

The Foundation for Osceola Education, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2025

NOTE A - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Reporting entity

The Foundation for Osceola Education, Inc. (the "Foundation"), which is a component unit of the School District of Osceola County, Florida (the "District"), is a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not-For-Profit Corporation Act, and Section 1002.33, Florida Statutes and was incorporated on June 23, 1987. The Foundation's activities include recovering, holding and administering property and making expenditures for public education. The governing body of the Foundation is the Board of Directors.

Additionally, the Foundation has entered into two separate charter agreements with the School District of Osceola County, Florida (the "District") to operate PM Wells Charter Academy and Bellalago Charter Academy, which are considered as divisions of the Foundation and are included in the Foundation's financial statements. The terms of the charter agreements for each school are as follows:

PM Wells Charter Academy

The original charter between the Foundation and the District to operate PM Wells Charter Academy was for an initial period of 10 years through June 2011. Operations commenced during the 2001-2002 school year. The agreement was extended until June 30, 2032. During the year ended June 30, 2025, the School was sold to the District due to declining enrollment, teacher shortages, and challenges with finding certified teachers, causing the charter to be terminated.

Bellalago Charter Academy

The original charter agreement between the Foundation and the District to operate Bellalago Charter Academy was for an initial period of 10 years. Operations commenced during the 2002-2003 school year. The agreement was extended until June 30, 2032.

The charter agreements may be renewed as provided in Section 1002.33, Florida Statutes, upon mutual consent of the parties and execution of a written renewal. Additionally, the District may terminate the charters in accordance with the procedures specified in the charter agreements.

No component units are required to be included within the reporting entity of the Foundation.

2. Government-wide and fund financial statements

The government-wide financial statements consist of a statement of net position and a statement of activities. These statements report information on all of the nonfiduciary activities of the Foundation. As part of the consolidation process, all interfund activities are eliminated from these statements. Both statements report only governmental activities as the Foundation does not engage in any business-type activities.

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NOTE A - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2. Government-wide and fund financial statements (continued)

Net position, the difference between assets and liabilities, as presented in the statement of net position, is subdivided into three categories: amounts invested in capital assets, net of related debt; restricted, and unrestricted net position. Net position is reported as restricted when constraints are imposed on the use of the amounts either externally by creditors, grantors, contributors, laws or regulations of other governments, or enabling legislation.

The statement of activities presents a comparison between the direct and indirect expenses of a given function and its program revenues, and displays the extent to which each function contributes to the change in net position for the fiscal year. Direct expenses are those that are clearly identifiable to a specific function. Indirect expenses are costs the Foundation has allocated to various functions. Program revenues consist of charges for services, operating grants and contributions, and capital grants and contributions.

Charges for services refer to amounts received from those who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment. Grants and contributions consist of revenues that are restricted to meeting the operational or capital requirements of a particular function. Revenues not classified as program revenues are reported as general revenues.

Separate fund financial statements report detailed information about the Foundation's governmental funds. The focus of the governmental fund financial statements is on major funds. Therefore, major funds are reported in separate columns on the fund financial statements. All of the Foundation's funds were deemed major funds. A reconciliation is provided that converts the results of governmental fund accounting to the government - wide presentation.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized in the period earned and expenses are recognized when a liability is incurred.

3. Measurement focus, basis of accounting, and financial statement presentation

All governmental fund financial statements are reported using a current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues, except for certain grant revenues, are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period.

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NOTE A - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3. Measurement focus, basis of accounting, and financial statement presentation (continued)

Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, considered to be sixty days. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for federal, state, and other grant resources, revenue is recognized at the time the expenditure is made. Under the modified accrual basis of accounting, expenditures are generally recorded when the related fund liability is incurred. However, principal and interest on general long-term debt is recorded as expenditures only when payment is due.

When the Foundation incurs expenditures for which restricted or unrestricted fund balance is available, the Foundation would consider restricted funds to be spent first. When the Foundation has expenditures for which committed, assigned or unassigned fund balance is available, the Foundation would consider committed funds to be spent first, then assigned funds and lastly unassigned funds.

The Foundation's financial statements have been prepared in accordance with accounting principles generally accepted in the United States as prescribed by the Governmental Accounting Standards Board. Accordingly, the financial statements are organized on the basis of funds. A fund is an accounting entity having a self-balancing set of accounts for recording assets, liabilities, fund equity, revenues, expenditures, and other financing sources and uses.

Resources are allocated to and accounted for in individual funds based on the purpose for which they are to be spent and the means by which spending activities are controlled. The Foundation reports the following major governmental funds:

General Fund - The general operating fund of the Foundation. It is used to account for all financial resources traditionally associated with the nonprofit activities of the Foundation which are not required to be accounted for in another fund.

Special Revenue Fund (Charter Academies Fund) - To account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Debt Service Fund - To account for the resources accumulated and payments made for principal and interest on the revenue bonds issued by the Foundation.

Capital Projects Fund - To account for all resources for the leasing or acquisition of capital assets by the Foundation to the extent funded by capital grants or revenue bonds.

The governmental fund financial statements present fund balances based on the provisions of GASB Statement No. 54, Fund Balance and Governmental Fund Type Definitions. This statement provides more clearly defined fund balance classifications and also sets a hierarchy which details how the Foundation may spend funds based on certain constraints. The following are the fund balance classifications used in the governmental fund financial statements:

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NOTE A - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3. Measurement focus, basis of accounting, and financial statement presentation (continued)

Nonspendable: This classification includes amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. The Foundation classifies inventories, prepaid items, long-term notes receivable and deposits as nonspendable since they are not expected to be converted to cash or are not expected to be converted to cash within the next year.

Restricted: This classification includes amounts that are restricted for specific purposes by external parties such as grantors and creditors or are imposed by law through constitutional or enabling legislation.

Committed: This classification includes amounts that can be used for specific purposes voted through formal action of the Board of Directors. The committed amount cannot be used for any other purpose unless the Board of Directors removes or changes the commitment through formal action.

Assigned: This classification includes amounts that the Board of Directors intends to use for a specific purpose but they are neither restricted nor committed.

Unassigned: This classification includes amounts that have not been restricted, committed or assigned for a specific purpose within the general fund.

The details of the fund balances are included in the Government Funds Balance Sheet on page 11.

4. Allowance for doubtful accounts

Accounts receivable for the primary government are reported net of allowance for doubtful accounts. The allowance for doubtful accounts represents those accounts which are deemed uncollectible based upon past collection history.

5. Budgetary basis of accounting

Budgets are adopted on a basis consistent with U.S. generally accepted accounting principles. Annual budgets were legally adopted for the general fund only and may be amended by the board of directors. The budgets presented for fiscal year ended June 30, 2025, have been amended according to board procedures. Budgets are presented on the modified accrual basis of accounting.

6. Cash and cash equivalents

Cash and cash equivalents include amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the Foundation. Income from investments is recorded in the respective funds when earned.

The Foundation for Osceola Education, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2025

NOTE A - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

6. Cash and cash equivalents (continued)

The Foundation's cash and cash equivalents at June 30, 2025, include demand deposit accounts, money market accounts, savings accounts and certificates of deposit accounts.

7. Investments

Investments represent amounts placed in investment portfolios with the District and a financial institution, consisting of certificates of deposit, US treasury bonds, money market funds, and State of Florida State Board of Administration (SBA) accounts primarily in Florida PRIME, formerly known as the Local Government Trust Fund Investment Pool. The Foundation reports these investments at fair value as determined by the District. Realized gains or losses, which are included in other revenues in the accompanying financial statements, represent the net increase or decrease in the Foundation's investment with the District and the financial institution. The District's investment policy allows for investments rated "AA" or better, and limits the amounts the District may invest in any one issuer. The Foundation's investment policy with investments placed with a financial institution mirrors the District's policy.

8. Inter-fund receivables, payables, and transfers

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either due to/from other funds. The purpose of interfund transfers are to cover the payments made from the General, Special Revenue and Debt Service fund for the Debt Service and Capital Projects funds for the bond payments and the purchase of capital assets.

9. Capital assets

Capital assets, which include property, plant, and equipment, are reported on the government-wide financial statements. Capital assets are defined by the Foundation as assets with an initial individual cost of more than \$1,000 and an estimated useful life of more than two years. Such assets are recorded at historical cost. Donated capital assets are recorded at their acquisition value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized, but rather are expensed in the period incurred. Property, plant, and equipment of the Foundation are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Building and fixed equipment	5 – 50
Furniture, fixtures, and equipment	5 – 10
Computer software	3 – 5
Audio visual equipment	3 – 7

The Foundation for Osceola Education, Inc.

NOTES TO FINANCIAL STATEMENTS

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NOTE A - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

10. Donated property and services

Donated merchandise is recorded as income and expense at fair market value at the time the items are selected by the recipient. Contributed use of facilities and equipment are recorded at fair value at the date of the donation. Contributed services are reported as contributions at their fair market value if such services create or enhance nonfinancial assets, or would have been purchased if not provided by donation, require specialized skills, and are provided by individuals possessing such specialized skills. During fiscal 2025, the Foundation recognized \$2,887,278 of donated property and services as both in-kind revenue and in-kind expense in the accompanying financial statements.

11. Accrued expenses

Accrued expenses include accrued payroll related expenses including unpaid vacation and sick time. Accrued expenses are recognized in the period the expenses are incurred and for payroll and related expenses when earned.

12. Restricted assets

Certain proceeds of the Foundation's revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net position and balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants. The bond fund is used to account for the payment of principal and interest as these payments become due. The project fund is used to pay for issuing expenses and project costs. The debt service reserve fund is used to report resources set aside to provide additional security for the payment of principal and interest on the bonds as these payments become due. The supplemental reserve fund is used to account for resources set aside to meet unexpected contingencies or to fund asset renewals and replacements. Other amounts shown as restricted assets are for other purposes such as Take Stock in Children program (see Note C), scholarships, and Community Foundation donations.

13. Prepaid items

Payment made to vendors for services that will benefit periods beyond June 30, 2025, are recorded as prepaid items in both government-wide and fund financial statements.

14. Deferred outflows/ inflows of resources

In addition to assets and liabilities, the statement of financial net position reports separate sections for deferred outflows and deferred inflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditures) until that time. Deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow or resources (revenues) until that time. The Foundation has four items that qualify for this category, which are deferred gain on debt refunding, pensions, OPEBs

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NOTE A - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

14. Deferred outflows/ inflows of resources (continued)

and deferred revenue. The deferred gain on debt refunding results from the difference in the carrying value of the refunded debt and its reacquisition price in 2016. This gain is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred revenue pertains to scholarship grants received in advance of meeting timing requirements.

15. Compensated absences

The Foundation's policy permits employees to accumulate earned but unused paid time off, which is eligible for payment upon separation from service. The liability for such leave is reported as incurred in the government-wide financial statement. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements. The liability for compensated absences includes salary related benefits, where applicable. As of July 1, 2023, Foundation employees became District employees.

16. Long-term obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond discounts and premiums.

In the fund financial statements, governmental funds recognize bond discounts and premiums when the debt is first issued. The face amount of debt issued is reported as other financing sources while premiums and discounts on debt issuances are reported as other financing sources or uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

17. Income taxes

The Foundation is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Foundation has been determined by the Internal Revenue Service not to be a private Foundation. There was no unrelated business income for the current year.

Management has analyzed the Foundation's various federal and state filing positions, including those pertaining to charter academy contracts and tax exempt status, and believes that its income tax filing positions and deductions are well documented and supported, and that no accruals for tax liabilities are necessary. Therefore, no reserves for uncertain income tax positions have been recorded.

The Foundation for Osceola Education, Inc.

NOTES TO FINANCIAL STATEMENTS

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NOTE A - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

18. Revenue recognition

Student funding is provided by the State of Florida through the School District. Such funding is recorded as State passed through local school district in the government-wide financial statements and fund financial statements and is net of 5% administration fee retained by the School District. This funding is received on a prorated basis over the twelve month period and is adjusted for changes in full-time equivalent (FTE) student population.

19. Revenue sources

Revenues for current operations are received primarily from the State of Florida passed through the District pursuant to the funding provisions included in the Foundation's charter agreement with the District. In accordance with the funding provisions of the charter and Section 1002.33(18), Florida Statutes, the Foundation reports the number of full-time equivalent (FTE) students and related data to the District. Under the provisions of Section 1011.62, Florida Statutes, the District reports the number of FTE students and related data to the Florida Department of Education (FDE) for funding through the Florida Education Finance Program. Funding for the school is adjusted during the year to reflect revised calculations by the FDE under the Florida Education Finance Program and actual weighted FTE students reported by the school during designated FTE student survey periods.

The Foundation receives Federal awards for the enhancement of various educational programs. This assistance is generally based on applications submitted to and approved by various granting agencies. These Federal awards may have requirements whereby the issuance of grant funds is withheld until qualifying expenditures are incurred. Revenues for these awards are recognized only to the extent that eligible expenditures have been incurred.

Additionally, the Foundation manages several program services that benefit the students and educators of Osceola County. The largest of these is the Take Stock in Children program. These funds are jointly sponsored with the State of Florida and must be distributed as scholarships to the students of Osceola County and used for the operations of the Take Stock in Children program. Other revenues may also be derived from various fundraising activities and certain other programs.

20. Pensions/Other postemployment benefits (OPEB)

In the government-wide statement of net position, liabilities are recognized for the Foundation's proportionate share of each pension plan's net pension and OPEB liability. For purposes of measuring the net pension and OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions and OPEBs, pension and OPEB expense, information about the fiduciary net position of the Florida Retirement System (FRS) defined benefit plan and the Health Insurance Subsidy (HIS) defined benefit plan, and the OPEB plan, and additions to/deductions from the FRS's,

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NOTES TO FINANCIAL STATEMENTS

June 30, 2025

NOTE A - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

20. Pensions/Other postemployment benefits (OPEB) (continued)

the HIS's, and the OPEB's fiduciary net position have been determined on the same basis as they are reported by the FRS, the HIS, and the OPEB plans. For this purpose, benefits payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

21. Budgetary data

The budgetary process is prescribed by provisions of the laws of Florida and requires the governing board to adopt an operating budget each year. The School governing board satisfied these requirements. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with legal restriction that expenditures cannot exceed appropriations by major function at year end.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for.

22. Use of estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

23. Accounting pronouncements implemented

GASB issued Statement No. 101 (GASB 101), *Compensated Absences*, in June 2022. GASB 101 increases the usefulness of governments' financial statements by requiring recognition of liabilities for compensated absences that previously were not recognized as an obligation of the government. It establishes a criteria for the recognition and measurement of the government. The provisions in GASB 101 were implemented in the year ended June 30, 2025. The implementation of the new pronouncement impacted the financial statements, for further details, see Note J.

The Foundation for Osceola Education, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2025

NOTE A - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

24. Accounting pronouncements implemented (continued)

GASB issued Statement No. 102 (GASB 102), *Certain Risk Disclosures*, in December 2023. GASB 102 enhanced transparency by requiring disclosures about risks related to a government's vulnerabilities due to certain concentrations or constraints. A concentration refers to a lack of diversity in significant inflows or outflows of resources, while a constraint is a limitation imposed by external parties or formal action of the government's highest decision-making authority. The Statement required disclosure when such conditions make the government vulnerable to a substantial impact and when related events have occurred, begun to occur, or are more likely than not to occur within 12 months of the issuance of the financial statements. The provisions of GASB 102 were implemented in the year ended June 30, 2025. The adoption of this standard had no significant impact on the Foundation's financial statements.

25. New GASB implementation

GASB issued Statement No. 103, *Financial Reporting Model Improvements*, in April 2024. GASB 103 aims to enhance the effectiveness of the financial reporting model by improving key components such as Management's Discussion and Analysis (MD&A), the presentation of proprietary fund statements, and the reporting of unusual or infrequent items. It also introduces standardized definitions for operating and nonoperating revenues and expenses, and requires separate presentation of major component units and budgetary comparison information as required supplementary information (RSI). The provisions of GASB 103 are effective for fiscal years beginning after June 15, 2025 and will be implemented in the year ended June 30, 2026. The Foundation is evaluating the effect of this new standard on its financial statements.

GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*, in September 2024. GASB 104 enhances transparency by requiring separate disclosures of specific types of capital assets in the notes to financial statements. These include lease assets (GASB 87), intangible right-to-use assets (GASB 94), subscription-based IT assets (GASB 96), and other intangible assets, all disclosed by major class. Additionally, GASB 104 introduces disclosure requirements for capital assets held for sale - defined as assets the government has decided to sell and for which it is probable the sale will be finalized within one year of the financial statement date. Governments must disclose the historical cost, accumulated depreciation, and any related debt for which such assets are pledged as collateral. The provisions of GASB 104 are effective for fiscal years beginning after June 15, 2025 and will be implemented in the year ended June 30, 2026. The Foundation is evaluating the effect of this new standard on its financial statements.

The Foundation for Osceola Education, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2025

NOTE B - CASH AND CASH EQUIVALENTS

Custodial Credit Risk – The carrying amount of the Foundation’s cash deposits were \$5,688,695 at June 30, 2025. Monies invested in amounts greater than the insurance coverage of FDIC are secured by the qualified public depositories pledging securities with the State Treasurer in such amounts required by the Florida Security for Public Deposits Act. In the event of a default or insolvency of a qualified public depositor, the State Treasurer will implement procedures for payment of losses according to the validated claims of the Foundation pursuant to Section 280.08, Florida Statutes. As of June 30, 2025, the Foundation had \$5,330,257 in excess of amounts insured by the FDIC. The Foundation has not experienced any losses in the past relating to its cash balances.

The Foundation opened a certificate of deposit on April 11, 2023, in the amount of \$350,000 which bears interest of 3.78% at June 30, 2025. The certificate of deposit has a 5-month term and automatically renews upon maturity. Its next maturity date is August 19, 2025.

NOTE C - BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS

The Foundation’s beneficial interest in assets at June 30, 2025, consists of \$435,771 held by Florida Prepaid College Foundation, Inc. The amounts held by Florida Prepaid College Foundation, Inc. consist of funds contributed by the Foundation as part of the Take Stock in Children program. Contributions are matched by the State of Florida, and recorded as a contribution by the Foundation on the statement of activities at the time of contribution. The funds are to be used for college scholarships for selected individuals graduating from high school in Osceola County. As the scholarships are awarded, the expenditures are recorded by the Foundation. The funds held by Florida Prepaid College Foundation, Inc. can only be utilized for scholarships.

The Foundation also has restricted assets of \$978,624 at June 30, 2025, held for its benefit by the Community Foundation of Central Florida. These assets are included in cash and cash equivalents in the accompanying financial statements and restricted for scholarships for students to attend schools other than Valencia College.

NOTE D - INVESTMENTS

Custodial Credit Risk – The carrying amount of the Foundation’s investments at June 30, 2025, were \$4,692,242 including \$4,602,242 classified as investments and \$90,000 as restricted cash in the accompanying financial statements. The investments include \$3,271,144, held in the District’s investment pool and \$1,421,098 in an investment pool with a financial institution. Monies invested in amounts greater than the insurance coverage of FDIC are secured by the qualified public depositories pledging securities with the State Treasurer in such amounts required by the Florida Security for Public Deposits Act. In the event of a default or insolvency of a qualified public depositor, the State Treasurer will implement procedures for payment of losses according to the validated claims of the Foundation pursuant to Section 280.08, Florida Statutes.

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NOTES TO FINANCIAL STATEMENTS

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NOTE E - CAPITAL ASSETS

Changes in capital assets by category are as follows for the year ended June 30, 2025:

	Balance at June 30, 2024	Additions	Deletions	Balance at June 30, 2025
Capital assets non-depreciated:				
Land	\$ 238,220	\$ -	\$ 238,220	\$ -
Construction in progress	268,954	138,974	407,928	-
Total assets, non-depreciated	507,174	138,974	646,148	-
Capital assets depreciated:				
Buildings and fixed equipment	7,036,583	244,160	6,426,369	854,374
Improvements other than building	729,954	163,768	-	893,722
Furniture, fixtures and equipment	2,800,785	100,676	1,644,467	1,256,994
IT equipment	1,130,690	-	-	1,130,690
Computer software	32,172	-	-	32,172
Total assets depreciated	11,730,194	508,604	8,070,836	4,167,952
Less accumulated depreciation:				
Buildings and fixed equipment	3,179,002	146,660	2,956,131	369,531
Improvements other than building	533,888	17,244	-	551,132
Furniture, fixtures and equipment	2,536,531	91,703	1,642,485	985,749
IT equipment	1,079,426	29,977	-	1,109,403
Computer software	32,172	-	-	32,172
Total accumulated depreciation	7,361,019	\$ 285,584	\$ 4,598,616	3,047,987
Total governmental activities capital assets, net	\$ 4,876,349			\$ 1,119,965

Depreciation expense is charged to functions of the Foundation as follows for the year ended June 30, 2025:

Instruction	\$ 29,977
School administration	120,894
Plant	134,713
	\$ 285,584

The carrying value of the fixed assets of approximately \$3.7 million that transferred to the District on June 30, 2025 resulted in a loss on disposal (full accrual) of approximately \$3.7 million. The following depicts the statement of activities accounting for the sale (full accrual):

Sale proceeds	\$ 10,700,000
Donation to district	(3,000,000)
Loss on building	(3,708,469)
Legal and professional fees	(92,557)
Gain on sale of PM Wells	\$ 3,898,974

The Foundation for Osceola Education, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2025

NOTE F - LONG-TERM DEBT

The following is a summary of changes in long-term obligations of the Foundation for the year ended June 30, 2025.

	Long-term obligations at July 1, 2024	Additions	Reductions	Long-term obligations at June 30, 2025	Amount Due in 1 Year
Revenue bonds:					
PM Wells Charter Academy - 2016	\$ 3,780,000	\$ -	\$(3,780,000)	\$ -	\$ -
Subtotal	<u>3,780,000</u>	<u>-</u>	<u>(3,780,000)</u>	<u>-</u>	<u>-</u>
Premium / discount:					
Unamortized bond premium - 2016	51,081	-	(51,081)	-	-
Subtotal	<u>51,081</u>	<u>-</u>	<u>(51,081)</u>	<u>-</u>	<u>-</u>
EIDL loan	142,694	-	(3,807)	138,887	3,912
	<u>\$ 3,973,775</u>	<u>\$ -</u>	<u>\$(3,834,888)</u>	<u>\$ 138,887</u>	<u>\$ 3,912</u>

The construction of the PM Wells Charter Academy facility in 2001, was financed by the issuance of \$9,075,000 of Series 2001A and \$350,000 of Series 2001B industrial revenue bonds. The 2001 bonds, which were scheduled to fully mature in 2032, and carried interest at 2.20% to 5.00%, respectively, were refinanced in March 2016, from the issuance of \$4,380,000 of Series 2016A and \$2,205,000 of Series 2016B industrial revenue bonds. The 2016 bonds fully mature in August 2031 and carry interest rates of 2.00% to 3.375%, respectively. As of June 30, 2025, with the sale of the school the bonds were repaid.

The 2016 debt refinancing resulting in a gain on refunding of \$206,209, which is not recognized in the fund level statements but is deferred and included in the government-wide statement as deferred inflow. The deferred gain is amortized over the life of the debt through 2032. Amortization expense of the gain of \$13,412 for 2025 was charged against interest expense. Accumulated amortization totaled \$124,620 at June 30, 2025. In conjunction with the sale of the school, the bonds were repaid.

The following is the cash flow accounting for the sale:

Sale proceeds	\$ 10,700,000
Bond cash accounts	1,064,051
Donation to District	(3,000,000)
Legal and professional fees	<u>(92,557)</u>
Net sale proceeds	8,671,494
Final bond payments and related items	(3,547,392)
Cash received from district	<u>(3,124,102)</u>
Amount receivable from District	<u>\$ 2,000,000</u>

The Foundation for Osceola Education, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2025

NOTE F - LONG-TERM DEBT (continued)

On July 1, 2020, the Foundation, through the SBA, received an Economic Injury Disaster Loan (“EIDL”) in the amount of \$150,000. The loan is payable over 30 years with monthly payments of \$641, at an interest rate of 2.75%, with a deferral of payments for the first 12 months. The loan matures July 1, 2050.

The annual requirements to amortize all debt outstanding as of June 30, 2025 are as follows:

Years ending June 30	Principal	Interest	Total
2026	\$ 3,912	\$ 3,780	\$ 7,692
2027	4,023	3,669	7,692
2028	4,134	3,558	7,692
2029	4,249	3,443	7,692
2030	4,367	3,325	7,692
2031-2035	23,731	14,729	38,460
2036-2040	27,224	11,236	38,460
2041-2045	31,233	7,227	38,460
2046-2050	36,014	2,629	38,643
	<u>\$ 138,887</u>	<u>\$ 53,596</u>	<u>\$ 192,483</u>

NOTE G - LEASES

During the fiscal year 2022, PM Wells entered into a copier lease agreement with Supergroup Services LLC. The agreement is for a period of 63 months with monthly payments of \$645. During the fiscal year 2024, the School entered into a new copier lease with Peac Solutions for a period of 63 months with monthly payments of \$3,450.

At implementation of GASB Statement No. 87, Leases, the School, as the lessee, recognized a lease asset of \$186,419 and lease liability of \$186,419. As of June 30, 2025, the present value of the lease obligation were \$165,936. The copier leases were terminated with the closure of the School on June 30, 2025.

NOTE H - COMMITMENTS AND CONTINGENCIES

1. Management service contract

The Foundation entered into a management service agreement with a management company on July 1, 2021, to manage PM Wells. The agreement is for a term of five years commencing with the 2021-2022 school year. The contract terminates the earlier of June 30, 2026 or the termination date of the charter if the District chooses to terminate it. With the sale of PM Wells, the contacted was terminated as of June 30, 2025.

The Foundation for Osceola Education, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2025

NOTE H - COMMITMENTS AND CONTINGENCIES (CONTINUED)

1. Management service contract (continued)

The management company shall be paid 10 percent of FEFP Funding received for each school year per the contract. Beginning the 2024-2025 school year, the Company will be eligible to earn a total additional two percent of FEFP Funding if they exceed the targets set in the contract. Current year management fees charged to operations totaled \$312,074.

2. License agreement

The Foundation has entered into a license agreement with Take Stock in Children, Inc. Under the terms of the agreement the Foundation can solicit funds in the name of Take Stock in Children. These funds are identified for scholarships under the Florida Prepaid Tuition Program of participants in the Take Stock in Children program (see Note C). The terms set forth in the original agreement are being continued until terminated by either party.

3. Legal issues

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

NOTE I - RELATED PARTY TRANSACTIONS

1. Due to management company

The management company is responsible for organizing, developing, managing, staffing and operating the charter school in which the Foundation is the charter holder. During the current year, the management company charged fees to the Foundation for management services as described in Note H-1. The due to management company obligation also reflects activities for amounts that were charged to PM Wells but have not yet been paid to the management company. As of June 30, 2025, the School's balance sheet reflects a payable due to the management company in the amount of \$73,674.

2. Local school district

The Foundation receives various contributions and services from the School District of Osceola County and also provides educational enhancement services to the District. During the year ended June 30, 2025, the Foundation received \$86,377 cash contributions and approximately \$196,620 of in-kind contributions from the District for general operations.

The Foundation for Osceola Education, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2025

NOTE J - COMPENSATED ABSENCES

The following is a summary of changes in compensated absences for the year ended June 30, 2025.

Governmental Activities	Balance at July 1, 2024	Additions	Reductions	Balance at June 30, 2025	Due Within One Year
Compensated Absences Payable	\$ -	\$ 362,247	\$ -	\$ 362,247	\$ 21,703

Foundation and Charter School employees accrue vacation and sick leave based on length of service, subject to certain limitations regarding the amount that will be paid upon termination. The Foundation and Charter School reports a liability for the accrued leave; however, State appropriations fund only the portion of accrued leave that is used or paid in the current fiscal year. Although the Foundation and Charter School expects the liability to be funded primarily from future appropriations, generally accepted accounting principles do not permit the recording of a receivable in anticipation of future appropriations. At June 30, 2025, the estimated liability for compensated absences totaled \$362,247. Of this amount, \$21,703 is estimated to be paid in the coming fiscal year. At June 30, 2025, the Foundation's portion is \$33,024 and Charter School's portion is \$329,223 of compensated absences. For governmental activities, compensated absences are generally liquidated with resources of the General Fund.

The Foundation for Osceola Education, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2025

NOTE K - CONCENTRATIONS

Local revenue sources

As stated in Note A-18, the Foundation receives revenues for current operations primarily from the State of Florida passed through to the District. The following is a schedule of revenue sources and amounts for fiscal 2025:

Sources	Amount
Base Funding	\$ 8,391,347
Education enrichment share	361,862
Safe school	132,823
ESE guaranteed allocation	345,109
Discretionay local effort	732,121
Class size reduction funds	1,457,139
Discretionary millage compression allocation	473,073
Prior year funding adjustment	(1,347)
Proration to funds available	(102,936)
Prior year audit adjustment	(3,167)
Subtotal	11,786,024
Capital outlay distribution	914,607
Local capital improvement revenue	159,996
Title federal revenue	545,243
21st Century Grant revenue	121,695
ESSER & GEER revenue	170,146
IDEA Grant revenue	85,202
Other federal revenue	25,963
Total School District of Osceola County	13,808,876
Grants	555,740
Contributions	3,825,095
Program services	3,000
Fundraising	621,005
Investment income	319,383
Community services	67,583
Miscellaneous revenue	1,308,930
Sale of PM Wells	3,898,974
Total	\$ 24,408,586

A significant decline in funding from the School District could have a material impact on future operations.

The Foundation for Osceola Education, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2025

NOTE L - FLORIDA RETIREMENT SYSTEM (FRS) – DEFINED BENEFIT PENSION PLANS

The FRS was created in Chapter 121, Florida Statutes, to provide a defined benefit pension plan for participating public employees. The FRS was amended in 1998 to add the Deferred Retirement Option Program under the defined benefit plan and amended in 2000 to provide a defined contribution plan alternative to the defined benefit plan for FRS members effective July 1, 2002. This integrated defined contribution pension plan is the FRS Investment Plan. Chapter 112, Florida Statutes, established the Retiree Health Insurance Subsidy (HIS) Program, a cost-sharing multiple-employer defined benefit pension plan, to assist retired members of any State-administered retirement system in paying the costs of health insurance.

On July 1, 2023, the Foundation's employees became employees of the School District of Osceola County, enabling them to be eligible to enroll as members of the State administered FRS.

Currently, essentially all regular employees of the Foundation and Bellalago Charter Academy (the School) and are eligible to enroll as members of the State-administered FRS. Provisions relating to FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and FRS Rules, Chapter 60S, Florida Administrative Code, wherein eligibility, contributions, and benefits are defined and described in detail. Such provisions may be amended at any time by further action from the Florida Legislature. The FRS is a single retirement system administered by the Florida Department of Management Services, Division of Retirement, and consists of two cost-sharing, multiple-employer retirement plans and other nonintegrated programs. A comprehensive annual financial report on the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from the Florida Department of Management Services' website (www.dms.myflorida.com).

The Foundation and School's pension expense totaled \$465,601 for the fiscal year ended June 30, 2025.

1. FRS Pension Plan

Plan Description. The FRS Pension Plan (Plan) is a cost-sharing multiple-employer defined benefit pension plan, with a Deferred Retirement Option Program (DROP) for eligible employees. The general classes of membership are as follows:

- FRS, Regular Class – Members of the FRS who do not qualify for membership in the other classes.
- FRS, Elected County Officers Class – Members who hold specified elective offices in local government.
- FRS, Senior Management Service Class – Members in senior management level positions.

Employees enrolled in the Plan prior to July 1, 2011 vest at six years of credible service and employees enrolled in the Plan on or after July 1, 2011 vest at eight years of service. All vested members enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service. All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of credible service. Members of both Plans may include up to 4 years of credit for military service toward

The Foundation for Osceola Education, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2025

**NOTE L - FLORIDA RETIREMENT SYSTEM (FRS) – DEFINED BENEFIT PENSION PLANS
(continued)**

credible service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments to eligible participants

DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS employer. An employee may participate in DROP for a period not to exceed 60 months after electing to participate, except that certain instructional personnel may participate for up to 96 months. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest. The net pension liability does not include amounts for DROP participants, as these members are considered retired and are not accruing additional pension benefits.

Benefits Provided. Benefits under the Plan are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the 5 highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the 8 highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on the retirement class to which the member belonged when the service credit was earned. Members are eligible for in-line-of-duty or regular disability and survivors' benefits. The following chart shows the percentage value for each year of service credit earned:

<u>Class, Initial Enrollment, and Retirement Age/Years of Service</u>	<u>% Value</u>
Regular Class members initially enrolled before July 1, 2011	
Retirement up to age 62 or up to 30 years of service	1.60
Retirement at age 63 or with 31 years of service	1.63
Retirement at age 64 or with 32 years of service	1.65
Retirement at age 65 or with 33 or more years of service	1.68
Regular Class members initially enrolled on or after July 1, 2011	
Retirement up to age 65 or up to 33 years of service	1.60
Retirement at age 66 or with 34 years of service	1.63
Retirement at age 67 or with 35 years of service	1.65
Retirement at age 68 or with 36 or more years of service	1.68
Elected County Officers	3.00
Senior Management Service Class	2.00

The Foundation for Osceola Education, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2025

**NOTE L - FLORIDA RETIREMENT SYSTEM (FRS) – DEFINED BENEFIT PENSION PLANS
(continued)**

As provided in Section 121.101, Florida Statutes, if the member is initially enrolled in the FRS before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is 3 percent per year. If the member is initially enrolled before July 1, 2011, and has service credit on or after July 1, 2011, there is an individually calculated cost-of-living adjustment. The annual cost-of-living adjustment is a proportion of 3 percent determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by 3 percent. Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

Contributions. The State of Florida established contribution rates for participating employers and employees. Contribution rates during the 2024-2025 fiscal year were as follows:

Class or Plan	Percent of Gross Salary	
	Employee	Employer (A)
Florida Retirement System, Regular	3.00	14.03
Florida Retirement System, Elected County Officers	3.00	54.57
Florida Retirement System, Senior Management	3.00	33.24
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes or Plans	0.00	22.02
Florida Retirement System, Reemployed Retiree	(B)	(B)

Notes: (A) Employer rates include 2.00 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include 0.06 percent for administrative costs of the Public Employee Optional Retirement Program.

(B) Contribution rates are dependent upon the retirement class or plan in which reemployed.

The Foundation and School's contributions, including employee contributions, to the Plan totaled \$397,226 for the fiscal year ending June 30, 2025. This excludes the HIS defined benefit pension plan contributions.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2025, the Foundation and School reported a totaled liability of \$3,763,022 for its proportionate share of the Plan's net pension liability. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2024.

The Foundation for Osceola Education, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2025

**NOTE L - FLORIDA RETIREMENT SYSTEM (FRS) – DEFINED BENEFIT PENSION PLANS
(continued)**

The Foundation and School's proportionate share of the net pension liability was based on the Foundation and School's 2024-25 fiscal year contributions relative to the 2023-24 fiscal year contributions of all participating members. At June 30, 2024, the Foundation's proportionate share was .000898695 percent, which was a decrease of .000023402 from its proportionate share measured as of June 30, 2023. At June 30, 2024, the School's proportionate share was .006987738 percent, which was an decrease of .000848352 from its proportionate share measured as of June 30, 2023.

For the fiscal year ended June 30, 2025, the Foundation and School recognized pension expense of \$398,793 related to the Plan. In addition, the Foundation and School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 265,727	\$ -
Change of assumptions	360,502	-
Net difference between projected and actual earnings on FRS pension plan investments	-	174,821
Changes in proportion and differences between District FRS contributions and proportionate share of contributions	66,636	123,108
District contributions subsequent to the measurement date	397,226	-
Total	<u>\$ 1,090,091</u>	<u>\$ 297,929</u>

The deferred outflows of resources related to pensions, totaling \$397,226, resulting from Foundation and School contributions to the Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Years Ending June 30</u>	<u>Amount</u>
2025	\$ (16,892)
2026	406,921
2027	16,013
2028	(26,076)
2029	14,970
Thereafter	-
	<u>\$ 394,936</u>

The Foundation for Osceola Education, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2025

NOTE L - FLORIDA RETIREMENT SYSTEM (FRS) – DEFINED BENEFIT PENSION PLANS
(continued)

Actuarial Assumptions. The total pension liability in the July 1, 2024 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40 percent
Salary increases	3.50 percent, average, including inflation
Investment rate of return	6.7 percent, net of pension plan investment expense, including inflation

Mortality rates were based on PUB 2010 base table with Scale MP-2021. The actuarial assumptions used in the July 1, 2024 valuation were based on the results of an actuarial experience study for the period July 1, 2018 through June 30, 2023.

The long-term expected rate of return on pension plan investments was not based on historical returns, but instead is based on a forward-looking capital market economic model. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption. The target allocation and best estimates of arithmetic and geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation (A)</u>	<u>Annual Arithmetic Return</u>	<u>Compound Annual (Geometric) Return</u>	<u>Standard Deviation</u>
Cash	1.0%	3.3%	3.3%	1.1%
Fixed Income	29.0%	5.7%	5.6%	3.9%
Global Equity	45.0%	8.6%	7.0%	18.2%
Real Estate (Property)	12.0%	8.1%	6.8%	16.6%
Private Equity	11.0%	12.4%	8.8%	28.4%
Strategic Investments	2.0%	6.6%	6.2%	8.7%
Total	100%			
Assumed inflation - mean		2.40%		1.5%

Note: (A) As outlined in the Plan's investment policy

Discount Rate. The discount rate used to measure the total pension liability was 6.7 percent. The Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

The Foundation for Osceola Education, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2025

NOTE L - FLORIDA RETIREMENT SYSTEM (FRS) – DEFINED BENEFIT PENSION PLANS
(continued)

Sensitivity of the Foundation and School’s Proportionate Share of the Net Position Liability to Changes in the Discount Rate. The following presents the Foundation and School’s proportionate share of the net pension liability calculated using the discount rate of 6.7 percent, as well as what the Foundation and School’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (5.7 percent) or 1 percentage-point higher (7.7 percent) than the current rate:

	1% Decrease 5.70%	Current Discount Rate 6.70%	1% Increase 7.70%
District's proportionate share of the net pension liability	\$ 6,619,024	\$ 3,763,022	\$ 1,370,514

Pension Plan Fiduciary Net Position. Detailed information about the Plan’s fiduciary net position is available in the separately issued FRS Pension Plan and Other State-Administered Systems Comprehensive Annual Financial Report.

Payable to the Pension Plan. At June 30, 2025, the District reported a payable of \$76,611 for the outstanding amount of contributions to the Plan required for the fiscal year ended June 30, 2025.

2. HIS Pension Plan

Plan Description. The HIS Pension Plan (HIS Plan) is a cost-sharing multiple-employer defined benefit pension plan established under Section 112.363, Florida Statutes, and may be amended by the Florida Legislature at any time. The benefit is a monthly payment to assist retirees of State-administered retirement systems in paying their health insurance costs and is administered by the Florida Department of Management Services, Division of Retirement.

Benefits Provided. For the fiscal year ended June 30, 2025, eligible retirees and beneficiaries received a monthly HIS payment of \$7.50 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$45 and a maximum HIS payment of \$225 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS Plan benefit, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

Contributions. The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended June 30, 2025, the contribution rate was 2.00 percent of payroll pursuant to section 112.363, Florida Statutes. The Foundation and School contributed 100 percent of its statutorily required contributions for the current and preceding three years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized.

The Foundation for Osceola Education, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2025

**NOTE L - FLORIDA RETIREMENT SYSTEM (FRS) – DEFINED BENEFIT PENSION PLANS
(continued)**

HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled.

The Foundation and School's contributions to the HIS Plan totaled \$91,629 for the fiscal year ended June 30, 2025.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2025, the Foundation and School reported a net pension liability of \$2,259,324 for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2024. The Foundation and School's proportionate share of the net pension liability was based on the Foundation and School's 2023-24 fiscal year contributions relative to the total 2023-24 fiscal year contributions of all participating members. At June 30, 2024, the Foundation's proportionate share was .001360180 percent, which was an increase of .000018995 from its proportionate share measured as of June 30, 2024. At June 30, 2024, the School's proportionate share was .010575985 percent, which was a decrease of .000821569 from its proportionate share measured as of June 30, 2023.

For the fiscal year ended June 30, 2025, the Foundation and School recognized a totaled pension expense of \$66,807. In addition, the Foundation and School reported total of deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 14,906	\$ 2,964
Change of assumptions	27,320	182,754
Net difference between projected and actual earnings on HIS pension plan investments	-	559
Changes in proportion and differences between District HIS contributions and proportionate share of HIS contributions	29,792	14,877
District contributions subsequent to the measurement date	91,629	-
Total	\$ 163,647	\$ 201,154

The Foundation for Osceola Education, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2025

NOTE L - FLORIDA RETIREMENT SYSTEM (FRS) – DEFINED BENEFIT PENSION PLANS
(continued)

The deferred outflows of resources totaling \$91,629 was related to pensions resulting from Foundation and School contributions to the HIS Plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Years Ending June 30</u>	<u>Amount</u>
2025	\$ (16,070)
2026	(24,912)
2027	(47,865)
2028	(27,090)
2029	(10,536)
Thereafter	(2,663)
	<u>\$ (129,136)</u>

Actuarial Assumptions. The total pension liability in the July 1, 2024, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40 percent
Salary Increases	3.50 percent, average, including inflation
Municipal Bond Rate	3.93 percent

Mortality rates were based on the Generational RP-2000 with Projected Scale BB. While an experience study had not been completed for the plan, the FRS Actuarial Assumptions Conference reviewed the actuarial assumptions for the plan.

Discount Rate. The discount rate used to measure the total pension liability was 3.93 percent. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

The Foundation for Osceola Education, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2025

**NOTE L - FLORIDA RETIREMENT SYSTEM (FRS) – DEFINED BENEFIT PENSION PLANS
(continued)**

Sensitivity of the Foundation and School’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the Foundation and School’s proportionate share of the net pension liability calculated using the discount rate of 3.93 percent, as well as what the Foundation and School’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.93 percent) or 1 percentage point higher (4.93 percent) than the current rate:

	1% Decrease 2.93%	Current Discount Rate 3.93%	1% Increase 4.93%
District’s proportionate share of the net pension liability	\$ 2,571,950	\$ 2,259,324	\$ 1,999,794

Pension Plan Fiduciary Net Position. Detailed information about the HIS Plan’s fiduciary net position is available in the separately issued FRS Pension Plan and Other State Administered Systems Comprehensive Annual Financial Report.

Payables to the Pension Plan. At June 30, 2025, the Foundation and School reported a totaled payable of \$916 for the outstanding amount of contributions to the HIS Plan required for the fiscal year ended June 30, 2025.

Pension Plan Aggregates. The aggregate amount of net pension liability, related deferred outflows of resources and deferred inflows of resources and pension expense for the Foundation and School’s defined pension plans are summarized below:

	<u>Pension Plan</u>	<u>HIS Plan</u>	<u>Total</u>
Net pension liability	\$ 3,763,022	\$ 2,259,324	\$ 6,022,346
Deferred outflows of resources	1,090,091	163,647	1,253,738
Deferred inflows of resources	297,929	201,154	499,083
Pension expense	398,794	66,807	465,601

3. FRS – Defined Contribution Pension Plan

The SBA administers the defined contribution plan officially titled the FRS Investment Plan (Investment Plan). The Investment Plan is reported in the SBA’s annual financial statements and in the State of Florida Comprehensive Annual Financial Report.

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan. Foundation and School employees participating in DROP are not eligible to participate in the Investment Plan.

The Foundation for Osceola Education, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2025

NOTE L - FLORIDA RETIREMENT SYSTEM (FRS) – DEFINED BENEFIT PENSION PLANS
(continued)

Employer and employee contributions, including amounts contributed to individual member's accounts, are defined by law, but the ultimate benefit depends in part on the performance of investment funds benefit terms, including contribution requirements, for the Investment Plan are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contribution rates that are based on salary and membership class (Regular Class, Elected County Officers, etc.), as the FRS defined benefit plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices.

Allocations to the investment member's accounts during the 2024-25 fiscal year were as follows:

<u>Class</u>	<u>Percent of Gross Compensation</u>
FRS, Regular	14.03
FRS, Elected County Officers	59.57
FRS, Senior Management Service	33.24

For all membership classes, employees are immediately vested in their own contributions and are vested after 1 year of service for employer contributions and investment earnings. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the Investment Plan, the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Non-vested employer contributions are placed in a suspense account for up to 5 years. If the employee returns to FRS-covered employment within the 5-year period, the employee will regain control over their account. If the employee does not return within the 5-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended June 30, 2025, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the Foundation and School.

After termination and applying to receive benefits, the member may rollover vested funds to another qualified plan, structure a periodic payment under the Investment Plan, receive a lump-sum distribution, leave the funds invested for future distribution, or any combination of these options. Disability coverage is provided; the member may either transfer the account balance to the FRS Pension Plan when approved for disability retirement to receive guaranteed lifetime monthly benefits under the FRS Pension Plan, or remain in the Investment Plan and rely upon that account balance for retirement income.

The Foundation and School's Investment Plan pension expense totaled \$245,477 for the fiscal year ended June 30, 2025.

Payables to the Pension Plan. At June 30, 2025, the Foundation and School reported a totaled payable of \$214 for the outstanding amount of contributions to the Plan required for the fiscal year ended June 30, 2025.

The Foundation for Osceola Education, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2025

NOTE M - OTHER POSTEMPLOYMENT BENEFITS PAYABLE

Plan Description

The Other Postemployment Benefits Plan (OPEB Plan) is a single-employer defined benefit plan administered by the Foundation and School. Pursuant to the provisions of Section 112.0801, Florida Statutes, employees who retire from the Foundation and School, and eligible dependents, may continue to participate in the Foundation and School's health and hospitalization plan for medical and prescriptions and life insurance coverage. Such provisions may be amended at any time by further action from the Florida Legislature. The Foundation and School subsidizes the premium rates paid by retirees by allowing them to participate in the OPEB Plan at the blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the OPEB Plan, on average, than those of active employees. The Foundation and School does not offer any explicit subsidies for retiree coverage. Retirees are assumed to enroll in the Federal Medicare program for their primary coverage as soon as they are eligible. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. The OPEB Plan does not issue a stand-alone report, and is not included in the report of a public employee retirement system or another entity.

Benefit Terms and Employees Covered

Plan contribution requirements and benefit terms of the Foundation and School and OPEB Plan members are established and may be amended through recommendations of the Insurance Committee and action from the Board. The Foundation and School has not advanced funded or established a funding methodology for the annual OPEB costs or the net OPEB obligation. As of the valuation date, June 30, 2025, there were 116 active plan members and 2 inactive plan members or beneficiaries receiving benefits. There are no inactive plan members entitled to benefits not yet receiving benefits. The Foundation and School provided contributions totaling \$19,167 toward annual OPEB costs, comprised of benefit payments made on behalf of the retirees for claims expense, retention costs, and net of retiree contributions totaling \$33,347. Required contributions are based on projected pay-as-you-go financing.

Total OPEB Liability

The Foundation and School's total OPEB liability of \$266,138 was measured as of June 30, 2025, and was determined by an actuarial valuation as of June 30, 2024.

The Foundation for Osceola Education, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2025

NOTE M - OTHER POSTEMPLOYMENT BENEFITS PAYABLE (continued)

Actuarial Assumptions and Other Inputs

The total OPEB liability in the June 30, 2025, actuarial valuation was determined using the following actuarial assumption and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Valuation Date	July 1, 2024
Measurement Date	June 30, 2024
Actuarial Cost Method	Entry Age Normal cost method
Inflation	2.40%
Discount Rate	3.86%
Salary Increases	FRS 7/1/2016 Actuarial Valuation 3.4% - 7.8%, including inflation
Retirement Age	Rates used in the 7/1/2024 FRS Actuarial Valuation based on a statewide experience study from 2018 to 2023
Mortality	PUB 2010 Mortality tables, MP-2021 scale, used on the 7/1/2024 FRS actuarial valuation, based on the results of a statewide experience study from 2018 to 2023
Healthcare Cost Trend Rates	Getzen Model with trend starting at 6.0% and gradually decreasing to an ultimate trend rate of 3.75%
Aging Factors	2013 SOA Study "Health Care Costs - From Birth to Death"
Administrative Expenses	Included in the Per Capita Costs

The Foundation and School selected the economic, demographic, and health care claim cost assumption used in the June 30, 2024 valuation. The current actuary provided guidance with respect to the economic assumptions demographic assumptions, the health care participation rate assumption, and the spouse coverage election rate assumption. The demographic assumptions were based on those employed in the July 1, 2024, Defined Benefit Pension Plan Actuarial Valuation of the FRS, which were developed by the FRS from an Actuarial Experience Study. These include assumed rates of future termination, mortality, disability and retirement. In addition, salary increase assumptions for development of the pattern of the normal cost increases were the same as those used by the FRS.

The Foundation for Osceola Education, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2025

NOTE M - OTHER POSTEMPLOYMENT BENEFITS PAYABLE (continued)

Changes to the Total OPEB Liability

Below are the details regarding the total OPEB liability for the measurement period from June 30, 2024, to June 30, 2025.

	Total OPEB Liability
Balance Recognized at 6/30/2024	<u>\$ 260,110</u>
Changes for the Fiscal Year:	
Service Cost	\$ 15,657
Interest	12,178
Changes of Benefit Terms	-
Difference Between Expected and Actual Experience	-
Changes in Assumptions and Other Inputs	(1,259)
Benefit Payments	<u>(20,548)</u>
Net Changes	<u>6,028</u>
Balance as of 6/30/2025	<u><u>\$ 266,138</u></u>

Changes of assumptions and other inputs reflect a change in the discount rate. The discount rate remained the same at 3.86. In addition, the healthcare trend rates were revised as of June 30, 2024, based on Getzen Model latest trend survey, with adjustments based on the provisions of the benefits sponsored by the Foundation and School.

Discount Rate

The Foundation and School has no plan assets held in trust to finance the OPEB plan liability. Therefore, the discount rate in the calculation of the total OPEB liability is equal to the tax-exempt municipal bond rate based on a 20-year general obligation bonds with an average AA credit rating as of the measurement date. For the purpose of the OPEB plan valuation, the municipal bond rate was 3.86% (based on the daily rate closest to, but no later than the measurement date of the "Fidelity's 20-Year Municipal GO AA Index"). The discount rate was 3.69% as of the beginning of the measurement period.

The Foundation for Osceola Education, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2025

NOTE M - OTHER POSTEMPLOYMENT BENEFITS PAYABLE (continued)

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the Foundation and School, as well as what the Foundation and School's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.86 percent) or 1 percentage point higher (4.86 percent) than the current discount rate:

	<u>Decrease 2.86%</u>	<u>Discount Rate 3.86%</u>	<u>Increase 4.86%</u>
Total OPEB Liability	\$ 281,001	\$ 266,138	\$ 251,321

Sensitivity to the Total OPEB Liability to Changes in the Health Cost Trend

	<u>1% Decrease</u>	<u>Health Care Cost Trend Rate</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 239,603	\$ 266,138	\$ 297,253

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2025, the Foundation and School recognized a totaled OPEB expense credit of \$33,347. The expense credit was a result of excluding life insurance for retirees that are rated independently and separately from active members, and whose rates are not supported by the Foundation and School's active policy. At June 30, 2025, the Foundation and School reported a totaled deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
Difference between Expected and Actual Experience	\$ 12,118	\$ 31,136
Changes of Assumptions of Other Inputs	41,642	105,999
Benefits Paid after the Measurement Date	33,347	-
Total	\$ 87,107	\$ 137,135

The Foundation for Osceola Education, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2025

NOTE M - OTHER POSTEMPLOYMENT BENEFITS PAYABLE (continued)

Amounts recognized in the deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as a reduction of the net OPEB liability in the fiscal year ending June 30, 2025. Other amounts reported as deferred outflow of resources and deferred inflow of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Fiscal Years Ending June 30</u>	<u>Amount</u>
2025	\$ (12,098)
2026	(12,098)
2027	(12,098)
2028	(11,638)
2029	(10,522)
Thereafter	(24,921)
Total	<u>\$ (83,375)</u>

NOTE N - RISK MANAGEMENT

The Foundation is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the Foundation carries commercial insurance. Settled claims from the risks described above have not exceeded the insurance coverage for the previous three years.

The Foundation is exposed to various risks of loss related torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Foundation on behalf of the Osceola County District School Board is a member of the Florida School Boards Insurance Trust (FSBIT) which was established by the Florida School Boards Association, Inc., to provide combined self-insurance and risk management services to participating members. The Trust is a public entity risk pool and provides a combined self-insurance program for property protection, workers' compensation, money and securities, employee fidelity and faithful performance, boiler and machinery, and other coverage deemed necessary by the members of the Trust. Section 1001.42(10)(k), Florida Statutes, provides the authority for the District to enter into such a risk management program. The Trust is self-sustaining through member assessments (premiums), and purchases of coverage through commercial companies for claims in excess of specified amounts. The Board of trustees for the Trust is composed of one board member from each participating district and a superintendent and a district-level business official selected from one of the participating districts. The amounts from settlements of insurable losses have not exceeded the insurance coverage for each of the prior three years.

NOTE O - SUBSEQUENT EVENTS

In accordance with GASB Codification Section 2250.106, the Foundation has evaluated subsequent events and transactions for potential recognition or disclosure through November 12, 2025, which is the date the financial statements were available to be issued.