

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

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2021



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**POLK EDUCATION FOUNDATION
AND BUSINESS PARTNERSHIP, INC.
A COMPONENT UNIT OF THE DISTRICT
SCHOOL BOARD OF POLK COUNTY, FLORIDA
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YEAR ENDED JUNE 30, 2021**

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and fiduciary activities of Polk Education Foundation and Business Partnership, Inc. (Foundation), a component unit of the District School Board of Polk County, Florida, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the entity's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and fiduciary activities of the Foundation as of June 30, 2021, and the changes in its financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

During fiscal year ended June 30, 2021, the Foundation adopted GASB Statement No. 84 *Fiduciary Activities*. As a result of the implementation of this standard, the Foundation reported a restatement for the change in accounting principle (see Note 7). Our auditors' opinion was not modified with respect to the restatement.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Foundation's basic financial statements. The combining statements, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2021, on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Foundation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Lakeland, Florida
October 20, 2021

**POLK EDUCATION FOUNDATION
AND BUSINESS PARTNERSHIP, INC.
A COMPONENT UNIT OF THE DISTRICT
SCHOOL BOARD OF POLK COUNTY, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2021**

As management of the Polk Education Foundation and Business Partnership, Inc. (Foundation), we offer the readers of the Foundation's financial statements this narrative overview and analysis of the financial activities of the Foundation for the fiscal year ended June 30, 2021.

Overview of the Financial Statements

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

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

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

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

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

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

Enterprise Fund Financial Analysis

During fiscal year ended June 30, 2021, the Foundation adopted GASB Statement No. 84 *Fiduciary Activities*. As a result of the implementation of this standard, the Foundation reported a restatement for the change in accounting principle (see Note 7). The previous year amounts reported in the following schedules have not been restated.

As noted above, enterprise fund net position may serve over time as a useful indicator of a government's financial position. The assets of the Foundation exceeded its liabilities on June 30, 2021 by \$9,565,170. These amounts represent the Foundation's net position on June 30, 2021. Of total net position, \$2,282,611 is unrestricted and may be used to meet the Foundation's obligations.

Restricted net position totaled \$7,282,559 for the year ended June 30, 2021. These funds represent monies which have been limited by donors with time restrictions, special purpose restrictions, or are funds that are invested in perpetuity.

At the end of fiscal year 2021, the Foundation's net investment in capital assets was zero since the total cost was fully depreciated. The Foundation has no long-term debt.

**POLK EDUCATION FOUNDATION
AND BUSINESS PARTNERSHIP, INC.
A COMPONENT UNIT OF THE DISTRICT
SCHOOL BOARD OF POLK COUNTY, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2021**

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

| | 2021 | 2020 | Increase (Decrease) |
|----------------------------------|---------------------|---------------------|------------------------|
| Total Assets | \$ 9,592,546 | \$ 8,997,279 | \$ 595,267 |
| Total Liabilities | 27,376 | 51,840 | (24,464) |
| Net Position: | | | |
| Net Investment in Capital Assets | - | 424 | (424) |
| Restricted | 7,282,559 | 6,939,846 | 342,713 |
| Unrestricted | 2,282,611 | 2,005,169 | 277,442 |
| Total Net Position | <u>\$ 9,565,170</u> | <u>\$ 8,945,439</u> | <u>\$ 619,731</u> |

Total net position for the year ended June 30, 2021 increased by \$752,774 from the prior year primarily due to net increase in investments along with reduction in total expenses, including those for programs and scholarships.

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

| | 2021 | 2020 | Increase (Decrease) |
|--|---------------------|---------------------|------------------------|
| Revenues: | | | |
| Contributions – Private | \$ 1,147,719 | \$ 1,956,914 | \$ (809,195) |
| Contributions – Other | 254,993 | 185,220 | 69,773 |
| Net Change in Investments | 690,052 | 265,947 | 424,105 |
| Total Revenues | <u>2,092,764</u> | <u>2,408,081</u> | <u>(315,317)</u> |
| Expenses: | | | |
| Scholarships | 326,791 | 820,436 | (493,645) |
| Other Programs | 926,566 | 1,248,951 | (322,385) |
| General and Administrative | 86,633 | 81,888 | 4,745 |
| Total Expenses | <u>1,339,990</u> | <u>2,151,275</u> | <u>(811,285)</u> |
| Increase (Decrease) in Net Position | 752,774 | 256,806 | 495,968 |
| Net Position - Beginning of Year, as Previously Stated | 8,945,439 | 8,688,633 | 256,806 |
| Restatement (See Note 7) | (133,043) | - | (133,043) |
| Net Position - Beginning of Year, as Restated | <u>8,812,396</u> | <u>8,688,633</u> | <u>123,763</u> |
| Net Position – End of Year | <u>\$ 9,565,170</u> | <u>\$ 8,945,439</u> | <u>\$ 619,731</u> |

**POLK EDUCATION FOUNDATION
AND BUSINESS PARTNERSHIP, INC.
A COMPONENT UNIT OF THE DISTRICT
SCHOOL BOARD OF POLK COUNTY, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2021**

Economic Factors that will Affect the Future

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

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

Contacting the Foundation's Financial Management

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

**POLK EDUCATION FOUNDATION
AND BUSINESS PARTNERSHIP, INC.
A COMPONENT UNIT OF THE DISTRICT
SCHOOL BOARD OF POLK COUNTY, FLORIDA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2021**

| | Enterprise Fund |
|--|----------------------------|
| ASSETS | |
| Cash and Cash Equivalents | \$ 2,863,313 |
| Investments | 4,511,451 |
| Accounts Receivable | 62,660 |
| Pledges Receivable | 500 |
| Prepaid Scholarships – Take Stock in Children | 2,154,622 |
| Capital Assets, Net of Accumulated Depreciation of \$3,252 | - |
| Total Assets | 9,592,546 |
| LIABILITIES | |
| Accounts Payable | 27,376 |
| NET POSITION | |
| Restricted for: | |
| Endowment - Expendable | 4,524,316 |
| Schools/District Programs | 292,105 |
| Prepaid Scholarships – Take Stock in Children | 2,154,622 |
| Unclaimed Scholarships | 311,516 |
| Total Restricted | 7,282,559 |
| Unrestricted | 2,282,611 |
| Total Net Position | \$ 9,565,170 |

See accompanying Notes to Financial Statements.

**POLK EDUCATION FOUNDATION
AND BUSINESS PARTNERSHIP, INC.
A COMPONENT UNIT OF THE DISTRICT
SCHOOL BOARD OF POLK COUNTY, FLORIDA
STATEMENT OF ACTIVITIES
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2021**

| | Enterprise Fund |
|---|----------------------------|
| OPERATING REVENUE | |
| Contributions: | |
| Private Contributions | \$ 229,793 |
| Grant Funding | 827,414 |
| Special Events | 90,512 |
| Prepaid Scholarships Matching Contribution | 250,905 |
| Advertising Income | 400 |
| Other Revenue | 3,688 |
| Total Operating Revenue | 1,402,712 |
| OPERATING EXPENSES | |
| Scholarships | 132,366 |
| AmeriCorps | 500,789 |
| Prepaid Scholarships | 194,425 |
| Matching Grant | 29,965 |
| Special Events | 48,312 |
| Take Stock In Children | 103,670 |
| General and Administrative | 84,500 |
| Teacher to Teacher | 33,386 |
| Other Programs | 210,444 |
| Rent, Utilities, and Insurance | 1,709 |
| Depreciation Expense | 424 |
| Total Operating Expenses | 1,339,990 |
| OPERATING GAIN | 62,722 |
| NONOPERATING REVENUES | |
| Realized and Unrealized Gain on Investments | 1,045,708 |
| Unrealized Loss from Florida Prepaid Tuition Scholarships | (470,694) |
| Interest and Dividends | 115,038 |
| Total Nonoperating Revenues | 690,052 |
| CHANGE IN NET POSITION | 752,774 |
| Net Position - Beginning of Year, as Previously Reported | 8,945,439 |
| Restatement (See Note 7) | (133,043) |
| Net Position - Beginning of Year, as Restated | 8,812,396 |
| NET POSITION - END OF YEAR | \$ 9,565,170 |

See accompanying Notes to Financial Statements.

**POLK EDUCATION FOUNDATION
AND BUSINESS PARTNERSHIP, INC.
A COMPONENT UNIT OF THE DISTRICT
SCHOOL BOARD OF POLK COUNTY, FLORIDA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2021**

| | <u>Enterprise Fund</u> |
|--|----------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Receipts from Contributors | \$ 1,170,208 |
| Payments to Suppliers | (992,521) |
| Payments for Scholarships | (177,084) |
| Payments for Prepaid Scholarships | (61,056) |
| Net Cash Used by Operating Activities | <u>(60,453)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Interest and Dividends | 260,635 |
| Proceeds from Sale of Investments | 1,658,851 |
| Purchase of Investments | (1,543,861) |
| Net Cash Provided by Investing Activities | <u>375,625</u> |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 315,172 |
| Cash and Cash Equivalents - Beginning of Year, as Restated (See Note 7) | <u>2,548,141</u> |
| CASH AND CASH EQUIVALENTS - END OF YEAR | <u><u>\$ 2,863,313</u></u> |
| RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES | |
| Operating Income | \$ 62,722 |
| Adjustments to Reconcile Operating Income to Net Cash Used by Operating Activities: | |
| Depreciation Expense | 424 |
| (Increase) Decrease in: | |
| Accounts Receivable | (7,628) |
| Pledges Receivable | 26,029 |
| Prepaid Scholarships | (117,536) |
| (Decrease) in Liabilities: | |
| Accounts Payable | (24,464) |
| Net Cash Used by Operating Activities | <u><u>\$ (60,453)</u></u> |
| NONCASH INVESTING ACTIVITY | |
| Change in Fair Value of Investments | <u><u>\$ 1,045,708</u></u> |

See accompanying Notes to Financial Statements.

**POLK EDUCATION FOUNDATION
AND BUSINESS PARTNERSHIP, INC.
A COMPONENT UNIT OF THE DISTRICT
SCHOOL BOARD OF POLK COUNTY, FLORIDA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2021**

| | <u>Custodial Funds</u> |
|-------------------------------|----------------------------|
| ASSETS | |
| Cash and Cash Equivalents | \$ 268,895 |
| Pledges Receivable | 80,223 |
| Total Assets | <u>349,118</u> |
| LIABILITIES | |
| Scholarships Payable | 10,367 |
| Due to Others | 186 |
| Total Liabilities | <u>10,553</u> |
| NET POSITION | |
| Restricted for: | |
| Annual Scholarships | 259,913 |
| Organizations and Individuals | 78,652 |
| Total Net Position | <u><u>\$ 338,565</u></u> |

See accompanying Notes to Financial Statements.

**POLK EDUCATION FOUNDATION
AND BUSINESS PARTNERSHIP, INC.
A COMPONENT UNIT OF THE DISTRICT
SCHOOL BOARD OF POLK COUNTY, FLORIDA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2021**

| | Custodial Funds |
|--|--------------------|
| ADDITIONS | |
| Contributions: | |
| Private Contributions | \$ 837,130 |
| DEDUCTIONS | |
| Scholarship Payments | 409,332 |
| Organizations and Individuals | 222,276 |
| Total Deductions | 631,608 |
| NET INCREASE IN FIDUCIARY NET POSITION | 205,522 |
| Fiduciary Net Position - Beginning of Year, as Previously Reported | - |
| Restatement (See Note 7) | 133,043 |
| Fiduciary Net Position - Beginning of Year, as Restated | 133,043 |
| NET POSITION - END OF YEAR | \$ 338,565 |

See accompanying Notes to Financial Statements.

**POLK EDUCATION FOUNDATION
AND BUSINESS PARTNERSHIP, INC.
A COMPONENT UNIT OF THE DISTRICT
SCHOOL BOARD OF POLK COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of the Foundation

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

Reporting Entity

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

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

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

Basis of Presentation

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

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

The purpose of the Foundations funds are as follows:

Proprietary Funds

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

**POLK EDUCATION FOUNDATION
AND BUSINESS PARTNERSHIP, INC.
A COMPONENT UNIT OF THE DISTRICT
SCHOOL BOARD OF POLK COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Fiduciary Funds

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

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

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

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

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

Restricted Net Position

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

Tax Status

The Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for federal and state income taxes has been made in the accompanying financial statements.

Cash and Cash Equivalents

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

**POLK EDUCATION FOUNDATION
AND BUSINESS PARTNERSHIP, INC.
A COMPONENT UNIT OF THE DISTRICT
SCHOOL BOARD OF POLK COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable

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

Pledges Receivable

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

Investments

Investments are recorded at fair value based on quoted market prices. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties. Investment return consists of interest and dividend income, capital gain distributions, realized gains (losses) and unrealized gains (losses).

Fair Value of Financial Instruments

Governmental Accounting Standards Board (GASB) Statement Number 72, *Fair Value Measurements and Application*, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

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

Level 2 – Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means;
- if the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

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

**POLK EDUCATION FOUNDATION
AND BUSINESS PARTNERSHIP, INC.
A COMPONENT UNIT OF THE DISTRICT
SCHOOL BOARD OF POLK COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value of Financial Instruments (Continued)

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Use of Estimates

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

Capital Assets

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

NOTE 2 DEPOSITS AND INVESTMENTS

As of June 30, 2021, the Foundation has the following investments:

| | Fair Value |
|-------------------------------|--------------|
| Stocks | \$ 1,550,729 |
| Mutual Funds - Equity | 1,546,889 |
| Mutual Funds - Bond | 680,909 |
| Government Securities | 663,402 |
| Certificate of Deposit | 61,995 |
| Net Unsettled Purchases/Sales | 7,527 |
| Total | \$ 4,511,451 |

Custodial Credit Risk – Deposits

As of June 30, 2021, the carrying amount of the Foundation's cash deposits was \$3,132,208 and the bank balance was \$3,425,961. Cash balances are maintained at several institutions. Cash balances at these institutions are insured by the Federal Deposit Insurance Corporation (FDIC) and National Credit Union Administration (NCUA), in the amount of \$250,000. Of the bank balance, \$782,255 was covered by federal depository insurance or by collateral held by the Foundation's agent in the Foundation's name and \$1,833,644 was uninsured and uncollateralized at June 30, 2021. To mitigate custodial credit risk the Foundation's deposits are held with reputable financial institutions.

**POLK EDUCATION FOUNDATION
AND BUSINESS PARTNERSHIP, INC.
A COMPONENT UNIT OF THE DISTRICT
SCHOOL BOARD OF POLK COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

Interest Rate Risk

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

As of June 30, 2021, the Foundation had the following maturities for its mutual bond funds and government securities:

| | Investment Maturities (in Years) | | | Fair Value |
|-----------------------|----------------------------------|-------------------|-------------------|---------------------|
| | < 1 year | 1 - 5 years | > 5 years | |
| Mutual Funds - Bond | \$ 20,617 | \$ 216,714 | \$ 443,578 | \$ 680,909 |
| Government Securities | 59,180 | 421,857 | 182,365 | 663,402 |
| Total | <u>\$ 79,797</u> | <u>\$ 638,571</u> | <u>\$ 625,943</u> | <u>\$ 1,344,311</u> |

Credit Risk

State law does not limit investment options of the Foundation. The Foundation's investment policy states that preferred stocks must be rated A or better by Moody's and/or Standard & Poor's, and Foundation assets may be invested in commercial paper if rated A1 or better. As of June 30, 2021, the Foundation's investments are in accordance with the policy. The Foundation's investment policy states that only corporate debt issues having a Standard & Poor's rating of BBB or higher; or a Moody's rating of Baa or higher may be purchased. Only 10% of corporate debt holdings may be rated below A. As of June 30, 2021, the Foundation did not have any corporate debt holdings. The average credit rating of the government securities is AAA. Mutual Funds are not rated.

Concentration of Credit Risk

The Foundation's investment policy states that investments of a single issuer (with the exception of the U.S. government and its agencies) must not exceed 5% of the account's market value. As of June 30, 2021, the Foundation was in compliance with the investment policy.

**POLK EDUCATION FOUNDATION
AND BUSINESS PARTNERSHIP, INC.
A COMPONENT UNIT OF THE DISTRICT
SCHOOL BOARD OF POLK COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 3 FAIR VALUE MEASUREMENT

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

| Investments by Fair Value Level | <u>Total</u> | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> |
|--|---------------------|---------------------|------------------|----------------|
| Stocks | \$ 1,550,729 | \$ 1,550,729 | \$ - | \$ - |
| Mutual Funds - Equity | 1,546,889 | 1,546,889 | - | - |
| Mutual Funds - Bond | 680,909 | 680,909 | - | - |
| Government Securities | 663,402 | 663,402 | - | - |
| Certificate of Deposit | 61,995 | - | 61,995 | - |
| Net Unsettled Purchases/Sales | 7,527 | 7,527 | - | - |
| Total Investments Measured at Fair Value | <u>4,511,451</u> | <u>\$ 4,449,456</u> | <u>\$ 61,995</u> | <u>\$ -</u> |
| Total Investments | <u>\$ 4,511,451</u> | | | |

NOTE 4 PREPAID SCHOLARSHIPS – TAKE STOCK IN CHILDREN

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

Operating revenue for June 30, 2021 includes \$250,905 in funds for matching contracts provided by the Florida Prepaid College Foundation. During the year ended June 30, 2021, the Foundation awarded scholarships to selected students totaling \$191,725.

NOTE 5 RELATED PARTY TRANSACTIONS

As previously mentioned, the Foundation is an organization formed under Florida Law specifically to support the School Board. As such, there are numerous transactions between the Foundation and the School Board for the year ended June 30, 2021.

- The School Board collected payroll deduction contributions on behalf of the Foundation in the amount of \$6,800.
- The School Board provided funding for certain education programs and scholarships in the amount of \$8,260. These funds did not benefit the Foundation.
- The Foundation reimbursed the School Board for costs advanced regarding various programs in the amount of \$264,063.

**POLK EDUCATION FOUNDATION
AND BUSINESS PARTNERSHIP, INC.
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SCHOOL BOARD OF POLK COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 5 RELATED PARTY TRANSACTIONS (CONTINUED)

In-Kind transactions, not given accounting recognition, for equipment, facilities, and staff provide by the School Board were \$525,922 for the year ended June 30, 2021.

As of June 30, 2021, the Foundation had \$30,159 in contributions from other related parties.

Three board members were employed at financial institutions at which the Foundation holds cash, cash equivalents, or investments. The Foundation had a total of \$99,214 in cash and cash equivalents and \$2,504,155 in investments at these institutions as of June 30, 2021. The board members abstain on decisions related to banking and investment related matters and also do not personally benefit from this relationship.

NOTE 6 ENDOWMENT FUND

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

NOTE 7 CHANGE IN ACCOUNTING PRINCIPLE

During the year ended June 30, 2021, the Foundation adopted GASB Statement No. 84, Fiduciary Activities. This change requires the restatement of the June 30, 2020 net position as follows:

| | Enterprise Fund | Custodial Funds |
|--|---------------------|--------------------|
| Net Position, June 30, 2020 as Previously Reported | \$ 8,945,439 | \$ - |
| Cumulative Effect of Application of GASB Statement No. 84 | (133,043) | 133,043 |
| Net Position, June 30, 2020, as Restated | <u>\$ 8,812,396</u> | <u>\$ 133,043</u> |

This change also requires the restatement of the June 30, 2020 cash and cash equivalents, which was previously reported as \$2,681,184, by \$133,043 to be \$2,548,141.

**POLK EDUCATION FOUNDATION
AND BUSINESS PARTNERSHIP, INC.
A COMPONENT UNIT OF THE DISTRICT
SCHOOL BOARD OF POLK COUNTY, FLORIDA
COMBINING STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS – CUSTODIAL FUNDS
JUNE 30, 2021**

| | Custodial Funds | | Total Custodial Funds |
|-------------------------------|------------------------|--------------------------|--------------------------|
| | Annual Scholarships | Funds Held For Others | |
| ASSETS | | | |
| Cash and Cash Equivalents | \$ 190,057 | \$ 78,838 | \$ 268,895 |
| Pledges Receivable | 80,223 | - | 80,223 |
| Total Assets | <u>270,280</u> | <u>78,838</u> | <u>349,118</u> |
| LIABILITIES | | | |
| Scholarships Payable | 10,367 | - | 10,367 |
| Due to Others | - | 186 | 186 |
| Total Liabilities | <u>10,367</u> | <u>186</u> | <u>10,553</u> |
| NET POSITION | | | |
| Restricted for: | | | |
| Annual Scholarships | 259,913 | - | 259,913 |
| Organizations and Individuals | - | 78,652 | 78,652 |
| Total Net Position | <u>\$ 259,913</u> | <u>\$ 78,652</u> | <u>\$ 338,565</u> |

**POLK EDUCATION FOUNDATION
AND BUSINESS PARTNERSHIP, INC.
A COMPONENT UNIT OF THE DISTRICT
SCHOOL BOARD OF POLK COUNTY, FLORIDA
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS – CUSTODIAL FUNDS
YEAR ENDED JUNE 30, 2021**

| | Custodial Funds | | Total Custodial Funds |
|---|------------------------|--------------------------|--------------------------|
| | Annual Scholarships | Funds Held For Others | |
| ADDITIONS | | | |
| Contributions: | | | |
| Private Contributions | \$ 552,056 | \$ 285,074 | \$ 837,130 |
| DEDUCTIONS | | | |
| Scholarship Payments | 409,332 | - | 409,332 |
| Beneficiary Payments to Organizations and Individuals | - | 222,276 | 222,276 |
| Total Deductions | <u>409,332</u> | <u>222,276</u> | <u>631,608</u> |
| NET INCREASE IN FIDUCIARY NET POSITION | 142,724 | 62,798 | 205,522 |
| Fiduciary Net Position - Beginning of Year, as Previously Reported | - | - | - |
| Restatement (See Note 7) | <u>117,189</u> | <u>15,854</u> | <u>133,043</u> |
| Fiduciary Net Position - Beginning of Year, as Restated | <u>117,189</u> | <u>15,854</u> | <u>133,043</u> |
| NET POSITION - END OF YEAR | <u>\$ 259,913</u> | <u>\$ 78,652</u> | <u>\$ 338,565</u> |



INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Polk Education Foundation and Business Partnership, Inc. (Foundation), a component unit of the District School Board of Polk County, Florida, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Foundation's basic financial statements, and have issued our report thereon dated October 20, 2021.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Lakeland, Florida
October 20, 2021