

THE EDUCATION FOUNDATION OF
COLLIER COUNTY, INC.
(D/B/A CHAMPIONS FOR LEARNING)

FINANCIAL STATEMENTS

JUNE 30, 2019 and 2018

**THE EDUCATION FOUNDATION OF COLLIER COUNTY, INC.
(D/B/A CHAMPIONS FOR LEARNING)**

INDEX TO FINANCIAL STATEMENTS

JUNE 30, 2019 and 2018

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Nathan A. Phillips, CPA
Deborah L. Harvey, CPA

INDEPENDENT AUDITORS' REPORT

Stephanie J. Feldman, CPA
Michelle V. Schalmo, CPA
Shannon Huber, CPA
David N. Phillips, CPA

October 17, 2019

To the Board of Directors
THE EDUCATION FOUNDATION OF COLLIER COUNTY, INC.
(D/B/A CHAMPIONS FOR LEARNING)
Naples, Florida

We have audited the accompanying financial statements of THE EDUCATION FOUNDATION OF COLLIER COUNTY, INC. D/B/A CHAMPIONS FOR LEARNING (a nonprofit organization), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities and cash flows for the years then ended, the statement of functional expenses for the year ended June 30, 2019, 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 audits. We conducted our audits 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 Foundation'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 Foundation's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Board of Directors
THE EDUCATION FOUNDATION OF COLLIER COUNTY, INC.
(D/B/A CHAMPIONS FOR LEARNING)
October 17, 2019

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. D/B/A CHAMPIONS FOR LEARNING as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Summarized Comparative Information

We have previously audited THE EDUCATION FOUNDATION OF COLLIER COUNTY, INC. D/B/A CHAMPIONS FOR LEARNING'S 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 9, 2018. In our opinion, the summarized comparative information presented in the statement of functional expenses for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.


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

FINANCIAL STATEMENTS

**THE EDUCATION FOUNDATION OF COLLIER COUNTY, INC.
(D/B/A CHAMPIONS FOR LEARNING)**

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2019 AND 2018

ASSETS

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents (Note 2)	\$ 866,187	\$ 766,556
Contributions receivable (Note 3)	581,971	605,948
Prepaid expenses:		
Scholarships (Note 4)	3,949,204	3,940,280
Other	27,380	6,517
Endowment Fund (Notes 5 and 12)	687,160	585,856
Property and equipment, net (Note 7)	<u>1,465,418</u>	<u>1,505,011</u>
 Total Assets	 <u>\$ 7,577,320</u>	 <u>\$ 7,410,168</u>

LIABILITIES AND NET ASSETS

Liabilities:		
Accounts payable and accrued expenses (Note 8)	\$ 84,498	\$ 50,497
Tenant escrow deposits	-	5,589
Note payable (Note 9)	<u>200,000</u>	<u>400,000</u>
 Total Liabilities	 <u>284,498</u>	 <u>456,086</u>
Net Assets:		
Without donor restrictions		
Undesignated	1,885,355	1,579,109
Designated (Note 11)	<u>125,000</u>	<u>125,000</u>
	2,010,355	1,704,109
 With donor restrictions (Note 10)	 <u>5,282,467</u>	 <u>5,249,973</u>
 Total Net Assets	 <u>7,292,822</u>	 <u>6,954,082</u>
 Total Liabilities and Net Assets	 <u>\$ 7,577,320</u>	 <u>\$ 7,410,168</u>

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

**THE EDUCATION FOUNDATION OF COLLIER COUNTY, INC.
(D/B/A CHAMPIONS FOR LEARNING)**

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED JUNE 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<u>CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS:</u>		
Support and Revenues:		
Donations and grants	\$ 1,748,952	\$ 1,519,822
In-kind contributions	335,553	336,650
Special events, net of costs of \$607,024 and \$562,248, respectively (includes equal in-kind revenue and in-kind expense)	282,048	275,009
Interest income and other, net of unrealized gains and losses	<u>46,905</u>	<u>78,416</u>
	2,413,458	2,209,897
Net assets released from restrictions:		
Satisfaction of purpose restrictions (Note 10)	<u>777,249</u>	<u>991,692</u>
 Total Support and Revenues Without Donor Restrictions	 <u>3,190,707</u>	 <u>3,201,589</u>
Expenses:		
Program Services:		
Student	1,230,407	1,051,998
Teacher and educator	418,747	510,888
Community engagement	<u>797,521</u>	<u>696,576</u>
 Total Program Services	 <u>2,446,675</u>	 <u>2,259,462</u>
Supporting Services:		
General and administrative	162,190	271,626
Fundraising	<u>275,596</u>	<u>284,844</u>
 Total Supporting Services	 <u>437,786</u>	 <u>556,470</u>
 Total Expenses	 <u>2,884,461</u>	 <u>2,815,932</u>
 Increase in Net Assets Without Donor Restrictions	 306,246	 385,657
 Net Assets Without Donor Restrictions, Beginning of Year	 <u>1,704,109</u>	 <u>1,318,452</u>
 Net Assets Without Donor Restrictions, End of Year	 <u>\$ 2,010,355</u>	 <u>\$ 1,704,109</u>

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

**THE EDUCATION FOUNDATION OF COLLIER COUNTY, INC.
(D/B/A CHAMPIONS FOR LEARNING)**

STATEMENTS OF ACTIVITIES (CONTINUED)

FOR THE YEARS ENDED JUNE 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<u>CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS:</u>		
Donations and grants	\$ 579,548	\$ 653,615
Take stock in children (TSIC) scholarships	221,271	162,901
Plus: Appreciation, net of usage, of the Florida Prepaid Scholarships (Note 4)	8,924	45,554
Less: Satisfaction of purpose restrictions (Note 10)	<u>(777,249)</u>	<u>(991,692)</u>
Increase (Decrease) in Net Assets With Donor Restrictions	32,494	(129,622)
Net Assets With Donor Restrictions, Beginning of Year	<u>5,249,973</u>	<u>5,379,595</u>
Net Assets With Donor Restrictions, End of Year	<u>\$ 5,282,467</u>	<u>\$ 5,249,973</u>
<u>CHANGES IN TOTAL NET ASSETS:</u>		
Total Net Assets, Beginning of Year	\$ 6,954,082	\$ 6,698,047
Changes in Net Assets	<u>338,740</u>	<u>256,035</u>
Total Net Assets, End of Year	<u>\$ 7,292,822</u>	<u>\$ 6,954,082</u>

(Continued)

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

THE EDUCATION FOUNDATION OF COLLIER COUNTY, INC.
(D/B/A CHAMPIONS FOR LEARNING)

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2019
(with summarized comparative totals for the year ended June 30, 2018)

	Program Services				Supporting Services			Totals	
	Student & Families	Teachers & Educators	Community Engagement	Total Program Services	General & Administrative	Fundraising	Supporting Services	2019	2018
Direct Program Costs:									
Materials	\$ 36,032	\$ 54,341	\$ 135,201	\$ 225,574	\$ -	\$ -	\$ -	\$ 225,574	\$ 72,634
Future Ready Collier (Consulting)	-	-	94,633	94,633	-	-	-	94,633	71,032
In-Kind (Program)	148,156	1,899	157,569	307,624	-	-	-	307,624	255,415
Grants, Awards & Scholarships	404,273	144,009	-	548,282	-	-	-	548,282	650,409
	588,461	200,249	387,403	1,176,113	-	-	-	1,176,113	1,049,490
Allocated Costs:									
Accounting & Banking Services	2,112	718	1,348	4,178	533	906	1,439	5,617	8,368
Salaries, Wages, Benefits & Taxes	507,917	172,879	324,493	1,005,289	128,329	218,055	346,384	1,351,673	1,366,871
Insurance	5,969	2,032	3,813	11,814	1,508	2,563	4,071	15,885	12,840
Office Supplies	6,948	2,365	4,439	13,752	1,755	2,983	4,738	18,490	18,620
Volunteer & Staff Support	2,861	974	1,828	5,663	723	1,228	1,951	7,614	4,459
Meetings & Conferences	7,790	2,651	4,977	15,418	1,968	3,344	5,312	20,730	18,253
Copying & Printing	11,542	3,928	7,374	22,844	2,916	4,955	7,871	30,715	31,612
Computer Services	25,486	8,675	16,282	50,443	6,439	10,942	17,381	67,824	65,424
Professional Services	7,500	2,553	4,791	14,844	1,895	3,220	5,115	19,959	21,745
Facility Operations	34,571	11,767	22,086	68,424	8,734	14,842	23,576	92,000	93,299
Depreciation	20,449	6,960	13,064	40,473	5,166	8,779	13,945	54,418	50,806
In-Kind (Administrative)	8,801	2,996	5,623	17,420	2,224	3,779	6,003	23,423	74,145
	641,946	218,498	410,118	1,270,562	162,190	275,596	437,786	1,708,348	1,766,442
Total Expenses	\$ 1,230,407	\$ 418,747	\$ 797,521	\$ 2,446,675	\$ 162,190	\$ 275,596	\$ 437,786	\$ 2,884,461	\$ 2,815,932

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

**THE EDUCATION FOUNDATION OF COLLIER COUNTY, INC.
(D/B/A CHAMPIONS FOR LEARNING)**

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Changes in net assets	\$ 338,740	\$ 256,035
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation expense	54,418	50,806
Realized net (gain) on endowment fund	(53,002)	(22,369)
Unrealized loss (gain) on endowment fund	40,743	(11,618)
(Increase) decrease in operating assets:		
Decrease in pledges receivable	23,977	295,775
(Increase) decrease in other prepaid expenses	(20,863)	18,927
(Increase) in Florida Prepaid Scholarships	(8,924)	(45,554)
Increase (decrease) in operating liabilities:		
Increase in accounts payable and other liabilities	<u>28,412</u>	<u>27,795</u>
Net Cash Provided By Operating Activities	<u>403,501</u>	<u>569,797</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Investment in endowment fund	(89,045)	(109,841)
Purchase of property and equipment	<u>(14,825)</u>	<u>(147,083)</u>
Net Cash (Used In) Investing Activities	<u>(103,870)</u>	<u>(256,924)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES:</u>		
Principal payment on note payable	<u>(200,000)</u>	<u>(200,000)</u>
Net Cash (Used In) Financing Activities	<u>(200,000)</u>	<u>(200,000)</u>
Net Increase in Cash and Cash Equivalents	99,631	112,873
Cash and cash equivalents, Beginning of Year	<u>766,556</u>	<u>653,683</u>
Cash and cash equivalents, End of Year	<u>\$ 866,187</u>	<u>\$ 766,556</u>
<u>Supplemental Disclosure of Cash Flow Information</u>		
Interest paid	<u>\$ 16,170</u>	<u>\$ 19,466</u>

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

**THE EDUCATION FOUNDATION OF COLLIER COUNTY, INC.
(D/B/A CHAMPIONS FOR LEARNING)**

NOTES TO FINANCIAL STATEMENTS

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

Nature of Organization

The EDUCATION FOUNDATION OF COLLIER COUNTY, INC. D/B/A CHAMPIONS FOR LEARNING (the "Foundation") was incorporated on July 20, 1990 under the laws of Florida as a not-for-profit private foundation. The Foundation's mission is to create life-changing learning experiences for every student, with a vision of a community that is 100% engaged in support of student success. The primary sources of revenue are foundations, individual and corporate donors, and special events held in Collier County, Florida.

Program Services

The Foundation provides three primary program services, the main activities of which are summarized as follows:

Student Programs:

Student programs equip and prepare students for their future learning and career goals. More than 800 students 8th grade through college are served directly through the programs of the Foundation. The Take Stock in Children Scholarship and Mentoring program and the Champions College & Career Prep program together provide students, primarily first-generation college students, opportunities to gain the skills for college and scholarship applications and employability skills to ensure their success in the future. Additionally, the Foundation serves the broader community of student families through outreach and programming open to the public and embedded within schools, impacting thousands of more students.

Teacher and Educator Programs:

Valuing, empowering and supporting teachers and principals to ensure the highest impact learning experiences for every child is fundamental to the mission of the Foundation. The Golden Apple Teacher Recognition program honors and highlights the best practices that are having a positive impact on student learning. The Classroom Grant program provides a way for teachers to gain support from the community for innovative ideas that will provide unique learning experiences for their students. These programs, along with peer-to-peer sharing and community-based learning are providing a framework in which 900+ educators are engaged with the community through the Foundation.

Community Engagement:

Engaging and energizing our community in support of student success is a fundamental goal. There are many opportunities, such as Roundtables, through which the community comes together to support a culture of learning. Volunteer engagement is a key strategy and provides people with more than 850 volunteer experiences annually to support student and teacher success. The Foundation facilitates a collaborative network of more than 60 organizations working together to achieve community-wide goals to support the overall success of students and families, which has resulted in a 10% Free Application for Federal Student Aid completion increase since 2016.

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.

**THE EDUCATION FOUNDATION OF COLLIER COUNTY, INC.
(D/B/A CHAMPIONS FOR LEARNING)**

NOTES TO FINANCIAL STATEMENTS

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

Accounting Standard Adoption

On August 18, 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*. The amendments in this ASU are intended to improve financial statement presentation for not-for-profit organizations (NFP). The ASU amendments intend to improve net asset clarification requirements. In addition, the ASU requires expenses to be presented by their natural and functional classification, and requires the NFP to disclose information to be provided related to their available resources and liquidity. The Foundation adopted this ASU during the year ended June 30, 2019 and will apply retrospectively. However, as permitted by the ASU, the Foundation has elected to omit the analysis of expenses by both natural classification and functional classification and disclosures about liquidity and availability of resources for the year ended June 30, 2018.

The Financial Accounting Standards Board (FASB) issued ASU 2015-07, Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (or Its Equivalent). Under this ASU, investments for which fair value is measured at net asset value per share (or its equivalent) using the practical expedient should not be categorized in the fair value hierarchy (see Note 12). The Foundation, as part of the endowment fund, had investments measured at net asset value per share at June 30, 2019. Therefore, this ASU was reflected accordingly. There were no such investments measured at net asset value per share at June 30, 2018 that required this ASU implementation.

Financial Statement Presentation

The Foundation presents information regarding its financial position and activities according to two classifications of net assets described as follows:

Net Assets Without Donor Restrictions

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.

Net Assets With Donor Restrictions

Resources accumulated through donations for specific operating or capital purposes. Such resources will become without donor restrictions when the requirements of the donor have been satisfied through expenditure for the specified purpose or program or through the passage of time. Some net assets with donor restrictions include endowment resources accumulated through donations that are subject to the restriction in perpetuity that the principal be invested. See Note 10 regarding the Foundation's net assets with donor restrictions at June 30, 2019 and 2018, respectively.

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.

Reclassifications

Certain reclassifications have been made to the prior year financial statements in order for them to be in conformity with the current year financial statements. The reclassifications had no impact on previously reported change in net assets and total reported net assets at June 30, 2018. The reclassifications made to the prior year financial statements were a result of the adoption of ASU 2016-14.

**THE EDUCATION FOUNDATION OF COLLIER COUNTY, INC.
(D/B/A CHAMPIONS FOR LEARNING)**

NOTES TO FINANCIAL STATEMENTS

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

Comparative Amounts

The statement of functional expenses includes certain prior year summarized comparative information in total. 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.

Basis of Presentation

As further described below, the Foundation, follows the Statement of Financial Accounting Standards FASB ASC 958-605-05 and FASB ASC 958-205-05. FASB ASC 958-605-05 requires not-for-profit organizations to distinguish between contributions received that increase net assets with donor restrictions and net assets without donor restrictions. 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 two classes of net assets – without donor restrictions and with donor restrictions - be displayed in a Statements of Financial Position and that the amounts of change in each of those classes of net assets be displayed in a Statements 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.

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.

Contributions Receivable

Contributions receivables are stated at the amount management expects to collect from outstanding balances. The Foundation records contribution receivables when donors make promises to give money to the Foundation that are considered by management to be unconditional. Such receivables that are due to be paid within one year are recorded at their estimated net realizable values. Such receivables due to be paid after one year are recorded at their discounted net realizable values, using a risk-free interest rates for such purposes.

Generally accepted accounting principles ("GAAP") 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 pledges, management elected not to conform to GAAP guidelines. Alternatively, it is the Foundation's policy to utilize the direct write-off method and charge uncollectible pledges receivable to expense when management determines the pledge receivable will not be collected. Such policy does not significantly differ from GAAP. There were \$1,500 and \$500 of pledges written off during the year ended June 30, 2019 and 2018, respectively.

**THE EDUCATION FOUNDATION OF COLLIER COUNTY, INC.
(D/B/A CHAMPIONS FOR LEARNING)**

NOTES TO FINANCIAL STATEMENTS

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

Investments

Investments are initially recorded at cost if purchased or, if donated, at fair market value on the date received. 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 without donor restrictions or with donor restrictions when earned, determined according to the donor's imposed restrictions. All interest income earned during the fiscal years end June 30, 2019 and 2018 were classified as without donor restrictions.

Property and Equipment

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

	<u>YEARS</u>
Building (1 st floor only)	39
Equipment	3
Furniture and fixtures	7
Musical instruments	7
Program fixtures	5
Software	5

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

Contributions

All contributions are considered to be net assets without donor restrictions 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 without donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restriction are reclassified to net assets without donor restrictions and are reported in the Statements of Activities as net assets released from satisfaction of purpose restriction. All such expirations for 2019 and 2018 were related to purpose restrictions being accomplished. Contributions received that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized.

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 Statements of Activities under the caption labeled "in-kind contributions."

Allocation of Functional Expenses

The costs of providing various programs and other activities have been summarized on the statement of functional expenses. Direct costs are charged directly to the programs benefited. Costs that related to both programs and supporting services were allocated based on an allocation of time spent by employees across programs and supporting services. The calculation of the employee's time was determined on a reasonable and consistent basis for each employee as determined by Foundation's key management.

**THE EDUCATION FOUNDATION OF COLLIER COUNTY, INC.
(D/B/A CHAMPIONS FOR LEARNING)**

NOTES TO FINANCIAL STATEMENTS

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

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. Management is not aware of any activities that could jeopardize the Foundation's tax-exempt status. The Foundation has evaluated its tax positions and concluded that the Foundation has taken no uncertain tax positions that require adjustments to the financial statements. The Foundation's Forms 990, Return of Organization Exempt from Income Tax, for the years 2016, 2017, and 2018 are subject to examination by the IRS, generally for three years after they were filed.

Date of Management's Review

In preparing the audited financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through October 17, 2019, the date which the audited financial statements were available to be issued. No subsequent events were identified requiring disclosure.

NOTE 2 - CASH AND CASH EQUIVALENTS

The Foundation maintains its cash at various 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 exceeded the insured limit by approximately \$397,000 and \$302,000 as of June 30, 2019 and June 30, 2018, respectively. The Foundation believes it is not exposed to any significant risk on bank deposit accounts. Cash and cash equivalents consisted of bank deposit, certificates of deposit, and money market accounts at June 30, 2019 and 2018, respectively. Total cash and cash equivalents with donor restrictions was approximately \$495,000 and \$443,000 at June 30, 2019 and 2018, respectively.

As of June 30, 2019, the Foundation has three certificates of deposit with values totaling \$76,000, with 1.83% interest rates and maturity dates through September 2019. The Foundation renewed these certificates of deposit upon maturity. Certificates of deposit are presented as cash equivalents on the Statements of Financial Position at cost plus interest. There were no certificates of deposit held as of June 30, 2018.

NOTE 3 - CONTRIBUTIONS RECEIVABLE

Contributions receivables at June 30, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Without Donor Restrictions:		
Due within one year	\$ 306,971	\$ 199,948
Total contributions receivable – without donor restrictions	<u>306,971</u>	<u>199,948</u>
With Donor Restrictions:		
Due within one year	275,000	206,000
Due after one year	<u>-</u>	<u>200,000</u>
Total contributions receivable – with donor restrictions	<u>275,000</u>	<u>406,000</u>
Total contributions receivable	<u>\$ 581,971</u>	<u>\$ 605,948</u>

**THE EDUCATION FOUNDATION OF COLLIER COUNTY, INC.
(D/B/A CHAMPIONS FOR LEARNING)**

NOTES TO FINANCIAL STATEMENTS

NOTE 3 - CONTRIBUTIONS RECEIVABLE (Continued)

The majority of these pledge commitments were related to the funding for the purchase of the building (1st floor only) containing the office space that the Foundation uses for its operations. Two (2) individuals pledged to give the Foundation \$500,000 each to assist in the purchase of the building (1st floor only) in 2016. Each individual pledged to give \$100,000 in annual installments commencing on March 1, 2016 and concluding on March 1, 2020. Funds from the donors were restricted for the purpose of paying the required annual debt principal amount of \$200,000 due on March 1st each year (see Note 9). The Foundation received \$100,000 from each of these donors during the 2019 and 2018 fiscal years. As of June 30, 2019, \$200,000 of the long-term pledges are due in fiscal year 2020.

NOTE 4 - PREPAID SCHOLARSHIPS

The Foundation has purchased college scholarship contracts from the Florida Prepaid College Foundation ("FPCF"), an agency of the State of Florida, for its use in paying for college or technical school tuition for deserving students. When the Foundation purchased these contracts in 2019 and 2018, the FPCF matched 100% of the amount the Foundation paid for the scholarships. The cost of the contracts is initially recorded as prepaid scholarships and the Foundation has elected to increase that amount by the amount of the state match, with the corresponding credit being recorded as contribution income.

At the end of each fiscal year, the FPCF submits a report to the Foundation that show its valuation of the Foundation's unused and partially used contracts, which it values based on the current rate of tuition at state colleges. The Foundation has elected to record the effect of those increases as an increase in its prepaid scholarships.

The Foundation records its annual scholarship usage expense and the annual appreciation in the aggregate value of its scholarships used in that year and unused scholarship contracts at the end of the year as one net expense amount in its Statements of Activities.

The total value of the Foundation's unused contracts at June 30, 2019 and 2018 totaled \$3,949,204 and \$3,940,280, respectively.

The changes in the prepaid scholarship account during 2019 and 2018 were as follows:

	<u>2019</u>	<u>2018</u>
Beginning balance, prepaid scholarships	\$ 3,940,280	\$ 3,894,726
Purchase of scholarship contracts	261,347	329,022
FPCF match	268,614	349,182
Usage less appreciation of used and unused contracts	<u>(521,037)</u>	<u>(632,650)</u>
Net increase in prepaid scholarships	8,924	45,554
Ending balance, prepaid scholarships	<u>\$ 3,949,204</u>	<u>\$ 3,940,280</u>

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NOTES TO FINANCIAL STATEMENTS

NOTE 5 - ENDOWMENT FUND

On July 23, 2013, the Foundation established an Endowment Fund, known as the “Champions for Learning Endowment Fund” (“Fund”), in the initial amount of \$183,463 with the Community Foundation of Collier County from monies received from donors. The Foundation is the beneficiary of this fund and the invested funds generate gains and/or losses. The Foundation may also receive distributions of income, subject to the Community Foundation of Collier County’s spending policy. The endowment balance at June 30, 2019 and 2018 was \$687,160 and \$585,856, respectively.

The Fund is reported at fair value and consists of primarily of various mutual funds.

Currently, the investment policy is to invest with the Community Foundation of Collier County. The changes in endowment net assets as of and for the years ended June 30, 2019 and 2018 is as follows:

	<u>WITH DONOR RESTRICTIONS</u>	
	<u>2019</u>	<u>2018</u>
Endowment net assets, beginning balance	\$ 585,856	\$ 442,028
Contributions	80,000	105,000
Realized gains	53,002	22,369
Unrealized (losses) gains	(40,742)	11,618
Interest and dividends	14,788	9,590
Administrative fees	<u>(5,744)</u>	<u>(4,749)</u>
Endowment net assets, ending balance	<u>\$ 687,160</u>	<u>\$ 585,856</u>

NOTE 6 - LUCIE JENNY MACCARTHY AND CHUCK MOHLKE 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 Foundation 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, 2019 and 2018 is not reflected in the accompanying financial statements. During 2019 and 2018, the Foundation received grants totaling \$22,663 and \$23,370 which were recorded as net assets with donor restrictions until the satisfaction of restriction is met. Total remaining funds received and unspent at June 30, 2019 and 2018 was \$14,470 and \$63, respectively.

In addition, the Community Foundation of Collier County holds the Chuck Mohlke fund in which its interest and dividend income are available for distribution to the Foundation.

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NOTES TO FINANCIAL STATEMENTS

NOTE 7 - PROPERTY AND EQUIPMENT, NET

Property and equipment, net, at June 30, 2019 and 2018 consisted of the following:

	<u>2019</u>	<u>2018</u>
Building (first floor only)	\$ 1,533,386	\$ 1,532,536
Furniture and fixtures	46,707	38,100
Equipment	70,572	75,913
Musical instruments	9,085	9,085
Program fixtures	63,000	63,000
Software	<u>25,833</u>	<u>25,833</u>
Property and equipment cost	1,748,583	1,744,467
Less: accumulated depreciation	<u>(283,165)</u>	<u>(239,456)</u>
Property and equipment, net	<u>\$ 1,465,418</u>	<u>\$ 1,505,011</u>

Depreciation expense for the years ended June 30, 2019 and 2018 totaled \$54,418 and \$50,806, respectively.

On February 29, 2016, the Foundation entered a financing agreement for the purchase of their office space on the first floor of the building located in Naples, Florida. The amount of the original note payable was \$900,000 (with an initial \$100,000 principal payment in 2016), and the Foundation made principal payments of \$200,000 during 2019 and 2018, respectively. The remaining note balance of \$200,000 and all interest and fees accrued will mature on March 1, 2020 (see Note 9).

NOTE 8 - ACCOUNTS PAYABLE AND OTHER ACCRUED EXPENSES

Accounts payable and other accrued expenses at June 30, 2019 and 2018 consisted of the following:

	<u>2019</u>	<u>2018</u>
Accounts payable	\$ 26,308	\$ 21,229
Accrued expenses and other	<u>58,190</u>	<u>29,268</u>
Total accounts payable and other accrued expenses	<u>\$ 84,498</u>	<u>\$ 50,497</u>

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NOTES TO FINANCIAL STATEMENTS

NOTE 9 - NOTE PAYABLE

Note payable at June 30, 2019 and 2018 consisted of the following:

	<u>2019</u>	<u>2018</u>
Note payable to The Northern Trust Company, secured by pledges of donations, variable interest rate of overnight Libor plus 2% (4.370% and 3.935% at June 30, 2019 and 2018, respectively), commenced on February 29, 2016; matures on March 1, 2020.	\$ 200,000	\$ 400,000
Less: current portion	<u>(200,000)</u>	<u>(200,000)</u>
Total long-term note payable, less current portion	<u>\$ -</u>	<u>\$ 200,000</u>

The principal maturities of the above note payable at June 30, 2019 are as follows:

June 30, 2020	<u>\$ 200,000</u>
Total	<u>\$ 200,000</u>

Total interest costs incurred and paid in 2019 and 2018 was \$16,170 and \$19,466, respectively. The Foundation was in compliance with all its debt covenants at June 30, 2019 and 2018, respectively.

NOTE 10 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at June 30, 2019 and 2018 consisted of the following:

	<u>2019</u>	<u>2018</u>
Florida Prepaid Scholarships (Note 4)	\$ 3,949,204	\$ 3,940,280
Building pledge commitments (Note 3)	200,000	400,000
Take Stock in Children Scholarships	-	7,025
Lucie Jenny MacCarthy Fund (Note 6)	14,470	63
Women in Naples Giving Support (WINGS)	166,649	118,270
Building reserve for future repair/replacement	40,000	40,000
Building / Capital	13,064	10,112
Endowment - Operating	513,602	458,825
Endowment - Scholarships	130,750	30,750
Teacher based grants	61,252	51,500
School based grants	48,191	66,376
Other scholarships and grants	<u>145,285</u>	<u>126,772</u>
Total net assets with donor restrictions	<u>\$ 5,282,467</u>	<u>\$ 5,249,973</u>

**THE EDUCATION FOUNDATION OF COLLIER COUNTY, INC.
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NOTES TO FINANCIAL STATEMENTS

NOTE 10 - NET ASSETS WITH DONOR RESTRICTIONS (Continued)

During 2019 and 2018, 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:

	<u>2019</u>	<u>2018</u>
Distribution of funds for Educator Programs	\$ 144,009	\$ 138,760
Distribution of funds for Take Stock in Children	265,420	329,022
Distribution of funds for Grants, Scholarships and other	160,772	182,627
Distribution of funds for Building and other costs	<u>207,048</u>	<u>341,283</u>
Total satisfaction of purpose restrictions	<u>\$ 777,249</u>	<u>\$ 991,692</u>

NOTE 11 - NET ASSETS WITHOUT DONOR RESTRICTIONS - DESIGNATED

The Foundation's Board of Directors has designated \$125,000 as a liquidity reserve from net assets without donor restrictions.

NOTE 12 - 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.

As noted in Note 1, according to Accounting Standard Update 2015-07, investments for which fair value are measured at net asset value per share (or its equivalent) using the practical expedient should not be categorized in the fair value hierarchy. This accounting standard was reflected by the Foundation since the Pooled Funds of the Community Foundation of Collier County included investments measured at net asset value. These investments have been reflected in the disclosures as noted in the reconciliation below.

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NOTES TO FINANCIAL STATEMENTS

NOTE 12 - FAIR VALUE MEASUREMENTS (Continued)

Consequently, the following fair value disclosure is for those assets measured at fair value on a recurring basis at June 30, 2019 and 2018:

June 30, 2019

Fair Value Measurements at Reporting Date Using:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Endowment Fund	\$ 627,789	\$ 627,789	\$ -	\$ -

The total value of the endowment held in the Community Foundation at June 30, 2019 is as followed:

Total investments measured at fair value	\$ 627,789
Total investments measured at net asset value	<u>59,371</u>
Balance, June 30, 2019 (Note 5)	<u>\$ 687,160</u>

Fair Value Measurements Using Significant Unobservable Inputs (Level 3):

Balance, June 30, 2018	\$ 47,454
Reclassifications of category during the year	<u>(47,454)</u>
Balance, June 30, 2019	<u>\$ -</u>

June 30, 2018

Fair Value Measurements at Reporting Date Using:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Endowment Fund (Note 5)	\$ 585,856	\$ 538,402	\$ 0	\$ 47,454

Fair Value Measurements Using Significant Unobservable Inputs (Level 3):

Balance, June 30, 2017	\$ 33,152
Contributions and other	11,157
Realized gains	1,812
Unrealized gains	941
Interest and dividends	777
Administrative fees	<u>(385)</u>
Balance, June 30, 2018	<u>\$ 47,454</u>

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NOTES TO FINANCIAL STATEMENTS

NOTE 13 - COMMITMENTS

Operating Lease:

The Foundation leases a copier at \$1,036 per month with the lease expiring in January 2021 and leases a phone service at \$615 per month with the lease expiring in August 2020. Lease expense for the years ended June 30, 2019 and 2018 totaled \$27,655 and \$28,430, respectively.

Minimum future annual base lease payments are as follows:

<u>June 30,</u>	
2020	\$ 19,812
2021	<u>8,832</u>
	<u>\$ 28,644</u>

Consulting Agreement:

In May 2019, the Foundation entered into a consulting agreement with Paul Bussmann, LLC to provide services to create communication and messaging products to foster greater understanding and support for the Foundation's vision and mission. The services began in 2019, and are expected to be completed in the next fiscal year. The Foundation accrued approximately \$54,000 (Note 8) related to this agreement for the year ended June 30, 2019.

NOTE 14 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Foundation is primarily funded by contributions from donors which are either with or without donor restrictions. Contributions with donor restrictions require that those resources be used in a certain manner or in a future period. Therefore, the Foundation must maintain adequate resources to meet those responsibilities to its donors and certain financial assets may not be available for general expenditure within one year. As part of its liquidity management, the Foundation has a policy to structure its financial assets to be available as general expenditures, liabilities, and other obligations become due. The Board of Directors designated reserve is available as a liquid reserve in the event of an unanticipated liquidity need. The table below presents the Foundation's financial assets as of June 30, 2019, reduced by amounts which are not available for general use due to contractual or donor-imposed restrictions. Amounts that are not available also include Board of Directors designated amount which could be utilized if the Board of Directors approved the use.

Financial assets, at June 30, 2019:

Cash and cash equivalents	\$ 866,187
Contributions receivable	581,971
Prepaid scholarships	3,949,204
Endowment fund	687,160
Less those unavailable for general expenditures within one-year due to:	
Contractual or donor-imposed restrictions:	
Restricted by donor with time or purpose restriction	(5,282,467)
Accounts payable and accrued expenses	(84,498)
Board of Directors designations:	
Amounts set aside by the Board of Directors for designated reserve	<u>(125,000)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 592,557</u>