

PATHWAYS EARLY EDUCATION
CENTER OF IMMOKALEE, INC.

FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED
JUNE 30, 2020

PATHWAYS EARLY EDUCATION CENTER OF IMMOKALEE, INC.

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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 statement of financial position as of June 30, 2020, and the related statement of activities, functional expenses, and cash flows for the fiscal year 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 audit. We conducted our audit 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 June 30, 2020, and the changes in its net assets and its cash flows for the fiscal year 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
January 7, 2021

PATHWAYS EARLY EDUCATION CENTER OF IMMOKALEE, INC.

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2020

ASSETS

Cash and cash equivalents - without donor restrictions	\$ 352,736
Cash and cash equivalents - with donor restrictions	57,987
Total cash and cash equivalents	<u>410,723</u>
Federal and state grants receivable	49,352
Beneficial interest in assets held by Community Foundation	799,240
Prepaid expenses and deposits	65,590
Cash surrender value of life insurance	134,661
Investments	2,147,700
Property and equipment, net	<u>1,131,862</u>
Total assets	<u>\$ 4,739,128</u>

LIABILITIES AND NET ASSETS

Accounts payable and accrued expenses	\$ 92,135
Compensated absences	53,429
Charitable gift annuity	18,319
Note payable	<u>217,770</u>
Total liabilities	<u>381,653</u>
Net assets:	
Without donor restrictions:	
Designated for property and equipment	1,131,862
Undesignated	1,044,983
	<u>2,176,845</u>
With donor restrictions:	
Purpose restrictions	57,987
Time-restricted for future periods	174,671
Permanently restricted	1,947,972
	<u>2,180,630</u>
Total net assets	<u>4,357,475</u>
Total liabilities and net assets	<u>\$ 4,739,128</u>

PATHWAYS EARLY EDUCATION CENTER OF IMMOKALEE, INC.

**STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues:			
Child care fees	\$ 104,278	\$ -	\$ 104,278
United Way of Collier County grant	48,125	-	48,125
Federal and state grants	535,492	-	535,492
Local grants and contracts	200,100	-	200,100
PPP grant	324,777	-	324,777
Contributions	505,490	10,000	515,490
In-kind contributions	46,607	-	46,607
Investment return, net	79,120	40,010	119,130
Total revenues	<u>1,843,989</u>	<u>50,010</u>	<u>1,893,999</u>
Net assets released from restrictions	<u>204,270</u>	<u>(204,270)</u>	<u>-</u>
Total revenues and net assets released from restrictions	<u>2,048,259</u>	<u>(154,260)</u>	<u>1,893,999</u>
Expenses:			
Program services	2,096,295	-	2,096,295
Administrative and general	312,742	-	312,742
Fundraising	240,953	-	240,953
Total expenses	<u>2,649,990</u>	<u>-</u>	<u>2,649,990</u>
Decrease in net assets	(601,731)	(154,260)	(755,991)
NET ASSETS - Beginning of year	<u>2,778,576</u>	<u>2,334,890</u>	<u>5,113,466</u>
NET ASSETS - End of year	<u>\$ 2,176,845</u>	<u>\$ 2,180,630</u>	<u>\$ 4,357,475</u>

PATHWAYS EARLY EDUCATION CENTER OF IMMOKALEE, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

	PROGRAM SERVICES	SUPPORTING SERVICES		TOTAL
		ADMINISTRATIVE & GENERAL	FUND- RAISING	
Benefits	\$ 222,266	\$ 15,886	\$ 15,886	\$ 254,038
Depreciation	84,075	850	-	84,925
Development	-	29,173	29,174	58,347
Dues and subscriptions	2,521	1,488	1,488	5,497
Family assistance	28,151	-	-	28,151
Food supplies	49,452	-	-	49,452
Health supplies	5,645	-	-	5,645
Instructional expense	27,700	-	-	27,700
Insurance	29,538	1,670	1,670	32,878
Interest	-	4,667	-	4,667
Licenses and permits	855	712	-	1,567
Miscellaneous	17,254	13,750	1,907	32,911
Office supplies	19,032	13,150	11,206	43,388
Payroll taxes	101,903	9,256	9,256	120,415
Postage	395	786	786	1,967
Professional fees	16,938	58,357	11,000	86,295
Public relations	-	4,417	-	4,417
Rental expense	11,895	23,792	23,792	59,479
Repairs and maintenance	69,471	4,599	4,599	78,669
Salaries and wages	1,337,735	119,145	119,145	1,576,025
Telephone	9,180	4,304	4,304	17,788
Travel	20,855	1,902	1,902	24,659
Utilities	34,346	902	902	36,150
Waste removal	5,120	-	-	5,120
Web design	1,968	3,936	3,936	9,840
Total	<u>\$ 2,096,295</u>	<u>\$ 312,742</u>	<u>\$ 240,953</u>	<u>\$ 2,649,990</u>

PATHWAYS EARLY EDUCATION CENTER OF IMMOKALEE, INC.

**STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from child care fees	\$ 104,278
Cash received from United Way of Collier County	48,125
Cash received from federal and state grants	527,591
Cash received from local grants and contracts	200,100
Cash received from PPP grant	324,777
Cash received from contributions	515,490
Investment return received	68,602
Cash paid to suppliers and employees	(2,511,666)
Net cash (used) by operating activities	<u>(722,703)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Proceeds from sale of investments	1,510,645
Purchases of investments	(1,636,713)
Purchase of property and equipment	(394,792)
Increase in beneficial interest in assets held by Community Foundation	(400,000)
Decrease in beneficial interest in assets held by Community Foundation	350,000
Net cash (used) by investing activities	<u>(570,860)</u>

CASH FLOWS FROM FINANCING ACTIVITIES:

Payments to charitable gift annuitants	(521)
Proceeds from notes payable	217,770
Net cash provided by financing activities	<u>217,249</u>

NET DECREASE IN CASH

(1,076,314)

CASH - Beginning of year

1,487,037

CASH - End of year

\$ 410,723

RECONCILIATION OF DECREASE IN NET ASSETS
TO NET CASH (USED) BY OPERATING ACTIVITIES:

Decrease in net assets	\$ (755,991)
Depreciation	84,925
Unrealized gain on investments	(50,528)
Changes in assets and liabilities:	
Federal and state grants receivable	(7,901)
Prepaid expenses and deposits	(35,180)
Accounts payable and accrued expenses	19,974
Compensated absences	21,998
Net cash (used) by operating activities	<u>\$ (722,703)</u>

In-kind donations received

\$ 46,607

In-kind donations recognized

\$ (46,607)

\$4,667 was paid in interest.

PATHWAYS EARLY EDUCATION CENTER OF IMMOKALEE, INC.

NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2020

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 exceptional Early Education to the children and families in the Immokalee community.
- 2) Develop and incorporate community partnerships and collaborations into the daily operations to ensure the individual needs of each child and family are met by connecting all resources available for the health, safety, well-being and affordable high quality early education for all children at the Center.

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 permanently restricted, 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.

Investments

Investments are carried at fair value determined by quoted prices on the last business day of the fiscal 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. 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 statement 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 - JUNE 30, 2020

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

Property and Equipment, net

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.

Compensated Absences

The Center's employees accumulate PTO based on the number of years of continuous service. The leadership team receives all of their contracted PTO on their anniversary date. PTO can be used as vacation time, sick time or personal time. PTO time cannot be carried over to the following year. Upon termination of employment, eligible employees will be paid for earned but unused PTO.

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, 2018 through June 30, 2020 are open to examination by the IRS.

PATHWAYS EARLY EDUCATION CENTER OF IMMOKALEE, INC.

NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2020

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.

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:

Cash and cash equivalents	\$ 352,736
Federal and state grants receivable	49,352
Beneficial interest in assets held by the Community Foundation	799,240
Investments - without donor restrictions (Note 3)	159,718
Total financial assets	<u>1,361,046</u>

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

Donor purpose restrictions	<u>(57,987)</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 1,303,059</u>

NOTE 3 - INVESTMENTS

Investments, at fair value, consist of the following at June 30, 2020:

	<u>Cost</u>	<u>Fair Market Value</u>
Equities	\$ 101,702	\$ 194,118
Mutual funds	637,809	611,565
Exchange-traded products	1,364,327	1,342,017
	<u>\$ 2,103,838</u>	<u>\$ 2,147,700</u>

PATHWAYS EARLY EDUCATION CENTER OF IMMOKALEE, INC.

NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2020

NOTE 3 - INVESTMENTS - continued

Without donor restrictions:	
Undesignated investments	\$ 159,718
With donor restrictions:	
Time-restricted for future periods	40,010
Permanently restricted	1,947,972
Total	<u>\$ 2,147,700</u>

Investment fees associated with managing the investment portfolio were \$10,551 for the fiscal year ended June 30, 2020. Investment fees are netted against investment income in the statement of activities.

NOTE 4 - FEDERAL AND STATE GRANTS RECEIVABLE

Federal and state grants receivable consist of the following:

Early Learning Coalition, Inc.	\$ 21,817
Redlands Christian Migrant Association	27,535
	<u>\$ 49,352</u>

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 - PROPERTY AND EQUIPMENT, NET

Property and equipment, net consists of the following:

Building and improvements	\$ 1,181,436
Equipment	688,059
Land	334,720
	<u>2,204,215</u>
Less accumulated depreciation	(1,072,353)
Total	<u>\$ 1,131,862</u>

Depreciation expense for the fiscal year ended June 30, 2020 was \$84,925.

NOTE 6 - NOTE PAYABLE

As of June 30, 2020, the Center held a note payable with The Theresa A Garlock Revocable Trust totaling \$217,770. The note payable is secured by a parcel of land with a carrying value of \$310,000 and bears interest at 4.00% per annum, payable in monthly interest-only installments. The initial maturity date is scheduled for November 2021, at which time the principal balance, together with any accrued but unpaid interest shall be due. Under the terms of the note payable, the Center has the right to extend the maturity date for three successive one year terms by notifying the lender in writing no later than 60 days prior to the then current maturity date. In the event the extension option(s) are elected, the Center would continue to make monthly interest-only payments at the 4.00% per annum rate.

PATHWAYS EARLY EDUCATION CENTER OF IMMOKALEE, INC.

NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2020

NOTE 6 - NOTE PAYABLE - continued

Under the current maturity terms, and without consideration of the optional repayment extension, the Center would be obligated for full principal repayment as follows in November 2021:

<u>Year Ending June 30,</u>	
2021	\$ -
2022	217,770
	<u>\$ 217,770</u>

NOTE 7 - NET ASSETS WITH DONOR RESTRICTIONS

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

Purpose restrictions:

Family programs	\$ 5,600
Generator	11,116
Parent meetings	1,349
Printer	4,922
Staff development	25,000
Vision program	10,000
Total	<u>57,987</u>

Time-restricted for future periods:

Cash surrender value of life insurance	134,661
Investment earnings from Endowment	40,010
Total	<u>174,671</u>

Permanently restricted:

Subject to endowment spending policy and appropriation:	
General use	1,947,972

Total	<u>\$ 2,180,630</u>
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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 fiscal year ended June, 30 2020:

Satisfaction of purpose restrictions:

Classroom table and chairs	\$ 1,000
Generator	18,884
Kitchen/Laundry equipment	3,847
Preschool teacher development	3,011
Printer	5,078
Scholarships	45,000
Special funds - purchase of land	100,000
START research library	6,000
STEM education	10,000
Take home library	4,200
Van	7,250
Total	<u>\$ 204,270</u>

PATHWAYS EARLY EDUCATION CENTER OF IMMOKALEE, INC.

NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2020

NOTE 8 - NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions consist of the following:

Cash and cash equivalents	\$ 352,736
Investments	159,718
Federal and state grants receivable	49,352
Beneficial interest in assets held by the Community Foundation	799,240
Prepaid expenses and deposits	65,590
Property and equipment, net	1,131,862
Accounts payable and accrued expenses	(92,135)
Compensated absences	(53,429)
Charitable gift annuity	(18,319)
Note payable	(217,770)
Total	<u><u>\$ 2,176,845</u></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 permanently restricted endowment fund established for the purpose of providing income to support general operations.

The Center classifies as donor restricted net assets (a) the original value of gifts donated to the restricted endowment and (b) the original value of subsequent gifts to the restricted endowment.

The endowment agreement provides that assets be invested with a goal of achieving a 7% annual return based on a 36-month rolling average. The Center is entitled to 1) a minimum distribution of 50% of the total return or 3.5% annually, regardless of whether the endowment falls below its original value, and 2) such additional amounts may be determined in discretion of the endowment trustees. Distributions are typically made on a monthly basis with an annual adjustment at year end based on the endowment's actual return. During the fiscal year ended June 30, 2020, the Center received \$226,108 in total cash distributions from the endowment, \$81,108 of which could be used for general operational purposes and \$145,000 of which related to distributions associated with funds designated for specific uses at the inception of the endowment agreement.

	<u>With Donor Restrictions</u>
Endowment net assets, July 1, 2019	\$ 1,947,972
Net investment gain/(loss)	-
Endowment net assets, June 30, 2020	<u><u>\$ 1,947,972</u></u>

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). As of June 30, 2020, there were no deficiencies of this nature.

Spending Policy

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

PATHWAYS EARLY EDUCATION CENTER OF IMMOKALEE, INC.

NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2020

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 fiscal year ended June 30, 2020:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Equities	\$ 194,118	\$ 194,118	\$ -	\$ -
Mutual funds	611,565	611,565	-	-
Exchange-traded products	1,342,017	1,342,017	-	-
Beneficial interest in assets held by Community Foundation	799,240	-	-	799,240
	<u>\$ 2,946,940</u>	<u>\$ 2,147,700</u>	<u>\$ -</u>	<u>\$ 799,240</u>

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

The Community Foundation of Collier County (CFCC) maintains an agency fund ("Pathways Early Education Center of Immokalee 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 statement of financial position. Changes in the value of assets held by CFCC are reported as investment income on the statement of activities.

The changes in Pathways Early Education Center of Immokalee Fund for the fiscal year ended June 30, 2020 are as follows:

Community Foundation fund, beginning balance - July 1, 2019	\$ 753,591
Contribution to the Community Foundation fund	50,000
Interest and dividends	23,944
Net realized gains/(losses)	(174)
Net unrealized gains/(losses)	(19,270)
Investment management fees	(8,851)
Community Foundation fund, ending balance - June 30, 2020	<u>\$ 799,240</u>

PATHWAYS EARLY EDUCATION CENTER OF IMMOKALEE, INC.

NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2020

NOTE 12 - INVESTMENT RETURN, NET

Investment return, net consists of the following:

Interest and dividends	\$ 88,177
Net unrealized gain/(loss)	50,528
Net realized gain/(loss)	(174)
Investment management fees	(19,401)
	<u>\$ 119,130</u>

NOTE 13 - PPP GRANT INCOME

The Center received a Paycheck Protection Program (PPP) loan of \$324,777 granted by the Small Business Administration under the Coronavirus Aid, Relief and Economic Security Act (CARES Act). The PPP provides for loans to qualifying organizations for amounts up to 2.5 times of the average monthly payroll expenses of qualifying organizations. The loans are forgivable after twenty-four weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, mortgage, rent and utilities and maintains payroll levels.

PPP loans are considered conditional contributions, with a right-of return in the form of an obligation to be repaid if a barrier to entitlement is not met. The barrier is that PPP loan funds must be used to maintain payroll costs, mortgage, rent and utilities incurred following the receipts of the funds. The Center recognized the amount received of \$324,777 as grant income as qualified expenses were incurred for the fiscal year ended June 30, 2020. Forgiveness of the loan was received from the lender in December 2020.

NOTE 14 - CONCENTRATIONS OF CREDIT RISK

The Center maintains accounts at financial institutions in bank deposits which, at times, may exceed federally insured limits of \$250,000. The Center has not experienced any losses on such accounts and believes it is not exposed to any significant risk on cash.

NOTE 15 - LEASE OBLIGATIONS

In October 2019, the Center entered into a five year lease for its administrative office in Naples, Florida. Future minimum lease payments required under the office lease are as follows:

<u>Year</u>	<u>Office Lease</u>
2020-2021	\$ 67,485
2021-2022	69,510
2022-2023	71,595
2023-2024	73,740
Thereafter	18,570
	<u>\$ 300,900</u>

NOTE 16 - RELATED PARTY TRANSACTIONS

The Center received \$67,910 in cash contributions from Board members during the year ended June 30, 2020. The total of these contributions were approximately 13% of total contributions received for the year ended June 30, 2020.

The Center secured a note payable to The Theresa A Garlock Revocable Trust for the purchase of land with an amount payable at June 30, 2020 of \$217,770 (See Note 6). Theresa is the spouse of a Board member.

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NOTE 17 - 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 fiscal year ended June 30, 2020, approximately 41% of total support and revenue was attributable to the sources described above.

NOTE 18 - SUBSEQUENT EVENTS

As referenced in Note 9 - Endowment, the endowment agreement provides that assets be invested with a goal of achieving a 7% annual return based on a 36-month rolling average. In December of 2020, the Center received \$87,104 of incremental distributions as part of a collective adjustment related to the first period for which 36 months of historical rate of return information was available. A portion of this distribution related to the fiscal year ending June 30, 2020.

Subsequent events were evaluated through January 7, 2021, which is the date the financial statements were available to be issued.