



Hillsborough Education Foundation

November 17, 2010

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*Please remember the
Hillsborough Education
Foundation in your will or trust.*

This introductory letter was prepared using management's knowledge and insight and is designed to offer the reader a better opportunity to understand the changes in the Hillsborough Education Foundation's financial position over the past year.

The largest change in the Hillsborough Education Foundation's financial position from the previous year is due to its fiscal agent role for the agreement between the Bill and Melinda Gates Foundation and the Hillsborough County Public Schools for the *Intensive Partnerships to Empower Effective Teachers* grant. This agreement started in November 2009 and continues through June 30, 2016. The Bill & Melinda Gates Foundation has awarded \$100 million as part of the Hillsborough County Public Schools' more than \$200 million initiative to improve teacher effectiveness and to better prepare students for postsecondary education. For the next seven (7) years the School Board, Hillsborough Classroom Teachers' Association, and the school district will collaborate on developing programs and strategies to ensure effective teachers are in the county's public schools. Through this initiative, the district has a goal to increase the number of college-ready students from 63% to 90% of high school graduates; and increase the graduation rate from 82.2% to 90%.

In addition to serving as fiscal agent, the Hillsborough Education Foundation has been working to engage and communicate with the community about the progress made through this opportunity. The Foundation fully supports the district in their efforts to implement an initiative that will directly benefit our teachers and students. This work could change the face of education in Hillsborough County Public Schools, and ultimately around the nation.

During the fiscal year ended June 30, 2010, The Foundation has received \$17,000,000 of the \$100,000,000 grant award and has passed through \$5,995,608. As of June 30, 2010 the Foundation has a cash balance of \$11,004,392 from the grant and a corresponding liability to the Hillsborough County School District of the same amount (see page 4). The Bill and Melinda Gates grant is not used for the Hillsborough Education Foundation's operations and is directed by the Hillsborough County Public School District for their utilization. The Hillsborough Education Foundation will receive a fiscal agent fee each year, and during the past fiscal year, received \$65,334, as reflected in other revenue on page 5.

As noted on page 5, the Foundation was able to increase its revenue by \$408,000 from the previous year and has gained an increase in its net assets of \$537,000. The Foundation vigilantly analyzed its revenue and expenses during the year and proactively sought new donor streams. The final affect of this vigilance was an increase of \$233,000 to the Foundation's Unrestricted Net Asset balance. This reflects a major improvement in the Foundation's financial position during the year.



The Foundation continues to diligently manage its expenses so that its AFR (Administrative and Fundraising Rate) is only 10%. The Foundation still retains its 4-star rating from Charity Navigator, the nation's largest independent evaluator of charities. As described by Charity Navigator, its highest rating is given to outstanding charities that succeed in efficiently and effectively managing their finances.

In June 2010, the Foundation moved to its new location in historic Centro Español de West Tampa. The Foundation entered into a long term lease for \$1 per year for ten years with the City of Tampa. This centralizing of operations will result in a savings in rent of \$75,000 annually in the coming years and has consolidated program areas to more efficiently deliver services. With this move, the Foundation has gained an expanded Teaching Tools Supply store to be able to serve significantly more students and teachers and increased its warehouse space to provide a greater variety of resources. The Foundation has increased its number of schools served through the Supply Store to 100 Title I schools and instructional sites. The Foundation also now provides a meeting place for community engagement as it maintains and preserves historic Centro Español.

Upon reviewing the following audited financial statements and its accompanying footnotes, we are confident you will conclude that the Hillsborough Education Foundation's financial position has improved as a result of the year's operations. Please contact us for any further information.

Sincerely,

A handwritten signature in black ink that reads "William E. Hoffman". The signature is written in a cursive style with a large, prominent "W" and "H".

William E. Hoffman
President
Hillsborough Education Foundation

The Hillsborough Education Foundation
Holds Charity Navigator's
Highest Rating



FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORTS

HILLSBOROUGH EDUCATION FOUNDATION, INC.

June 30, 2010 and 2009

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Hillsborough Education Foundation, Inc.

STATEMENTS OF FINANCIAL POSITION

June 30,

	<u>2010</u>	<u>2009</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents (notes A3 and P)	\$ 291,449	\$ 349,037
Cash held for others (note P)	11,004,392	-
Accounts receivable (note A4)		
Grants	121,713	289,953
Pledges receivable, net (note D)	65,155	126,271
Investments (notes B and C)	<u>2,852,238</u>	<u>2,305,398</u>
Total current assets	14,334,947	3,070,659
PREPAID SCHOLARSHIPS (note E)	3,401,607	3,263,786
FURNITURE AND EQUIPMENT, net (notes A6 and G)	236,532	109,580
PLEDGES RECEIVABLE, net (note D)	42,193	32,409
INVESTMENTS (notes B and C)	1,519,870	1,392,989
BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS (note H)	18,166	16,459
DEPOSITS	<u>21,299</u>	<u>19,799</u>
TOTAL ASSETS	<u>\$ 19,574,614</u>	<u>\$ 7,905,681</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 59,287	\$ 31,709
Accrued expenses	743,961	626,069
Deferred revenue	36,539	55,125
Other liability (note P)	<u>11,004,392</u>	<u>-</u>
Total current liabilities	<u>11,844,179</u>	<u>712,903</u>
NET ASSETS (note A2)		
Unrestricted (notes N and O)	1,003,872	770,179
Temporarily restricted (notes L and O)	6,277,362	6,068,981
Permanently restricted (note O)	<u>449,201</u>	<u>353,618</u>
	<u>7,730,435</u>	<u>7,192,778</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 19,574,614</u>	<u>\$ 7,905,681</u>

The accompanying notes are an integral part of these statements.

Hillsborough Education Foundation, Inc.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the year ended June 30, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Community support and revenue				
Public support				
Received directly				
Contributions	\$ 565,685	\$ 1,911,763	\$ 5,206	\$ 2,482,654
Federal grants	-	98,078	-	98,078
State grants	-	239,447	-	239,447
Local grants	40,725	104,024	-	144,749
Special events (note I)	110,404	111,647	-	222,051
Donated goods and services				
School Board	113,001	32,843	-	145,844
Other (note A10)	9,039	1,795,364	-	1,804,403
Total community support	<u>838,854</u>	<u>4,293,166</u>	<u>5,206</u>	<u>5,137,226</u>
Other revenue				
Unrealized scholarship appreciation (note E)	-	79,699	-	79,699
Investment income (loss) (note A5)	132,241	143,237	-	275,478
Other revenue (note P)	65,334	-	-	65,334
Total other revenue	<u>197,575</u>	<u>222,936</u>	<u>-</u>	<u>420,511</u>
Net assets released from restrictions	<u>4,217,344</u>	<u>(4,217,344)</u>	<u>-</u>	<u>-</u>
Total community support, revenue and net assets released from restrictions	<u>5,253,773</u>	<u>298,758</u>	<u>5,206</u>	<u>5,557,737</u>
Expenses				
Program services				
Career & Technical Education	237,217	-	-	237,217
Excellence in Education Recognition	258,048	-	-	258,048
Scholarships	716,960	-	-	716,960
School Enrichment Programs	1,315,644	-	-	1,315,644
Teaching Tools for Hillsborough Schools	1,963,954	-	-	1,963,954
Total program services	<u>4,491,823</u>	<u>-</u>	<u>-</u>	<u>4,491,823</u>
Supporting services				
Management and general	194,677	-	-	194,677
Fundraising	333,580	-	-	333,580
Total supporting services	<u>528,257</u>	<u>-</u>	<u>-</u>	<u>528,257</u>
Total expenses	<u>5,020,080</u>	<u>-</u>	<u>-</u>	<u>5,020,080</u>
Change in net assets	233,693	298,758	5,206	537,657
Net assets at beginning of year	770,179	6,068,981	353,618	7,192,778
Transfers (note O)	<u>-</u>	<u>(90,377)</u>	<u>90,377</u>	<u>-</u>
Net assets at end of year	<u>\$ 1,003,872</u>	<u>\$ 6,277,362</u>	<u>\$ 449,201</u>	<u>\$ 7,730,435</u>

The accompanying notes are an integral part of this statement.

Hillsborough Education Foundation, Inc.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the year ended June 30, 2009

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Community support and revenue				
Public support				
Received directly				
Contributions	\$ 654,517	\$ 1,741,971	\$ 36,000	\$ 2,432,488
Federal grants	-	109,856	-	109,856
State grants	-	266,358	-	266,358
Local grants	48,675	288,814	-	337,489
Special events (note I)	147,960	97,907	-	245,867
Donated goods and services				
School Board	126,295	96,217	-	222,512
Other (note A10)	49,470	1,464,447	-	1,513,917
Total community support	<u>1,026,917</u>	<u>4,065,570</u>	<u>36,000</u>	<u>5,128,487</u>
Other revenue				
Unrealized scholarship appreciation (note E)	-	269,311	-	269,311
Investment income (loss) (note A5)	9,745	(258,141)	-	(248,396)
Total other revenue	<u>9,745</u>	<u>11,170</u>	<u>-</u>	<u>20,915</u>
Net assets released from restrictions	<u>3,654,837</u>	<u>(3,654,837)</u>	<u>-</u>	<u>-</u>
Total community support, revenue and net assets released from restrictions	<u>4,691,499</u>	<u>421,903</u>	<u>36,000</u>	<u>5,149,402</u>
Expenses				
Program services				
Career & Technical Education	179,511	-	-	179,511
Excellence in Education Recognition	333,269	-	-	333,269
Scholarships	866,843	-	-	866,843
School Enrichment Programs	1,007,171	-	-	1,007,171
Teaching Tools for Hillsborough Schools	1,689,995	-	-	1,689,995
Total program services	<u>4,076,789</u>	<u>-</u>	<u>-</u>	<u>4,076,789</u>
Supporting services				
Management and general	197,101	-	-	197,101
Fundraising	310,442	-	-	310,442
Total supporting services	<u>507,543</u>	<u>-</u>	<u>-</u>	<u>507,543</u>
Total expenses	<u>4,584,332</u>	<u>-</u>	<u>-</u>	<u>4,584,332</u>
Change in net assets	107,167	421,903	36,000	565,070
Net assets at beginning of year	663,012	10,180,383	-	10,843,395
Transfers (note O)	-	(317,618)	317,618	-
Transfer of Nature's Classroom Project (note F)	-	(4,215,687)	-	(4,215,687)
Net assets at end of year	<u>\$ 770,179</u>	<u>\$ 6,068,981</u>	<u>\$ 353,618</u>	<u>\$ 7,192,778</u>

The accompanying notes are an integral part of this statement.

Hillsborough Education Foundation, Inc.

STATEMENTS OF CASH FLOWS

For the year ended June 30,

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities		
Change in net assets	<u>\$ 537,657</u>	<u>\$ 565,070</u>
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	27,836	35,686
Loss on disposal of assets	60,616	-
Decrease (increase) in accounts receivable	168,240	(92,969)
Decrease in pledges receivable	51,332	215,589
Net realized and unrealized (gain) loss on investments	(216,061)	345,969
Increase in prepaid scholarships	(137,821)	(60,356)
(Increase) decrease in beneficial interest held by others and deposits	(3,208)	6,314
Increase (decrease) in accounts payable, accrued expenses, and deferred revenue	126,883	(124,362)
Total adjustments	<u>77,817</u>	<u>325,871</u>
Net cash provided by operating activities	<u>615,474</u>	<u>890,941</u>
Cash flows from investing activities		
Fixed asset purchases	(215,402)	(697,104)
Purchase of investments	<u>(457,660)</u>	<u>(501,339)</u>
Net cash used by investing activities	<u>(673,062)</u>	<u>(1,198,443)</u>
Net decrease in cash and cash equivalents	(57,588)	(307,502)
Cash and cash equivalents at beginning of year	<u>349,037</u>	<u>656,539</u>
Cash and cash equivalents at end of year	<u>\$ 291,449</u>	<u>\$ 349,037</u>

Supplemental disclosure of non-cash investing activities

The Foundation received \$77,212 of donated services related to construction in process during the year ended June 30, 2009.

The accompanying notes are an integral part of these statements.

Hillsborough Education Foundation, Inc.

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended June 30, 2010

	Program Services					Supporting Services			
	Career & Technical Education	Excellence in Education Recognition	Scholarships	School Enrichment Programs	Teaching Tools for Hillsborough Schools	Total Program Services	Management and General	Fundraising	Total
Salaries, wages and benefits	\$ 107,533	\$ 175,938	\$ 197,203	\$ 201,741	\$ 225,965	\$ 908,380	\$ 120,075	\$ 147,904	\$ 1,176,359
Banquets, facilities and services	4,687	-	5,000	75,451	6,502	91,640	2,442	3,395	97,477
Grant and awards	84,185	-	9,500	368,128	43	461,856	1,055	3,500	466,411
Grant supplies and service	-	14,079	-	21,905	10,404	46,388	-	5,559	51,947
Tuition and scholarships	-	-	447,780	36,500	-	484,280	-	-	484,280
Accounting services	1,135	4,263	3,756	4,688	4,888	18,730	3,924	5,466	28,120
Professional services	1,608	1,708	18,630	294,644	1,460	318,050	-	29,021	347,071
Office supplies and printing	1,745	10,950	1,381	6,917	4,280	25,273	3,685	10,248	39,206
Software and computer support	464	1,815	1,658	5,068	1,986	10,991	1,996	2,350	15,337
Equipment and service lease	501	1,792	2,738	1,969	-	7,000	2,931	2,404	12,335
Insurance	436	1,952	1,872	2,059	2,282	8,601	1,860	2,531	12,992
Conferences and training	-	312	20	10,342	996	11,670	2,083	1,886	15,639
Service charges	-	-	14	278	-	292	7,432	-	7,724
Equipment purchased and repairs	85	567	909	10,904	2,627	15,092	1,146	16,382	32,620
In-kind (note A10)	30,486	37,574	13,690	250,308	1,521,961	1,854,019	26,256	69,972	1,950,247
Depreciation/loss on disposal of assets	436	1,616	1,417	1,966	79,447	84,882	1,486	2,084	88,452
Miscellaneous	112	354	794	2,337	7,079	10,676	11,202	8,093	29,971
Bad debt expense	-	-	-	-	3,872	3,872	-	-	3,872
Dues and subscriptions	550	-	-	3,592	500	4,642	3,100	2,320	10,062
Meetings	2,973	127	2,036	11,475	3,209	19,820	2,777	6,386	28,983
Advertisement	281	5,001	8,562	1,952	1,677	17,473	1,227	5,071	23,771
Occupancy	-	-	-	3,420	84,776	88,196	-	9,008	97,204
Total expenses	\$ 237,217	\$ 258,048	\$ 716,960	\$ 1,315,644	\$ 1,963,954	\$ 4,491,823	\$ 194,677	\$ 333,580	\$ 5,020,080

The accompanying notes are an integral part of this statement.

Hillsborough Education Foundation, Inc.

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended June 30, 2009

	Program Services					Supporting Services			Total
	Career & Technical Education	Excellence in Education Recognition	Scholarships	School Enrichment Programs	Teaching Tools for Hillsborough Schools	Total Program Services	Management and General	Fundraising	
Salaries, wages and benefits	\$ 23,241	\$ 152,895	\$ 220,785	\$ 180,563	\$ 218,559	\$ 796,043	\$ 121,942	\$ 137,615	\$ 1,055,600
Banquets, facilities and services	2,119	36,653	1,475	78,611	8,497	127,355	1,598	7,679	136,632
Grant and awards	122,827	21,322	15,200	378,396	-	537,745	1,091	8,250	547,086
Grant supplies and service	-	-	-	35,449	8,386	43,835	-	-	43,835
Tuition and scholarships	-	-	530,715	27,000	-	557,715	-	-	557,715
Accounting services	-	5,709	3,585	4,249	1,309	14,852	8,098	2,390	25,340
Professional services	1,134	6,213	9,582	146,789	-	163,718	623	7,945	172,286
Office supplies and printing	6,809	15,223	1,988	8,967	4,877	37,864	4,167	13,118	55,149
Software and computer support	-	1,629	1,959	4,534	2,028	10,150	1,501	2,217	13,868
Equipment and service lease	-	2,715	3,450	3,006	-	9,171	3,624	3,219	16,014
Insurance	-	2,002	2,559	2,131	1,785	8,477	1,982	2,164	12,623
Conferences and training	-	243	-	4,604	737	5,584	1,723	3,512	10,819
Service charges	-	-	-	264	-	264	5,704	-	5,968
Equipment purchased and repairs	-	755	976	8,375	8,057	18,163	1,568	2,458	22,189
In-kind (note A10)	18,000	82,698	3,084	94,744	1,326,543	1,525,069	29,199	104,946	1,659,214
Depreciation	-	2,642	3,403	3,095	20,494	29,634	2,209	3,843	35,686
Miscellaneous	1,284	631	550	890	5,368	8,723	2,695	5,739	17,157
Bad debt expense	-	-	50,000	-	-	50,000	-	-	50,000
Dues and subscriptions	-	-	-	1,954	500	2,454	6,323	1,645	10,422
Meetings	2,678	325	1,094	21,505	1,808	27,410	2,348	3,702	33,460
Advertisement	1,419	1,614	16,438	-	1,263	20,734	706	-	21,440
Occupancy	-	-	-	2,045	79,784	81,829	-	-	81,829
Total expenses	\$ 179,511	\$ 333,269	\$ 866,843	\$ 1,007,171	\$ 1,689,995	\$ 4,076,789	\$ 197,101	\$ 310,442	\$ 4,584,332

The accompanying notes are an integral part of this statement.

Hillsborough Education Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2010 and 2009

NOTE A - DESCRIPTION OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A description of the organization and a summary of its significant accounting policies consistently applied in the preparation of the accompanying financial statements follow:

1. Description of the Organization

The Hillsborough Education Foundation, Inc. (the "Foundation") was incorporated on March 2, 1988 under Chapter 617 of the Florida Statutes as a not-for-profit corporation for educational and charitable purposes. The general nature, purpose, and objectives of the Foundation are to provide support to the teachers and students of the Hillsborough County public schools. The Foundation focuses on initiatives that support academic excellence.

2. Basis of Accounting

The financial statements, presented on the accrual basis of accounting, have been prepared to focus on the Foundation as a whole, and to present balances and transactions according to the existence or absence of donor-imposed restrictions. This has been accomplished by classification of assets, liabilities, and net assets into three self-balancing net asset groups as follows:

- Unrestricted Net Assets - net assets that are not temporarily restricted as described below.
- Temporarily Restricted Net Assets - net assets subject to donor-imposed stipulations that may or will be met by either actions of the Foundation and/or the passage of time.
- Permanently Restricted Net Assets - net assets subject to donor-imposed restrictions that are to be maintained by the Foundation (see note O).

Contributions received and unconditional promises to give are measured at their fair values at the date of contribution and are reported as increases in net assets. The Foundation reports gifts of cash and other assets as restricted support if they are designated for future periods. Temporarily restricted net assets are reclassified to unrestricted net assets when the restriction expires. Accordingly, the financial statements classify all net assets as unrestricted except those that involve a donor restriction which are classified as temporarily restricted or permanently restricted.

3. Cash and Cash Equivalents

Cash and cash equivalents consist of cash on deposit, certificates of deposit, money market accounts, and investment grade commercial paper that are readily convertible into cash and purchased with original maturities of three months or less.

Hillsborough Education Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2010 and 2009

NOTE A - DESCRIPTION OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

4. Accounts Receivable

The Foundation receives support from various federal, state and local grants. None of the amounts receivable at June 30, 2010 and 2009 are deemed to be uncollectible. Therefore, no provision for uncollectible amounts has been made in the accompanying financial statements.

5. Investments

Investments are stated at fair value based upon quoted market prices with dividends, interest, realized and unrealized gains and losses captioned as investment income on the Statement of Activities.

6. Equipment

Equipment is stated at cost or fair value at the date of donation. Depreciation is calculated using the straight-line method over an estimated useful life of five to seven years. The Foundation capitalizes asset acquisitions exceeding \$500 individually.

7. Income Taxes

Income taxes are not provided for in the financial statements since the Foundation is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and similar state provisions. Management is not aware of any activities that would jeopardize the Foundation's tax exempt status. The Foundation is not aware of any tax positions it has taken that are subject to a significant degree of uncertainty. Tax years after June 30, 2007 remain subject to examination by taxing authorities.

8. Concentrations of Credit Risk

Financial instruments that potentially subject the Foundation to concentrations of credit risk consist principally of cash and money market accounts.

9. Use of Estimates

The preparation of these 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, liabilities, and operating expenses and to disclose contingent assets and liabilities at the date of the financial statements. Actual results could differ from these estimates.

Hillsborough Education Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2010 and 2009

NOTE A - DESCRIPTION OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

10. Donated Goods and Services

Donations of in-kind items used by the Foundation are recorded as contributions and as assets or expenses to the extent that an objective basis is available to measure the value of such items.

Contributed services are recorded as contributions and as assets or expenses at their fair value, to the extent they create or enhance nonfinancial assets or require specialized skills, are provided by individuals or organizations possessing these skills, and would typically need to be purchased if not provided by donations. Contributed goods and services totaled approximately \$1,804,000 and \$1,514,000 during the years ended June 30, 2010 and 2009, respectively. Approximately \$1,522,000 and \$1,327,000 of the contributed goods and services for the years ended June 30, 2010 and 2009, respectively relate to donated school supplies for the Foundation's Teaching Tools for Hillsborough Schools program.

The Hillsborough County School Board donated goods and services to the Foundation of approximately \$146,000 and \$223,000 during 2010 and 2009, respectively. These goods and services include salaries and wages, office rent and other administrative costs.

A substantial number of volunteers have contributed significant amounts of time and services to the Foundation's fundraising activities. However, these services have not been recognized in the financial statements since they do not meet the requirements of Financial Accounting Standards Board *Accounting Standards Codification* (FASB ASC) 958-605.

11. Functional Expenses

The Foundation allocates its expenses on a functional basis among its various programs and services. Expenses that can be identified with a specific revenue and support service are allocated directly according to their natural expenditure classification. The Foundation's principal activities comprise:

I. Career & Technical Education

The Foundation's Career & Technical Education programs provide assistance to students while in secondary or post-secondary programs which assist in career preparedness. Programs included are the SUCCESS Fund (for Career Academy High School Students), Project SUCCESS (for at-risk students in Career Centers) and INVEST (for students in post-secondary, certificate earning programs). The SUCCESS Fund assures that students who are in Career Academies are successful while in high school. With the funds provided by Project SUCCESS students are able to complete their courses and graduate from the career centers, and receive scholarships to continue their education at one of the county's Hi-TEC centers or Hillsborough Community College. The INVEST program provides financial assistance to students pursuing post-secondary education at a Hi-TEC center.

Hillsborough Education Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2010 and 2009

NOTE A - DESCRIPTION OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

II. Excellence in Education Recognition

The Hillsborough Education Foundation promotes the excellent achievements and successes of Hillsborough County Public Schools through the Excellence in Education Recognition program.

This program showcases the educators and school personnel who consistently bring forth their best effort and utilize their talents to ensure the students they serve are receiving the best education possible. The Foundation works jointly with the school district to recognize individuals who do extraordinary work for the county's students and schools, including: Teacher of the Year, Instructional Support Employee of the Year, and Ida S. Baker Diversity Educator of the Year. Community support is also acknowledged as a vital component to the success of our public schools. Each year more than 850 educators, school personnel, and business leaders are honored through this recognition program.

III. Scholarships

The Scholarship program provides academic assistance for postsecondary, college, and Career & Technical Education for Hillsborough County students and employees. In partnership with the community, individual, and corporate donors, the Foundation offers a variety of scholarship awards, including cash scholarships for graduating seniors, and Florida Prepaid scholarships to at-risk students in grades sixth through ninth. Students who receive a scholarship through the Florida Prepaid Scholarship program are also paired with a mentor who provides academic and personal support through graduation. Every year the Foundation awards approximately 300 scholarships.

IV. School Enrichment Programs

School Enrichment programs enhance the classroom experience and support academic success through measures including: literacy, STEM (Science, Technology, Education, and Math), environment, civics, arts/culture, etc. Programs include *Hillsborough Reads* which is an early intervention literacy program serving at-risk students in grades K-3. This program gives more than 800 struggling readers one-on-one tutoring to help improve reading levels. The Nature's Classroom environmental education program teaches the county's 6th graders about the importance of Florida's ecological systems. This hands-on learning experience began 40 years ago and has touched more than 360,000 students. Additional programs are supported via grants from the Foundation to teachers and schools on a competitive basis in order to assist programs which provide school enrichment.

V. Teaching Tools for Hillsborough Schools

Teaching Tools for Hillsborough Schools provides teachers and students with the basic school supplies needed to be successful in the classroom. The program accomplishes this by bringing the community's surplus materials into the hands of teachers and

Hillsborough Education Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2010 and 2009

NOTE A - DESCRIPTION OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

students, at no cost to them. Teachers and school representatives from all Hillsborough County Public Schools can “shop” (at no cost) at the supply store to acquire their free supplies. Currently, 100 Title I schools and education sites, shop at the Supply Store on a regular basis, reaching approximately 1,800 teachers and more than 50,000 students. Teaching Tools is a green program, helping support a clean environment through reuse and recycling.

Annually, Teaching Tools provides approximately \$1.5 million worth of free supplies to the teachers and students who have the greatest need in the school district.

NOTE B – FAIR VALUE MEASUREMENTS

FASB ASC 820-10 establishes a framework for using fair value to measure assets and liabilities and defines fair value as the price that would be received to sell an asset or paid to transfer a liability (an exit price) as opposed to the price that would be paid to acquire the asset or received to assume the liability (an entry price).

Under FASB ASC 820-10, a fair value measure should reflect the assumptions that market participants would use in pricing the asset or liability, including the assumptions about the risk inherent in a particular valuation technique, the effect of a restriction on the sale or use of an asset and the risk of nonperformance. FASB ASC 820-10 requires disclosures that stratify the statement of financial position amounts measured at fair value based on inputs used to derive fair value measurements. These strata include:

- Level 1 inputs, where the valuation is based on quoted market prices for identical assets or liabilities traded in active markets (which include exchanges and over-the-counter markets with sufficient volume),
- Level 2 inputs, where the valuation is based on quoted market prices for similar instruments traded in active markets, quoted prices for identical or similar instruments in markets that are not active and model-based valuation techniques for which all significant assumptions are observable in the market, and
- Level 3 inputs, where the valuation is generated from model-based techniques that use significant assumptions not observable in the market, but observable based on fund-specific data. These unobservable assumptions reflect estimates or assumptions that market participants would use in pricing the asset or liability. Valuation techniques typically include option pricing models, discounted cash flow models and similar techniques, but may also include the use of market prices of assets or liabilities that are not directly comparable to the subject asset or liability.

Hillsborough Education Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2010 and 2009

NOTE B – FAIR VALUE MEASUREMENTS – Continued

The following table presents financial assets measured at fair value on a recurring basis as of June 30,:

<u>June 30, 2010</u>	<u>Fair Value</u>	<u>Level 1 Inputs</u>	<u>Level 2 Inputs</u>	<u>Level 3 Inputs</u>
Money market and certificate of deposit funds	\$1,393,651	\$ 1,393,651	\$ -	\$ -
Bond funds	1,953,583	1,953,583	-	-
Equity funds	<u>1,024,874</u>	<u>1,024,874</u>	<u>-</u>	<u>-</u>
Total	<u>\$4,372,108</u>	<u>\$ 4,372,108</u>	<u>\$ -</u>	<u>\$ -</u>

<u>June 30, 2009</u>	<u>Fair Value</u>	<u>Level 1 Inputs</u>	<u>Level 2 Inputs</u>	<u>Level 3 Inputs</u>
Money market and certificate of deposit funds	\$1,013,864	\$ 1,013,864	\$ -	\$ -
Bond funds	1,820,020	1,820,020	-	-
Equity funds	<u>864,503</u>	<u>864,503</u>	<u>-</u>	<u>-</u>
Total	<u>\$3,698,387</u>	<u>\$ 3,698,387</u>	<u>\$ -</u>	<u>\$ -</u>

Pledges Receivable

Pledges receivable are reported at the fair value of promises to give that are due in more than one year by discounting expected future cash flows using a discount rate of 1.5% to 4.0%.

NOTE C - INVESTMENTS

Cash or investments that are designed for long-term purposes or are received with donor imposed restrictions that limit their use are shown as noncurrent assets in the Statements of Financial Position.

Investments shown as noncurrent assets consisted of the following at June 30,:

	<u>2010</u>	<u>2009</u>
Nature's Classroom Project	\$ 63,799	\$ 69,454
Endowments/donor advised funds	<u>1,519,870</u>	<u>1,323,535</u>
	<u>\$1,583,669</u>	<u>\$ 1,392,989</u>

Hillsborough Education Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2010 and 2009

NOTE D - PLEDGES RECEIVABLE

Pledges receivable represent unconditional promises to give by donors. Pledges that are expected to be collected after one year have been discounted using a rate of 1% to 4.0%, and are reflected in the financial statements at their net present value.

Pledges receivable consisted of the following at June 30,:

	<u>2010</u>	<u>2009</u>
Total pledges	\$ 114,195	\$ 159,471
Less allowance for uncollectible pledges	(4,300)	(63)
Less unamortized discount for present value	<u>(2,547)</u>	<u>(728)</u>
Net pledges receivable	<u>\$ 107,348</u>	<u>\$ 158,680</u>

Pledges receivable expected to be collected after June 30, 2010:

<u>Year ending June 30,</u>	
2011	\$ 65,155
2012	16,020
2013	11,520
2014	11,500
2015	<u>10,000</u>
	114,195
Less allowance for uncollectible pledges and unamortized discount	<u>(6,847)</u>
	<u>\$ 107,348</u>

NOTE E - PREPAID SCHOLARSHIPS

The Foundation made payments totaling \$152,505 and \$65,410 to the Florida Prepaid College Foundation, Inc. during the years ended June 30, 2010 and 2009, respectively, for the purpose of purchasing prepaid scholarships to be awarded in the future to qualified, economically disadvantaged students in Florida. In 2010 and 2009, the State of Florida matched dollar-for-dollar contributions used to purchase prepaid scholarships. The fair value of the prepaid scholarships was \$3,401,607 and \$3,263,786 at June 30, 2010 and 2009, respectively. The prepaid scholarship fund was reduced by \$90,982 and \$273,865 due to the utilization of scholarship recipients for the years ended June 30, 2010 and 2009, respectively. Additionally, the prepaid scholarships appreciated \$79,699 and \$269,311 for the years ended June 30, 2010 and 2009 as a result of the increase in value of a college credit hour with the state of Florida.

Hillsborough Education Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2010 and 2009

NOTE F – CONSTRUCTION IN PROCESS – NATURE’S CLASSROOM

Nature's Classroom, an award winning environmental education program located on 365 acres of land in northeast Hillsborough County along the Hillsborough River, offers all sixth-grade public school students in Hillsborough County a three-day, hands-on, minds-on learning experience. It is combined with two weeks of classroom study in which students utilize reading, writing and math skills in investigating the complex inter-relationships found in the Hillsborough River Watershed. This program recently celebrated its 40th year of operation by the School District.

The Foundation embarked on a \$4.0 million capital campaign, the Students First Capital Campaign, to renovate and upgrade Nature's Classroom. This campaign provided state of the art facilities to enable students to fully experience the Florida environment. The capital improvements include educational facilities, animal habitats, a dock and boardwalk, and outdoor classrooms.

Renovations and construction, were completed in 2009, and the ownership rights with respect to the Nature's Classroom project rests in the Southwest Florida Water Management District, while the School Board of Hillsborough County will retain certain use rights and will continue to have maintenance responsibilities with respect to the project pursuant to an agreement with the Southwest Florida Water Management District. The Foundation transferred the Nature's Classroom Project which totaled \$ 4,215,687 in assets to the Southwest Florida Water Management District during the year ended June 30, 2009. The School District will continue to operate this program in the new facilities. This was a planned transfer resulting in a reduction in assets and is in recognition of the successful completion of the Students First Capital Campaign.

NOTE G - FURNITURE AND EQUIPMENT

Furniture and equipment is summarized as follows at June 30,:

	<u>2010</u>	<u>2009</u>
Computer equipment	\$ 20,160	\$ 16,762
Furniture, fixtures and equipment	74,901	92,704
Leasehold improvements	<u>219,446</u>	<u>152,415</u>
	314,507	261,881
Less accumulated depreciation	<u>(77,975)</u>	<u>(152,301)</u>
	<u>\$ 236,532</u>	<u>\$ 109,580</u>

Hillsborough Education Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2010 and 2009

NOTE H - BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS

The Foundation established a designated fund with the Community Foundation of Tampa Bay, Inc. (the "Community Foundation") for the purpose of providing support for the Foundation's mission.

NOTE I - SPECIAL EVENTS

The Foundation conducted a variety of special events during the years ended June 30, 2010 and 2009 to benefit the Foundation. Net special events revenue consisted of the following at June 30,:

	<u>2010</u>	<u>2009</u>
Event revenue	\$ 654,055	\$ 599,761
Direct expenses	<u>432,004</u>	<u>353,894</u>
Net proceeds from special events	<u>\$ 222,051</u>	<u>\$ 245,867</u>

NOTE J - COMMITMENTS

The Foundation leases equipment which is classified as an operating. The following is a schedule of approximate minimum payments under the contracts that expire in the year ending June 30, 2012:

Year ending June 30,

2011	\$ 3,588
2012	<u>3,588</u>
	<u>\$ 7,176</u>

The Foundation's rental expense was approximately \$49,000 and \$48,000 for the years ended June 30, 2010 and 2009, respectively. The Foundation receives in-kind rent from the Hillsborough County School District (see note A10 for further discussion). Additionally, the Foundation has entered into a new office space lease effective June 2010 for \$1 per year for ten years with the City of Tampa.

NOTE K - RETIREMENT PLAN

The Foundation participates in a 403(b) retirement plan that covers all full-time employees after 90 days of employment. Each employee covered under the plan has a discretionary contribution of 10% of the employee's eligible wages contributed to the plan by the Foundation. The Foundation also adopted a 457(b) deferred compensation plan during the year ended June 30, 2007.

Pension expense was \$87,445 and \$83,252 for the years ended June 30, 2010 and 2009, respectively.

Hillsborough Education Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2010 and 2009

NOTE L - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets contain donor-imposed restrictions that expire upon the passage of time or once specific actions are undertaken by the Foundation. The net assets are then released and reclassified to unrestricted support when these restrictions are satisfied.

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

	<u>2010</u>	<u>2009</u>
Nature's Classroom Project	\$ 63,799	\$ 69,454
Endowments/Donor advised funds	817,260	791,048
Recognition/public relations	84,528	87,480
Scholarships and grants	4,245,163	4,283,484
Programs and school projects	<u>1,066,612</u>	<u>837,515</u>
	<u>\$ 6,277,362</u>	<u>\$ 6,068,981</u>

NOTE M - SCHOOL BOARD FUNDING

The Hillsborough County School Board made cash contributions of \$114,489 and \$114,514 for the years ended June 30, 2010 and 2009 respectively. These cash contributions were used for administrative expenses.

NOTE N - NET ASSETS

The Foundation's Board of Directors designated \$432,112 and \$324,751 of unrestricted net assets for the Educational Enrichment Fund use at June 30, 2010 and 2009, respectively.

NOTE O - ENDOWMENT NET ASSETS

In accordance with FASB 958-205-50, *"Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures of All Endowment Funds"*, the Foundation has established temporarily and permanently restricted endowment funds. These funds are invested in accordance with the investment policy of the Foundation.

Hillsborough Education Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2010 and 2009

NOTE O - ENDOWMENT NET ASSETS - Continued

Changes in the endowment's net assets are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets at June 30, 2008	\$ 320,605	\$ 385,542	\$ -	\$ 706,147
Contributions	4,202	9,000	36,000	49,202
Investment income	(59,917)	(76,585)	-	(136,502)
Endowment expenditures	-	(22,150)	-	(22,150)
Transfers to create board designated endowments	59,861	-	-	59,861
Transfers	-	(317,618)	317,618	-
Endowment net assets at June 30, 2009	324,751	(21,811)	353,618	656,558
Contributions	5,922	-	5,206	11,128
Investment income	45,634	33,665	-	79,299
Endowment expenditures	-	(15,500)	-	(15,500)
Transfers to create board designated endowments	55,805	-	-	55,805
Transfers	-	-	90,377	90,377
Endowment net assets at June 30, 2010	<u>\$ 432,112</u>	<u>\$ (3,646)</u>	<u>\$ 449,201</u>	<u>\$ 877,667</u>

As a result of revised donor endowment agreements, \$90,377 and \$317,618 of temporarily restricted funds were transferred to permanently restricted endowment funds during the years ended June 30, 2010 and 2009, respectively. Additionally, the (\$3,646) and (\$21,811) temporarily restricted balance at June 30, 2010 and 2009, respectively represents investment losses related to permanently restricted endowments. The earnings on permanently restricted endowments are restricted for a specific purpose.

NOTE P - FISCAL AGENT

The Foundation has entered into an agreement dated as of November 19, 2009 with the Bill and Melinda Gates Foundation and the Hillsborough County Public Schools to serve as a fiscal agent through June 30, 2016. This agreement is for the initiative called *Intensive Partnerships to Empower Effective Teachers* in which the Bill & Melinda Gates Foundation has awarded \$100 million as part of the Hillsborough County Public Schools' more than \$200 million initiative to improve teacher effectiveness and to better prepare students for postsecondary education. For the next seven (7) years the School Board, Hillsborough Classroom Teachers' Association, and the school district will collaborate on developing programs and strategies to assure effective teachers are in the county's public schools. Through this initiative, the district has a goal to increase the number of college-ready students from 63% to 90% of high school graduates; and increase the graduation rate from 82.2% to 90%.

Hillsborough Education Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2010 and 2009

NOTE P - FISCAL AGENT - Continued

In addition to serving as fiscal agent, the Hillsborough Education Foundation will also work to engage and communicate with the community about the progress made through this opportunity. The Foundation fully supports the district in their efforts to implement an initiative that will directly benefit our teachers and students. This work could change the face of education in Hillsborough County Public Schools, and ultimately around the nation.

The Foundation is required to record the fair value of cash or other financial assets received on behalf of a specified unaffiliated beneficiary as a liability. Variance power was given to the Hillsborough County School District in relationship to this grant.

The amount of the Bill and Melinda Gates Foundation award is \$100,000,000. The Foundation has received \$17,000,000 and has passed through \$5,995,608 for the year ended June 30, 2010. As of June 30, 2010 the Foundation has \$11,004,392 of cash and a corresponding liability to the Hillsborough County School District of the same amount. This cash is maintained in a financial institution as outlined by the Bill and Melinda Gates Foundation. The Bill and Melinda Gates grant is not used for the Foundation's operations and is directed by the Hillsborough County School District for their use. The administrative fees earned by the Foundation was \$65,334 for the year ended June 30, 2010.

NOTE Q – SUBSEQUENT EVENTS

The Foundation has evaluated events and transactions occurring subsequent to June 30, 2010 as of November 17, 2010 which is the date the financial statements were issued. Subsequent events occurring after November 17, 2010 have not been evaluated by management. No material events have occurred since June 30, 2010 that require recognition or disclosure in the financial statements.

INDEPENDENT AUDITORS' REPORT 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*

HILLSBOROUGH EDUCATION FOUNDATION, INC.

June 30, 2010 and 2009

Compliance and Other Matters

As part of obtaining reasonable assurance about whether financial statements are free of 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 determination of financial statement amounts. 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*.

This report is intended for the information of the Board of Directors, management, and applicable grantor agencies and is not intended to be and should not be used by anyone other than these specified parties.

Buccio, Gordinier & Company, P.A.

Tampa, Florida
November 17, 2010