

**THE EDUCATION FOUNDATION OF**  
**COLLIER COUNTY, INC.**

**FINANCIAL STATEMENTS**

**JUNE 30, 2011**

**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

Lawrence Martin, CPA

Michelle L. Vastola, CPA


October 4, 2011

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. (a nonprofit organization) as of June 30, 2011, 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, 2011, 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.  
Certified Public Accountants  
Naples, Florida

**FINANCIAL STATEMENTS**

**THE EDUCATION FOUNDATION OF COLLIER COUNTY, INC.**

**STATEMENT OF FINANCIAL POSITION**

**JUNE 30, 2011**

**ASSETS**

Cash (Note 2)	\$	335,906
Receivables (Note 3)		215,221
Endowment Fund, Community Foundation (Notes 4 and 11)		61,491
Prepaid scholarships (Note 5)		2,573,867
Other assets		2,168
Property and equipment, net (Note 7)		<u>9,926</u>
Total Assets	\$	<u>3,198,579</u>

**LIABILITIES AND NET ASSETS**

Liabilities:		
Accounts payable and accrued expenses (Note 8)	\$	125,557
Deferred revenues		<u>38,000</u>
Total Liabilities		<u>163,557</u>
Commitments (Note 12)		<u>-</u>
Net Assets:		
Unrestricted		159,496
Temporarily restricted (Note 9)		2,792,213
Permanently restricted (Note 10)		<u>83,313</u>
Total Net Assets		<u>3,035,022</u>
Total Liabilities and Net Assets	\$	<u>3,198,579</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, 2011**

**CHANGES IN UNRESTRICTED NET ASSETS:**

**Support and Revenues:**

Donations and grants	\$ 797,706
Special events (includes in-kind of \$81,683 and net of direct costs of \$120,311)	23,877
In-kind contributions	551,381
Interest and investment net income	11,120
	<u>1,384,084</u>

**Net assets released from restrictions:**

Satisfaction of purpose restrictions (Note 9)	<u>459,803</u>
Total Unrestricted Support and Revenues	<u>1,843,887</u>

**Expenses:**

Program Services:

Educator programs	385,136
Community engagement	395,746
Take Stock in Children	419,480
Literacy, grants and scholarships	<u>459,803</u>

Total Program Services 1,660,165

Supporting Services:

Fundraising – annual campaign	112,017
General and administrative	<u>74,989</u>

Total Supporting Services 187,006

Total Expenses 1,847,171

Decrease in Unrestricted Net Assets (3,284)

Unrestricted Net Assets, Beginning of Year 162,780

Unrestricted Net Assets, End of Year \$ 159,496

**CHANGES IN TEMPORARILY RESTRICTED NET ASSETS:**

Donations and grants	\$ 536,073
Plus: Appreciation, net of usage, of the Florida Prepaid Scholarships	60,817
Less: Satisfaction of purpose restrictions (Note 9)	<u>(459,803)</u>

Increase in Temporarily Restricted Net Assets 137,087

Temporarily Restricted Net Assets, Beginning of Year 2,605,126

Reclassifications from permanently restricted net assets (Note 10) 50,000

Temporarily Restricted Net Assets, End of Year \$ 2,792,213

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, 2011**

**CHANGES IN PERMANENTLY RESTRICTED NET ASSETS:**

Permanently Restricted Net Assets, Beginning of Year	\$ 133,313
Contributions	0
Reclassifications to temporarily restricted net assets (Note 10)	<u>(50,000)</u>
Permanently Restricted Net Assets, End of Year	<u>\$ 83,313</u>

**CHANGES IN TOTAL NET ASSETS:**

Total Net Assets, Beginning of Year	\$ 2,901,219
Changes in Net Assets	<u>133,803</u>
Total Net Assets, End of Year	<u>\$ 3,035,022</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, 2011**

**(DECREASE) INCREASE IN CASH**

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Changes in net assets	\$ 133,803
Adjustments to reconcile changes in net assets to net cash used by operating activities:	
Gain in fair value on investment held with Community Foundation	(7,685)
Depreciation expense	2,732
Increase in receivables (Note 3)	(130,467)
Increase in other assets	(563)
Increase in accounts payable and accrued expenses (Note 8)	112,840
Increase in deferred revenue	<u>36,000</u>
Net Cash Used By Operating Activities	<u>146,660</u>

**CASH FLOWS FROM INVESTING ACTIVITIES:**

Appreciation, net of usage, of the Florida Prepaid Scholarships	(259,663)
Purchase of additional Florida Prepaid Scholarships	(60,817)
Purchases of property and equipment	<u>(6,570)</u>
Net Cash Used By Investing Activities	<u>(327,050)</u>

Net Decrease in Cash	(180,390)
CASH, Beginning of Year	<u>516,296</u>
CASH, End of Year	<u>\$ 335,906</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, 2011**

**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 9 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 10 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, 2011**

**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, if any, 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.

**Receivables**

Receivables 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 receivable 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 no bad debt expense recorded during fiscal year end June 30, 2011.

**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, 2011 was classified as unrestricted.

**THE EDUCATION FOUNDATION OF COLLIER COUNTY, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2011**

**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 FOUNDATION that is in substance, unconditional. The FOUNDATION 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, 2011.

**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 FOUNDATION's Forms 990, Return of Organization Exempt from Income Tax, for the year 2010, 2009, and 2008 are subject to examination by the IRS, generally for three years after they were filed.

**THE EDUCATION FOUNDATION OF COLLIER COUNTY, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2011**

**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, 2011.

**NOTE 3 - RECEIVABLES**

Receivables at June 30, 2011 are as follows:

Pledge commitments, one year or less	\$ 92,592
Due from the District School Board of Collier County	<u>122,629</u>
Receivables	<u>\$ 215,221</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. At June 30, 2011, the FOUNDATION had \$122,629 due from the District School Board of Collier County relating to scholarships for educators seeking higher education. This amount was collected in July 2011.

**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, 2011 was \$61,491. Endowment interest earnings totaled \$805 during the year ended June 30, 2011. In addition, fiscal year 2011 realized gains and unrealized gains on such endowment monies totaled \$1,707 and \$6,154, respectively. The endowment account also incurred management and administrative fees of \$981 during the year ended June 30, 2011.

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, 2011 is as follows:

	<b><u>ENDOWMENT TOTAL</u></b>
Endowment net assets, June 30, 2010	\$ 53,806
Contributions	0
Investment income	805
Net appreciation	7,861
Administrative fees	(981)
Grants, as approved by The Foundation	<u>0</u>
Endowment net assets, June 30, 2011	<u>\$ 61,491</u>

**THE EDUCATION FOUNDATION OF COLLIER COUNTY, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2011**

**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, 2011 consisted of the following:

Florida Prepaid Scholarships	<u>\$ 2,573,867</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, 2011 was \$592,771 and is not reflected in the accompanying financial statements. During 2011, the FOUNDATION received grants totaling \$25,149 from this fund. \$10,000 was unrestricted for immediate use with the remaining \$15,149 recorded as temporarily restricted net assets until the satisfaction of designated restrictions (see Note 9).

**NOTE 7 - PROPERTY AND EQUIPMENT, NET**

Property and equipment, net, at June 30, 2011 consisted of the following:

Furniture and fixtures	\$ 20,031
Equipment	29,674
Musical Instruments	9,085
Program fixtures	<u>63,000</u>
	121,790
Less: accumulated depreciation	<u>(111,864)</u>
Property and equipment, net	<u>\$ 9,926</u>

Depreciation expense for the year ended June 30, 2011 totaled \$2,732.

**THE EDUCATION FOUNDATION OF COLLIER COUNTY, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2011**

**NOTE 8 - ACCOUNTS PAYABLE AND ACCRUED EXPENSES**

Accounts payable and accrued expenses at June 30, 2011 consisted of the following:

Due to the Lastinger Center for Learning – Masters Tuition	\$	112,629
Other accounts payable		3,451
Accrued wages and other		<u>9,477</u>
Total accounts payable and accrued expenses	\$	<u>125,557</u>

At June 30, 2011 \$112,629 was due to the University of Florida Foundation Lastinger Center for Learning, which was paid in full during July 2011.

**NOTE 9 - TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted funds at June 30, 2011 consisted of the following:

Florida Prepaid Scholarship Program (Note 5)	\$	2,573,867
Lucie Jenny MacCarthy Fund		37,577
Take Stock In Children		41,833
Forum Club Scholarships		4,529
Family Literacy Funds		38,073
Various grants and scholarships		<u>96,334</u>
Total temporarily restricted funds	\$	<u>2,792,213</u>

During 2011, 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	\$	42,754
Distribution of funds for Take Stock in Children		58,917
Distribution of funds for Literacy, grants and scholarships		<u>358,132</u>
Total satisfaction of purpose restrictions	\$	<u>459,803</u>

**NOTE 10 - PERMANENTLY RESTRICTED NET ASSETS**

Permanently restricted funds at June 30, 2011 consisted of the following:

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>83,313</u>

**THE EDUCATION FOUNDATION OF COLLIER COUNTY, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2011**

**NOTE 10 - PERMANENTLY RESTRICTED NET ASSETS (Continued)**

During 2011, the Board of Directors reclassified the Ritz Carlton donation of \$50,000 from permanently restricted net assets to temporarily restricted net assets. Upon further review of the documentation received with the donation, the amount was initially intended to be temporarily restricted. The Board at the time of receipt of the donation deemed it necessary to designate it as a "quasi-endowment" fund in an effort to establish reserve funds. For this purpose it was reported as permanently restricted. During 2011, the Board decided it was necessary to use these funds to purchase additional Florida Prepaid Scholarships before prices increased.

**NOTE 11 - 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, 2011:

	<u>FAIR VALUE MEASUREMENTS AT REPORTING DATE USING</u>		
	<u>QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL ASSETS (LEVEL 1)</u>	<u>SIGNIFICANT OTHER OBSERVABLE INPUTS (LEVEL 2)</u>	<u>SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)</u>
The Education Foundation Endowment	\$ <u>61,491</u>	\$ <u>0</u>	\$ <u>0</u>

**THE EDUCATION FOUNDATION OF COLLIER COUNTY, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2011**

**NOTE 12 - COMMITMENTS**

The FOUNDATION leases office space at a monthly installment of \$2,083 through July 31, 2012. 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 2011 totaled \$55,432.

Minimum future annual base rent is as follows:

<u>JUNE 30,</u>	
2012	\$ 33,012
2013	10,099
2014	4,793
2015	<u>1,875</u>
	<u>\$ 49,779</u>

**NOTE 13 - 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 4, 2011. 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.