

**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, 2020 and 2019
(With Independent Auditor's Report Thereon)**

PINELLAS COUNTY EDUCATION FOUNDATION, INC. AND SUBSIDIARY

Table of Contents

	<u>Page</u>
Independent Auditor's Report on Consolidated Financial Statements and Supplementary Financial Information	1 - 3
Consolidated Financial Statements:	
Consolidated Statements of Financial Position	4
Consolidated Statement of Activities - 2020	5
Consolidated Statement of Activities - 2019	6
Consolidated Statement of Functional Expenses	7
Consolidated Statements of Cash Flows	8
Notes to Consolidated Financial Statements	9 - 24
Supplementary Financial Information:	
Schedule of Expenditures of State Financial Assistance	25
Notes to Schedule of Expenditures of State Financial Assistance	26
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>	27 - 28
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>	29 - 30
Schedule of Findings and Questioned Costs	31
Management Letter	32



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**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. and Subsidiary (the “Foundation”), which comprise the consolidated statements of financial position as of June 30, 2020 and 2019, and the related consolidated statements of activities and cash flows for the years then ended, the related consolidated statement of functional expenses for the year ended June 30, 2020, 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, 2020 and 2019, and the changes in their net assets and their cash flows for the years then ended, and their functional expenses for the year ended June 30, 2020 in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

We draw your attention to Note 16, which describes the risks and uncertainties impacting the Foundation as a result of the COVID-19 pandemic. The consolidated financial statements do not include any adjustments that might result from the outcome of these uncertainties. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited Pinellas County Education Foundation, Inc. and Subsidiary's 2019 consolidated financial statements, and our report dated December 6, 2019, 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, 2019, 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 December 1, 2020 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.

December 1, 2020
Clearwater, Florida

PINELLAS COUNTY EDUCATION FOUNDATION, INC. AND SUBSIDIARY

Consolidated Statements of Financial Position

June 30, 2020 and 2019

Assets	2020	2019
Cash and cash equivalents (Note 15)	\$ 6,400,592	5,630,366
Grants and other receivables	580,495	445,906
Prepaid expenses and other assets	45,382	49,849
Marketable investment securities (Notes 5 and 11)	14,792,432	13,608,112
Pledges receivable, net (Note 2)	1,359,208	1,149,032
Property and equipment, net (Note 3)	50,221	41,330
Donated building space use (Note 4)	433,996	37,139
Florida prepaid scholarships (Note 6)	16,856,736	17,137,483
Beneficial interests in trusts (Notes 10 and 11)	1,715,180	1,407,017
Real estate held for sale	1,589,000	-
	\$ 43,823,242	39,506,234
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 222,010	138,988
Refundable advances	65,055	-
Obligations under split-interest agreements (Notes 10 and 11)	166,822	189,656
Note payable - Paycheck Protection Program (Note 7)	295,000	-
	748,887	328,644
Net assets:		
Without donor restrictions	2,344,833	898,585
With donor restrictions:		
Donated building space use	433,996	37,139
Stavros Society pledges	394,564	-
Bequests	1,481,221	1,147,913
Programs and grants	8,101,491	7,781,592
Stavros Institute	1,073,921	1,140,028
Take Stock in Children	18,845,050	17,799,335
School-based projects	2,908,357	3,030,499
District-wide initiatives	94,879	76,022
Student scholarships	3,544,843	3,415,277
Take Stock in Children endowment (Note 12)	630,000	630,000
Stavros Institute endowment (Note 12)	3,221,200	3,221,200
	40,729,522	38,279,005
Total net assets with donor restrictions	40,729,522	38,279,005
Total net assets	43,074,355	39,177,590
Total liabilities and net assets	\$ 43,823,242	39,506,234

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, 2020

	<u>Net Assets Without Donor Restrictions</u>	<u>Net Assets With Donor Restrictions</u>	<u>Total</u>
Operating support and revenue:			
Special events revenues	\$ 55,790	-	55,790
Special events expenses	<u>(14,094)</u>	<u>-</u>	<u>(14,094)</u>
Net special events revenue	41,696	-	41,696
Contributions (Note 14):			
Unrestricted	371,075	-	371,075
Stavros Society pledges	-	501,001	501,001
Bequests	1,949,008	333,308	2,282,316
Programs and grants	-	1,566,938	1,566,938
Stavros Institute	-	173,211	173,211
Take Stock in Children - support and revenue	-	631,619	631,619
Take Stock in Children - Florida prepaid scholarships match (Note 6)	-	491,631	491,631
School-based projects	-	155,035	155,035
District-wide initiatives	-	106,357	106,357
Student scholarships	-	1,037,131	1,037,131
Governmental grants	20,843	1,124,475	1,145,318
Investment return	56,291	181,122	237,413
Change in value of split-interest agreements	-	(2,123)	(2,123)
Loss on sale of real estate	(61,893)	-	(61,893)
In-kind donations (Note 8)	52,280	493,887	546,167
Net assets released from restrictions:			
Satisfaction of time restrictions	477,502	(477,502)	-
Satisfaction of program restrictions	<u>5,147,405</u>	<u>(5,147,405)</u>	<u>-</u>
Total support and revenue	8,054,207	1,168,685	9,222,892
Expenses:			
Program services:			
Programs and grants	2,024,020	-	2,024,020
Community relations and events	175,704	-	175,704
Stavros Institute	479,163	-	479,163
Take Stock in Children	1,848,470	-	1,848,470
School-based projects	272,420	-	272,420
District-wide initiatives	95,304	-	95,304
Student scholarships	924,675	-	924,675
Future Plans USA	<u>42</u>	<u>-</u>	<u>42</u>
Total program services	5,819,798	-	5,819,798
Supporting services:			
Administration	567,675	-	567,675
Fundraising	<u>220,486</u>	<u>-</u>	<u>220,486</u>
Total supporting services	788,161	-	788,161
Total expenses	<u>6,607,959</u>	<u>-</u>	<u>6,607,959</u>
Increase in net assets before other changes	1,446,248	1,168,685	2,614,933
Other changes:			
Take Stock in Children - gain on Florida prepaid scholarships	<u>-</u>	<u>1,281,832</u>	<u>1,281,832</u>
Increase in net assets	1,446,248	2,450,517	3,896,765
Net assets, beginning of year	<u>898,585</u>	<u>38,279,005</u>	<u>39,177,590</u>
Net assets, end of year	\$ <u>2,344,833</u>	<u>40,729,522</u>	<u>43,074,355</u>

PINELLAS COUNTY EDUCATION FOUNDATION, INC. AND SUBSIDIARY

Consolidated Statement of Activities

Year Ended June 30, 2019

	<u>Net Assets Without Donor Restrictions</u>	<u>Net Assets With Donor Restrictions</u>	<u>Total</u>
Operating support and revenue:			
Special events revenues	\$ 67,981	-	67,981
Special events expenses	<u>(21,218)</u>	<u>-</u>	<u>(21,218)</u>
Net special events revenue	46,763	-	46,763
Contributions (Note 14):			
Unrestricted	314,355	-	314,355
Bequests	36,651	194,686	231,337
Programs and grants	-	6,052,699	6,052,699
Stavros Institute	-	644,670	644,670
Take Stock in Children - support and revenue	-	735,408	735,408
Take Stock in Children - Florida prepaid scholarships match (Note 6)	-	446,568	446,568
School-based projects	-	336,823	336,823
District-wide initiatives	-	111,932	111,932
Student scholarships	-	639,584	639,584
Governmental grants	15,395	1,016,893	1,032,288
Investment return	271,588	511,747	783,335
Change in value of split-interest agreements	-	2,798	2,798
Future Plans revenues	17,924	-	17,924
Other revenue	350,000	-	350,000
In-kind donations (Note 8)	365,179	-	365,179
Net assets released from restrictions:			
Satisfaction of time restrictions	202,885	(202,885)	-
Satisfaction of program restrictions	<u>5,206,237</u>	<u>(5,206,237)</u>	<u>-</u>
Total support and revenue	6,826,977	5,284,686	12,111,663
Expenses:			
Program services:			
Programs and grants	2,011,832	-	2,011,832
Community relations and events	287,192	-	287,192
Stavros Institute	378,707	-	378,707
Take Stock in Children	1,954,103	-	1,954,103
School-based projects	193,656	-	193,656
District-wide initiatives	174,964	-	174,964
Student scholarships	694,109	-	694,109
Future Plans USA	<u>76,419</u>	<u>-</u>	<u>76,419</u>
Total program services	5,770,982	-	5,770,982
Supporting services:			
Administration	469,087	-	469,087
Fundraising	<u>187,217</u>	<u>-</u>	<u>187,217</u>
Total supporting services	656,304	-	656,304
Total expenses	<u>6,427,286</u>	<u>-</u>	<u>6,427,286</u>
Increase in net assets	399,691	5,284,686	5,684,377
Net assets, beginning of year	<u>498,894</u>	<u>32,994,319</u>	<u>33,493,213</u>
Net assets, end of year	<u>\$ 898,585</u>	<u>38,279,005</u>	<u>39,177,590</u>

PINELLAS COUNTY EDUCATION FOUNDATION, INC. AND SUBSIDIARY

Consolidated Statement of Functional Expenses

**Year Ended June 30, 2020
(With Comparative Totals for 2019)**

	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	2020	2019
	Personnel expense	\$ 853,397	94,167	427,707	458,231	-	-	-	-	1,833,502	228,392	106,054	334,446	2,167,948
Contracted salaries and benefits	88,507	-	-	-	-	-	-	-	88,507	-	-	-	88,507	88,402
Professional services	298,597	1,422	3,533	3,410	5,450	27,181	-	-	339,593	83,850	34,585	118,435	458,028	520,634
Travel, conferences and seminars	5,918	793	189	8,271	1,000	-	7	-	16,178	15,499	737	16,236	32,414	45,168
Communications	50	400	550	1,997	-	-	-	-	2,997	6,576	1,610	8,186	11,183	8,857
Supplies	133,152	170	19,030	7,926	226,616	10,189	76,736	-	473,819	9,790	3,040	12,830	486,649	326,135
Printing and publications	2,209	2,919	37	2,786	-	-	3,345	-	11,296	4,650	11,609	16,259	27,555	20,948
Equipment	-	-	54	-	-	-	-	-	54	11,728	-	11,728	11,782	12,019
Computer expense	21,531	3,818	2,890	14,706	-	-	5,625	-	48,570	34,672	34,481	69,153	117,723	160,670
Insurance	3,450	353	-	5,642	-	-	-	-	9,445	14,641	2,351	16,992	26,437	21,807
Dues and subscriptions	39	-	333	23,939	-	-	-	-	24,311	5,327	1,231	6,558	30,869	24,906
Meetings and events	8,384	42,156	4,856	55,104	12,214	9,475	43,200	-	175,389	3,424	20,788	24,212	199,601	195,484
Scholarships, awards and donations	581,670	16,778	2,749	1,264,562	27,004	48,446	788,522	-	2,729,731	-	750	750	2,730,481	2,495,251
Banking expenses	-	171	55	457	136	13	4,250	42	5,124	8,168	400	8,568	13,692	7,277
Other expenses	22,868	6,220	16,945	1,439	-	-	-	-	47,472	104,147	2,850	106,997	154,469	171,675
Donated services and facilities (Note 8)	4,248	6,337	235	-	-	-	2,990	-	13,810	36,811	-	36,811	50,621	365,179
Total expenses - 2020	\$ 2,024,020	175,704	479,163	1,848,470	272,420	95,304	924,675	42	5,819,798	567,675	220,486	788,161	6,607,959	
Total expenses - 2019	\$ 2,011,832	287,192	378,707	1,954,103	193,656	174,964	694,109	76,419	5,770,982	469,087	187,217	656,304		6,427,286

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, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Increase in net assets	\$ 3,896,765	5,684,377
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	17,225	16,556
Realized and unrealized losses (gains) on investment securities	129,759	(484,623)
Loss on disposal of real estate held for sale	61,893	-
Amortization of Florida prepaid scholarships	1,264,009	1,155,817
Donated building space use	(493,887)	-
Noncash rent expense - donated building space use	97,030	86,531
Donated real estate	(1,949,000)	-
Proceeds on disposal of real estate held for sale	298,107	-
Matching contributions for Florida prepaid scholarships	(491,631)	(446,568)
Increase in grants and other receivables	(134,589)	(196,773)
Decrease (increase) in prepaid expenses and other assets	4,467	(1,947)
Increase in pledges receivable	(210,176)	(198,458)
Increase in beneficial interests in trusts	(308,163)	(186,915)
Increase (decrease) in accounts payable and accrued expenses	83,022	(85,797)
Increase (decrease) in deferred revenue	65,055	(11,704)
Decrease in obligations under split-interest agreements	(22,834)	(22,178)
	<u>2,307,052</u>	<u>5,308,318</u>
Net cash provided by operating activities		
Cash flows from investing activities:		
Purchases of Florida prepaid scholarships	(491,631)	(446,568)
Purchases of marketable investment securities	(4,295,067)	(3,360,044)
Proceeds from sales of marketable investment securities	2,980,988	3,866,811
Property and equipment purchases	(26,116)	(26,136)
	<u>(1,831,826)</u>	<u>34,063</u>
Net cash provided by (used in) investing activities		
Cash flows from financing activities:		
Proceeds from Paycheck Protection Program loan	295,000	-
	<u>295,000</u>	<u>-</u>
Net cash provided by financing activities		
Net increase in cash and cash equivalents	770,226	5,342,381
Cash and cash equivalents, beginning of year	<u>5,630,366</u>	<u>287,985</u>
Cash and cash equivalents, end of year	<u>\$ 6,400,592</u>	<u>5,630,366</u>

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

PINELLAS COUNTY EDUCATION FOUNDATION, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

June 30, 2020 and 2019

(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 accelerate educational achievement for all students through the effective mobilization of innovation, relationships and resources. The Foundation’s vision is that every student will be prepared for life after high school, whether the choice is to attend college, to enter the workforce, or to obtain technical training.

In April 2019, substantially all of the assets of Future Plans USA, LLC were sold for a purchase price of \$350,000. The purchase price was to be paid in 6 monthly installments of \$33,333 beginning May 2019 plus a licensing fee of \$6 per user of the GetWorkerFIT Program until the aggregate licensing fees paid equal \$150,000.

The following is a partial listing of the Foundation’s programs:

Closing the Gap Program offers teachers training and schools grants to address the literacy achievement gap that exists between boys and girls. By increasing teacher knowledge and skills around how boys and girls learn differently, students are engaged differently enhancing their ability to learn more effectively.

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

The Academies of Pinellas Programs offer students rigorous, relevant and challenging academic courses to prepare for in-demand jobs. Students combine traditional coursework with technical training to earn high school credit, college credit and certifications for industries such as Trade and Industrial; Business and Marketing; Family and Consumer Sciences; Health Occupations; Public Safety and Security; and Technology.

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

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.

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

The Gus Stavros 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 an interactive, self-administered, on-line program aimed at helping students discover their abilities, interests, work values and personality traits so that they can choose the educational pathway and/or field of work that will lead to their best in-demand career choices.

(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 Presentation

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

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

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

(d) 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.

(e) 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

(f) 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 net assets without donor restrictions if the restrictions expire in the fiscal year in which the earnings are recognized.

(g) Pledges Receivable

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

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

(h) Property and Equipment

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

(i) 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.

(j) 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.

PINELLAS COUNTY EDUCATION FOUNDATION, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements - Continued

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

(j) Beneficial Interest in Trust and Gift Annuities - Continued

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.

(k) Contributions

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

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

A portion of the Foundation's revenue is derived from cost-reimbursable contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenditures. Amounts received are recognized as revenue when the Foundation has provided certain services and incurred expenditures in compliance with specific contract or grant provisions. Cash received in excess of revenue recognized is recorded as refundable advances. There were refundable advances of approximately \$65,000 at June 30, 2020. At June 30, 2020, the Foundation has been awarded grants and contracts of approximately \$1,046,000, of which no amounts had been received in advance, that have not been recognized in the accompanying consolidated financial statements because the conditions have not been met.

(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. Personnel costs have been allocated to functional classifications based on the estimated percentage of time spent on each by Foundation employees. Occupancy costs and depreciation have been allocated to functional classifications based on the Foundation's square footage analysis.

PINELLAS COUNTY EDUCATION FOUNDATION, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements - Continued

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

(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 Topic 740-10. As of June 30, 2020, management does not believe it has taken any tax positions that are subject to a significant degree of uncertainty. The Foundation's income tax filings are subject to examination by the Internal Revenue Service generally for three years after they were filed. Tax filings for fiscal years after June 30, 2016 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) Going Concern Evaluation

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

(q) Summarized Financial Information for 2019

The consolidated statement of functional expenses includes certain prior-year summarized comparative information in total but not by functional category. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Foundation's consolidated financial statements for the year ended June 30, 2019, from which the summarized information was derived.

PINELLAS COUNTY EDUCATION FOUNDATION, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements - Continued

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

(r) Recent Accounting Pronouncements

In fiscal year 2020, the Foundation adopted ASU No. 2018-08, *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The contribution standard addresses inconsistency in revenue recognition when an item should be considered a contribution or an exchange type transaction subject to other guidance. It also provides guidance as to when a contribution should be considered conditional, which for example, is typically the case when funds are received under governmental grants and contracts. Conditional contributions have different revenue recognition when compared to non-reciprocal transfers of resources in that amounts are reflected as earned when barriers to entitlement are overcome with any difference being deferred where applicable.

The contribution standard was applied using the modified retrospective method. This method was applied to transactions that were not complete or had otherwise already been recognized as of the beginning of fiscal year 2020. The adoption of this guidance did not have an impact on the Foundation's consolidated financial statements.

In addition, certain changes from adopting this new standard resulted in changes to terminology which impacted certain disclosures and presentation of amounts.

(2) Pledges Receivable

Included in pledges receivable as of June 30, 2020 and 2019 are the following unconditional promises to give:

	<u>2020</u>	<u>2019</u>
Stavros Society donors	\$ 402,571	-
Stavros Institute	<u>1,073,981</u>	<u>1,286,110</u>
Total pledges receivable	1,476,552	1,286,110
Less discount for present value	<u>(117,344)</u>	<u>(137,078)</u>
Net pledges receivable	<u>\$ 1,359,208</u>	<u>1,149,032</u>
Amounts receivable in:		
Less than one year	\$ 328,752	394,610
One to five years	932,400	672,500
Thereafter	<u>215,400</u>	<u>219,000</u>
Total	<u>\$ 1,476,552</u>	<u>1,286,110</u>

Discount rates range from 1.18% to 3.85% as of June 30, 2020 and from 0.29% to 3.85% as of June 30, 2019.

PINELLAS COUNTY EDUCATION FOUNDATION, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements - Continued

(2) Pledges Receivable - Continued

For the year ended June 30, 2020, the Foundation charged off uncollectible pledges of approximately \$16,500. For the year ended June 30, 2019 the Foundation charged off uncollectible pledges of approximately \$50,000. 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.

Outstanding pledges from one donor exceeded 10% of total pledges receivable as of June 30, 2020 and 2019.

(3) Property and Equipment

Property and equipment consist of the following as of June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Computer equipment	\$ 103,884	96,797
Furniture and fixtures	<u>60,589</u>	<u>41,560</u>
	164,473	138,357
Less accumulated depreciation	<u>(114,252)</u>	<u>(97,027)</u>
	<u>\$ 50,221</u>	<u>41,330</u>

Depreciation expense for the years ended June 30, 2020 and 2019 was \$17,225 and \$16,556, respectively. Depreciation expense is included with other expenses in the accompanying consolidated statement of functional expenses.

PINELLAS COUNTY EDUCATION FOUNDATION, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements - Continued

(4) Donated Building Space Use

During December 2009, the Foundation entered into a below market 10 year lease agreement with The School Board of Pinellas County, Florida. Upon expiration of the original term in December 2019, the lease agreement was automatically extended for 5 years. Recognition of the fair value of this lease and related rental expense for the years ended June 30, 2020 and 2019 is summarized as follows:

Balance as of June 30, 2018	\$ 123,670
Recognition of in-kind rent expense for the year ended June 30, 2019	<u>(86,531)</u>
Balance as of June 30, 2019	37,139
Gross amount of extension in-kind lease payments	510,000
Less discount for present value over lease term (discount rate at 1.67%)	<u>(16,113)</u>
Recognition of fair value of donated building space, net of present value discount	493,887
Recognition of in-kind rent expense for the year ended June 30, 2020	<u>(97,030)</u>
Balance as of June 30, 2020	<u>\$ 433,996</u>

(5) Marketable Investment Securities

Marketable investment securities consist of the following as of June 30, 2020 and 2019:

	<u>2020</u>		<u>2019</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Large Cap Equity Mutual Funds	\$ 8,845,436	9,675,222	7,852,334	8,583,359
Large Cap Foreign Equity Mutual Funds	20,603	21,248	15,534	18,197
Large Cap Foreign Equity Securities	1,089,368	1,060,014	1,294,835	1,354,955
Government Bonds	1,940,070	2,013,304	1,683,379	1,722,412
Government Bond Funds	31,600	33,286	21,100	21,739
Corporate Bonds	1,439,971	1,503,638	1,498,319	1,537,645
International Corporate Bonds	27,095	27,700	64,017	64,909
Money Market Funds	<u>458,020</u>	<u>458,020</u>	<u>304,896</u>	<u>304,896</u>
	<u>\$ 13,852,163</u>	<u>14,792,432</u>	<u>12,734,414</u>	<u>13,608,112</u>

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

PINELLAS COUNTY EDUCATION FOUNDATION, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements - Continued

(6) Florida Prepaid Scholarships

During the years ended June 30, 2020 and 2019 the Foundation paid \$491,631 and \$446,568, 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, 2020 and 2019 of \$491,631 and \$446,568, respectively, are recorded as contributions with donor restrictions in the Take Stock in Children program. In fiscal 2020, the Foundation received a cash refund of approximately \$1,282,000 relating to prepaid scholarships. The refund is recorded as a gain on Florida prepaid scholarships and included in other changes in the accompanying consolidated statement of activities.

(7) Paycheck Protection Program Note Payable

The Foundation applied for and received a forgivable Paycheck Protection Program Loan of \$295,000 as provided under the Federal Coronavirus Aid, Relief and Economic Security Act and the loan was funded on April 8, 2020. Under the terms of the loan, the balance is forgivable to the extent the proceeds are used for certain qualified costs for the 24 week period through September 23, 2020 and that certain employment levels are maintained. To the extent a portion of the loan does not meet the criteria to be forgiven, such amount is due and payable at maturity in April 2022 and carries an interest rate of 1.00%. The Foundation may prepay all or a portion of the outstanding balance at any time prior to maturity.

(8) Donated Services, Goods and Building Space

Donated services, goods and building space for the years ended June 30, 2020 and 2019 consisted of the following:

	<u>2020</u>	<u>2019</u>
Office rental	\$ 493,887	-
Food and beverage	6,866	80
Professional services	40,059	51,611
Other goods and services	5,355	313,488
	<u>\$ 546,167</u>	<u>365,179</u>

PINELLAS COUNTY EDUCATION FOUNDATION, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements - Continued

(9) **Operating Leases**

The Foundation has four noncancellable operating leases for office equipment that expire at various times through fiscal 2024. The Foundation also has an operating lease for building space, as described in Note 4 that expires in December 2024. Amounts paid for rent on operating leases for the years ended June 30, 2020 and 2019 were approximately \$19,000.

Future minimum lease payments under noncancellable operating leases as of June 30, 2020 are as follows:

<u>Year Ending June 30,</u>	
2021	\$ 15,700
2022	13,000
2023	6,000
2024	<u>3,000</u>
	<u>\$ 37,700</u>

(10) **Split-Interest Agreements**

The Foundation has been named the remainder beneficiary under eight separate split-interest agreements. For one charitable remainder trust, the Foundation is also named as trustee. That charitable remainder trust 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 range from 7.0% to 7.6%, which approximates a range of \$350 to \$720. Upon the death of the donors, the remaining assets are available for the Foundation's use.

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

The assets held under the charitable remainder trust are reported at fair value in the Foundation's consolidated statements of financial position. On an annual basis, the Foundation revalues the liability to make distributions to the designated remainder trust income beneficiaries based on actuarial assumptions. The present value of the estimated future payments (\$149,888 and \$172,911 as of June 30, 2020 and 2019, respectively) is calculated using a current discount rate of 5.4% and applicable mortality tables. The present value of the obligation under charitable gift annuity agreements (\$16,934 and \$16,745 as of June 30, 2020 and 2019, respectively) is estimated using discount rates that range from 0.49% to 1.87% and applicable mortality tables.

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. As of June 30, 2020, the Foundation was in compliance with this requirement.

PINELLAS COUNTY EDUCATION FOUNDATION, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements - Continued

(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 0.49% to 5.40%.

Fair value of assets and liabilities measured on a recurring basis as of June 30, 2020 is as follows:

	<u>Fair Value as of June 30, 2020</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	\$ 9,675,222	9,675,222	-	-
Large Cap Foreign Equity Mutual Funds	21,248	21,248	-	-
Large Cap Foreign Equity Securities	1,060,014	1,060,014	-	-
Government Bonds	2,013,304	-	2,013,304	-
Government Bond Funds	33,286	33,286	-	-
Corporate Bonds	1,503,638	-	1,503,638	-
International Corporate Bonds	27,700	-	27,700	-
Money Market Funds	458,020	458,020	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total investments	14,792,432	11,247,790	3,544,642	-
	<hr/>	<hr/>	<hr/>	<hr/>
Beneficial interest in trusts	1,715,180	233,959	1,481,221	-
	<hr/>	<hr/>	<hr/>	<hr/>
	\$ 16,507,612	11,481,749	5,025,863	-
	<hr/>	<hr/>	<hr/>	<hr/>
Liabilities:				
Obligations under split-interest agreements	\$ 166,822	-	-	166,822
	<hr/>	<hr/>	<hr/>	<hr/>

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, 2019 is as follows:

	<u>Fair Value as of June 30, 2019</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	\$ 8,583,359	8,583,359	-	-
Large Cap Foreign Equity Mutual Funds	18,197	18,197	-	-
Large Cap Foreign Equity Securities	1,354,955	1,354,955	-	-
Government Bonds	1,722,412	-	1,722,412	-
Government Bond Funds	21,739	21,739	-	-
Corporate Bonds	1,537,645	-	1,537,645	-
International Corporate Bonds	64,909	-	64,909	-
Money Market Funds	304,896	304,896	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total investments	13,608,112	10,283,146	3,324,966.00	-
Beneficial interest in trusts	1,407,017	259,104	1,147,913	-
	<hr/>	<hr/>	<hr/>	<hr/>
	\$ 15,015,129	10,542,250	4,472,879	-
Liabilities:				
Obligations under split-interest agreements	\$ 189,656	-	-	189,656
	<hr/>	<hr/>	<hr/>	<hr/>

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, 2020 and 2019:

	<u>Obligations Under Split-Interest Agreements</u>	
	<u>2020</u>	<u>2019</u>
Balance, beginning of year	\$ 189,656	211,834
Change in fair value due to change in value of underlying assets and actuarial assumptions	<u>(22,834)</u>	<u>(22,178)</u>
Balance, end of year	<u>\$ 166,822</u>	<u>189,656</u>

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

PINELLAS COUNTY EDUCATION FOUNDATION, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements - Continued

(12) Endowment Funds

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

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

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

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

PINELLAS COUNTY EDUCATION FOUNDATION, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements - Continued

(12) Endowment Funds - Continued

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

Composition of endowment net assets as of June 30, 2020 and 2019 and changes in endowment net assets for the years then ended are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Endowment Net Assets</u>
Endowment net assets, June 30, 2018	\$ -	3,851,200	3,851,200
Investment income	-	115,570	115,570
Net appreciation in fair value of investments	-	103,888	103,888
Amounts appropriated for expenditure	-	(219,458)	(219,458)
Endowment net assets, June 30, 2019	-	3,851,200	3,851,200
Investment income	-	119,187	119,187
Net depreciation in fair value of investments	-	(56,060)	(56,060)
Amounts appropriated for expenditure	-	(63,127)	(63,127)
Endowment net assets, June 30, 2020	\$ -	3,851,200	3,851,200

(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, 2020 and 2019. 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 \$49,000 and \$44,000 for the years ended June 30, 2020 and 2019, respectively.

PINELLAS COUNTY EDUCATION FOUNDATION, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements - Continued

(14) Related Parties

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

(15) Funding and Credit Concentrations

The Foundation maintains its deposits with a commercial bank which management believes to be of high credit quality. Approximately \$5,821,000 and \$5,238,000 of the Foundation's deposits with this bank were not covered by Federal deposit insurance as of June 30, 2020 and 2019, respectively.

(16) Risks and Uncertainties

The novel coronavirus ("COVID-19") spread rapidly across the world in the first quarter of 2020 and was declared a pandemic by the World Health Organization in March 2020. The government and private sector responses to contain its spread began to adversely affect the broader economy and business in general in March 2020 and those impacts will likely affect the Foundation's operations through the remainder of calendar year 2020, although such effects may vary significantly. The Foundation's operations have not been significantly impacted, however, the duration and extent of the pandemic and its effects over longer terms cannot be reasonably estimated as of the date the consolidated financial statements were available for issuance. The risks and uncertainties resulting from the pandemic that may affect the results of operating activities, cash flows and financial condition include the nature and duration of any potential curtailment of various Foundation activities and the long-term effect on sources of contributions and other support and revenue. Accordingly, significant estimates used in the preparation of the consolidated financial statements including those associated with evaluations of certain long-lived assets for impairment and expected credit losses on amounts owed to the Foundation may be subject to significant adjustments in future periods.

The pandemic has adversely affected global economic activity and greatly contributed to significant deterioration and instability in financial markets. As a result, there has been heightened market risk and the Foundation's investment portfolio has incurred significant volatility in fair value since March 2020. Because the values of the Foundation's individual investments have and will fluctuate in response to changing market conditions, the amount of losses that will be recognized in future periods, if any, and the related impact on the Foundation's liquidity cannot be determined at this time.

PINELLAS COUNTY EDUCATION FOUNDATION, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements - Continued

(17) Liquidity and Availability of Resources

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

As of June 30, 2020 and 2019, the Foundation's financial assets available to meet general expenditures within one year were as follows:

	<u>2020</u>	<u>2019</u>
Financial assets:		
Cash and cash equivalents	\$ 6,400,592	5,630,366
Grants and other receivables	580,495	445,906
Marketable investment securities	14,792,432	13,608,112
Pledges receivable, net	1,359,208	1,149,032
Beneficial interests in trusts	<u>1,715,180</u>	<u>1,407,017</u>
Total financial assets	24,847,907	22,240,433
Less amounts unavailable for general expenditure within one year due to:		
Contractual or donor-imposed restrictions:		
Contributions restricted for future periods	(289,993)	-
Beneficial interests in trusts	(1,715,180)	(1,407,017)
Programs and grants	(8,101,491)	(7,781,592)
Stavros Institute	(1,073,921)	(1,140,028)
Take Stock in Children	(1,988,314)	(661,852)
School-based projects	(2,908,357)	(3,030,499)
District-wide initiatives	(94,879)	(76,022)
Student scholarships	(3,544,843)	(3,415,277)
Take Stock in Children endowment	(630,000)	(630,000)
Stavros Institute endowment	<u>(3,221,200)</u>	<u>(3,221,200)</u>
Financial assets available to meet cash needs for general expenditures within one year	\$ <u>1,279,729</u>	<u>876,946</u>

(18) Subsequent Events Evaluation

The Foundation has evaluated subsequent events through December 1, 2020, 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, 2020

<u>State Agency/ Pass-through Grantor/ State Project</u>	<u>CSFA Number</u>	<u>Agency or Pass-through Number</u>	<u>Current Year Expenditures</u>
State Financial Assistance			
Department of Education and Commissioner of Education Passed through from Florida Prepaid College Foundation, Inc.:			
Prepaid Tuition Scholarships	48.051	n/a	\$ 632,005
Passed through from Consortium of Florida Education Foundations:			
School District Matching Grants Program	48.061	n/a	157,152
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			1,252,652
Department of Highway Safety and Motor Vehicles Specialty License Plates Program:			
Florida Educational License Plate Project	76.023	n/a	<u>20,843</u>
Total expenditures of state financial assistance			\$ <u><u>1,273,495</u></u>

PINELLAS COUNTY EDUCATION FOUNDATION, INC. AND SUBSIDIARY

Notes to Schedule of Expenditures of State Financial Assistance

Year Ended June 30, 2020

(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, 2020. 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, 2020.

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. and Subsidiary (the “Foundation”), which comprise the consolidated statement of financial position as of June 30, 2020, 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 December 1, 2020.

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) as a basis for designing 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 consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

MAYER HOFFMAN McCANN P.C.

December 1, 2020
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 (the “Foundation”) compliance with the types of compliance requirements described in the *Department of Financial Services’ State Projects Compliance Supplement* that could have a direct and material effect on each of Pinellas County Education Foundation, Inc. and Subsidiary’s major state projects for the year ended June 30, 2020. 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 State statutes, regulations and the terms and conditions of its State projects applicable to its major State projects.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for 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, 2020.

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.

December 1, 2020
Clearwater, Florida

PINELLAS COUNTY EDUCATION FOUNDATION, INC. AND SUBSIDIARY

Schedule of Findings and Questioned Costs

Year Ended June 30, 2020

(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 or material weaknesses 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 or material weaknesses 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 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, if any, 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 projects tested as major state projects were:

Prepaid Tuition Scholarships (CSFA 48.051)
Mentoring/Student Assistance Initiatives (CSFA 48.068)
8. The threshold for distinguishing Types A and B projects was \$382,048 for the major state projects.

(B) Findings - Audit of Consolidated Financial Statements

None.

(C) Findings and Questioned Costs - Major State Projects

None.

(D) Other Issues

No Corrective Action Plan is required because there were no findings required to be reported under the Florida Single Audit Act. A Summary Schedule of Prior Audit Findings is not required because there were no prior audit findings related to state projects.



Management Letter

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

Report on the Consolidated Financial Statements

We have audited the consolidated financial statements of Pinellas County Education Foundation, Inc. and Subsidiary as of and for the year ended June 30, 2020, and have issued our report thereon dated December 1, 2020.

Auditor’s Responsibility

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

Other Reports and Schedule

We have issued our Independent 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 Auditor General*, and the Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated December 1, 2020, should be considered in conjunction with this management letter.

Other Matter

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

Purpose of This Letter

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

MAYER HOFFMAN MCCANN P.C.

December 1, 2020
Clearwater, Florida