

**PINELLAS COUNTY EDUCATION FOUNDATION, INC.  
AND SUBSIDIARY**

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

**June 30, 2016 and 2015  
(With Independent Auditor's Report Thereon)**

**PINELLAS COUNTY EDUCATION FOUNDATION, INC. AND SUBSIDIARY**

**Table of Contents**

	<b><u>Page</u></b>
Independent Auditor's Report on Consolidated Financial Statements and Supplementary Financial Information	1 - 2
Consolidated Financial Statements:	
Consolidated Statements of Financial Position	3
Consolidated Statement of Activities - 2016	4
Consolidated Statement of Activities - 2015	5
Consolidated Statement of Functional Expenses	6
Consolidated Statements of Cash Flows	7
Notes to Consolidated Financial Statements	8 - 21
Supplementary Financial Information:	
Schedule of Expenditures of State Financial Assistance	22
Notes to Schedule of Expenditures of State Financial Assistance	23
Internal Control and Compliance:	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Consolidated Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	24 - 25
Independent Auditor's 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>	26 - 27
Schedule of Findings and Questioned Costs	28 - 29
Management Letter	30



**Independent Auditor's Report on Consolidated Financial Statements  
and Supplementary Financial Information**

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

**Report on the Consolidated Financial Statements**

We have audited the accompanying consolidated financial statements of Pinellas County Education Foundation, Inc. (the "Foundation") and Subsidiary, which comprise the consolidated statements of financial position as of June 30, 2016 and 2015, and the related consolidated statements of activities and cash flows for the years then ended, the consolidated related statement of functional expenses for the year ended June 30, 2016, and the related notes to the consolidated financial statements.

**Management's Responsibility for the Consolidated Financial Statements**

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

**Auditor's Responsibility**

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

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

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

## **Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Pinellas County Education Foundation, Inc. and Subsidiary as of June 30, 2016 and 2015, 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, 2016 in accordance with accounting principles generally accepted in the United States of America.

## **Report on Summarized Comparative Information**

We have previously audited the Pinellas County Education Foundation, Inc.'s 2015 financial statements, and our report dated September 22, 2015, expressed an unmodified opinion on those audited consolidated financial statements. In our opinion, the summarized comparative information presented herein for the year ended June 30, 2015, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

## **Other Matters**

### ***Other Information***

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements of Pinellas County Education Foundation, Inc. and Subsidiary 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 consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated 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 October 7, 2016 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. and Subsidiary's internal control over financial reporting and compliance.

MAYER HOFFMAN MCCANN P.C.

October 7, 2016  
Clearwater, Florida

**PINELLAS COUNTY EDUCATION FOUNDATION, INC. AND SUBSIDIARY**

**Consolidated Statements of Financial Position**

**June 30, 2016 and 2015**

Assets	2016	2015
Cash and cash equivalents (Note 15)	\$ 335,910	724,915
Grants and other receivables	275,568	276,013
Prepaid expenses and other assets	46,920	36,376
Marketable investment securities (Notes 5 and 11)	12,493,458	13,172,694
Pledges receivable, net (Note 2)	1,485,739	1,826,342
Property and equipment, net (Note 3)	44,879	47,092
Donated building space use (Note 4)	286,219	362,523
Florida prepaid scholarships (Note 6)	17,270,085	16,977,326
Beneficial interests in trusts (Notes 10 and 11)	1,190,803	1,159,593
	<u>\$ 33,429,581</u>	<u>34,582,874</u>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 94,884	51,542
Deferred revenue	33,744	-
Note payable to Pinellas County School Board, net (Note 9)	219,332	725,785
Obligations under split-interest agreements (Notes 10 and 11)	223,204	212,928
	<u>571,164</u>	<u>990,255</u>
Net assets:		
Unrestricted	1,346,385	1,796,705
Temporarily restricted:		
Changing lives through learning	1,000	15,246
Donated building space use	286,219	362,523
Bequests	1,618,010	1,568,830
Programs and grants	1,866,560	1,815,535
Community relations and events	50,000	73,489
Stavros Institute	920,750	1,299,033
Take Stock in Children	17,994,998	17,911,897
School-based projects	2,558,146	2,658,367
District-wide initiatives	102,725	107,088
Student scholarships	2,262,424	2,132,706
	<u>27,660,832</u>	<u>27,944,714</u>
Permanently restricted (Note 12):		
Take Stock in Children endowment	630,000	630,000
Stavros Institute endowment	3,221,200	3,221,200
	<u>3,851,200</u>	<u>3,851,200</u>
Total permanently restricted	<u>3,851,200</u>	<u>3,851,200</u>
Total net assets	<u>32,858,417</u>	<u>33,592,619</u>
Total liabilities and net assets	<u>\$ 33,429,581</u>	<u>34,582,874</u>

See accompanying independent auditor's report and notes to consolidated financial statements.

**PINELLAS COUNTY EDUCATION FOUNDATION, INC. AND SUBSIDIARY**

**Consolidated Statement of Activities**

**Year Ended June 30, 2016**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Operating support and revenue:				
Special events revenues	\$ 99,526	-	-	99,526
Special events expenses	<u>(70,056)</u>	<u>-</u>	<u>-</u>	<u>(70,056)</u>
Net special events revenue	29,470	-	-	29,470
Contributions (Note 14):				
Unrestricted	331,366	-	-	331,366
Bequests	997	23,899	-	24,896
Programs and grants	-	764,994	-	764,994
Stavros Institute	-	455,591	-	455,591
Take Stock in Children - support and revenue	-	675,651	-	675,651
Take Stock in Children - Florida prepaid scholarships match (Note 6)	-	674,998	-	674,998
School-based projects	-	165,017	-	165,017
District-wide initiatives	-	86,863	-	86,863
Student scholarships	-	870,641	-	870,641
Governmental grants	18,777	1,181,111	-	1,199,888
Investment return (Note 5)	56,044	153,862	-	209,906
Change in value of split-interest agreements	-	23,068	-	23,068
In-kind donations (Note 7)	310,751	-	-	310,751
Net assets released from restrictions:				
Satisfaction of time restrictions	220,983	(220,983)	-	-
Satisfaction of program restrictions	<u>5,138,594</u>	<u>(5,138,594)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>6,106,982</u>	<u>(283,882)</u>	<u>-</u>	<u>5,823,100</u>
Expenses:				
Program services:				
Programs and grants	1,529,209	-	-	1,529,209
Community relations and events	506,343	-	-	506,343
Stavros Institute	765,930	-	-	765,930
Take Stock in Children	1,862,090	-	-	1,862,090
School-based projects	242,657	-	-	242,657
District-wide initiatives	124,871	-	-	124,871
Student scholarships	715,517	-	-	715,517
Future Plans USA	96,575	-	-	96,575
Total program services	<u>5,843,192</u>	<u>-</u>	<u>-</u>	<u>5,843,192</u>
Supporting services:				
Administration	494,379	-	-	494,379
Fund raising	219,731	-	-	219,731
Total supporting services	<u>714,110</u>	<u>-</u>	<u>-</u>	<u>714,110</u>
Total expenses	<u>6,557,302</u>	<u>-</u>	<u>-</u>	<u>6,557,302</u>
Decrease in net assets	(450,320)	(283,882)	-	(734,202)
Net assets, beginning of year	<u>1,796,705</u>	<u>27,944,714</u>	<u>3,851,200</u>	<u>33,592,619</u>
Net assets, end of year	<u>\$ 1,346,385</u>	<u>27,660,832</u>	<u>3,851,200</u>	<u>32,858,417</u>

See accompanying independent auditor's report and notes to consolidated financial statements.

**PINELLAS COUNTY EDUCATION FOUNDATION, INC. AND SUBSIDIARY**

**Consolidated Statement of Activities**

**Year Ended June 30, 2015**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Operating support and revenue:				
Special events revenues	\$ 113,242	-	-	113,242
Special events expenses	<u>(70,562)</u>	<u>-</u>	<u>-</u>	<u>(70,562)</u>
Net special events revenue	42,680	-	-	42,680
Contributions (Note 14):				
Unrestricted	325,768	-	-	325,768
Bequests	-	600,916	-	600,916
Programs and grants	-	382,813	-	382,813
Community relations and events	-	74,989	-	74,989
Stavros Institute	-	996,844	-	996,844
Take Stock in Children - support and revenue	-	977,481	-	977,481
Take Stock in Children - Florida prepaid scholarships match (Note 6)	-	646,290	-	646,290
School-based projects	-	139,271	-	139,271
District-wide initiatives	-	39,782	-	39,782
Student scholarships	-	679,334	-	679,334
Governmental grants	18,941	1,364,697	-	1,383,638
Investment return (Note 5)	88,713	262,679	-	351,392
Change in value of split-interest agreements	-	(932)	-	(932)
In-kind donations (Note 7)	286,048	-	-	286,048
Net assets released from restrictions:				
Satisfaction of time restrictions	209,982	(209,982)	-	-
Satisfaction of program restrictions	<u>5,551,234</u>	<u>(5,551,234)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>6,523,366</u>	<u>402,948</u>	<u>-</u>	<u>6,926,314</u>
Expenses:				
Program services:				
Programs and grants	1,283,303	-	-	1,283,303
Community relations and events	582,168	-	-	582,168
Stavros Institute	1,256,006	-	-	1,256,006
Take Stock in Children	1,994,898	-	-	1,994,898
School-based projects	212,448	-	-	212,448
District-wide initiatives	57,159	-	-	57,159
Student scholarships	<u>680,984</u>	<u>-</u>	<u>-</u>	<u>680,984</u>
Total program services	<u>6,066,966</u>	<u>-</u>	<u>-</u>	<u>6,066,966</u>
Supporting services:				
Administration	590,019	-	-	590,019
Fund raising	<u>219,232</u>	<u>-</u>	<u>-</u>	<u>219,232</u>
Total supporting services	<u>809,251</u>	<u>-</u>	<u>-</u>	<u>809,251</u>
Total expenses	<u>6,876,217</u>	<u>-</u>	<u>-</u>	<u>6,876,217</u>
Increase (decrease) in net assets	(352,851)	402,948	-	50,097
Net assets, beginning of year	<u>2,149,556</u>	<u>27,541,766</u>	<u>3,851,200</u>	<u>33,542,522</u>
Net assets, end of year	<u>\$ 1,796,705</u>	<u>27,944,714</u>	<u>3,851,200</u>	<u>33,592,619</u>

See accompanying independent auditor's report and notes to consolidated financial statements.

**PINELLAS COUNTY EDUCATION FOUNDATION, INC. AND SUBSIDIARY**

**Consolidated Statement of Functional Expenses**

**Year Ended June 30, 2016  
(With Comparative Totals for 2015)**

	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	Future Plans USA	Total	Administration	Fund Raising	Total	2016	2015
	Personnel expense	\$ 385,619	175,866	253,830	521,165	-	-	-	53,632	1,390,112	294,499	132,554	427,053	1,817,165
Contracted salaries and benefits	18,000	-	13,500	25,000	-	-	-	-	56,500	-	-	-	56,500	116,725
Professional services	42,537	1,672	331,679	10,934	13,724	-	87	12,241	412,874	132,710	2,680	135,390	548,264	947,738
Travel, conferences and seminars	17,971	2,838	8,695	14,319	7,918	447	121	11,252	63,561	11,102	3,685	14,787	78,348	60,742
Communications	5,457	4,664	914	5,315	-	-	36	3,335	19,721	7,356	3,137	10,493	30,214	26,643
Supplies	46,367	2,521	9,721	11,969	111,197	14,227	13,122	254	209,378	27,488	2,204	29,692	239,070	153,006
Printing and publications	4,606	1,124	4,324	2,530	-	120	22	997	13,723	2,910	14,327	17,237	30,960	24,415
Equipment	-	4,856	341	142	-	-	-	-	5,339	10,535	-	10,535	15,874	14,130
Computer expense	9,855	6,831	20,262	11,272	-	-	4,307	13,431	65,958	35,390	16,355	51,745	117,703	161,879
Insurance	2,699	2,034	-	9,312	-	-	-	-	14,045	9,950	-	9,950	23,995	22,545
Dues and subscriptions	396	444	135	9,100	486	-	-	100	10,661	6,805	3,127	9,932	20,593	37,649
Meetings and events	91,995	133,891	15,532	68,174	47,855	34,587	-	-	392,034	6,448	8,887	15,335	407,369	347,786
Scholarships, awards and donations	784,977	35,680	8,397	1,069,831	61,440	44,243	697,281	-	2,701,849	4,983	4,929	9,912	2,711,761	2,724,509
Banking expenses	2,058	847	526	1,016	37	-	253	297	5,034	5,521	12	5,533	10,567	8,962
Other expenses	6,611	8,005	13,515	706	-	-	-	1,036	29,873	106,127	2,168	108,295	138,168	208,195
Donated public service announcements (Note 7)	13,604	66,954	-	-	-	31,247	-	-	111,805	17,308	-	17,308	129,113	138,622
Donated services and facilities (Note 7)	62,643	25,855	38,183	4,426	-	-	288	-	131,395	48,901	1,342	50,243	181,638	147,426
<b>Total direct expenses</b>	<b>1,495,395</b>	<b>474,082</b>	<b>719,554</b>	<b>1,765,211</b>	<b>242,657</b>	<b>124,871</b>	<b>715,517</b>	<b>96,575</b>	<b>5,633,862</b>	<b>728,033</b>	<b>195,407</b>	<b>923,440</b>	<b>6,557,302</b>	<b>6,876,217</b>
Allocation of indirect expenses	33,814	32,261	46,376	96,879	-	-	-	-	209,330	(233,654)	24,324	(209,330)	-	-
<b>Total expenses - 2016</b>	<b>\$ 1,529,209</b>	<b>506,343</b>	<b>765,930</b>	<b>1,862,090</b>	<b>242,657</b>	<b>124,871</b>	<b>715,517</b>	<b>96,575</b>	<b>5,843,192</b>	<b>494,379</b>	<b>219,731</b>	<b>714,110</b>	<b>6,557,302</b>	
<b>Total expenses - 2015</b>	<b>\$ 1,283,303</b>	<b>582,168</b>	<b>1,256,006</b>	<b>1,994,898</b>	<b>212,448</b>	<b>57,159</b>	<b>680,984</b>	<b>-</b>	<b>6,066,966</b>	<b>590,019</b>	<b>219,232</b>	<b>809,251</b>		<b>6,876,217</b>

See accompanying independent auditor's report and notes to consolidated financial statements.



**PINELLAS COUNTY EDUCATION FOUNDATION, INC. AND SUBSIDIARY**

**Consolidated Statements of Cash Flows**

**Years Ended June 30, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ (734,202)	50,097
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation	15,398	14,511
Realized and unrealized gains on investment securities	(2,573)	(121,917)
Amortization of Florida prepaid scholarships	1,057,237	1,172,086
Amortization of discount on note payable to Pinellas County School Board	43,547	69,384
Noncash rent expense - donated building space use	76,304	73,171
Matching contributions for Florida prepaid scholarships	(674,998)	(646,290)
Decrease in grants and other receivables	445	47,023
Decrease (increase) in prepaid expenses and other assets	(10,544)	17,797
Decrease (increase) in pledges receivable	340,603	(113,746)
Decrease (increase) in beneficial interests in trusts	(31,210)	48,917
Increase (decrease) in accounts payable and accrued expenses	43,342	(376,878)
Increase in deferred revenue	33,744	-
Increase (decrease) in obligations under split-interest agreements	10,276	(21,758)
	<u>167,369</u>	<u>212,397</u>
Net cash provided by operating activities		
Cash flows from investing activities:		
Purchases of Florida prepaid scholarships	(674,998)	(646,290)
Purchases of marketable investment securities	(5,146,860)	(1,980,979)
Proceeds from sales of marketable investment securities	5,828,669	2,948,347
Property and equipment purchases	(13,185)	(39,954)
	<u>(6,374)</u>	<u>281,124</u>
Net cash provided by (used in) investing activities		
Cash flows from financing activities:		
Principal payments on long-term note payable	(550,000)	(500,000)
	<u>(550,000)</u>	<u>(500,000)</u>
Net cash used in financing activities		
Net decrease in cash and cash equivalents	(389,005)	(6,479)
Cash and cash equivalents, beginning of year	<u>724,915</u>	<u>731,394</u>
Cash and cash equivalents, end of year	\$ <u>335,910</u>	<u>724,915</u>

**PINELLAS COUNTY EDUCATION FOUNDATION, INC. AND SUBSIDIARY**

**Notes to Consolidated Financial Statements**

**June 30, 2016 and 2015**

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

**(a) Organization and Purpose**

The Pinellas County Education Foundation, Inc. d/b/a Pinellas Education Foundation and its wholly-owned subsidiary, Future Plans USA, LLC, (collectively the “Foundation”) function as an independent nonprofit organization established originally in 1986. The mission of the Foundation is to enhance and improve education in Pinellas County Schools. 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 following is a partial listing of the Foundation’s programs:

*The Gus Stavros Institute* is a state-of-the-art learning complex dedicated to educating students in the free enterprise system. The Institute houses three 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. *Future Plans* is a self-administered, career guidance, high school program aimed at helping high school students and young adults discover their aptitudes and interests so they can choose the educational pathway that will lead them to their best in-demand career choices. Future Plans USA, LLC was formed in fiscal 2016 for the purpose of promoting the Future Plans program.

*The Take Stock in Children Scholarship Program* is a long-term collaborative initiative uniting the school system, social service and healthcare agencies, business, government, and community organizations in support of at-risk children and their families. Launched in 1992, Take Stock in Children provides deserving Pinellas County Public School students in grades 6-11 with a Florida Prepaid College scholarship for two years of tuition at a Florida public community college, two years of tuition at a Florida state university and a mentor throughout their school years.

*The Frances Stavros Career Education Scholarship* (formerly SAVE) is a program designed to encourage students who have financial need to pursue their education in a vocational technical career, followed by career training and job placement.

*The Academies of Pinellas Program* is a community-wide initiative aimed at enhancing the high school educational experience by providing an opportunity for students in every high school to prepare for college or technical school while, at the same time, pursuing industry-recognized career certifications.

*Education Grants and Training* awards grants to front-line educators allowing them to create innovative classroom programs and sharpen their teaching skills.

# PINELLAS COUNTY EDUCATION FOUNDATION, INC. AND SUBSIDIARY

## Notes to Consolidated Financial Statements - Continued

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

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

*Student Scholarships* provide more than 120 different college scholarships to seniors throughout Pinellas County, based on criteria established by the Foundation and sponsors.

*School Enhancement Grants and District-wide Initiatives* provide financial resources directly to Pinellas County schools for the implementation of programs that allow schools to enhance their programs and curriculum.

#### (b) Principles of Consolidation

The consolidated financial statements include the financial statements of Pinellas County Education Foundation, Inc. and Future Plans USA, LLC. All significant inter-organizational balances and transactions have been eliminated in consolidation.

#### (c) Basis of Accounting

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted net assets, depending on the absence or existence and nature of any donor restrictions. Contributions received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

#### (d) Financial Accounting Standards

The Financial Accounting Standards Board (FASB) issued authoritative guidance establishing two levels of U.S. generally accepted accounting principles (GAAP), authoritative and nonauthoritative, and making the Accounting Standards Codification (ASC) the source of authoritative, nongovernmental GAAP, except for rules and interpretive releases of the Securities and Exchange Commission. This guidance was incorporated into ASC Topic 105, *Generally Accepted Accounting Principles*.

#### (e) Liquidity

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

#### (f) Cash Equivalents

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

# PINELLAS COUNTY EDUCATION FOUNDATION, INC. AND SUBSIDIARY

## Notes to Consolidated Financial Statements - Continued

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

#### (g) 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 consolidated statements of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying consolidated statements of activities. Restrictions on investment earnings are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the earnings are recognized.

#### (h) Pledges Receivable

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional 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. Conditional promises to give are not included as support until the conditions are substantially met.

#### (i) Property and Equipment

The Foundation capitalizes property and equipment over \$1,000. Purchased property and equipment is 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 the estimated useful lives.

#### (j) 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.

#### (k) Beneficial Interest in Trust and Gift Annuities

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

Trust and annuity liabilities associated with the CRUT and CGA are 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. AND SUBSIDIARY

### Notes to Consolidated Financial Statements - Continued

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

##### (l) Functional Allocation of Expenses

The costs of providing the various programs and other activities are presented in the accompanying consolidated statement of functional expenses and have been summarized on a functional basis in the accompanying consolidated statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefitted.

##### (m) 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.

##### (n) 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 consolidated financial statements. The Foundation has adopted FASB guidance regarding *Uncertainty in Income Taxes* as codified in FASB ASC 740-10. As of June 30, 2016, management does not believe it has taken any tax positions that are subject to a significant degree of uncertainty. The Organization's income tax filings are subject to examination by the Internal Revenue Service generally for three years after they were filed. Tax filings for fiscal years after June 30, 2012 remain open for examination.

##### (o) Estimates in Consolidated Financial Statements

The preparation of consolidated 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 consolidated financial statements and the reported amounts of increases or decreases in net assets during the period. Actual results could differ from those estimates.

##### (p) Summarized Financial Information for 2015

The 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 consolidated financial statements for the year ended June 30, 2015, from which the summarized information was derived.

**PINELLAS COUNTY EDUCATION FOUNDATION, INC. AND SUBSIDIARY**

**Notes to Consolidated Financial Statements - Continued**

**(2) Pledges Receivable**

Included in pledges receivable as of June 30, 2016 and 2015 are the following unconditional promises to give:

	<u>2016</u>	<u>2015</u>
Foundation operations	\$ 1,000	15,248
Programs and grants	73,790	8,730
Community relations and events	110,250	162,100
Stavros Institute	1,106,229	1,181,713
Take Stock in Children	244,916	309,608
School-based projects	<u>-</u>	<u>200,491</u>
 Total pledges receivable	 1,536,185	 1,877,890
 Less discount for present value	 <u>(50,446)</u>	 <u>(51,548)</u>
 Net pledges receivable	 <u>\$ 1,485,739</u>	 <u>1,826,342</u>
 Amounts receivable in:		
Less than one year	\$ 732,585	800,000
One to five years	644,000	930,390
Thereafter	<u>159,600</u>	<u>147,500</u>
 Total	 <u>\$ 1,536,185</u>	 <u>1,877,890</u>

Discount rates range from .91% to 3.69% as of June 30, 2016 and from 1.38% to 3.69% as of June 30, 2015.

For the year ended June 30, 2016, the Foundation charged off uncollectible pledges of approximately \$14,500. For the year ended June 30, 2015 the Foundation charged off uncollectible pledges of approximately \$105,000. 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.

Pledges receivable from one donor represented 16% of total pledges receivable for 2016 and pledges receivable from two donors represented 31% of total pledges receivable for 2015.

**PINELLAS COUNTY EDUCATION FOUNDATION, INC. AND SUBSIDIARY**

**Notes to Consolidated Financial Statements - Continued**

**(3) Property and Equipment**

Property and equipment consist of the following as of June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Computer equipment	\$ 63,734	55,877
Furniture and fixtures	30,490	25,162
	<u>94,224</u>	<u>81,039</u>
Less accumulated depreciation	<u>(49,345)</u>	<u>(33,947)</u>
	<u>\$ 44,879</u>	<u>47,092</u>

Depreciation expense for the years ended June 30, 2016 and 2015 was \$15,398 and \$14,511, respectively. Depreciation expense is included with other expenses in the statement of functional expenses.

**(4) Donated Building Space Use**

During December 2009, the Foundation entered into a below market 10 year rent agreement with The School Board of Pinellas County, Florida. Recognition of the fair value of this lease and related rental expense for the years ended June 30, 2016 and 2015 is summarized as follows:

Balance as of June 30, 2014	\$ 435,694
Recognition of in-kind rent expense for the year ended June 30, 2015	<u>(73,171)</u>
Balance as of June 30, 2015	362,523
Recognition of in-kind rent expense for the year ended June 30, 2016	<u>(76,304)</u>
Balance as of June 30, 2016	<u>\$ 286,219</u>

**PINELLAS COUNTY EDUCATION FOUNDATION, INC. AND SUBSIDIARY**

**Notes to Consolidated Financial Statements - Continued**

**(5) Marketable Investment Securities**

Marketable investment securities consist of the following as of June 30, 2016 and 2015:

	2016		2015	
	Cost	Fair Value	Cost	Fair Value
Large Cap Equity Mutual Funds	\$ 6,844,034	8,187,420	6,358,602	7,613,038
Large Cap Foreign Equity Mutual Funds	7,672	7,580	-	-
Large Cap Foreign Equity Securities	1,729,133	1,581,379	1,605,170	1,586,161
Government Bonds	1,399,728	1,419,612	2,420,950	2,430,547
Government Bond Funds	7,509	18,044	10,103	10,321
Corporate Bonds	809,608	826,352	951,982	959,559
International Corporate Bonds	44,842	45,145	66,214	66,964
Money Market Funds	407,926	407,926	506,104	506,104
	<u>\$ 11,250,452</u>	<u>12,493,458</u>	<u>11,919,125</u>	<u>13,172,694</u>

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

Investment return was comprised of the following components for the years ended June 30, 2016 and 2015:

	2016	2015
Dividends	\$ 184,207	146,900
Interest	92,905	154,966
Net realized gains (losses) on securities	(5,386)	98,117
Net unrealized gains on securities	7,959	23,800
Less investment management fees	(69,779)	(72,391)
Total return on investments	<u>\$ 209,906</u>	<u>351,392</u>



**PINELLAS COUNTY EDUCATION FOUNDATION, INC. AND SUBSIDIARY**

**Notes to Consolidated Financial Statements - Continued**

**(6) Florida Prepaid Scholarships**

During the years ended June 30, 2016 and 2015 the Foundation paid \$674,998 and \$646,290, 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 upon budget allocations. The matching contributions for the years ended June 30, 2016 and 2015 of \$674,998 and \$646,290, respectively, are recorded as temporarily restricted contributions in the Take Stock in Children program.

**(7) Donated Services, Goods and Building Space**

Donated services, goods and building space for the years ended June 30, 2016 and 2015 consisted of the following:

	<u>2016</u>	<u>2015</u>
Advertising	\$ 129,113	138,622
Printing	4,554	1,282
Food and beverage	330	-
Room rental	5,206	-
Other goods and services	<u>171,548</u>	<u>146,144</u>
	<u>\$ 310,751</u>	<u>286,048</u>

**(8) Operating Leases**

The Foundation has two noncancellable operating leases for office equipment that expire in fiscal 2018. The Foundation also has an operating lease for building space, as described in Note 4 that expires in December 2019. Amounts paid for rent on operating leases for the years ended June 30, 2016 and 2015 were approximately \$18,000 and \$21,000, respectively.

Future minimum lease payments under noncancellable operating leases as of June 30, 2016 are as follows:

<u>Year Ending June 30,</u>	
2017	\$ 18,048
2018	8,377
2019	6,000
2020	<u>2,500</u>
	<u>\$ 34,925</u>

**PINELLAS COUNTY EDUCATION FOUNDATION, INC. AND SUBSIDIARY**

**Notes to Consolidated Financial Statements - Continued**

**(9) Long-Term Note Payable**

Long-term note payable consists of the following as of June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Non-interest bearing promissory note payable to The School Board of Pinellas County, Florida in annual installments ranging from \$232,492 to \$550,000 through December 2016.	\$ 232,492	782,492
Less unamortized discount	<u>13,160</u>	<u>56,707</u>
Long-term note payable, net of unamortized discount	<u>\$ 219,332</u>	<u>725,785</u>

On July 8, 2009, the Foundation converted a trade payable to The School Board of Pinellas County, Florida to an eight year note payable with no stated interest, maturing December 2016. Accordingly, on July 8, 2009, the Foundation recorded a temporarily restricted contribution and a corresponding discount of \$648,674, representing imputed interest based on an effective interest rate of 6.00%. The amortization of the discount on this note payable for the years ended June 30, 2016 and 2015 was \$43,547 and \$69,384, respectively.

The outstanding balance on the long-term note payable will fully mature during the fiscal year ending June 30, 2017.

**(10) Split-Interest Agreements**

The Foundation has been named the remainder beneficiary under six separate split-interest agreements. For one charitable remainder trust, the Foundation is also named as trustee. That charitable remainder trust and the gift annuities provide 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. Quarterly distributions under the charitable gift annuity agreements are 7.0%, 7.2%, 7.2%, 7.2% and 9.1%, which approximates \$350, \$720, \$360, \$360 and \$6,370, respectively. Upon the death of the donors, the remaining assets are available for the Foundation's use. A donor death took place in fiscal 2016. 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 temporarily restricted contribution in the period the trust or gift annuity is established.

The assets held under the charitable remainder trust and the receivables under the other split-interest agreements are reported at fair value in the Foundation's consolidated statements of financial position. On an annual basis, the Foundation revalues the obligation under the remainder trust using actuarial and market rates of interest assumptions. The present value of the obligation under the remainder unitrust agreement (\$184,117 and \$189,800 as of June 30, 2016 and 2015, respectively) is estimated using a discount rate of 5.4% and applicable mortality tables. The present value of the obligation under charitable gift annuity agreements (\$39,087 and \$23,128 as of June 30, 2016 and 2015, respectively) is estimated using discount rates that range from 1.02% to 1.6% and applicable mortality tables.

**PINELLAS COUNTY EDUCATION FOUNDATION, INC. AND SUBSIDIARY**

**Notes to Consolidated Financial Statements - Continued**

**(10) Split-Interest Agreements - Continued**

State law requires that the Foundation limit the manner in which it invests these charitable gift annuity assets and that the Foundation maintain a reserve fund equal to a minimum of 110% of the actuarial present value of the related annuity obligations. At June 30, 2016, the Foundation was in compliance with this requirement.

**(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 discount rates ranging from 1.02% to 5.4%.

Fair value of assets and liabilities measured on a recurring basis as of June 30, 2016 is as follows:

	<b>Fair Value at June 30, 2016</b>	<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>
<b>Assets:</b>				
Large Cap Equity Mutual Funds	\$ 8,187,422	8,187,422	-	-
Large Cap Foreign Equity Mutual Funds	7,580	7,580	-	-
Large Cap Foreign Equity Securities	1,581,379	1,581,379	-	-
Government Bonds	1,419,612	-	1,419,612	-
Government Bond Funds	18,044	18,044	-	-
Corporate Bonds	826,352	-	826,352	-
International Corporate Bonds	45,143	-	45,143	-
Money Market Funds	407,926	407,926	-	-
Beneficial interest in trusts	1,190,803	266,502	924,301	-
	<u>\$ 13,684,261</u>	<u>10,468,853</u>	<u>3,215,408</u>	<u>-</u>
<b>Liabilities:</b>				
Obligations under split-interest agreements	\$ 223,204	-	-	223,204

**PINELLAS COUNTY EDUCATION FOUNDATION, INC. AND SUBSIDIARY**

**Notes to Consolidated Financial Statements - Continued**

**(11) Fair Value Measurements - Continued**

Fair value of assets and liabilities measured on a recurring basis as of June 30, 2015 is as follows:

	<u>Fair Value at June 30, 2015</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	\$ 7,613,038	7,613,038	-	-
Large Cap Foreign Equity Securities	1,586,161	1,586,161	-	-
Government Bonds	2,430,547	-	2,430,547	-
Government Bond Funds	10,321	10,321	-	-
Corporate Bonds	959,559	-	959,559	-
International Corporate Bonds	66,964	-	66,964	-
Money Market Funds	506,104	506,104	-	-
Beneficial interest in trusts	1,159,593	271,483	888,110	-
	<u>\$ 14,332,287</u>	<u>9,987,107</u>	<u>4,345,180</u>	<u>-</u>
Liabilities:				
Obligations under split-interest agreements	\$ 212,928	-	-	212,928

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, 2016 and 2015:

	<u>Obligations Under Split-Interest Agreements</u>	
	<u>2016</u>	<u>2015</u>
Balance, beginning of year	\$ 212,928	234,686
Change in fair value due to change in value of underlying assets and actuarial assumptions	<u>10,276</u>	<u>(21,758)</u>
Balance, end of year	<u>\$ 223,204</u>	<u>212,928</u>

**(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 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 temporarily restricted net assets 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 unrestricted net assets.

## PINELLAS COUNTY EDUCATION FOUNDATION, INC. AND SUBSIDIARY

### Notes to Consolidated Financial Statements - Continued

#### (12) Endowment Funds - Continued

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 on a donor-restricted endowment fund is spendable and classified as temporarily restricted net assets 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 unrestricted net assets to fund the distributions. Future net investment income and appreciation of the endowment assets will be used to restore the Foundation's unrestricted net assets.

**PINELLAS COUNTY EDUCATION FOUNDATION, INC. AND SUBSIDIARY**

**Notes to Consolidated Financial Statements - Continued**

**(12) Endowment Funds - Continued**

Composition of endowment net assets as of June 30, 2016 and 2015 and changes in endowment net assets for the years then ended are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Endowment Net Assets</u>
Endowment net assets, June 30, 2014	\$ -	473,262	3,851,200	4,324,462
Investment income	-	132,972	-	132,972
Net appreciation in fair value of investments	-	8,086	-	8,086
Amounts appropriated for expenditure	<u>-</u>	<u>(421,423)</u>	<u>-</u>	<u>(421,423)</u>
Endowment net assets, June 30, 2015	-	192,897	3,851,200	4,044,097
Investment income	-	77,880	-	77,880
Net appreciation in fair value of investments	-	857	-	857
Amounts appropriated for expenditure	<u>-</u>	<u>(271,634)</u>	<u>-</u>	<u>(271,634)</u>
Endowment net assets, June 30, 2016	\$ <u>-</u>	<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, 2016 and 2015. 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 \$41,000 and \$35,000 for the years ended June 30, 2016 and 2015, 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.

**PINELLAS COUNTY EDUCATION FOUNDATION, INC. AND SUBSIDIARY**

**Notes to Consolidated Financial Statements - Continued**

**(15) Funding and Credit Concentrations**

A significant component of the Foundation's activities is supported by grants passed through from WorkNet Pinellas, Inc. d/b/a CareerSource Pinellas (CareerSource). For the years ended June 30, 2016 and 2015, revenues earned under the contract with CareerSource were \$605,119 and \$732,392, respectively. As of June 30, 2016 and 2015, the amounts receivable from CareerSource were \$117,731 and \$128,047, respectively.

The Foundation maintains its deposits with a commercial bank which management believes to be of high credit quality. Approximately \$197,000 of the Foundation's deposits with this bank were not covered by Federal deposit insurance as of June 30, 2016.

**(16) Contingency**

The Foundation was previously self-insured with regards to State Unemployment insurance. The possibility exists that assessments may be made in the future by the State of Florida for unemployment claims made by former employees. Effective January 1, 2013, the Foundation elected to begin paying state unemployment tax.

Assessments made by the State of Florida for the years ending June 30, 2016 and 2015 were \$0 and \$617, respectively. Amounts potentially due on future claims are undeterminable at this time.

**(17) Subsequent Events Evaluation**

The Foundation has evaluated subsequent events through October 7, 2016, the date the consolidated financial statements were available for issuance.

**SUPPLEMENTARY FINANCIAL INFORMATION**



**PINELLAS COUNTY EDUCATION FOUNDATION, INC. AND SUBSIDIARY**

**Schedule of Expenditures of State Financial Assistance**

**Year Ended June 30, 2016**

State Agency/ Pass-through Grantor/ State Project	CSFA Number	Agency or Pass-through Number	Current Year Expenditures
<b>State Financial Assistance</b>			
Department of Education and Commissioner of Education Passed through from Florida Prepaid College Foundation, Inc.:			
Prepaid Tuition Scholarships	48.051	n/a	\$ 528,619
Passed through from Consortium of Florida Education Foundations:			
School District Matching Grants Program	48.061	n/a	152,340
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			1,144,454
Department of Highway Safety and Motor Vehicles Specialty License Plates Program			
Florida Educational License Plate Project	76.023	n/a	<u>18,777</u>
Total expenditures of state financial assistance			\$ <u><u>1,163,231</u></u>

**PINELLAS COUNTY EDUCATION FOUNDATION, INC. AND SUBSIDIARY**

**Notes to Schedule of Expenditures of State Financial Assistance**

**Year Ended June 30, 2016**

**(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. and Subsidiary under programs of the State of Florida for the year ended June 30, 2016. 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. and Subsidiary, 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. and Subsidiary.

**(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. and Subsidiary provided no state financial assistance to subrecipients for the year ended June 30, 2016.

**INTERNAL CONTROL AND COMPLIANCE**



**Independent Auditor’s Report on Internal Control Over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Consolidated Financial Statements  
Performed in Accordance with Government Auditing Standards**

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

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 consolidated financial statements of Pinellas County Education Foundation, Inc. (the “Foundation”) and Subsidiary, which comprise the consolidated statement of financial position as of June 30, 2016, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated October 7, 2016.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the consolidated financial statements, we considered the Foundation’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated 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 consolidated 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 consolidated 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 determination of consolidated 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.

MAYER HOFFMAN MCCANN P.C.

October 7, 2016  
Clearwater, Florida



**Independent Auditor’s 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. and Subsidiary:

**Report on Compliance for Each Major State Project**

We have audited Pinellas County Education Foundation, Inc. and Subsidiary’s 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 each of Pinellas County Education Foundation, Inc. and Subsidiary’s major state projects for the year ended June 30, 2016. Pinellas County Education Foundation, Inc. and Subsidiary’s major state projects are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

**Management’s Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its major state projects.

**Auditor’s Responsibility**

Our responsibility is to express an opinion on compliance for the Pinellas County Education Foundation, Inc. and Subsidiary’s major state projects based on our audit of the types of compliance requirements referred to above. 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 Chapter 10.650, *Rules of the Auditor General*. Those standards and Chapter 10.650, *Rules of the Auditor General*, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state project occurred. An audit includes examining, on a test basis, evidence about the Foundation’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion for each major state project. However, our audit does not provide a legal determination on the Foundation’s compliance.

**Opinion on Each Major State Project**

In our opinion, Pinellas County Education Foundation, Inc. and Subsidiary 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 projects for the year ended June 30, 2016.

## Report on Internal Control Over Compliance

The management of Pinellas County Education Foundation, Inc. and Subsidiary is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit, we considered the Foundation's internal control over compliance with the types of requirements that could have a direct and material effect on a major state project in order to determine our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major state project 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Foundation's 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

October 7, 2016  
Clearwater, Florida

**PINELLAS COUNTY EDUCATION FOUNDATION, INC. AND SUBSIDIARY**

**Schedule of Findings and Questioned Costs**

**Year Ended June 30, 2016**

**(A) Summary of Audit Results**

1. The auditor's report expresses an unmodified opinion on the consolidated financial statements of Pinellas County Education Foundation, Inc. and Subsidiary.
2. No significant deficiencies relating to the audit of the consolidated financial statements are reported in the independent auditor's report on internal control over financial reporting and on compliance and other matters based on an audit of consolidated financial statements performed in accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the consolidated financial statements of Pinellas County Education Foundation, Inc. and Subsidiary, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major state projects are reported in the independent auditor's report on compliance for each major state project and on internal control over compliance required by Chapter 10.650, *Rules of the Florida Auditor General*.
5. The auditor's report on compliance for the major state projects of Pinellas County Education Foundation, Inc. and Subsidiary expresses an unmodified opinion.
6. Audit findings that are required to be reported in accordance with Chapter 10.650, *Rules of the Auditor General*, are reported in Part C, of this Schedule.
7. The programs/projects tested as major state projects were:
  - Prepaid Tuition Scholarships (CSFA 48.051)
  - School District Matching Grants Program (CSFA 48.061)
8. The threshold for distinguishing Types A and B programs/projects was \$300,000 for the major state projects.
9. Pinellas County Education Foundation, Inc. and Subsidiary was determined to be a low-risk auditee.

**(B) Findings - Audit of Consolidated Financial Statements**

None.

**(C) Findings and Questioned Costs - Major State Projects**

None.



**PINELLAS COUNTY EDUCATION FOUNDATION, INC. AND SUBSIDIARY**

**Schedule of Findings and Questioned Costs - Continued**

**(D) Other Issues**

A Summary Schedule of Prior Audit Findings is not required because there were no prior audit findings related to state projects.

No Corrective Action Plan is required because there were no findings required to be reported under the Florida Single Audit Act.



### Management Letter

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

We have audited the consolidated financial statements of Pinellas County Education Foundation, Inc. and Subsidiary as of and for the fiscal year ended June 30, 2016, and have issued our report thereon dated October 7, 2016.

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 Florida Auditor General*. We have issued our Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Consolidated Financial Statements Performed in Accordance with *Government Auditing Standards*, Independent Auditor's 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 October 7, 2016, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.650, *Rules of the Auditor General*, which requires disclosure in the management letter of violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, that have an effect on the consolidated financial statements or State project amounts that is less than material but more than inconsequential. In addition, for matters that have an inconsequential effect on the consolidated financial statements or State project amounts, considering both quantitative and qualitative factors, the following may be reported based on professional judgment: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, that have occurred, or are likely to have occurred, (2) deficiencies in internal control that are not significant deficiencies. In connection with our audit, we did not identify any matters that required disclosure.

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.

October 7, 2016  
Clearwater, Florida