

THE EDUCATION FOUNDATION OF
COLLIER COUNTY, INC.

FINANCIAL STATEMENTS

JUNE 30, 2010

THE EDUCATION FOUNDATION OF COLLIER COUNTY, INC.

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Nathan A. Phillips, CPA

Deborah L. Harvey, CPA

INDEPENDENT AUDITORS' REPORT

Stephanie J. Feldman, CPA

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October 5, 2010

To the Board of Directors
THE EDUCATION FOUNDATION OF COLLIER COUNTY, INC.
Naples, Florida

We have audited the accompanying statement of financial position of THE EDUCATION FOUNDATION OF COLLIER COUNTY, INC. as of June 30, 2010, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of THE EDUCATION FOUNDATION OF COLLIER COUNTY, INC. as of June 30, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Phillips Harvey Group, P.A.
PHILLIPS HARVEY GROUP, P.A.
Certified Public Accountants
Naples, Florida

FINANCIAL STATEMENTS

THE EDUCATION FOUNDATION OF COLLIER COUNTY, INC.

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2010

ASSETS

Cash (Note 2)	\$ 516,296
Pledges receivable (Note 3)	84,754
Endowment Fund, Community Foundation (Notes 4 and 10)	53,806
Prepaid scholarships (Note 5)	2,253,387
Other assets	1,605
Property and equipment, net (Note 7)	<u>6,088</u>
Total Assets	<u>\$ 2,915,936</u>

LIABILITIES AND NET ASSETS

Liabilities:	
Accounts payable	\$ 12,717
Deferred revenues	<u>2,000</u>
Total Liabilities	<u>14,717</u>
Commitments (Note 11)	
Net Assets:	
Unrestricted	162,780
Temporarily restricted (Note 8)	2,605,126
Permanently restricted (Note 9)	<u>133,313</u>
Total Net Assets	<u>2,901,219</u>
Total Liabilities and Net Assets	<u>\$ 2,915,936</u>

The accompanying notes are an integral part of these financial statements.

THE EDUCATION FOUNDATION OF COLLIER COUNTY, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2010

CHANGES IN UNRESTRICTED NET ASSETS:

Support and Revenues:

Donations and grants	\$ 856,116
Special events, net of costs \$132,765	43,062
In-kind contributions	312,023
Interest and investment net income	10,405
	<u>1,221,606</u>

Net assets released from restrictions:

Satisfaction of purpose restrictions (Note 8)	<u>388,509</u>
Total Unrestricted Support and Revenues	<u>1,610,115</u>

Expenses:

Program Services:

Educator programs	409,699
Community engagement	262,113
Take Stock in Children	345,866
Literacy, grants and scholarships	<u>398,770</u>

Total Program Services 1,416,448

Supporting Services:

Fundraising	102,225
General and administrative	<u>69,970</u>

Total Supporting Services 172,195

Loss on disposal of assets 4,275

Total Expenses 1,592,918

Increase in Unrestricted Net Assets 17,197

Unrestricted Net Assets, Beginning of Year 145,583

Unrestricted Net Assets, End of Year \$ 162,780

CHANGES IN TEMPORARILY RESTRICTED NET ASSETS:

Donations and grants	\$ 305,291
Plus: Appreciation, net of usage, of the Florida Prepaid Scholarships	91,858
Less: Satisfaction of purpose restrictions (Note 8)	<u>(388,509)</u>

Increase in Temporarily Restricted Net Assets 8,640

Temporarily Restricted Net Assets, Beginning of Year 2,596,486

Temporarily Restricted Net Assets, End of Year \$ 2,605,126

The accompanying notes are an integral part of these financial statements.

THE EDUCATION FOUNDATION OF COLLIER COUNTY, INC.

STATEMENT OF ACTIVITIES (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2010

CHANGES IN PERMANENTLY RESTRICTED NET ASSETS:

Permanently Restricted Net Assets, Beginning of Year	\$ 133,313
Contributions	<u>0</u>
Permanently Restricted Net Assets, End of Year	<u>\$ 133,313</u>

CHANGES IN TOTAL NET ASSETS:

Total Net Assets, Beginning of Year	\$ 2,875,382
Changes in Net Assets	<u>25,837</u>
Total Net Assets, End of Year	<u>\$ 2,901,219</u>

The accompanying notes are an integral part of these financial statements.

THE EDUCATION FOUNDATION OF COLLIER COUNTY, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2010

(DECREASE) INCREASE IN CASH

CASH FLOWS FROM OPERATING ACTIVITIES:

Changes in net assets	\$	25,837
Adjustments to reconcile changes in net assets to net cash used by operating activities:		
Bad debt expense		4,925
Gain in fair value on investment held with Community Foundation		(4,204)
Loss on disposal of property and equipment		4,275
Depreciation expense		3,374
Increase in pledges receivable (Note 3)		(63,349)
Increase in accounts payable		5,887
Decrease in deferred revenue		<u>(2,000)</u>
Net Cash Used By Operating Activities		<u>(25,255)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Appreciation, net of usage, of the Florida Prepaid Scholarships		(91,858)
Purchases of property and equipment		<u>(4,097)</u>
Net Cash Used By Investing Activities		<u>(95,955)</u>

Net Decrease in Cash		(121,210)
CASH, Beginning of Year		<u>637,506</u>
CASH, End of Year	\$	<u>516,296</u>

The accompanying notes are an integral part of these financial statements.

THE EDUCATION FOUNDATION OF COLLIER COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE 1 - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

The EDUCATION FOUNDATION OF COLLIER COUNTY, INC. (the "FOUNDATION") was incorporated on July 20, 1990 under the laws of Florida as a not-for-profit private foundation. The Foundation is committed to improving the quality of education by increasing community involvement with and support for the Collier County Public Schools. The primary source of revenue is individual and corporate donors in Collier County.

Method of Accounting

The accounts of the FOUNDATION are maintained, and the accompanying financial statements have been prepared on the accrual basis of accounting. Accordingly, assets are recorded when the Foundation obtains the rights of ownership or is entitled to claims for receipt and liabilities are recorded when the obligation is incurred.

Financial Statement Presentation

The FOUNDATION adopted FASB ASC 958-205-05 (previously Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations"). FASB ASC 958-205-05 requires that the Organization present information regarding its financial position and activities according to three classifications of net assets described as follows:

Unrestricted

All resources over which the governing board has discretionary control. The governing board of the FOUNDATION may elect to designate such resources for specific purposes. This designation may be removed at the Board's discretion.

Temporarily Restricted

Resources accumulated through donations for specific operating or capital purposes. Such resources will become unrestricted when the requirements of the donor have been satisfied through expenditure for the specified purpose or program or through the passage of time. See Note 8 regarding the Foundation's temporarily restricted net assets.

Permanently Restricted

Endowment resources accumulated through donations that are subject to the restriction in perpetuity that the principal be invested. Investment income may be either an unrestricted or temporarily restricted resource when earned, determined according to the gift instruments. See Note 9 regarding the Foundation's permanently restricted net assets.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure 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.

THE EDUCATION FOUNDATION OF COLLIER COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE 1 - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Basis of Presentation

As further described below, the FOUNDATION, adopted Statement of Financial Accounting Standards FASB ASC 958-605-05 and FASB ASC 958-205-05 (previously SFAS No.'s 116 and 117, "Accounting for Contributions Received and Contributions Made" and "Financial Statements of Not-for-Profit Organizations"), respectively. FASB ASC 958-605-05 requires not-for-profit organizations to distinguish between contributions received that increase permanently restricted net assets, temporarily restricted net assets, and unrestricted net assets. It also requires recognition of the expiration of donor-imposed restrictions in the period in which the restrictions expired as mentioned earlier. FASB ASC 958-205-05 requires classification of net assets and revenues, expenses, gains, and losses based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of three classes of net assets - permanently restricted, temporarily restricted, and unrestricted - be displayed in a statement of financial position and that the amounts of change in each of those classes of net assets be displayed in a statement of activities.

Under FASB ASC 958-605-05, contributions are recognized when the donor makes a promise to give to the Foundation that is, in substance, unconditional. Unconditional promises to give due in the next year are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reported at the present value of the estimated cash flows, using risk-free interest rates applicable to the years in which the promises are to be received.

Pledges Receivable

Pledges receivable are stated at the amount management expects to collect from outstanding balances. Generally accepted accounting principles require management to provide for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Based on prior experience and on the aforementioned assessment of the current status of individual accounts, management elects not to provide for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance as management expects all pledge amounts to be fully collectible. Alternatively, it is the FOUNDATION's policy to utilize the direct write-off method and charge uncollectible receivables to expense when management determines the receivable will not be collected. Such policy does not significantly differ from generally accepted accounting principles. There was \$4,925 bad debt expense recorded during fiscal year end June 30, 2010.

Investments

Investments are initially recorded at cost if purchased or, if donated, at fair market value on the date received in accordance with FSAB ASC 958-320-05 (previously SFAS No. 124, "Accounting for Certain Investments Held by Not-for-Profit Organizations"). Under FASB ASC 958-320-05, the FOUNDATION carries investments at the fair value determined by the quoted market prices on the last day of the year. Investment income may be either unrestricted, temporarily or permanently restricted resources when earned, determined according to the donor's imposed restrictions. All interest income earned during the fiscal year end June 30, 2010 was classified as unrestricted.

THE EDUCATION FOUNDATION OF COLLIER COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE 1 - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Property and Equipment

Property and equipment are recorded at cost when purchased or at fair market value at the time of contribution. Depreciation is computed on a straight-line basis over the estimated useful lives of property and equipment generally as follows:

	<u>YEARS</u>
Computers and equipment	3
Furniture and fixtures	7
Program fixtures	5
Musical instruments	7

Expenditures for routine maintenance and repairs are charged to expense as incurred.

Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions are recognized when the donor makes a promise to give to the Organization that is in substance, unconditional. The Organization reports donations of cash contributions not given for a specific purpose by the donor as unrestricted. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions satisfied by payments.

Non-cash donations are recorded as contributions at their estimated fair market value.

In-kind Contributions

In-kind contributions represent the fair market values for goods and services provided for the Foundation. Contributions of services are recognized only if services received (a) create or enhance non-financial assets or (b) require specialized skills, are provided by individuals possessing these skills, and would typically be purchased if not provided by donations. These contributions are included in the Statement of Activities under in-kind contributions.

Cash Flows

For purposes of the statement of cash flows, the FOUNDATION considers all highly liquid instruments purchased with a maturity of three months or less to be cash equivalents. Cash consisted of bank deposit and money market accounts at June 30, 2010.

Income Taxes

The FOUNDATION is exempt from federal and state income taxes pursuant to Section 501 (c)(3) of the Internal Revenue Code, and similar state Code. As such, only unrelated business income, as defined by Section 512 (a)(1) of the Code is subject to federal income tax.

THE EDUCATION FOUNDATION OF COLLIER COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE 2 - CASH

The Foundation maintains its cash at four financial institutions located in Naples, Florida. Accounts at the commercial banking institutions are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000. Cash of the Foundation did not exceed this balance with any one financial institution as of June 30, 2010.

NOTE 3 - PLEDGES RECEIVABLE

Pledges receivable, net, at June 30, 2010 are as follows:

Pledge commitments, one year or less	\$ 84,754
Less: Allowance for doubtful accounts	<u>(0)</u>
Pledges receivable, net	<u>\$ 84,754</u>

The pledges receivable are stated at the net amount management expects to receive. The majority of these pledge commitments were received by the Foundation subsequent to year-end, prior to the issuance date of these financial statements.

NOTE 4 - ENDOWMENT FUND

The Foundation has endowment monies invested with the Community Foundation of Collier County. The Foundation is the beneficiary of this fund and the investment is subject to gains or losses. The Foundation may also receive distributions of income, subject to the Community Foundation of Collier County's spending policy. The endowment fund was originally established at \$50,000. The endowment balance at June 30, 2010 was \$53,806. Endowment interest earnings totaled \$751 during the year ended June 30, 2010. In addition, fiscal year 2010 realized and unrealized losses on such endowment monies totaled \$93 and \$4,303, respectively. The endowment account also incurred management and administrative fees of \$943 during the year ended June 30, 2010.

Currently, the investment policy is to invest with the Community Foundation of Collier County. The composition of endowment net assets for this fund and the changes in endowment net assets as of June 30, 2010 is as follows:

	<u>ENDOWMENT TOTAL</u>
Endowment net assets, June 30, 2009	\$ 49,602
Contributions	0
Investment income	751
Net appreciation	4,396
Administrative fees	(943)
Grants, as approved by The Foundation	<u>0</u>
Endowment net assets, June 30, 2010	<u>\$ 53,806</u>

THE EDUCATION FOUNDATION OF COLLIER COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE 5 - PREPAID SCHOLARSHIPS

The Foundation has invested funds in the Florida Prepaid College Program, and has received matching funds from the State of Florida. These funds are to be used in the future to pay college tuition for low income, at risk students who are currently attending Collier County schools.

The investments at June 30, 2010 consisted of the following:

Florida Prepaid Scholarships	<u>\$ 2,253,387</u>
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NOTE 6 - LUCIE JENNY MACCARTHY FUND

In 1999, the Community Foundation of Collier County received a gift from the Lucie Jenny MacCarthy Charitable Remainder Unitrust that is held and owned by Community Foundation of Collier County. It was the wish of the donor that the funds be used by The Education Foundation of Collier County, Inc. to support and enhance music education in the Collier County public school system. However, the ultimate authority over the distribution of the funds was left with the board of Trustees of the Community Foundation of Collier County.

The balance at the Community Foundation at June 30, 2010 was \$526,025 and is not reflected in the accompanying financial statements. During 2010, the Foundation received grants totaling \$34,085 from this fund which were recorded as temporarily restricted net assets until the satisfaction of designated restrictions (see Note 8).

NOTE 7 - PROPERTY AND EQUIPMENT, NET

Property and equipment, net, at June 30, 2010 consisted of the following:

Furniture and fixtures	\$ 20,031
Equipment	23,104
Musical Instruments	9,085
Program fixtures	<u>63,000</u>
	115,220
Less: accumulated depreciation	<u>(109,132)</u>
Property and equipment, net	<u>\$ 6,088</u>

Depreciation expense for the year ended June 30, 2010 totaled \$3,374.

THE EDUCATION FOUNDATION OF COLLIER COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE 8 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted funds at June 30, 2010 consisted of the following:

Florida Prepaid Scholarship Program	\$ 2,284,098
Lucie Jenny MacCarthy Fund	36,004
Take Stock In Children	84,733
Forum Club Scholarships	26,529
Family Literacy Funds	42,768
Various grants and scholarships	<u>130,994</u>
Total temporarily restricted funds	<u>\$ 2,605,126</u>

During 2010, net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of other events specified by donors as follows:

Distribution of funds for Educator programs	\$ 87,313
Distribution of funds for Take Stock in Children	70,759
Distribution of funds for Literacy, grants and scholarships	<u>230,437</u>
Total satisfaction of purpose restrictions	<u>\$ 388,509</u>

NOTE 9 - PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted funds at June 30, 2010 consisted of the following:

Ritz Carlton	\$ 50,000
State of Florida	12,500
Northern Trust	10,000
Strong Roots Campaign	15,000
Various contributors	<u>45,813</u>
Total permanently restricted funds	<u>\$ 133,313</u>

THE EDUCATION FOUNDATION OF COLLIER COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE 10 - FAIR VALUE MEASUREMENTS

In September 2006, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 157, *Fair Value Measurements* ("SFAS 157"). As of September 15, 2008 SFAS 157 will be referred to as FASB ASC 820-10 in accordance with the FASB codification. FASB ASC 820-10 defines fair value, establishes a framework for measuring fair value under generally accepted accounting principles and enhances disclosures about fair value measurements. FASB ASC 820-10 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. FASB ASC 820-10 is currently effective for financial statements issued for fiscal years beginning after November 15, 2007 and deferred one year for all nonfinancial assets and nonfinancial liabilities, except for those items that are recognized or disclosed at fair value in the financial statements on a recurring basis(at least annually).

Consequently, the following required fair value disclosure is for those assets measured at fair value on a recurring basis at June 30, 2010:

	FAIR VALUE MEASUREMENTS AT REPORTING DATE USING		
	QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL ASSETS (LEVEL 1)	SIGNIFICANT OTHER OBSERVABLE INPUTS (LEVEL 2)	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)
The Education Foundation Endowment	\$ 53,806	\$ 0	\$ 0

NOTE 11 - COMMITMENTS

The Foundation leases office space at a monthly installment of \$2,083 through July 31, 2011. The Foundation leases a copier at \$375 per month with the lease expiring in November 2014 and leases a phone system at \$293 per month with the lease expiring in July 2013. Lease expense in 2010 totaled \$33,215.

Minimum future annual base rent is as follows:

<u>JUNE 30,</u>	
2011	\$ 33,012
2012	10,099
2013	8,016
2014	4,793
2015	<u>1,875</u>
	<u>\$ 57,795</u>

THE EDUCATION FOUNDATION OF COLLIER COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE 12 - SUBSEQUENT EVENTS

FASB ASC 855-10-50 (formerly, SFAS No. 165, "Subsequent Events") codifies the guidance regarding the disclosure of events occurring subsequent to the balance sheet date. FASB ASC 855-10-50 does not change the definition of a subsequent event (i.e., an event or transaction that occurs after the balance sheet date but before the financial statements are issued) but requires disclosure of the date through which subsequent events were evaluated when determining whether adjustment to or disclosure in the financial statements is required. The Foundation evaluated subsequent events through October 5, 2010. Since the codification requires only additional disclosures concerning subsequent events, adoption of the codification did not affect the Foundation's statement of financial position or statement of activities.