



PASCO EDUCATION FOUNDATION, INC.

FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

PASCO EDUCATION FOUNDATION, INC.

FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

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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, 2020 and 2019, 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, 2020 and 2019, 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 18, 2020 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 18, 2020

PASCO EDUCATION FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2020 AND 2019

ASSETS	<u>2020</u>	<u>2019</u>
Current Assets		
Cash and cash equivalents	\$ 389,713	\$ 153,100
Accounts receivable	30,007	24,406
Certificate of deposit	-	28,031
Investments	<u>612,908</u>	<u>634,440</u>
Total Current Assets	1,032,628	839,977
Property and equipment, net	9,021	19,055
Certificate of deposit	113,630	84,071
Prepaid scholarships	1,301,948	1,530,216
Endowment investments	2,035,871	1,938,592
Other assets	<u>10,418</u>	<u>10,418</u>
Total Assets	<u><u>\$ 4,503,516</u></u>	<u><u>\$ 4,422,329</u></u>
 LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	\$ 7,868	\$ 8,633
Paycheck Protection Program loan	<u>92,400</u>	<u>-</u>
Total Liabilities	<u>100,268</u>	<u>8,633</u>
 Net Assets		
Without Donor Restrictions:		
Undesignated	358,953	246,792
Underwater endowments	186,205	213,484
Invested in property and equipment	<u>9,021</u>	<u>19,055</u>
Total Net Assets Without Donor Restrictions	<u>554,179</u>	<u>479,331</u>
 With Donor Restrictions:		
Restricted for specified purpose	1,813,198	1,995,773
Restricted in perpetuity - endowment	2,222,076	2,152,076
Underwater endowments	<u>(186,205)</u>	<u>(213,484)</u>
Total Net Assets With Donor Restrictions	<u>3,849,069</u>	<u>3,934,365</u>
Total Net Assets	<u>4,403,248</u>	<u>4,413,696</u>
Total Liabilities and Net Assets	<u><u>\$ 4,503,516</u></u>	<u><u>\$ 4,422,329</u></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, 2020 AND 2019

CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS:

	<u>2020</u>	<u>2019</u>
Revenue and Support		
Special events	\$ 317,059	\$ 297,869
Less: direct costs of special events	<u>(74,792)</u>	<u>(87,808)</u>
Total special events, net of direct costs	242,267	210,061
Contributions	400,541	313,609
In-kind contributions	24,045	26,999
Grant revenue	416,980	392,186
Net assets released from restrictions	<u>95,000</u>	<u>13,578</u>
Total Revenues and Support Without Donor Restrictions	<u>1,178,833</u>	<u>956,433</u>
Expenses		
<i>Program Services</i>	<u>1,217,831</u>	<u>1,290,993</u>
<i>Support Services</i>		
Administrative	58,015	56,490
Fundraising	<u>82,285</u>	<u>83,195</u>
Total Support Services	<u>140,300</u>	<u>139,685</u>
Total Expenses	<u>1,358,131</u>	<u>1,430,678</u>
	(179,298)	(474,245)
Other Changes		
Investment return	<u>(11,075)</u>	<u>11,521</u>
Change in Net Assets Without Donor Restrictions	<u>(190,373)</u>	<u>(462,724)</u>
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS:		
Contributions	226,924	267,372
Net assets released from restrictions	<u>(95,000)</u>	<u>(13,578)</u>
	<u>131,924</u>	<u>253,794</u>
Other Changes		
Investment return	<u>48,001</u>	<u>15,194</u>
Change in Net Assets With Donor Restrictions	179,925	268,988
Increase (decrease) in net assets	(10,448)	(193,736)
NET ASSETS, BEGINNING OF YEAR	<u>4,413,696</u>	<u>4,607,432</u>
NET ASSETS, END OF YEAR	<u>\$ 4,403,248</u>	<u>\$ 4,413,696</u>

Read Report of Independent Certified Public Accountants.
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of these financial statements.

**PASCO EDUCATION FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020**

SUPPORT SERVICES

	PROGRAM SERVICES	SUPPORT SERVICES		TOTAL SUPPORT SERVICES	TOTAL EXPENSES
		ADMINISTRATIVE	FUNDRAISING		
Salaries and wages	\$ 298,007	\$ 39,734	\$ 59,602	\$ 99,336	\$ 397,343
Payroll taxes	22,859	3,048	4,571	7,619	30,478
Employee benefits	25,257	3,368	5,052	8,420	33,677
Total salaries and related expenses	346,123	46,150	69,225	115,375	461,498
Grants	292,655	-	-	-	292,655
Student scholarships	217,265	-	-	-	217,265
Amortization of Florida prepaid scholarships	262,116	-	-	-	262,116
Banquets and events	36,472	-	-	-	36,472
Professional fees	5,054	5,200	240	5,440	10,494
Printing costs	512	68	103	171	683
Occupancy costs	18,034	2,405	3,606	6,011	24,045
Supplies	12,890	1,719	2,578	4,297	17,187
IT costs	2,873	383	574	957	3,830
Dues and subscriptions	5,083	678	1,016	1,694	6,777
Cell phone expense	2,350	313	470	783	3,133
Bank and merchant fees	-	-	2,601	2,601	2,601
Marketing costs	-	-	848	848	848
Travel and meetings	5,118	682	1,024	1,706	6,824
Insurance	1,252	417	-	417	1,669
Total expenses before depreciation	1,207,797	58,015	82,285	140,300	1,348,097
Depreciation	10,034	-	-	-	10,034
Total expenses	<u>\$ 1,217,831</u>	<u>\$ 58,015</u>	<u>\$ 82,285</u>	<u>\$ 140,300</u>	<u>\$ 1,358,131</u>

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of these financial statements.

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

SUPPORT SERVICES

	PROGRAM SERVICES	SUPPORT SERVICES		TOTAL SUPPORT SERVICES	TOTAL EXPENSES
		ADMINISTRATIVE	FUNDRAISING		
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
Total salaries and related expenses	347,358	46,315	69,472	115,787	463,145
Grants	354,574	-	-	-	354,574
Student scholarships	173,320	-	-	-	173,320
Amortization of Florida prepaid scholarships	268,971	-	-	-	268,971
Banquets and events	73,676	-	-	-	73,676
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	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
Total expenses before depreciation	1,280,958	56,490	83,195	139,685	1,420,643
Depreciation	10,035	-	-	-	10,035
Total expenses	\$ 1,290,993	\$ 56,490	\$ 83,195	\$ 139,685	\$ 1,430,678

Read Report of Independent Certified Public Accountants.
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of these financial statements.

PASCO EDUCATION FOUNDATION, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (10,448)	\$ (193,736)
<i>Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:</i>		
Depreciation expense	10,034	10,035
Net unrealized (gain) loss in investments	(13,462)	6,000
Amortization of Florida prepaid scholarships	262,116	268,971
Matching contributions for Florida prepaid scholarships	(16,924)	(76,122)
(Increase) decrease in accounts receivable	(5,601)	1,611
Increase (decrease) in accounts payable and accrued expenses	(765)	(2,736)
 Total Adjustments	 235,398	 207,759
 Net Cash Provided (Used) by Operating Activities	 224,950	 14,023
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Florida prepaid scholarships	(16,924)	(76,122)
Reinvestment of interest in certificates of deposit	(1,528)	(2,572)
Sales of investments	78,715	211,900
Purchase of investments	(141,000)	(111,605)
 Net Cash Provided (Used In) Investing Activities	 (80,737)	 21,601
 CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Paycheck Protection Program loan	92,400	-
 Net Cash Provided (Used In) Financing Activities	 92,400	 -
 Net Increase (Decrease) in Cash	 236,613	 35,624
 Cash and cash equivalents, beginning of year	 153,100	 117,476
 Cash and cash equivalents, end of year	 \$ 389,713	 \$ 153,100

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

PASCO EDUCATION FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

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

The Organization has adopted Accounting Standards Update (ASU) No. 2014-09 – Revenue from Contracts with Customers (Topic 606), as amended as management believes the standard improves the usefulness and understandability of the Organization's financial reporting.

Analysis of various provisions of this standard resulted in no significant changes in the way the Organization recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

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, 2020 AND 2019

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 \$24,045 and \$26,999 for the years ended June 30, 2020 and 2019, 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, 2017.

Read Report of Independent Certified Public Accountants.

**PASCO EDUCATION FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

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 amount in excess of the FDIC limit totaled \$182,258 at June 30, 2020. The Organization's cash held with financial institutions did not exceed the FDIC \$250,000 insured limit at June 30, 2019.

Reclassification

Certain 2019 amounts have been reclassified to conform to the 2020 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>2020</u>	<u>2019</u>
Financial assets:		
Cash and cash equivalents	\$ 389,713	\$ 153,100
Accounts receivable	30,007	24,406
Certificates of deposit	113,630	112,102
Investments	<u>2,648,779</u>	<u>2,573,032</u>
	3,182,129	2,862,640
Less those unavailable for general expenditure within one year due to:		
Long term certificate of deposit	(113,630)	(84,071)
Amounts restricted for endowment	<u>(2,222,076)</u>	<u>(2,152,076)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 846,423</u>	<u>\$ 626,493</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, 2020 AND 2019

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, 2020 and 2019, the Organization paid \$16,924 and \$76,122, 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, 2020 and 2019 totaled \$16,924 and \$76,122, 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, 2020 AND 2019

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, 2020:

	Fair Value Measurements at Reporting Date Using			
	Fair Value	(Level 1)	(Level 2)	(Level 3)
Short term investments	\$ 281,445	\$ 281,445	\$ -	\$ -
Corporate bonds	41,384	-	41,384	-
Municipal bonds	41,385	-	41,385	-
Equities	677,986	677,986	-	-
Exchange traded funds	1,606,579	1,606,579	-	-
Total	<u>\$ 2,648,779</u>	<u>\$ 2,566,010</u>	<u>\$ 82,769</u>	<u>\$ -</u>

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	-
Equities	494,219	494,219	-	-
Exchange traded funds	1,906,514	1,906,514	-	-
Total	<u>\$ 2,573,032</u>	<u>\$ 2,441,128</u>	<u>\$ 131,904</u>	<u>\$ -</u>

Read Report of Independent Certified Public Accountants.

PASCO EDUCATION FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE E – FAIR VALUE MEASUREMENTS, (continued)

Investment return consists of the following at June 30,:

	<u>2020</u>	<u>2019</u>
Interest and dividends	\$ 42,650	\$ 52,228
Realized and unrealized gains (losses)	<u>13,462</u>	<u>(6,000)</u>
	56,112	46,228
Less: investment expenses	<u>(19,186)</u>	<u>(19,513)</u>
	<u>\$ 36,926</u>	<u>\$ 26,715</u>

NOTE F- PROPERTY AND EQUIPMENT

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

	<u>2020</u>	<u>2019</u>
Computer software	\$ 48,490	\$ 48,490
Computer equipment	<u>1,007</u>	<u>1,007</u>
Total Property and Equipment	49,497	49,497
Less: Accumulated Depreciation	<u>(40,476)</u>	<u>(30,442)</u>
Net Property and Equipment	<u>\$ 9,021</u>	<u>\$ 19,055</u>

Depreciation expense for the years ended June 30, 2020 and 2019 was \$10,034 and \$10,035, respectively.

NOTE G – ENDOWMENT

At June 30, 2020 and 2019, the Organization was the beneficiary of various endowment funds that totaled \$2,222,076 and \$2,152,076, respectively.

Endowment Net Asset Composition by Type of Fund as of June 30, 2020:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Organization			
Endowment principal	\$ -	\$ 2,222,076	\$ 2,222,076
Less underwater endowments	<u>-</u>	<u>(186,205)</u>	<u>(186,205)</u>
	<u>\$ -</u>	<u>\$ 2,035,871</u>	<u>\$ 2,035,871</u>

Read Report of Independent Certified Public Accountants.

PASCO EDUCATION FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE G – ENDOWMENT, (continued)

Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2020:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ -	\$ 1,938,592	\$ 1,938,592
Contributions	-	70,000	70,000
Investment return, net	-	48,001	48,001
Amounts appropriated for expenditure	-	(20,722)	(20,722)
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 2,035,871</u>	<u>\$ 2,035,871</u>

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>

Read Report of Independent Certified Public Accountants.

PASCO EDUCATION FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE G – ENDOWMENT, (continued)

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 income, 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>

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.
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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 \$186,205 at June 30, 2020 and \$213,484 as of June 30, 2019. 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 – PAYCHECK PROTECTION PROGRAM

During fiscal 2020, the Organization obtained a Paycheck Protection Program (PPP) loan under the CARES Act of \$92,400 to help keep their workforce employed during the COVID-19 crisis. The loan has a maturity of 2 years, an interest rate of 1% and initial loan payments are deferred for ten months. The loan can be fully forgiven if the funds are used for payroll costs, interest on mortgages, rent, and utilities. Management intends to comply with the forgiveness provisions and expects the loan to be forgiven in fiscal year 2021. Upon notification of forgiveness, the Organization will recognize \$92,400 in grant revenue.

NOTE I – 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>2020</u>	<u>2019</u>
<i>Purpose Restricted:</i>		
Florida Prepaid College Fund scholarships	\$ 1,301,948	\$ 1,530,216
Other scholarships	<u>511,250</u>	<u>465,557</u>
	1,813,198	1,995,773
Restricted in perpetuity - endowment	2,222,076	2,152,076
Underwater endowments	<u>(186,205)</u>	<u>(213,484)</u>
	<u>2,035,871</u>	<u>1,938,592</u>
Total net assets with donor restrictions	<u>\$ 3,849,069</u>	<u>\$ 3,934,365</u>

Net assets of \$95,000 and \$13,578 were released from donor restrictions in satisfaction of program restrictions during the years ended June 30, 2020 and 2019, respectively.

Read Report of Independent Certified Public Accountants.

PASCO EDUCATION FOUNDATION, INC.
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NOTE J – 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, 2020 and 2019, the Organization recognized \$13,570 and \$13,053, 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.

NOTE K- RELATED PARTY TRANSACTIONS

During the years ended June 30, 2020 and 2019 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 L - SUBSEQUENT EVENTS

As a result of the spread of the COVID-19 Coronavirus, economic uncertainties have arisen which are likely to negatively impact revenue and support. The Organization has been responsive to the COVID-19 crisis including providing clients virtual services. As the Organization continues to evaluate its response and the community's response to COVID-19, there could be additional impact which is unknown at this time.

Management has evaluated subsequent events through September 18, 2020, 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, 2020, 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 18, 2020.

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.

Reeder & Associates, PA

Certified Public Accountants
September 18, 2020