

Financial Statements

A GIFT FOR TEACHING, INC.

June 30, 2016 and 2015

A GIFT FOR TEACHING, INC.

Financial Statements

June 30, 2016 and 2015

(With Independent Auditor's Report Thereon)

A GIFT FOR TEACHING, INC.

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Independent Auditor's Report

The Board of Directors
A Gift For Teaching, Inc.:

We have audited the accompanying financial statements of A Gift For Teaching, Inc., which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, functional expenses, 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 of 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 A Gift For Teaching, Inc. as of June 30, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the A Gift For Teaching, Inc.'s 2015 financial statements, and our report dated October 20, 2015, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Schater, Tschagg, Whitcomb, Mitchell & Shuilen, LLP

Maitland, Florida
October 11, 2016

A GIFT FOR TEACHING, INC.

Statements of Financial Position

June 30, 2016 and 2015

Assets

	<u>2016</u>	<u>2015</u>
Cash	\$ 375,848	409,730
Investments (note 2)	52,053	51,948
Pledges receivable (note 3)	196,386	199,484
Inventory	3,171,871	2,176,530
Furniture, equipment, and instruments, net (note 4)	516,353	518,989
Beneficial interest in assets held by Central Florida Foundation, Inc. (note 5)	11,305	12,115
Other assets	<u>-</u>	<u>6,500</u>
Total assets	<u>\$ 4,323,816</u>	<u>3,375,296</u>

Liabilities and Net Assets

Accounts payable and accrued expenses	<u>\$ 100</u>	<u>6,618</u>
Total liabilities	100	6,618
Net assets:		
Unrestricted	3,910,980	2,902,190
Temporarily restricted (note 7)	<u>412,736</u>	<u>466,488</u>
Total net assets	<u>4,323,716</u>	<u>3,368,678</u>
Total liabilities and net assets	<u>\$ 4,323,816</u>	<u>3,375,296</u>

See accompanying notes to financial statements.

A GIFT FOR TEACHING, INC.

Statements of Activities

Year ended June 30, 2016

(With summarized comparative information for the year ended June 30, 2015)

	2016			2015 Total
	Unrestricted	Temporarily Restricted	Total	
Revenue and support:				
Contributions and grants	\$ 511,883	274,281	786,164	838,400
Contributed goods and facilities (note 6)	300,000	-	300,000	300,000
Contributed store inventory (note 6)	11,384,178	-	11,384,178	9,551,143
Special events, less direct benefit to donors of \$38,313	147,506	-	147,506	108,524
Investment income (loss)	(705)	-	(705)	998
Net assets released from restrictions (note 8)	328,033	(328,033)	-	-
Total revenue and support	<u>12,670,895</u>	<u>(53,752)</u>	<u>12,617,143</u>	<u>10,799,065</u>
Expenses:				
Program services	11,322,244	-	11,322,244	10,010,430
General and administrative	186,266	-	186,266	172,206
Development	153,595	-	153,595	122,617
Total expenses	<u>11,662,105</u>	<u>-</u>	<u>11,662,105</u>	<u>10,305,253</u>
Change in net assets	1,008,790	(53,752)	955,038	493,812
Net assets, beginning of year	<u>2,902,190</u>	<u>466,488</u>	<u>3,368,678</u>	<u>2,874,866</u>
Net assets, end of year	<u>\$ 3,910,980</u>	<u>412,736</u>	<u>4,323,716</u>	<u>3,368,678</u>

See accompanying notes to financial statements.

A GIFT FOR TEACHING, INC.

Statements of Functional Expenses

Year ended June 30, 2016
(With summarized comparative information for the year ended June 30, 2015)

	Program Services			Supporting Services			2015 Total Expenses
	A Gift for Music	Store	Total	General and Administrative	Development	Total	
Bad debt expense	\$ -	8,250	8,250	-	-	-	8,250
Bank service charge	-	3,376	3,376	1,242	-	1,242	4,618
Dues and subscriptions	114	2,337	2,451	470	492	962	3,413
Equipment	-	5,231	5,231	-	1,810	1,810	7,041
Insurance	6,000	-	6,000	16,210	-	16,210	22,210
Licenses and permits	32	644	676	651	57	708	1,384
Marketing and public relations	-	479	479	-	-	-	836
Meeting expense	466	6,291	6,757	4,355	4,355	8,710	15,467
Miscellaneous	274	829	1,103	4,137	464	4,601	5,843
Office supplies	60	578	638	16	1	17	1,120
Payroll and benefits	96,032	305,464	401,496	3,329	245	3,574	4,212
Pickup and delivery	-	6,856	6,856	119,601	140,381	259,982	661,478
Postage	-	150	150	-	-	-	6,856
Printing	-	-	-	1,627	697	2,324	2,474
Professional fees	12,021	28,022	40,043	254	3,557	3,811	3,161
Donated merchandise	-	10,388,837	10,388,837	8,532	474	9,006	3,159
Recognition	29	519	548	-	-	-	49,049
Occupancy	3,000	299,737	302,737	129	525	654	10,388,837
Repairs	-	3,881	3,881	16,536	-	16,536	1,202
Telephone	-	-	-	5,877	-	5,877	319,273
Travel	70	1,526	1,596	-	537	822	9,758
Purchased inventory	-	91,175	91,175	285	-	285	-
Instruments and music supplies	6,767	-	6,767	-	-	-	6,767
Total expenses before depreciation	124,865	11,154,182	11,279,047	178,896	153,595	332,491	11,611,538
Depreciation	607	42,590	43,197	7,370	-	7,370	50,567
Total expenses	\$ 125,472	11,196,772	11,322,244	186,266	153,595	339,861	11,662,105

See accompanying notes to financial statements.

A GIFT FOR TEACHING, INC.

Statements of Cash Flows

Years ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Change in net assets	\$ 955,038	493,812
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	50,567	38,255
Donated inventory	(995,341)	(455,468)
Provision for bad debts	-	12,255
Changes in operating assets and liabilities:		
Pledges receivable	3,098	(55,655)
Assets held by the Community Foundation of Central Florida	810	565
Other assets	6,500	(6,500)
Accounts payable and accrued expenses	(6,518)	6,518
	<u>14,154</u>	<u>33,782</u>
Cash provided by operating activities		
Cash flows from investing activities:		
Purchase of equipment	(47,931)	(38,370)
Purchase of investments	(105)	(103)
	<u>(48,036)</u>	<u>(38,473)</u>
Cash used in investing activities		
Net decrease in cash	(33,882)	(4,691)
Cash at beginning of year	<u>409,730</u>	<u>414,421</u>
Cash at end of year	<u>\$ 375,848</u>	<u>409,730</u>

See accompanying notes to financial statements.

A GIFT FOR TEACHING, INC.

Notes to Financial Statements

June 30, 2016 and 2015

(1) **Organization and Summary of Significant Accounting Policies**

(a) **Organization and Purpose**

A Gift For Teaching, Inc. (the "Organization") was formed as a not-for-profit corporation under the laws of the State of Florida and has obtained recognition of its tax-exempt status under Section 501(c)(3) of the Internal Revenue Code. A Gift For Teaching, Inc. was formed to ensure that students and classrooms in Central Florida have the basic tools for learning by transferring, at no cost, the community's surplus supplies and merchandise into the hands of teachers and school children in need. Additionally, included in these financial statements are the accounts for A Gift for Music. A Gift for Music provides access to musical instruments and instruction to inner city students.

(b) **Basis of Accounting**

The accompanying financial statements are presented on the accrual basis and represent the financial position and results of operations of the Organization.

These financial statements are prepared on an entity wide basis, focusing on the Organization as a whole and present balances and transactions according to the existence or absence of donor-imposed restrictions. This has been accomplished by aggregating all funds into one set of financial statements and classifying fund balances and transactions into three classes of net assets – permanently restricted, temporarily restricted or unrestricted as follows:

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. There were no permanently restricted net assets as of or for the year ended June 30, 2016.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met by actions of the Organization and/or the passage of time.

Unrestricted net assets - Net assets not subject to donor-imposed stipulations. The Organization reports donor-restricted contributions whose restrictions are met in the same reporting period as unrestricted support.

A GIFT FOR TEACHING, INC.

Notes to Financial Statements

(1) **Organization and Summary of Significant Accounting Policies (Continued)**

(c) **Cash and Cash Equivalents**

The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

(d) **Unconditional Promises to Give**

Unconditional promises to give, less an allowance for uncollectible accounts, are recognized as revenues in the period received. Pledges are discounted, using a market discount rate, to present value for collections expected in future years. Accretion of the discount in subsequent years is also recorded as contribution revenue.

(e) **Furniture, Equipment and Instruments**

Furniture, equipment and instruments are recorded at cost or estimated value at the date of purchase or contribution. Expenditures for repairs and maintenance are expensed as incurred. Assets are being depreciated using the straight-line method over various estimated useful lives ranging from three to seven years. The Organization has a capitalization threshold of \$500.

(f) **Restricted and Unrestricted Revenue and Support**

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

A GIFT FOR TEACHING, INC.

Notes to Financial Statements

(1) **Organization and Summary of Significant Accounting Policies (Continued)**

(g) **Income Taxes**

A Gift For Teaching, Inc. is exempt from federal income tax under provision of Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Code. Consequently, no provision for income taxes has been included in the accompanying financial statements.

In accordance with "Income Taxes" FASB Accounting Standards Codification Topic 740 (Topic 740), all entities are required to evaluate and disclose income tax risks. Topic 740 clarifies the accounting for uncertainty in tax positions and prescribes guidance related to the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The tax benefit from an uncertain tax position is only recognized in the statement of financial position if the tax position is more likely than not to be sustained upon an examination, based on the technical merits of the position. Interest and penalties, if any, are included in expenses in the statement of activities. As of June 30, 2016, the Organization had no uncertain tax positions that qualify for recognition or disclosure in the financial statements.

The Organization's income tax returns are subject to review and examination by federal authorities. The Organization is not aware of any activities that would jeopardize its tax-exempt status. The Organization is not aware of any activities that are subject to tax on unrelated business income, excise or other taxes. The tax returns for the fiscal years ended from 2013 to 2015 are open to examination by federal authorities.

(h) **Beneficial Interest In Assets Held By Community Foundation**

The Organization has an interest in the Central Florida Foundation (CFF) which carries investments in marketable securities with readily determinable fair values and all investments in debt securities are at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities.

A GIFT FOR TEACHING, INC.

Notes to Financial Statements

(1) **Organization and Summary of Significant Accounting Policies (Continued)**

(i) **Concentration of Credit Risks**

The Organization places its cash and cash equivalents on deposit with financial institutions in the United States. The Federal Deposit Insurance Corporation (FDIC) provides for insurance on deposits in the amount of \$250,000 per depositor and fully insures deposits held in non-interest bearing transaction accounts regardless of amount. During the year, the Organization from time to time may have had amounts on deposit in excess of the insured limits. Management believes the associated risk is minimized by placing such assets with quality financial institutions. The Organization has not experienced any losses on such accounts.

(j) **Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(k) **Functional Allocation of Expenses**

The costs of providing the program and supporting services have been summarized on a functional basis. Accordingly, certain costs have been allocated among the program and supporting services benefited.

(l) **Prior Year Comparative Data**

The financial statements include certain prior year summarized comparative information. This information has been presented in order to provide an understanding of changes in the Organization's financial position and activities. The prior year information in the statement of activities is presented in total but not by net asset class and, as such, does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. In addition, certain amounts have been reclassified in order to conform with the current year's presentation.

A GIFT FOR TEACHING, INC.

Notes to Financial Statements

(1) Organization and Summary of Significant Accounting Policies (Continued)

(m) Subsequent Events

In preparing these financial statements, the Organization has evaluated subsequent events and transactions for potential recognition and disclosure through October 11, 2016 which is the date the financial statements were available to be issued.

(2) Investments

Investments at June 30, 2016 and 2015 consist of certificates of deposit maturing within one year.

(3) Pledges Receivable

Pledges receivable, net of discount to present value (at a rate of 3%) and allowance for uncollectible contributions are as follows:

	<u>2016</u>	<u>2015</u>
Receivable in less than one year	\$ 182,191	113,339
Receivable in one to five years	24,140	97,415
	<u>206,331</u>	<u>210,754</u>
Less discount to present value	(1,945)	(3,270)
	<u>204,386</u>	<u>207,484</u>
Less: allowance for uncollectible contributions	(8,000)	(8,000)
Pledges receivable, net	<u>\$ 196,386</u>	<u>199,484</u>

The discount will be recognized as contribution income as the discount is amortized using an effective yield over the duration of the pledge.

A GIFT FOR TEACHING, INC.

Notes to Financial Statements

(4) **Furniture, Equipment and Instruments**

At June 30, 2016 and 2015, furniture, equipment and instruments consisted of the following:

	<u>2016</u>	<u>2015</u>
Computers and Software	\$ 91,712	74,745
Equipment and fixtures	107,696	107,696
Instruments	67,824	67,824
Leasehold improvements	855,947	855,947
Vehicle	94,314	63,350
	<u>1,217,493</u>	<u>1,169,562</u>
Less: accumulated depreciation	<u>(701,140)</u>	<u>(650,573)</u>
	<u>\$ 516,353</u>	<u>518,989</u>

(5) **Beneficial Interest in Assets Held by Central Florida Foundation**

The Organization has transferred funds to CFF to establish a fund, which is considered component funds of CFF. The terms of the fund agreement with CFF provide, among other things, that distributions are subject to CFF's policies. The Organization may recommend distribution from certain funds at any time; however, all recommendations are solely advisory and may be accepted or rejected by CFF. At the time of the transfers, the Organization granted variance power to CFF. That power gives CFF the right to modify or eliminate any restrictions, limitation or condition on the distribution of funds, including their use for any specified purposes or their distribution to specific organizations.

The fund is presented in the statements of financial position as beneficial interests in assets held by CFF and are considered Level 3 financial instruments, as they are pooled into various investment funds held by CFF.

(6) **Donated Goods and Facilities**

Donated merchandise distributed is recorded as income and expense at fair market value at the time the items are selected by the recipient.

Contributed use of facilities, leasehold improvements, and equipment are recorded at fair value at the date of the donation.

A GIFT FOR TEACHING, INC.

Notes to Financial Statements

(6) Donated Goods and Facilities (Continued)

Contributed services are reported as contributions at their fair market value if such services create or enhance nonfinancial assets, or would have been purchased if not provided by donation, require specialized skills, and are provided by individuals possessing such specialized skills.

On August 31, 2004, the Organization entered into an Agreement to Use and Occupy Portion of Warehouse with the Orange County Public School System ("OCPS"). The Agreement provides the Organization with a facility to consolidate all of its retail, warehouse, and administrative operations for a minimum period of 25 years. The Organization has no lease payments related to this agreement. The estimated value of this agreement of \$300,000 for each of the years ended June 30, 2016 and 2015, has been recorded as contributed goods and services and occupancy cost in the accompanying statements of activities and functional expenses. The lease may be terminated at any time by OCPS provided that the Organization is reimbursed for its unamortized leasehold improvements as disclosed in note 4.

A substantial number of unpaid volunteers have made significant contributions of their time toward the mission and vision of A Gift For Teaching. The value of this contributed time is not reflected in these statements since it is not susceptible to objective measurement of valuation. A summary of donated items included in revenue and support in the accompanying statements of activities and changes in net assets is as follows:

	<u>2016</u>	<u>2015</u>
Donated use of facilities and equipment	\$ 300,000	300,000
Donated merchandise	<u>11,384,178</u>	<u>9,551,143</u>
Total donated use of facilities and merchandise	<u>\$ 11,684,178</u>	<u>9,851,143</u>

A GIFT FOR TEACHING, INC.

Notes to Financial Statements

(7) Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes or periods at June 30:

	2016	2015
Purpose restrictions:		
Gift for Music	\$ 157,907	144,922
Backpacks	30,313	10,050
Crafts With Conviction	2,847	3,372
Art Programs	75,666	68,456
Big School House maintenance	36,652	36,652
Technology	47,335	63,955
Direct Connect Locker	9,626	18,113
Pencil Boy Express	-	34,078
	360,346	379,598
For periods after June 30	52,390	86,890
	\$ 412,736	466,488

(8) Net Assets Released From Restrictions

Net assets are released from donor restrictions when expenses are incurred to satisfy the restricted purposes or by occurrence of other events as specified by the donors as follows:

	2016	2015
Purpose restriction accomplished:		
Gift for Music	\$ 125,214	118,349
Backpacks	55,240	57,493
Crafts With Conviction	525	-
Technology	16,620	21,717
Art Programs	38,369	23,465
Direct Connect Locker	8,487	16,870
Pencil Boy Express	34,078	47,484
	278,533	285,378
Time restriction expired on pledges receivable	49,500	74,500
	\$ 328,033	359,878