

FLORIDA ENGINEERING FOUNDATION, INC.
Tallahassee, Florida

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

Years Ended September 30, 2013 and 2012

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
Florida Engineering Foundation, Inc.
Tallahassee, Florida

We have audited the accompanying statements of financial position of Florida Engineering Foundation, Inc. (a non-profit organization) which comprise the statements of financial position as of September 30, 2013 and 2012, and the related statements of activities and cash flows for the years 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 Florida Engineering Foundation, Inc. as of September 30, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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FLORIDA ENGINEERING FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
September 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
<u>ASSETS</u>		
Cash	\$ 456,504	\$ 437,057
Amounts due from related entity	1,775	2,875
Investments	<u>384,323</u>	<u>344,223</u>
	<u>\$ 842,602</u>	<u>\$ 784,155</u>
<u>LIABILITIES AND NET ASSETS</u>		
Liabilities		
Accounts payable	\$ 367	\$ 2,868
Amounts held on behalf of local chapters	<u>218,686</u>	<u>199,814</u>
	219,053	202,682
Net Assets		
Unrestricted		
Board designated	41,000	41,000
Undesignated	<u>447,351</u>	<u>414,070</u>
	488,351	455,070
Temporarily restricted	<u>135,198</u>	<u>126,403</u>
	<u>623,549</u>	<u>581,473</u>
	<u>\$ 842,602</u>	<u>\$ 784,155</u>

See accompanying notes.

FLORIDA ENGINEERING FOUNDATION, INC.
STATEMENTS OF ACTIVITIES
Years Ended September 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
UNRESTRICTED NET ASSETS		
REVENUE, GAIN AND OTHER SUPPORT		
In-kind contributions	\$ 10,314	\$ 5,134
Contributions	41,179	39,179
Special events	33,474	32,326
Less: Cost of direct benefits to donors	(10,162)	(9,370)
Investment return	<u>39,669</u>	<u>48,913</u>
	114,474	116,182
Net assets matched for program contributions	(5,000)	(5,000)
Net assets released from restrictions	<u>69,843</u>	<u>61,419</u>
	179,317	172,601
 EXPENSES		
Program services		
Educational activities	130,634	114,582
Supporting services		
Management and general	<u>15,402</u>	<u>11,337</u>
	<u>146,036</u>	<u>125,919</u>
 CHANGE IN UNRESTRICTED NET ASSETS	 33,281	 46,682
 TEMPORARILY RESTRICTED NET ASSETS		
Restricted contributions	62,843	57,671
Investment return	10,795	12,963
Net assets matched for program contributions	5,000	5,000
Net assets released from restrictions	<u>(69,843)</u>	<u>(61,419)</u>
 CHANGE IN TEMPORARILY RESTRICTED NET ASSETS	 <u>8,795</u>	 <u>14,215</u>
 CHANGE IN NET ASSETS	 42,076	 60,897
 BEGINNING NET ASSETS	 <u>581,473</u>	 <u>520,576</u>
 ENDING NET ASSETS	 \$ <u>623,549</u>	 \$ <u>581,473</u>

See accompanying notes.

FLORIDA ENGINEERING FOUNDATION, INC.
STATEMENTS OF CASH FLOWS
Years Ended September 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 42,076	\$ 60,897
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Unrealized gain on investments	(51,914)	(71,537)
Realized gain on sale of investments	(7,086)	-
(Increase) decrease in operating assets:		
Amounts due from related entities	1,100	(1,700)
Increase (decrease) in operating liabilities:		
Accounts payable	(2,501)	2,868
Amounts held on behalf of local chapters	<u>18,872</u>	<u>16,513</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	547	7,041
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	25,000	-
Purchase of investments	(6,100)	(5,603)
Proceeds from (redemption of) certificates of deposit	<u>-</u>	<u>301,111</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>18,900</u>	<u>295,508</u>
NET INCREASE IN CASH	19,447	302,549
BEGINNING CASH	<u>437,057</u>	<u>134,508</u>
ENDING CASH	\$ <u>456,504</u>	\$ <u>437,057</u>

See accompanying notes.

FLORIDA ENGINEERING FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2013 and 2012

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

Nature of Activities

The Florida Engineering Foundation, Inc. (“the Foundation”) was formed October 6, 1986 as a nonprofit organization for the purpose of conducting and supporting educational programs in engineering by providing scholarships, supporting competitions in math and science, and promoting the various fields of engineering to students. The Foundation receives donations from the public with a concentration of its contributions received from engineers and engineering firms located in the state of Florida.

Basis of Presentation

Financial statement presentation follows the recommendations of the FASB Accounting Standards Codification (FASC) 958-205, *Not-for-Profit Entities – Presentation of Financial Statements*. Under FASC 958-205, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Use of 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.

Investments

Investments in marketable equity and debt securities with readily determined fair values are stated at fair market value. Investment income (loss) is allocated to amounts held on behalf of local chapters, temporarily restricted and unrestricted net asset activities based on the amounts invested by the participants. The Foundation in return for investing local chapter’s funds, receives ten percent of the local chapters gains and losses earned from the invested funds.

Income Taxes

The Foundation is exempt from income taxes on income from related activities under Section 501(c)(3) of the U.S. Internal Revenue Code and corresponding state tax law. Accordingly, no provision has been made for federal or state income taxes. Additionally, the Foundation has been determined not to be a private foundation under Section 509(a) of the Internal Revenue Code.

NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING

FLORIDA ENGINEERING FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2013 and 2012

POLICIES (Continued)

U.S. GAAP requires that a tax position is recognized as a benefit only if it is “more likely than not” that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the “more likely than not” test, no tax benefit is recorded.

Due to its tax-exempt status, the Foundation is not subject to U.S. federal income tax or state income tax. The Foundation’s Form 990 has not been subject to examination by the Internal Revenue Service or the state of Florida for the last three years. The Foundation does not expect the total amount of unrecognized tax benefits to significantly change in the next 12 months. The Foundation recognizes interest and/or penalties related to income tax matters in income tax expense. The Foundation did not have any amounts accrued for interest and penalties at September 30, 2013 and 2012.

Statement of Cash Flows

Cash and cash equivalents consists of cash and certificate of deposits with original maturities of three months or less.

Subsequent Events

Management has performed an analysis of the activities and transactions subsequent to September 30, 2013 to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended September 30, 2013. Management has performed their analysis through _____ the date the financial statements were available to be issued.

FLORIDA ENGINEERING FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2013 and 2012

NOTE 2 – INVESTMENTS

Investment activity for the years ended September 30, 2013 and 2012 is summarized in the table below:

	<u>Unrestricted</u>	Temporarily Restricted <u>Scholarship</u>	Amounts Held on Behalf of Local <u>Chapters</u>	<u>Total</u>
Investments - September 30, 2011	\$ 26,083	\$ 91,380	\$ 149,620	\$ 267,083
Interest and dividends reinvested	3,370	963	1,270	5,603
Unrealized gain	43,624	11,456	16,457	71,537
Transfers	(5,000)	<u>5,000</u>	-	-
Investments - September 30, 2012	68,077	108,799	167,347	344,223
Interest and dividends reinvested	3,729	975	1,396	6,100
Realized gain	4,459	1,026	1,601	7,086
Unrealized gain	30,960	8,653	12,301	51,914
Disbursements	(25,000)	-	-	(25,000)
Transfers	(5,000)	<u>5,000</u>	-	-
Investments – September 30, 2013	\$ <u>77,225</u>	\$ <u>124,453</u>	\$ <u>182,645</u>	\$ <u>384,323</u>

As of September 30, 2013 and 2012, investments are held in the following financial instruments:

	<u>2013</u>		
	<u>Adjusted Basis</u>	(Level 1) <u>Market Value</u>	<u>Unrealized Gains (Losses)</u>
Equity mutual fund	\$ 317,588	\$ 369,502	\$ 51,914
Bond mutual fund	<u>14,821</u>	<u>14,821</u>	-
	\$ <u>332,409</u>	\$ <u>384,323</u>	\$ <u>51,914</u>
	<u>2012</u>		
	<u>Adjusted Basis</u>	(Level 1) <u>Market Value</u>	<u>Unrealized Gains (Losses)</u>
Equity mutual fund	\$ 257,865	\$ 329,402	\$ 71,537
Bond mutual fund	<u>14,821</u>	<u>14,821</u>	-
	\$ <u>272,686</u>	\$ <u>344,223</u>	\$ <u>71,537</u>

Fair market values of investments held are determined under the fair value hierarchy guidance established by the Financial Accounting Standards Board. As of September 30, 2013 and 2012, all investments held met Level 1 input measures which consist of quoted prices for identical assets or liabilities in active markets the Institute has the ability to access as of the measurement date.

FLORIDA ENGINEERING FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2013 and 2012

NOTE 2 – INVESTMENTS (Continued)

Investment return for the years ended September 30, 2013 and 2012 consisted of the following:

	<u>2013</u>	<u>2012</u>
Interest earned on demand and time deposits	\$ 863	\$ 3,187
Dividends	6,100	5,604
Unrealized gains on securities	51,914	71,537
Realized gain on securities	<u>7,086</u>	<u>-</u>
	<u>\$ 65,963</u>	<u>\$ 80,328</u>

Classification of investment return for the years ended September 30, 2013 and 2012 consisted of the following:

	<u>2013</u>	<u>2012</u>
Unrestricted investment return	\$ 39,669	\$ 48,913
Temporarily restricted investment return	10,795	12,963
Amounts held on behalf of local chapters investment return	<u>15,499</u>	<u>18,451</u>
	<u>\$ 65,963</u>	<u>\$ 80,327</u>

NOTE 3 - RELATED PARTY TRANSACTIONS

Eight of the Foundation's twenty-five voting member Board of Trustees sit on the Florida Engineering Society's Board of Directors. Additionally, the Society's chief financial officer serves the Foundation's Board of Trustees in an ex-officio capacity. The Society collects and remits contributions from its members designated for the Foundation and provides in-kind personnel and operating expenses to the Foundation. See Note 4 for further details. As of September 30, 2013 and 2012, amounts due from the Society consisted of the following.

	<u>2013</u>	<u>2012</u>
Restricted contributions due from FES	<u>\$ 1,775</u>	<u>\$ 2,875</u>

FLORIDA ENGINEERING FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2013 and 2012

NOTE 4 - IN-KIND CONTRIBUTIONS

The Florida Engineering Society supports the Foundation by providing in-kind personnel and operating expense services for the Foundation. For the years ended September 30, 2013 and 2012, in-kind contributions consisted of the following:

	<u>2013</u>	<u>2012</u>
Labor	\$ 6,843	\$ 3,065
Facility overhead and costs	2,979	1,601
Postage	38	18
Travel	434	450
Office supplies	<u>20</u>	<u>-</u>
	<u>\$ 10,314</u>	<u>\$ 5,134</u>

NOTE 5 - AMOUNTS HELD ON BEHALF OF LOCAL CHAPTERS

The Foundation receives funds from certain local chapters to invest for scholarships named by the local chapters. Investment income and gains and losses are allocated to the amounts held and invested by the Foundation for the benefit of the local chapters. The Foundation acts in a fiduciary capacity and releases the funds when requested by each chapter. As such, the deposited monies and its allocated investment income are recognized as amounts held on behalf of local chapters. As of September 30, 2013 and 2012, amounts held on behalf of local chapters consisted of the following:

	<u>2013</u>	<u>2012</u>
Calusa Chapter	\$ 25,614	23,788
Ridge Chapter	57,407	55,895
Palm Beach Chapter	50,665	37,259
Central Florida Scholarship Fund	57,477	53,382
Broward Chapter	15,948	14,800
Treasure Coast	11,575	10,750
John Donahue Scholarship Fund	<u>-</u>	<u>3,940</u>
	<u>\$ 218,686</u>	<u>\$ 199,814</u>

FLORIDA ENGINEERING FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2013 and 2012

NOTE 6 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	<u>2013</u>	<u>2012</u>
Mathcounts scholarships	\$ 819	\$ 819
David F. Ludovici scholarships	13,304	13,214
Eric Primavera scholarships	15,018	14,795
Ceaser Calais scholarships	11,253	11,323
Society of Women Engineers	26,963	27,882
Central Florida E-Week	11,140	10,346
Raymond W. & Alice Miller scholarships	18,825	18,305
Florida ASCE fund	<u>37,876</u>	<u>29,719</u>
	<u>\$ 135,198</u>	<u>\$ 126,403</u>

NOTE 7 - NET ASSETS RELEASED FROM RESTRICTIONS

For the years ended September 30, 2013 and 2012, net assets released from restrictions by incurring expenses, satisfying the restricted purposes or by occurrence of other events specified by donors were as follows:

	<u>2013</u>	<u>2012</u>
Purpose restrictions accomplished:		
Mathcount and E-week expenditures	\$ 41,798	\$ 39,919
Fixed asset contributions	1,840	7,500
Westpoint Bridge Competition contribution	10,000	10,000
Named scholarships	7,000	4,000
Angels with Paws	<u>9,205</u>	<u>-</u>
	<u>\$ 69,843</u>	<u>\$ 61,419</u>

NOTE 8 - BOARD DESIGNATED SCHOLARSHIP MATCHING FUNDS

On December 1, 2001, the Board created a scholarship matching incentive program to attract scholarship contributions from private sources. The incentive provides a dollar for dollar matching of the Foundation's unrestricted net assets with a minimum scholarship contribution of \$5,000. In order to fund future scholarship matchings, the Board designated \$40,000 of its unrestricted net assets for this purpose. On January 10, 2010 the Board designated an additional \$50,000 of unrestricted net assets. As of September 30, 2013 and 2012, the remaining balance of Board designated scholarship matching funds amounted to \$41,000 for each year, respectively.

FLORIDA ENGINEERING FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2013 and 2012

NOTE 9 - CASH DEPOSITS

As of September 30, 2013 and 2012, the Foundation maintained cash balances in the amount of \$456,504 and \$437,557, respectively, at several financial depository institutions. During the Foundation's normal operating cycle, there will be excess cash to deposit or invest. The Board of Trustees assesses current market conditions and determines whether to maintain excess cash in its money market account or invest excess cash in its pooled investment accounts in order to maximize investment earnings and preserve its capital. Additionally, the Board of Trustees considers the financial soundness of its depository institutions to minimize credit risk.

The Foundation maintains cash balances at several financial institutions located in Tallahassee, Florida. The accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000 for the years ended September 30, 2013 and 2012, respectively. Cash balances held by the banks in excess of federal insurance amounted to \$56,074 and \$0 at September 30, 2013 and 2012, respectively.

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SUPPLEMENTARY INFORMATION

**INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY INFORMATION**

To The Board of Trustees of
Florida Engineering Foundation, Inc.

We have audited the financial statements of Florida Engineering Foundation Inc., as of and for the years ended September 30, 2013 and 2012, and have issued our report thereon dated _____, 2013, which contained an unqualified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

FLORIDA ENGINEERING FOUNDATION, INC.
SCHEDULE OF FUNCTIONAL EXPENSES
Year Ended September 30, 2013 (With Comparative Totals for 2012)

	Program Services		Supporting Services		2013 Total	2012 Total
	Educational Activities	Management & General	Fund Raising			
Mathcount & E-week contributions	\$ 46,798	\$ -	\$ -	\$ -	\$ 46,798	\$ 46,690
Sponsorships & awards	38,836	-	-	-	38,836	36,892
Scholarship contributions	45,000	-	-	-	45,000	31,000
Labor	-	6,843	-	-	6,843	3,065
Facility costs	-	2,979	-	-	2,979	1,601
Legal and accounting	-	2,899	-	-	2,899	5,575
Miscellaneous expense	-	-	-	-	-	(233)
Office supplies	-	2,023	-	-	2,023	675
Postage	-	38	-	-	38	18
Travel expense	-	434	-	-	434	450
Taxes and licenses	-	186	-	-	186	186
	<u>\$ 130,634</u>	<u>\$ 15,402</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 146,036</u>	<u>\$ 125,919</u>

See independent auditors' report on supplementary information.