

PINELLAS COUNTY EDUCATION FOUNDATION, INC.

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

**June 30, 2023 and 2022
(With Independent Auditors' Report Thereon)**

PINELLAS COUNTY EDUCATION FOUNDATION, INC.

Table of Contents

	<u>Page</u>
Independent Auditors' Report on Financial Statements and Supplementary Financial Information	1 - 3
Financial Statements:	
Statements of Financial Position	4
Statement of Activities - 2023	5
Statement of Activities - 2022	6
Statement of Functional Expenses	7
Statements of Cash Flows	8
Notes to Financial Statements	9 - 26
Supplementary Financial Information:	
Schedule of Expenditures of State Financial Assistance	27
Notes to Schedule of Expenditures of State Financial Assistance	28
Internal Control and Compliance:	
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	29 - 30
Independent Auditors' Report on Compliance for Each Major State Project and on Internal Control Over Compliance Required by Chapter 10.650, <i>Rules of the State of Florida Auditor General</i>	31 - 33
Schedule of Findings and Questioned Costs	34
Management Letter	35



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

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

Opinion

We have audited the accompanying financial statements of Pinellas County Education Foundation, Inc. (the "Foundation"), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities and cash flows for the years then ended, the related statement of functional expenses for the year ended June 30, 2023, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Pinellas County Education Foundation, Inc. as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended, and its functional expenses for the year ended June 30, 2023 in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Change in Accounting Principle

As discussed in Note 9 to the financial statements, the Foundation changed its method of accounting for leases as a result of the adoption of the Accounting Standards Codification Topic 842, *Leases*, effective July 1, 2022, under the modified retrospective transition method. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Pinellas County Education Foundation, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Pinellas County Education Foundation, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited Pinellas County Education Foundation, Inc.'s 2022 financial statements, and our report dated January 13, 2023, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2023 on our consideration of the Foundation'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Pinellas County Education Foundation, Inc.'s internal control over financial reporting and compliance.

MAYER HOFFMAN McCANN P.C.

November 17, 2023
St. Petersburg, Florida

PINELLAS COUNTY EDUCATION FOUNDATION, INC.

Statements of Financial Position

June 30, 2023 and 2022

Assets	<u>2023</u>	<u>2022</u>
Cash and cash equivalents (Note 15)	\$ 2,258,256	3,455,182
Grants and other receivables	174,166	420,010
Prepaid expenses and other assets	59,814	70,774
Marketable investment securities (Notes 5 and 11)	22,937,317	20,112,213
Pledges receivable, net (Note 2)	2,001,880	2,164,773
Property and equipment, net (Note 3)	29,787	38,125
Operating lease right-of-use assets (Note 9)	32,959	-
Donated building space use (Note 4)	142,706	243,034
Florida prepaid scholarships (Note 6)	19,276,865	18,162,004
Beneficial interests in trusts (Notes 10 and 11)	<u>1,157,361</u>	<u>1,553,681</u>
 Total assets	 <u><u>\$ 48,071,111</u></u>	 <u><u>46,219,796</u></u>
 Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 371,177	269,661
Refundable advances	695,500	876,181
Obligation under split-interest agreement (Notes 10 and 11)	149,786	150,303
Operating lease liabilities (Note 9)	<u>32,959</u>	<u>-</u>
 Total liabilities	 1,249,422	 1,296,145
Net assets:		
Without donor restrictions	3,540,527	3,424,499
With donor restrictions:		
Donated building space use	142,706	243,034
Stavros Society pledges	87,955	176,954
Bequests	1,037,660	1,321,066
Programs and grants	7,764,535	7,340,020
Stavros Institute	1,493,040	1,147,721
Take Stock in Children	22,044,973	21,250,848
School-based projects	2,460,762	2,544,441
District-wide initiatives	93,335	193,602
Student scholarships	4,304,996	3,430,266
Take Stock in Children endowment (Note 12)	630,000	630,000
Stavros Institute endowment (Note 12)	<u>3,221,200</u>	<u>3,221,200</u>
 Total net assets with donor restrictions	 <u>43,281,162</u>	 <u>41,499,152</u>
 Total net assets	 <u>46,821,689</u>	 <u>44,923,651</u>
 Total liabilities and net assets	 <u><u>\$ 48,071,111</u></u>	 <u><u>46,219,796</u></u>

PINELLAS COUNTY EDUCATION FOUNDATION, INC.

Statement of Activities

Year Ended June 30, 2023

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Operating support and revenue:			
Special events revenues	\$ 86,424	-	86,424
Special events expenses	<u>(23,577)</u>	<u>-</u>	<u>(23,577)</u>
Net special events revenue	62,847	-	62,847
Contributions (Note 14):			
Unrestricted	573,940	-	573,940
Stavros Society pledges	-	9,500	9,500
Bequests	-	344,722	344,722
Programs and grants	10,588	1,365,750	1,376,338
Stavros Institute	-	392,218	392,218
Take Stock in Children - support and revenue	-	738,429	738,429
Take Stock in Children - Florida prepaid scholarships match (Note 6)	-	2,407,740	2,407,740
School-based projects	-	130,291	130,291
District-wide initiatives	6,000	33,998	39,998
Student scholarships	-	995,344	995,344
Governmental grants	97,346	972,456	1,069,802
Investment return	620,085	1,234,275	1,854,360
Change in value of split-interest agreements	-	6,471	6,471
In-kind donations (Note 8)	141,642	7,622	149,264
Net assets released from restrictions:			
Expiration of time restrictions	490,489	(490,489)	-
Satisfaction of program restrictions	<u>6,366,317</u>	<u>(6,366,317)</u>	<u>-</u>
Total support and revenue	8,369,254	1,782,010	10,151,264
Expenses:			
Program services:			
Programs and grants	2,469,112	-	2,469,112
Community relations and events	570,710	-	570,710
Stavros Institute	285,377	-	285,377
Take Stock in Children	2,713,008	-	2,713,008
School-based projects	348,445	-	348,445
District-wide initiatives	148,376	-	148,376
Student scholarships	<u>1,029,794</u>	<u>-</u>	<u>1,029,794</u>
Total program services	7,564,822	-	7,564,822
Supporting services:			
Administration	536,348	-	536,348
Fundraising	<u>152,056</u>	<u>-</u>	<u>152,056</u>
Total supporting services	<u>688,404</u>	<u>-</u>	<u>688,404</u>
Total expenses	<u>8,253,226</u>	<u>-</u>	<u>8,253,226</u>
Increase in net assets	116,028	1,782,010	1,898,038
Net assets, beginning of year	<u>3,424,499</u>	<u>41,499,152</u>	<u>44,923,651</u>
Net assets, end of year	<u>\$ 3,540,527</u>	<u>43,281,162</u>	<u>46,821,689</u>

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

PINELLAS COUNTY EDUCATION FOUNDATION, INC.

Statement of Activities

Year Ended June 30, 2022

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

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

PINELLAS COUNTY EDUCATION FOUNDATION, INC.

Statement of Functional Expenses

**Year Ended June 30, 2023
(With Comparative Totals for 2022)**

	Program Services							Supporting Services			Total		
	Programs and Grants	Community Relations and Events	Stavros Institute	Take Stock in Children	School-based Projects	District-wide Initiatives	Student Scholarships	Total	Administration	Fund Raising	Total	2023	2022
	Personnel expense	\$ 877,662	201,890	227,071	536,312	18,907	4,079	77,547	1,943,468	117,804	78,662	196,466	2,139,934
Contracted salaries and benefits	303,694	150	1,433	-	-	7,062	-	312,339	25,779	-	25,779	338,118	326,944
Professional services	428,141	26,212	3,327	4,988	1,443	31	367	464,509	134,498	2,266	136,764	601,273	383,790
Travel, conferences and seminars	8,249	1,367	31	9,502	976	975	343	21,443	14,823	1,119	15,942	37,385	32,509
Communications	5,759	520	400	1,138	-	-	-	7,817	1,951	2,526	4,477	12,294	12,953
Supplies	89,701	8,875	9,160	4,459	87,713	7,668	5,656	213,232	10,058	512	10,570	223,802	180,622
Printing and publications	2,735	3,214	1,021	2,520	-	-	122	9,612	4,917	3,998	8,915	18,527	21,931
Equipment	-	717	-	-	-	-	-	717	9,050	-	9,050	9,767	10,732
Computer expense	6,474	4,559	1,609	15,223	-	-	4,885	32,750	80,082	29,496	109,578	142,328	157,675
Insurance	-	880	-	-	-	-	-	880	36,003	-	36,003	36,883	38,865
Dues and subscriptions	41	2,353	180	30,722	-	-	1,450	34,746	9,589	1,065	10,654	45,400	8,467
Meetings and events	135,562	109,553	18,018	40,869	18,341	16,531	8,677	347,551	7,617	4,861	12,478	360,029	416,203
Scholarships, awards and donations	546,866	123,633	20,116	2,034,566	221,038	112,030	924,252	3,982,501	3,253	1,543	4,796	3,987,297	2,670,322
Banking expenses	100	726	6	266	27	-	206	1,331	9,839	401	10,240	11,571	16,122
Other expenses	32,228	751	923	1,843	-	-	1,189	36,934	25,785	6,907	32,692	69,626	302,062
Donated services and facilities (Note 8)	31,900	85,310	2,082	30,600	-	-	5,100	154,992	45,300	18,700	64,000	218,992	264,633
Total expenses - 2023	\$ 2,469,112	570,710	285,377	2,713,008	348,445	148,376	1,029,794	7,564,822	536,348	152,056	688,404	8,253,226	
Total expenses - 2022	\$ 2,239,012	687,453	237,675	1,965,859	149,539	134,625	925,313	6,339,476	536,553	319,452	856,005		7,195,481

PINELLAS COUNTY EDUCATION FOUNDATION, INC.

Statements of Cash Flows

Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Increase in net assets	\$ 1,898,038	231,779
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	15,166	14,535
Realized and unrealized losses (gains) on investment securities	(1,351,561)	2,420,324
Gain on disposal of real estate held for sale	-	(235,079)
Gain on forgiveness of debt	-	(396,677)
Amortization of Florida prepaid scholarships	1,920,438	1,303,125
Noncash rent expense - donated building space use	100,328	95,481
Proceeds on disposal of real estate held for sale	-	1,385,079
Matching contributions for Florida prepaid scholarships	(2,407,740)	(1,039,849)
Decrease (increase) in grants and other receivables	245,844	(2,785)
Decrease (increase) in prepaid expenses and other assets	10,960	(21,342)
Decrease (increase) in pledges receivable	162,893	(1,029,390)
Decrease (increase) in beneficial interests in trusts	396,320	(58,879)
Increase in accounts payable and accrued expenses	101,516	92,995
Increase (decrease) in refundable advances	(180,681)	270,200
Decrease in obligations under split-interest agreements	<u>(517)</u>	<u>(37,220)</u>
Net cash provided by operating activities	911,004	2,992,297
Cash flows from investing activities:		
Purchases of Florida prepaid scholarships	(627,559)	(737,221)
Proceeds from refund of Florida prepaid scholarships	-	47,886
Purchases of marketable investment securities	(8,534,385)	(8,530,319)
Proceeds from sales of marketable investment securities	7,060,842	4,725,807
Property and equipment purchases	<u>(6,828)</u>	<u>(13,521)</u>
Net cash used in investing activities	<u>(2,107,930)</u>	<u>(4,507,368)</u>
Net decrease in cash and cash equivalents	(1,196,926)	(1,515,071)
Cash and cash equivalents, beginning of year	<u>3,455,182</u>	<u>4,970,253</u>
Cash and cash equivalents, end of year	\$ <u>2,258,256</u>	<u>3,455,182</u>
Supplemental disclosure of cash flow information:		
Additions to operating lease right-of-use assets and lease liabilities recognized from adoption of ASC 842	\$ <u>45,148</u>	<u>-</u>

PINELLAS COUNTY EDUCATION FOUNDATION, INC.

Notes to Financial Statements

June 30, 2023 and 2022

(1) Summary of Significant Accounting Policies and Practices

(a) Organization and Purpose

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

The Foundation’s priorities align with Pinellas County Schools and support their vision of 100% student success. The Foundation’s strategies include strengthening the knowledge, skills and support for teachers and principals to improve student achievement levels and increasing students’ knowledge for accessing post-secondary education to boost graduation and college and career readiness rates. The Foundation does this through three key areas of work: Academic Achievement, Multiple Pathways and Enhancement Programs.

The Foundation’s Academic Achievement programs support teachers and principals by offering opportunities to improve instruction methods and increase student outcomes. Programs include Closing the Gap, Pinellas Early Literacy Initiative and Reading Recovery.

The Foundation’s Multiple Pathways programs ensure that students graduate from high school with multiple pathways to success, including college and career readiness. Some of our programs that help students succeed during and after high school include Career and Technical Education, College and Career Centers, Senior Scholarships and Take Stock in Children. Senior Scholarships range from \$500 to \$5,000 and are available to graduating Pinellas County Schools Children.

The Foundation’s Enhancement Programs cultivate a supportive culture for teachers and offer students the chance to develop essential skills. Examples of these programs include Enterprise Village, Finance Park, Evening of Excellence, Fund a Classroom, and TB12 Fitness Program.

Additional details on some of the Foundation’s key programs:

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

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

PINELLAS COUNTY EDUCATION FOUNDATION, INC.

Notes to Financial Statements - Continued

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

(a) **Organization and Purpose - Continued**

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

(b) **Basis of Presentation**

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

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

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

(c) **Liquidity**

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

(d) **Cash Equivalents**

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

(e) **Marketable Investment Securities**

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

PINELLAS COUNTY EDUCATION FOUNDATION, INC.

Notes to Financial Statements - Continued

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

(f) Pledges Receivable

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

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

(g) Property and Equipment

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

(h) Prepaid Scholarships

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

(i) Beneficial Interest in Trust and Gift Annuities

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

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

PINELLAS COUNTY EDUCATION FOUNDATION, INC.

Notes to Financial Statements - Continued

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

(j) Contributions

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

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

A portion of the Foundation's revenue is derived from cost-reimbursable contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenditures. Amounts received are recognized as revenue when the Foundation has provided certain services and incurred expenditures in compliance with specific contract or grant provisions. Cash received in excess of revenue recognized is recorded as refundable advances. There were refundable advances of approximately \$696,000 and \$876,000 as of June 30, 2023 and 2022, respectively. As of June 30, 2023 and 2022, the Foundation has been awarded grants and contracts of approximately \$738,000 and \$1,062,000, respectively, of which no amounts had been received in advance. The amounts have not been recognized in the accompanying financial statements because the conditions have not been met.

(k) Functional Allocation of Expenses

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

(l) Donated Services, Materials and Building Space

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

PINELLAS COUNTY EDUCATION FOUNDATION, INC.

Notes to Financial Statements - Continued

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

(m) Income Taxes

The Pinellas County Education Foundation, Inc. is a nonprofit organization exempt from federal income taxes on related income as an organization described in Section 501(c)(3) of the Internal Revenue Code and from Florida income tax under Chapter 220 of the *Florida Statutes*. Accordingly, no provision for income taxes has been included in the accompanying financial statements. The Foundation has adopted FASB guidance regarding *Uncertainty in Income Taxes* as codified in FASB ASC Topic 740-10. As of June 30, 2023, management does not believe it has taken any tax positions that are subject to a significant degree of uncertainty. The Foundation's income tax filings are subject to examination by the Internal Revenue Service generally for three years after they were filed. Tax filings for years after June 30, 2019 remain open for examination.

(n) Estimates in Financial Statements

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

(o) Going Concern Evaluation

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

(p) Summarized Financial Information for 2022

The consolidated statement of functional expenses includes certain prior-year summarized comparative information in total but not by functional category. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended June 30, 2022, from which the summarized information was derived.

PINELLAS COUNTY EDUCATION FOUNDATION, INC.

Notes to Financial Statements - Continued

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

(q) Leases

The Foundation leases office space and operating equipment. The Foundation determines if an arrangement is a lease at inception. Operating leases are included in right-of-use (ROU) assets and operating lease liabilities on the Foundation's statement of financial position.

ROU assets represent the Foundation's right to use an underlying asset for the lease term and lease liabilities represent the Foundation's obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As most of the Foundation's leases do not provide an implicit rate, the Foundation uses a risk-free rate based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The Foundation's lease terms may include options to extend or terminate the lease when it is reasonably certain that the Foundation will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The Foundation has elected to apply the short-term lease exemption to all classes of underlying assets when applicable.

The Foundation's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

(r) Recently Adopted Accounting Guidance

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

The Foundation adopted the standard effective July 1, 2022 and recognized and measured leases existing at, or entered into after, July 1, 2022 (the beginning of the period of adoption) through a cumulative effect adjustment, with certain practical expedients available. Lease disclosures for the year ended June 30, 2022 are made under prior lease guidance in FASB ASC 840.

The Foundation elected the available practical expedients to account for its existing operating leases as operating leases, under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard, (b) whether classification of capital leases or operating leases would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs, if any, before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

PINELLAS COUNTY EDUCATION FOUNDATION, INC.

Notes to Financial Statements - Continued

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

(r) Recently Adopted Accounting Guidance - Continued

As a result of the adoption of the new lease accounting guidance, the Foundation recognized on July 1, 2022 lease liabilities of approximately \$45,000, which represent the present value of the remaining operating lease payments of approximately \$48,000, discounted using applicable risk-free rates, and right-of-use assets of approximately \$45,000.

(2) Pledges Receivable

Included in pledges receivable as of June 30, 2023 and 2022 are the following unconditional promises to give:

	<u>2023</u>	<u>2022</u>
Stavros Society donors	\$ 91,051	180,050
Stavros Institute	1,005,928	939,919
Walker's Rising Stars	1,875,000	2,000,000
Other	<u>37,751</u>	<u>88,000</u>
 Total pledges receivable	 3,009,730	 3,207,969
 Discount for present value	 <u>(1,007,850)</u>	 <u>(1,043,196)</u>
 Net pledges receivable	 <u>\$ 2,001,880</u>	 <u>2,164,773</u>
 Amounts receivable in:		
Less than one year	\$ 438,530	475,769
One to five years	1,082,200	1,150,600
Thereafter	<u>1,489,000</u>	<u>1,581,600</u>
 Total	 <u>\$ 3,009,730</u>	 <u>3,207,969</u>

Discount rates range from 1.18% to 5.49% as of June 30, 2023 and from 1.18% to 3.99% as of June 30, 2022.

For the year ended June 30, 2023, the Foundation charged off \$0 of uncollectible pledges. For the year ended June 30, 2022, the Foundation charged off \$35,000 uncollectible pledges. Based on historical experience and other circumstances, it is management's estimate that the remaining receivables will be fully collected. Therefore, no allowance for uncollectible pledges is deemed necessary.

Outstanding pledges from one donor represented 62% of total pledges receivable at both June 30, 2023 and 2022.

PINELLAS COUNTY EDUCATION FOUNDATION, INC.

Notes to Financial Statements - Continued

(3) Property and Equipment

Property and equipment consist of the following as of June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Computer equipment	\$ 89,465	84,511
Furniture and fixtures	66,163	64,289
	155,628	148,800
Accumulated depreciation	<u>(125,841)</u>	<u>(110,675)</u>
	<u>\$ 29,787</u>	<u>38,125</u>

Depreciation expense for the years ended June 30, 2023 and 2022 was \$15,166 and \$14,535, respectively. Depreciation expense is included with other expenses in the accompanying statement of functional expenses.

(4) Donated Building Space Use

During December 2009, the Foundation entered into a below market 10 year lease agreement with The School Board of Pinellas County, Florida. Upon expiration of the original term in December 2019, the lease agreement was automatically extended for five years. Recognition of the fair value of this lease and related rental expense for the years ended June 30, 2023 and 2022 is summarized as follows:

Balance as of June 30, 2021	\$ 338,515
Recognition of in-kind rent expense for the year ended June 30, 2022	<u>(95,481)</u>
Balance as of June 30, 2022	243,034
Recognition of in-kind rent expense for the year ended June 30, 2023	<u>(100,328)</u>
Balance as of June 30, 2023	<u>\$ 142,706</u>

PINELLAS COUNTY EDUCATION FOUNDATION, INC.

Notes to Financial Statements - Continued

(5) Marketable Investment Securities

Marketable investment securities consist of the following as of June 30, 2023 and 2022:

	2023		2022	
	Cost	Fair Value	Cost	Fair Value
Large Cap Equity Mutual Funds	\$ 2,118,591	1,884,833	2,065,390	1,833,838
Large Cap Foreign Equity Mutual Funds	18,965	24,970	21,267	22,939
Preferred Equity Securities	968,884	884,418	959,415	842,621
Government Bonds	2,386,476	2,327,686	2,924,873	2,815,417
Government Bond Funds	92,439	73,659	89,032	72,849
Corporate Bonds	840,264	767,627	1,189,782	1,089,812
Money Market Funds	397,163	397,163	381,025	381,025
Stocks and Related	13,123,765	15,546,049	11,445,936	13,053,712
Alternative Investment	1,020,000	1,030,912	-	-
	\$ 20,966,547	22,937,317	19,076,720	20,112,213

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

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

(6) Florida Prepaid Scholarships

During the years ended June 30, 2023 and 2022 the Foundation paid \$493,648 and \$499,314, respectively, to the Florida Prepaid College Foundation, Inc. for the purpose of purchasing prepaid scholarships to be awarded in the future to qualified economically disadvantaged students in Florida, in an effort to redirect their lives and enhance their career goals. Certain amounts are matched dollar-for-dollar by the State of Florida depending on budget allocations. The matching contributions for the years ended June 30, 2023 and 2022 of \$493,648 and \$499,314, respectively, are recorded as contributions with donor restrictions in the Take Stock in Children program. During the years ended June 30, 2023 and 2022, the Foundation received cash refunds of approximately \$0 and \$52,000, respectively, from the Florida Prepaid College Foundation, Inc. due to modest tuition and fee increases in recent years resulting in the value paid for the scholarships being greater than the benefits paid by the plan. The refund is recorded as a contribution with donor restriction in the Take Stock in Children program.

PINELLAS COUNTY EDUCATION FOUNDATION, INC.

Notes to Financial Statements - Continued

(6) Florida Prepaid Scholarships - Continued

During the year ended June 30, 2022, the Foundation began participating in the Florida Prepaid College Foundation's Florida Only scholarship program which allows the Foundation to purchase one-year scholarships that are subsequently awarded to eligible students. At Pinellas County Education Foundation, Inc. the Florida Only scholarships are referred to as "Jump Start" Scholarships. Unlike other prepaid scholarships, the "Jump Start" scholarships are nonrefundable and unused hours are not available for reassignment if not utilized by the student to which the scholarship was originally awarded. As a function of these provisions, the cost of the "Jump Start" scholarships will be expensed in the period the scholarships are awarded. "Jump Start" scholarships purchased during the year ended June 30, 2023, net of cancellations of \$15,683, were \$133,911. As of June 30, 2023 and 2022, the value of "Jump Start" scholarships, including state match of \$149,594 and \$540,535, respectively, which had not been awarded and assigned to individual students were \$299,188 and \$765,443, respectively. This amount is reflected as a component of Florida prepaid scholarships in the accompanying statement of financial position.

(7) Paycheck Protection Program Note Payable

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

(8) Donated Services, Goods and Building Space

Donated services, goods and building space for the years ended June 30, 2023 and 2022 consisted of the following:

	<u>2023</u>	<u>2022</u>
Office rental	\$ 7,622	6,519
Other goods and services	<u>141,642</u>	<u>264,633</u>
	<u>\$ 149,264</u>	<u>271,152</u>

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

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

PINELLAS COUNTY EDUCATION FOUNDATION, INC.

Notes to Financial Statements - Continued

(9) Leases

(a) Operating Leases - Under ASC 842

The Foundation has two noncancellable operating leases for office equipment that expire at various dates through fiscal 2027. The Foundation also has an operating lease for building space, as described in Note 4 that expires in December 2024.

The Foundation has elected to apply the short-term lease exemption to applicable operating leases.

The following summarizes the weighted average remaining lease term and discount rate as of June 30, 2023:

Weighted average remaining lease term:	
Operating leases	3.01 years
Weighted average discount rate:	
Operating leases	2.85%

The following summarizes the cash flow information related to leases for the year ended June 30, 2023:

Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	\$ 13,317
Lease assets obtained in exchange for lease obligations:	
Operating leases	45,148

The components of lease expense for the year ended June 30, 2023 were as follows:

Operating lease cost	\$ 13,317
Short-term lease cost	<u>5,856</u>
Total lease expense	<u><u>\$ 19,173</u></u>

PINELLAS COUNTY EDUCATION FOUNDATION, INC.

Notes to Financial Statements - Continued

(9) Leases Continued

(a) Operating Leases - Under ASC 842 - Continued

Approximate future minimum payments under the lease agreements are as follows:

<u>Year Ending June 30,</u>	<u>Operating Leases</u>
2024	\$ 13,317
2025	9,817
2026	7,317
2027	<u>3,985</u>
Total payments	34,436
Less interest	<u>(1,477)</u>
Present value of lease liabilities	<u><u>\$ 32,959</u></u>

(b) Operating Leases - Under ASC 840

Lease expense for the year ended June 30, 2022 totaled approximately \$20,000.

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

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

PINELLAS COUNTY EDUCATION FOUNDATION, INC.

Notes to Financial Statements - Continued

(10) Split-Interest Agreements

The Foundation has been named the remainder beneficiary under eight separate split-interest agreements. For one charitable remainder trust, the Foundation is also named as trustee. That charitable remainder trust provides for the payment of quarterly distributions to the donors over the donors' lifetimes. Quarterly distributions under the charitable remainder unitrust agreement are the lesser of current earnings or 7% of the fair market value of the trust assets as of the beginning of each year. Upon the death of the donors, the remaining assets are available for the Foundation's use.

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

The assets held under the charitable remainder trust are reported at fair value in the Foundation's statements of financial position. On an annual basis, the Foundation revalues the liability to make distributions to the designated remainder trust income beneficiaries based on actuarial assumptions. The present value of the estimated future payments (\$149,786 and \$150,303 as of June 30, 2023 and 2022, respectively) is calculated using a current discount rate of 6.2% and applicable mortality tables.

In 2022, the Foundation was notified regarding the death of the remaining donor participating in the Foundation's charitable gift annuity program. Upon the death of the donor the Foundation was relieved of any further obligation under the annuity agreements and related assets are available for unrestricted use.

(11) Fair Value Measurements

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

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

PINELLAS COUNTY EDUCATION FOUNDATION, INC.

Notes to Financial Statements - Continued

(11) Fair Value Measurements - Continued

Fair value of assets and liabilities measured on a recurring basis as of June 30, 2023 is as follows:

	Fair Value as of June 30, 2023	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Large Cap Equity Mutual Funds	\$ 1,884,833	1,884,833	-	-
Large Cap Foreign Equity Mutual Funds	24,970	24,970	-	-
Preferred Equity Securities	884,418	884,418	-	-
Government Bonds	2,327,686	-	2,327,686	-
Government Bond Funds	73,659	73,659	-	-
Corporate Bonds	767,627	-	767,627	-
Money Market Funds	397,163	397,163	-	-
Stocks and Related	15,546,049	15,546,049	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total investments, at fair value	21,906,405	18,811,092	3,095,313	-
Alternative Investment, measured at NAV ⁽¹⁾	1,030,912	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total investments	22,937,317	18,811,092	3,095,313	-
Beneficial interest in trusts	1,157,361	232,990	924,371	-
	<hr/>	<hr/>	<hr/>	<hr/>
	\$ 24,094,678	19,044,082	4,019,684	-
	<hr/>	<hr/>	<hr/>	<hr/>
Liabilities:				
Obligation under split-interest agreement	\$ 149,786	-	-	149,786
	<hr/>	<hr/>	<hr/>	<hr/>

⁽¹⁾ The Foundation holds an interest in an alternative investment that is measured at fair value using the net asset value (NAV) practical expedient and has not been categorized in the fair value hierarchy. The fair value amounts presented in the table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position.

The investment objective of the alternative investment is to generate current income, and to a lesser extent capital appreciation. The investment strategy focuses primarily on originating and making loans to, and making debt and equity investments in, U.S. middle market companies. There were no unfunded commitments at June 30, 2023. The alternative investment includes redemption limitations that impact the ability of the Foundation to liquidate the holding.

PINELLAS COUNTY EDUCATION FOUNDATION, INC.

Notes to Financial Statements - Continued

(11) Fair Value Measurements - Continued

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

	<u>Fair Value as of June 30, 2022</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Assets:				
Large Cap Equity Mutual Funds	\$ 1,833,838	1,833,838	-	-
Large Cap Foreign Equity Mutual Funds	22,939	22,939	-	-
Preferred Equity Securities	842,621	842,621	-	-
Government Bonds	2,815,417	-	2,815,417	-
Government Bond Funds	72,849	72,849	-	-
Corporate Bonds	1,089,812	-	1,089,812	-
Money Market Funds	381,025	381,025	-	-
Stocks and Related	<u>13,053,712</u>	<u>13,053,712</u>	<u>-</u>	<u>-</u>
Total investments	20,112,213	16,206,984	3,905,229	-
Beneficial interest in trusts	<u>1,553,681</u>	<u>232,615</u>	<u>1,321,066</u>	<u>-</u>
	<u>\$ 21,665,894</u>	<u>16,439,599</u>	<u>5,226,295</u>	<u>-</u>
Liabilities:				
Obligation under split-interest agreement	\$ <u>150,303</u>	<u>-</u>	<u>-</u>	<u>150,303</u>

The following table sets forth a summary of changes in fair value of liabilities using significant unobservable inputs (Level 3) for the years ended June 30, 2023 and 2022:

	<u>Obligations Under Split-Interest Agreements</u>	
	<u>2023</u>	<u>2022</u>
Balance, beginning of year	\$ 150,303	187,523
Change in fair value due to change in value of underlying assets and actuarial assumptions	(517)	(24,412)
Change in fair value due to death of donor	<u>-</u>	<u>(12,808)</u>
Balance, end of year	<u>\$ 149,786</u>	<u>150,303</u>

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

PINELLAS COUNTY EDUCATION FOUNDATION, INC.

Notes to Financial Statements - Continued

(12) Endowment Funds

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

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

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

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

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

PINELLAS COUNTY EDUCATION FOUNDATION, INC.

Notes to Financial Statements - Continued

(12) Endowment Funds - Continued

Composition of endowment net assets as of June 30, 2023 and 2022 and changes in endowment net assets for the years then ended are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Endowment Net Assets</u>
Endowment net assets, June 30, 2021	\$ -	3,851,200	3,851,200
Investment income	-	62,132	62,132
Net depreciation in fair value of investments	-	(62,132)	(62,132)
Endowment net assets, June 30, 2022	-	3,851,200	3,851,200
Investment income, including net appreciation	-	82,731	82,731
Amounts appropriated for expenditure	-	(82,731)	(82,731)
Endowment net assets, June 30, 2023	<u>\$ -</u>	<u>3,851,200</u>	<u>3,851,200</u>

(13) Retirement Plan

The Foundation sponsors a qualified 403(b) defined contribution retirement plan covering all eligible employees. The Foundation's contribution was 3% of base salaries for the years ended June 30, 2023 and 2022. The plan contains a vesting schedule for employer contributions. All forfeited nonvested employer contributions are used to reduce future employer contributions. Pension expense is reported net of forfeitures used in lieu of employer cash contributions. Contributions to the plan were approximately \$48,000 and \$42,000 for the years ended June 30, 2023 and 2022, respectively.

(14) Related Parties

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

(15) Funding and Credit Concentrations

The Foundation maintains its deposits with a commercial bank which management believes to be of high credit quality. Approximately \$1,166,000 and \$3,068,000 of the Foundation's deposits with this bank were not covered by Federal deposit insurance as of June 30, 2023 and 2022, respectively.

(16) Liquidity and Availability of Resources

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

PINELLAS COUNTY EDUCATION FOUNDATION, INC.

Notes to Financial Statements - Continued

(16) Liquidity and Availability of Resources - Continued

As of June 30, 2023 and 2022, the Foundation's financial assets available to meet general expenditures within one year were as follows:

	<u>2023</u>	<u>2022</u>
Financial assets:		
Cash and cash equivalents	\$ 2,258,256	3,455,182
Grants and other receivables	174,166	420,010
Marketable investment securities	22,937,317	20,112,213
Pledges receivable, net	2,001,880	2,164,773
Beneficial interests in trusts	<u>1,157,361</u>	<u>1,553,681</u>
Total financial assets	28,528,980	27,705,859
Amounts unavailable for general expenditure within one year due to:		
Contractual or donor-imposed restrictions:		
Contributions restricted for future periods	(18,094)	(92,304)
Beneficial interests in trusts	(1,157,361)	(1,553,681)
Programs and grants	(7,764,535)	(7,340,020)
Stavros Institute	(1,493,040)	(1,147,721)
Take Stock in Children	(2,768,108)	(3,088,844)
School-based projects	(2,460,762)	(2,544,441)
District-wide initiatives	(93,335)	(193,602)
Student scholarships	(4,304,996)	(3,430,266)
Take Stock in Children endowment	(630,000)	(630,000)
Stavros Institute endowment	<u>(3,221,200)</u>	<u>(3,221,200)</u>
Financial assets available to meet cash needs for general expenditures within one year	\$ <u>4,617,549</u>	<u>4,463,780</u>

(17) Subsequent Events Evaluation

The Foundation has evaluated subsequent events through November 17, 2023, the date the financial statements were available for issuance.

SUPPLEMENTARY FINANCIAL INFORMATION

PINELLAS COUNTY EDUCATION FOUNDATION, INC.

Schedule of Expenditures of State Financial Assistance

Year Ended June 30, 2023

State Agency/ Pass-through Grantor/ State Project	CSFA Number	Agency or Pass-through Number	Current Year Expenditures
State Financial Assistance			
Department of Education and Commissioner of Education			
Passed through from Florida Prepaid College Foundation, Inc.:			
Prepaid Tuition Scholarships	48.051	n/a	\$ 1,015,150
Passed through from Consortium of Florida Education Foundations:			
School District Matching Grants Program	48.061	n/a	181,325
Passed through from Take Stock in Children, Inc.:			
Mentoring/Student Assistance Initiatives	48.068	n/a	<u>463,495</u>
Subtotal State of Florida Department of Education and Commissioner of Education			1,659,970
Department of Highway Safety and Motor Vehicles			
Specialty License Plates Program:			
Florida Educational License Plate Project	76.023	n/a	<u>15,730</u>
Total expenditures of state financial assistance			\$ <u><u>1,675,700</u></u>

PINELLAS COUNTY EDUCATION FOUNDATION, INC.

Notes to Schedule of Expenditures of State Financial Assistance

Year Ended June 30, 2023

(1) Basis of Presentation

The accompanying schedule of expenditures of state financial assistance (the “Schedule”) includes the state grant activity of Pinellas County Education Foundation, Inc. under programs of the State of Florida for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirements of Chapter 10.650, *Rules of the State of Florida Auditor General*. Because the Schedule presents only a selected portion of the operations of Pinellas County Education Foundation, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Pinellas County Education Foundation, Inc.

(2) Summary of Significant Accounting Policies

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

(3) Subrecipients

Pinellas County Education Foundation, Inc. provided no state financial assistance to subrecipients for the year ended June 30, 2023.

INTERNAL CONTROL AND COMPLIANCE



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Pinellas County Education Foundation, Inc. (the "Foundation"), which comprise the statement of financial position as of June 30, 2023, 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 November 17, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Foundation's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Foundation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

MAYER HOFFMAN McCANN P.C.

November 17, 2023
St. Petersburg, Florida



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

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

Report on Compliance for Each Major State Project

Opinion on Each Major State Project

We have audited Pinellas County Education Foundation, Inc.'s (the "Foundation") compliance with the types of compliance requirements described in the *Department of Financial Services' State Projects Compliance Supplement* that could have a direct and material effect on Pinellas County Education Foundation, Inc.'s major state project for the year ended June 30, 2023. Pinellas County Education Foundation, Inc.'s major state project is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Pinellas County Education Foundation, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major state project for the year ended June 30, 2023.

Basis for Opinion on Each Major State Project

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

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

MAYER HOFFMAN MCCANN P.C.

November 17, 2023
St. Petersburg, Florida

PINELLAS COUNTY EDUCATION FOUNDATION, INC.

Schedule of Findings and Questioned Costs

Year Ended June 30, 2023

(A) Summary of Audit Results

1. The auditors' report expresses an unmodified opinion on the financial statements of Pinellas County Education Foundation, Inc.
2. No significant deficiencies or material weaknesses relating to the audit of the financial statements are reported in the Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of Pinellas County Education Foundation, Inc., which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies or material weaknesses relating to the audit of the major state project are reported in the Independent Auditors' Report on Compliance for Each Major State Project and on Internal Control Over Compliance Required by Chapter 10.650, *Rules of the State of Florida Auditor General*.
5. The auditors' report on compliance for the major state project of Pinellas County Education Foundation, Inc. expresses an unmodified opinion.
6. Audit findings, if any, that are required to be reported in accordance with Chapter 10.650, *Rules of the State of Florida Auditor General*, are reported in Part C of this Schedule.
7. The project tested as a major state project was:

Prepaid Tuition Scholarships (CSFA 48.051)
8. The threshold for distinguishing Type A and B projects was \$502,710 for the major state projects.

(B) Findings - Audit of Financial Statements

None.

(C) Findings and Questioned Costs - Major State Project

None.

(D) Other Issues

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



Management Letter

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

Report on the Financial Statements

We have audited the financial statements of Pinellas County Education Foundation, Inc. as of and for the year ended June 30, 2023, and have issued our report thereon dated November 17, 2023.

Auditors' Responsibility

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

Other Reports and Schedule

We have issued our Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*, Independent Auditors' Report on Compliance for Each Major State Project and on Internal Control Over Compliance Required by Chapter 10.650, *Rules of the State of Florida Auditor General*, and the Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated November 17, 2023, should be considered in conjunction with this management letter.

Other Matter

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

Purpose of this Letter

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

MAYER HOFFMAN McCANN P.C.

November 17, 2023
St. Petersburg, Florida