

PATHWAYS EARLY EDUCATION
CENTER OF IMMOKALEE, INC.

FINANCIAL STATEMENTS

FOR THE FISCAL YEARS ENDED
JUNE 30, 2022 AND 2021

PATHWAYS EARLY EDUCATION CENTER OF IMMOKALEE, INC.

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MEMBERS
AMERICAN INSTITUTE OF CERTIFIED
PUBLIC ACCOUNTANTS
FLORIDA INSTITUTE OF CERTIFIED
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INDEPENDENT AUDITOR'S REPORT

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

Opinion

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 June 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the fiscal years then ended, and the related notes to the financial statements.

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, 2022 and 2021, and the changes in its net assets and its cash flows for the fiscal years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Pathways Early Education Center of Immokalee, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Pathways Early Education Center of Immokalee, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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INDEPENDENT AUDITOR'S REPORT, continued

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Pathways Early Education Center of Immokalee, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Pathways Early Education Center of Immokalee, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Rogers Wood Hill Starmann & Gustason, P.A.

ROGERS WOOD HILL STARMAN & GUSTASON, P.A.

Certified Public Accountants & Advisors

January 31, 2023

PATHWAYS EARLY EDUCATION CENTER OF IMMOKALEE, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
<u>ASSETS</u>		
Cash and cash equivalents - without donor restrictions	\$ 439,652	\$ 137,706
Cash and cash equivalents - with donor restrictions	130,033	90,953
Total cash and cash equivalents	<u>569,685</u>	<u>228,659</u>
Federal and state grants receivable	52,634	48,060
Promise to give	-	5,334
Beneficial interest in assets held by		
Community Foundation	427,161	715,459
Prepaid expenses and deposits	62,883	42,549
Cash surrender value of life insurance	114,681	134,661
Investments	2,168,029	2,622,294
Property and equipment, net	<u>1,059,590</u>	<u>1,088,166</u>
Total assets	<u>\$ 4,454,663</u>	<u>\$ 4,885,182</u>
<u>LIABILITIES AND NET ASSETS</u>		
Accounts payable and accrued expenses	\$ 90,878	\$ 83,827
Deferred income	16,160	-
Compensated absences	40,053	39,913
Charitable gift annuity	17,159	17,759
Note payable	217,770	217,770
Loan payable	<u>14,801</u>	<u>18,131</u>
Total liabilities	<u>396,821</u>	<u>377,400</u>
Net assets:		
Without donor restrictions:		
Designated for property and equipment	1,059,590	1,088,166
Undesignated	641,104	717,796
	<u>1,700,694</u>	<u>1,805,962</u>
With donor restrictions:		
Purpose restrictions	130,033	90,953
Time-restricted for future periods	168,035	621,895
Permanently restricted	2,059,080	1,988,972
	<u>2,357,148</u>	<u>2,701,820</u>
Total net assets	<u>4,057,842</u>	<u>4,507,782</u>
Total liabilities and net assets	<u>\$ 4,454,663</u>	<u>\$ 4,885,182</u>

PATHWAYS EARLY EDUCATION CENTER OF IMMOKALEE, INC.

**STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues:			
Child care fees	\$ 111,328	\$ -	\$ 111,328
United Way of Collier County grant	38,125	-	38,125
Federal and state grants	676,277	-	676,277
Local grants and contracts	225,000	-	225,000
Contributions	933,725	138,796	1,072,521
Special events	361,152	-	361,152
Investment return, net	(268,998)	(14,242)	(283,240)
Miscellaneous income	4,407	-	4,407
Total revenues	<u>2,081,016</u>	<u>124,554</u>	<u>2,205,570</u>
Net assets released from restrictions	<u>469,226</u>	<u>(469,226)</u>	<u>-</u>
Total revenues and net assets released from restrictions	<u>2,550,242</u>	<u>(344,672)</u>	<u>2,205,570</u>
Expenses:			
Program services	1,950,747	-	1,950,747
Administrative and general	304,963	-	304,963
Fundraising	<u>399,800</u>	<u>-</u>	<u>399,800</u>
Total expenses	<u>2,655,510</u>	<u>-</u>	<u>2,655,510</u>
Decrease in net assets	(105,268)	(344,672)	(449,940)
NET ASSETS - Beginning of year	<u>1,805,962</u>	<u>2,701,820</u>	<u>4,507,782</u>
NET ASSETS - End of year	<u>\$ 1,700,694</u>	<u>\$ 2,357,148</u>	<u>\$ 4,057,842</u>

PATHWAYS EARLY EDUCATION CENTER OF IMMOKALEE, INC.

**STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues:			
Child care fees	\$ 70,170	\$ -	\$ 70,170
United Way of Collier County grant	46,875	-	46,875
Federal and state grants	517,662	-	517,662
Local grants and contracts	252,000	-	252,000
Contributions	781,149	89,386	870,535
In-kind contributions	24,658	-	24,658
Investment return, net	313,543	490,024	803,567
Miscellaneous income	14,085	-	14,085
Total revenues	<u>2,020,142</u>	<u>579,410</u>	<u>2,599,552</u>
Net assets released from restrictions	<u>58,220</u>	<u>(58,220)</u>	<u>-</u>
Total revenues and net assets released from restrictions	<u>2,078,362</u>	<u>521,190</u>	<u>2,599,552</u>
Expenses:			
Program services	1,944,066	-	1,944,066
Administrative and general	290,712	-	290,712
Fundraising	214,467	-	214,467
Total expenses	<u>2,449,245</u>	<u>-</u>	<u>2,449,245</u>
Increase/(decrease) in net assets	(370,883)	521,190	150,307
NET ASSETS - Beginning of year	<u>2,176,845</u>	<u>2,180,630</u>	<u>4,357,475</u>
NET ASSETS - End of year	<u>\$ 1,805,962</u>	<u>\$ 2,701,820</u>	<u>\$ 4,507,782</u>

PATHWAYS EARLY EDUCATION CENTER OF IMMOKALEE, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

	PROGRAM SERVICES	SUPPORTING SERVICES		TOTAL
		ADMINISTRATIVE & GENERAL	FUND- RAISING	
Depreciation	\$ 75,456	\$ 763	\$ -	\$ 76,219
Development	-	28,019	29,829	57,848
Dues and subscriptions	610	1,220	1,220	3,050
Employee benefits	173,558	14,618	14,617	202,793
Family assistance	15,579	-	-	15,579
Food supplies	62,074	-	-	62,074
Health supplies	12,665	-	-	12,665
Instructional expense	39,477	-	-	39,477
Insurance	31,180	1,307	1,307	33,794
Interest	-	10,996	-	10,996
Licenses and permits	550	420	-	970
Miscellaneous	11,079	23,650	-	34,729
Office supplies	10,205	10,874	8,814	29,893
Payroll taxes	98,419	7,960	7,960	114,339
Postage	411	821	821	2,053
Professional fees	15,382	63,373	11,776	90,531
Rental expense	14,714	29,428	29,428	73,570
Repairs and maintenance	89,838	1,828	1,828	93,494
Salaries and wages	1,226,480	103,004	103,004	1,432,488
Special event expenses	-	-	182,514	182,514
Telephone	12,976	3,804	3,804	20,584
Travel	21,832	1,751	1,751	25,334
Utilities	31,422	1,021	1,021	33,464
Waste removal	6,787	-	-	6,787
Web design	53	106	106	265
Total	<u>\$ 1,950,747</u>	<u>\$ 304,963</u>	<u>\$ 399,800</u>	<u>\$ 2,655,510</u>

PATHWAYS EARLY EDUCATION CENTER OF IMMOKALEE, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

	PROGRAM SERVICES	SUPPORTING SERVICES		TOTAL
		ADMINISTRATIVE & GENERAL	FUND- RAISING	
Depreciation	\$ 84,931	\$ 858	\$ -	\$ 85,789
Development	-	34,668	48,141	82,809
Dues and subscriptions	817	1,245	1,245	3,307
Employee benefits	206,476	12,453	12,453	231,382
Family assistance	24,283	-	-	24,283
Food supplies	49,032	-	-	49,032
Health supplies	37,548	-	-	37,548
Instructional expense	38,688	-	-	38,688
Insurance	32,694	1,627	1,627	35,948
Interest	-	11,185	-	11,185
Licenses and permits	1,900	70	-	1,970
Miscellaneous	2,685	13,711	-	16,396
Office supplies	13,229	5,642	3,756	22,627
Payroll taxes	97,189	7,847	7,847	112,883
Postage	393	754	754	1,901
Professional fees	15,346	74,874	12,907	103,127
Public relations	-	40	-	40
Rental expense	14,541	28,274	28,273	71,088
Repairs and maintenance	61,892	1,039	1,039	63,970
Salaries and wages	1,194,207	89,196	89,196	1,372,599
Telephone	11,980	3,772	3,772	19,524
Travel	21,906	2,010	2,010	25,926
Utilities	27,334	840	840	29,014
Waste removal	6,691	-	-	6,691
Web design	304	607	607	1,518
Total	<u>\$ 1,944,066</u>	<u>\$ 290,712</u>	<u>\$ 214,467</u>	<u>\$ 2,449,245</u>

PATHWAYS EARLY EDUCATION CENTER OF IMMOKALEE, INC.

**STATEMENTS OF CASH FLOWS
FOR THE FISCAL YEARS ENDED JUNE 30, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from child care fees	\$ 111,328	\$ 70,170
Cash received from United Way of Collier County	38,125	46,875
Cash received from federal and state grants	671,703	518,954
Cash received from local grants and contracts	225,000	252,000
Cash received from contributions	1,077,855	865,201
Cash received from special events	279,327	-
Cash received from miscellaneous income	4,407	14,085
Investment return received	84,461	61,908
Cash paid to suppliers and employees	<u>(2,494,449)</u>	<u>(2,337,581)</u>
Net cash provided/(used) by operating activities	<u>(2,243)</u>	<u>(508,388)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments	949,427	146,811
Purchases of investments	(790,215)	(47,965)
Purchase of property and equipment	(47,643)	(42,093)
Increase in beneficial interest in assets held by Community Foundation	(84,350)	(40,000)
Decrease in beneficial interest in assets held by Community Foundation	300,000	292,000
Decrease in cash surrender value of life insurance	19,980	-
Net cash provided by investing activities	<u>347,199</u>	<u>308,753</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments to charitable gift annuitants	(600)	(560)
Proceeds from loan payable	-	19,431
Payments on loan payable	<u>(3,330)</u>	<u>(1,300)</u>
Net cash provided/(used) by financing activities	<u>(3,930)</u>	<u>17,571</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	341,026	(182,064)
CASH AND CASH EQUIVALENTS - Beginning of year	<u>228,659</u>	<u>410,723</u>
CASH AND CASH EQUIVALENTS - End of year	<u>\$ 569,685</u>	<u>\$ 228,659</u>
RECONCILIATION OF INCREASE/(DECREASE) IN NET ASSETS TO NET CASH PROVIDED/(USED) BY OPERATING ACTIVITIES:		
Increase/(decrease) in net assets	\$ (449,940)	\$ 150,307
Depreciation	76,219	85,789
Unrealized gain on investments	367,701	(741,659)
Changes in assets and liabilities:		
Federal and state grants receivable	(4,574)	1,292
Promise to give	5,334	(5,334)
Prepaid expenses and deposits	(20,334)	23,041
Accounts payable and accrued expenses	7,051	(8,308)
Deferred revenue	16,160	-
Compensated absences	140	(13,516)
Net cash provided/(used) by operating activities	<u>\$ (2,243)</u>	<u>\$ (508,388)</u>
In-kind donations	<u>\$ 81,825</u>	<u>\$ 24,658</u>
Cash paid for interest	<u>\$ 10,996</u>	<u>\$ 10,459</u>

PATHWAYS EARLY EDUCATION CENTER OF IMMOKALEE, INC.

NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2022 AND 2021

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, 2022 AND 2021

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 in the current year.

Compensated Absences

The Center's employees accumulate paid time off ("PTO") based on the number of years of continuous service. The leadership team receives all of their contracted PTO on their annual hire date anniversary. 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. Unused PTO is not paid out to the leadership team upon termination.

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 June 30, 2019 through June 30, 2022 are open to examination by the IRS.

PATHWAYS EARLY EDUCATION CENTER OF IMMOKALEE, INC.

NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2022 AND 2021

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 intends to operate 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	\$ 569,685
Federal and state grants receivable	52,634
Beneficial interest in assets held by the Community Foundation	427,161
Investments - without donor restrictions (Note 3)	165,703
Total financial assets	<u>1,215,183</u>

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

Donor purpose restrictions	(130,033)
Permanently restricted	<u>(110,108)</u>
Financial assets available to meet cash needs for general expenditure within one year	<u><u>\$ 975,042</u></u>

NOTE 3 - INVESTMENTS

Investments, at fair value, consist of the following:

	<u>2022</u>		<u>2021</u>	
	<u>Cost</u>	<u>Fair Market Value</u>	<u>Cost</u>	<u>Fair Market Value</u>
Equities	\$ 77,405	\$ 170,834	\$ 101,702	\$ 284,344
Mutual funds	842,215	825,259	663,258	747,958
Exchange-traded products	1,138,299	1,171,936	1,234,506	1,589,992
	<u>\$ 2,057,919</u>	<u>\$ 2,168,029</u>	<u>\$ 1,999,466</u>	<u>\$ 2,622,294</u>

PATHWAYS EARLY EDUCATION CENTER OF IMMOKALEE, INC.

NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2022 AND 2021

NOTE 3 - INVESTMENTS - continued

	<u>2022</u>	<u>2021</u>
Without donor restrictions:		
Undesignated investments	\$ 165,703	\$ 186,088
With donor restrictions:		
Time-restricted for future periods	53,354	487,234
Permanently restricted	1,948,972	1,948,972
Total	<u>\$ 2,168,029</u>	<u>\$ 2,622,294</u>

Investment fees associated with managing the investment portfolio were \$14,702 and \$18,745 for the fiscal years ended June 30, 2022 and 2021, respectively. Investment fees are netted against investment income on the statements of activities.

NOTE 4 - FEDERAL AND STATE GRANTS RECEIVABLE

Federal and state grants receivable consist of the following:

	<u>2022</u>	<u>2021</u>
Early Learning Coalition, Inc.	\$ 38,116	\$ 25,548
Redlands Christian Migrant Association	5,740	15,139
U.S. Department of Agriculture (USDA) Food Program	8,778	7,373
	<u>\$ 52,634</u>	<u>\$ 48,060</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:

	<u>2022</u>	<u>2021</u>
Building and improvements	\$ 1,224,167	\$ 1,181,436
Equipment	735,064	730,152
Land	334,720	334,720
	<u>2,293,951</u>	<u>2,246,308</u>
Less accumulated depreciation	(1,234,362)	(1,158,142)
Total	<u>\$ 1,059,589</u>	<u>\$ 1,088,166</u>

Depreciation expense was \$76,219 and \$85,789 for the fiscal years ended June 30, 2022 and 2021, respectively.

NOTE 6 - NOTE PAYABLE

The Center holds 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 maturity date is scheduled for November 2023, 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, from November 2021, for three successive one year terms by notifying the lender in writing prior to the then current maturity date. The Center has elected the option to extend the note payable maturity date one additional year. The Center will 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, 2022 AND 2021

NOTE 6 - NOTE PAYABLE - continued

Under the current maturity terms, and without consideration of the additional optional repayment extension, the Center would be obligated for full principal repayment as follows in November 2023:

<u>Year Ending June 30,</u>	
2023	\$ 217,770
	<u>\$ 217,770</u>

NOTE 7 - 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 three permanently restricted endowment funds. 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 Centers 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, 2022, the Center received \$231,408 in total cash distributions from the endowment, all of which could be used for general operational purposes. Subsequent to year end, in August 2022, the Center received a cash distribution of \$25,000 associated with funds designated for specific uses at the inception of the endowment agreement.

The Iris Detter endowment agreement provides that any interest earned on invested assets be used to supplement the Giving Tree and fund the purchase of children's books for the Center. The Sharon Wilson endowment agreement provides that any interest earned on invested assets be used to support speech and early childhood development through teacher education and training.

	<u>Permanently restricted</u>			<u>Total</u>
	<u>Center</u>	<u>Iris Detter</u>	<u>Sharon Wilson</u>	
	<u>Endowment</u>	<u>Endowment</u>	<u>Endowment</u>	
Endowment net assets, July 1, 2020	\$ 1,947,972	\$ -	\$ -	\$ 1,947,972
Contributions	1,000	40,000	-	41,000
Endowment net assets, June 30, 2021	1,948,972	40,000	-	1,988,972
Contributions	-	24,350	60,000	84,350
Net investment loss	-	(6,583)	(7,659)	(14,242)
Endowment net assets, June 30, 2022	<u>\$ 1,948,972</u>	<u>\$ 57,767</u>	<u>52,341</u>	<u>\$ 2,059,080</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). The Center has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. At June 30, 2022, the Iris Detter endowment funds with a gift value of \$64,350, fair value of \$57,767 and deficiency of \$6,583 were reported in net assets with donor restrictions. The Sharon Wilson endowment funds with a gift value of \$60,000, fair value of \$52,341 and deficiency of \$7,659 were also reported in net assets with donor restrictions. During the year, the Center did not appropriate any expenditure from the underwater endowments.

PATHWAYS EARLY EDUCATION CENTER OF IMMOKALEE, INC.

NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2022 AND 2021

NOTE 7 - ENDOWMENT - continued

Spending Policies

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

The Iris Deter endowment funds supplement the Giving Tree and fund the purchase of children's books for the Center, therefore, the policy is to classify net investment earnings as donor restricted until the funds are spent for their intended purpose.

The Sharon Wilson endowment funds support speech and early childhood development through teacher education and training, therefore, the policy is to classify net investment earnings as donor restricted until funds are spent for their intended purpose.

NOTE 8 - NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2022</u>	<u>2021</u>
Purpose restrictions:		
At home food distribution	\$ 13,500	\$ 13,500
Demolition on purchased land	4,149	-
Field trips	6,299	-
Generator	-	4,777
Giving Tree	-	2,790
Learning materials	18,000	-
Security system	439	7,904
Shade for playground	5,000	-
Shoes for toddlers	548	548
Staff development	25,000	25,000
Transition classroom	20,998	5,334
Vision program	10,000	10,000
VPK iPads	12,100	7,100
White boards	14,000	14,000
Total	<u>130,033</u>	<u>90,953</u>
Time-restricted for future periods:		
Cash surrender value of life insurance	114,681	134,661
Investment earnings from Endowment	53,354	487,234
Total	<u>168,035</u>	<u>621,895</u>
Permanently restricted:		
Subject to endowment spending policy and appropriation:		
General use	2,059,080	1,988,972
Total	<u>\$ 2,357,148</u>	<u>\$ 2,701,820</u>

PATHWAYS EARLY EDUCATION CENTER OF IMMOKALEE, INC.

NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2022 AND 2021

NOTE 8 - NET ASSETS WITH DONOR RESTRICTIONS - continued

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 years ended June, 30 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Satisfaction of purpose restrictions:		
Family programs	\$ -	\$ 5,600
Generator	4,777	6,339
Giving tree	2,790	-
Parent meetings	-	1,349
Printer	-	4,922
Security system	7,465	-
Transition classroom	334	-
Satisfaction of time restrictions:		
Investment earnings from Endowment	433,880	40,010
Change in cash surrender value of life insurance	19,980	-
Total	<u>\$ 469,226</u>	<u>\$ 58,220</u>

NOTE 9 - 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 years ended June 30, 2022 and 2021:

	<u>2022</u>			
	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Equities	\$ 170,834	\$ 170,834	\$ -	\$ -
Mutual funds	825,259	825,259	-	-
Exchange-traded products	1,171,936	1,171,936	-	-
Beneficial interest in assets held by Community Foundation	427,161	-	-	427,161
	<u>\$ 2,595,190</u>	<u>\$ 2,168,029</u>	<u>\$ -</u>	<u>\$ 427,161</u>

PATHWAYS EARLY EDUCATION CENTER OF IMMOKALEE, INC.

NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2022 AND 2021

NOTE 9 - FAIR VALUE MEASUREMENTS - continued

	2021			
	Fair Value	Level 1	Level 2	Level 3
Equities	\$ 284,344	\$ 284,344	\$ -	\$ -
Mutual funds	747,958	747,958	-	-
Exchange-traded products	1,589,992	1,589,992	-	-
Beneficial interest in assets held by Community Foundation	715,459	-	-	715,459
	<u>\$ 3,337,753</u>	<u>\$ 2,622,294</u>	<u>\$ -</u>	<u>\$ 715,459</u>

NOTE 10 - INVESTMENT RETURN, NET

Investment return, net consists of the following:

	2022	2021
Interest and dividends	\$ 91,845	\$ 65,780
Net unrealized gain/(loss)	(367,702)	741,659
Net realized gain/(loss)	7,319	14,873
Investment management fees	(14,702)	(18,745)
	<u>\$ (283,240)</u>	<u>\$ 803,567</u>

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

The Community Foundation of Collier County (CFCC) maintains three agency funds ("Pathways Early Education Center of Immokalee Fund", "Iris Detter Giving Tree Fund" and "Sharon Wilson Memorial 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 year ended June 30, 2022 and 2021 are as follows:

	2022	2021
Community Foundation fund, beginning balance	\$ 672,669	\$ 799,240
Interest and dividends	9,225	14,213
Net realized gains/(losses)	6,130	14,417
Net unrealized gains/(losses)	(66,256)	143,589
Distributions from Community Foundation fund to the Center	(300,000)	(292,000)
Investment management fees	(4,714)	(6,790)
Community Foundation fund, ending balance	<u>\$ 317,054</u>	<u>\$ 672,669</u>

PATHWAYS EARLY EDUCATION CENTER OF IMMOKALEE, INC.

NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2022 AND 2021

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

The changes in the Iris Dettler Giving Tree Fund for the year ended June 30, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Community Foundation fund, beginning balance	\$ 42,790	\$ -
Contribution to Community Foundation fund	24,350	40,000
Interest and dividends	1,240	331
Net realized gains/(losses)	835	456
Net unrealized gains/(losses)	(10,957)	2,115
Investment management fees	(492)	(112)
Community Foundation fund, ending balance	<u>\$ 57,766</u>	<u>\$ 42,790</u>

The changes in the Sharon Wilson Memorial Fund for the year ended June 30, 2022 is as follows:

	<u>2022</u>
Community Foundation fund, beginning balance	\$ -
Contribution to Community Foundation fund	60,000
Interest and dividends	589
Net realized gains/(losses)	354
Net unrealized gains/(losses)	(8,447)
Investment management fees	(155)
Community Foundation fund, ending balance	<u>\$ 52,341</u>

NOTE 12 - SPECIAL EVENTS

Special events revenues and expenses consisted of the following:

	<u>2022</u>
Revenues-	
Dancing With The Naples Stars	\$ 45,875
Smugglers Cove	233,452
In-kind - Smugglers Cove	81,825
Total Revenues	<u>361,152</u>
Expenses-	
Dancing With The Naples Stars	(21,808)
Smugglers Cove	(78,881)
In-kind - Smugglers Cove	(81,825)
Total Expenses	<u>(182,514)</u>
Special events, net	<u>\$ 178,638</u>

NOTE 13 - 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>Fiscal Year Ending</u>	<u>Office Lease</u>
2023	\$ 71,595
2024	73,740
2025	18,570
	<u>\$ 163,905</u>

PATHWAYS EARLY EDUCATION CENTER OF IMMOKALEE, INC.

NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2022 AND 2021

NOTE 14 - RELATED PARTY TRANSACTIONS

The Center received \$69,398 and \$110,381 in cash contributions from Board members during the years ended June 30, 2022 and 2021, respectively. The total of these contributions were approximately 6% and 13% of total contributions received for the years ended June 30, 2022 and 2021, respectively.

NOTE 15 - 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 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 fiscal years ended June 30, 2022 and 2021, respectively, approximately 38% and 28% of total support and revenue was attributable to the sources described above.

NOTE 17 - SUBSEQUENT EVENTS

Subsequent events were evaluated through January 31, 2023, which is the date the financial statements were available to be issued.