

**Education Foundation of  
Sarasota County, Inc.**

**Financial Statements**

**June 30, 2019**

## **C O N T E N T S**

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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Education Foundation of Sarasota, Inc.

We have audited the accompanying financial statements of Education Foundation of Sarasota County, Inc. (a nonprofit organization), 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.

### **Auditor's 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. 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 Education Foundation of Sarasota County, 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.

**Report on Summarized Comparative Information**

We have previously audited the Education Foundation of Sarasota County, Inc.'s 2018 financial statements, and our report dated October 24, 2018, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in black ink that reads "Cavanaugh & Co LLP". The signature is written in a cursive, flowing style.

Sarasota, Florida  
January 9, 2020

**Education Foundation of Sarasota County, Inc.**

**Statement of Financial Position**

June 30, 2019

(with comparative totals for 2018)

**ASSETS**

	<u>2019</u>	<u>2018</u>
Current assets:		
Cash and cash equivalents	\$ 65,468	362,919
Promises to give, current portion	72,398	75,150
Total current assets	<u>137,866</u>	<u>438,069</u>
Other assets:		
Property and equipment, net	58,466	20,358
Prepaid expenses	15,822	2,209
Investments, at fair value	1,801,825	1,544,585
Investments in community foundations	172,969	171,610
Total other assets	<u>2,049,082</u>	<u>1,738,762</u>
 Total assets	 <u>\$ 2,186,948</u>	 <u>2,176,831</u>

**LIABILITIES AND NET ASSETS**

Current liabilities:		
Accounts payable	\$ 41,204	55,154
Total current liabilities	41,204	55,154
Net assets:		
Without donor restrictions		
Undesignated	(401,082)	(84,119)
Designated by board for endowment	214,676	204,673
Total without donor restriction	<u>(186,406)</u>	<u>120,554</u>
With donor restrictions		
Purpose restriction	1,495,307	1,370,376
Perpetual in nature	836,843	630,747
Total with donor restrictions	<u>2,332,150</u>	<u>2,001,123</u>
 Total net assets	 <u>2,145,744</u>	 <u>2,121,677</u>
 Total liabilities and net assets	 <u>\$ 2,186,948</u>	 <u>2,176,831</u>

See accompanying notes to financial statements.

**Education Foundation of Sarasota County, Inc.**

**Statement of Activities and Changes in Net Assets**

Year Ended June 30, 2019

(with comparative totals for 2018)

	2019			2018
	Without Donor Restrictions	With Donor Restrictions	Total	
<b>Revenue, gains and other support:</b>				
Contributions	\$ 237,196	1,232,091	1,469,287	1,746,873
Special events revenue	2,185	-	2,185	68,286
Special events revenue -				
Donated goods and services	3,860	-	3,860	45,013
Donated goods and services	32,356	-	32,356	48,502
Other income	41,956	-	41,956	-
Investment income	35,477	57,454	92,931	95,179
Net assets released from restrictions	958,518	(958,518)	-	-
Total revenue, gains and other support	<u>1,311,548</u>	<u>331,027</u>	<u>1,642,575</u>	<u>2,003,853</u>
<b>Expenses:</b>				
Program services	1,309,452	-	1,309,452	1,304,305
General and administration	133,318	-	133,318	100,370
Fundraising	175,738	-	175,738	178,256
Total expenses	<u>1,618,508</u>	<u>-</u>	<u>1,618,508</u>	<u>1,582,931</u>
Change in net assets	(306,960)	331,027	24,067	420,922
Net assets, beginning of year	<u>120,554</u>	<u>2,001,123</u>	<u>2,121,677</u>	<u>1,700,755</u>
Net assets, end of year	<u>\$ (186,406)</u>	<u>2,332,150</u>	<u>2,145,744</u>	<u>2,121,677</u>

See accompanying notes to financial statements.

**Education Foundation of Sarasota County, Inc.**

**Statement of Functional Expenses**  
 Year ended June 30, 2019  
 (with comparative totals for 2018)

	2019			Total	2018
	Program Services	General and Administrative	Fundraising		
Program awards and grants	\$ 412,988	-	-	412,988	505,104
Special events	46,065	-	10,976	57,041	100,893
Wages, payroll taxes and benefits	365,367	10,481	100,673	476,521	401,689
Contracted services	289,029	80,833	23,299	393,161	299,778
Depreciation	23,184	886	506	24,576	1,441
Conferences and travel	14,101	565	3,715	18,381	9,499
Printing	15,743	10,162	4,103	30,008	21,091
Public relations	8,180	-	23,006	31,186	96,623
Office expense	134,795	30,391	9,460	174,646	146,813
<b>Total expenses</b>	<b>\$ 1,309,452</b>	<b>133,318</b>	<b>175,738</b>	<b>1,618,508</b>	<b>1,582,931</b>

See accompanying notes to financial statements.

**Education Foundation of Sarasota County, Inc.**

**Statement of Cash Flows**  
Year Ended June 30, 2019  
(with comparative totals for 2018)

	<u>2019</u>	<u>2018</u>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 24,067	420,922
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	24,576	1,441
Realized and unrealized gains on investments	(5,353)	(38,534)
Increase (decrease) in:		
Promises to give	2,752	(23,712)
Prepaid expenses	(13,613)	(2,209)
Decrease in:		
Accounts payable	<u>(13,950)</u>	<u>12,141</u>
Net cash flows from operating activities	<u>18,479</u>	<u>370,049</u>
<b>Cash flows from investing activities:</b>		
Purchase of property and equipment	(62,684)	(19,879)
Purchase of investments	<u>(253,246)</u>	<u>(238,711)</u>
Net cash flows from investing activities	<u>(315,930)</u>	<u>(258,590)</u>
Net increase (decrease) in cash and cash equivalents	(297,451)	111,459
Beginning cash and cash equivalents	<u>362,919</u>	<u>251,460</u>
Ending cash and cash equivalents	<u>\$ 65,468</u>	<u>362,919</u>

See accompanying notes to financial statements.



## Education Foundation of Sarasota County, Inc.

### Notes to Financial Statements

June 30, 2019

#### **Note 1 – Organization and Summary of Significant Accounting Policies:**

##### **Organization**

Education Foundation of Sarasota County, Inc. (the "Foundation") is a nonprofit organization incorporated September 18, 1979 under the laws of the State of Florida. The Foundation exists to promote, support and enhance public education in Sarasota County, Florida. The Foundation also acts as a recipient of funds for distribution to the School Board of Sarasota County, Florida and with that, the Foundation increases community awareness of the financial needs of the Sarasota County school system.

##### **Basis of Presentation**

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. If donor-imposed restrictions are met in the same period as the gift or investment income is received, the amount is reported as without donor restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

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

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. 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.

##### **Cash and Cash Equivalents**

The Foundation considers highly liquid debt instruments purchased with original maturity dates of three months or less to be cash equivalents.

##### **Investments**

Investments are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment return/(loss) is reported in the statement of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

##### **Property and Equipment**

Property and equipment is recorded at cost or, if donated, at the approximate fair value at the date of donation. It is the Foundation's policy to capitalize property and equipment over \$1,000. Lesser amounts are expensed. Donations of property and equipment are recorded as contributions at their fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire

**Education Foundation of Sarasota County, Inc.**

**Notes to Financial Statements – Continued**

June 30, 2019

**Note 1 – Organization and Summary of Significant Accounting Policies (Continued):**

**Property and Equipment**

property and equipment are reported as restricted contributions. Property and equipment are depreciated using the straight-line method over their estimated useful lives.

**Contributions**

Contributions are recognized when the donor makes a promise to give to the Foundation that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

The Foundation uses the allowance method to determine uncollectible unconditional promises to give. The allowance is based on prior years' experience and management's analysis of specific promises made. At June 30, 2019, management believes all unconditional promises to give are fully collectible.

**Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Expense Allocation**

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among programs and supporting services benefited.

**Income Tax Status**

The Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Foundation's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Foundation qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

Management has evaluated the effect of an accounting standard relating to accounting for uncertainty in income taxes. Management has determined that the Foundation had no uncertain income tax positions that could have a significant effect on the consolidated financial statements for the year ended June 30, 2019. The Foundation's federal income tax returns are subject to examination by the Internal Revenue Service, generally for three years after the federal income tax returns were filed.

**Education Foundation of Sarasota County, Inc.**

**Notes to Financial Statements – Continued**

June 30, 2019

**Note 1 – Organization and Summary of Significant Accounting Policies (Continued):**

**Donated Services**

The Foundation recognizes donated services which create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by the donation. Donated services meeting these criteria are recognized as contributions by the Foundation.

**Summarized Comparative Information**

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended June 30, 2018, from which the summarized information was derived.

**Note 2 – Investments:**

The components of investments at June 30, 2019 are summarized as follows:

	Cost	Fair Value	Accumulated Unrealized Gain
Cash	\$ 41,590	41,616	26
Fixed income	463,680	476,965	13,285
Equities	1,068,378	1,131,647	63,268
Annuity	141,156	151,597	10,441
Total	<u>\$ 1,714,804</u>	<u>1,801,825</u>	<u>87,021</u>

Investment income for the year ended June 30, 2019 is comprised of the following:

Interest and dividends	\$ 96,127
Realized and unrealized gains	5,353
Investment fees	<u>(8,549)</u>
Net return	<u>\$ 92,931</u>

**Note 3 – Property and Equipment:**

Property and equipment consists of the following as of June 30, 2019:

Computer equipment	\$ 16,874
Furniture and fixtures	71,722
Office equipment	<u>2,690</u>
	91,286
Less accumulated depreciation	<u>32,820</u>
Total	<u>\$ 58,466</u>

**Education Foundation of Sarasota County, Inc.**

**Notes to Financial Statements – Continued**

June 30, 2019

**Note 4 – Net Assets Without Donor Restrictions – Board Designated:**

The board of directors created the Lori White Endowment Fund, a quasi-endowment fund. At the discretion of the board, four percent of the fair market value of the assets may be distributed in the form of grants. Based on investment performance, this amount may be increased by up to an additional .25% of assets each year. The balance of this fund as of June 30, 2019 was \$214,676.

**Note 5 – Net Assets with Donor Restrictions:**

Net assets with donor restrictions that are restricted for a specified purpose consist of the following at June 30, 2019:

Net assets with donor restrictions board designated	\$ 393,623
Net assets with donor restrictions for programs:	
Student awards	379,351
School grants	348,185
Scholarships	268,393
Other	105,755
Total net assets with donor restrictions	<u>\$1,495,307</u>

During the year ended June 30, 2012, the board of directors voted to reinvest all income generated in the Shirley A. Ritchey Endowment until the corpus of the endowment reaches \$1,000,000, creating a quasi-endowment. The restricted portion of the Shirley A. Ritchey Endowment is now reflected as net assets with donor restrictions, board designated. The balance was \$393,623 at June 30, 2019.

Net assets with donor restrictions that are perpetual in nature consist of the following at June 30, 2019:

Scholarships	\$ 20,000
Shirley A. Ritchey - Operating	676,675
School grants	140,168
Total	<u>\$ 836,843</u>

Net assets with donor restrictions that are perpetual in nature consist of endowment fund assets that are to be held indefinitely. The Foundation has both operating and scholarship endowment fund assets. The income earned on the operating endowments may be used to support the Foundation's general activities. The income earned on the scholarship endowments may be used for scholarships.

**Note 6 – Foundation Endowments:**

The Foundation's endowments consist of funds established for a variety of purposes. The endowments include donor-restricted endowment funds. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Education Foundation of Sarasota County, Inc.

Notes to Financial Statements – Continued

June 30, 2019

**Note 6 – Foundation Endowments (Continued):**

**Interpretation of Relevant Law**

The Board of Directors of the Foundation has interpreted the Florida Uniform Management of Institutional Funds Act (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 stipulations 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 and (b) the original value of subsequent gifts to the permanent endowment. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by FUPMIFA.

In accordance with 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 the appreciation of investments;
- (6) Other resources of the Foundation; and
- (7) The investment policies of the Foundation.

**Funds with Deficiencies**

From time to time, the fair value of assets associated with individual restricted endowment funds may fall below the level that the donor intended. There were no such deficiencies as of June 30, 2019.

As of June 30, 2019, endowment net assets consisted of the following:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds			
Original donor restricted amount	\$ -	836,843	836,843
Accumulated investment gains	-	38,888	38,888
Board-designated endowment funds	214,676	393,623	608,299
Total endowment funds	<u>\$ 214,676</u>	<u>1,269,354</u>	<u>1,484,030</u>

Education Foundation of Sarasota County, Inc.

Notes to Financial Statements – Continued

June 30, 2019

**Note 6 – Foundation Endowments (Continued):**

Changes in endowment net assets for the year ended June 30, 2019 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, June 30, 2018	\$ 204,673	1,004,996	1,209,669
Contributions	-	215,286	215,286
Grants and scholarships	(1,053)	(6,579)	(7,632)
Endowment investment return:			
Investment income	11,056	55,651	66,707
Total endowment activity	<u>10,003</u>	<u>264,358</u>	<u>265,361</u>
Endowment net assets, June 30, 2019	<u>\$ 214,676</u>	<u>1,269,354</u>	<u>1,484,030</u>

**Return Objectives and Risk Parameters**

The Foundation has adopted investment policies and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for donor-specified periods as well as board designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce a long-term rate of return on assets that exceeds inflation by at least 1% while assuming a moderate level of investment risk. The Foundation expects its endowment funds, over time to produce an average rate of return of approximately 6-8% annually. Actual returns in any given year may vary from this amount.

**Strategies Employed for Achieving Objectives**

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

**Spending Policy and How the Investment Objectives Relate to Spending Policy**

The Foundation has a policy of appropriating for distribution each year of up to 5% annually, based on the restrictions established by the donor. In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment to grow at an average of 1% annually. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

**Education Foundation of Sarasota County, Inc.**

**Notes to Financial Statements – Continued**

June 30, 2019

**Note 7 – Fair Value of Financial Assets and Liabilities:**

The Foundation adopted the Fair Value Measurements and Disclosures Topic of the FASB Accounting Standards Codification. The Fair Value Measurements and Disclosures Topic provides enhanced guidance for using fair value to measure assets and liabilities and clarifies the principle that fair value should be based on the assumptions market participants would use when pricing the assets or liabilities and establishes a hierarchy that prioritizes the information used to develop those assumptions.

The following table presents information about the Foundation's assets and liabilities that are measured at fair value on a recurring and non-recurring basis as of June 30, 2019, and indicate that fair value hierarchy of the valuation techniques used to determine such fair value. The three levels for measuring fair value are based on the reliability of inputs and are as follows:

Level 1 – unadjusted quoted prices in active markets for identical assets of liabilities, such as publically traded equity securities.

Level 2 – inputs other than quoted prices included in Level 1 that are observable, either directly or indirectly. Such inputs may include quoted prices for similar assets, observable inputs other than quoted prices (interest rates, yield curves, etc.) or inputs derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – inputs are unobservable data points for the asset or liability, and include situations where there is little, if any, market activity for the asset or liability (for example, hedge funds, private equity and other). The inputs reflect the Foundation's assumptions based on the best information available in the circumstance.

Assets and liabilities at fair value on a recurring basis at June 30, 2019:

	June 30, 2019	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Annuity	\$ 151,597	-	-	151,597
Community Foundation investments	172,969	-	-	172,969
Fixed income	476,965	476,965		
Equities	1,131,647	1,131,647		
Total assets at fair value	\$ 1,933,178	1,608,612	-	324,566

**Education Foundation of Sarasota County, Inc.**

**Notes to Financial Statements – Continued**  
June 30, 2019

**Note 10– Functionalized Expenses:**

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy, depreciation, and amortization, which are allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, professional services, office expenses, information technology, interest, insurance, and other, which are allocated on the basis of estimates of time and effort.

**Note 11 – Uninsured Cash Balances:**

The Foundation maintains its cash balances at financial institutions located in Florida. At times, cash balances may be in excess of the Federal Deposit Insurance Corporation limit of \$250,000. Management considers the risk to be minimal. At June 30, 2019, the Foundation had no funds in excess of federally insured limits.

**Note 12 – Subsequent Events:**

Subsequent events have been evaluated through January 9, 2020, which is the date the financial statements were available to be issued.