

PATHWAYS EARLY EDUCATION CENTER OF IMMOKALEE, INC.

FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

PATHWAYS EARLY EDUCATION CENTER OF IMMOKALEE, INC.

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditor's Report	1
Financial Statements	
Statements of Financial Position	2
Statements of Activities	3-4
Statements of Functional Expenses	5-6
Statements of Cash Flows	7
Notes to Financial Statements	8-16

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Pathways Early Education Center of Immokalee, Inc.
Naples, Florida

We have audited the accompanying financial statements of Pathways Early Education Center of Immokalee, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 auditor's 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 Pathways Early Education Center of Immokalee, Inc., as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Rogers Wood Hill Starman & Gustason, P.A.

ROGERS WOOD HILL STARMAN & GUSTASON, P.A.
Certified Public Accountants & Advisors
October 1, 2019

PATHWAYS EARLY EDUCATION CENTER OF IMMOKALEE, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2018 AND 2017

	2018	2017
<u>ASSETS</u>		
Cash and cash equivalents	\$ 555,568	\$ 237,635
Federal and state grants receivable	52,252	28,646
Accounts receivable	966,977	12,155
Beneficial interest in assets held by the Community Foundation	700,000	-
Prepaid expenses and deposits	28,684	7,285
Promise to give	-	5,000
Cash surrender value of life insurance	134,661	132,325
Investments	2,096,920	2,469,259
Property and equipment, net	852,412	907,285
Total assets	\$ 5,387,474	\$ 3,799,590

LIABILITIES AND NET ASSETS

Accounts payable and accrued expenses	\$ 71,598	\$ 38,539
Refundable deposits - clients	1,495	1,995
Compensated absences	26,999	35,665
Charitable gift annuity	19,087	19,555
Total liabilities	119,179	95,754
Net assets:		
Without donor restrictions:		
Investment in property and equipment	852,412	907,285
Undesignated	2,192,333	389,735
	3,044,745	1,297,020
With donor restrictions:		
Purpose restrictions	224,560	338,356
Time-restricted for future periods	134,661	132,325
Perpetual in nature	1,864,329	1,936,135
	2,223,550	2,406,816
Total net assets	5,268,295	3,703,836
Total	\$ 5,387,474	\$ 3,799,590

PATHWAYS EARLY EDUCATION CENTER OF IMMOKALEE, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues:			
Child care fees	\$ 141,236	\$ -	\$ 141,236
United Way of Collier County	47,500	-	47,500
Federal and state grants	431,895	-	431,895
Local grants and contracts	246,201	45,549	291,750
Contributions	331,866	-	331,866
Contributions - ICCF Foundation	500	11,837	12,337
Bequest	1,966,977	-	1,966,977
Change in cash surrender value of life insurance	-	2,336	2,336
Special events, net	6,544	-	6,544
Investment return, net	17,099	(83,643)	(66,544)
Total revenues	<u>3,189,818</u>	<u>(23,921)</u>	<u>3,165,897</u>
Net assets released from restrictions	<u>159,345</u>	<u>(159,345)</u>	<u>-</u>
Total revenues and net assets released from restrictions	<u>3,349,163</u>	<u>(183,266)</u>	<u>3,165,897</u>
Expenses:			
Program services	1,334,954	-	1,334,954
Administrative and general	148,598	-	148,598
Fundraising	117,886	-	117,886
Total expenses	<u>1,601,438</u>	<u>-</u>	<u>1,601,438</u>
Increase (decrease) in net assets	1,747,725	(183,266)	1,564,459
NET ASSETS - Beginning of year	<u>1,297,020</u>	<u>2,406,816</u>	<u>3,703,836</u>
NET ASSETS - End of year	<u>\$ 3,044,745</u>	<u>\$ 2,223,550</u>	<u>\$ 5,268,295</u>

PATHWAYS EARLY EDUCATION CENTER OF IMMOKALEE, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues:			
Child care fees	\$ 132,688	\$ -	\$ 132,688
United Way of Collier County	75,625	-	75,625
Federal and state grants	366,943	-	366,943
Local grants and contracts	357,647	8,025	365,672
Contributions	317,650	-	317,650
Contributions-ICCC Foundation	47,539	2,388,460	2,435,999
Special events, net	139,048	-	139,048
Investment return, net	61,416	-	61,416
	<u>1,498,556</u>	<u>2,396,485</u>	<u>3,895,041</u>
Total revenues			
	1,498,556	2,396,485	3,895,041
Net assets released from restrictions	<u>19,669</u>	<u>(19,669)</u>	<u>-</u>
Total revenues and net assets released from restrictions	<u>1,518,225</u>	<u>2,376,816</u>	<u>3,895,041</u>
Expenses:			
Program services	1,189,735	-	1,189,735
Administrative and general	126,795	-	126,795
Fundraising	89,462	-	89,462
	<u>1,405,992</u>	<u>-</u>	<u>1,405,992</u>
Total expenses			
	1,405,992	-	1,405,992
Increase in net assets	112,233	2,376,816	2,489,049
NET ASSETS - Beginning of year	<u>1,184,787</u>	<u>30,000</u>	<u>1,214,787</u>
NET ASSETS - End of year	<u>\$ 1,297,020</u>	<u>\$ 2,406,816</u>	<u>\$ 3,703,836</u>

PATHWAYS EARLY EDUCATION CENTER OF IMMOKALEE, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018**

	PROGRAM SERVICES	SUPPORTING SERVICES		TOTAL
		ADMINISTRATIVE & GENERAL	FUND RAISING	
Depreciation	\$ 73,505	\$ 743	\$ -	\$ 74,248
Dues and subscriptions	2,416	-	-	2,416
Food supplies	63,665	-	-	63,665
Gift annuities	-	13,802	-	13,802
Health supplies	719	-	-	719
Instructional expense	27,498	-	-	27,498
Insurance	24,047	2,672	-	26,719
Licenses and permits	816	-	300	1,116
Miscellaneous	30,597	-	-	30,597
Office supplies	13,544	2,902	2,902	19,348
Payroll taxes	69,329	6,061	7,340	82,730
Postage	1,021	625	438	2,084
Professional fees	7,695	11,824	815	20,334
Public relations	6,903	4,259	-	11,162
Rebranding	-	18,016	-	18,016
Rental expense	18,335	3,928	3,928	26,191
Repairs and maintenance	43,024	502	-	43,526
Salaries and wages	909,082	79,469	96,252	1,084,803
Supplies	1,942	-	5,000	6,942
Telephone	4,251	911	911	6,073
Travel	1,991	139	-	2,130
Utilities	28,409	1,495	-	29,904
Waste removal	6,165	-	-	6,165
Web design	-	1,250	-	1,250
Total	<u>\$ 1,334,954</u>	<u>\$ 148,598</u>	<u>\$ 117,886</u>	<u>\$ 1,601,438</u>

PATHWAYS EARLY EDUCATION CENTER OF IMMOKALEE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017

	PROGRAM SERVICES	SUPPORTING SERVICES		TOTAL
		ADMINISTRATIVE & GENERAL	FUND RAISING	
Depreciation	\$ 71,985	\$ 727	\$ -	\$ 72,712
Dues and subscriptions	526	-	-	526
Food supplies	56,222	-	-	56,222
Health supplies	835	-	-	835
Instructional expense	13,776	-	-	13,776
Insurance	25,349	2,817	-	28,166
Licenses and permits	731	-	300	1,031
Miscellaneous	21,932	25,217	-	47,149
Office supplies	8,864	1,899	1,899	12,662
Payroll taxes	62,311	5,473	5,804	73,588
Postage	1,119	685	480	2,284
Professional fees	7,582	9,666	706	17,954
Public relations	6,341	2,412	-	8,753
Rental expense	18,000	3,856	3,856	25,712
Repairs and maintenance	37,398	437	-	37,835
Salaries and wages	812,906	71,403	75,713	960,022
Supplies	6,273	-	-	6,273
Telephone	3,286	704	704	4,694
Travel	759	53	-	812
Utilities	27,475	1,446	-	28,921
Waste removal	6,065	-	-	6,065
Total	<u>\$ 1,189,735</u>	<u>\$ 126,795</u>	<u>\$ 89,462</u>	<u>\$ 1,405,992</u>

PATHWAYS EARLY EDUCATION CENTER OF IMMOKALEE, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from child care fees	\$ 140,736	\$ 132,917
Cash received from United Way of Collier County	47,500	75,625
Cash received from federal and state grants	408,289	372,533
Cash received from local grants and contracts	296,750	375,622
Cash received from contributions	344,203	317,650
Cash received from bequest	1,000,000	-
Special events, net	18,699	128,393
Interest income received	79,870	61,416
Cash paid to suppliers and employees	(1,524,196)	(1,324,770)
Net cash provided by operating activities	811,851	139,386
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments	1,037,007	-
Purchase of investments	(822,918)	(182,772)
Purchase of property and equipment	(19,376)	(21,852)
Purchase of investments in Community Foundation	(700,000)	-
Cash received from ICCC Foundation for endowment	11,837	36,742
Net cash used by investing activities	(493,450)	(167,882)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments to charitable gift annuitants	(468)	-
Net cash used by financing activities	(468)	-
NET INCREASE (DECREASE) IN CASH	317,933	(28,496)
CASH - Beginning of year	237,635	266,131
CASH - End of year	\$ 555,568	\$ 237,635
RECONCILIATION OF INCREASE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Increase in net assets	\$ 1,564,459	\$ 2,489,049
Depreciation	74,248	72,712
Change in cash surrender value of life insurance	(2,336)	-
Unrealized loss on investments	146,414	-
Investments received from ICCC Foundation	-	(2,435,999)
Changes in assets and liabilities:		
Federal and state grants receivable	(23,606)	5,590
Accounts receivable, net	(954,822)	(5,705)
Promise to give	5,000	5,000
Prepaid expenses and deposits	(21,399)	(1,531)
Accounts payable and accrued expenses	33,059	(1,813)
Refundable deposits	(500)	229
Compensated absences	(8,666)	11,854
Net cash provided by operating activities	\$ 811,851	\$ 139,386

PATHWAYS EARLY EDUCATION CENTER OF IMMOKALEE, INC.

NOTES TO FINANCIAL STATEMENTS - DECEMBER 31, 2018 AND 2017

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Pathways Early Education Center of Immokalee, Inc., formally known as Immokalee Child Care Center, Inc., (the "Center") was incorporated in April 1968 under the Laws of Florida as a not-for-profit corporation, to provide child care services to low income and migrant worker families in Immokalee, Florida.

Specifically, the Center's objective and purpose is to:

- 1) Provide daycare for children of working parents, primarily those of low income.
- 2) Study, consider and implement other programs related to childcare or the children of the target community.

In November 2017, The Foundation for the Immokalee Child Care Center, Inc. (the "Foundation"), a related third-party not-for-profit corporation, dissolved and transferred all of its assets to the Center which included investments and two annuities.

Basis of Accounting

The accounts of the Center are maintained, and the accompanying financial statements have been prepared, on the accrual basis of accounting. Accordingly, revenues are recognized when earned and expenses are recorded when incurred.

Financial Statements

The financial statements and notes are a representation of the Center's management who is responsible for their integrity and objectivity. The accounting policies conform to the basis of accounting defined above and have been consistently applied in the preparation of the financial statements.

Net Assets

Net assets and revenues, gains and losses are classified based on the existence or absence of donor imposed restrictions. Accordingly, net assets of the Center and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor restrictions.

Net Assets With Donor Restrictions - Net assets subject to donor imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulated that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Center considers as cash and cash equivalents all highly liquid investments with an initial maturity of three months or less except those set aside for investment.

Investments

Investments are carried at fair value determined by quoted prices on the last business day of the year. Various equity and fixed income investments may be held by the Center when such investments are donated to the Center. It is the Center's policy to convert donated non-cash investments to cash as soon as it is determined financially prudent. Investments are carried at cost, which approximates market value. Donated non-cash investments are recorded at fair market value at the date received by the Center. Gains and losses are determined using the specific identification method when securities are sold or mature. Net investment return is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external direct investment expenses.

PATHWAYS EARLY EDUCATION CENTER OF IMMOKALEE, INC.

NOTES TO FINANCIAL STATEMENTS - DECEMBER 31, 2018 AND 2017

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES - continued

Property and Equipment

The Center's policy is to capitalize assets with a cost of \$1,000 or more and a useful life greater than one year. Property and equipment is recorded at cost, except for donated items (used in operations of the Center) which are recorded at fair market value as of the date received. Assets are depreciated using the straight-line method over their respective estimated lives, as follows:

<u>Fixed Asset Category</u>	<u>Useful Lives</u>
Building and improvements	7-40 years
Equipment	5-10 years

Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

Refundable deposits

A refundable deposit is required when child care services are utilized. The deposit is refunded when child care services are no longer rendered.

Compensated absences

The Center's employees accumulate vacation leave based on the number of years of continuous service. Center employees also annually accrue 40 hours of sick time upon their employment anniversary date. Upon termination of employment, employees can receive payment for sick and personal time limited to 80 hours as well as vacation leave if they meet certain criteria limited to a schedule varying by credited years of service.

Revenue Recognition

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions received with donor restrictions that limit the use of donated assets are treated as net assets with donor restrictions. When the restriction is met, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Functional Expenses

The Center allocates its expenses on a functional basis among its various programs and supporting services. Expenses that can be identified with a specific program service are allocated directly to that program, according to their natural expenditure classification. Salaries and payroll taxes are allocated on the basis of estimates of time and effort spent on each function. Other expenses that are common to several functions are allocated by various statistical bases.

Donated Services

A substantial number of volunteers, including the Board of Directors, have donated time and expertise to the Center's programs and supporting services; however, these donated services are not recognized in the financial statements because the criteria for recognition of such volunteer efforts under Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, have not been satisfied.

Income Taxes

The Internal Revenue Service has determined that the Center is exempt from income taxes under the provisions of Internal Revenue Code Section 501(c)(3). The Internal Revenue Code provides for taxation of unrelated business income under certain circumstances. The Center reports no unrelated business taxable income; however, such status is subject to final determination upon examination of the related tax returns by the appropriate taxing authorities. Accordingly, no provision for income taxes has been made in these financial statements.

The Center is in compliance with the income tax standard regarding the recognition and measurement of uncertain tax positions. This guidance clarifies the accounting for uncertainty in income taxes recognized in the Center's financial statements. The tax returns for the years ended December 31, 2016 through December 31, 2018 are open to examination by the IRS.

Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

PATHWAYS EARLY EDUCATION CENTER OF IMMOKALEE, INC.

NOTES TO FINANCIAL STATEMENTS - DECEMBER 31, 2018 AND 2017

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES - continued

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 certain 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.

Charitable Gift Annuities

Under charitable gift annuity contracts, the Center receives immediate and unrestricted title to contributed assets and agrees to make fixed recurring payments over a stipulated period. Contributed assets are recorded at fair value on the date of receipt. The related liability for future payments to be made to the specified beneficiaries is recorded at fair value using present value techniques and risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the liability. The excess of contributed assets over the annuity liability is recorded as a contribution without donor restrictions. In subsequent years, the liability for future annuity payments is reduced by payments made to the specified beneficiaries and is adjusted to reflect amortization of the discount and changes in actuarial assumptions at the end of the year. Upon termination of the annuity contract, the remaining liability is removed and recognized as income.

Change in Accounting Principle

In August 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958)-Presentation of Financial Statements for Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and lack of consistency in the type of information provided about expenses and investment return. The Center has implemented ASU 2016-14 and has adjusted the presentation of these financial statements accordingly.

NOTE 2 - LIQUIDITY AND AVAILABILITY

The Center routinely monitors liquidity to meet its operating needs and other contractual commitments. The Center considers all expenditures related to its ongoing activities. In addition to financial assets available to meet general expenditures, the Center operates with a balanced operating budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

The Center's financial assets available within one year of the balance sheet date for general expenditures are as follows:

	<u>2018</u>
Cash and cash equivalents	\$ 555,568
Federal and state grants receivable	52,252
Accounts receivable	966,977
Beneficial interest in assets held by the Community Foundation	700,000
Investments	<u>2,096,920</u>
Total financial assets	4,371,717

Less those unavailable for general expenditures within one year, due to:

Donor purpose restrictions	(170,000)
Investments perpetual in nature	<u>(1,864,329)</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 2,337,388</u>

PATHWAYS EARLY EDUCATION CENTER OF IMMOKALEE, INC.

NOTES TO FINANCIAL STATEMENTS - DECEMBER 31, 2018 AND 2017

NOTE 3 - INVESTMENTS

Investments, at fair value, consist of the following:

	2018		2017	
	Cost	Fair Market Value	Cost	Fair Market Value
Cash	\$ 245,975	\$ 245,975	\$ 182,772	\$ 182,772
Equities	170,382	180,881	191,999	192,793
Mutual funds	1,275,726	1,186,733	1,352,458	1,451,278
Exchange-traded products	521,263	483,331	623,361	642,416
	\$ 2,213,346	\$ 2,096,920	\$ 2,350,590	\$ 2,469,259
			2018	2017
Without donor restrictions:				
Undesignated investments			\$ 62,591	\$ 213,124
			62,591	213,124
With donor restrictions:				
Purpose restrictions			170,000	320,000
Perpetual in nature			1,864,329	1,936,135
			2,034,329	2,256,135
Total			\$ 2,096,920	\$ 2,469,259

Investment fees associated with managing the investment portfolio were \$11,781 in 2018 and \$0 in 2017. Investment fees are netted against investment income in the statements of activities.

NOTE 4 - FEDERAL AND STATE GRANTS RECEIVABLE

Federal and state grants receivable consist of the following:

	2018	2017
Early Learning Coalition, Inc.	\$ 27,202	\$ 15,235
Redlands Christian Migrant Association	16,618	6,629
U.S. Department of Agriculture (USDA) Food Program	8,432	6,782
	\$ 52,252	\$ 28,646

The management of Pathways Early Education Center of Immokalee, Inc. believes the grants receivable to be fully collectible. Therefore, no allowance for doubtful accounts has been recorded.

NOTE 5 - ACCOUNTS RECEIVABLE

Accounts receivable consist of the following:

	2018	2017
Fund-A-Need	\$ -	\$ 7,000
Gala Auction	-	5,155
Estate distribution	966,977	-
Accounts receivable	\$ 966,977	\$ 12,155

The management of Pathways Early Education Center of Immokalee, Inc. believes the accounts receivable to be fully collectible. Therefore, no allowance for doubtful accounts has been recorded.

PATHWAYS EARLY EDUCATION CENTER OF IMMOKALEE, INC.

NOTES TO FINANCIAL STATEMENTS - DECEMBER 31, 2018 AND 2017

NOTE 6 - PROPERTY AND EQUIPMENT, NET

Property and equipment consist of the following:

	<u>2018</u>	<u>2017</u>
Building and improvements	\$ 1,178,446	\$ 1,174,446
Equipment	624,150	614,775
Land	<u>16,381</u>	<u>16,381</u>
	1,818,977	1,805,602
Less accumulated depreciation	<u>(966,565)</u>	<u>(898,317)</u>
Total	<u>\$ 852,412</u>	<u>\$ 907,285</u>

Depreciation expense for 2018 and 2017 was \$74,248 and \$72,712, respectively.

NOTE 7 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes:

	<u>2018</u>	<u>2017</u>
Purpose restrictions:		
Generator	\$ 30,000	\$ -
"Inspiration in a Back Pack" Program	-	1,680
Kitchen equipment	10,000	-
Parent meetings	1,349	-
Preschool teacher development	3,011	5,676
Scholarships	45,000	45,000
Special funds	100,000	250,000
Staff development	25,000	25,000
START research library	6,000	6,000
Take home library	4,200	-
Tuition assistance	-	5,000
	<u>224,560</u>	<u>338,356</u>
Time-restricted for future periods:		
Cash surrender value of life insurance	134,661	132,325
Perpetual in nature:		
Subject to endowment spending policy and appropriation:		
General use	1,864,329	1,936,135
	<u>\$ 2,223,550</u>	<u>\$ 2,406,816</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Satisfaction of purpose restrictions:		
"Inspiration in a Back Pack" Program	\$ 1,680	\$ 345
Outdoor shaded structure	-	10,000
Preschool teacher development	2,665	4,324
Special funds	150,000	-
Tuition assistance	5,000	5,000
	<u>\$ 159,345</u>	<u>\$ 19,669</u>

PATHWAYS EARLY EDUCATION CENTER OF IMMOKALEE, INC.

NOTES TO FINANCIAL STATEMENTS - DECEMBER 31, 2018 AND 2017

NOTE 8 - NET ASSETS WITHOUT DONOR RESTRICTIONS

Changes in net assets without donor restrictions are as follows:

	2018	2017
Balance-Beginning of year	\$ 1,297,020	\$ 1,184,787
Increase in net assets	1,747,725	112,233
Balance-End of year	<u>\$ 3,044,745</u>	<u>\$ 1,297,020</u>

Funds without donor restrictions consist of the following:

Cash and cash equivalents	\$ 501,008	\$ 219,279
Investments	62,591	213,124
Federal and state grants receivable	52,252	28,646
Accounts receivable	966,977	12,155
Beneficial interest in assets held by the Community Foundation	700,000	-
Prepaid expenses and deposits	28,684	7,285
Promise to give	-	5,000
Property and equipment, net	852,412	907,285
Accounts payable and accrued expenses	(71,598)	(38,539)
Refundable deposits	(1,495)	(1,995)
Compensated absences	(26,999)	(35,665)
Charitable gift annuity	(19,087)	(19,555)
Balance	<u>\$ 3,044,745</u>	<u>\$ 1,297,020</u>

NOTE 9 - ENDOWMENT

As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor imposed restrictions. The Center has a restricted endowment fund established for the purpose of providing income to support general operations.

Interpretation of Relevant Law

The Board of Directors has interpreted relevant law 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 Center classifies as donor restricted net assets (a) the original value of gifts donated to the restricted endowment, (b) the original value of subsequent gifts to the restricted endowment, and (c) accumulations to the restricted endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

Endowment net assets, January 1, 2017	\$ -
Contributions to endowment from ICCC Foundation	1,936,135
Endowment net assets, December 31, 2017	<u>1,936,135</u>
Contributions	11,837
Net investment loss	(83,643)
Endowment net assets, December 31, 2018	<u>\$ 1,864,329</u>

PATHWAYS EARLY EDUCATION CENTER OF IMMOKALEE, INC.

NOTES TO FINANCIAL STATEMENTS - DECEMBER 31, 2018 AND 2017

NOTE 9 - ENDOWMENT- continued

Funds with Deficiencies

From time to time, the fair value of assets associated with donor-restricted endowment funds may fall below the level that the donor requires the Center to retain or by law (underwater endowments). The Center has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. At December 31, 2018, funds with an original gift value of \$1,947,972, fair value of \$1,864,329 and deficiency of \$83,643 were reported in net assets with donor restrictions. During the year, the Center did not appropriate any expenditure from the underwater endowment. Management expects these amounts to be fully recovered during 2019 due to favorable market fluctuations.

Spending Policy

Endowment funds help support the general purposes of the Center. As a result, the Center's policy is to classify all net investment earnings, if any, to net assets without donor restrictions.

NOTE 10 - FAIR VALUE MEASUREMENTS

The Center measures fair value as set forth in the Statement of Financial Accounting Standard FASB ASC 820, "Fair Value Measurements." FASB ASC 820 applies to reported balances that are required or permitted to be measured at fair value under an existing accounting pronouncement. FASB ASC 820 emphasized that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability and establishes a fair value hierarchy. The fair value hierarchy consists of three levels of inputs that may be used to measure fair value as follows:

Level 1 - Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Center has the ability to access.

Level 2 - Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics or discounted cash flows.

Level 3 - Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

The following are the major categories of assets measured at fair value on a recurring basis during the year ended December 31, 2018 and 2017:

	2018			
	Fair Value	Level 1	Level 2	Level 3
Cash	\$ 245,975	\$ 245,975	\$ -	\$ -
Equities	180,881	180,881	-	-
Mutual funds	1,186,733	1,186,733	-	-
Exchange-traded products	483,331	483,331	-	-
Beneficial interest in assets held by Community Foundation	700,000	-	-	700,000
	<u>\$ 2,796,920</u>	<u>\$ 2,096,920</u>	<u>\$ -</u>	<u>\$ 700,000</u>

PATHWAYS EARLY EDUCATION CENTER OF IMMOKALEE, INC.

NOTES TO FINANCIAL STATEMENTS - DECEMBER 31, 2018 AND 2017

NOTE 10 - FAIR VALUE MEASUREMENTS, continued

	2017			
	Fair Value	Level 1	Level 2	Level 3
Cash	\$ 182,772	\$ 182,772	\$ -	\$ -
Equities	192,793	192,793	-	-
Mutual funds	1,451,278	1,451,278	-	-
Exchange-traded products	642,416	642,416	-	-
	<u>\$ 2,469,259</u>	<u>\$ 2,469,259</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE 11 - BENEFICIAL INTEREST IN ASSETS HELD BY THE COMMUNITY FOUNDATION

The Community Foundation of Collier County (CFCC) maintains an agency endowment ("Immokalee Early Learning Center Fund") for the benefit of the Center. The Center has granted CFCC's Board of Directors variance power which gives CFCC the power to modify any condition or restriction on its distributions for any specified charitable purpose or to any specified organization if, in the sole judgement of CFCC's Board of Directors, such restriction or condition becomes unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community. The invested assets are subject to CFCC investment and spending policies. Invested assets are reported at fair value in the statements of financial position. Changes in the value of assets held by CFCC are reported as investment income on the statements of activities.

The changes of the Agency Fund for the year ended December 31, 2018 is as follows:

	2018
Community Foundation fund, beginning balance	\$ -
Contributions received	700,000
Community Foundation fund, ending balance	<u>\$ 700,000</u>

NOTE 12 - INVESTMENT RETURN, NET

Investment return consists of the following:

	2018	2017
Interest and dividends	\$ 79,871	\$ 29,205
Unrealized gain/(loss)	(134,634)	32,211
Investment management fees	(11,781)	-
	<u>\$ (66,544)</u>	<u>\$ 61,416</u>

NOTE 13 - LEASE OBLIGATIONS

In March 2014, the Center entered into a three year lease for its administrative office in Naples, FL. On July 15, 2014, the lease term was extended to September 2019. In October 2019, the Center relocated its administrative office in Naples, FL and entered into a five year lease. Rent for the years ended December 31, 2018 and 2017 was \$26,191 and \$25,712, respectively.

Future minimum lease payments required under office lease are as follows:

Year	Office Lease
2019	\$ 36,732
2020	66,495
2021	68,490
2022	70,545
2023	72,660
Thereafter	55,710
	<u>\$ 370,632</u>

PATHWAYS EARLY EDUCATION CENTER OF IMMOKALEE, INC.

NOTES TO FINANCIAL STATEMENTS - DECEMBER 31, 2018 AND 2017

NOTE 14 - SPECIAL EVENTS, NET

The Center conducts special events each year. Special event revenues and expenses consisted of the following:

	<u>2018</u>	<u>2017</u>
Revenues-		
Gala	\$ -	\$ 167,597
In kind-Gala	-	33,847
Stay-At-Home Tea	10,010	29,780
Newsletters	-	850
Total Revenues	<u>10,010</u>	<u>232,074</u>
Expenses-		
Gala	-	(54,930)
In kind-Gala	-	(33,847)
Stay-At-Home Tea	(3,466)	(4,249)
Total Expenses	<u>(3,466)</u>	<u>(93,026)</u>
Special events, net	<u>\$ 6,544</u>	<u>\$ 139,048</u>

NOTE 15 - CONCENTRATIONS OF CREDIT RISK

The Center maintains accounts at financial institutions in bank deposits which, at times, may exceed federally insured limits. The Center has not experienced any losses on such accounts and believes it is not exposed to any significant risk on cash.

NOTE 16 - ECONOMIC DEPENDENCE

The operations of the Center are dependent on the receipt of support and revenue from grantor agencies. Loss of these funds and/or large decreases in these types of funding would have a material effect on the Center and a negative impact on overall operations. For the years ended December 31, 2018 and 2017, approximately 24% and 20% of total support and revenue, respectively, was attributable to the sources described above.

NOTE 17 - SUBSEQUENT EVENTS

In June 2018, the Center was notified that it was beneficiary of an estate in which the Center would receive approximately 50% of the liquidated value. In November 2018, the Center received a partial distribution from the estate of \$1,000,000. In March 2019, the Center received the final distribution from the estate of \$966,977. The final distribution is included on the Statement of Financial Position as accounts receivable at December 31, 2018.

In April 2019, the Board voted to change the Center's year end from December 31st to fiscal year ending June 30th. The change in year end was effective July 1, 2019.

Subsequent events were evaluated through October 1, 2019, which is the date the financial statements were available to be issued.