

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

FINANCIAL STATEMENTS

JUNE 30, 2012

THE EDUCATION FOUNDATION OF COLLIER COUNTY, INC.

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INDEPENDENT AUDITORS' REPORT

September 28, 2012

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, 2012, 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, 2012, 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.

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Certified Public Accountants
Naples, Florida

FINANCIAL STATEMENTS

THE EDUCATION FOUNDATION OF COLLIER COUNTY, INC.

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2012

ASSETS

Cash (Note 2)	\$ 445,826
Pledges receivable (Note 3)	78,298
Prepaid scholarships (Notes 4 and 10)	2,593,016
Other assets	4,737
Property and equipment, net (Note 6)	<u>6,521</u>
Total Assets	<u>\$ 3,128,398</u>

LIABILITIES AND NET ASSETS

Liabilities:	
Accounts payable and accrued expenses (Note 7)	<u>\$ 12,719</u>
Total Liabilities	<u>12,719</u>
Commitments (Note 11)	<u>0</u>
Net Assets:	
Unrestricted	171,644
Temporarily restricted (Note 8)	2,860,722
Permanently restricted (Note 9)	<u>83,313</u>
Total Net Assets	<u>3,115,679</u>
Total Liabilities and Net Assets	<u>\$ 3,128,398</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, 2012

CHANGES IN UNRESTRICTED NET ASSETS:

Support and Revenues:

Donations and grants	\$ 900,068
Special events, net of costs of 130,640 (includes revenue and expense in-kind of \$87,309 and \$89,325, respectively)	8,804
In-kind contributions	<u>425,507</u>
	1,334,379
Net assets released from restrictions:	
Satisfaction of purpose restrictions (Note 8)	<u>440,960</u>
Total Unrestricted Support and Revenues	<u>1,775,339</u>

Expenses:

Program Services:	
Educator programs	400,343
Community engagement	263,571
Take Stock in Children	465,885
Literacy, grants and scholarships	<u>440,960</u>
Total Program Services	<u>1,570,759</u>
Supporting Services:	
Fundraising – annual campaign	114,072
General and administrative	<u>78,360</u>
Total Supporting Services	<u>192,432</u>
Total Expenses	<u>1,763,191</u>
Increase in Unrestricted Net Assets	12,148
Unrestricted Net Assets, Beginning of Year	<u>159,496</u>
Unrestricted Net Assets, End of Year	<u>\$ 171,644</u>

(Continued)

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, 2012

CHANGES IN TEMPORARILY RESTRICTED NET ASSETS:

Donations and grants	\$ 490,320
Plus: Appreciation, net of usage, of the Florida Prepaid Scholarships	19,149
Less: Satisfaction of purpose restrictions (Note 8)	<u>(440,960)</u>
Increase in Temporarily Restricted Net Assets	68,509
Temporarily Restricted Net Assets, Beginning of Year	<u>2,792,213</u>
Temporarily Restricted Net Assets, End of Year	<u>\$ 2,860,722</u>

CHANGES IN PERMANENTLY RESTRICTED NET ASSETS:

Permanently Restricted Net Assets, Beginning of Year	\$ 83,313
Contributions	<u>0</u>
Permanently Restricted Net Assets, End of Year	<u>\$ 83,313</u>

CHANGES IN TOTAL NET ASSETS:

Total Net Assets, Beginning of Year	\$ 3,035,022
Changes in Net Assets	<u>80,657</u>
Total Net Assets, End of Year	<u>\$3,115,679</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, 2012

INCREASE (DECREASE) IN CASH

CASH FLOWS FROM OPERATING ACTIVITIES:

Changes in net assets	\$	80,657
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation expense		3,405
Decrease in receivables (Note 3)		136,923
Increase in other assets		(2,569)
Decrease in accounts payable and accrued expenses (Note 8)		(112,838)
Decrease in deferred revenue		<u>(38,000)</u>
Net Cash Provided By Operating Activities		<u>67,578</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Decrease in investment held with Community Foundation		61,491
Appreciation, net of usage, of the Florida Prepaid Scholarships		<u>(19,149)</u>
Net Cash Provided By Investing Activities		<u>42,342</u>
Net Increase in Cash		109,920
Cash, Beginning of Year		<u>335,906</u>
Cash, End of Year	\$	<u>445,826</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, 2012

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, 2012

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 elected 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 \$2,709 bad debt expense recorded during fiscal year end June 30, 2012.

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, 2012 was classified as unrestricted.

THE EDUCATION FOUNDATION OF COLLIER COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

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 the caption labeled "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, 2012.

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 years 2011, 2010, and 2009 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, 2012

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 insured balance with any one of the financial institutions as of June 30, 2012.

NOTE 3 - PLEDGES RECEIVABLE

Pledges receivables at June 30, 2012 are as follows:

Pledge commitments, one year or less	<u>\$ 78,298</u>
Total pledges receivable	<u>\$ 78,298</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 - 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, 2012 consisted of the following:

Florida Prepaid Scholarships	<u>\$ 2,593,016</u>
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NOTE 5 - 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, 2012 was \$552,245 and is not reflected in the accompanying financial statements. During 2012, the FOUNDATION received grants totaling \$22,091, which were recorded as temporarily restricted net assets until the satisfaction of designated restrictions (see Note 8).

THE EDUCATION FOUNDATION OF COLLIER COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 6 - PROPERTY AND EQUIPMENT, NET

Property and equipment, net, at June 30, 2012 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>(115,269)</u>
Property and equipment, net	\$	<u>6,521</u>

Depreciation expense for the year ended June 30, 2012 totaled \$3,405.

NOTE 7 - ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses at June 30, 2012 consisted of the following:

Other accounts payable	\$	654
Accrued wages and other		<u>12,065</u>
Total accounts payable and accrued expenses	\$	<u>12,719</u>

NOTE 8 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30, 2012 consisted of the following:

Florida Prepaid Scholarship Program (Note 4)	\$	2,593,016
Lucie Jenny MacCarthy Fund (Note 5)		39,586
Take Stock In Children Scholarships		86,200
Ackerman Shadowlawn Family Literacy		22,193
License for Learning Funds CWAC		15,339
Various grants and scholarships		<u>104,388</u>
Total temporarily restricted net assets	\$	<u>2,860,722</u>

During 2012, 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	\$	44,399
Distribution of funds for Take Stock in Children		40,784
Distribution of funds for Literacy, grants and scholarships		<u>355,777</u>
Total satisfaction of purpose restrictions	\$	<u>440,960</u>

THE EDUCATION FOUNDATION OF COLLIER COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 9 - PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets at June 30, 2012 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 net assets	<u>\$</u>	<u>83,313</u>

NOTE 10 - FAIR VALUE MEASUREMENTS

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, Fair Value Measurements and Disclosures, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the FOUNDATION has ability to access and have the highest priority.

Level 2 - Inputs that include quoted prices for similar (but not exact) assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement and have the lowest priority.

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level of input that is significant to the fair value measurement in its entirety. Consequently, the following fair value disclosure is for those assets measured at fair value on a recurring basis at June 30, 2012:

Fair Value Measurements at Reporting Date Using:

	<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>
Florida Prepaid Scholarships	<u>\$ 2,593,016</u>	<u>\$ 0</u>	<u>\$ 0</u>

THE EDUCATION FOUNDATION OF COLLIER COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 11 - COMMITMENTS

The FOUNDATION leases office space at a monthly installment of \$2,083 through July 31, 2013. 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 2012 totaled \$58,338.

Minimum future annual base lease payments are as follows:

<u>JUNE 30.</u>	
2013	\$ 33,012
2014	6,876
2015	<u>1,875</u>
	<u>\$ 41,763</u>

NOTE 12 - SUBSEQUENT EVENTS

In preparing the audited financial statements, the FOUNDATION has evaluated events and transactions for potential recognition or disclosure through September 28, 2012, the date which the audited financial statements were available to be issued. The following subsequent event was identified.

Effective August 27, 2012, the FOUNDATION is doing business as (DBA) Champions for Learning.