

**Pasco-Hernando
State College Foundation, Inc.**

A Component Unit of Pasco-Hernando State College

FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

DECEMBER 31, 2022 AND 2021

King & Walker, CPAs, PL

Certified Public Accountants

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PASCO-HERNANDO STATE COLLEGE FOUNDATION, INC.

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Independent Auditor's Report

To the Board of Directors
Pasco-Hernando State College Foundation, Inc.
New Port Richey, Florida

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities of the Pasco-Hernando State College Foundation, Inc. ("Foundation"), a component unit of Pasco-Hernando State College, as of and for the years ended December 31, 2022, and 2021, and the related notes to the financial statements, which collectively comprise the Foundation's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Pasco-Hernando State College Foundation, Inc., as of December 31, 2022, and 2021, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report April 17, 2023, on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Foundation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering.

King & Walker, CPAs

April 17, 2023
Tampa, Florida

PASCO-HERNANDO STATE COLLEGE FOUNDATION, INC.

Management's Discussion and Analysis - (Unaudited)

The management of Pasco-Hernando State College Foundation, Inc., (Foundation) presents the following Management's Discussion and Analysis (MD&A) narrative overview and analysis of the financial activities of the Foundation for the year ended December 31, 2022, with comparative information for the years ended December 31, 2021, and 2020. The purpose of this discussion is to enable the reader to identify and understand the significant issues and changes in the financial condition of the Foundation. The information presented here should be read in conjunction with the accompanying audited financial statements and notes to financial statements. The financial statements, notes to financial statements, and this MD&A were prepared by management and are the responsibility of management.

The Foundation is a component unit of Pasco-Hernando State College.

FINANCIAL HIGHLIGHTS

Overview

The year 2022 was a challenging year for the Foundation with respect to the endowment investments and donation revenues. In 2022, inflation soared to record highs which caused the Federal Reserve to raise interest rates to 4.5%. At the same time, stocks, bonds, and Bitcoin all saw major declines in value. During the year ended December 31, 2022, the Foundation's investment portfolio experienced a negative 10.5% return, net of fees, compared to a positive return of 13.5% the prior year and a positive return of 11.2% two years ago. Overall, the Foundation's net position, which represents the excess of total assets over liabilities, decreased from \$73.7 million to \$64.0 million as of December 31, 2022, primarily the result of realized and unrealized losses in the markets.

The Foundation's revenue in the form of donor contributions and fundraising totaled over \$980,000 during the year ended December 31, 2022, a 59% decrease as compared to a 39% increase in 2021. The Foundation supported campus needs in the form of scholarships and grants to the College during the year ended December 31, 2022, in the amount of \$2.30 million and \$2.42 million in 2021. Scholarships awarded increased from \$1,077,654 in the year ended December 31, 2021, to \$1,464,187 for the year ended December 31, 2022. This support of the College, combined with other operating expenses and donor contributions, resulted in an operating loss of \$2.22 million for the year ended December 31, 2022, as compared to an operating loss of \$907,000 for the year ended December 31, 2021. Due to negative investment returns in the year ended December 31, 2022, the Foundation had a nonoperating loss of 7.5 million. Other income, primarily in the form of additions to permanent endowments, totaled a little over \$94,000 for the year ended December 31, 2022.

The Foundation expects fluctuations in contribution revenue as well as investment results from year-to-year. Very significant contributions may be periodically received from donors as a result of relationships cultivated over many years. The timing of these contributions is not entirely predictable, and often will correlate with a campus initiative. Likewise, because the Foundation manages the endowment portfolio with a long-term philosophy of capital appreciation, single year fluctuations are normal and expected.

PASCO-HERNANDO STATE COLLEGE FOUNDATION, INC.

Management's Discussion and Analysis - (Unaudited)

Presentation

The Foundation presents its financial report in accordance with Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis – for State and Local Governments* (GASB 34), which focuses the reader of the financial reports on the Foundation's overall financial condition, and changes in net position and cash flow, taken as a whole.

Condensed Statement of Net Position

| | <u>12-31-2022</u> | <u>Change</u> | | <u>12-31-2021</u> | <u>Change</u> | | <u>12-31-2020</u> |
|------------------------------------|---------------------|-----------------------------|--|---------------------|-------------------------|--|---------------------|
| ASSETS | | | | | | | |
| Current Assets | \$ 3,654,331 | \$ (2,237,760) -38% | | \$ 5,892,091 | \$ 1,740,470 42% | | \$ 4,151,621 |
| Land, Property and Equipment, net | 291,648 | (796) 0% | | 292,444 | 581 0% | | 291,863 |
| Noncurrent Assets, other | <u>60,408,686</u> | <u>(8,193,713) -12%</u> | | <u>68,602,399</u> | <u>6,648,259 11%</u> | | <u>61,954,140</u> |
| Total Assets | <u>\$64,354,665</u> | <u>\$ (10,432,269) -14%</u> | | <u>\$74,786,934</u> | <u>\$ 8,389,310 13%</u> | | <u>\$66,397,624</u> |
| LIABILITIES | | | | | | | |
| Current and Other Liabilities | <u>\$ 341,148</u> | <u>\$ (761,749) -69%</u> | | <u>\$ 1,102,897</u> | <u>\$ 392,082 55%</u> | | <u>\$ 710,815</u> |
| Total Liabilities | <u>341,148</u> | <u>(761,749) -69%</u> | | <u>1,102,897</u> | <u>392,082 55%</u> | | <u>710,815</u> |
| NET POSITION | | | | | | | |
| Restricted | | | | | | | |
| Expendable | 32,055,634 | (10,107,506) -24% | | 42,163,140 | 7,078,478 20% | | 35,084,662 |
| Nonexpendable | 28,136,822 | 110,957 0% | | 28,025,865 | 277,701 1% | | 27,748,164 |
| Unrestricted | <u>3,821,061</u> | <u>326,029 9%</u> | | <u>3,495,032</u> | <u>641,049 22%</u> | | <u>2,853,983</u> |
| Total Net Position | <u>64,013,517</u> | <u>(9,670,520) -13%</u> | | <u>73,684,037</u> | <u>7,997,228 12%</u> | | <u>65,686,809</u> |
| Total Liabilities and Net Position | <u>\$64,354,665</u> | <u>\$ (10,432,269) -14%</u> | | <u>\$74,786,934</u> | <u>\$ 8,389,310 13%</u> | | <u>\$66,397,624</u> |

The Statement of Net Position includes all assets and liabilities of the Foundation. Net position serves as a useful indicator of an organization's financial health over time. Particular aspects of the Foundation's financial operations influenced the change in net position for the year ended December 31, 2022.

The Condensed Statement of Net Position shows the assets, liabilities, and net position as of December 31, 2022, 2021, and 2020. Current assets of the Foundation consist primarily of cash and cash equivalents and investments. Current assets decreased \$2,237,760 or 38% during 2022 and increased \$1,740,470 or 42% during 2021. Cash and cash equivalents were down by approximately \$2.4 million in 2022.

Noncurrent assets consist primarily of endowment investments, land, property, and equipment, as well as long term receivables. Noncurrent assets decreased 12% to \$60.4 million from the prior year of \$68.6 million.

Current liabilities consist mainly of scholarships and program costs accrued and unpaid at the end of the year, as well as deferred revenue and deferred liabilities. Current liabilities decreased by 69% or \$761,749 over the prior year.

PASCO-HERNANDO STATE COLLEGE FOUNDATION, INC.

Management's Discussion and Analysis - (Unaudited)

Condensed Statement of Revenues, Expenses, and Change in Net Position

| | 12-31-2022 | Change | | 12-31-2021 | Change | | 12-31-2020 |
|--|----------------------|-----------------------|-------|----------------------|---------------------|------|----------------------|
| Operating Revenues and Expenses | | | | | | | |
| Contributions and Other | \$ 987,226 | \$ (1,428,709) | -59% | \$ 2,415,935 | \$ 682,873 | 39% | \$ 1,733,062 |
| Operating Expenses | 3,211,748 | (111,328) | -3% | 3,323,076 | 875,573 | 36% | 2,447,503 |
| Operating (Loss) | (2,224,522) | (1,317,381) | | (907,141) | (192,700) | 27% | (714,441) |
| Nonoperating Revenue | (7,540,285) | (16,014,523) | -189% | 8,474,238 | 1,671,116 | 25% | 6,803,122 |
| Additions to Permanent Endowments | 94,287 | (335,844) | -78% | 430,131 | (100,816) | -19% | 530,947 |
| Change in Net Position | (9,670,520) | (17,667,748) | | 7,997,228 | 1,377,600 | 21% | 6,619,628 |
| Net Position, beginning of year | 73,684,037 | 7,997,228 | 12% | 65,686,809 | 6,619,628 | 11% | 59,067,181 |
| Net Position, end of year | <u>\$ 64,013,517</u> | <u>\$ (9,670,520)</u> | -13% | <u>\$ 73,684,037</u> | <u>\$ 7,997,228</u> | 12% | <u>\$ 65,686,809</u> |

The Statement of Revenues, Expenses and Change in Net Position reports revenues earned, and expenses incurred during the year as either operating, nonoperating, or additions to permanent endowments. Incoming gifts to the Foundation and grants made to the College are reported as operating revenue and expenses, respectively, and investment results are reported as nonoperating income or expense.

The Condensed Statement of Revenues, Expenses, and Change in Net Position reflects operating and nonoperating revenue and expenses and additions to permanent endowments for the years ended December 31, 2022, 2021, and 2020. The net operating loss was \$2.22 million for the year ended December 31, 2022, compared to a net operating loss of \$907,141 for the year ended December 31, 2021, and a net operating loss of \$714,441 for the year ended December 31, 2020.

During the year ended December 31, 2022, operating revenue included approximately \$987,000 in contributions and other revenues, a decrease of 59% compared to the year ended December 31, 2021, which increased approximately \$683,000 or 39% from the year ended December 31, 2020. These contributions result from both long-term donor cultivation and specific appeals for immediate needs and are not entirely predictable.

Operating expenses were \$3.21 million during the year ended December 31, 2022, a decrease of \$111,328 compared to the year ended December 31, 2021. Operating expenses increased by \$875,573 during the year ended December 31, 2021. A significant component of operating expenses is grants made by the Foundation to the College in response to requests for use of funds by the intended campus beneficiaries. These grants are made for purposes that comply with donor restrictions placed on contributions in support of many college programs and needs, including student aid, faculty and general departmental support. The timing of grants to the College typically lags the timing of the incoming contribution revenue and endowed payouts. The lag can be a short time period or several years. Changes in the amounts of grants made to the College annually occur in relation to College needs for use of the funds or the timing of expenditures made on capital projects funded by contributions. Due to these factors, in fiscal years ended December 31, 2022,

PASCO-HERNANDO STATE COLLEGE FOUNDATION, INC.

Management's Discussion and Analysis - (Unaudited)

2021, and 2020 scholarships and grants made to the College exceeded contribution revenue, resulting in operating losses for all three years.

Nonoperating revenues include net investment income and net appreciation or depreciation of investments for unrestricted and restricted – expendable funds. Nonoperating revenues for the year ended December 31, 2022, reflect a decrease of \$16 million or 189% less than the year ended December 31, 2021. Nonoperating (losses) revenues for the year ended December 31, 2021, reflect an increase of \$1.67 million or 25% more than the year ended December 31, 2020. The fluctuations between the years are due to fluctuations in the market.

Endowed gifts provided an additional \$94,287 to the net position for the Foundation during the year ended December 31, 2022, compared to \$430,131 during the year ended December 31, 2021. Increasing the gifts to and the value of the endowment is of significant importance to the Foundation. The size of the endowment relates directly with providing permanent resources for the benefit of the College and its students.

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

Factors that can significantly impact future periods always include the state of financial markets and the state of the overall economy including continued inflation and interest rate increases. These factors affect the value of investments and can impact charitable giving. The Foundation Board members continue to monitor the status of the economy, its direct impact on overall giving, and the investment pool.

Private support is an increasingly important component of revenue to the students and various campuses. The Foundation anticipates a higher rate of use of Foundation held funds in the future.

Management has embarked on a comprehensive campaign, in conjunction with the College's 50th anniversary, which is expected to help raise significant funds over the next year.

USING THE INFORMATION IN THE FINANCIAL REPORT

The Foundation's financial statements are immediately following this discussion and analysis.

The annual report consists of a series of financial statements prepared in accordance with pronouncements issued by the Governmental Accounting Standards Board. These statements focus the reader of the financial reports on the Foundation's overall financial condition, and change in net position and cash flows, taken as whole.

One of the most important questions asked about the Foundation's finances is whether the Foundation is better off or worse off as a result of the year's activities. The keys to understanding this question are the Statement of Net Position; Statement of Revenues, Expenses and Change in Net Position; and the Statement of Cash Flows. These statements present financial information in a form similar to that used by private sector companies. The Foundation's net position (the difference between assets and liabilities) is one indicator of the Foundation's financial health when considered in combination with other nonfinancial information.

The Statement of Net Position reports assets, liabilities, and net position as of December 31, 2022, and 2021. The balances are a reflection of activities that have occurred during the respective fiscal years and come from transactions between assets and liabilities or from transactions in the

PASCO-HERNANDO STATE COLLEGE FOUNDATION, INC.

Management's Discussion and Analysis - (Unaudited)

Statement of Revenues, Expenses, and Change in Net Position. The balances are presented as either current (expected to be realized in 12 months) or noncurrent in nature.

The Statement of Revenues, Expenses, and Change in Net Position presents the results of operations for the years ended December 31, 2022, and 2021. Activities are reported as operating, nonoperating, or additions to permanent endowments. Non-endowed gifts are reported as operating revenue and investment results are reported as nonoperating revenue. Both the Statement of Net Position and the Statement of Revenues, Expenses, and Change in Net Position are prepared using the accrual basis of accounting.

The remaining required statement is the Statement of Cash Flows showing the sources and uses of funds, in essence, accounting for the change in cash and cash equivalent balances for the reporting period.

The notes to the financial statements provide additional information and more detail that is essential to a full understanding of the data presented in the financial statements. The notes to the financial statements can be found immediately following the basic financial statements.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Foundation's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Dr. Lisa Richardson, Vice President of Advancement, Pasco-Hernando State College Foundation, 10230 Ridge Road, New Port Richey, FL 34654-5199.

PASCO-HERNANDO STATE COLLEGE FOUNDATION, INC.
STATEMENT OF NET POSITION
DECEMBER 31, 2022 AND 2021

| | <u>ASSETS</u> | |
|---|----------------------|----------------------|
| | 2022 | 2021 |
| Current Assets: | | |
| Cash and Cash Equivalents | \$ 3,195,125 | \$ 5,632,038 |
| Investments | 186,390 | 8,096 |
| Interest Receivable | 87,426 | 62,363 |
| Pledges Receivable | 120,554 | 137,771 |
| State Matching Grants Receivable | 60,012 | 32,995 |
| Deposits in Transit | 2,341 | 14,168 |
| Prepaid Expenses and Other Current Assets | 2,483 | 4,660 |
| Total Current Assets | 3,654,331 | 5,892,091 |
| Noncurrent Assets: | | |
| Land | 232,569 | 232,569 |
| Property and Equipment, net | 59,079 | 59,875 |
| Investments | 32,189,195 | 40,289,357 |
| Endowment Investments | 28,136,822 | 28,025,865 |
| Long-Term Receivables | 82,669 | 287,177 |
| Total Noncurrent Assets | 60,700,334 | 68,894,843 |
| TOTAL ASSETS | \$ 64,354,665 | \$ 74,786,934 |

LIABILITIES AND NET POSITION

| | | |
|---|----------------------|----------------------|
| Current Liabilities: | | |
| Accounts Payable | \$ 49,690 | \$ 50,069 |
| Due to Pasco-Hernando State College | 285,978 | 1,033,083 |
| Deferred Revenue | 5,480 | 19,745 |
| Total Current Liabilities | 341,148 | 1,102,897 |
| Net Position: | | |
| Restricted: | | |
| Expendable | 32,055,634 | 42,163,140 |
| Nonexpendable | 28,136,822 | 28,025,865 |
| Unrestricted | 3,821,061 | 3,495,032 |
| Total Net Position | 64,013,517 | 73,684,037 |
| TOTAL LIABILITIES AND NET POSITION | \$ 64,354,665 | \$ 74,786,934 |

The Notes are an integral part of these financial statements.

PASCO-HERNANDO STATE COLLEGE FOUNDATION, INC.
STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION
For The Years Ended DECEMBER 31, 2022 and 2021

| | <u>2022</u> | <u>2021</u> |
|---|----------------------|----------------------|
| Operating Revenues: | | |
| Contributions | \$ 405,167 | \$ 1,853,889 |
| State Matching Grant Funds | 60,012 | 65,990 |
| Payroll Protection Program Loan Forgiveness | - | 36,474 |
| Fundraising | 73,970 | 37,344 |
| In-Kind Contributions | 448,077 | 422,238 |
| Total Operating Revenue | <u>987,226</u> | <u>2,415,935</u> |
| Operating Expenses: | | |
| Program Services: | | |
| Scholarships | 1,464,187 | 1,077,654 |
| Staff & Program Development | 840,554 | 1,345,076 |
| Total Program Services | <u>2,304,741</u> | <u>2,422,730</u> |
| Support Services: | | |
| Fundraising | 218,816 | 234,693 |
| Administrative Expenses | 245,726 | 252,578 |
| Depreciation | 796 | 398 |
| In-Kind Personnel Services | 441,669 | 412,677 |
| Total Support Services | <u>907,007</u> | <u>900,346</u> |
| Total Operating Expenses | <u>3,211,748</u> | <u>3,323,076</u> |
| OPERATING PROFIT/(LOSS) | <u>(2,224,522)</u> | <u>(907,141)</u> |
| Nonoperating Revenues: | | |
| Investment income, net of fees | 1,743,976 | 5,189,878 |
| Net Unrealized Gain/(Loss) of Investments | (9,284,261) | 3,284,360 |
| Total Nonoperating Revenues | <u>(7,540,285)</u> | <u>8,474,238</u> |
| Income before additions to Permanent Endowments | <u>(9,764,807)</u> | <u>7,567,097</u> |
| Additions to Permanent Endowments: | | |
| Contributions | 94,287 | 430,131 |
| Total Additions to Permanent Endowments | <u>94,287</u> | <u>430,131</u> |
| CHANGE IN NET POSITION | <u>(9,670,520)</u> | <u>7,997,228</u> |
| NET POSITION - BEGINNING | <u>73,684,037</u> | <u>65,686,809</u> |
| NET POSITION - ENDING | <u>\$ 64,013,517</u> | <u>\$ 73,684,037</u> |

The Notes are an integral part of these financial statements.

PASCO-HERNANDO STATE COLLEGE FOUNDATION, INC.
STATEMENT OF CASH FLOWS
For The Years Ended DECEMBER 31, 2022 and 2021

| | 2022 | 2021 |
|--|----------------|--------------|
| Cash flows from operating activities: | | |
| Contributions from donors and grantors | \$ 737,828 | \$ 1,974,962 |
| Payments to vendors | (462,745) | (487,097) |
| Payments for scholarships | (1,464,187) | (1,077,654) |
| Payments for programs | (1,587,659) | (917,296) |
| Net cash provided/(used) by operating activities | (2,776,763) | (507,085) |
| Cash flows from noncapital financing activities: | | |
| Endowment contributions | 94,287 | 430,131 |
| Conditional Grant Received | - | (36,474) |
| Net cash provided by noncapital financing activities | 94,287 | 393,657 |
| Cash flows from capital and related financing activities: | | |
| Purchase of Capital Assets | - | (3,980) |
| Donation of Capital Assets | - | 3,000 |
| Net cash (used) by capital and related financing activities | - | (980) |
| Cash flows from investing activities: | | |
| Proceeds from sale of investments | 11,140,775 | 15,612,367 |
| Purchase of investments | (25,646,377) | (15,572,806) |
| Cash received from investment income, net of fees | 14,751,165 | 1,846,857 |
| Net cash provided/(used) by investing activities: | 245,563 | 1,886,418 |
| Net Change in Cash and Cash Equivalents | (2,436,913) | 1,772,010 |
| Cash and Cash Equivalents - beginning of year | 5,632,038 | 3,860,028 |
| Cash and Cash Equivalents - end of year | \$ 3,195,125 | \$ 5,632,038 |
| Reconciliation of operating income/(loss) to net cash provided/(used) by operating activities: | | |
| Operating Profit/(Loss) | \$ (2,224,522) | \$ (907,141) |
| Adjustments to reconcile the operating loss to net cash provided/(used) by operating activities: | | |
| Depreciation expense | 796 | 398 |
| Change in assets and liabilities: | | |
| Accounts receivable | 233,552 | (27,540) |
| State matching grants receivable | (27,017) | (756) |
| Prepaid expenses | 2,177 | (602) |
| Accounts payable | (747,484) | 428,556 |
| Deferred revenue | (14,265) | - |
| Net cash used by operating activities | \$ (2,776,763) | \$ (507,085) |

The Notes are an integral part of these financial statements.

PASCO-HERNANDO STATE COLLEGE FOUNDATION INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2022 and 2021

1. DESCRIPTION OF ORGANIZATION

Pasco-Hernando State College Foundation, Inc., (Foundation) is a Florida nonprofit corporation. The Foundation was formed in December 1975 and is governed by an 18-member board of directors. The primary purposes of the Foundation are to be a community advocate for the Pasco-Hernando State College (College) and to encourage charitable donations to provide financial support for the College and its students. As a public charity, the Foundation accepts donations to enhance the College's many and varied teaching and public service programs, as well as to support capital projects and other related College improvements. In addition, the Foundation provides an avenue for cultural events through the support of theater and art programs.

The College provides the resources necessary to cover the costs of facilities, administration, and some personnel costs. The Foundation's primary expenditures are related to operations, including some personnel costs, and to providing scholarships to students attending Pasco-Hernando State College and funding for staff and program development in support of campus needs, in compliance with donor restrictions on gifts.

The Foundation is a direct support organization of the College and its financial statements are presented in the College's financial statements as a component unit.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies applied in preparation of the accompanying financial statements is presented below:

➤ Basis of Accounting

The financial statements are prepared using the economic resource measurement focus and the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (GASB). Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. As a general rule, the effects of interfund activities have been eliminated from the Foundation's financial statements.

The Foundation reports as an entity engaged in one business-type activity.

➤ Classification of Current and Noncurrent Assets and Liabilities

The Foundation considers assets to be current if, as part of its normal business operations, they are held as or can be converted to cash and be available for operating needs or payments of current liabilities within 12 months of the Statement of Net Position date. Similarly, liabilities are considered to be current if they can be expected, as part of normal Foundation business operations, to be due and paid within 12 months of the Statement of Net Position date. All other assets and liabilities are considered to be noncurrent.

PASCO-HERNANDO STATE COLLEGE FOUNDATION INC.

NOTES TO FINANCIAL STATEMENTS

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➤ Cash and Cash Equivalents

The Foundation's cash and cash equivalents consist of cash in banks, money market accounts, and cash held in investment accounts, which are used to deposit Foundation contribution receipts and make transfers to the College to expend in accordance with donor restrictions. The Foundation considers all resources invested in money market funds, certificates of deposit and highly liquid debt instruments issued with a maturity of three months or less to be cash equivalents.

➤ Investments

Investments are carried at fair value. The basis of determining the fair value of investments is the readily determinable sales price or current exchange rate of the investments based on prices or quotations for over-the-counter markets such as the New York Stock Exchange (NYSE) or the National Association of Securities Dealers Automated Quotations (NASDAQ). In the case of pooled funds or mutual funds, the fair value is determined by multiplying the number of units held in the pool by the prices per unit share as quoted by the broker and/or investment manager. The net change in fair value of investments consists of both realized and unrealized gain and loss on investments. Gains or losses on the sale of components within any investment pool resulting from investment management decisions are attributed to the pool.

➤ Property and Equipment

Property and equipment acquisitions are recorded at cost and donated equipment and tangible property is recorded at fair market value at the date of donation. Depreciation is provided over the estimated useful lives of the assets and computed on the straight-line method. Tangible property, such as, works of art are considered as collections and are not depreciated.

➤ Net Position

The Foundation's net position is classified into the following net asset categories:

Restricted – nonexpendable: Assets subject to externally imposed conditions that the Foundation will retain in perpetuity. This classification of net position represents the net corpus of true donor-restricted endowed funds. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on any related investments for general or specific purposes. To the extent that the market value of a fund is below its historical cost (corpus), the difference is recorded as restricted-expendable in the Statement of Net Position.

Restricted – expendable: Assets subject to externally imposed conditions that can be fulfilled by the actions of the Foundation or by the passage of time. These assets may include accumulated appreciation on the endowment funds, accumulated endowment spending allocations, and restricted expendable funds.

Unrestricted – All other categories.

PASCO-HERNANDO STATE COLLEGE FOUNDATION INC.

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➤ Classification of Revenue and Expenses

The Foundation considers operating revenue and expenses in the Statement of Revenues, Expenses and Changes in Net Position to be revenue and expenses that result from activities that are connected directly to the Foundation's primary functions. Such transactions include grants the Foundation makes to the College. The Foundation has no revenue from exchange transactions that would be considered operating revenue. Certain other transactions are reported as non-operating revenues and expenses in accordance with GASB Statement No. 34. These non-operating activities include the Foundation's noncapital financing activities and net investment income.

➤ Contributions and Pledges

Contributions are recognized when the donor makes a promise to give to the Foundation that is, in substance, unconditional. Contributions that are restricted by the donor are reported as an increase in unrestricted net position if the restriction expires in the reporting period in which the support is recognized. All other donor restricted contributions are reported as an increase in net position restricted - expendable or nonexpendable depending on the nature of the restriction. When a restriction expires, net position restricted - expendable is reclassified to unrestricted net position.

Investment income and net realized and unrealized gain or losses on restricted contributions are recorded as increase or decrease to net position restricted - expendable or nonexpendable, in accordance with donor stipulations.

Unconditional promises to give the Foundation cash or other assets in the future are recorded as contribution revenue and pledges receivable. If management expects the cash from the pledges receivable to be received more than one year in the future, the contributions revenue and pledges receivable are discounted for the time value of money.

➤ Donated Items

The value of donated securities, materials, services, small equipment, land and other nonmonetary items are recorded in the financial statements as contributions based upon the fair value of the goods received at the time of the donation.

Employees of the College operate the Foundation. The expense that is covered by the College is recognized as in-Kind contribution revenue and expense. The College also provides office space for the Foundation.

➤ Expenses

The expenses of the Foundation are allocated between Program Services and Support Services.

Program Services:

Program services includes scholarships and staff and program development expenses paid to the College. Scholarships and staff and program development expenses paid are recognized as expenses and liabilities when commitment to pay the expense is made, not when cash is paid.

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Support Services:

Support services show the operating expenses related to fundraising, administration, in-kind support and depreciation expense. Administrative expenses include the costs of operating the Foundation offices, including gathering, processing, and maintaining financial and legal information. Fundraising costs include the costs associated with the direct solicitation of contributions to the Foundation.

When an expense is incurred for purposes for which both restricted and unrestricted resources are available, the Foundation's policy is to apply restricted resources first.

➤ **Income Tax**

The Foundation is an organization exempt from taxation under Section 501(c)(3) of the Internal Revenue Code and is generally not subject to federal or state income taxes. It qualifies for the charitable contribution deduction under Section 170(1)(A) and has been classified as an organization that is not a private foundation Section 509(a)(1). However, the Foundation is subject to income taxes on any net income that is derived from a trade or business, regularly carried on, and not in the furtherance of the purpose for which the Foundation is granted exemption. No income tax provision has been recorded as the net income, if any, from any unrelated trade or business, in the opinion of management, is not material to the basic financial statements taken as a whole.

➤ **Use of Estimates**

The preparation of the 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 may differ from those estimates.

➤ **Subsequent Events**

Management has evaluated all events subsequent to the balance sheet date and through the report date, which is the date these financial statements were available to be issued. Management continues to evaluate the impact of the investment market fluctuations as well as the impact of inflation and interest rate increases and has concluded that while it is still reasonably possible that these could have a negative effect on the Organization's financial position, results of its operations and/or cash flows, the specific impact is not readily determinable as of the date of these financial statements. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

3. **CASH, CASH EQUIVALENTS, AND INVESTMENTS**

In accordance with GASB Statement No. 40, Deposits and Investment Risk Disclosure, (GASB 40) the Foundation's investments are reported by investment type at fair value in the table below. GASB 40 also requires disclosure of various types of investment risk based on

PASCO-HERNANDO STATE COLLEGE FOUNDATION INC.

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the type of investment, as well as, stated policies adopted by the Foundation to manage the risk.

The Foundation's cash, cash equivalents, and investments consist of the following as of December 31, 2022, and 2021:

| | <u>2022</u> | <u>2021</u> |
|---|----------------------|----------------------|
| Cash and Cash Equivalents: | | |
| Commercial Banks | \$ 810,645 | \$ 2,556,866 |
| Money Market Funds | 2,384,480 | 3,075,172 |
| Total Cash and Cash Equivalents | <u>3,195,125</u> | <u>5,632,038</u> |
| Investments: | | |
| U.S Government Obligations | 1,510,715 | 1,321,348 |
| Federal Agency Obligations | 1,738,284 | 1,985,973 |
| Corporate Bonds & Notes | 2,933,906 | 2,890,264 |
| Asset Backed Securities | 49,508 | 63,236 |
| Mortgage Backed Securities | 2,558,062 | 2,571,490 |
| Taxable Munis | 401,182 | 619,669 |
| Mutual Funds | 36,608,249 | 43,443,728 |
| Stocks and Equity Securities | 14,758,843 | 15,443,629 |
| CFTB Investment Pool | 41,084 | 46,344 |
| Total Investments | <u>60,599,833</u> | <u>68,385,681</u> |
| Total Cash, Cash Equivalents, and Investments | <u>63,794,958</u> | <u>74,017,719</u> |
| Current - Cash and Cash Equivalents | \$ 3,195,125 | \$ 5,632,038 |
| Current - Investments | 273,816 | 70,459 |
| Noncurrent - Investments | 60,326,017 | 68,315,222 |
| Total | <u>\$ 63,794,958</u> | <u>\$ 74,017,719</u> |

Fair Value Measurement

Generally accepted accounting principles in the United States of America establishes a hierarchy for which assets and liabilities must be grouped, based on significant levels of inputs (assumptions that market participants would use in pricing and asset or liability) as follows:

- Level 1 Input Valuations, 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 Input Valuations, 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 Input Valuations, where the valuation is generated from model-based techniques that use significant assumptions not observable in the market, but observable based on Foundation-specific data.

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Foundation Investments at fair value, as of December 31, 2022, and 2021, are classified as follows:

| <u>2022</u> | | | | |
|------------------------------|----------------------|----------------------|-------------------|---------------------|
| Investment Type | Fair Value | Level 1 Inputs | Level 2 Inputs | Level 3 Inputs |
| Debt Securities: | | | | |
| U.S. Government Obligations | \$ 1,510,715 | \$ 1,510,715 | \$ - | \$ - |
| Federal Agency Obligations | 1,738,284 | 1,738,284 | - | - |
| Corporate Bonds & Notes | 2,933,906 | 2,933,906 | - | - |
| Asset Backed Securities | 49,508 | 49,508 | - | - |
| Mortgage Backed Securities | 2,558,062 | 2,558,062 | - | - |
| Taxable Munis | 401,182 | 401,182 | - | - |
| Total Debt Securities | 9,191,657 | 9,191,657 | - | - |
| Equities: | | | | |
| Mutual Funds | 36,608,249 | 36,608,249 | - | - |
| Stocks | 14,758,843 | 5,791,334 | - | 8,967,509 |
| Total Equities | 51,367,092 | 42,399,583 | - | 8,967,509 |
| CFTB Investment Pool | 41,084 | 41,084 | - | - |
| TOTAL INVESTMENTS | \$ 60,599,833 | \$ 51,632,324 | \$ - | \$ 8,967,509 |
| <u>2021</u> | | | | |
| Investment Type | Fair Value | Level 1 Inputs | Level 2 Inputs | Level 3 Inputs |
| Debt Securities: | | | | |
| U.S. Government Obligations | \$ 1,321,348 | \$ 1,321,348 | \$ - | \$ - |
| Federal Agency Obligations | 1,985,973 | 1,985,973 | - | - |
| Corporate Bonds & Notes | 2,890,264 | 2,890,264 | - | - |
| Asset Backed Securities | 63,236 | 63,236 | - | - |
| Mortgage Backed Securities | 2,571,490 | 2,571,490 | - | - |
| Taxable Munis | 619,669 | 619,669 | - | - |
| Total Debt Securities | 9,451,980 | 9,451,980 | - | - |
| Equities: | | | | |
| Mutual Funds | 43,443,728 | 43,443,728 | - | - |
| Stocks | 15,443,629 | 7,113,533 | - | 8,330,096 |
| Total Equities | 58,887,357 | 50,557,261 | - | 8,330,096 |
| CFTB Investment Pool | 46,344 | 46,344 | - | - |
| TOTAL INVESTMENTS | \$ 68,385,681 | \$ 60,055,585 | \$ - | \$ 8,330,096 |

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The following schedules show the maturities for the Foundation's investments in debt securities and mutual funds:

2022

| Investment | Investment Maturities (In Years) | | | | |
|-----------------------------|----------------------------------|----------------------|---------------------|---------------------|---------------------|
| | Fair Value | Less Than 1 | 1 - 5 | 6 - 10 | More Than 10 |
| U.S. Government Obligations | \$ 1,510,715 | \$ - | \$ 367,427 | \$ 722,743 | \$ 420,545 |
| Federal Agency Obligations | 1,738,284 | 156,230 | 651,440 | 76,803 | 853,810 |
| Corporate Bonds and Notes | 2,933,906 | 30,160 | 1,384,692 | 1,196,259 | 322,795 |
| Asset Backed Securities | 49,508 | - | 20,107 | 1,416 | 27,985 |
| Mortgage Backed Securities | 2,558,062 | - | - | 24,425 | 2,533,636 |
| Taxable Munis | 401,182 | - | - | 8,036 | 393,146 |
| Mutual Funds | 36,608,249 | 36,608,249 | - | - | - |
| Total | \$ 45,799,906 | \$ 36,794,639 | \$ 2,423,666 | \$ 2,029,682 | \$ 4,551,917 |

2021

| Investment | Investment Maturities (In Years) | | | | |
|-----------------------------|----------------------------------|----------------------|---------------------|---------------------|---------------------|
| | Fair Value | Less Than 1 | 1 - 5 | 6 - 10 | More Than 10 |
| U.S. Government Obligations | \$ 1,321,348 | \$ 2,460 | \$ 776,989 | \$ 294,740 | \$ 247,159 |
| Federal Agency Obligations | 1,985,973 | - | 949,904 | - | 1,036,070 |
| Corporate Bonds and Notes | 2,890,264 | 5,105 | 1,377,632 | 1,117,929 | 389,598 |
| Asset Backed Securities | 63,236 | - | - | 20,479 | 42,757 |
| Mortgage Backed Securities | 2,571,490 | 531 | - | 24,660 | 2,546,300 |
| Taxable Munis | 619,669 | - | - | 9,801 | 609,867 |
| Mutual Funds | 43,443,728 | 43,443,728 | - | - | - |
| Total | \$ 52,895,708 | \$ 43,451,824 | \$ 3,104,525 | \$ 1,467,609 | \$ 4,871,751 |

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Investment income from these investments for the years ended December 31, 2022, and 2021 is summarized as follows:

| | 2022 | 2021 |
|---|--------------|--------------|
| Net capital gains/(loss) on investments | \$ (91,662) | \$ 2,965,158 |
| Interest and dividends | 2,080,005 | 2,463,365 |
| Investment fees and taxes | (244,367) | (238,645) |
| Total | \$ 1,743,976 | \$ 5,189,878 |

There are many factors that can affect the value of investments. Some, such as custodial risk, concentration of credit risk, and foreign currency risk may affect both equity and fixed income securities. Equity securities respond to such factors as economic conditions, individual company earnings performance, and market liquidity, while fixed income securities are particularly sensitive to credit risks and changes in interest rates. The Foundation has adopted a written investment policy to provide the basis for the management of a prudent investment program appropriate to the particular fund type.

Interest Rate Risk

Interest rate risk is the risk that the value of fixed income securities will decline because of rising interest rates. The prices of fixed income securities with a longer time to maturity tend to be more sensitive to changes in interest rate and, therefore, more volatile than those with shorter maturities.

The Foundation's investment policy, as a means of mitigating this risk, calls for maintaining significant balances in cash equivalents and other short-term investments, as changing interest rates have limited impact on these securities prices and limiting the duration of bond investments to 80-120% of the fixed income benchmark.

The Foundation's investment policy limits fixed income securities to those that are rated Baa2 and higher by Moody's and BBB (mid) by Standard and Poor's is preferred. In addition, if investments are downgraded below the minimum rating, the security shall be sold within 10 trading days.

Credit Risk

Fixed income securities are subject to credit risk, which is the risk that a bond issuer will fail to pay interest or principal in a timely manner, or that negative perceptions of the issuer's ability to make these payments will cause prices to decline. The circumstances may arise due to a variety of factors such as financial weakness, bankruptcy, litigation, and/or adverse political developments. A bond's credit quality is an assessment of the issuer's ability to pay interest on the bond, and ultimately, to pay the principal. Credit quality is evaluated by one of the independent bond rating agencies such as Moody's Investor Service or Standard and Poor's. The lower the rating, the greater the chance that the bond issuer will default or fail to meet payment obligations. Generally, the lower a bond's credit rating, the higher its yield should be to compensate for the additional risk.

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Certain fixed income securities, including obligations of the U.S. government or those explicitly guaranteed by the U.S. government, have little or no credit risk. The Foundation maintains policies to manage credit risk, which include requiring minimum credit ratings issued by nationally recognized rating organizations.

| <u>2022</u> | Ratings | | Percentage of total |
|-----------------------------|----------------------|------------|--------------------------------|
| Investment | Standard & Poor's | Moody's | Debt Securities Investments |
| U.S. Government Obligations | AA+ | Aaa | 16% |
| Federal Agency Obligation | AA+ | Aaa | 19% |
| Corporate Bonds and Notes | AA+ - BBB | Aaa - Baa2 | 32% |
| Asset Backed Securities | AAA - NR | Aaa - NR | 1% |
| Mortgage Backed Securities | AAA - NR | Aaa - NR | 28% |
| Taxable Munis | AAA - AA- | Aaa - Aa3 | 4% |

| <u>2021</u> | Ratings | | Percentage of total |
|-----------------------------|----------------------|-----------|--------------------------------|
| Investment | Standard & Poor's | Moody's | Debt Securities Investments |
| U.S. Government Obligations | AA+ | Aaa | 14% |
| Federal Agency Obligation | AA+ | Aaa | 21% |
| Corporate Bonds and Notes | AAA - NR | A1 - Baa2 | 30% |
| Asset Backed Securities | AAA | Aaa - NR | 1% |
| Mortgage Backed Securities | AAA - AA- | Aaa - NR | 27% |
| Taxable Munis | AAA - AA+ | Aaa - Aa3 | 7% |

Concentration of Credit Risk

Concentration of credit risk is the risk of loss associated with a lack of diversification of having too much invested in a few individual issuers, thereby exposing the Foundation to greater risks resulting from adverse economic, political, regulatory, geographic, or credit developments. Securities issued or explicitly guaranteed by the U.S. government, Fannie Mae and government agencies are not considered by management to be a concentration of credit risk. The Foundation's investment policy limits the amount of investment with any one issuer to 5% of an investment manager's equity portfolio except for investments in: U.S. government guaranteed investments, mutual funds, external investment pools, and other pooled investments. In addition, investment in non-government bonds shall be limited to 2% of the total bond portfolio.

From time to time, the Foundation holds deposits in excess of the amount insured by the Federal Insurance Corporation. Management believes that the risk of loss on these deposits is remote.

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Custodial Credit Risk

The custodial risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investments or collateral securities that are in the possession of another party. Investments are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the Foundation, and are held by either: the counterparty or the counterparty's trust department or agent but not in the Foundation's name.

These securities registered in the Foundation's name are, according to industry standard, held in "book entry" format per our investment management agreements with individual financial institutions managing those assets.

The Foundation's investment policy states that custodial credit risk for deposits will be mitigated by limiting deposits to the amount insured by FDIC per banking institutions. Custodial credit risk for investments will be mitigated by prohibiting as investments those securities that are not eligible for depository trust company holdings.

Foreign Currency Risk

Foreign currency risk is the possibility that changes in exchange rates between the U.S. dollar and foreign currencies could adversely affect a deposit or investment's fair value. As of December 31, 2022, and 2021, the portfolio does not hold any foreign bonds. The Foundation's investment policy limits foreign investments to 15% of the Foundation's assets, and prohibits against the use of non-Depository Trust company eligible securities.

4. PLEDGES RECEIVABLE

Pledges receivable consist of the following as of December 31, 2022, and 2021:

| | 2022 | | |
|---------------------------------|------------|-------------|-----------|
| | < 1 year | 1 - 5 years | > 5 years |
| Pledges Receivable | \$ 319,577 | \$ 91,875 | \$ - |
| Allowance for Doubtful Pledges | (193,000) | - | - |
| Unamortized Discount on Pledges | (6,023) | (9,206) | - |
| Pledges Receivable, net | \$ 120,554 | \$ 82,669 | \$ - |
| | 2021 | | |
| | < 1 year | 1 - 5 years | > 5 years |
| Pledges Receivable | \$ 244,660 | \$ 333,087 | \$ - |
| Allowance for Doubtful Pledges | (100,000) | - | - |
| Unamortized Discount on Pledges | (6,889) | (45,910) | - |
| Pledges Receivable, net | \$ 137,771 | \$ 287,177 | \$ - |

Pledges receivable are reflected at the present value of future cash flows using a discount rate of 5% for 2022 and 2021.

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5. LONG TERM RECEIVABLES

The Foundation received as a gift, a 50 percent interest in an approximately 8 year mortgage note valued in total \$234,924 in December 2010. In the fiscal year ended December 2013, the Board elected to write down the unamortized value of the note to \$1. The Board determined the value of the mortgage note was overstated, as there is no ready market in which to sell the note, and efforts to collect scheduled payments have met with little success. The unamortized balance of principal plus accrued interest on the note before write-down was \$120,719. Efforts to collect on the balance will be continued and subsequent payments have been received and recorded as current gifts.

6. STATE MATCHING GRANTS RECEIVABLE

The Foundation qualifies as a recipient of state matching funds under the Dr. Philip Benjamin Matching Program for Community Colleges. Under the grant agreement, the Foundation receives dollar-for-dollar matching funds from the state of Florida for all contributions that are restricted to financial aid and scholarships. All other contributions received are matched on a \$4 for \$6 basis. The primary use of these funds is to benefit future as well as students currently enrolled at the College and to improve the quality of education. The Foundation records these funds as either net position restricted – expendable or net position restricted – nonexpendable (permanent endowments) depending on the restriction of the contribution they are matching.

Donations of \$2,814,713 that were received and deposited by June 29, 2011, are eligible for \$2,588,604 of State matching funds for which the Foundation requested. The State Legislature has not appropriated funding for this program since 2007. Due to the significant backlog of unmatched gifts, the 2011 Legislature decided to enact a freeze on matching any new donations received on or after June 30, 2011, until at least \$200 million of the existing backlog has been paid down

Existing eligible donations remain eligible for future matching funds. New contributions received from February 2, 2020, to February 1, 2021, are \$1,853,751 and contributions received from February 2, 2021, to February 1, 2022, are \$448,342.

The Foundation is also eligible to receive a \$2 for \$1 match of private donations for the First-Generation Matching Grant Program which provides scholarships for students who are the first in their family to attend College. The Foundation received eligible private donations totaling \$30,006 as of December 1, 2022, which were eligible for a 2:1 match of \$60,012 from the State of Florida. As of December 31, 2022, \$60,012 is shown as State match receivable on the Statement of Net Position.

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7. PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2022, and 2021 are shown below:

| | <u>2022</u> | <u>2021</u> |
|---------------------------------------|-------------------|-------------------|
| Land | \$ 232,569 | \$ 232,569 |
| Mineral Rights | 1 | 1 |
| Equipment | 15,399 | 17,008 |
| Tangible Property, not depreciated | 56,293 | 56,293 |
| Total | <u>304,262</u> | <u>305,871</u> |
| <i>less: Accumulated Depreciation</i> | <u>(12,614)</u> | <u>(13,427)</u> |
| Total Property and Equipment | <u>\$ 291,648</u> | <u>\$ 292,444</u> |

Depreciation expense for the year ended December 31, 2022, and 2021 was \$796 and \$398, respectively.

8. CONTINGENCY – UNPAID PROPERTY TAXES ON MINERAL RIGHTS

The Foundation owns mineral rights which are considered held for investment purposes per the respective counties in which they are located. Therefore, these counties are assessing property taxes against the Foundation for these mineral rights.

The Foundation Board does not feel that the potential value of these mineral rights warrants the payment of the taxes assessed and has elected not to pay these taxes. If the taxes are not paid within one year of assessment, the counties have the authority to sell tax certificates using the mineral rights as collateral. If the taxes are not paid within three years of assessment, the respective counties may, at the option of the certificate holder, put the mineral rights up for auction. At that time the Foundation would be forced to either pay the taxes and accrued interest on the tax certificates or forfeit the ownership of the mineral rights.

In the fiscal year ended June 30, 1992, the Board elected to write down the value of the mineral rights to \$1. The Board felt that the balance before the write down overstated the value of the mineral rights to the Foundation, as there is no ready market in which to sell these rights and the attempts to sell these rights to the major parcel holders who own the related surface rights have met with little or no success. For these reasons, the Board has elected not to pay the assessed taxes and has elected to write down the recorded value so as not to overstate the potential value of the mineral rights for financial statement reporting purposes.

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9. UNDERWATER ENDOWMENTS

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or the Uniform State Prudent Management of Institutional Funds Act (UPMIFA) requires the organization to retain as a fund of perpetual duration. Deficiencies of this nature exist in three donor-restricted endowment funds, which together have an original gift value of \$165,515, a current fair value of \$152,671 and a deficiency of \$12,844 as of December 31, 2022. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new contributions for donor-restricted endowment funds were made.

10. NET POSITION RESTRICTED – NON-EXPENDABLE

Net Position restricted - nonexpendable consist of donor restricted endowments which can be spent as specified by the donor. The net position restricted - nonexpendable as of December 31, 2022 and 2021 are summarized as follows:

| | <u>2022</u> | <u>2021</u> |
|-------------------------------------|----------------------|----------------------|
| Program support | \$ 8,414,830 | \$ 8,412,323 |
| Scholarships and grants to students | 19,651,273 | 19,542,823 |
| Foundation | 70,719 | 70,719 |
| Total | <u>\$ 28,136,822</u> | <u>\$ 28,025,865</u> |

11. NET POSITION RESTRICTED – EXPENDABLE

Net position restricted – expendable on December 31, 2022 and 2021 were available for the following purposes:

| | <u>2022</u> | <u>2021</u> |
|-------------------------------------|----------------------|----------------------|
| Program support | \$ 15,002,162 | \$ 18,626,246 |
| Scholarships and grants to students | 17,053,471 | 23,536,894 |
| Foundation | - | - |
| Total | <u>\$ 32,055,634</u> | <u>\$ 42,163,140</u> |

12. RELATED PARTY TRANSACTIONS

The Foundation is related to the College by virtue of its primary purpose, which is to engage in activities to foster, promote and provide funds to or for the benefit of the College and its students. During the years ended December 31, 2022, and 2021, the Foundation provided scholarships and program expenses to the College in the amount of \$2,304,741 and \$2,422,730 respectively.

The College provided the office space and equipment for the Foundation to operate without charge. As these facilities are shared with the College, no objective basis is available to measure their value. It is management's position that the value of these facilities is insignificant in relationship to the entity as a whole.

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The College also provides five FTE employees to operate the Foundation at an estimated cost of approximately \$441,669 and \$412,677 for the years ending December 31, 2022, and 2021, respectively. The Foundation currently provides the funding for 3.5 FTE employees.

13. IN-KIND CONTRIBUTIONS

In-kind contributions are included in contributions in the Statement of Revenues, Expenses, and Change in Net Position. In accordance with Statement of Financial Accounting Standard No. 116, the Foundation recognizes the fair value of contributed services received if such services:

- a) Create or enhance nonfinancial assets or
- b) Require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not contributed.

The majority of in-kind contributions are from the College in the form of personnel services. The College provided five FTE employees to operate the Foundation at a value of \$441,669 and \$412,677 in 2022 and 2021, respectively.

14. FUTURE PROMISES TO GIVE

The Foundation received endowed agreements for promises to give from donors in which the Foundation is to receive moneys with the passage of time. In accordance with GASB Statement 33 – Accounting for Financial Reporting for Non-exchange Transactions, the Foundation has not recorded a receivable for these bequests in its financial statements. In accordance with this Statement, the Foundation recognizes revenue from these bequests when the funds are received. As of December 31, 2022, \$8,550 of these unrecognized bequests are outstanding.

15. OVERSIGHT BY PASCO-HERNANDO STATE COLLEGE

As a direct support organization, the Foundation is subject to the policies and procedure of the College. All contributions to the Foundation ultimately benefit the College. Accordingly, the Foundation, for reporting purposes, is considered a governmental not-for-profit organization subject to reporting under the GASB and is reported as a component unit of the College.

16. LEGAL MATTERS

In the normal course of conducting its operations, the Foundation occasionally becomes party to various legal actions and proceedings. In the opinion of management, the ultimate resolution of such legal matters will not have a significant adverse effect on the accompanying financial statements.



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**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***

Independent Auditor's Report

To the Board of Directors
Pasco-Hernando State College Foundation, Inc.
New Port Richey, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Pasco-Hernando State College Foundation, Inc. ("Foundation"), a component unit of the Pasco-Hernando State College, as of and for the years ended December 31, 2022, and 2021, and the related notes to the financial statements, which collectively comprise the Foundation's basic financial statements, and have issued our report thereon dated April 17, 2023.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation's financial statements are free from material misstatement, we performed tests of 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*.

Purpose of this Report

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

King & Walker, CPAs

April 17, 2023
Tampa, Florida