

# Pinellas Community Foundation

Audited Financial Statements

December 31, 2020 and 2019

# Pinellas Community Foundation

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## Independent Auditors' Report

To the Board of Governors  
Pinellas Community Foundation

We have audited the accompanying financial statements of Pinellas Community Foundation (the "Foundation"), which comprise the statement of financial position as of December 31, 2020 and 2019 and the 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Foundation'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 Foundation's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of December 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

## **Other Matters**

### **Other information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated July 21, 2021 on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control over financial reporting and compliance.

FRSCPA, PLLC

St. Petersburg, Florida

July 21, 2021

**Pinellas Community Foundation**  
**Statements of Financial Position**  
**December 31, 2020 and 2019**

<i>December 31,</i>	<b>2020</b>	<b>2019</b>
<b><u>ASSETS</u></b>		
<b>Assets</b>		
Cash and cash equivalents	\$ 7,771,337	\$ 1,121,899
Contributions and grants receivable	62,998	77,694
Prepaid expenses	4,965	4,384
Deposits	4,525	4,525
Split-interest agreement assets	5,384,571	5,454,820
Investments	33,057,172	31,313,720
Investments, with donor restrictions	88,963,645	82,070,297
<b>Total Assets</b>	<b>\$135,249,213</b>	<b>\$120,047,339</b>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 4,596,318	\$ 48,184
Deferred rent liability	11,103	15,059
Refundable Advances – Coronavirus Relief Fund	1,036,576	–
<b>Total Liabilities</b>	<b>5,643,997</b>	<b>63,243</b>
<b>Net Assets:</b>		
Without donor restrictions	32,716,692	32,620,531
With donor restrictions	96,888,524	87,363,565
<b>Total net assets</b>	<b>129,605,216</b>	<b>119,984,096</b>
<b>Total Liabilities and Net Assets</b>	<b>\$135,249,213</b>	<b>\$120,047,339</b>

*See accompanying notes to financial statements.*

**Pinellas Community Foundation**  
**Statement of Activities and Changes in Net Assets**  
**Year ended December 31, 2020**

	Without Donor Restrictions	With Donor Restrictions	2020 Total
<b>Support and Revenue:</b>			
Contributions and bequests	\$ 286,074	\$ 6,918,235	\$ 7,204,309
Grant revenue – Coronavirus Relief Fund	11,496,651	–	11,496,651
Income from investments	723,736	1,898,902	2,622,638
Net gain on investments, net of expenses	1,895,483	6,204,910	8,100,393
Other income	21,447	27,460	48,907
Change in value of split-interest agreements	–	169,751	169,751
	14,423,391	15,219,258	29,642,649
Net assets released from restriction	315,550	(315,550)	–
<b>Total support and revenue</b>	<b>14,738,941</b>	<b>14,903,708</b>	<b>29,642,649</b>
<b>Expenses:</b>			
Program	732,568	–	732,568
Management and general	713,879	–	713,879
Fundraising and development	437,207	–	437,207
<b>Total expenses</b>	<b>1,883,654</b>	<b>–</b>	<b>1,883,654</b>
<b>Increase in assets before charitable disbursements and transfers</b>	<b>12,855,287</b>	<b>14,903,708</b>	<b>27,758,995</b>
<b>Charitable disbursements and transfers:</b>			
Grant payments	(1,365,064)	(5,438,190)	(6,803,254)
Grant payments – Coronavirus Relief Fund	(11,334,621)	–	(11,334,621)
Reclassification of funds	(59,441)	59,441	–
<b>Change in net assets</b>	<b>96,161</b>	<b>9,524,959</b>	<b>9,621,120</b>
<b>Net assets, beginning of year</b>	<b>32,620,531</b>	<b>87,363,565</b>	<b>119,984,096</b>
<b>Net assets, end of year</b>	<b>\$32,716,692</b>	<b>\$96,888,524</b>	<b>\$129,605,216</b>

*See accompanying notes to financial statements.*

**Pinellas Community Foundation**  
**Statement of Activities and Changes in Net Assets**  
**Year ended December 31, 2019**

	Without Donor Restrictions	With Donor Restrictions	2019 Total
<b>Support and Revenue:</b>			
Contributions and bequests	\$ 144,599	\$10,729,075	\$ 10,873,674
Income from investments	866,374	2,149,442	3,015,816
Net gain on investments, net of expenses	3,224,673	9,843,911	13,068,584
Change in value of split-interest agreements	–	147,553	147,553
	4,235,646	22,869,981	27,105,627
Net assets released from restriction	773,961	(773,961)	–
<b>Total support and revenue</b>	<b>5,009,607</b>	<b>22,096,020</b>	<b>27,105,627</b>
<b>Expenses:</b>			
Program	506,811	–	506,811
Management and general	463,198	–	463,198
Fundraising and development	264,464	–	264,464
<b>Total expenses</b>	<b>1,234,473</b>	<b>–</b>	<b>1,234,473</b>
<b>Increase in assets before charitable disbursements and transfers</b>	<b>3,775,134</b>	<b>22,096,020</b>	<b>25,871,154</b>
<b>Charitable disbursements and transfers:</b>			
Grant payments	(698,024)	(2,561,954)	(3,259,978)
Reclassification of funds	84,291	(84,291)	–
<b>Change in net assets</b>	<b>3,161,401</b>	<b>19,449,775</b>	<b>22,611,176</b>
<b>Net assets, beginning of year</b>	<b>29,459,130</b>	<b>67,913,790</b>	<b>97,372,920</b>
<b>Net assets, end of year</b>	<b>\$32,620,531</b>	<b>\$87,363,565</b>	<b>\$119,984,096</b>

*See accompanying notes to financial statements.*

**Pinellas Community Foundation**  
**Statement of Functional Expenses**  
**Year ended December 31, 2020**

	Program Services	Management & General	Fundraising & Development	2020 Total
Salaries	\$277,120	\$138,561	\$138,561	\$ 554,242
Benefits	15,701	7,850	7,850	31,401
Payroll taxes	4,218	2,109	2,109	8,436
Total salaries & benefits	297,039	148,520	148,520	594,079
Conferences	2,703	991	726	4,420
Consulting	209,710	2,540	194,853	407,103
Minor equipment	324	139	–	463
Insurance	3,175	5,209	1,609	9,993
Marketing	135,579	–	46,955	182,534
Printing & postage	9,944	463	12,719	23,126
Dues and subscriptions	1,140	285	1,425	2,850
Supplies	1,147	351	351	1,849
Telephone	2,815	1,408	1,408	5,631
Information technology	27,431	15,933	12,179	55,543
Accounting & legal	–	519,751	–	519,751
Rent	31,286	15,645	15,645	62,576
Other	10,275	2,644	817	13,736
<b>Total expenses</b>	<b>\$732,568</b>	<b>\$713,879</b>	<b>\$437,207</b>	<b>\$1,883,654</b>

*See accompanying notes to financial statements.*



**Pinellas Community Foundation**  
**Statement of Functional Expenses**  
**Year ended December 31, 2019**

	Program Services	Management & General	Fundraising & Development	2019 Total
Salaries	\$194,987	\$108,326	\$129,992	<b>\$ 433,305</b>
Benefits	6,136	3,409	4,091	<b>13,636</b>
Payroll taxes	15,742	8,745	10,494	<b>34,981</b>
Total salaries & benefits	216,865	120,480	144,577	<b>481,922</b>
Conferences	29,871	3,486	7,950	<b>41,307</b>
Consulting	145,269	12,357	25,376	<b>183,002</b>
Minor equipment	3,685	–	409	<b>4,094</b>
Insurance	2,192	1,965	1,227	<b>5,384</b>
Marketing	44,355	–	33,356	<b>77,711</b>
Printing & postage	16,377	–	16,378	<b>32,755</b>
Dues and subscriptions	1,346	337	1,683	<b>3,366</b>
Supplies	1,775	987	1,184	<b>3,946</b>
Telephone	1,534	852	1,023	<b>3,409</b>
Information technology	15,545	8,637	10,364	<b>34,546</b>
Accounting & legal	–	294,908	–	<b>294,908</b>
Rent	25,639	14,244	17,093	<b>56,976</b>
Other	2,358	4,945	3,844	<b>11,147</b>
<b>Total expenses</b>	<b>\$506,811</b>	<b>\$463,198</b>	<b>\$264,464</b>	<b>\$1,234,473</b>

*See accompanying notes to financial statements.*

**Pinellas Community Foundation**  
**Statements of Cash Flows**  
**December 31, 2020 and 2019**

<i>Year ended December 31,</i>	<b>2020</b>	<b>2019</b>
<b>Cash flows from operating activities:</b>		
Increase in net assets	<b>\$9,621,120</b>	\$22,611,176
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Net unrealized gain on investments	<b>(6,143,260)</b>	(12,405,253)
Net realized gain on investments	<b>(2,617,624)</b>	(1,290,645)
Changes in operating assets and liabilities:		
Split-interest agreement assets	<b>70,249</b>	(4,769,394)
Contributions and grants receivable	<b>14,696</b>	36,867
Prepaid expenses	<b>(581)</b>	(4,384)
Accounts payable and accrued expenses	<b>4,548,134</b>	12,434
Deferred rent liability	<b>(3,956)</b>	(2,480)
Refundable advances	<b>1,036,576</b>	—
<b>Net cash provided by operating activities</b>	<b>6,525,354</b>	4,188,321
<b>Cash flows from investing activities:</b>		
Proceeds from sale of investments	<b>33,203,299</b>	21,031,209
Purchases of investments	<b>(33,079,215)</b>	(25,035,302)
<b>Net cash provided by (used in) investing activities</b>	<b>124,084</b>	(4,004,093)
<b>Net increase in cash and cash equivalents</b>	<b>6,649,438</b>	184,228
<b>Cash and cash equivalents, beginning of year</b>	<b>1,121,899</b>	937,671
<b>Cash and cash equivalents, end of year</b>	<b>\$7,771,337</b>	\$ 1,121,899

*See accompanying notes to financial statements.*

# Pinellas Community Foundation

## Notes to Financial Statements

### December 31, 2020 and 2019

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#### 1. Organization and Operations

The Pinellas Community Foundation, formerly Pinellas County Community Foundation, (the “Foundation”) was established by a Trust Agreement dated January 1, 1969. The original trust agreement is recorded in O.R. Book 3588, Page 20 in the public records of Pinellas County. The purpose of the Foundation is to receive property from donors, to oversee the investment of donated funds by monitoring the work of the Foundation Trustees, and to distribute investment income (or investment principal when directed by donor) to recognized charities located in Pinellas County, Florida. If designated by a donor, charities located outside of Pinellas County may be beneficiaries of donated funds or income earned on those funds.

#### 2. Significant Accounting Policies

##### Basis of Presentation

The Foundation follows the provisions of the Financial Accounting Standards Board Accounting Standards Codification. Accordingly, the financial statements are prepared on an accrual basis of accounting. The financial statements of the Foundation are the representation of management and include estimates of amounts and judgments it believes are reasonable under the circumstances.

##### Net assets

Accounting standards requires the Foundation to distinguish between contributions that increase net assets without donor restrictions and net assets with donor restrictions. It also requires recognition of contributed services meeting certain criteria at fair value. These financial statements have been prepared to focus on the Foundation as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions. This has been accomplished by classification of assets, liabilities, and net assets into two self-balancing net asset groups as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor restrictions. Net Assets Without Donor Restrictions also include restricted contributions whose restrictions are met in the same year.

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 stipulates that resources be

# Pinellas Community Foundation

## Notes to Financial Statements

December 31, 2020 and 2019

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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.

Accounting principles generally accepted in the United States of America provide that if the governing body of an organization has the unilateral power to redirect the use of a donor's contribution to another beneficiary, such contributions must be classified as unrestricted net assets. In order for the Foundation to be classified as a single entity in accordance with the Code of Federal Regulations, specifically Treas. Reg. Section 1.170A-9(f)(11)(v)(B), the Foundation governing document must provide for powers of modification, more commonly known as variance power. Although the Pinellas Community Foundation Trust Agreement provides the Board of Governors broad authority to exercise its variance power, the Board of Directors generally exercises this authority when the stated purpose of a contribution becomes no longer applicable or incapable of fulfillment. Accordingly, the Foundation classifies a substantial portion of funds as net assets with donor restrictions and segregates for internal recordkeeping all funds that have donor or gift restrictions attached.

### **Liquidity**

Assets are presented in the accompanying Statements of Financial Position according to their nearness of conversion to cash and liabilities according to their nearness to their maturity and resulting use of cash.

### **Cash and Cash Equivalents**

The Foundation considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The Foundation places its cash with high quality financial institutions. At times, cash may be in excess of FDIC insurance limits. The Foundation does not believe it is exposed to any significant credit risk on cash.

### **Contributions and Unconditional Promises**

Contributions and unconditional promises to give are measured at their fair values and are reported as an increase in net assets when received. Contributions are recorded as net assets without donor restrictions or net assets with donor restrictions depending on the existence or nature of any donor restrictions. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire or are otherwise satisfied in the fiscal year in which the contributions are recognized.

# Pinellas Community Foundation

## Notes to Financial Statements

### December 31, 2020 and 2019

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Amounts restricted for future periods or restricted for specific purposes are reported as net assets with donor restrictions. When a donor-stipulated time restriction ends or a purpose restriction is accomplished, the net assets are reclassified to net assets without donor restrictions and reported as satisfactions of program restrictions and net assets released. Conditional contributions are recognized as revenue when the conditions on which they depend have been substantially met.

#### **Investments**

Investments are stated at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between willing market participants at the measurement date. Increases and decreases in fair value are recognized in the period in which they occur and the carrying values of the investments are adjusted to reflect these fluctuations. Gains or losses on securities sold are computed on a specific identification basis. Investment income and unrealized gains or losses are allocated to the funds based upon their principal balances. Investment expenses are presented net of investment gains. For the years ended December 31, 2020 and 2019, investment expenses were \$660,491 and \$627,314, respectively.

Investments are in the custody of SEC-registered brokerage and investment firms which manage them in accordance with policies set by the Pinellas Community Foundation Trust Agreement, the Foundation's Board of Governors, or appropriate gift agreements. The Foundation's investments consist primarily of common stocks, mutual funds, corporate and United States government securities/bonds, alternative strategy funds and real estate funds. Assets included in investments are carried at fair value as described in Note 3.

#### **Split-Interest agreements**

The Foundation is named beneficiary of various lead and remainder trusts, the assets of which are held by outside trustees. Contribution revenue and the related assets' interest are recognized using the present value of assets expected to be received. Subsequent changes to the fair value of the assets are recognized as changes in the value of the Foundation's interest in the trusts in the accompanying Statements of Activities.

#### **Charitable disbursements and grants**

Charitable disbursements from income earned on the funds with donor restrictions are paid out regularly as the income is earned. Charitable disbursements from income earned on the funds without donor restrictions and bequests are paid out partially in the year of receipt with the balance paid out in the following year. Grants are not accrued at the fiscal year end because

# Pinellas Community Foundation

## Notes to Financial Statements

### December 31, 2020 and 2019

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grants are disbursed in the same year a written commitment is made to provide such grant funding.

#### **Refundable Advances – Coronavirus Relief Fund**

Refundable advances represents federal funds advanced to the Foundation by Pinellas County as part of a subrecipient grant made to the Foundation. The grant requires the Foundation to make grants to eligible nonprofit organizations in Pinellas County. Refundable advances will be awarded to recipient nonprofit organizations in 2021 or refunded to Pinellas County.

#### **Foundation administrative fees**

In accordance with the Pinellas Community Foundation Trust Agreement, the Foundation assesses an annual administrative fee which is set by the Board of Governors. This administrative fee was 0.45% of the fair market value of assets under management. The administrative fee covers a portion of the costs incurred for the management of the Foundation. Administrative fees amounted to \$578,617 and \$465,664 for the years ended December 31, 2020 and 2019, respectively. The fees are paid out of the ordinary income and principal of investments to the Foundation's operating funds and are used to support the management of the Foundation.

#### **Functional expense allocations**

Expenses which apply to more than one functional category have been allocated among program, management and general, and fundraising and development based on the time spent on these functions by specific employees as estimated by management. Indirect expenses such as facilities costs are allocated based on square footage used by functional departments. Other indirect expenses are allocated based on the salaries in the various functional categories. All other costs are charged directly to the appropriate functional category.

#### **Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

#### **Concentrations of Credit Risk**

Financial instruments that potentially expose the Foundation to concentrations of credit and market risk consist primarily of cash equivalents and investments. The Foundation has cash deposits which at times may exceed the FDIC insurance limit. Deposit accounts are maintained with what management believes to be a quality financial institution.

# Pinellas Community Foundation

## Notes to Financial Statements

### December 31, 2020 and 2019

#### Income Tax Status

The tax-exempt status of the Foundation was recognized in 1971 and to the best information available, retroactive to its creation in 1969. The Foundation has maintained this tax-exempt status from the ruling in 1971 to the present date. The Foundation qualifies as a tax-exempt Foundation under Section 501(c)(3) of the Internal Revenue Code (IRC). The Foundation follows the income tax standard for uncertain tax positions. The Foundation periodically assesses whether it has incurred income tax expense or related interest or penalties in accordance with accounting for uncertain tax positions. No such amounts were recognized for the year ending December 31, 2020. Management is not aware of any activities that would jeopardize the Foundation's tax-exempt status. Should the Foundation's tax returns be challenged in the future, the Foundation's tax years of 2017 and thereafter are open for potential examination by the IRS.

### 3. Fair Value Measurements

The Foundation's investments are reported at fair value in accordance with accounting principles generally accepted in the United States of America, which define fair value, establish a framework for measuring fair value, and require disclosures about fair value measurements.

In accordance with these accounting principles, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This standard also established a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

Accounting principles establish a three-tier hierarchy to classify fair value measurements for disclosure purposes. Investment valuations are classified as follows:

- Level 1 valuations, for which the valuation is based on quoted market prices for identical assets or liabilities traded in active markets (which include exchanges and over-the-counter markets with sufficient volume),
- Level 2 valuations, for which the valuation is based on quoted market prices for similar instruments traded in active markets, quoted prices for identical or similar instruments in markets that are not active and model-based valuation techniques for which all significant assumptions are observable in the market, and
- Level 3 valuations, for which the valuation is generated from model-based techniques that use significant assumptions not observable in the market, but observable based on

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## Notes to Financial Statements

### December 31, 2020 and 2019

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company-specific data. These unobservable assumptions reflect the Foundation's own estimates for assumptions that market participants would use in pricing the asset or liability. Valuation techniques typically include option pricing models, discounted cash flow models and similar techniques, but may also include the use of market prices of assets or liabilities that are not directly comparable to the subject asset or liability.

The assets held in split-interest agreements are valued based on quoted market prices of the underlying investments, net of the present value of expected cash outflows using estimated life expectancies of the income beneficiaries and appropriate discount rates. Split interest agreements are classified as Level 2 in the fair value hierarchy.

Certain of the Foundation's financial instruments are not measured at fair value on a recurring basis but nevertheless are recorded at amounts that approximate fair value due to their liquid or short-term nature. Such financial assets and liabilities include cash and cash equivalents and liabilities.

The fair value of financial instruments is reported using the input guidance and valuation techniques described above. The fair value levels and amounts as of December 31, 2020 and 2019 are presented in the following tables:



# Pinellas Community Foundation

## Notes to Financial Statements

### December 31, 2020 and 2019

	<i>Assets Reported at Fair Value as of December 31, 2020</i>			
	Level 1	Level 2	Level 3	Total
<b>Investments:</b>				
<u>Cash and cash equivalents</u>	\$ 4,736,725	\$ –	\$ –	\$ 4,736,725
<u>Equity securities:</u>				
Mutual funds and EFTs	69,465,874	–	–	69,465,874
Domestic equities	14,126,718	–	–	14,126,718
<u>Debt securities:</u>				
Mutual funds and EFTs	13,658,194	–	–	13,658,194
Corporate and US bonds	–	13,802,325	–	13,802,325
<u>Other:</u>				
Real estate funds	148,569	–	–	148,569
Alternative strategy funds	5,422,100	–	–	5,422,100
Commodities index funds	141,969	–	–	141,969
Mineral rights	–	–	3,197	3,197
Real estate	–	–	515,146	515,145
	107,700,149	13,802,325	518,343	122,020,817
Split-interest agreement assets	–	5,384,571	–	5,384,571
<b>Total</b>	<b>\$107,700,149</b>	<b>\$19,186,896</b>	<b>\$518,343</b>	<b>\$127,405,388</b>

# Pinellas Community Foundation

## Notes to Financial Statements

### December 31, 2020 and 2019

	<i>Assets Reported at Fair Value as of December 31, 2019</i>			
	Level 1	Level 2	Level 3	Total
<b>Investments:</b>				
<u>Cash and cash equivalents</u>	\$ 4,553,533	\$ –	\$ –	\$ 4,553,533
<u>Equity securities:</u>				
Mutual funds and EFTs	28,116,733	–	–	28,116,733
Domestic equities	32,079,444	–	–	32,079,444
<u>Debt securities:</u>				
Mutual funds and EFTs	25,498,923	–	–	25,498,923
Corporate and US bonds	–	17,388,784	–	17,388,784
<u>Other:</u>				
Real estate funds	221,546	–	–	221,546
Alternative strategy funds	4,963,494	–	–	4,963,494
Commodities index funds	143,410	–	–	143,410
Mineral rights	–	–	3,197	3,197
Real estate	–	–	414,953	414,953
	95,577,083	17,388,784	418,150	113,384,017
Split-interest agreement assets	–	5,454,820	–	5,454,820
<b>Total</b>	<b>\$95,577,083</b>	<b>\$22,843,604</b>	<b>\$418,150</b>	<b>\$118,838,837</b>

Level 3 investments include mineral rights and real estate. Real estate values are reviewed no less than annually using a variety of qualitative factors. Valuation inputs include cost, external data such as tax assessments, and periodic appraisals depending on the nature of the investment. During 2020 and 2019, there were no purchases or transfers of Level 3 assets.

#### 4. Endowment Funds

The Foundation's endowment includes funds established for a variety of donor-restricted purposes. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

##### Interpretation of Relevant Law

The Board of Governors has interpreted the Florida Uniform Prudent Management of Institutional Funds Act (FUPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, and, (b) the

# Pinellas Community Foundation

## Notes to Financial Statements

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original value of subsequent gifts to the permanent endowment. The value of assets in excess of original gifts in donor restricted endowment funds are classified as net assets with donor restrictions until appropriated for expenditure by the Foundation.

#### Return Objectives and Risk Parameters

Investment and spending policies for endowment assets are governed by the Pinellas Community Foundation Trust Agreement, policies adopted by the Board of Governors, and/or gift agreements provided to the Foundation. Generally, these investment policies and spending policies for endowment assets attempt to provide a reasonable return of current income, with due regard for the safety and maintenance of inflation-adjusted value of principal. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for donor-specified periods. The instruments used to set investment policy generally permit the endowment assets to be invested in a manner that is intended to produce a long-term rate of return on assets that will support any spending policy while maintaining and growing the real value of the portfolio.

#### Strategies Employed for Achieving Objectives

Investment strategies to achieve any stated return objective are determined by the Board of Governors and/or qualified advisors at each Trustee Institution which manages assets for the Foundation. Generally, to satisfy its long-term rate-of-return objectives, the Foundation relies on a diversified portfolio designed to minimize the risk of loss, with a maximum allocation to cash and fixed income of 80% and a maximum allocation to equities of 60% with minimums at 40% and 20%, respectively. Additionally, the investment strategy allows for a maximum of 10% to be invested in alternative investments. Investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). At times, the Foundation may permit variance from its standard investment strategies to align with donor gift restrictions.

#### Spending Policy and How the Investment Objectives Relate to Spending Policy

Spending policies for endowment assets are governed by the Pinellas Community Foundation Trust Agreement, policies adopted by the Board of Governors, and/or gift agreements provided to the Foundation. Most funds of the Foundation are governed by restriction to appropriate the prior year's net income (i.e. interest and dividends, excluding realized and unrealized gains, net of 50% of fees incurred). The goal of this kind of spending policy is to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as provide for additional real growth through new gifts and investment return. The Foundation Board of Governors believes that modification of any written spending restriction attached to a gift received by the Foundation should be made in consultation with a donor (if living), any charitable beneficiary, if

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any is specified, the Trustee which holds the assets, and appropriate advisors. The modification of any such restriction would be overseen by an appropriate judicial or administrative body.

#### Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor intended. As of December 31, 2020 and 2019, no funds had such a deficiency. In accordance with accounting principles generally accepted in the United States of America, accumulated losses on funds with deficiencies are included with that fund in net assets with donor restrictions. The Foundation's policy is to allow continued spending from endowment funds in the event that the fair value of the fund has fallen below the original level required by the donor.

As of December 31, 2020 and 2019, activity within the endowment funds consisted of the following:

	Without donor restrictions	With donor restrictions	Total
<b>Endowment net assets, January 1, 2020</b>	\$31,313,720	\$82,070,297	<b>\$113,384,017</b>
<u>Endowment investment return:</u>			
Investment income	723,736	1,898,902	<b>2,622,638</b>
Realized gains	478,739	2,138,885	<b>2,617,624</b>
Unrealized gains	1,605,704	4,537,556	<b>6,143,260</b>
Total endowment investment return	2,808,179	8,575,343	<b>11,383,522</b>
Additions to endowment funds	830,068	2,790,063	<b>3,620,131</b>
Investment management fees	(188,960)	(471,531)	<b>(660,491)</b>
Administrative fees	(128,396)	(450,221)	<b>(578,617)</b>
Appropriation of endowment for expenditures	(1,049,705)	(4,078,040)	<b>(5,127,745)</b>
Net transfers in (out) of endowment	(527,734)	527,734	-
Total endowment activity	(1,064,727)	(1,681,995)	<b>(2,746,722)</b>
<b>Endowment net assets, December 31, 2020</b>	<b>\$33,057,172</b>	<b>\$88,963,645</b>	<b>\$122,020,817</b>

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### December 31, 2020 and 2019

<b>Endowment net assets, January 1, 2019</b>	\$28,048,754	\$67,635,272	<b>\$ 95,684,026</b>
<u>Endowment investment return:</u>			
Investment income	866,374	2,149,442	<b>3,015,816</b>
Realized gains	341,760	948,885	<b>1,290,645</b>
Unrealized gains	3,324,283	9,080,970	<b>12,405,253</b>
Total endowment investment return	4,532,417	12,179,297	<b>16,711,714</b>
Additions to endowment funds	144,599	5,977,464	<b>6,122,063</b>
Investment management fees	(185,944)	(441,370)	<b>(627,314)</b>
Administrative fees	(133,073)	(332,591)	<b>(465,664)</b>
Appropriation of endowment for expenditures	(1,242,661)	(2,927,917)	<b>(4,170,578)</b>
Net transfers in (out) of endowment	149,628	(19,858)	<b>129,770</b>
Total endowment activity	3,264,966	14,435,025	<b>17,699,991</b>
<b>Endowment net assets, December 31, 2019</b>	<b>\$31,313,720</b>	<b>\$82,070,297</b>	<b>\$113,384,017</b>

#### 5. Split-Interest Agreements

The Foundation is a beneficiary of certain charitable lead trusts and charitable remainder trusts, which are known as split-interest agreements. A portion of these trusts is to be paid to the Foundation at specified times in the future or upon the death of certain other beneficiaries. The Foundation is not the trustee for these trust agreements, nor does it have any control over the related trust assets.

Receivables from split-interest agreements represent the estimated net present value of the Foundation's interest in various irrevocable trusts held by third-parties. The net present value of these receivables is determined using estimated investment returns consistent with the composition of the asset portfolios, the periodic payouts of the trusts to the trust's beneficiaries while living, life expectancies from the Social Security Administration tables, and a discount rate of 6 percent. Actual results could differ from those estimates.

On an annual basis, the Foundation revalues the receivables based on changes in the value of the trusts' assets as well as the assumptions above. Revaluation adjustments are reported in the Statements of Activities as changes in the value of beneficial interest in trusts. These receivables are classified as net assets with donor restrictions until the future cash flows are received.

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#### 6. Liquidity and Funds Available

The following table reflects the Foundation's financial assets as of December 31, 2020, excluding amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid, not convertible to cash within one year, or when held to fund grants awarded under the Coronavirus Relief Fund. Trust assets with donor restrictions, donor-restricted endowments and assets held for others are considered unavailable for general expenditures.

Financial assets	
Cash and cash equivalents	\$ 282,801
Contributions and grants receivable	62,998
Investments	33,057,172
<hr/>	
Financial assets available to meet cash needs for general expenditures within one year	\$33,402,971

Cash flow to support the overall management of the Foundation is derived primarily from administrative fees assessed to assets under management, which includes investments with donor restrictions and without donor restrictions. For 2020 and 2019, this administrative fee was 0.45% of the fair market value of assets under management and amounted to \$578,617. The fees are used to support the overall management of the Foundation.

#### 7. Commitments and contingencies

The Foundation entered into an operating lease for its main office in July 2019 with a term of 52 months. The lease was executed by Pinellas CF Company, LLC, an entity formed by the Foundation in 2018. The Foundation is the sole member of Pinellas CF Company, LLC. The lease includes a period of free rent and escalating rental payments. Following is a schedule of future minimum payments under the noncancelable lease.

Years ending December 31,	
2021	\$ 58,482
2022	49,457
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	\$107,939

In the ordinary course of conducting its business, the Foundation may be subjected to loss contingencies arising from general business matters or lawsuits. Management believes that the outcome of such matters, if any, will not have a material impact on the Foundation's financial statements or results of future operations.

# Pinellas Community Foundation

## Notes to Financial Statements

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#### **8. Pinellas CF Company, LLC**

This presentation of the financial information includes the activities of Pinellas CF Company, LLC (“Pinellas CF LLC”). The Foundation formed Pinellas CF LLC in 2018. Pinellas CF LLC is organized and operated exclusively for the benefit of Pinellas Community Foundation, its sole member. The purposes of Pinellas CF LLC shall include, but not be limited to, entering into contracts and leases for the benefit of the Member. During 2018, Pinellas CF LLC executed a lease for the Foundation’s primary offices.

#### **9. Subsequent Events**

Subsequent events have been evaluated by management through July 21, 2021, which is the date the financial statements were available to be issued.