

**POLK STATE COLLEGE FOUNDATION, INC.**  
**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**  
**YEARS ENDED DECEMBER 31, 2022 AND 2021**



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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Polk State College Foundation, Inc.  
Winter Haven, Florida

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the accompanying financial statements of Polk State College Foundation, Inc. (the Foundation), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Polk State College Foundation, Inc. as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended 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 Financial Statements section of our report. We are required to be independent of Polk State College Foundation, Inc. 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 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 Polk State College Foundation, Inc.'s ability to continue as a going concern for one year after the date the financial statements are available to be issued.

***Auditors' 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 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 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 Polk State College Foundation, Inc.'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 Polk State College Foundation, Inc.'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.

Board of Directors  
Polk State College Foundation, Inc.

**Report on Other Legal and Regulatory Requirements**

In accordance with *Government Auditing* Polk State College Foundation, Inc.'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 result of that testing, and not to provide an opinion on the effectiveness of the Polk State College Foundation, Inc.'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 the Polk State College Foundation, Inc.'s internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Lakeland, Florida  
March 20, 2024

**POLK STATE COLLEGE FOUNDATION, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2022 AND 2021**

	2022	2021
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 3,376,327	\$ 2,951,841
Current Portion of Unconditional Promises to Give, Net	376,550	15,327
Current Portion of Beneficial Interests in Trusts	30,166	30,166
Current Portion of Notes Receivable, Net	18,825	14,794
Other Receivable	-	24,480
Other Current Assets	14,572	27,496
Total Current Assets	3,816,440	3,064,104
<b>OTHER ASSETS</b>		
Unconditional Promises to Give, Net of Current Portion	935,357	13,060
Investments	34,363,233	40,576,335
Bequests Receivable	300,000	300,000
Beneficial Interests in Trusts, Net of Current Portion	433,576	433,576
Notes Receivable, Net of Current Portion	124,480	101,542
Nondepreciable Capital Assets	32,782	32,782
Total Other Assets	36,189,428	41,457,295
Total Assets	\$ 40,005,868	\$ 44,521,399
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable and Accrued Expenses	\$ 815,972	\$ 565,481
<b>NET ASSETS</b>		
Without Donor Restrictions		
Board Designated	1,127,534	1,302,431
Undesignated	188,186	160,051
Total Without Donor Restrictions	1,315,720	1,462,482
With Donor Restrictions	37,874,176	42,493,436
Total Net Assets	39,189,896	43,955,918
Total Liabilities and Net Assets	\$ 40,005,868	\$ 44,521,399

See accompanying Notes to Financial Statements.

**POLK STATE COLLEGE FOUNDATION, INC.**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2022**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUES, GAINS (LOSSES) AND SUPPORT</b>			
Private Contributions	\$ 30,165	\$ 2,832,560	\$ 2,862,725
In-Kind Contributions	653,771	-	653,771
Special Events, Net Direct Expenses of \$50,335	-	11,277	11,277
Interest and Dividends, Net	-	840,154	840,154
Net Realized and Unrealized Gain (Loss) on Investments	-	(6,268,893)	(6,268,893)
Other Revenue, Net	14,036	-	14,036
Net Assets Released from Restrictions			
Program Support	1,702,064	(1,702,064)	-
Administrative Support	332,294	(332,294)	-
Total Revenues, Gains, and Support	2,732,330	(4,619,260)	(1,886,930)
<b>EXPENSES</b>			
Program	2,042,364	-	2,042,364
Management and General	414,866	-	414,866
Fundraising	421,862	-	421,862
Total Expenses	2,879,092	-	2,879,092
<b>CHANGE IN NET ASSETS</b>	(146,762)	(4,619,260)	(4,766,022)
Net Assets - Beginning of Year	1,462,482	42,493,436	43,955,918
<b>NET ASSETS - END OF YEAR</b>	\$ 1,315,720	\$ 37,874,176	\$ 39,189,896

See accompanying Notes to Financial Statements.

**POLK STATE COLLEGE FOUNDATION, INC.**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2021**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUES, GAINS, AND SUPPORT</b>			
Private Contributions	\$ 54,097	\$ 1,061,078	\$ 1,115,175
In-Kind Contributions	421,453	-	421,453
Special Events, Net Direct Expenses of \$112,804	-	45,307	45,307
Interest and Dividends, Net	125,078	506,033	631,111
Net Realized and Unrealized Gain on Investments	-	3,710,468	3,710,468
Change in Value of Beneficial Interests in Trusts	-	85,353	85,353
Other Revenue, Net	2,601	-	2,601
Net Assets Released from Restrictions			
Program Support	1,304,618	(1,304,618)	-
Administrative Support	335,742	(335,742)	-
Other	170,137	(170,137)	-
Total Revenues, Gains, and Support	2,413,726	3,597,742	6,011,468
<b>EXPENSES</b>			
Program	1,578,399	-	1,578,399
Management and General	372,016	-	372,016
Fundraising	311,829	-	311,829
Total Expenses	2,262,244	-	2,262,244
<b>CHANGE IN NET ASSETS</b>	151,482	3,597,742	3,749,224
Net Assets - Beginning of Year	1,311,000	38,895,694	40,206,694
<b>NET ASSETS - END OF YEAR</b>	\$ 1,462,482	\$ 42,493,436	\$ 43,955,918

See accompanying Notes to Financial Statements.

**POLK STATE COLLEGE FOUNDATION, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2022**

	Program	Supporting Services		Total
		Management and General	Fundraising	
Scholarships	\$ 1,354,717	\$ -	\$ -	\$ 1,354,717
Salaries and Benefits	190,957	194,497	272,335	657,789
Professional Services	75,246	184,272	110,066	369,584
Special Event Expenses	-	-	50,335	50,335
College Program Expense	325,444	-	-	325,444
Consulting Services	-	20,000	-	20,000
Supplies and Materials	2,717	309	-	3,026
Other Operating Expenses	37,019	1,431	1,445	39,895
Rent and Utilities	38,303	8,223	11,074	57,600
Travel, Meetings, and Dinners	3,857	3,022	9,066	15,945
Equipment and Construction	12,512	1,502	15,513	29,527
Advertising	-	-	2,363	2,363
Dues, Licenses, and Fees	1,592	1,610	-	3,202
<b>Total Expenses</b>	<b>2,042,364</b>	<b>414,866</b>	<b>472,197</b>	<b>2,929,427</b>
Less: Direct Special Event Expenses	-	-	50,335	50,335
<b>Total Expenses Presented on the Statement of Activities</b>	<b>\$ 2,042,364</b>	<b>\$ 414,866</b>	<b>\$ 421,862</b>	<b>\$ 2,879,092</b>

See accompanying Notes to Financial Statements.

**POLK STATE COLLEGE FOUNDATION, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2021**

	Program	Supporting Services		Total
		Management and General	Fundraising	
Scholarships	\$ 985,738	\$ -	\$ -	\$ 985,738
Salaries and Benefits	125,206	127,527	178,563	431,296
Professional Services	40,097	98,196	58,653	196,946
Special Event Expenses	-	-	114,432	114,432
College Program Expense	144,167	-	-	144,167
Consulting Services	-	120,000	-	120,000
Supplies and Materials	7,274	828	-	8,102
Other Operating Expenses	198,802	7,685	7,753	214,240
Rent and Utilities	38,303	8,223	11,074	57,600
Travel, Meetings, and Dinners	663	519	1,558	2,740
Equipment and Construction	33,149	3,979	41,100	78,228
Advertising	-	-	11,500	11,500
Dues, Licenses, and Fees	5,000	5,059	-	10,059
<b>Total Expenses</b>	<b>\$1,578,399</b>	<b>372,016</b>	<b>424,633</b>	<b>\$2,375,048</b>
Less: Direct Special Event Expenses	-	-	112,804	112,804
<b>Total Expenses Presented on the Statement of Activities</b>	<b>\$ 1,578,399</b>	<b>\$ 372,016</b>	<b>\$ 311,829</b>	<b>\$ 2,262,244</b>

See accompanying Notes to Financial Statements.

**POLK STATE COLLEGE FOUNDATION, INC.**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2022 AND 2021**

	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ (4,766,022)	3,749,224
Adjustments to Reconcile Change in Net Assets to Net Cash		
Provided by Operating Activities:		
Change in Provision for Bad Debts	-	(1,469)
Change in Discount to Present Value of Unconditional Promises to Give	(100,703)	-
Net Realized and Unrealized (Gain) Loss on Investments	6,268,893	(3,710,468)
Change in Value of Beneficial Interests in Trusts	-	(85,353)
Discount on Beneficial Interest in Trusts	-	234,216
(Increase) Decrease in Operating Assets:		
Unconditional Promises to Give	(1,182,817)	17,873
Other Current Assets	12,924	(10,183)
Increase in Liabilities:		
Accounts Payable and Accrued Expenses	274,971	485,309
Net Cash Provided by Operating Activities	507,246	679,149
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Notes Receivable Issued to Students	(26,969)	(24,464)
Notes Receivable Repayments	-	55,185
Purchases of Investments	(18,502,068)	(9,501,889)
Proceeds from Sale of Investments	18,446,277	9,242,361
Net Cash Used by Investing Activities	(82,760)	(228,807)
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	424,486	450,342
Cash and Cash Equivalents - Beginning of Year	2,951,841	2,501,499
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 3,376,327	\$ 2,951,841

See accompanying Notes to Financial Statements.

**POLK STATE COLLEGE FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

Polk State College Foundation, Inc. (the Foundation) was established in 1976 as a nonprofit, tax-exempt organization. The Foundation is a direct-support organization operating exclusively for the benefit of Polk State College (the College) and is considered a component unit of the College.

The Foundation's principal operating activity is soliciting contributions to provide financial support to the College. This financial support is accomplished by providing scholarships and loans to students, supporting the athletic program, providing funds for use in health related, technology, and other education programs, and subsidizing other college goals.

**Basis of Accounting**

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

**Basis of Presentation**

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor- or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment.

*Net Assets With Donor Restrictions* – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as restricted revenue when received and released from restrictions when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

**Use of Estimates**

The preparation of financial statements in conformity with U.S. GAAP 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 financial statements and the reported amounts of revenue, gains, other and expenses during the reporting period. Actual results could differ from those estimates.

**POLK STATE COLLEGE FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Cash and Cash Equivalents**

Cash and cash equivalents consist of checking and money market accounts. The Foundation considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

**Investments**

Investments are reported at fair value. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Investment return consists of interest and dividend income and realized and unrealized gains or losses, less external investment expenses.

Purchase and sales of securities are recorded on a trade-date basis. Interest income is recorded on an accrual basis. Dividends are recorded on the dividend date.

**Nondepreciable Capital Assets**

Nondepreciable capital assets consist of artwork purchased or donated to the Foundation. They are capitalized and carried at cost if purchased or fair value on the date of the gift if donated.

**Notes Receivable**

Notes receivable represent student loans made under the Foundation's loan program. Notes receivable are reported net of an allowance for uncollectible notes. The allowance for uncollectible notes is estimated for the current period using historical data in order to properly present notes receivable at their estimated realizable value.

**Beneficial Interests in Trusts**

Beneficial interests in assets held by third parties in charitable remainder annuity trusts are recorded as contributions with donor restrictions at fair value when received. Changes in the fair value of charitable remainder annuity trusts are determined using discounted estimated future cash flows and actuarial assumptions, and recorded as change in value of split interest agreements in the statement of activities. Upon death of the survivor recipient, the remainder interest of charitable remainder annuity trusts are released from restriction and reclassified to net assets without restrictions. There are no donor-imposed restrictions on the use of the funds.

Beneficial interests in assets held by third parties in perpetual trusts are recorded at fair value as contributions with donor restrictions when received. Fair value is determined using discounted future cash flows, with life expectancy estimated using Internal Revenue Service tables and a discount rate of 4.34% and 6.5% for the years ended December 31, 2022 and 2021, respectively. Changes in the fair value of perpetual trusts are recorded as change in value of split interest agreements in the statement of activities. Distributions are recorded as contributions with donor restrictions, due to donor-imposed use restrictions.

**POLK STATE COLLEGE FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Unconditional Promises to Give**

Unconditional promises to give are recorded when the promises to contribute are made. Unconditional promises to give which are expected to be collected in more than one year are stated at the present value of estimated future receipts. The Foundation provides an allowance for uncollectible pledges based on management's assessment of the collectability of specific unconditional promises to give and historical collection experience.

**Bequests Receivable**

Bequests receivable are recorded at fair value when the Foundation is notified in writing of the gift. The gifts are recorded in the statement of activities as private contributions with donor restrictions.

**In-Kind Contributions**

Contributions of donated assets and services are recorded at their estimated fair value at the date of receipt and are reflected as contributions in the accompanying statement of activities. Contributions of services are recognized only if such services create or enhance nonfinancial assets, would have been purchased if not provided by donation, require specialized skills, and are provided by individuals possessing such specialized skills and would otherwise be purchased by the Foundation. The Foundation received in-kind contributions of services that are included in the statement of activities. The services are used in carrying out the Foundation's programs. The Foundation estimates the fair value of the services on the basis of estimates of the current market rates for similar services in the Foundation's market.

**Functional Expenses**

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and functional expenses. Salaries and related payroll expenses are allocated among functional categories based on the estimated proportion of time spent relative to each function. All other expenses are allocated based on management's estimate of the relative functional activity.

**Income Taxes**

The Foundation is exempt from federal income tax under Section 501 (c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Foundation's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Foundation qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

**POLK STATE COLLEGE FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Income Taxes (Continued)**

The Foundation identifies and evaluates uncertain tax positions, if any, and recognizes the impact of uncertain tax positions for which there is a less than more-likely-than-not probability of the position being upheld when reviewed by the relevant taxing authority. Such positions are deemed to be unrecognized tax benefits and a corresponding liability is established on the statement of financial position. The Foundation has not recognized a liability for uncertain tax positions. If there were an unrecognized tax benefit, the Foundation would recognize interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses.

**Fair Value of Financial Instruments**

The Foundation reports its financial assets and liabilities using a three-tier hierarchy, which prioritizes the inputs used in measuring fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are described below:

*Level 1* – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Foundation has the ability to access.

*Level 2* – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

*Level 3* – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

Fair value estimates discussed herein are based upon certain market assumptions and pertinent information available to management. The respective carrying value of certain financial instruments approximates their fair values due to the short-term nature of these instruments. These financial instruments include cash and cash equivalents, unconditional promises to give due in one year or less, notes receivable, accounts payable and accrued expenses.

The Foundation's Level 1 financial instruments consist of investments as identified in Note 3 and are valued based on quoted market prices.

The Foundation has no Level 2 investments. The fair value of beneficial interest in trust assets is based on a valuation model incorporates assumptions that market participants would use in estimating future distributable income. The Foundation values its beneficial interest at the discounted present value of estimated future distributions it expects to received (Level 3).

**POLK STATE COLLEGE FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Leases**

The Foundation determines if an arrangement is a lease at inception. When a lease is identified, an operating or finance lease right-of-use (ROU) asset and related lease obligation is recorded on the statement of financial position. The Foundation does not have any operating or finance leases.

ROU assets represent the Foundation's right to use an underlying asset for the lease term and lease obligation represent the Foundation's obligation to make lease payments arising from the lease. ROU assets and obligations are recognized at the lease commencement date based on the present value of lease payments over the lease term. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Foundation will exercise that option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term. The Foundation has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease obligation or right of use assets on the statement of financial position.

If the individual leases do not provide information about the discount rate implicit in the lease, the Foundation has elected to use a risk-free discount rate determined using a period using a period comparable with that of the lease term for computing the present value of lease liabilities.

The Foundation has elected not to separate nonlease components from lease components and instead accounts for each separate lease component and the nonlease component as a single lease component.

**Adoption of New Accounting Standards**

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases (ASC 842)*. The new standard increases transparency and comparability among Foundations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the statement of financial position. Most prominent of the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Foundation adopted the requirements of the guidance effective January 1, 2022 and has elected to apply the provisions of this standard to the beginning of the period of adoption. The Foundation had no leases in either 2022 or 2021.

**Reclassifications**

Certain prior year amounts have been reclassified for consistency with current year presentation. These reclassifications had no effect on the change in net assets.

**POLK STATE COLLEGE FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

**NOTE 2 LIQUIDITY AND AVAILABILITY**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	<u>2022</u>	<u>2021</u>
Cash and Cash Equivalents	\$ 3,376,327	\$ 2,951,841
Other Receivable	-	24,480
Unconditional Promises to Give	376,550	15,327
Notes Receivable	18,825	14,794
Investments	<u>34,363,233</u>	<u>40,576,335</u>
Subtotal	38,134,935	43,582,777
Less: Donor Restrictions	<u>(37,874,176)</u>	<u>(42,493,436)</u>
Total	<u>\$ 260,759</u>	<u>\$ 1,089,341</u>

The Foundation endowment funds consist of donor-restricted endowments and funds designated by the board as endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure.

**NOTE 3 FAIR VALUE OF FINANCIAL INSTRUMENTS**

The fair value of investments and assets measured at fair value on a recurring basis consists of the following for the years ended December 31:

	<u>2022</u>		
	<u>Total</u>	<u>Quoted Prices in</u>	<u>Unobservable</u>
	<u>Market and</u>	<u>Active Markets for</u>	<u>Inputs</u>
	<u>Carrying Value</u>	<u>Identified Assets</u>	<u>(Level Three)</u>
		<u>(Level One)</u>	
Investment Securities at Fair Value			
Mutual Stock Funds	\$ 21,113,702	\$ 21,113,702	\$ -
Mutual Allocation Funds	181,925	181,925	-
Mutual Bond Funds	9,633,008	9,633,008	-
Individual Bonds	<u>3,434,598</u>	<u>3,434,598</u>	<u>-</u>
Total Investment Securities			
at Fair Value	34,363,233	34,363,233	-
Beneficial Interest in Trust Assets	<u>463,742</u>	-	<u>463,742</u>
Total Assets	<u>\$ 34,826,975</u>	<u>\$ 34,363,233</u>	<u>\$ 463,742</u>

**POLK STATE COLLEGE FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

**NOTE 3 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)**

	2021		
	Total Market and Carrying Value	Quoted Prices in Active Markets for Identified Assets (Level One)	Unobservable Inputs (Level Three)
Investment Securities at Fair Value			
Mutual Stock Funds	\$ 28,176,637	\$ 28,176,637	\$ -
Mutual Allocation Funds	215,058	215,058	-
Mutual Bond Funds	8,454,874	8,454,874	-
Individual Bonds	3,729,766	3,729,766	-
Total Investment Securities at Fair Value	40,576,335	40,576,335	-
Beneficial Interest in Trust Assets	463,742	-	463,742
Total Assets	<u>\$ 41,040,077</u>	<u>\$ 40,576,335</u>	<u>\$ 463,742</u>

The table below presents a reconciliation and statement of activities classification of gains and losses for all assets measured at fair value on recurring basis using significant unobservable inputs (Level 3) for the years ended December 31, 2022 and 2021. There were no transfers in or out of Level 3 investments.

Fair value measurements using significant unobservable inputs:

	2022	2021
Beginning Balance at January 1	\$ 463,742	\$ 593,433
Change in Valuation of Future Interest in Trust Assets	-	85,353
Distributions	-	(215,044)
Ending Balance at December 31	<u>\$ 463,742</u>	<u>\$ 463,742</u>

The unrealized gains and losses recorded in the accompanying statements of activities as “changes in valuation of future interest in trusts” for revenue with restrictions for the years ended December 31, 2022 and 2021 related to Level 3 assets that are still held at December 31, 2022 and 2021.

**NOTE 4 UNCONDITIONAL PROMISES TO GIVE**

Unconditional promises to give are due as follows at December 31:

	2022	2021
Less than One Year	\$ 376,550	\$ 15,327
One to Five Years	1,037,000	14,000
Total	1,413,550	29,327
Less: Discounts to Net Present Value (3.14% and 2.47%, respectively)	(101,643)	(940)
Net Unconditional Promises to Give	<u>\$ 1,311,907</u>	<u>\$ 28,387</u>

**POLK STATE COLLEGE FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

**NOTE 4 UNCONDITIONAL PROMISES TO GIVE (CONTINUED)**

Current and noncurrent portions of unconditional promises to give are as follows at December 31:

	2022	2021
Net Unconditional Promises to Give	\$ 1,311,907	\$ 28,387
Less: Current Portion	(376,550)	(15,327)
Total	\$ 935,357	\$ 13,060

**NOTE 5 NOTES RECEIVABLE**

Notes receivable represent loans administered for students of Polk State College. The current amount due of approximately \$19,000 and \$15,000 at December 31, 2022 and 2021, respectively, represents the estimated portion of loan payments receivable in less than one year from (1) students participating in the public safety program who are currently seeking degrees as employees of the local police and fire departments and (2) students who are expecting federal assistance within a few months and qualified for "bridging loans".

The noncurrent amount of notes receivable of approximately \$124,000 and \$102,000 at December 31, 2022 and 2021, respectively, represents the estimated portion of loan payments due in more than one year from those students who are repaying loans or who are expected to repay loans at a future date, as well as the portion of the loans that have been made to students who are currently in the public safety program or who are working at the local police or fire department fulfilling the work requirement of the loans. The noncurrent amount of loans to students in the public safety program may be forgiven in the future if the recipient meets such criteria as graduation from the college and employment for a certain time at the local police or fire department.

Notes receivable are presented net of an allowance for doubtful accounts of approximately \$-0- and \$2,000 for the years ended December 31, 2022 and 2021, respectively.

**NOTE 6 SCHOLARSHIPS**

The Foundation offers a variety of scholarship opportunities for students. Students may use their scholarships for tuition, fees, books or other items as stipulated by the donor. Funds not expended may remain in the student's account to be used in future academic terms, revert to the Foundation for awarding to another student or returned to the donor. As the scholarships are awarded and paid, they are recorded as scholarships within program expense on the statements of functional expenses and statements of activities. The expense recorded for scholarships for the years ended December 31, 2022 and 2021, amounted to approximately \$1,355,000 and \$986,000, respectively.

**POLK STATE COLLEGE FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

**NOTE 7 RELATED PARTY TRANSACTIONS**

For the years ended December 31, 2022 and 2021, the Foundation received the following support totaling approximately \$649,000 and \$422,000, respectively, from the College: salaries and related benefits for Foundation personnel paid by the College approximately \$591,000 and \$364,000, and rental value of approximately \$58,000 and \$58,000 for use of the College's facilities. These amounts are included as in-kind contributions revenues, as expenses in program, management and general and fundraising in the statements of activities and as salaries and benefits, rent, and utilities in the statements of functional expenses. Included in accounts payable and accrued expenses in the statements of financial position as of December 31, 2022 and 2021, is approximately \$67,000 and \$67,000, respectively, of amounts due to the College related to program expenses.

**NOTE 8 NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions are available for the following purposes at December 31:

	2022	2021
Subject to Expenditure for Specific Purpose		
Scholarships, Grants and Programs	\$ 4,761,885	\$ 5,236,730
Invested in Capital Assets	32,782	32,782
Total	4,794,667	5,269,512
Subject to Passage of Time		
Present Value of Future Interests in Trust	463,742	463,742
Bequests	300,000	300,000
Notes Receivable	173,012	116,337
Promises to Give that are Not Restricted by Donors, but Which are Unavailable for Expenditures Until Due	1,312,366	24,387
Total	2,249,120	904,466
Endowments		
Not Subject to Spending Policy or Appropriation:		
Endowment Held in Perpetuity	22,434,813	21,358,348
Subject to Appropriation and Expenditure When a Specific Event Occurs		
Restricted by Donors for		
Scholarships, Awards, Grants, and Loans	8,395,576	14,961,110
Total Endowments	30,830,389	36,319,458
Total Net Assets with Donor Restrictions	\$ 37,874,176	\$ 42,493,436

**POLK STATE COLLEGE FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

**NOTE 8 NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)**

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose specified by the donors as follows for the years ended December 31:

	2022	2021
Satisfaction of Purpose Restrictions		
Scholarships, Awards, Grants, and Loans	\$ 1,118,388	\$ 850,001
Academic Program Support	583,676	67,443
Athletics/Clubs and Foundation Managed Funds	-	387,174
Foundation Administration Fee	332,294	335,742
Other	-	170,137
Total Net Assets		
Released from Donor Restrictions	\$ 2,034,358	\$ 1,810,497

**NOTE 9 ENDOWMENT**

The Foundation has donor restricted endowment funds which consist of investments held in perpetuity with the income restricted for scholarships, teaching chair awards, capital projects, technology and equipment, and classroom materials supporting Polk State College academic programs. The principal is recorded as donor restricted in perpetuity which must be maintained permanently and not be used up, expended or otherwise exhausted. The earnings on the donor restricted endowment funds are recorded as donor restricted net assets until appropriated for expenditure by the board and spent for their intended purpose at which time they are released from restriction.

The Foundation also maintains various board-designated endowment funds to further its mission which are classified as without donor restrictions on the statement of financial position.

The Foundation's board of directors has interpreted relevant state law, which is Chapter 617.2104, Florida Statutes, the Florida Uniform Prudent Management of Institutional Funds Act (Florida 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 donor-restricted net assets (a) the original value of 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.

**POLK STATE COLLEGE FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

**NOTE 9 ENDOWMENT (CONTINUED)**

In accordance with Florida UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- 1) The purposes of the Foundation
- 2) The intent of the donors of the endowment fund
- 3) The terms of the applicable instrument
- 4) The long-term and short-term needs of the Foundation carrying out its purposes
- 5) The general economic conditions
- 6) The possible effect of inflation or deflation
- 7) The other revenue sources of the Foundation
- 8) Perpetuation of the endowment

The objectives of the Foundation's investment policy are (1) to preserve the purchasing and spending power of the Foundation over the investment horizon with the emphasis placed on minimizing return volatility; and (2) to emphasize long-term growth of principal while avoiding excessive risk. Investment guidelines are established to provide a framework for a well-diversified investment portfolio. The endowment pool spending policy allows the withdrawal of up to 3% of the endowment value, with certain exclusions, for scholarships and 1.2% for general and administrative costs.

**Funds with Deficiencies**

From time to time, certain donor-restricted endowments funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). We have interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. The Foundation does not have any deficiencies as of December 31, 2022 or 2021.

Endowment net asset composition by type for the years ended December 31 is as follows:

	2022		Total
	Without Donor Restrictions	With Donor Restrictions	
Board-Designated Endowment Funds	\$ 1,127,534	\$ -	\$ 1,127,534
Donor-Restricted Endowment Funds			
Original Donor-Restricted Gift Amount and Amounts Required to be Maintained in Perpetuity by Donor	-	22,434,813	22,434,813
Accumulated Investment Gains	-	8,395,576	8,395,576
Total	<u>\$ 1,127,534</u>	<u>\$ 30,830,389</u>	<u>\$ 31,957,923</u>

**POLK STATE COLLEGE FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

**NOTE 9 ENDOWMENT (CONTINUED)**

	2021		Total
	Without Donor Restrictions	With Donor Restrictions	
Board-Designated Endowment Funds	\$ 1,302,431	\$ -	\$ 1,302,431
Donor-Restricted Endowment Funds			
Original Donor-Restricted Gift Amount and Amounts Required to be Maintained in Perpetuity by Donor	-	21,358,348	21,358,348
Accumulated Investment Gains	-	14,961,110	14,961,110
Total	<u>\$ 1,302,431</u>	<u>\$ 36,319,458</u>	<u>\$ 37,621,889</u>

Changes in the endowment net assets for the years ended December 31 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets at December 31, 2020	\$ 1,170,127	\$ 32,550,394	\$ 33,720,521
Investment Returns, Net	141,373	3,939,284	4,080,657
Contributions	33,963	151,674	185,637
Expenditures on Investment Earnings	(19,032)	(397,028)	(416,060)
Transfers to Nonendowment Funds	(24,000)	75,134	51,134
Endowment Net Assets at December 31, 2021	1,302,431	36,319,458	37,621,889
Investment Returns, Net	(153,358)	(4,868,893)	(5,022,251)
Contributions	-	500,025	500,025
Expenditures on Investment Earnings	(21,539)	(972,645)	(994,184)
Transfers to Non-Endowment Funds	-	(147,556)	(147,556)
Endowment Net Assets at December 31, 2022	<u>\$ 1,127,534</u>	<u>\$ 30,830,389</u>	<u>\$ 31,957,923</u>

**NOTE 10 CONCENTRATION OF CREDIT RISKS**

Concentration of credit risk is the risk of loss attributed to the magnitude of the Foundation's investment in a single issuer. At December 31, 2022 and 2021, the stock component of the portfolio is invested across 14 mutual funds, with the largest individual stock fund allocation comprising approximately 14% and 15%, respectively, of the total portfolio. These funds invest in a variety of securities. When the individual holdings of the funds are aggregated, it is not expected that any one equity security makes up more than 1% of the overall portfolio.

Unconditional promises to give are from contributors in Polk County, Florida. An allowance for uncollectible contributions is provided based on management's evaluations of potential uncollectible unconditional promises to give at year-end, which considers the geographic concentration of contributors.

**POLK STATE COLLEGE FOUNDATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021**

**NOTE 10 CONCENTRATION OF CREDIT RISK (CONTINUED)**

Notes receivable represent loans to students who are or were attending Polk State College or other schools of higher education. The majority of these students live in Polk County, Florida. These loans are uncollateralized, however, an allowance is provided in order to present these loans at their estimated realizable value.



**INDEPENDENT AUDITORS' 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***

Board of Directors  
Polk State College Foundation, Inc.  
Winter Haven, 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 Polk State College Foundation, Inc. (the Foundation), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 20, 2024.

**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 opinion 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings as item 2022-01 that we consider to be a material weakness.

**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 its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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*.

***The Foundation’s Response to Findings***

*Government Auditing Standards* requires the auditor to perform limited procedures on the Foundation’s response to the findings identified in our audit and described in the accompanying schedule of findings. The Foundation’s response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

**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 result of that testing, and not to provide an opinion on the effectiveness of the entity’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 entity’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**CliftonLarsonAllen LLP**

Lakeland, Florida  
March 20, 2024

**POLK STATE COLLEGE FOUNDATION, INC.  
SCHEDULE OF FINDINGS  
DECEMBER 31, 2022**

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***Section I – Summary of Auditors’ Results***

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**Financial Statements**

- |  |                          |                                    |
|--|--------------------------|------------------------------------|
| 1. Type of auditors’ report issued:                      |                          | Unmodified                         |
| 2. Internal control over financial reporting:            |                          |                                    |
| • Material weakness(es) identified?                      | _____ <b>x</b> _____ yes | _____ no                           |
| • Significant deficiency(ies) identified?                | _____ yes                | _____ <b>x</b> _____ none reported |
| 3. Noncompliance material to financial statements noted? | _____ yes                | _____ <b>x</b> _____ no            |

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***Section II – Financial Statement Findings***

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**2022–001 – Timeliness of Financial Reporting**

Type of Finding:

- Material Weakness in Internal Control over Financial Reporting

**Condition:** The Foundation’s annual financial statements were not completed by the statutory deadline.

**Criteria or specific requirement:** Foundation management is responsible for establishing and maintaining internal controls over the financial statement close and reporting processes.

**Effect:** The Foundation has not complied with Section 10.740(1), Rules of the Auditor General, which require that the Foundation complete an annual audit and submit a financial report no later than nine months after the end of the fiscal year.

**Cause:** A key position in the accounting department was unfilled throughout the year. This caused delays in completing the year-end closing process necessary to prepare the financial statements and complete the audit.

**Recommendation:** The Foundation should ensure that sufficient internal and external resources are in place to complete the year-end closing process and preparation for the audit.

**Views of responsible officials and planned corrective actions:** Management agrees with the finding.



## INDEPENDENT ACCOUNTANTS' REPORT

Board of Directors  
Polk State College Foundation, Inc.  
Winter Haven, Florida

We have examined the Polk State College Foundation, Inc.'s (the Foundation), compliance with Section 1011.85(4)(c), Florida Statutes, regarding the matching requirements for the First Generation Matching Grant, during the year ended December 31, 2022. Management is responsible for the Foundation's compliance with those requirements. Our responsibility is to express an opinion on the Foundation's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Foundation complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the Foundation complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination on the Foundation's compliance with specified requirements.

In our opinion, the Foundation complied, in all material respects, with the aforementioned requirements for the year ended December 31, 2022.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Lakeland, Florida  
March 20, 2024



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**POLK STATE COLLEGE FOUNDATION, INC.  
CORRECTIVE ACTION PLAN  
YEAR ENDED DECEMBER 31, 2022**

Polk State College Foundation, Inc. respectfully submits the following corrective action plan for the year ended December 31, 2022.

Audit period: January 1, 2022 – December 31, 2022

The findings from the schedule of findings are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

**FINDINGS—FINANCIAL STATEMENT AUDIT**

Material Weakness

2022-001      Timeliness of Financial Reporting

Recommendation: The Foundation should ensure that sufficient internal and external resources are in place to complete the year-end closing process and preparation for the audit.

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Action taken in response to finding: Management agrees with the finding. We have implemented procedures to ensure the year end close is completed no later than March 31 after the fiscal year end so that audit procedures can be started and completed by June 30 to comply with the requirements of the Department of Education and the State of Florida Auditor General.

- All bank and investment reconciliations are completed and activity recorded to the general ledger.
- All other balance sheet accounts have been properly reconciled.
- Journal entries related to year end procedures are completed.

Name of the contact person responsible for corrective action: Cindy Baker.

Planned completion date for corrective action plan: April 15, 2024.

If the Oversight Agency has questions regarding this plan, please call Cindy Baker at 863-297-3749.