



**PASCO EDUCATION FOUNDATION, INC.**

**FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

# PASCO EDUCATION FOUNDATION, INC.

## FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

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## REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors  
Pasco Education Foundation, Inc.  
Land O'Lakes, Florida

### Report on the Financial Statements

We have audited the accompanying financial statements of Pasco Education Foundation, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities and changes in net assets, statements of functional expenses, and statements of cash flows for the years then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pasco Education Foundation, Inc. as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 5, 2019 on our consideration of the Organization'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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Organization's internal control over financial reporting and compliance.

*Reeder + Associates, PA*

Certified Public Accountants  
September 5, 2019

**PASCO EDUCATION FOUNDATION, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2019 AND 2018**

<b>ASSETS</b>	<u>2019</u>	<u>2018</u>
<b>Current Assets</b>		
Cash and cash equivalents	\$ 153,100	\$ 117,476
Accounts receivable	24,406	26,017
Certificate of deposit	28,031	27,354
Investments	<u>644,858</u>	<u>816,347</u>
<b>Total Current Assets</b>	850,395	987,194
Property and equipment, net	19,055	29,090
Certificate of deposit	84,071	82,176
Prepaid scholarships	1,530,216	1,646,943
Endowment Investments	<u>1,938,592</u>	<u>1,873,398</u>
<b>Total Assets</b>	<u>\$ 4,422,329</u>	<u>\$ 4,618,801</u>
 <b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 8,286	\$ 11,061
Accrued expenses	<u>347</u>	<u>308</u>
<b>Total Liabilities</b>	<u>8,633</u>	<u>11,369</u>
 <b>Net Assets</b>		
Without Donor Restrictions:		
Undesignated	460,276	643,994
Invested in property and equipment	<u>19,055</u>	<u>29,090</u>
<b>Total Net Assets Without Donor Restrictions</b>	<u>479,331</u>	<u>673,084</u>
 With Donor Restrictions:		
Restricted for specified purpose	1,995,773	2,060,950
Restricted in perpetuity - endowment	2,152,076	2,102,076
Underwater endowments	<u>(213,484)</u>	<u>(228,678)</u>
<b>Total Net Assets With Donor Restrictions</b>	<u>3,934,365</u>	<u>3,934,348</u>
<b>Total Net Assets</b>	<u>4,413,696</u>	<u>4,607,432</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 4,422,329</u>	<u>\$ 4,618,801</u>

Read Report of Independent Certified Public Accountants.  
The accompanying notes are an integral part  
of these financial statements.

**PASCO EDUCATION FOUNDATION, INC.**  
**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

**CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS:**

	<u>2019</u>	<u>2018</u>
<b>Revenue and Support</b>		
Special events	\$ 356,045	\$ 339,459
Less: direct costs of special events	<u>(117,780)</u>	<u>(92,145)</u>
Total special events, net of direct costs	238,265	247,314
Contributions	254,644	253,388
In-kind contributions	26,999	26,049
Grant revenue	392,186	349,765
Other income	789	-
Net assets released from restrictions	<u>282,549</u>	<u>278,689</u>
<b>Total Revenues and Support Without Donor Restrictions</b>	<u>1,195,432</u>	<u>1,155,205</u>
<b>Expenses</b>		
<i>Program Services</i>	<u>1,261,021</u>	<u>1,213,067</u>
<i>Support Services</i>		
Administrative	56,490	50,070
Fundraising	<u>83,195</u>	<u>72,816</u>
<b>Total Support Services</b>	<u>139,685</u>	<u>122,886</u>
<b>Total Expenses</b>	<u>1,400,706</u>	<u>1,335,953</u>
	(205,274)	(180,748)
<b>Other Changes</b>		
Investment return	<u>11,521</u>	<u>171,364</u>
Change in Net Assets Without Donor Restrictions	<u>(193,753)</u>	<u>(9,384)</u>
<b>CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS:</b>		
Contributions	267,372	300,523
Net assets released from restrictions	<u>(282,549)</u>	<u>(278,689)</u>
	<u>(15,177)</u>	<u>21,834</u>
<b>Other Changes</b>		
Investment return	<u>15,194</u>	<u>-</u>
Change in Net Assets With Donor Restrictions	17	21,834
Increase (decrease) in net assets	(193,736)	12,450
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>4,607,432</u>	<u>4,594,982</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 4,413,696</u>	<u>\$ 4,607,432</u>

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**PASCO EDUCATION FOUNDATION, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>SUPPORT SERVICES</u>			<b>TOTAL SUPPORT SERVICES</b>	<b>TOTAL EXPENSES</b>
	<b>PROGRAM SERVICES</b>	<b>ADMINISTRATIVE</b>	<b>FUNDRAISING</b>		
Salaries and wages	\$ 297,980	\$ 39,731	\$ 59,596	\$ 99,327	\$ 397,307
Payroll taxes	23,490	3,132	4,698	7,830	31,320
Employee benefits	25,888	3,452	5,178	8,630	34,518
<b>Total salaries and related expenses</b>	<b>347,358</b>	<b>46,315</b>	<b>69,472</b>	<b>115,787</b>	<b>463,145</b>
Grants	332,307	-	-	-	332,307
Student scholarships	442,291	-	-	-	442,291
Banquets and events	43,704	-	-	-	43,704
Robotics	13,178	-	-	-	13,178
Students in transition	9,089	-	-	-	9,089
Professional fees	7,698	1,027	1,540	2,567	10,265
Printing costs	790	105	158	263	1,053
Occupancy costs	20,249	2,700	4,050	6,750	26,999
Supplies	8,814	1,175	1,763	2,938	11,752
IT costs	4,726	630	945	1,575	6,301
Dues and subscriptions	3,797	506	759	1,265	5,062
Cell phone expense	2,513	335	503	838	3,351
Bank and merchant fees	-	-	1,110	1,110	1,110
Travel and meetings	14,472	1,930	2,895	4,825	19,297
Insurance	-	1,767	-	1,767	1,767
<b>Total expenses before depreciation</b>	<b>1,250,986</b>	<b>56,490</b>	<b>83,195</b>	<b>139,685</b>	<b>1,390,671</b>
Depreciation	10,035	-	-	-	10,035
<b>Total expenses</b>	<b>\$ 1,261,021</b>	<b>\$ 56,490</b>	<b>\$ 83,195</b>	<b>\$ 139,685</b>	<b>\$ 1,400,706</b>

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**PASCO EDUCATION FOUNDATION, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>SUPPORT SERVICES</u>			<u>TOTAL SUPPORT SERVICES</u>	<u>TOTAL EXPENSES</u>
	<u>PROGRAM SERVICES</u>	<u>ADMINISTRATIVE</u>	<u>FUNDRAISING</u>		
Salaries and wages	\$ 259,760	\$ 34,634	\$ 51,952	\$ 86,586	\$ 346,346
Payroll taxes	20,294	2,706	4,059	6,765	27,059
Employee benefits	22,615	3,015	4,523	7,538	30,153
Total salaries and related expenses	302,669	40,355	60,534	100,889	403,558
Grants	281,854	-	-	-	281,854
Student scholarships	492,046	-	-	-	492,046
Banquets and events	42,718	-	-	-	42,718
Robotics	26,774	-	-	-	26,774
Students in transition	2,908	-	-	-	2,908
Professional fees	6,917	922	1,383	2,305	9,222
Printing costs	803	106	161	267	1,070
Occupancy costs	19,537	2,605	3,907	6,512	26,049
Supplies	7,095	781	1,396	2,177	9,272
IT costs	5,524	737	1,105	1,842	7,366
Dues	3,846	513	769	1,282	5,128
Bank and merchant fees	-	-	1,369	1,369	1,369
Travel and meetings	10,559	1,408	2,112	3,520	14,079
Insurance	-	2,590	-	2,590	2,590
Other	398	53	80	133	531
Total expenses before depreciation	1,203,648	50,070	72,816	122,886	1,326,534
Depreciation	9,419	-	-	-	9,419
Total expenses	<u>\$ 1,213,067</u>	<u>\$ 50,070</u>	<u>\$ 72,816</u>	<u>\$ 122,886</u>	<u>\$ 1,335,953</u>

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of these financial statements.



**PASCO EDUCATION FOUNDATION, INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (193,736)	\$ 12,450
<i>Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:</i>		
Depreciation expense	10,035	9,419
Net unrealized (gain) loss in investments	6,000	(139,380)
(Increase) decrease in accounts receivable	1,611	(2,167)
(Increase) decrease in prepaid insurance	-	4,331
(Increase) decrease in prepaid scholarships	116,727	133,738
Increase (decrease) in accounts payable	(2,775)	307
Increase (decrease) in accrued expenses	39	8
	<u>131,637</u>	<u>6,256</u>
Total Adjustments		
	<u>131,637</u>	<u>6,256</u>
Net Cash Provided (Used) by Operating Activities	<u>(62,099)</u>	<u>18,706</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	-	(5,497)
Reinvestment of interest in certificates of deposit	(2,572)	(2,530)
Sales of investments	211,900	-
Purchase of investments	<u>(111,605)</u>	<u>(244,675)</u>
	<u>97,723</u>	<u>(252,702)</u>
Net Cash Provided (Used In) Investing Activities		
	<u>97,723</u>	<u>(252,702)</u>
<b>Net Increase (Decrease) in Cash</b>	35,624	(233,996)
<b>Cash and cash equivalents, beginning of year</b>	<u>117,476</u>	<u>351,472</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 153,100</u>	<u>\$ 117,476</u>

Read Report of Independent Certified Public Accountants.  
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**PASCO EDUCATION FOUNDATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

**NOTE A- DESCRIPTION OF ORGANIZATION**

The Pasco Education Foundation, Inc. ("the Organization") is an independent nonprofit organization established in 1991 in the state of Florida. The Organization is the avenue for the individuals and the private sector to develop positive and supportive relationships with the Pasco County School district and to make philanthropic contributions to help accomplish the goals of Pasco County's public schools.

The Organization's mission is to advance student achievement and invest community resources to enrich educational opportunities for students and educators.

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation and Recent Accounting Pronouncement**

In August 2016, the FASB issued ASU 2016-14 (the ASU), *Not-for-Profit Entities (Topic 958)*, to make improvements to a not-for-profit entity's (NFPs) current financial reporting on net assets, expenses, liquidity, financial performance and cash flows. These improvements are intended to provide more useful information to donors, grantors, creditors and other users of a NFPs financial statements. The ASU is effective for fiscal years beginning after December 15, 2017 and the Organization has adopted the ASU for the year ended June 30, 2019.

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net assets without donor restrictions - Net assets that are not subject to donor-imposed stipulations, including restricted contributions whose restrictions are met in the same reporting period.

Net assets with donor restrictions - Net assets subject to donor-imposed stipulations that:

- may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.
- are maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes.

**Estimates**

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

**Cash and Cash Equivalents**

Cash includes amounts on deposit in bank accounts and currency on hand.

Read Report of Independent Certified Public Accountants.

**PASCO EDUCATION FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Investments**

Investments are reported at fair value based on quoted market value with unrealized gains and losses included in changes in net assets.

**Prepaid Scholarships**

Prepaid scholarships consist of prepaid college tuition fees purchased through the Florida Prepaid College Foundation, Inc. The Organization raises money through contributions which are matched dollar-for-dollar by the State of Florida passed through the Consortium of Florida Education Foundations. The scholarships are recorded at the lower of contract cost or current tuition value and are amortized based on actual credit hours used by students.

**Property and Equipment**

Property and equipment are stated at historical cost and depreciated using the straight-line method over the estimated useful lives of each asset ranging from 3 to 5 years. Acquisitions of property and equipment in excess of \$1,000 are capitalized.

**Donated Facilities, Materials and Services**

Donated facilities are reflected in the accompanying financial statements as revenue and expense based on the fair rental value of comparable facilities which totaled \$26,999 and \$26,049 for the years ended June 30, 2019 and 2018, respectively. Donated materials and services, when received are reflected as contributions in the financial statements at their estimated fair market values at the date of receipt. Volunteer services not requiring specialized skills are not reflected in the financial statements since no objective basis exists for recording and assigning values to many of these services.

**Functional Allocation of Expenses**

Expenses are shown by natural expense classification and function in the accompanying statement of functional expenses for each year presented. Expenses that are attributable to more than one program or supporting function are allocated on a reasonable basis that is consistently applied. Allocations are based on direct usage or management's estimate of the benefit derived by each activity. Management's estimates may be based on factors such as time and effort, square footage, clients served, or any other reasonable basis. The expenses that are allocated on the basis of estimates of time and effort are salaries, wages and employee benefits. Occupancy, maintenance, insurance, utilities and depreciation are allocated on a square footage basis.

**Income Tax Status**

The Organization is exempt from federal income taxes under Section 501 (c)(3) of the Internal Revenue Code and similar state provisions. The Organization is treated as a public supported organization, and not as a private foundation. Accordingly, no provision for income taxes has been reflected in the accompanying financial statements. The Organization accounts for uncertain tax positions, if any, in accordance with ASC Section 740.

Management is not aware of any activities that would jeopardize the organization's tax-exempt status. The Organization is not aware of any tax positions that it has taken that are subject to a significant degree of uncertainty. The Organization believes it is no longer subject to income tax examinations for fiscal years ending prior to June 30, 2016.

Read Report of Independent Certified Public Accountants.

**PASCO EDUCATION FOUNDATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Fair Value of Financial Instruments**

Professional standards require disclosure of an estimate of fair value of certain financial instruments. The Organization's significant financial instruments are cash, money market funds, prepaid scholarships and other short-term assets and liabilities. For these financial instruments, carrying values approximate fair value.

**Concentration of Credit Risk**

Financial instruments which potentially subject the Organization to concentrations of credit risk consist principally of cash, money market funds, and certificates of deposit. The Organization places its deposits with creditworthy, high quality financial institutions. The Organization's cash held with financial institutions did not exceed the FDIC \$250,000 insured limit at June 30, 2019 and 2018.

**Reclassification**

Certain 2018 amounts have been reclassified to conform to the 2019 presentation.

**NOTE C – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

The following reflects the Organization's financial assets as of the statement of financial position date. These financial assets are required to be reduced by those not available for general use within one year of the statement of financial position date.

	<u>2019</u>	<u>2018</u>
Financial assets:		
Cash and cash equivalents	\$ 153,100	\$ 117,476
Accounts receivable	24,406	26,017
Certificates of deposit	112,102	109,530
Investments	<u>2,583,450</u>	<u>2,689,745</u>
	2,873,058	2,942,768
Less those unavailable for general expenditure within one year due to:		
Long term certificate of deposit	(84,071)	(82,176)
Amounts restricted in perpetuity for endowment	<u>(2,152,076)</u>	<u>(2,102,076)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 636,911</u>	<u>\$ 758,716</u>

The Organization structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due and strives to operate within a prudent range of financial soundness and stability, maintain adequate liquid assets to fund near-term operating needs, and maintain sufficient reserves to provide reasonable assurance that any long-term obligations will be discharged. Financial assets in excess of daily cash requirements may be invested in certificates of deposit, money market funds or other short-term investments.

Read Report of Independent Certified Public Accountants.

**PASCO EDUCATION FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

**NOTE C – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS, (continued)**

The Organization receives significant grants and contributions restricted by funders and donors. The Organization considers grants and contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures.

**NOTE D – PREPAID SCHOLARSHIPS**

During the years ended June 30, 2019 and 2018, the Organization paid \$76,122 and \$72,451, respectively, to the Florida Prepaid College Foundation, Inc. for the purpose of purchasing prepaid scholarships to be awarded in the future to qualified, economically disadvantaged students in Florida. The State of Florida matching contributions for the year ended June 30, 2019 and 2018 totaled \$76,122 and \$72,451, respectively, and are recorded as restricted contributions until the scholarships are utilized.

**NOTE E – FAIR VALUE MEASUREMENTS**

Professional standards, establishes a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure 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 to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

**Level 2**

- Inputs to the valuation methodology include:
  - Quoted prices for similar assets or liabilities in active markets;
  - Quoted prices for identical or similar assets or liabilities in inactive markets;
  - Inputs other than quoted prices that are observable for the asset or liability;
  - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

**Level 3**

- Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable input and minimize the use of unobservable input and minimize the use of unobservable inputs.

Read Report of Independent Certified Public Accountants.

**PASCO EDUCATION FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

**NOTE E – FAIR VALUE MEASUREMENTS, (continued)**

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value at June 30, 2019:

	Fair Value Measurements at Reporting Date Using			
	Fair Value	(Level 1)	(Level 2)	(Level 3)
Short term investments	\$ 40,395	\$ 40,395	\$ -	\$ -
Corporate bonds	93,513	-	93,513	-
Municipal bonds	38,391	-	38,391	-
Income annuity	10,418	-	-	10,418
Equities	494,219	494,219	-	-
Exchange traded funds	1,906,514	1,906,514	-	-
<b>Total</b>	<b>\$ 2,583,450</b>	<b>\$ 2,441,128</b>	<b>\$ 131,904</b>	<b>\$ 10,418</b>

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value at June 30, 2018:

	Fair Value Measurements at Reporting Date Using			
	Fair Value	(Level 1)	(Level 2)	(Level 3)
Short term investments	\$ 39,414	\$ 39,414	\$ -	\$ -
Corporate bonds	89,465	-	89,465	-
Municipal bonds	35,634	-	35,634	-
Income annuity	10,418	-	-	10,418
Equities	532,684	532,684	-	-
Exchange traded funds	1,982,130	1,982,130	-	-
<b>Total</b>	<b>\$ 2,689,745</b>	<b>\$ 2,554,228</b>	<b>\$ 125,099</b>	<b>\$ 10,418</b>

Read Report of Independent Certified Public Accountants.

**PASCO EDUCATION FOUNDATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

**NOTE E – FAIR VALUE MEASUREMENTS, (continued)**

Investment return consists of the following at June 30,:

	<u>2019</u>	<u>2018</u>
Interest and dividends	\$ 52,228	\$ 50,884
Realized and unrealized gains (losses)	<u>(6,000)</u>	<u>139,380</u>
	48,228	190,264
Less: investment expenses	<u>(19,513)</u>	<u>(18,900)</u>
	<u>\$ 26,715</u>	<u>\$ 171,364</u>

**NOTE F- PROPERTY AND EQUIPMENT**

Property and equipment, at costs, at June 30,:

	<u>2019</u>	<u>2018</u>
Computer software	\$ 48,490	\$ 48,490
Computer equipment	1,007	1,007
Total Property and Equipment	<u>49,497</u>	<u>49,497</u>
Less: Accumulated Depreciation	<u>(30,442)</u>	<u>(20,407)</u>
Net Property and Equipment	<u>\$ 19,055</u>	<u>\$ 29,090</u>

Depreciation expense for the years ended June 30, 2019 and 2018 was \$10,035 and \$9,419, respectively.

**NOTE G – ENDOWMENT**

At June 30, 2019 and 2018, the Organization was the beneficiary of various endowment funds that totaled \$2,152,076 and \$2,102,076 respectively. The donors require that the monies received be held as permanent endowment funds, the income is to provide scholarships for students.

Read Report of Independent Certified Public Accountants.

**PASCO EDUCATION FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

**NOTE G – ENDOWMENT, (continued)**

Endowment Net Asset Composition by Type of Fund as of June 30, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Organization			
Endowment principal	\$ -	\$ 2,152,076	\$ 2,152,076
Less underwater endowments	-	(213,484)	(213,484)
	<u>-</u>	<u>\$1,938,592</u>	<u>\$1,938,592</u>

Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ -	\$ 1,873,398	\$ 1,873,398
Contributions	-	50,000	50,000
Investment return, net	-	15,194	15,194
Net appreciation (realized and unrealized)	-	-	-
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 1,938,592</u>	<u>\$ 1,938,592</u>

Endowment Net Asset Composition by Type of Fund as of June 30, 2018:

	Without Donor Restrictions	With Donor Restrictions	Total
Organization			
Endowment principal	\$ -	\$ 2,102,076	\$ 2,102,076
Less underwater endowments	-	(228,678)	(228,678)
	<u>-</u>	<u>\$1,873,398</u>	<u>\$1,873,398</u>

Read Report of Independent Certified Public Accountants.



**PASCO EDUCATION FOUNDATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

**NOTE G – ENDOWMENT, (continued)**

Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2018:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 1,694,814	\$ 1,694,814
Contributions	-	75,000	75,000
Investment income, net	-	-	-
Net appreciation (realized and unrealized)	-	103,594	103,594
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 1,873,398</u>	<u>\$ 1,873,398</u>

**Interpretation of Relevant Law**

The Board of Directors has interpreted the law as requiring donor restricted net assets in an endowment fund to remain restricted until appropriated for expenditure by the Organization for the donor's intended purpose.

In accordance with the Florida Uniform Prudent Management of Institutional Funds Act (FUPMIFA), the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- 1) The purposes of the Organization and the donor restricted endowment fund
- 2) General economic conditions
- 3) The possible effect of inflation and deflation
- 4) The expected total return on investment
- 5) Other resources of the Organization
- 6) The investment policies of the Organization
- 7) The duration and preservation of the endowment fund.

**Return Objectives and Risk Parameters**

The Organization has adopted an Investment Guideline Policy for endowment assets that attempts to emphasize continued focus on planned giving. The objective is to enhance maximum total return from a combination of capital appreciation and income, without assuming unreasonable risk. Investments are divided between fixed income and equity securities. The range of equity investments ranges from 0-70%. The fixed income range is up to 30%.

Read Report of Independent Certified Public Accountants.

**PASCO EDUCATION FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

**NOTE G – ENDOWMENT, (continued)**

**Spending Policy**

Each endowment fund has an endowment book value, an endowment spending base and an endowment market value. Distributions are made on an annual basis in accordance with the endowment spending policy. The current annual spending rate is 4.0% of the endowment principal fund's adjusted endowment spending base. The Board has the discretion to adjust the spending rate.

**Market Fluctuations**

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that current law requires the Organization to retain for a fund of perpetual duration. Deficiencies of this nature reported in unrestricted net assets were approximately \$213,484 at June 30, 2019 and \$228,678 as of June 30, 2018. Such deficiencies resulted from unfavorable market fluctuations that occurred after the investment of permanently restricted contributions and continued appropriation for certain scholarships was deemed prudent by the Board of Directors. To remedy the situation, The Board of Directors adopted an endowment spending policy to preserve the purchasing power of endowments and to generate a current income stream to support donor objectives, while assuming a prudent level of investment risk.

**NOTE H – NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions of the Organization are comprised of cash, prepaid expenses and investments available for the following purposes:

	<u>2019</u>	<u>2018</u>
<i>Purpose Restricted:</i>		
Florida Prepaid College Fund scholarships	\$ 1,530,216	\$ 1,646,943
Other scholarships	<u>465,557</u>	<u>414,007</u>
	1,995,773	2,060,950
Restricted in perpetuity - endowment	2,152,076	2,102,076
Underwater endowments	<u>( 213,484)</u>	<u>(228,678)</u>
	<u>1,938,592</u>	<u>1,873,398</u>
Total net assets with donor restrictions	<u>\$ 3,934,365</u>	<u>\$ 3,934,348</u>

Net assets of \$282,549 and \$278,689 were released from donor restrictions in satisfaction of program restrictions during the years ended June 30, 2019 and 2018, respectively.

**NOTE I – DEPARTMENT OF HIGHWAY SAFETY AND MOTOR VEHICLES**

The Organization receives revenue from the sale of the Florida Education specialty license plate offered by the Florida Department of Highway Safety and Motor Vehicles (the Department). For the years ended June 30, 2019 and 2018, the Organization recognized \$13,053 and \$14,109, respectively, in revenue from the Department. The Organization expended the monies on providing scholarships and grants in accordance with the mission of the Organization and in compliance with sections 320.08056 and 320.08058 of the Florida Statutes governing the use of the moneys received from the Department.

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**PASCO EDUCATION FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

**NOTE J- RELATED PARTY TRANSACTIONS**

During the years ended June 30, 2019 and 2018 a member of the Board of Directors is an officer at a bank that is used by the Organization. This Board member does not receive any payment of commission for the banking services. The School District of Pasco County donates space and services to the Organization. A member of the Board of Directors is also a Pasco County School Board member. The superintendent of Pasco County schools is also a member of the Organization's Board of Directors. Neither of these Board members receives any compensation for the donation of space.

**NOTE K - SUBSEQUENT EVENTS**

Management has evaluated subsequent events through September 5, 2019, the date the financial statements were available to be issued.

Read Report of Independent Certified Public Accountants.



**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**

To the Board of Directors of  
Pasco Education Foundation, Inc.

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 Pasco Education Foundation, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019, 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 September 5, 2019.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the 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 Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Organization'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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Reed & Associates, PA". The signature is written in a cursive, flowing style.

Certified Public Accountants  
September 5, 2019