

Financial Statements
and Other Reports

Florida Education Foundation, Inc.

*Years ended June 30, 2022 and 2021
with Report of Independent Auditors*



Florida Education Foundation, Inc.

Financial Statements
and Other Reports

Years ended June 30, 2022 and 2021

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Report of Independent Auditors

Board of Directors
Florida Education Foundation, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Florida Education Foundation, Inc. (the Foundation) which comprise the statements of net position as of June 30, 2022 and 2021, the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Foundation, as of June 30, 2022 and 2021, and the changes in its net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern within one year after the date that the financial statements are issued.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 7 be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required by Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 18, 2023 on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Foundation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Foundation's internal control over financial reporting and compliance.

Thomas Howell Ferguson P.A.

Tallahassee, Florida
January 18, 2023

Florida Education Foundation, Inc.
Management's Discussion and Analysis

Year ended June 30, 2022

The Florida Education Foundation, Inc. (the Foundation) is a not-for-profit direct-support organization for the Florida Department of Education (FDOE) under Florida Statute 1001.24.

The Foundation's management's discussion and analysis of the financial performance provides an overview of the Foundation's financial activities for the fiscal year ended June 30, 2022. Please read it with current year financial statements, which follow this section. We are not engaged in Governmental Activities as reflected in GASB Statement No. 34. The financial statements are presented as a special purpose government engaged only as a direct-support organization for a number of funds that support public education programs.

The following condensed financial highlights and statements as presented in management's discussion and analysis includes activities of the Foundation's one agency fund. These amounts are reclassified and presented as cash held for others and the offsetting liability in the audited financial statements.

The following are various financial highlights for the fiscal year 2022:

The Foundation's overall net position decreased by \$887,943, which is approximately a 13% decrease. In the current fiscal year, the assets of the Foundation are reported in eighteen self-balancing funds. Total ending net position was \$5,773,775.

The Foundation had total expenses for the year of \$2,474,430 compared to total revenues of \$1,586,487.

Financial position has decreased over the current year. Below are several factors that caused the impact:

- Operating revenue overall this year increased by 54% compared to the prior year. A majority of the revenue increase is primarily due to change in program revenue and grant revenue.
- Operating expenses overall this year increased by 50% compared to the prior year. A majority of the expense increases are expenditures for meetings and grant expense. Expenses after removing those expenditures are relatively flat compared to last year.
- Overall there is a decrease in investments, including money market funds. Interest and dividends increased by \$44,101, realized and unrealized gains decreased \$16,027 and \$2,394,947, respectively. The Foundation closely monitoring the income.

Florida Education Foundation, Inc.

Management's Discussion and Analysis

Year ended June 30, 2022

- The Foundation continues to have a high net position which allows it to spend a substantial portion of its resources and cash on the eighteen restricted and unrestricted funds that support programs and projects for the Florida Department of Education. Those initiatives are intended to support state efforts to improve high achievement for every student to contribute to Florida's globally competitive workforce.

Overview of the Basic Financial Statements

This annual report contains financial statements that report the Foundation's activities as eighteen self-balancing funds in the current fiscal year.

Florida Education Foundation, Inc.
Management's Discussion and Analysis

Condensed Statements of Net Position

	Years ended June 30,				
	2022	2021	2020	Change 2021-2022	Change 2020-2021
Total current assets	2,152,967	1,647,281	1,328,367	505,686	318,914
Investments	1,796,614	2,062,010	1,730,803	(265,396)	331,207
Cash - board designated	40,457	163,254	84,598	(122,797)	78,656
Investments - board designated	3,588,389	4,233,645	3,266,268	(645,256)	967,377
Total assets	<u>\$ 7,578,427</u>	<u>\$ 8,106,190</u>	<u>\$ 6,410,036</u>	<u>\$ (527,763)</u>	<u>\$ 1,696,154</u>
Total liabilities	<u>1,804,652</u>	<u>1,444,472</u>	<u>1,138,366</u>	<u>360,180</u>	<u>306,106</u>
Unrestricted	877,067	997,662	635,280	(120,595)	362,382
Board designated	3,627,296	4,396,983	3,350,867	(769,687)	1,046,116
Restricted	1,269,412	1,267,073	1,285,523	2,339	(18,450)
Total net position	<u>5,773,775</u>	<u>6,661,718</u>	<u>5,271,670</u>	<u>(887,943)</u>	<u>1,390,048</u>
Total liabilities and net position	<u>\$ 7,578,427</u>	<u>\$ 8,106,190</u>	<u>\$ 6,410,036</u>	<u>\$ (527,763)</u>	<u>\$ 1,696,154</u>

Florida Education Foundation, Inc.
Management's Discussion and Analysis

Condensed Statements of Revenues, Expenses and Changes in Net Position
(Prior to Interfund Eliminations)

	Years ended June 30,				
	2022	2021	2020	Change 2021-2022	Change 2020-2021
Changes in net position					
Operating revenues:					
Contribution revenue	\$ 718,433	\$ 606,543	\$ 769,694	\$ 111,890	\$ (163,151)
Program revenue	462,119	8,665	504,722	453,454	(496,057)
Grant revenue	1,028,332	717,131	296,892	311,201	420,239
Administrative fees	124,363	74,867	80,951	49,496	(6,084)
Other revenue	259,039	272,564	243,823	(13,525)	28,741
Total operating revenues	<u>2,592,286</u>	<u>1,679,770</u>	<u>1,896,082</u>	<u>912,516</u>	<u>(216,312)</u>
Operating expenses:					
Grants	736,139	632,976	1,564,671	103,163	(931,695)
Administrative fees	124,561	74,867	80,951	49,694	(6,084)
Meetings	1,041,728	436,347	435,868	605,381	479
Program materials	109,369	77,846	113,746	31,523	(35,900)
Other expenses	462,633	428,760	614,232	33,873	(185,472)
Total operating expenses	<u>2,474,430</u>	<u>1,650,796</u>	<u>2,809,468</u>	<u>823,634</u>	<u>(1,158,672)</u>
Operating (loss) income	117,856	28,974	(913,386)	88,882	942,360
Total non-operating revenues	<u>(1,005,799)</u>	<u>1,361,074</u>	<u>(7,625)</u>	<u>(2,366,873)</u>	<u>1,368,699</u>
Change in net position	(887,943)	1,390,048	(921,011)	(2,277,991)	2,311,059
Net position at beginning of year	<u>6,661,718</u>	5,271,670	6,192,681	1,390,048	(921,011)
Net position at end of year	<u>\$ 5,773,775</u>	<u>\$ 6,661,718</u>	<u>\$ 5,271,670</u>	<u>\$ (887,943)</u>	<u>\$ 1,390,048</u>

Florida Education Foundation, Inc.

Statements of Net Position

	June 30,	
	<u>2022</u>	<u>2021</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 2,102,448	\$ 1,605,243
Prepaid expenses	29,676	16,316
Accounts receivable	<u>20,843</u>	<u>25,722</u>
Total current assets	2,152,967	1,647,281
Investments	1,796,614	2,062,010
Cash - board designated	40,457	163,254
Investments - board designated	<u>3,588,389</u>	<u>4,233,645</u>
Total assets	<u>\$ 7,578,427</u>	<u>\$ 8,106,190</u>
Liabilities and net position		
Current liabilities:		
Unearned revenue	\$ 1,626,118	\$ 1,164,605
Accounts payable	<u>178,534</u>	<u>279,867</u>
Total liabilities	<u>1,804,652</u>	<u>1,444,472</u>
Net position:		
Unrestricted		
Undesignated	877,067	997,662
Board designated	3,627,296	4,396,983
Restricted	<u>1,269,412</u>	<u>1,267,073</u>
Total net position	<u>5,773,775</u>	<u>6,661,718</u>
Total liabilities and net position	<u>\$ 7,578,427</u>	<u>\$ 8,106,190</u>

See accompanying notes.

Florida Education Foundation, Inc.

Statements of Revenues, Expenses, and Changes in Net Position

	Years ended June 30,	
	2022	2021
Changes in net position:		
Operating revenues:		
Contribution revenue	\$ 718,433	\$ 606,543
Program revenue	462,119	8,665
In-kind contributions	256,732	256,627
Grant revenue	1,028,332	717,131
Miscellaneous income	2,307	15,937
Total operating revenues	<u>2,467,923</u>	<u>1,604,903</u>
Operating expenses:		
Grants	736,139	632,976
Advertising	7,985	65,233
Meetings	1,041,728	436,347
Program materials	109,369	77,846
Professional fees	144,983	61,101
Supplies and postage	24,458	10,051
Travel	19,290	18,223
Salaries and benefits	144,336	144,129
Miscellaneous	121,779	130,023
Total operating expenses	<u>2,350,067</u>	<u>1,575,929</u>
Operating income	117,856	28,974
Nonoperating revenues:		
Interest income	169,495	125,394
Realized gain on investments	107,945	123,972
Unrealized gain (loss) on investments	<u>(1,283,239)</u>	<u>1,111,708</u>
Total nonoperating revenues	<u>(1,005,799)</u>	<u>1,361,074</u>
Change in net position	(887,943)	1,390,048
Net position at beginning of year	<u>6,661,718</u>	<u>5,271,670</u>
Net position at end of year	<u>\$ 5,773,775</u>	<u>\$ 6,661,718</u>

See accompanying notes.

Florida Education Foundation, Inc.

Statements of Cash Flows

	Years ended June 30,	
	2022	2021
Operating activities		
Receipts from contributions and program services	\$ 2,677,583	\$ 1,694,810
Payments to vendors	(1,471,889)	(768,499)
Payments for grants and awards	(736,139)	(632,976)
Net cash provided by operating activities	<u>469,555</u>	<u>293,335</u>
Investing activities		
Purchase of investments	(2,432,035)	(2,364,037)
Proceeds from the sale of investments	2,167,393	2,301,133
Interest on investments	169,495	125,394
Net cash (used in) provided by investing activities	<u>(95,147)</u>	<u>62,490</u>
Net change in cash and cash equivalents	374,408	355,825
Cash and cash equivalents at beginning of year	<u>1,768,497</u>	<u>1,412,672</u>
Cash and cash equivalents at end of year	<u>\$ 2,142,905</u>	<u>\$ 1,768,497</u>
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ 117,856	\$ 28,974
Adjustments to reconcile operating income to net cash provided by operating activities:		
Other assets	(8,481)	(41,745)
Unearned revenue	461,513	371,963
Accounts payable	(101,333)	(65,857)
Net cash provided by operating activities	<u>\$ 469,555</u>	<u>\$ 293,335</u>
Cash and cash equivalents consists of:		
Cash and cash equivalents	\$ 2,102,448	\$ 1,605,243
Cash - board designated	40,457	163,254
Total cash and cash equivalents	<u>\$ 2,142,905</u>	<u>\$ 1,768,497</u>
Supplemental Disclosures		
Non-cash investing, capital, and financing activities:		
Contribution of salaries and benefits	\$ 144,336	\$ 144,129
Contribution of materials and supplies	112,396	112,498
Unrealized (loss) gain on investments	(1,283,239)	1,111,708

See accompanying notes.

Florida Education Foundation, Inc.

Notes to Financial Statements

Years ended June 30, 2022 and 2021

1. Nature of Operations and Significant Accounting Policies

Florida Education Foundation, Inc. (the Foundation) is organized as a Florida Department of Education direct-support organization and was incorporated under the laws of the state of Florida on April 2, 1985. The Foundation is organized exclusively to receive, hold, invest, and administer property and to make expenditures to or for the benefit of public pre-kindergarten through grade 12 education in Florida. The primary purpose of the Foundation is to pursue a future in which every Florida student graduates from high school ready for post-secondary education and a career. As the Florida Department of Education's direct-support organization, the Foundation serves as a nexus connecting well-informed strategic direction with philanthropic and other resources to leverage effective change in Florida's education system. The Foundation's mission is to invest in high achievement for every student to contribute to Florida's globally competitive workforce.

Reporting Entity

The Foundation meets the criteria set forth by the Governmental Accounting Standards Board (GASB) for inclusion as a component unit within the Florida Department of Education's (FDOE) comprehensive annual financial reports based on FDOE's ability to appoint the Board of Directors. As a component unit, the Foundation's financial statements are discretely presented in FDOE's comprehensive annual financial reports. The accompanying financial statements present the financial position of the Foundation only. The Foundation does not have any component units and is not involved in any joint ventures.

Basis of Accounting

The Foundation follows financial reporting requirements for enterprise funds, which use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recognized when they are incurred.

The financial statements have been prepared in conformity with the pronouncements of the Governmental Accounting Standards Board (GASB), including GASB Statement No. 14, *The Financial Reporting Entity*, as amended by GASB 61, which defines the Foundation as a component unit with the FDOE.

Florida Education Foundation, Inc.

Notes to Financial Statements

1. Nature of Operations and Significant Accounting Policies (continued)

Cash and Cash Equivalents

Cash and cash equivalents consist of deposits with a financial institution and deposits in highly liquid money market funds. The financial instruments exposed to concentrations of credit risk consist primarily of its cash and cash equivalents. Deposits with financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per depositor. Bank deposits at times may exceed federally insured limits. The Foundation has not experienced any losses in such accounts.

For purposes of the statement of cash flows, cash and interest bearing deposits with an original maturity of three months or less are considered cash equivalents.

Investments

Investments held by the Foundation are reported at fair values for securities traded on national or international exchanges or over-the-counter are valued at quoted market prices.

Contributions and Grants

Contributions and grants from two of the Foundation's largest private donors totaled 43% and 16% of contributions revenue for the years ended June 30, 2022 and 2021, respectively.

Revenue Recognition

Operating revenues consist of contributions and event registrations/sponsorships and are recognized when earned. Nonoperating revenues consist of various forms of investment income.

Fund Accounting

To ensure observance of limitations and restrictions placed on the use of resources available to the Foundation, the accounts of the Foundation are maintained in accordance with the principles of fund accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purposes. Separate accounts are maintained for each fund; however, for financial statement reporting purposes all funds are combined.

Florida Education Foundation, Inc.

Notes to Financial Statements

1. Nature of Operations and Significant Accounting Policies (continued)

Programs

The Foundation administers financial accounts (unrestricted, board designated and restricted) for various funds/programs of FDOE. The Foundation is organized by unrestricted and restricted funds that support FDOE.

Unrestricted Funds

- a. Commissioner's Enhancement Program Fund (General Fund) - includes unrestricted resources available for support of the Foundation.

Board Designated

- b. Mary E. Murdock Endowment Fund - includes unrestricted resources from a single donor for support of the Foundation's mission to promote and support academic excellence for pre-kindergarten through 12th grade students in Florida.

Restricted Funds

- c. Career and Technical Education (CTE) - The aim of the fund is to provide increased support for all of Florida's career and technical education programs. These programs matter for economic growth and prosperity – as we think and plan strategically about how to build robust career pathways starting at the middle grades through our postsecondary partners. The fund will support efforts to align all workforce programs to industry demand, the engagement and support of students, particularly those historically underrepresented populations, in workforce education programs, and the scaling of entrepreneurship education and training.
- d. Exceptional Education/Student Services (EESS) - supports programs for students with disabilities and strengthens the quality and variety of services available to students with special needs. The programs and activities include the Administrators' Management Meeting (AMM), Regional Roundtables, SAC and Parent Services Meetings, and New Directors' Academy. AMM is designed for administrators of district exceptional student education (ESE) and student services programs, special projects personnel, state agency programs and residential schools, and for representatives of related college and university training programs. AMM provides important information related to the State Performance Plan, compliance, and monitoring. This meeting is typically held each September.

Florida Education Foundation, Inc.

Notes to Financial Statements

1. Nature of Operations and Significant Accounting Policies (continued)

- e. Educator Quality (EQ) - was originally established in 2005 as the Teacher Recruitment Fund when a statewide teacher recruitment initiative was started. Since that time, the fund expanded to include other initiatives and recognition programs. With this expansion, it was determined that the fund title did not adequately describe the programs being supported and in May 2015 the fund title was changed.
- f. Emergency Relief Fund - was originally established to support schools affected by hurricanes. During 2004, Florida was hit by four hurricanes (Charley, Frances, Ivan and Jeanne) affecting many schools in the state. The Florida Education Foundation served as a conduit for supplies and information. Requests to donate were forwarded from Volunteer Florida and throughout other areas of FDOE. District superintendents were asked to report their needs so that priority could be given to those schools most in need. In 2020, the Coronavirus (COVID-19) pandemic hit, and Florida schools were forced to close their brick and mortar and operate solely through distance learning.
- g. Family & Community Outreach - provides resources, training, recognition and technical assistance for parents, volunteers, schools and communities to support families in making choices that will promote a high-quality education for their children. The programs and activities include Dropout Prevention and Academic Intervention, Faith and Community-Based Outreach and Parent Involvement.
- h. FAU Principal Preparation Initiative - includes resources from a grant provided by the Wallace Foundation through Florida Atlantic University to support the creation and implementation of FDOE rules for educational leadership certification program approval that supports university-district partnerships that contain strong components to advance the development of highly effective school leaders.
- i. Florida Civics and Debate Initiative - The Florida Civics and Debate Initiative (FCDI) is made possible by a \$5 million grant from the Bernie Marcus Foundation. The goal of the FCDI is to improve civic literacy skills in middle and high school grade students and prepare them via programs like speech and debate. The initiative is three-year, multi-phase plan to ultimately incorporate Civics programs in every Florida school district.
- j. Florida Future Educators of America (FFEA) - sponsors and administers the annual Future Educators state conference for students. Since 1986, FDOE has provided assistance to schools in starting and maintaining chapters of Florida Future Educators of America pre-collegiate and collegiate teacher recruitment programs. The program provides a forum for students to become aware of career opportunities in education and nurtures their interest in teaching as a career. Each year, FDOE coordinates the state conference for the postsecondary chapters and the senior high school student members and their advisors. FDOE also provides promotional materials to support the advancement of the FFEA program.

Florida Education Foundation, Inc.

Notes to Financial Statements

1. Nature of Operations and Significant Accounting Policies (continued)

- k. Independent Education & Parental Choice (IEPC) - Choice - The Foundation Charter School Conference is an annual event presented by FDOE's IEPC and the Foundation. The conference has been in existence since the first Florida charter schools opened in 1996 and began its collaboration with the Foundation in 2006. This multi-day event draws over 800 attendees and more than 448 exhibitor representatives. The conference is designed to provide Florida charter school authorizers, operators, administrators, board members and teachers the opportunity to network with each other and FDOE staff, share best practices and gather information from key FDOE personnel during workshops and breakout sessions, and meet with exhibitors who offer goods and services designed for the charter school community.
- l. Just Read, Florida! (JRF) - supports reading activities that comply with the goal to have every child reading at grade level. These reading activities relate to reading research, teacher training, parent training, and community and corporate involvement.
- m. K-12 Public Schools - includes resources from public and/or private donations for use in support of public schools in Florida. The programs and activities include Become a Mentor! and Dads Take Your Child to School day.
- n. Office of Healthy Schools (OHS) - promotes and facilitates professional development for school health specialists. Beginning in 2010, OHS began the Summer Academy for Teachers of Health Education which focuses on the professional development needs of teachers responsible for providing instruction on any health education topic for students in their district. The Academy includes elementary, middle and high school classroom teachers, certified health educators, physical education teachers, guidance counselors and teachers responsible for teaching any health education topic.
- o. Summer Science and Math Symposium - is a continuation of the 2019 Next Generation Summer Science Symposium. The purpose of this project is science and math professional development across grades levels. The goal of the Summer Science Symposium is to build capacity among Florida's science and math teachers to increase student achievement in science and math. Each symposium location will offer three tracks per content area: (1) grades 3-5, (2) middle school (grades 6-8), and (3) biology/algebra.
- p. Sunshine State Scholars - includes resources from public and private donations to recognize each district's top 11th grade STEAM (science, technology, engineering, arts and math) students and recruit them to pursue their postsecondary education in a Florida college or university. The scholars, their parents and a teacher of their choice are brought together for a two-day recognition program and college/university recruitment fair. This includes workshops for college applications, college funding and teacher professional development.

Florida Education Foundation, Inc.

Notes to Financial Statements

1. Nature of Operations and Significant Accounting Policies (continued)

- q. Teacher Engagement - includes resources from a grant provided by the Bill and Melinda Gates Foundation for the purpose of improving educator quality in the State of Florida. This grant facilitates and coordinates teacher leaders through a High Impact Teacher Corps, develop culture/mindset in FDOE, and to redesign professional development policy.
- r. Teacher of the Year - recognizes and honors the contributions of outstanding classroom teachers who have demonstrated a superior capacity to inspire a love of learning in students of all backgrounds and abilities. In accordance with Florida Statutes section 1012.77 F.S., FDOE coordinates the nomination and selection of the Florida Teacher of the Year and the Finalists. FDOE also coordinates recognition events, the scheduling of presentations and workshops by the Teacher of the Year in his/her service as the Christa McAuliffe Ambassador for Education and the planning and coordination of the annual Florida Teacher Roundtable, a symposium for all nominees.

Donated Services

As a direct-support organization, the Foundation occupies certain premises, and uses the services, including management services, of certain employees of FDOE. Management services, including salaries and benefits, totaled \$144,336 and \$144,129 for the years ended June 30, 2022 and 2021, respectively. Additionally, the Foundation received certain in-kind materials and supplies totaling \$112,396 and \$112,498, for the years ended June 30, 2022 and 2021, respectively. These amounts are included as in-kind contributions in the accompanying financial statements.

Advertising Costs

Advertising costs are expensed as incurred.

Income Taxes

Pursuant to a determination letter received from the Internal Revenue Service, the Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code, and as such, is liable for tax only on business income unrelated to the purpose for which it is exempt. Accordingly, no provision for income taxes has been made in the accompanying financial statements. With few exceptions, the Foundation is no longer subject to examinations by major tax jurisdictions for years ended June 30, 2017, and prior.

Florida Education Foundation, Inc.

Notes to Financial Statements

1. Nature of Operations and Significant Accounting Policies (continued)

Subsequent Events

The Foundation has evaluated subsequent events through January 18, 2023, the date the financial statements were available to be issued. During the period from June 30, 2022 to January 18, 2023, the Foundation did not have any material recognizable subsequent events.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect 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. Accordingly, actual results could differ from those estimates.

2. Investments

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy under GASB 72 are described as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that a government can access at the measurement date.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly.
- Level 3: Unobservable inputs for an asset or liability.

The Foundation utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs.

Fair Value on a Recurring Basis

The table below presents the balances of assets and liabilities measured at fair value on a recurring basis.

Florida Education Foundation, Inc.

Notes to Financial Statements

2. Investments (continued)

Investments consist of the following at June 30, 2022:

	<u>Cost</u>	<u>Unrealized Gains (Losses)</u>	<u>Market and Carrying Value</u>	<u>Level 1</u>
Equity securities	\$ 3,298,200	\$ 65,875	\$ 3,364,075	\$ 3,364,075
Fixed income	<u>2,246,465</u>	<u>(225,537)</u>	<u>2,020,928</u>	<u>2,020,928</u>
Total	<u>\$ 5,544,665</u>	<u>\$ (159,662)</u>	<u>\$ 5,385,003</u>	<u>\$ 5,385,003</u>

Investments consist of the following at June 30, 2021:

	<u>Cost</u>	<u>Unrealized Gains (Losses)</u>	<u>Market and Carrying Value</u>	<u>Level 1</u>
Equity securities	\$ 3,116,731	\$ 1,056,142	\$ 4,172,873	\$ 4,172,873
Fixed income	<u>2,099,971</u>	<u>22,811</u>	<u>2,122,782</u>	<u>2,122,782</u>
Total	<u>\$ 5,216,702</u>	<u>\$ 1,078,953</u>	<u>\$ 6,295,655</u>	<u>\$ 6,295,655</u>

Custodial Credit Risk

Custodial credit risk is the risk that in the event of the failure of the custodial entity, the Foundation's deposits may not be returned to it. At June 30, 2022, the Foundation has one custodian: PNC Bank. The Foundation believes the custodial risk to be minimal.

Interest Rate Risk

Interest rate risk arises from investments in debt instruments and is defined as the risk that changes in interest rates will adversely affect the fair value of an investment. The Foundation is not directly subject to interest rate risk for its investment in mutual funds that purchase debt instruments, as the Foundation is able to sell their interest in these mutual funds at will (subject to potential redemption fees). Duration of mutual funds comprised of debt instruments was not readily available as of June 30, 2022.

Credit Quality Risk

The Foundation's policy is to invest in high quality instruments with the lowest level of risk. Investments are rated by either Standard & Poor's or Moody's at the time of purchase. Because mutual funds are listed and valued as a whole, not by individual holdings, information about specific ratings cannot be obtained; however, the mutual funds do have exposure to non-investment grade securities.

Florida Education Foundation, Inc.

Notes to Financial Statements

2. Investments (continued)

Foreign Currency Risk

Investments in international equity securities are limited to SEC-Registered, U.S. exchange listed, U.S. dollar-denominated securities in foreign domiciled issuers. The Foundation invests in international securities through American Depository Receipts (ADRs). ADRs represent investments in shares of foreign companies traded on the U.S. financial markets and are denominated in U.S. dollars and, thus, are not exposed to foreign currency risk. Securities of foreign companies traded on foreign stock exchanges may be purchased only with the written permission of the Foundation's Investment Committee. The Foundation has no investments with foreign currency risk at June 30, 2022.

Concentration of Credit Risk

The Investment Policies require investments to be diversified such that there is not an undue concentration in a single industry sector. Investments in equity or fixed income securities are subject to a maximum 5% commitment at cost of the account's total market value for any individual security or single issuer.

3. Commitments and Contingencies

During the ordinary course of business, the Foundation executes agreements with hotels for future events. In the case of an unforeseen cancellation, the Foundation is not liable for any significant penalties unless the event is booked at another venue within the area. As of June 30, 2022, management has no intentions to terminate any of the existing agreements which extend through 2022.

4. Programs and Awards

The Foundation presented Teacher of the Year awards of \$5,750 and \$2,000 for the fiscal years ended June 30, 2022 and 2021, respectively, to selected Florida teachers and their schools. Awards are given for district, regional, and state Teachers of the Year in amounts ranging from \$250 to \$5,000.

The Foundation presented other grants/awards as part of other programs totaling \$390,744 and \$344,243 for the fiscal years ended June 30, 2022 and 2021, respectively.

5. Administrative Fees

Individual funds were charged a fee to recover the costs of administering these funds. Administrative fees are eliminated when operating and other funds are combined for financial statement presentation. The administrative fee was 5% of gross revenues for each fund unless otherwise negotiated.

Florida Education Foundation, Inc.

Notes to Financial Statements

6. Operating Expenses

Operating expenses of the Foundation include both administrative and program expenses. For the years ended June 30, 2022 and 2021 the administrative component of operating expenses was \$126,960 and \$265,868, respectively. The program expenses component for the years ended June 30, 2022 and 2021 was \$2,222,910 and \$1,268,955, respectively.

7. Related Party

During the normal course of business, the Foundation receives contributions, including cash, from board members and their affiliated entities.

8. Designated Net Position, Cash, and Investments

The Board of Directors has designated unrestricted net position for each of the years ended June 30, 2022 and 2021 for the Mary Murdock Endowment Fund in the amount of \$3,627,296 and \$4,396,983, respectively. In addition, the Board of Directors has designated cash and investments in the amount equal to the above designation.

Other Reports

**Report of Independent Auditors on Internal Control Over Financial Reporting and
on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

Board of Directors
Florida Education Foundation, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Florida Education Foundation (the Foundation), which comprise the statement of financial position as of June 30, 2022, and the related statements of revenues, expenses, and changes in net position and cash flows for the year ended, and the related notes to the financial statements, and have issued our report thereon dated January 18, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Foundation's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Thomas Howell Ferguson P.A.

Tallahassee, Florida
January 18, 2023