

MEMORANDUM

MANAGEMENT AND
COMPLIANCE AUDITS
2015 APR 13 AM 8:53

IRM-C/2014-2015/M228
April 7, 2015

TO: Mr. Jose Montes de Oca, Chief Auditor
Office of Management and Compliance Audits

FROM: Iraida R. Mendez-Cartaya, Associate Superintendent
Office of Intergovernmental Affairs, Grants Administration, and
Community Engagement

SUBJECT: **THE FOUNDATION FOR NEW EDUCATION INITIATIVES, INC.
FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS'
REPORT FOR THE YEAR ENDED JUNE 30, 2014**

Enclosed please find a copy of the financial statements and independent auditors' report conducted by Verdeja & De Armas, Certified Public Accountants for The Foundation for New Education Initiatives, Inc., for the period of July 1, 2013 through June 30, 2014. Should you have any questions, please contact me at 305 995-1497.


IRM-C

IRM-C:ms

Attachment

cc: Mr. Alberto M. Carvalho

**THE FOUNDATION FOR NEW
EDUCATION INITIATIVES, INC.**

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**

**FOR THE YEAR ENDED
JUNE 30, 2014**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
The Foundation for New Education Initiatives, Inc.
Miami, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of The Foundation for New Education Initiatives, Inc. (the "Foundation"), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities, and cash flows for the year then ended, 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 audit. We conducted our audit 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 entity'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 entity'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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Foundation for New Education Initiatives, Inc. as of June 30, 2014, and the results of operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink, appearing to read 'Vickrey & DeArce', is written in a cursive style.

CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
December 4, 2014

THE FOUNDATION FOR NEW EDUCATION INITIATIVES, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2014

ASSETS

Cash and cash equivalents (\$900,285 temporarily restricted)	\$ 1,597,938
Grants receivable (temporarily restricted)	<u>270,979</u>
TOTAL ASSETS	<u>\$ 1,868,917</u>

LIABILITIES AND NET ASSETS

Liabilities:	
Accounts payable	\$ 625,234
TOTAL LIABILITIES	<u>\$ 625,234</u>

Net assets:	
Unrestricted net assets	\$ 72,419
Temporarily restricted net assets	<u>1,171,264</u>
TOTAL NET ASSETS	<u>1,243,683</u>

TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,868,917</u>
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The accompanying notes are an integral part of these financial statements.

THE FOUNDATION FOR NEW EDUCATION INITIATIVES, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE			
Contributions	\$ 144,094	\$ 1,609,065	\$ 1,753,159
Interest income	4,875	-	4,875
In-kind contributions	55,163	-	55,163
Net assets released from restrictions	3,283,431	(3,283,431)	-
TOTAL SUPPORT AND REVENUE	<u>3,487,563</u>	<u>(1,674,366)</u>	<u>1,813,197</u>
EXPENSES			
Program services:			
Wireless Technology	2,221,632	-	2,221,632
Scholarship Program	199,168	-	199,168
The Parent Academy	108,362	-	108,362
Cultural Passport	628,547	-	628,547
After School Programs	200,000	-	200,000
Principal Today	29,980	-	29,980
Other Programs	276,105	-	276,105
TOTAL PROGRAM SERVICES	<u>3,663,794</u>	<u>-</u>	<u>3,663,794</u>
Supporting services:			
Management and general	32,844	-	32,844
Fundraising	45,182	-	45,182
TOTAL SUPPORTING SERVICES	<u>78,026</u>	<u>-</u>	<u>78,026</u>
TOTAL EXPENSES	<u>3,741,820</u>	<u>-</u>	<u>3,741,820</u>
CHANGE IN NET ASSETS	<u>(254,257)</u>	<u>(1,674,366)</u>	<u>(1,928,623)</u>
NET ASSETS, BEGINNING OF YEAR	326,676	2,845,630	3,172,306
NET ASSETS, END OF YEAR	<u>\$ 72,419</u>	<u>\$ 1,171,264</u>	<u>\$ 1,243,683</u>

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

THE FOUNDATION FOR NEW EDUCATION INITIATIVES, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2014

CASH FLOW FROM OPERATING ACTIVITIES	
Change in net assets	\$ (1,928,623)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Decrease in accounts receivable	865,000
Decrease in accounts payable	(497,446)
NET CASH USED IN OPERATING ACTIVITIES	<u>(1,561,069)</u>
Net decrease in cash and cash equivalents	<u>(1,561,069)</u>
Cash and cash equivalents, beginning of year	<u>3,159,007</u>
Cash and cash equivalents, end of year	<u>\$ 1,597,938</u>

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

THE FOUNDATION FOR NEW EDUCATION INITIATIVES, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

NOTE 1 – NATURE OF ACTIVITIES

The Foundation for New Education Initiatives, Inc. (the "Foundation"), a not-for-profit corporation, was incorporated under the laws of the state of Florida in April 2008 and began operations on November 24, 2008. The Foundation was formed to foster improved education and cultural experiences for impoverished and underprivileged students attending Miami-Dade County Public Schools (the "District"). Foundation funds include monies that have been received by the Foundation in support of its fundraising efforts and donations by the local business community.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements have been prepared using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded as earned and expenses are recorded at the time liabilities are incurred.

Basis of Presentation

The Foundation prepares its financial statements in accordance with the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC). The Foundation is required to report information regarding its financial position and activities according to three classes of net assets. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

Unrestricted net assets are the part of net assets that are neither permanently nor temporarily restricted by donor-imposed stipulations. Generally, operating revenues and expenses have been recorded in the Unrestricted Fund.

Temporarily restricted net assets result from contributions and other inflows of assets whose use is limited by donor-imposed stipulations that either expire by passage of time or can be removed by actions of the organization pursuant to those stipulations.

Permanently restricted net assets result from contributions and other inflows of assets whose use is limited by donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by actions of the organization.

Program Services/Temporarily Restricted Net Assets

Program services represent various established programs that meet the Foundation's purpose of fostering improved education and cultural experiences for impoverished and underprivileged students attending Miami-Dade County Public Schools as follows. Funds raised for each of the programs below are temporarily restricted net assets until expended for the applicable programs:

The Parent Academy-Miami-Dade County Public Schools: The Parent Academy is a year-round initiative to help parents become full partners in their child's education by providing free classes and workshops at more than 200 sites throughout Miami-Dade County. This program is funded primarily by Target Corporation. The funds are passed through to the District for implementation of the program.

Cultural Passport: The Cultural Passport is an educational initiative in partnership with Miami-Dade's various arts and cultural institutions, to provide all K-12 students with a different age-appropriate cultural experience each school year. Support is provided for transportation, venue admission fees, curriculum and professional development, and other operational needs.

**THE FOUNDATION FOR NEW EDUCATION INITIATIVES, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Bringing Wireless Technology to the Classroom: Starting in 2012, through the community-wide contributions and support from local and national foundations, The Foundation for New Education Initiatives initiated a fundraising campaign to raise approximately \$7 million for wireless technology improvements in the District, to be matched 10 to 1 through the federal E-Rate Program. These funds are not considered to be financial support and as such, are not considered to be federal grant revenue. Additionally, the matched funds are not passed-through the Foundation to be spent but instead are provided directly to the vendor and therefore not reflected within grant receivable. Additional efforts are geared to raising funds to provide students with portable laptops. Approximately, \$3,500,000 has been raised to date by the Foundation, of which, approximately \$560,000 is included in temporarily restricted net assets until disbursed to the District.

Dial-A-Teacher: An online, free service provided by the District, in cooperation with United Teachers of Dade and WLRN. Dial-A-Teacher offers homework help in most subject areas in grades K-12 and provides parents/guardians with assistance in helping their children complete homework assignments. Hours of operation are Monday through Thursday on school nights from 5:30 p.m. to 8:30 p.m. Bilingual assistance is available.

College Tour: Provides support to the College Tour Institute which provides students an opportunity to prepare for college by visiting college campuses.

College Assistance Program: Through the College Assistance Program, Inc., students are awarded scholarships for college.

Posse Foundation: Through the Posse Foundation, deserving students are awarded four-year, full tuition leadership scholarships by 33 partner universities and colleges in 17 states. Students are sent to colleges and universities in a "Posse," a group of ten students. Each Posse acts as a traveling support system to ensure that each Posse scholar succeeds and graduates from college.

Other Programs: Teacher Incentive Fund: to reward teachers in high-need schools who provide innovation and leadership to enhance student achievement and peer motivation. Assisting Families in Need: Referrals, monetary, and other types of aid for students and their families in crisis.

Contributions

Revenues are reported as an increase in unrestricted net assets, unless use of the related assets are limited by a donor-imposed purpose or time restriction. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulations or by law. Expirations of temporary restrictions recognized on net assets are reported as reclassifications from temporarily restricted net assets to unrestricted net assets. Temporary restrictions on gifts to acquire long lived assets are considered met in the period in which the assets are acquired or placed into service.

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 at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

THE FOUNDATION FOR NEW EDUCATION INITIATIVES, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

For the purpose of reporting cash flows, the Foundation considers all highly liquid financial instruments with maturity of three months or less to be cash equivalents.

Grants Receivable

Grants receivable consist of contributions promised from corporate donors. Grants receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through adjustments to valuation allowances based on its assessment of the current status of individual receivables. Balances still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance. The Foundation does not believe they need an allowance for uncollectible accounts receivable as of June 30, 2014.

Concentration of Credit Risk

Cash and cash equivalents are exposed to credit risks. The Foundation maintains its cash and cash equivalents in bank deposit accounts that, at times, may exceed federally insured limits. To minimize risk, the Foundation's cash accounts are placed with high credit quality financial institutions. The Foundation regularly evaluates its depository arrangements.

Income Taxes

The Foundation is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and therefore, has made no provision for federal income taxes in the accompanying financial statements. In addition, the Foundation qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

There are no reserves held for uncertain tax positions at June 30, 2014. Tax years that are open under the statute of limitations remain subject to examination by the IRS.

In-Kind Contributions

In-kind contributions of student transportation, venue admission fees, curriculum and professional development, and other operational needs as well as donated personnel related cost received from Miami-Dade County Public Schools and donated professional services from third parties are properly included in the accompanying statement of activities at their estimated fair market values at the date of receipt. In-kind contributions for the year ended June 30, 2014 was approximately \$55,000. This amount is included in management and general under supporting services in the statement of activities.

Subsequent Events

The Foundation has evaluated subsequent events through December 4, 2014, which is the date the financial statements were available to be issued.

NOTE 3 – GRANTS RECEIVABLE

Grants receivable as of June 30, 2014 consists of the following:

Wireless Technology Program - Knight Foundation	\$ 260,979
NAO Humanoid Robot Program - Bosch Community Fund	10,000
	<u>\$ 270,979</u>

THE FOUNDATION FOR NEW EDUCATION INITIATIVES, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

NOTE 4 – ACCOUNTS PAYABLE

Accounts Payable as of June 30, 2014 consists of the following:

Miami Dade County Public Schools	\$	270,359
Accounts Payable - Trade		354,875
		<hr/>
	\$	<u>625,234</u>

NOTE 5 – RELATED PARTIES

The recipients of the services offered by the Foundation are primarily students enrolled in Miami-Dade County Public Schools and their families. During fiscal year 2014, the Foundation expended approximately \$3,600,000 with the District and certain schools in the District for the Parent Academy, After School programs, student and transportation, wireless technology for the classrooms, and teacher incentives. Approximately \$270,000 is due to Miami-Dade County Public Schools at June 30, 2014. This amount is included in accounts payable. The Chair of the School Board and Superintendent serve on the Board of Directors of the Foundation. Additionally, the Foundation's financial statements are included in the financial statements of the School Board.

NOTE 6 – CONCENTRATIONS

Approximately 45% of the Foundation's support for the year ended June 30, 2014, came from the Miller Family Foundation and One Blood, Inc.

NOTE 7 – TEMPORARILY RESTRICTED NET ASSETS

The balance in the temporarily restricted net assets at June 30, 2014, was \$1,171,264 and the assets are held in cash of \$900,285 and accounts receivable of \$270,979 in the Statement of Financial Position.

NOTE 8 – FAIR VALUE MEASUREMENTS

The Foundation classified its investments as of June 30, 2014, based upon an established fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs have the lowest priority. The Foundation uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Foundation measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are used only when Level 1 or Level 2 inputs were not available. The three-level valuation hierarchy is established for the measurement and disclosure of fair value. The valuation hierarchy is based upon the transparency of inputs used to measure fair value. The three levels are as follows:

Level 1 – inputs are quoted prices (unadjusted) in active markets for identical investments that the entity has the ability to access at the measurement date.

Level 2 – Quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the assets or liability.

Level 3 – Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (that is, the inputs are supported by little or no market activity).

THE FOUNDATION FOR NEW EDUCATION INITIATIVES, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

NOTE 8 – FAIR VALUE MEASUREMENTS *(Continued)*:

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2014.

Money Market – consists of negotiable certificates of deposit (CDs), bankers acceptances, U.S. Treasury bills, commercial paper, municipal notes, federal funds and repurchase agreements (repos). Such amounts are included in cash and cash equivalents.

Assets	Fair Value	Fair Value Measurements Using:		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money Market	\$ 505,917	\$ 505,917	\$ -	\$ -

SUPPLEMENTARY INFORMATION
(UNAUDITED)

INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY INFORMATION

Board of Directors
The Foundation for New Education Initiatives, Inc.
Miami, Florida

We have audited the financial statements of The Foundation for New Education Initiatives, Inc. as of and for the year ended June 30, 2014, and our report thereon dated December 4, 2014, which expressed an unmodified opinion on those financial statements, appears on pages 1-2. Our audit was conducted for the purpose of forming an opinion of the financial statements as a whole. The Listing of Members of Board of Directors, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.


CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
December 4, 2014

**THE FOUNDATION FOR NEW EDUCATION INITIATIVES, INC.
LISTING OF MEMBERS OF BOARD OF DIRECTORS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2014**

BOARD OF DIRECTORS

THE SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA

Ms. Perla Tabares Hantman, Chair
The School Board of Miami-Dade County, Florida

SUPERINTENDENT OF SCHOOLS

Mr. Alberto M. Carvalho

MIAMI DADE COUNTY COUNCIL OF PTAs/PTSAs

Mr. Joseph Gebana, President

COMMUNITY REPRESENTATIVES

Mr. Bill O'Dowd
Chairman and Chief Executive Officer
Dolphin Digital Media, Inc.

Ms. Natacha Munila, Vice President
Thunder Electrical Contractors, Inc.

Ms. Julie A.S. Williamson, Partner
Akernam Senterfitt, LLP

OFFICERS

CHAIR

Mr. Alberto M. Carvalho

VICE CHAIR

Ms. Perla Tabares Hantman

TREASURER

Mr. Joseph Gebana

SECRETARY

Julie A.S. Williamson