

**PINELLAS COUNTY EDUCATION FOUNDATION, INC.
AND SUBSIDIARY**

**Consolidated Financial Statements, Supplementary
Financial Information and Reports as Required by the
Comptroller General of the United States**

**June 30, 2022 and 2021
(With Independent Auditors' Report Thereon)**

PINELLAS COUNTY EDUCATION FOUNDATION, INC. AND SUBSIDIARY

Table of Contents

	<u>Page</u>
Independent Auditors' Report on Consolidated Financial Statements and Supplementary Financial Information	1 - 3
Consolidated Financial Statements:	
Consolidated Statements of Financial Position	4
Consolidated Statement of Activities - 2022	5
Consolidated Statement of Activities - 2021	6
Consolidated Statement of Functional Expenses	7
Consolidated Statements of Cash Flows	8
Notes to Consolidated Financial Statements	9 - 25
Supplementary Financial Information:	
Schedule of Expenditures of State Financial Assistance	26
Notes to Schedule of Expenditures of State Financial Assistance	27
Internal Control and Compliance:	
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Consolidated Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	28 - 29
Independent Auditors' Report on Compliance for Each Major State Project and on Internal Control Over Compliance Required by Chapter 10.650, <i>Rules of the State of Florida Auditor General</i>	30 - 32
Schedule of Findings and Questioned Costs	33
Management Letter	34



**Independent Auditors' Report on Consolidated Financial Statements
and Supplementary Financial Information**

The Board of Directors
Pinellas County Education Foundation, Inc. and Subsidiary:

Opinion

We have audited the accompanying consolidated financial statements of Pinellas County Education Foundation, Inc. and Subsidiary (the "Foundation"), which comprise the consolidated statements of financial position as of June 30, 2022 and 2021, and the related consolidated statements of activities and cash flows for the years then ended, the related consolidated statement of functional expenses for the year ended June 30, 2022, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Pinellas County Education Foundation, Inc. and Subsidiary as of June 30, 2022 and 2021, and the changes in their net assets and their cash flows for the years then ended, and their functional expenses for the year ended June 30, 2022 in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Pinellas County Education Foundation, Inc. and Subsidiary and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Pinellas County Education Foundation, Inc. and Subsidiary's ability to continue as a going concern for one year after the date that the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. 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 consolidated 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 consolidated 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 consolidated 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 Pinellas County Education Foundation, Inc. and Subsidiary'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Pinellas County Education Foundation, Inc. and Subsidiary'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.

Report on Summarized Comparative Information

We have previously audited Pinellas County Education Foundation, Inc. and Subsidiary's 2021 consolidated financial statements, and our report dated December 13, 2021, expressed an unmodified opinion on those audited consolidated financial statements. In our opinion, the summarized comparative information presented herein for the year ended June 30, 2021, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Other Matters

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements of Pinellas County Education Foundation, Inc. and Subsidiary taken as a whole. The accompanying schedule of expenditures of state financial assistance, as required by Chapter 10.650, *Rules of the State of Florida Auditor General*, is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 13, 2023 on our consideration of the Foundation's internal control over financial reporting and on our tests of their compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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 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 Pinellas County Education Foundation, Inc. and Subsidiary's internal control over financial reporting and compliance.

MAYER HOFFMAN MCCANN P.C.

January 13, 2023
St. Petersburg, Florida

PINELLAS COUNTY EDUCATION FOUNDATION, INC. AND SUBSIDIARY

Consolidated Statements of Financial Position

June 30, 2022 and 2021

Assets	2022	2021
Cash and cash equivalents (Note 15)	\$ 3,455,182	4,970,253
Grants and other receivables	420,010	417,225
Prepaid expenses and other assets	70,774	49,432
Marketable investment securities (Notes 5 and 11)	20,112,213	18,728,025
Pledges receivable, net (Note 2)	2,164,773	1,135,383
Property and equipment, net (Note 3)	38,125	39,139
Donated building space use (Note 4)	243,034	338,515
Florida prepaid scholarships (Note 6)	18,162,004	17,735,945
Beneficial interests in trusts (Notes 10 and 11)	1,553,681	1,494,802
Real estate held for sale	-	1,150,000
	\$ 46,219,796	46,058,719
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 269,661	176,666
Refundable advances	876,181	605,981
Obligations under split-interest agreements (Notes 10 and 11)	150,303	187,523
Note payable - Paycheck Protection Program (Note 7)	-	396,677
	1,296,145	1,366,847
Net assets:		
Without donor restrictions	3,424,499	3,663,494
With donor restrictions:		
Donated building space use	243,034	338,515
Stavros Society pledges	176,954	287,477
Bequests	1,321,066	1,235,074
Programs and grants	7,340,020	6,045,807
Stavros Institute	1,147,721	1,296,286
Take Stock in Children	21,250,848	20,687,746
School-based projects	2,544,441	3,432,537
District-wide initiatives	193,602	80,710
Student scholarships	3,430,266	3,773,026
Take Stock in Children endowment (Note 12)	630,000	630,000
Stavros Institute endowment (Note 12)	3,221,200	3,221,200
	41,499,152	41,028,378
Total net assets with donor restrictions	41,499,152	41,028,378
Total net assets	44,923,651	44,691,872
Total liabilities and net assets	\$ 46,219,796	46,058,719

PINELLAS COUNTY EDUCATION FOUNDATION, INC. AND SUBSIDIARY

Consolidated Statement of Activities

Year Ended June 30, 2022

	<u>Net Assets Without Donor Restrictions</u>	<u>Net Assets With Donor Restrictions</u>	<u>Total</u>
Operating support and revenue:			
Special events revenues	\$ 70,100	-	70,100
Special events expenses	<u>(12,413)</u>	<u>-</u>	<u>(12,413)</u>
Net special events revenue	57,687	-	57,687
Contributions (Note 14):			
Unrestricted	509,653	-	509,653
Stavros Society pledges	-	5,336	5,336
Bequests	-	600,231	600,231
Programs and grants	11,849	2,758,386	2,770,235
Stavros Institute	-	273,088	273,088
Take Stock in Children - support and revenue	-	761,700	761,700
Take Stock in Children - Florida prepaid scholarships match (Note 6)	-	1,039,849	1,039,849
School-based projects	-	116,939	116,939
District-wide initiatives	-	240,340	240,340
Student scholarships	-	1,141,198	1,141,198
Governmental grants	47,501	1,065,583	1,113,084
Investment loss	(679,970)	(1,417,217)	(2,097,187)
Change in value of split-interest agreements	-	(7,801)	(7,801)
Gain on sale of real estate	235,079	-	235,079
In-kind donations (Note 8)	264,443	6,709	271,152
Net assets released from restrictions:			
Expiration of time restrictions	363,481	(363,481)	-
Satisfaction of program restrictions	<u>5,750,086</u>	<u>(5,750,086)</u>	<u>-</u>
Total support and revenue	<u>6,559,809</u>	<u>470,774</u>	<u>7,030,583</u>
Expenses:			
Program services:			
Programs and grants	2,239,012	-	2,239,012
Community relations and events	687,453	-	687,453
Stavros Institute	237,675	-	237,675
Take Stock in Children	1,965,859	-	1,965,859
School-based projects	149,539	-	149,539
District-wide initiatives	134,625	-	134,625
Student scholarships	<u>925,313</u>	<u>-</u>	<u>925,313</u>
Total program services	<u>6,339,476</u>	<u>-</u>	<u>6,339,476</u>
Supporting services:			
Administration	536,553	-	536,553
Fundraising	<u>319,452</u>	<u>-</u>	<u>319,452</u>
Total supporting services	<u>856,005</u>	<u>-</u>	<u>856,005</u>
Total expenses	<u>7,195,481</u>	<u>-</u>	<u>7,195,481</u>
Increase (decrease) in net assets before other changes	(635,672)	470,774	(164,898)
Other changes:			
Gain on forgiveness of debt (Note 7)	<u>396,677</u>	<u>-</u>	<u>396,677</u>
Increase (decrease) in net assets	(238,995)	470,774	231,779
Net assets, beginning of year	<u>3,663,494</u>	<u>41,028,378</u>	<u>44,691,872</u>
Net assets, end of year	<u>\$ 3,424,499</u>	<u>41,499,152</u>	<u>44,923,651</u>

See accompanying independent auditors' report and notes to consolidated financial statements.

PINELLAS COUNTY EDUCATION FOUNDATION, INC. AND SUBSIDIARY

Consolidated Statement of Activities

Year Ended June 30, 2021

	<u>Net Assets Without Donor Restrictions</u>	<u>Net Assets With Donor Restrictions</u>	<u>Total</u>
Operating support and revenue:			
Special events revenues	\$ 57,320	-	57,320
Special events expenses	<u>(13,350)</u>	<u>-</u>	<u>(13,350)</u>
Net special events revenue	43,970	-	43,970
Contributions (Note 14):			
Unrestricted	268,819	-	268,819
Stavros Society pledges	-	27,775	27,775
Bequests	-	105,443	105,443
Programs and grants	4,200	1,547,841	1,552,041
Stavros Institute	-	207,290	207,290
Take Stock in Children - support and revenue	-	597,264	597,264
Take Stock in Children - Florida prepaid scholarships match (Note 6)	-	2,011,662	2,011,662
School-based projects	-	97,916	97,916
District-wide initiatives	-	116,283	116,283
Student scholarships	-	536,928	536,928
Governmental grants	30,700	1,118,228	1,148,928
Investment return	814,099	3,121,448	3,935,547
Change in value of split-interest agreements	-	7,506	7,506
Loss on sale of real estate	(18,182)	-	(18,182)
In-kind donations (Note 8)	59,238	6,519	65,757
Net assets released from restrictions:			
Expiration of time restrictions	409,302	(409,302)	-
Satisfaction of program restrictions	<u>8,793,945</u>	<u>(8,793,945)</u>	<u>-</u>
Total support and revenue	<u>10,406,091</u>	<u>298,856</u>	<u>10,704,947</u>
Expenses:			
Program services:			
Programs and grants	5,014,434	-	5,014,434
Community relations and events	330,257	-	330,257
Stavros Institute	327,359	-	327,359
Take Stock in Children	2,075,563	-	2,075,563
School-based projects	115,332	-	115,332
District-wide initiatives	133,704	-	133,704
Student scholarships	<u>858,126</u>	<u>-</u>	<u>858,126</u>
Total program services	<u>8,854,775</u>	<u>-</u>	<u>8,854,775</u>
Supporting services:			
Administration	375,455	-	375,455
Fundraising	<u>152,200</u>	<u>-</u>	<u>152,200</u>
Total supporting services	<u>527,655</u>	<u>-</u>	<u>527,655</u>
Total expenses	<u>9,382,430</u>	<u>-</u>	<u>9,382,430</u>
Increase in net assets before other changes	1,023,661	298,856	1,322,517
Other changes:			
Gain on forgiveness of debt (Note 7)	<u>295,000</u>	<u>-</u>	<u>295,000</u>
Increase in net assets	1,318,661	298,856	1,617,517
Net assets, beginning of year	<u>2,344,833</u>	<u>40,729,522</u>	<u>43,074,355</u>
Net assets, end of year	<u>\$ 3,663,494</u>	<u>41,028,378</u>	<u>44,691,872</u>

See accompanying independent auditors' report and notes to consolidated financial statements.

PINELLAS COUNTY EDUCATION FOUNDATION, INC. AND SUBSIDIARY

Consolidated Statement of Functional Expenses

**Year Ended June 30, 2022
(With Comparative Totals for 2021)**

	Program Services							Supporting Services			Total		
	Programs and Grants	Community Relations and Events	Stavros Institute	Take Stock in Children	School-based Projects	District-wide Initiatives	Student Scholarships	Total	Administration	Fund Raising	Total	2022	2021
Personnel expense	\$ 1,061,541	266,895	206,214	540,851	23,097	7,063	66,478	2,172,139	72,801	106,711	179,512	2,351,651	2,127,816
Contracted salaries and benefits	200,498	-	-	-	-	79,316	-	279,814	47,130	-	47,130	326,944	259,472
Professional services	132,767	14,354	1,711	13,193	1,219	10,912	1,392	175,548	94,381	113,861	208,242	383,790	390,736
Travel, conferences and seminars	7,397	1,603	-	6,575	1,010	-	-	16,585	14,473	1,451	15,924	32,509	7,706
Communications	4,101	800	1,050	424	55	-	-	6,430	4,112	2,411	6,523	12,953	6,364
Supplies	74,885	4,048	14,910	1,008	70,773	4,577	156	170,357	9,128	1,137	10,265	180,622	200,205
Printing and publications	5,338	1,322	-	2,750	1,144	-	86	10,640	2,712	8,579	11,291	21,931	12,316
Equipment	-	-	-	-	-	-	-	-	10,732	-	10,732	10,732	14,126
Computer expense	52,304	4,765	931	18,280	-	217	2,628	79,125	57,027	21,523	78,550	157,675	118,322
Insurance	3,697	2,267	2,348	3,311	82	23	254	11,982	26,685	198	26,883	38,865	30,636
Dues and subscriptions	40	138	180	2,901	279	-	-	3,538	3,451	1,478	4,929	8,467	37,512
Meetings and events	189,667	91,497	4,277	48,314	25,688	5,949	48,825	414,217	1,606	380	1,986	416,203	131,417
Scholarships, awards and donations	470,105	29,866	5,924	1,294,118	25,486	26,525	798,787	2,650,811	17,098	2,413	19,511	2,670,322	5,841,023
Banking expenses	540	612	130	553	31	43	1,607	3,516	11,636	970	12,606	16,122	12,699
Other expenses	33,632	7,343	-	33,581	675	-	5,100	80,331	163,581	58,150	221,731	302,062	132,542
Donated services and facilities (Note 8)	2,500	261,943	-	-	-	-	-	264,443	-	190	190	264,633	59,238
Total expenses - 2022	\$ 2,239,012	687,453	237,675	1,965,859	149,539	134,625	925,313	6,339,476	536,553	319,452	856,005	7,195,481	
Total expenses - 2021	\$ 5,014,434	330,257	327,359	2,075,563	115,332	133,704	858,126	8,854,775	375,455	152,200	527,655		9,382,430

See accompanying independent auditors' report and notes to consolidated financial statements.

PINELLAS COUNTY EDUCATION FOUNDATION, INC. AND SUBSIDIARY

Consolidated Statements of Cash Flows

Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Increase in net assets	\$ 231,779	1,617,517
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities:		
Depreciation	14,535	19,603
Realized and unrealized losses (gains) on investment securities	2,420,324	(3,678,990)
Loss (gain) on disposal of real estate held for sale	(235,079)	18,182
Gain on forgiveness of debt	(396,677)	(295,000)
Amortization of Florida prepaid scholarships	1,303,125	1,465,234
Noncash rent expense - donated building space use	95,481	95,481
Proceeds on disposal of real estate held for sale	1,385,079	420,818
Matching contributions for Florida prepaid scholarships	(1,039,849)	(2,011,662)
Decrease (increase) in grants and other receivables	(2,785)	163,270
Increase in prepaid expenses and other assets	(21,342)	(4,050)
Decrease (increase) in pledges receivable	(1,029,390)	223,825
Decrease (increase) in beneficial interests in trusts	(58,879)	220,378
Increase (decrease) in accounts payable and accrued expenses	92,995	(45,344)
Increase in refundable advances	270,200	540,926
Increase (decrease) in obligations under split-interest agreements	(37,220)	20,701
	<u>2,992,297</u>	<u>(1,229,111)</u>
Net cash provided by (used in) operating activities		
Cash flows from investing activities:		
Purchases of Florida prepaid scholarships	(737,221)	(490,607)
Proceeds from refund of Florida prepaid scholarships	47,886	157,826
Purchases of marketable investment securities	(8,530,319)	(5,293,434)
Proceeds from sales of marketable investment securities	4,725,807	5,036,831
Property and equipment purchases	(13,521)	(8,521)
	<u>(4,507,368)</u>	<u>(597,905)</u>
Net cash used in investing activities		
Cash flows from financing activities:		
Proceeds from Paycheck Protection Program loan	-	396,677
	<u>-</u>	<u>396,677</u>
Net cash provided by financing activities		
Net decrease in cash and cash equivalents	(1,515,071)	(1,430,339)
Cash and cash equivalents, beginning of year	<u>4,970,253</u>	<u>6,400,592</u>
Cash and cash equivalents, end of year	<u>\$ 3,455,182</u>	<u>4,970,253</u>

PINELLAS COUNTY EDUCATION FOUNDATION, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

(1) Summary of Significant Accounting Policies and Practices

(a) Organization and Purpose

The Pinellas County Education Foundation, Inc. d/b/a Pinellas Education Foundation and its wholly-owned subsidiary, Future Plans USA, LLC, (collectively the “Foundation”) function as an independent nonprofit organization established originally in 1986. The mission of the Foundation is to accelerate educational achievement for all students through the effective mobilization of innovation, relationships and resources. The Foundation’s vision is that every student will be prepared for life after high school, whether the choice is to attend college, to enter the workforce, or to obtain technical training.

In April 2019, substantially all of the assets of Future Plans USA, LLC (“FP USA”) were sold and in May 2021, the Foundation filed articles with the State of Florida to dissolve FP USA effective July 1, 2021 and a remaining receivable of approximately \$130,000 was written off.

The following is a partial listing of the Foundation’s programs:

Closing the Gap Program offers teachers training and schools grants to address the literacy achievement gap that exists between boys and girls. By increasing teacher knowledge and skills around how boys and girls learn differently, students are engaged differently enhancing their ability to learn more effectively.

Take Stock in Children Scholarship Program. This statewide scholarship program helps low-income youth 6 - 12th grade, many from minority families, escape the cycle of poverty through education. Scholarship recipients are paired with mentors who provide inspiration and guidance, as well as, college success coaches and school-based ambassadors who monitor their progress and enhance their learning.

The Academies of Pinellas Programs offer students rigorous, relevant and challenging academic courses to prepare for in-demand jobs. Students combine traditional coursework with technical training to earn high school credit, college credit and certifications for industries such as Trade and Industrial; Business and Marketing; Family and Consumer Sciences; Health Occupations; Public Safety and Security; and Technology.

Student Scholarships. The Foundation offers numerous scholarships to help students achieve their educational goals and dreams. These traditional scholarships range from \$500 to \$5,000 and are available to high school graduating seniors in the Pinellas County Public School system.

School Enhancement Grants and District-wide Initiatives provide financial resources directly to Pinellas County schools for the implementation of programs that allow schools to enhance their programs and curriculum.

PINELLAS COUNTY EDUCATION FOUNDATION, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements - Continued

(1) Summary of Significant Accounting Policies and Practices - Continued

(a) Organization and Purpose - Continued

The Gus Stavros Institute houses two separate and distinct programs: *Enterprise Village* teaches fifth-grade students about America's economic system through hands-on business simulations. *Finance Park* teaches eighth-grade students personal financial management in a reality-based center.

(b) Principles of Consolidation

The consolidated financial statements include the financial statements of Pinellas County Education Foundation, Inc. and Future Plans USA, LLC (dissolved effective July 1, 2021). All significant inter-organizational balances and transactions have been eliminated in consolidation.

(c) Basis of Presentation

The consolidated financial statements of the Foundation have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP"), which require the Foundation to report information regarding its consolidated financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Foundation. These net assets may be used at the discretion of the Foundation's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the consolidated statements of activities.

(d) Liquidity

Assets are presented in the accompanying consolidated financial statements according to their nearness of conversion to cash, and liabilities according to the nearness of their maturity and resulting use of cash.

PINELLAS COUNTY EDUCATION FOUNDATION, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements - Continued

(1) Summary of Significant Accounting Policies and Practices - Continued

(e) Cash Equivalents

For purposes of the consolidated statement of cash flows, the Foundation considers all highly liquid instruments with an original maturity of three months or less to be cash equivalents.

(f) Marketable Investment Securities

Investments in marketable securities with readily determinable fair values and all investments in debt securities are carried at their fair values in the Foundation's consolidated statements of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying consolidated statements of activities. Restrictions on investment earnings are reported as increases in net assets without donor restrictions if the restrictions expire in the year in which the earnings are recognized.

(g) Pledges Receivable

Contributions are recognized when the donor makes a promise to give to the Foundation that is, in substance, unconditional. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met.

Promises to give that are expected to be collected within one year are recorded at net realizable value. Promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received, plus an applicable risk premium. Amortization of the discounts is included in contribution revenue. It is the Foundation's policy to charge off uncollectible pledges receivable when management determines the receivable will not be collected.

(h) Property and Equipment

The Foundation capitalizes property and equipment over \$1,000. Purchased property and equipment are capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Depreciation of property and equipment is calculated using the straight-line method over estimated useful lives of the assets.

(i) Prepaid Scholarships

Prepaid scholarships consist of prepaid college tuition and fees purchased through the Florida Prepaid College Foundation, Inc. Certain amounts are matched dollar-for-dollar by the State of Florida depending upon budget allocation. The scholarships are recorded at the total of cost plus matching funds and are amortized based on actual credit hours used by the students.

PINELLAS COUNTY EDUCATION FOUNDATION, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements - Continued

(1) Summary of Significant Accounting Policies and Practices - Continued

(j) Beneficial Interest in Trust and Gift Annuities

The Foundation has a beneficial interest in a charitable remainder trust (“CRUT”) and charitable gift annuities (“CGA”) whereby the Foundation maintains custody of the related assets and makes specified distributions to a designated beneficiary over the term of each trust and annuity. Assets under the trust and annuities are recorded at fair value.

Trust and annuity liabilities associated with the CRUT and CGA are determined based on the present value of the estimated future payments to be made to the designated beneficiaries. The liability is reduced as distributions are made to the beneficiaries.

(k) Contributions

The Foundation recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions.

Conditional contributions are recorded as revenue when such amounts become unconditional which generally involves the meeting of a barrier to entitlement. This can include items like meeting a matching provision, incurring specified allowable expenses in accordance with an applicable framework, allowable costs under a government grant or other barriers.

A portion of the Foundation’s revenue is derived from cost-reimbursable contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenditures. Amounts received are recognized as revenue when the Foundation has provided certain services and incurred expenditures in compliance with specific contract or grant provisions. Cash received in excess of revenue recognized is recorded as refundable advances. There were refundable advances of approximately \$876,000 and \$606,000 as of June 30, 2022 and 2021, respectively. As of June 30, 2022 and 2021, the Foundation has been awarded grants and contracts of approximately \$1,062,000 and \$1,567,000, respectively, of which no amounts had been received in advance. The amounts have not been recognized in the accompanying consolidated financial statements because the conditions have not been met.

PINELLAS COUNTY EDUCATION FOUNDATION, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements - Continued

(1) **Summary of Significant Accounting Policies and Practices - Continued**

(l) **Functional Allocation of Expenses**

The costs of providing the various programs and other activities are presented in the accompanying consolidated statement of functional expenses and have been summarized on a functional basis in the accompanying consolidated statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefitted. Personnel costs have been allocated to functional classifications based on the estimated percentage of time spent on each by Foundation employees. Occupancy costs and depreciation have been allocated to functional classifications based on the Foundation's square footage analysis.

(m) **Donated Services, Materials and Building Space**

Donations of materials and building space are recorded as support at their estimated fair value at the date of donation. Donations of services are recorded as support at their estimated fair value if they require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

(n) **Income Taxes**

The Pinellas County Education Foundation, Inc. is a nonprofit organization exempt from federal income taxes on related income as an organization described in Section 501(c)(3) of the Internal Revenue Code and from Florida income tax under Chapter 220 of the *Florida Statutes*. Accordingly, no provision for income taxes has been included in the accompanying consolidated financial statements. The Foundation has adopted FASB guidance regarding *Uncertainty in Income Taxes* as codified in FASB ASC Topic 740-10. As of June 30, 2022, management does not believe it has taken any tax positions that are subject to a significant degree of uncertainty. The Foundation's income tax filings are subject to examination by the Internal Revenue Service generally for three years after they were filed. Tax filings for years after June 30, 2018 remain open for examination.

(o) **Estimates in Consolidated Financial Statements**

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of increases or decreases in net assets during the period. Actual results could differ from those estimates.

PINELLAS COUNTY EDUCATION FOUNDATION, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements - Continued

(1) Summary of Significant Accounting Policies and Practices - Continued

(p) Going Concern Evaluation

On an annual basis, as required by ASC Topic 205, *Presentation of Financial Statements - Going Concern*, the Foundation performs an evaluation to determine whether there are conditions or events (known and reasonably knowable), considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

(q) Summarized Financial Information for 2021

The consolidated statement of functional expenses includes certain prior-year summarized comparative information in total but not by functional category. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Foundation's consolidated financial statements for the year ended June 30, 2021, from which the summarized information was derived.

(r) Recent Accounting Pronouncements

In September 2020, the FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This ASU is intended to improve transparency in the reporting of contributed nonfinancial assets, also known as gifts-in-kind, for not-for-profit entities. The ASU requires a not-for-profit organization to present contributed nonfinancial assets as a separate line item in the statements of activities, apart from contributions of cash or other financial assets. The ASU also requires enhanced disclosure, including disaggregation of nonfinancial assets recognized by category and qualitative information about each category. The Foundation adopted the amendments for the year ended June 30, 2022 and applied them on a retrospective basis.

In February 2016, the FASB issued ASU No. 2016-02, *Leases*, and since that date has issued several additional ASU's intended to clarify certain aspects of ASU No. 2016-02 and to provide certain practical expedients entities can elect upon adoption (collectively, "Topic 842"). Topic 842 sets out the principles for recognition, measurement, presentation, and disclosure of leases for both parties to a lease agreement (i.e., lessees and lessors) and supersedes the previous leases standard, *Leases (Topic 840)*. The principal difference from previous guidance is that the lease assets and lease liabilities arising from operating leases should be recognized in the statement of financial position. The standard is effective for the Foundation on July 1, 2022. The Foundation is currently evaluating the impact this guidance may have on its consolidated financial statements.

PINELLAS COUNTY EDUCATION FOUNDATION, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements - Continued

(2) Pledges Receivable

Included in pledges receivable as of June 30, 2022 and 2021 are the following unconditional promises to give:

	<u>2022</u>	<u>2021</u>
Stavros Society donors	\$ 180,050	293,710
Stavros Institute	939,919	902,541
Walker's Rising Stars	2,000,000	-
Other	<u>88,000</u>	<u>23,000</u>
 Total pledges receivable	 3,207,969	 1,219,251
 Discount for present value	 <u>(1,043,196)</u>	 <u>(83,868)</u>
 Net pledges receivable	 <u>\$ 2,164,773</u>	 <u>1,135,383</u>
 Amounts receivable in:		
Less than one year	\$ 475,769	319,883
One to five years	1,150,600	744,068
Thereafter	<u>1,581,600</u>	<u>155,300</u>
 Total	 <u>\$ 3,207,969</u>	 <u>1,219,251</u>

Discount rates range from 1.18% to 3.99% as of June 30, 2022 and from 1.18% to 3.85% as of June 30, 2021.

For the year ended June 30, 2022, the Foundation charged off \$35,000 of uncollectible pledges. For the year ended June 30, 2021, the Foundation charged off no uncollectible pledges. Based on historical experience and other circumstances, it is management's estimate that the remaining receivables will be fully collected. Therefore, no allowance for uncollectible pledges is deemed necessary.

Outstanding pledges from one donor represented 62% and 17% of total pledges receivable as of June 30, 2022 and 2021, respectively.

PINELLAS COUNTY EDUCATION FOUNDATION, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements - Continued

(3) Property and Equipment

Property and equipment consist of the following as of June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Computer equipment	\$ 84,511	112,405
Furniture and fixtures	<u>64,289</u>	<u>60,589</u>
	148,800	172,994
Accumulated depreciation	<u>(110,675)</u>	<u>(133,855)</u>
	<u>\$ 38,125</u>	<u>39,139</u>

Depreciation expense for the years ended June 30, 2022 and 2021 was \$14,535 and \$19,603, respectively. Depreciation expense is included with other expenses in the accompanying consolidated statement of functional expenses.

(4) Donated Building Space Use

During December 2009, the Foundation entered into a below market 10 year lease agreement with The School Board of Pinellas County, Florida. Upon expiration of the original term in December 2019, the lease agreement was automatically extended for five years. Recognition of the fair value of this lease and related rental expense for the years ended June 30, 2022 and 2021 is summarized as follows:

Balance as of June 30, 2020	\$ 433,996
Recognition of in-kind rent expense for the year ended June 30, 2021	<u>(95,481)</u>
Balance as of June 30, 2021	338,515
Recognition of in-kind rent expense for the year ended June 30, 2022	<u>(95,481)</u>
Balance as of June 30, 2022	<u>\$ 243,034</u>

PINELLAS COUNTY EDUCATION FOUNDATION, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements - Continued

(5) Marketable Investment Securities

Marketable investment securities consist of the following as of June 30, 2022 and 2021:

	2022		2021	
	Cost	Fair Value	Cost	Fair Value
Large Cap Equity Mutual Funds	\$ 12,038,172	13,547,357	9,592,188	13,261,756
Large Cap Foreign Equity Mutual Funds	21,267	22,939	21,331	27,069
Large Cap Foreign Equity Securities	1,473,154	1,340,193	1,195,826	1,408,314
Preferred Equity Securities	959,415	842,621	444,527	449,861.0
Government Bonds	2,924,873	2,815,417	2,225,689	2,244,621
Government Bond Funds	89,032	72,849	80,094	79,870
Corporate Bonds	1,189,782	1,089,812	878,379	907,370
Money Market Funds	381,025	381,025	349,164	349,164
	\$ 19,076,720	20,112,213	14,787,198	18,728,025

None of the Foundation's investments in corporate bonds (domestic and international) are concentrated in a single entity or industry.

Investment securities are exposed to various risks, such as interest rate, market and credit risk. Market risks include global events which could impact the value of investment securities, such as a pandemic or international conflict. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the consolidated statements of financial position.

(6) Florida Prepaid Scholarships

During the years ended June 30, 2022 and 2021 the Foundation paid \$499,314 and \$490,607, respectively, to the Florida Prepaid College Foundation, Inc. for the purpose of purchasing prepaid scholarships to be awarded in the future to qualified economically disadvantaged students in Florida, in an effort to redirect their lives and enhance their career goals. Certain amounts are matched dollar-for-dollar by the State of Florida depending on budget allocations. The matching contributions for the years ended June 30, 2022 and 2021 of \$499,314 and \$2,011,662, respectively, are recorded as contributions with donor restrictions in the Take Stock in Children program. During the years ended June 30, 2022 and 2021, the Foundation received cash refunds of approximately \$52,000 and \$158,000, respectively, from the Florida Prepaid College Foundation, Inc. due to modest tuition and fee increases in recent years resulting in the value paid for the scholarships being greater than the benefits paid by the plan. The refund is recorded as a contribution with donor restriction in the Take Stock in Children program.

PINELLAS COUNTY EDUCATION FOUNDATION, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements - Continued

(6) Florida Prepaid Scholarships - Continued

During the year ended June 30, 2022, the Foundation began participating in the Florida Prepaid College Foundation's Florida Only scholarship program which allows the Foundation to purchase one-year scholarships that are subsequently awarded to eligible students. At Pinellas County Education Foundation, Inc. the Florida Only scholarships are referred to as "Jump Start" Scholarships. Unlike other prepaid scholarships, the "Jump Start" scholarships are nonrefundable and unused hours are not available for reassignment if not utilized by the student to which the scholarship was originally awarded. As a function of these provisions, the cost of the "Jump Start" scholarships will be expensed in the period the scholarships are awarded. As of June 30, 2022, the value of "Jump Start" scholarships, including state match of \$540,535, which had not been awarded and assigned to individual students was \$765,443. This amount is reflected as a component of Florida prepaid scholarships in the accompanying consolidated statement of financial position.

(7) Paycheck Protection Program Note Payable

The Foundation applied for and received a forgivable Paycheck Protection Program Loan of \$295,000 as provided under the Federal Coronavirus Aid, Relief and Economic Security Act and the loan was funded on April 8, 2020. Under the terms of the loan, the balance is forgivable to the extent the proceeds are used for certain qualified costs for the 24-week period through September 23, 2020 and that certain employment levels are maintained. The Foundation received notice of a legal release from the obligation in April 2021, and therefore has recognized a gain on the forgiveness of debt of \$295,000 for the year ended June 30, 2021.

The Foundation applied for and received a second forgivable Paycheck Protection Program Loan of \$396,677 as provided under the Federal Coronavirus Aid, Relief and Economic Security Act and the loan was funded on March 15, 2021. Under the terms of the loan, the balance is forgivable to the extent the proceeds are used for certain qualified costs for the 24-week period through August 30, 2021 and that certain employment levels are maintained. The Foundation received notice of legal release from the obligation in March, 2022, and therefore has recognized a gain on the forgiveness of debt of \$396,677 for the year ended June 30, 2022.

PINELLAS COUNTY EDUCATION FOUNDATION, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements - Continued

(8) Donated Services, Goods and Building Space

Donated services, goods and building space for the years ended June 30, 2022 and 2021 consisted of the following:

	<u>2022</u>	<u>2021</u>
Office rental	\$ 6,519	6,519
Other goods and services	<u>264,633</u>	<u>59,238</u>
	<u>\$ 271,152</u>	<u>65,757</u>

Contributed building space from the below market lease agreement (Note 4) is valued on the basis of the difference between the market rent for comparable space in the Foundation's market and the below market rent paid by the Foundation.

Other goods and services consist of gift cards, gift certificates, marketing services and supplies, tickets to events and other miscellaneous goods and services. Gift cards and gift certificates are valued at their redemption value. Marketing services are valued by obtaining the cost that would have been charged by the donor if not contributed and marketing supplies are valued based on what the items would cost if purchased from the vendor.

(9) Operating Leases

The Foundation has four noncancellable operating leases for office equipment that expire at various dates through fiscal 2027. The Foundation also has an operating lease for building space, as described in Note 4 that expires in December 2024. Amounts paid for rent on operating leases for the years ended June 30, 2022 and 2021 were approximately \$20,000 and \$19,000, respectively.

Future minimum lease payments under noncancellable operating leases as of June 30, 2022 are as follows:

<u>Year Ending June 30,</u>	
2023	\$ 13,300
2024	13,300
2025	9,800
2026	7,300
2027	<u>4,000</u>
	<u>\$ 47,700</u>

PINELLAS COUNTY EDUCATION FOUNDATION, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements - Continued

(10) Split-Interest Agreements

The Foundation has been named the remainder beneficiary under eight separate split-interest agreements. For one charitable remainder trust, the Foundation is also named as trustee. That charitable remainder trust and the gift annuities provide for the payment of quarterly distributions to the donors over the donors' lifetimes. Quarterly distributions under the charitable remainder unitrust agreement are the lesser of current earnings or 7% of the fair market value of the trust assets as of the beginning of each year. Quarterly distributions under the charitable gift annuity agreements range from 7.0% to 7.6%, which approximates a range of \$350 to \$720. Upon the death of the donors, the remaining assets are available for the Foundation's use.

The portion of each trust attributable to the present value of the future benefits to be received by the Foundation is recorded in the consolidated statement of activities as a contribution with donor restrictions in the period the trust or gift annuity is established.

The assets held under the charitable remainder trust are reported at fair value in the Foundation's consolidated statements of financial position. On an annual basis, the Foundation revalues the liability to make distributions to the designated remainder trust income beneficiaries based on actuarial assumptions. The present value of the estimated future payments (\$150,303 and \$169,615 as of June 30, 2022 and 2021, respectively) is calculated using a current discount rate of 6.2% and applicable mortality tables.

In 2022, the Foundation was notified regarding the death of the remaining donor participating in the charitable gift annuity program. Upon the death of the donor the Foundation was relieved of any further obligation under the annuity agreements and related assets are available for unrestricted use. The present value of the obligation under the charitable gift annuity agreements as of June 30, 2021 was \$17,908 and was estimated using discount rates that ranged from 0.49% to 1.21% and applicable mortality tables.

(11) Fair Value Measurements

The Foundation has adopted the guidance in FASB ASC Topic 820, *Fair Value Measurement*, which provides a common definition of fair value, establishes a framework for measuring fair value under U.S. generally accepted accounting principles and requires additional disclosures about fair value.

Fair values for Level 1 marketable investment securities and beneficial interest in trusts (with underlying marketable securities) are determined by reference to quoted market prices. Fair values for Level 2 marketable investment securities are determined by reference to observable market-based inputs. Fair value for Level 3 obligations under split-interest agreements is determined by calculating the present value of future obligations using life expectancy tables and discount rates ranging from 0.49% to 6.20%.

PINELLAS COUNTY EDUCATION FOUNDATION, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements - Continued

(11) Fair Value Measurements - Continued

Fair value of assets and liabilities measured on a recurring basis as of June 30, 2022 is as follows:

	<u>Fair Value as of June 30, 2022</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Assets:				
Large Cap Equity Mutual Funds	\$ 13,547,357	13,547,357	-	-
Large Cap Foreign Equity Mutual Funds	22,939	22,939	-	-
Large Cap Foreign Equity Securities	1,340,193	1,340,193	-	-
Preferred Equity Securities	842,621	842,621	-	-
Government Bonds	2,815,417	-	2,815,417	-
Government Bond Funds	72,849	72,849	-	-
Corporate Bonds	1,089,812	-	1,089,812	-
Money Market Funds	381,025	381,025	-	-
	<u>20,112,213</u>	<u>16,206,984</u>	<u>3,905,229</u>	<u>-</u>
Total investments				
Beneficial interest in trusts	1,553,681	232,615	1,321,066	-
	<u>\$ 21,665,894</u>	<u>16,439,599</u>	<u>5,226,295</u>	<u>-</u>
Liabilities:				
Obligations under split-interest agreements	\$ 150,303	-	-	150,303

Fair value of assets and liabilities measured on a recurring basis as of June 30, 2021 is as follows:

	<u>Fair Value as of June 30, 2021</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Assets:				
Large Cap Equity Mutual Funds	\$ 13,261,756	13,261,756	-	-
Large Cap Foreign Equity Mutual Funds	27,069	27,069	-	-
Large Cap Foreign Equity Securities	1,408,314	1,408,314	-	-
Preferred Equity Securities	449,861	449,861	-	-
Government Bonds	2,244,621	-	2,244,621	-
Government Bond Funds	79,870	79,870	-	-
Corporate Bonds	907,370	-	907,370	-
Money Market Funds	349,164	349,164	-	-
	<u>18,728,025</u>	<u>15,576,034</u>	<u>3,151,991</u>	<u>-</u>
Total investments				
Beneficial interest in trusts	1,494,802	259,728	1,235,074	-
	<u>\$ 20,222,827</u>	<u>15,835,762</u>	<u>4,387,065</u>	<u>-</u>
Liabilities:				
Obligations under split-interest agreements	\$ 187,523	-	-	187,523

PINELLAS COUNTY EDUCATION FOUNDATION, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements - Continued

(11) Fair Value Measurements - Continued

The following table sets forth a summary of changes in fair value of liabilities using significant unobservable inputs (Level 3) for the years ended June 30, 2022 and 2021:

	Obligations Under Split-Interest Agreements	
	2022	2021
Balance, beginning of year	\$ 187,523	166,822
Change in fair value due to change in value of underlying assets and actuarial assumptions	(24,412)	20,701
Change in fair value due to death of donor	<u>(12,808)</u>	<u>-</u>
Balance, end of year	<u>\$ 150,303</u>	<u>187,523</u>

See Note 10 for quantitative information about the significant unobservable inputs the Foundation used in the Level 3 fair value measurement.

(12) Endowment Funds

Effective July 1, 2012, the State of Florida adopted the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”) and in accordance with FASB ASC Topic 958-205-45-28, *Classification of Donor Restricted Endowment Funds Subject to UPMIFA*, the Foundation classifies investment earnings on endowments as a component of net assets with donor restrictions if not appropriated for expenditure in the period earned. Once investment earnings are appropriated for expenditure, the Foundation reclassifies the amount appropriated as a component of net assets without donor restrictions.

The Foundation has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of the gifts donated to the permanent endowment; (b) the original value of subsequent gifts to the permanent endowment; and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. In the absence of donor restrictions, the net appreciation (depreciation) on a donor-restricted endowment fund is spendable and classified as net assets with donor restrictions until appropriated for expenditure. The Foundation tracks the net investment income attributed to each component of the endowment fund.

The Foundation has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of these endowment assets over the long-term. The Foundation’s spending and investment policies work together to achieve this objective.

PINELLAS COUNTY EDUCATION FOUNDATION, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements - Continued

(12) Endowment Funds - Continued

The investment policy establishes an achievable return objective through diversification of asset classes. The overall long-term objective is to achieve a rate of return that exceeds the long-term rate of inflation (Consumer Price Index) by a benchmark established for each portfolio. Actual returns in any given year may vary from this amount. To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation, which includes equity and debt securities, that is intended to result in a consistent inflation protected rate of return and grow the fund. Investment risk is measured in terms of the total endowment fund. Investment assets and the allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk in order to achieve its long-term return objectives.

The Foundation's spending policy is to annually calculate the amount of funding necessary to support the Stavros Institute and the Take Stock in Children scholarship program. The determined amount is distributed from the Foundation's temporarily restricted unappropriated endowment earnings. The Foundation's objective is to maintain the purchasing power of endowment assets as well as to provide additional real growth through investment return. In years when distributions exceed the amount of available temporarily restricted unappropriated endowment earnings, the Foundation transfers amounts from its net assets without donor restrictions to fund the distributions. Future net investment income and appreciation (depreciation) of the endowment assets will be used to restore the Foundation's net assets without donor restrictions.

Composition of endowment net assets as of June 30, 2022 and 2021 and changes in endowment net assets for the years then ended are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total Endowment Net Assets
Endowment net assets, June 30, 2020	\$ -	3,851,200	3,851,200
Investment income	-	75,746	75,746
Net appreciation in fair value of investments	-	1,037,773	1,037,773
Amounts appropriated for expenditure	-	(1,113,519)	(1,113,519)
Endowment net assets, June 30, 2021	-	3,851,200	3,851,200
Investment income	-	62,132	62,132
Net depreciation in fair value of investments	-	(62,132)	(62,132)
Endowment net assets, June 30, 2022	\$ -	3,851,200	3,851,200

PINELLAS COUNTY EDUCATION FOUNDATION, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements - Continued

(13) Retirement Plan

The Foundation sponsors a qualified 403(b) defined contribution retirement plan covering all eligible employees. The Foundation's contribution was 3% of base salaries for the years ended June 30, 2022 and 2021. The plan contains a vesting schedule for employer contributions. All forfeited nonvested employer contributions are used to reduce future employer contributions. Pension expense is reported net of forfeitures used in lieu of employer cash contributions. Contributions to the plan were approximately \$42,000 and \$37,000 for the years ended June 30, 2022 and 2021, respectively.

(14) Related Parties

The Foundation receives a significant amount of contributions from members of the Foundation's Board of Directors and companies for which those Directors serve as officers.

(15) Funding and Credit Concentrations

The Foundation maintains its deposits with a commercial bank which management believes to be of high credit quality. Approximately \$3,068,000 and \$4,381,000 of the Foundation's deposits with this bank were not covered by Federal deposit insurance as of June 30, 2022 and 2021, respectively.

(16) Liquidity and Availability of Resources

The Foundation is supported by both contributions with and without donor restrictions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Foundation must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of the Foundation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

PINELLAS COUNTY EDUCATION FOUNDATION, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements - Continued

(16) Liquidity and Availability of Resources - Continued

As of June 30, 2022 and 2021, the Foundation's financial assets available to meet general expenditures within one year were as follows:

	<u>2022</u>	<u>2021</u>
Financial assets:		
Cash and cash equivalents	\$ 3,455,182	4,970,253
Grants and other receivables	420,010	417,225
Marketable investment securities	20,112,213	18,728,025
Pledges receivable, net	2,164,773	1,135,383
Beneficial interests in trusts	<u>1,553,681</u>	<u>1,494,802</u>
Total financial assets	27,705,859	26,745,688
Amounts unavailable for general expenditure within one year due to:		
Contractual or donor-imposed restrictions:		
Contributions restricted for future periods	(92,304)	(204,368)
Beneficial interests in trusts	(1,553,681)	(1,494,802)
Programs and grants	(7,340,020)	(6,045,807)
Stavros Institute	(1,147,721)	(1,296,286)
Take Stock in Children	(3,088,844)	(2,951,801)
School-based projects	(2,544,441)	(3,432,537)
District-wide initiatives	(193,602)	(80,710)
Student scholarships	(3,430,266)	(3,773,026)
Take Stock in Children endowment	(630,000)	(630,000)
Stavros Institute endowment	<u>(3,221,200)</u>	<u>(3,221,200)</u>
Financial assets available to meet cash needs for general expenditures within one year	\$ <u>4,463,780</u>	<u>3,615,151</u>

(17) Subsequent Events Evaluation

The Foundation has evaluated subsequent events through January 13, 2023, the date the consolidated financial statements were available for issuance.

SUPPLEMENTARY FINANCIAL INFORMATION

PINELLAS COUNTY EDUCATION FOUNDATION, INC. AND SUBSIDIARY

Schedule of Expenditures of State Financial Assistance

Year Ended June 30, 2022

<u>State Agency/ Pass-through Grantor/ State Project</u>	<u>CSFA Number</u>	<u>Agency or Pass-through Number</u>	<u>Current Year Expenditures</u>
State Financial Assistance			
Department of Education and Commissioner of Education Passed through from Florida Prepaid College Foundation, Inc.:			
Prepaid Tuition Scholarships	48.051	n/a	\$ 651,563
Passed through from Consortium of Florida Education Foundations:			
School District Matching Grants Program	48.061	n/a	187,083
Passed through from Take Stock in Children, Inc.:			
Mentoring/Student Assistance Initiatives	48.068	n/a	<u>463,495</u>
Subtotal State of Florida Department of Education and Commissioner of Education			1,302,141
Department of Highway Safety and Motor Vehicles Specialty License Plates Program:			
Florida Educational License Plate Project	76.023	n/a	<u>16,102</u>
Total expenditures of state financial assistance			\$ <u><u>1,318,243</u></u>

PINELLAS COUNTY EDUCATION FOUNDATION, INC. AND SUBSIDIARY

Notes to Schedule of Expenditures of State Financial Assistance

Year Ended June 30, 2022

(1) Basis of Presentation

The accompanying schedule of expenditures of state financial assistance (the “Schedule”) includes the state grant activity of Pinellas County Education Foundation, Inc. and Subsidiary under programs of the State of Florida for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of Chapter 10.650, *Rules of the State of Florida Auditor General*. Because the Schedule presents only a selected portion of the operations of Pinellas County Education Foundation, Inc. and Subsidiary, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Pinellas County Education Foundation, Inc. and Subsidiary.

(2) Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the *Department of Financial Services’ State Projects Compliance Supplement*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(3) Subrecipients

Pinellas County Education Foundation, Inc. and Subsidiary provided no state financial assistance to subrecipients for the year ended June 30, 2022.

INTERNAL CONTROL AND COMPLIANCE



Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Consolidated Financial Statements Performed in Accordance with Government Auditing Standards

The Board of Directors
Pinellas County Education Foundation, Inc. and Subsidiary:

We have audited, in accordance with 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 consolidated financial statements of Pinellas County Education Foundation, Inc. and Subsidiary (the "Foundation"), which comprise the consolidated statement of financial position as of June 30, 2022, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated January 13, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated 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 opinion on the consolidated 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 consolidated 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 may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation's consolidated financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the consolidated financial statements. 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.

MAYER HOFFMAN McCANN P.C.

January 13, 2023
St. Petersburg, Florida



**Independent Auditors’ Report on Compliance for Each Major State Project
and on Internal Control Over Compliance Required by Chapter 10.650,
Rules of the State of Florida Auditor General**

The Board of Directors
Pinellas County Education Foundation, Inc. and Subsidiary:

Opinion on Each Major State Project

We have audited Pinellas County Education Foundation, Inc. and Subsidiary’s (the “Foundation”) compliance with the types of compliance requirements described in the *Department of Financial Services’* State Projects Compliance Supplement that could have a direct and material effect on Pinellas County Education Foundation, Inc. and Subsidiary’s major state projects for the year ended June 30, 2022. Pinellas County Education Foundation, Inc. and Subsidiary’s major state projects are identified in the summary of auditors’ results section of the accompanying schedule of findings and questioned costs.

In our opinion, Pinellas County Education Foundation, Inc. and Subsidiary complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major state projects for the year ended June 30, 2022.

Basis for Opinion on Each Major State Project

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Chapter 10.650, *Rules of the Auditor General*. Our responsibilities under those standards and Chapter 10.650, *Rules of the Auditor General*, are further described in the Auditors’ Responsibilities for the Audit of Compliance section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major state project. Our audit does not provide a legal determination of the Foundation’s compliance with the compliance requirements referred to above.

Management’s Responsibility

Management is responsible for compliance with State statutes, regulations and the terms and conditions of its State projects applicable to its major State projects.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Foundation’s state projects.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether to do with fraud or error, and express an opinion on the Foundation's compliance based on our audit. 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, *Government Auditing Standards*, and Chapter 10.650, *Rules of the Auditor General*, will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Foundation's compliance with the requirements of each major state project as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and Chapter 10.650, *Rules of the Auditor General*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Foundation's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Foundation's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with Chapter 10.650, *Rules of the Auditor General*, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Chapter 10.650, *Rules of the Auditor General*. Accordingly, this report is not suitable for any other purpose.

MAYER HOFFMAN McCANN P.C.

January 13, 2023
St. Petersburg, Florida

PINELLAS COUNTY EDUCATION FOUNDATION, INC. AND SUBSIDIARY

Schedule of Findings and Questioned Costs

Year Ended June 30, 2022

(A) Summary of Audit Results

1. The auditors' report expresses an unmodified opinion on the consolidated financial statements of Pinellas County Education Foundation, Inc. and Subsidiary.
2. No significant deficiencies or material weaknesses relating to the audit of the consolidated financial statements are reported in the independent auditors' report on internal control over financial reporting and on compliance and other matters based on an audit of consolidated financial statements performed in accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the consolidated financial statements of Pinellas County Education Foundation, Inc. and Subsidiary, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies or material weaknesses relating to the audit of the major state projects are reported in the independent auditors' report on compliance for each major state project and on internal control over compliance required by Chapter 10.650, *Rules of the Auditor General*.
5. The auditors' report on compliance for the major state projects of Pinellas County Education Foundation, Inc. and Subsidiary expresses an unmodified opinion.
6. Audit findings, if any, that are required to be reported in accordance with Chapter 10.650, *Rules of the Auditor General*, are reported in Part C of this Schedule.
7. The projects tested as a major state project were:
 - Prepaid Tuition Scholarships (CSFA 48.051)
 - Mentoring/Student Assistance Initiatives (CSFA 48.068)
8. The threshold for distinguishing Type A and B projects was \$357,325 for the major state projects.

(B) Findings - Audit of Consolidated Financial Statements

None.

(C) Findings and Questioned Costs - Major State Projects

None.

(D) Other Issues

No corrective action plan is required because there were no findings required to be reported under the Florida Single Audit Act. A summary schedule of prior audit findings is not required because there were no prior audit findings related to state projects.



Management Letter

The Board of Directors
Pinellas County Education Foundation, Inc. and Subsidiary:

Report on the Consolidated Financial Statements

We have audited the consolidated financial statements of Pinellas County Education Foundation, Inc. and Subsidiary as of and for the year ended June 30, 2022, and have issued our report thereon dated January 13, 2023.

Auditors' Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and Chapter 10.650, *Rules of the State of Florida Auditor General*.

Other Reports and Schedule

We have issued our Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Consolidated Financial Statements Performed in Accordance with *Government Auditing Standards*, Independent Auditors' Report on Compliance for Each Major State Project and on Internal Control Over Compliance Required by Chapter 10.650, *Rules of the Auditor General*, and the Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated January 13, 2023, should be considered in conjunction with this management letter.

Other Matter

Section 10.654(1)(e), *Rules of the Auditor General*, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the consolidated financial statements or State project amounts that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not identify any such findings.

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, and other granting agencies, and applicable management and is not intended and should not be used by anyone other than these specified parties.

MAYER HOFFMAN MCCANN P.C.

January 13, 2023
St. Petersburg, Florida

