

**POLK EDUCATION FOUNDATION
AND BUSINESS PARTNERSHIP, INC.
(A COMPONENT UNIT OF THE DISTRICT
SCHOOL BOARD OF POLK COUNTY, FLORIDA)**

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2023

**POLK EDUCATION FOUNDATION
AND BUSINESS PARTNERSHIP, INC.
(A COMPONENT UNIT OF THE DISTRICT
SCHOOL BOARD OF POLK COUNTY, FLORIDA)**

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2023

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CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditor's Report

ALSO WITH OFFICES IN
TAMPA, FLORIDA

The Board of Directors
Polk Education Foundation and Business Partnership, Inc.
Bartow, Florida

Opinions

We have audited the accompanying financial statements of the business-type activities and fiduciary activities of Polk Education Foundation and Business Partnership, Inc. (Foundation), a component unit of the District School Board of Polk County, Florida, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Foundation's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and fiduciary activities of the Foundation, as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit 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. 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 the Foundation, and to meet our other ethical responsibilities, in accordance with the 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 audit opinions.

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 the Foundation's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's 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 auditor's report that includes our opinions. 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 generally accepted auditing standards 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 generally accepted auditing standards 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 Foundation'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 the Foundation'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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

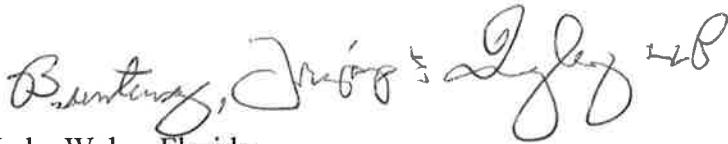
Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Foundation's basic financial statements. The combining statements are presented for purposes of additional analysis and are not a required part of the basic 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 basic financial statements. The information has been subjected to the auditing procedures applied in

the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining statements are fairly stated, in all material respects, in relation to the basic 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 December 11, 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 solely 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 effectiveness of the Foundation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control over financial reporting and compliance.

A handwritten signature in cursive script, appearing to read "Brentley J. Lyley" followed by a stylized monogram or initials.

Lake Wales, Florida
December 11, 2023

POLK EDUCATION FOUNDATION AND BUSINESS PARTNERSHIP, INC.
(A COMPONENT UNIT OF THE DISTRICT
SCHOOL BOARD OF POLK COUNTY, FLORIDA)

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2023

As management of the Polk Education Foundation and Business Partnership, Inc. (Foundation), we offer the readers of the Foundation's financial statements this narrative overview and analysis of the financial activities of the Foundation for the fiscal year ended June 30, 2023.

Overview of the Financial Statements

The Foundation meets the Governmental Accounting Standards Board (GASB) criteria for being reported as a component unit of the District School Board of Polk County. As explained in Note 1 of the Notes to Financial Statements, the Foundation is a nonprofit organization and uses enterprise fund and fiduciary fund accounting and financial reporting for the purposes of complying with the requirements of GASB Statement 34, as amended. Required financial statements for enterprise funds are described below:

The *statement of net position* presents information on all assets, liabilities, and net position. Over time, increases or decreases in net position may serve as an indicator of whether the financial condition of the Foundation is improving or deteriorating.

The *statement of revenues, expenses and changes in net position* presents information showing how the Foundation's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the event occurs, regardless of the timing of related cash flows.

The *statement of cash flows* presents all increases and decreases in cash and cash equivalents during the fiscal year. This statement also includes a reconciliation of operating income (or loss) to net cash provided (or used) by operating activities.

The Foundation also presents custodial funds which report fiduciary activities that are not required to be reported in pension or OPEB trust funds, investment trust funds, or private purpose trust funds.

The Notes to the Financial Statements provide additional information that is essential for a full understanding of the data provided in the Foundation's financial statements.

Enterprise Fund Financial Analysis

As noted above, enterprise fund net position may serve over time as a useful indicator of a government's financial position. The assets of the Foundation exceeded its liabilities on June 30, 2023 by \$9,741,340. These amounts represent the Foundation's net position on June 30, 2023. Of total net position, \$3,711,574 is unrestricted and may be used to meet the Foundation's obligations.

Restricted net position totaled \$6,029,766 for the year ended June 30, 2023. These funds represent monies which have been limited by donors with time restrictions, special purpose restrictions, or are funds that are invested in perpetuity.

At the end of fiscal year 2023, the Foundation's net investment in capital assets was zero since the total cost was fully depreciated. The Foundation has no long-term debt.

POLK EDUCATION FOUNDATION AND BUSINESS PARTNERSHIP, INC.
(A COMPONENT UNIT OF THE DISTRICT
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MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

YEAR ENDED JUNE 30, 2023

Polk Education Foundation and Business Partnership, Inc.'s Net Position:

	<u>2023</u>	<u>2022</u>	<u>Increase (Decrease)</u>
Total assets	\$ 9,807,077	\$ 8,980,200	\$ 826,877
Total liabilities	\$ 65,737	\$ 28,555	\$ 37,182
Net position:			
Restricted	\$ 6,029,766	\$ 6,418,777	\$ (389,011)
Unrestricted	3,711,574	2,532,868	1,178,706
Total net position	<u>\$ 9,741,340</u>	<u>\$ 8,951,645</u>	<u>\$ 789,695</u>

Total net position for the year ended June 30, 2023 increased by \$789,695 from the prior year primarily due to net increase in investments.

Polk Education Foundation and Business Partnership, Inc.'s Changes in Net Position:

	<u>2023</u>	<u>2022</u>	<u>Increase (Decrease)</u>
Revenues:			
Contributions - private	\$ 1,691,328	\$ 1,625,503	\$ 65,825
Contributions - other	12,024	230,364	(218,340)
Net change in investments	492,239	(1,040,399)	1,532,638
Total revenues	<u>2,195,591</u>	<u>815,468</u>	<u>1,380,123</u>
Expenses:			
Scholarships	158,190	330,005	(171,815)
Other programs	1,116,537	998,179	118,358
General and administrative	131,169	100,809	30,360
Total expenses	<u>1,405,896</u>	<u>1,428,993</u>	<u>(23,097)</u>
Increase (decrease) in net position	789,695	(613,525)	1,403,220
Net position, beginning of year	<u>8,951,645</u>	<u>9,565,170</u>	<u>(613,525)</u>
Net position, ending of year	<u>\$ 9,741,340</u>	<u>\$ 8,951,645</u>	<u>\$ 789,695</u>

An increase in revenues over the prior year of \$1,380,123, which was largely related to realized and unrealized losses on investments, is the primary reason for the overall increase in net position for the fiscal year.

**POLK EDUCATION FOUNDATION AND BUSINESS PARTNERSHIP, INC.
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MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

YEAR ENDED JUNE 30, 2023

Economic Factors that will Affect the Future

The Foundation's board formally approves investment strategy and investment policy changes as they are deemed necessary and appropriate. It is the position of the Foundation's management, in consultation with the Foundation's finance committee that the Foundation should continue with its general investment policy and investment plan with the expectation that the economy will continue to see slow, cautious, and continuous improvement throughout the coming year.

The Foundation is not legally required to adopt a budget; therefore, no budgetary information is included. There are no currently known facts, decisions or conditions that are expected to have a significant effect on financial position or results of operations.

Contacting the Foundation's Financial Management

Requests for information relating to the Foundation's financial statements should be directed to Susan Copeland at 1530 Shumate Drive, Bartow, Florida 33830.

POLK EDUCATION FOUNDATION AND BUSINESS PARTNERSHIP, INC.
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STATEMENT OF NET POSITION - PROPRIETARY FUNDS

JUNE 30, 2023

ASSETS

Cash and cash equivalents	\$ 3,380,550
Investments	4,082,579
Accounts receivable	354,999
Prepaid scholarships - Take Stock in Children	1,988,949
Capital assets, net of accumulated depreciation of \$3,252	<u>-</u>
Total assets	<u><u>\$ 9,807,077</u></u>

LIABILITIES AND NET POSITION

Liabilities

Accounts payable	\$ 64,695
Accrued liabilities	<u>1,042</u>
Total liabilities	<u><u>\$ 65,737</u></u>

Net Position

Restricted for:	
Endowment - expendable	3,959,469
Schools/district programs	180,232
Prepaid scholarships - Take Stock in Children	1,988,949
Unclaimed scholarships	<u>(98,884)</u>
Total restricted	6,029,766
Unrestricted	<u>3,711,574</u>
Total net position	<u><u>\$ 9,741,340</u></u>

See accompanying notes to financial statements.

POLK EDUCATION FOUNDATION AND BUSINESS PARTNERSHIP, INC.
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STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION -
PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2023

	Enterprise Fund
<u>Operating Revenues</u>	
Contributions:	
Private contributions	\$ 617,099
Grant funding	809,222
Special events	265,007
Other revenue	12,024
Total operating revenues	1,703,352
<u>Operating Expenses</u>	
Scholarships	36,931
AmeriCorps	404,496
Prepaid scholarships	121,259
Matching grant	25,226
Special events	110,236
Take Stock in Children	39,014
General and administrative	129,476
Teacher to Teacher	17,170
Other programs	520,395
Rent, utilities, and insurance	1,693
Total operating expenses	1,405,896
Operating income	297,456
<u>Nonoperating Revenues</u>	
Net increase in fair value of investments	129,926
Net increase in Florida prepaid tuition scholarships	220,437
Interest and dividends	141,876
Total nonoperating revenues	492,239
Change in net position	789,695
Net position - beginning of year	8,951,645
Net position - end of year	\$ 9,741,340

See accompanying notes to financial statements.

POLK EDUCATION FOUNDATION AND BUSINESS PARTNERSHIP, INC.
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STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2023

	<u>Enterprise Fund</u>
<u>Cash Flows from Operating Activities</u>	
Receipts from contributors	\$ 1,448,977
Payments to suppliers	(1,210,524)
Payments for scholarships	(36,931)
	<u>201,522</u>
<u>Cash Flows from Investing Activities</u>	
Interest and dividends	112,106
Proceeds from sale of investments	1,147,567
Purchase of investments	(1,225,460)
	<u>34,213</u>
Net cash used by investing activities	<u>34,213</u>
Net increase in cash and cash equivalents	235,735
Cash and cash equivalents, beginning of year	<u>3,144,815</u>
Cash and cash equivalents, end of year	<u><u>\$ 3,380,550</u></u>
<u>Reconciliation of Net Operating Income to Net Cash Provided by Operating Activities</u>	
Operating income	\$ 297,456
Adjustments to reconcile operating income to net cash provided by operating activities	
(Increase) decrease in:	
Accounts receivable	(255,625)
Pledges receivable	1,250
Prepaid scholarships	121,259
(Decrease) in liabilities:	
Accounts payable	37,182
	<u>37,182</u>
Net cash provided by operating activities	<u><u>\$ 201,522</u></u>
<u>Noncash Investing Activity</u>	
Change in fair value of investments	<u><u>\$ (159,696)</u></u>

See accompanying notes to financial statements.

POLK EDUCATION FOUNDATION AND BUSINESS PARTNERSHIP, INC.
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STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS

YEAR ENDED JUNE 30, 2023

	<u>Custodial Funds</u>
<u>Assets</u>	
Cash and cash equivalents	\$ 1,216,473
Pledges receivable	6,518
	<hr/>
Total assets	\$ 1,222,991
	<hr/>
<u>Liabilities</u>	
Scholarships payable	\$ 35,052
Dues to others	1,000
	<hr/>
Total liabilities	\$ 36,052
	<hr/>
<u>Net Position</u>	
Restricted for:	
Annual scholarships	\$ 925,525
Organizations and individuals	261,414
	<hr/>
Total net position	\$ 1,186,939
	<hr/>

See accompanying notes to financial statements.

POLK EDUCATION FOUNDATION AND BUSINESS PARTNERSHIP, INC.
(A COMPONENT UNIT OF THE DISTRICT
SCHOOL BOARD OF POLK COUNTY, FLORIDA)

STATEMENT OF CHANGES IN FIDUCIARY NET POSTION - FIDUCIARY FUNDS

YEAR ENDED JUNE 30, 2023

	<u>Custodial Funds</u>
<u>Additions</u>	
Contributions:	
Private contributions	\$ 1,160,061
<u>Deductions</u>	
Scholarship payments	235,699
Organizations and individuals	<u>258,958</u>
Total deductions	<u>494,657</u>
Net increase in fiduciary net position	665,404
Fiduciary net position - beginning of year	<u>521,535</u>
Net position - end of year	<u><u>\$ 1,186,939</u></u>

See accompanying notes to financial statements.

POLK EDUCATION FOUNDATION AND BUSINESS PARTNERSHIP, INC.
(A COMPONENT UNIT OF THE DISTRICT
SCHOOL BOARD OF POLK COUNTY, FLORIDA)

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023

Note 1 - Summary of Significant Accounting Policies

Nature of the Foundation

Polk Education Foundation and Business Partnership, Inc. (Foundation) was incorporated in 1988 as a nonprofit tax-exempt organization. The Foundation's principal operating activities are to provide educational aid in the form of money and other services to the District School Board of Polk County (School Board) and the students which the School Board serves; to promote education and other related activities of the School Board; and to encourage research, learning, and dissemination of information.

Reporting Entity

The Foundation, established by the Order of the School Board in 1988, is a direct-support organization (DSO) operating exclusively for the benefit of the School Board. As defined by Section 1001.453 of Florida Statutes, a DSO is an organization which is approved by the district School Board, is a nonprofit Florida corporation, and is organized and operated exclusively to receive, hold, invest, and administer property and to make expenditures to or for the benefit of public kindergarten through post-secondary education.

According to the Foundation's by-laws, the School Board must approve the Foundation's board of directors and has the irrevocable power and authority by majority vote to unilaterally cause the dissolution of the Foundation. Due to these provisions, the Foundation is considered a governmental entity and applies GASB accounting and reporting standards. Also, because the Foundation's exclusive purpose is to benefit public kindergarten through post-secondary education and the School Board can unilaterally dissolve it, the Foundation is considered a component unit of the School Board.

In evaluating the Foundation as a reporting entity, there were no component units identified for which the Foundation is considered financially accountable.

Basis of Presentation

As noted above, the Foundation complies with accounting standards established by the Governmental Accounting Standards Board (GASB). The Foundation has implemented GASB Statement No. 34 as amended, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*.

Fund Accounting, Measurement Focus, Basis of Accounting and Financial Statement Presentation

The purpose of the Foundation's funds are as follows:

Proprietary Funds

Enterprise Fund - The Enterprise Fund is the general operating fund of the Foundation. It is used to account for all financial resources except for those required to be accounted for in another fund.

Fiduciary Funds

Custodial Funds - Custodial Funds are fiduciary in nature and used to account for assets associated with annual scholarships and funds held for others, which benefit other organizations and individuals.

POLK EDUCATION FOUNDATION AND BUSINESS PARTNERSHIP, INC.
(A COMPONENT UNIT OF THE DISTRICT
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NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEAR ENDED JUNE 30, 2023

Note 1 - Summary of Significant Accounting Policies - Continued

Fund Accounting, Measurement Focus, Basis of Accounting and Financial Statement Presentation - Continued

Proprietary Funds are presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time the liability is incurred.

The Foundation distinguishes *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services in connection with the Foundation's principal ongoing operations. The principal operating revenues of the Foundation are contributions. Operating expenses are those costs incurred in connection with Foundation programs. All revenues and expenses not meeting the above criteria are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Foundation's policy to use restricted resources first and then unrestricted resources as they are needed.

Custodial Funds are presented using the economic resources measurement focus and the accrual basis of accounting.

Restricted Net Position

Restricted net position consists of an endowment; schools/district programs, including amounts awarded to students as part of their class's fundraisers and contributions for designated classes or programs; Florida Prepaid/Take Stock in Children scholarships; scholarships that have not yet been awarded or that have been awarded but not yet claimed; and amounts held for organizations and individuals in a custodial capacity.

Tax Status

The Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for federal and state income taxes has been made in the accompanying financial statements. However, income from certain activities not directly related to the Foundation's tax-exempt purpose is subject to taxation as unrelated business income. It is management's opinion that the Foundation had no unrelated business taxable income during the year ended June 30, 2023.

Management follows Accounting Standards Codification (ASC) 740-10 as it relates to uncertain tax positions. When applicable, any interest and penalties recognized associated with a tax position are classified as current in the Foundation's financial statements.

Management has evaluated its tax positions taken for all open tax years. Currently, the 2020 - 2022 tax years are open and subject to examination by the Internal Revenue Service. The Foundation is not currently under audit, nor has it been contacted by this jurisdiction. Based on the evaluation of the Foundation's tax positions, management believes all positions taken would be upheld under an examination. Therefore, no provision for the effects of uncertain tax positions has been recorded for the year ended June 30, 2023.

POLK EDUCATION FOUNDATION AND BUSINESS PARTNERSHIP, INC.
(A COMPONENT UNIT OF THE DISTRICT
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NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEAR ENDED JUNE 30, 2023

Note 1 - Summary of Significant Accounting Policies - Continued

Cash and Cash Equivalents

The Foundation considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Accounts Receivable

The Foundation's accounts receivable mainly consist of amounts receivable from grant funding for programs administered by the Foundation. The Foundation considers its receivables to be fully collectible. Accordingly, no allowance for doubtful accounts is required.

Pledges Receivable

The Foundation's pledges receivable mainly consist of amounts receivable from various entities and individuals for scholarships. All of the Foundation's receivables are receivable within one year.

Investments

The Foundation reports nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or other factors, it is reported at fair value. All other investments are recorded at fair value based on quoted market prices. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties. Investment return consists of interest and dividend income, capital gain distributions, realized gains (losses) and unrealized gains (losses).

Fair Value of Financial Instruments

Governmental Accounting Standards Board (GASS) Statement Number 72, *Fair Value Measurements and Application*, provides the framework for measuring fair value. That 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 as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation 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.

POLK EDUCATION FOUNDATION AND BUSINESS PARTNERSHIP, INC.
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NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEAR ENDED JUNE 30, 2023

Note 1 - Summary of Significant Accounting Policies - Continued

Fair Value of Financial Instruments - Continued

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair market value measurement.

The asset 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 inputs and minimize the use of unobservable inputs.

Use of Estimates

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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Capital Assets

Assets purchased by or donated to the Foundation are capitalized and carried at cost if purchased or acquisition value on the date of the gift if donated. Depreciation is calculated over the estimated useful life of each asset on a straight-line basis.

Date of Management Review

Subsequent events were evaluated through December 11, 2023, which is the date the financial statements were available to be issued.

Note 2 - Deposits and Investments

As of June 30, 2023, the Foundation has the following investments:

Stocks	\$ 1,532,732
Mutual funds - equity	1,497,128
Mutual funds - bond	572,830
Government securities	324,164
Nonparticipating interest - earnings contract	<u>155,725</u>
Total	<u>\$ 4,082,579</u>

POLK EDUCATION FOUNDATION AND BUSINESS PARTNERSHIP, INC.
(A COMPONENT UNIT OF THE DISTRICT
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NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEAR ENDED JUNE 30, 2023

Note 2 - Deposits and Investments - Continued

Custodial Credit Risk- Deposits

As of June 30, 2023, the carrying amount of the Foundation's cash and cash equivalents was \$4,597,023 and the financial institutions balance was \$4,436,711. Cash and cash equivalent balances are maintained at several institutions. Cash and cash equivalent balances at these institutions are insured by the Federal Deposit Insurance Corporation (FDIC) or National Credit Union Administration (NCUA), in the amount of \$250,000 per institution. Of the financial institution balance, \$567,568 was covered by FDIC, NCUA, or by collateral held by the Foundation's agent in the Foundation's name and \$3,869,143 was uninsured and/or uncollateralized at June 30, 2023. To mitigate custodial credit risk the Foundation's deposits are held with reputable financial institutions.

Interest Rate Risk

As a means of limiting exposure to fair value losses arising from rising interest rates, the Foundation's investment policy states that the average weighted duration of the fixed income portfolio should not exceed the duration of the Lehman Brothers (LB) Aggregate Index by more than 1½ years and should typically not be shorter than one year. The estimated average duration for the bond funds ranges from three to greater than five years at any given time. The estimated average duration for the government securities ranges from three to greater than five years at any given time.

As of June 30, 2023, the Foundation had the following maturities for its mutual bond funds and government securities:

	Investment Maturities (in Years)			Fair Value
	< 1 Year	1-5 Years	> 5 Years	
Mutual funds - bond	\$ -	\$ 225,600	\$ 347,230	\$ 572,830
Government securities	29,555	200,606	94,003	324,164
Total	\$ 29,555	\$ 426,206	\$ 441,233	\$ 896,994

Credit Risk

State law does not limit investment options of the Foundation. The Foundation's investment policy states that preferred stocks must be rated A or better by Moody's and/or Standard & Poor's, and Foundation assets may be invested in commercial paper if rated A1 or better. As of June 30, 2023, the Foundation's investments are in accordance with the policy. The Foundation's investment policy states that only corporate debt issues having a Standard & Poor's rating of BBB or higher; or a Moody's rating of Baa or higher may be purchased. Only 10% of corporate debt holdings may be rated below A. As of June 30, 2023, the Foundation did not have any corporate debt holdings. The average credit rating of the government securities is AAA. Mutual funds and nonparticipating interest-earning contracts are not rated.

POLK EDUCATION FOUNDATION AND BUSINESS PARTNERSHIP, INC.
(A COMPONENT UNIT OF THE DISTRICT
SCHOOL BOARD OF POLK COUNTY, FLORIDA)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEAR ENDED JUNE 30, 2023

Note 2 - Deposits and Investments - Continued

Concentration of Credit Risk

The Foundation's investment policy states that investments of a single issuer (with the exception of the U.S. government and its agencies) must not exceed 5% of the account's market value. As of June 30, 2023, the Foundation was in compliance with the investment policy.

Note 3 - Fair Value Measurement

Information related to the Foundation's assets measured at fair value on a recurring basis is as follows at June 30:

	Total	Level 1	Level 2	Level 3
<u>Investments by Fair Value Level</u>				
Stocks	\$1,532,732	\$ 1,532,732	\$ -	\$ -
Mutual funds - equity	1,497,128	1,497,128	-	-
Mutual funds - bond	572,830	572,830	-	-
Government securities	324,164	324,164	-	-
	\$3,926,854	\$ 3,926,854	\$ -	\$ -
<u>Investments Measured at Amortized Cost</u>				
Nonparticipating interest-earning contract	\$ 155,725			
	\$4,082,579			

Note 4 - Prepaid Scholarships - Take Stock In Children

The Foundation has contracts with the Florida Prepaid College Program for future student tuition. The future tuition is funded by investments of the Prepaid Program and matched by the state of Florida. As scholarships are awarded, they are recorded as an expense in the accompanying statements of activities. The Prepaid Scholarships - Take Stock in Children is adjusted annually to its current value as determined by the Florida Prepaid College Foundation.

During the year ended June 30, 2023, the Foundation awarded scholarships to selected students totaling \$121,259.

POLK EDUCATION FOUNDATION AND BUSINESS PARTNERSHIP, INC.
(A COMPONENT UNIT OF THE DISTRICT
SCHOOL BOARD OF POLK COUNTY, FLORIDA)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEAR ENDED JUNE 30, 2023

Note 5 - Related Party Transactions

As previously mentioned, the Foundation is an organization formed under Florida Law specifically to support the School Board. As such, there are numerous transactions between the Foundation and the School Board for the year ended June 30, 2023.

- The School Board collected payroll deduction contributions on behalf of the Foundation in the amount of \$22,445.
- The Foundation reimbursed the School Board for costs advanced regarding various programs in the amount of \$81,572.

In-Kind transactions, not given accounting recognition, for equipment, facilities, and staff provided by the School Board were \$475,602 for the year ended June 30, 2023.

As of June 30, 2023, the Foundation had \$26,314 in contributions from other related parties.

One board member was employed at a financial institution in which the Foundation holds cash, cash equivalents, or investments. The Foundation had a total of \$96,211 in cash and cash equivalents and \$2,137,076 in investments at these institutions as of June 30, 2023. The board members abstain on decisions related to banking and investment related matters and also do not personally benefit from this relationship.

Note 6 - Endowment Fund

In 1991, the board of directors of the Foundation embarked on a capital campaign to raise \$1,000,000 to create an endowment fund for the continuous funding of the activities of the Foundation. It is the intention of the Foundation's board to invest the proceeds of this campaign and then use only the earnings of the investments for various programs each year. The endowment assets are invested in a manner that is according to the investment policies of the board of directors. Investment accounts under this policy are intended to produce an annualized rate of return of not less than 7.0% and to exceed the rate of inflation (as measured by the Consumer Price Index) by 3.0%. The investment policies, as established by the board of directors, allow for an annual disbursement during the first quarter of each year amounting to 5% of the previous year-end balance. It is understood that, in certain years, this might exceed the previous year's earnings, and may actually require that a portion of the principal be utilized to make the disbursement.

POLK EDUCATION FOUNDATION AND BUSINESS PARTNERSHIP, INC.
(A COMPONENT UNIT OF THE DISTRICT
SCHOOL BOARD OF POLK COUNTY, FLORIDA)

COMBINING STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS - CUSTODIAL FUNDS

JUNE 30, 2023

	Custodial Funds		Total Custodial Funds
	Annual Scholarships	Funds Held For Others	
<u>Assets</u>			
Cash and cash equivalents	\$ 954,059	\$ 262,414	\$ 1,216,473
Pledges receivable	6,518	-	6,518
Total assets	<u>960,577</u>	<u>262,414</u>	<u>1,222,991</u>
<u>Liabilities</u>			
Scholarships payable	35,052	-	35,052
Due to others	-	1,000	1,000
Total liabilities	<u>35,052</u>	<u>1,000</u>	<u>36,052</u>
<u>Net Position</u>			
Restricted for:			
Annual scholarships	925,525	-	925,525
Organizations and individuals	-	261,414	261,414
Total net position	<u>\$ 925,525</u>	<u>\$ 261,414</u>	<u>\$ 1,186,939</u>

POLK EDUCATION FOUNDATION AND BUSINESS PARTNERSHIP, INC.
(A COMPONENT UNIT OF THE DISTRICT
SCHOOL BOARD OF POLK COUNTY, FLORIDA)

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS - CUSTODIAL FUNDS

JUNE 30, 2023

	Custodial Funds		Total Custodial Funds
	Annual Scholarships	Funds Held For Others	
<u>Additions</u>			
Contributions:			
Private contributions	\$ 771,468	\$ 388,593	\$ 1,160,061
<u>Deductions</u>			
Scholarship payments	235,699	-	235,699
Beneficiary payments to organizations and individuals	-	258,958	258,958
Total deductions	235,699	258,958	494,657
Net increase in fiduciary net position	535,769	129,635	665,404
Fiduciary net position - beginning of year	389,756	131,779	521,535
Net position - end of year	<u>\$ 925,525</u>	<u>\$ 261,414</u>	<u>\$ 1,186,939</u>

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ALSO WITH OFFICES IN
TAMPA, FLORIDA

**Independent Auditor's 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
Polk Education Foundation and Business Partnership, Inc.
Bartow, Florida

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 business-type activities and fiduciary activities of Polk Education Foundation and Business Partnership, Inc. (Foundation), a component unit of the District School Board of Polk County, Florida, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Foundation's basic financial statements, and have issued our report thereon dated December 11, 2023.

Report on 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 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.

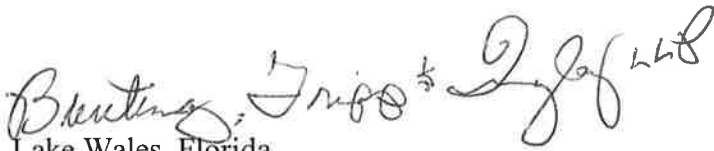
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 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.

A handwritten signature in cursive script that reads "Brenting, Jr." followed by a large flourish.

Lake Wales, Florida

December 11, 2023