds	\$ 1,153,533	\$ -	\$ 1,153,533
Donor-Restricted Endowment Funds:			
Original Donor-Restricted Gift Amount and Amounts Required to be Maintained in Perpetuity by Donor	-	830,677	830,677
Portion Subject to Appropriation under SPMIFA	-	239,660	239,660
Total	<u>\$ 1,153,533</u>	<u>\$ 1,070,337</u>	<u>\$ 2,223,870</u>

Changes in endowment net assets were as follows for the years ended June 30:

June 30, 2019	Without Donor Restriction	With Donor Restrictions	Total
Endowment Net Assets - Beginning of Year	\$ 1,153,533	\$ 1,070,337	\$ 2,223,870
Contributions	-	6,000	6,000
Investment Income	33,565	30,416	63,981
Endowment Expenditures	-	(34,074)	(34,074)
Transfers	36,481	-	36,481
Endowment Net Assets - End of Year	<u>\$ 1,223,579</u>	<u>\$ 1,072,679</u>	<u>\$ 2,296,258</u>
June 30, 2018	Without Donor Restriction	With Donor Restrictions	Total
Endowment Net Assets - Beginning of Year	\$ 1,023,011	\$ 957,337	\$ 1,980,348
Contributions	-	66,350	66,350
Investment Income	91,040	87,084	178,124
Endowment Expenditures	-	(40,434)	(40,434)
Transfers	39,482	-	39,482
Endowment Net Assets - End of Year	<u>\$ 1,153,533</u>	<u>\$ 1,070,337</u>	<u>\$ 2,223,870</u>

HILLSBOROUGH EDUCATION FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 8 ENDOWMENT NET ASSETS (CONTINUED)

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor of SPMIFA requires the Foundation to retain as a fund or perpetual duration. These deficiencies can result from unfavorable market fluctuations that occur shortly after the investment of new contributions for donor-restricted endowment funds with continued appropriation for certain programs deemed prudent by the board of directors. There are no deficiencies of this nature as of June 30, 2019.

Investment and Spending Policy

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.

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 4% of the three-year average market value of the endowment as of March 31, each year.

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.

HILLSBOROUGH EDUCATION FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 9 FUNDRAISING EVENTS

The Foundation conducted a variety of fundraising events during the years ended June 30, 2019 and 2018 to benefit the Foundation. Net special events revenue consisted of the following for the years ended June 30:

	<u>2019</u>	<u>2018</u>
Event Revenue	\$ 476,694	\$ 294,455
Direct Expenses	(159,832)	(106,598)
Fundraising Events, Net	<u>\$ 316,862</u>	<u>\$ 187,857</u>

NOTE 10 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 100% of the employee's contribution, up to a maximum of 4%. The matching contribution starts after employee's first 12 consecutive months of employment, or if part-time, after 1,000 hours of employment, and the vesting schedule is 33% per year for three years. Previously, each full time employee covered under the plan received 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 31. Retirement plan expense was approximately \$18,000 and \$29,000 for the years ended June 30, 2019 and 2018, respectively, and is classified as salaries and benefits in the accompanying statements of functional expenses.

NOTE 11 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, with a final settlement amount of approximately \$8,000 received in January 2019. The settlement is classified as other revenue in the accompanying statements of activities and changes in net assets.



**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***

Board of Directors
Hillsborough Education Foundation, Inc.
Tampa, Florida

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., which comprise the statement of financial position as of June 30, 2019, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 19, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Hillsborough Education Foundation, Inc.'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 Hillsborough Education Foundation, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Hillsborough Education Foundation, Inc.'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.

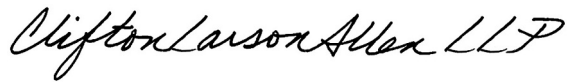
Board of Directors
Hillsborough Education Foundation, Inc.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hillsborough Education Foundation, Inc.'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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Tampa, Florida
November 19, 2019