Lighthouse of Pinellas, Inc.

Financial Report
September 30, 2019

Contents

Independent Auditor's Report

Board of Directors
Lighthouse of Pinellas, Inc.

Report on the Financial Statements
We have audited the accompanying financial statements of Lighthouse of Pinellas, Inc. (the Organization), which comprise the balance sheet as of September 30, 2019, the related statements of activities and change in net assets, functional expenses and cash flows for the 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 the Organization as of September 30, 2019, and the results of its operations, functional expenses, and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter – Recently Adopted Accounting Pronouncements

As discussed in Note 1 to the accompanying financial statements, the Organization adopted Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities.* Our opinion is not modified with respect to this matter.

Emphasis of Matter – Merger

As discussed in Note 1 to the financial statements, the respective board of directors of Lighthouse of Pinellas, Inc. and Lighthouse of Pinellas Foundation, Inc. approved an agreement and plan of merger effective September 30, 2019, to merge the two entities into a single surviving entity comprised of a new board of directors under the laws of the State of Florida. The surviving entity was named Lighthouse of Pinellas, Inc.

RSM US LLP

St. Petersburg, Florida
April 8, 2020

Lighthouse of Pinellas, Inc.

Balance Sheet
September 30, 2019

Assets		
Current assets:		
Cash and cash equivalents	$	269,078
Grants and funding sources		64,596
Accrued interest receivable		8,898
Inventories		3,596
Prepaid expenses and other assets		19,920
Total current assets		366,088
Investments, at fair value		3,871,565
Trusts and estates receivable		129,258
Beneficial interest in perpetual trust		386,000
Beneficial interest in assets held by Community Foundations		585,264
Land, building and equipment, net		1,318,335
Total assets	$	6,656,510
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	$	33,732
Accrued expenses		120,774
Unearned revenue		29,285
Line of credit		-
Current portion of long-term debt		40,700
Total current liabilities		224,491
Long-term debt		64,508
Total liabilities		288,999
Commitments and contingencies (Note 11)		
Net assets:		
Without donor restrictions:		
Undesignated		1,174,394
Net investment in land, building, and equipment		1,318,335
Designated for long-term investment - endowment		1,175,000
		3,667,729
With donor restrictions		2,699,782
Total net assets		6,367,511
Total liabilities and net assets	$	6,656,510

See notes to financial statements.

Lighthouse of Pinellas, Inc.

Statement of Activities and Change in Net Assets
Year Ended September 30, 2019

	Without Donor Restriction	With Donor Restriction	Total
Public support and revenue:			
Special event revenue	$ 107,604	$ -	$ 107,604
Less special event cost	(23,162)	-	(23,162)
	84,442	-	84,442
Trusts and estates	71,046	3,106	74,152
Contributions and donations	64,660	-	64,660
Government contracts and grants	992,930	-	992,930
Other grants	191,750	-	191,750
Program service fees	23,527	-	23,527
Investment income, net	60,043	68,870	128,913
Rental income, net of expenses of $7,588	56,491	-	56,491
Other	28,121	-	28,121
Net assets released from restrictions	68,870	(68,870)	-
Total public support and revenue	1,641,880	3,106	1,644,986
Expenses:			
Program services	1,413,272	-	1,413,272
Supporting services:			
Management and general	176,675	-	176,675
Fundraising	123,642	-	123,642
Total expenses	1,713,589	-	1,713,589
Other changes			
Change in value of beneficial interests	-	34,866	34,866
Change in net assets	(71,709)	37,972	(33,737)
Net assets:			
Beginning (See Note 1)	3,739,438	2,661,810	6,401,248
End	$ 3,667,729	$ 2,699,782	$ 6,367,511

See notes to financial statements.

Lighthouse of Pinellas, Inc.

Statement of Functional Expenses
Year Ended September 30, 2019

	Program Services	Supporting Services: Management and General	Supporting Services: Fundraising	Total
Salaries	$ 851,096	$ 108,472	$ 74,862	$ 1,034,430
Employee benefits	57,304	6,954	5,085	69,343
Payroll taxes	70,114	8,731	5,646	84,491
Total salaries and related expenses	978,514	124,157	85,593	1,188,264
Client transportation	74,956	-	-	74,956
Dues and subscriptions	5,674	691	1,392	7,757
Repairs and maintenance	46,124	6,842	5,003	57,969
Professional fees	104,695	12,864	4,805	122,364
Telephone	8,334	1,147	483	9,964
Utilities	26,922	4,225	2,153	33,300
Travel and training	16,718	4,319	1,667	22,704
Insurance	36,436	4,645	2,348	43,429
Educational supplies	28,937	-	-	28,937
Marketing and advertising	2,049	63	11,638	13,750
Other	21,135	5,388	4,593	31,116
Interest	-	6,354	-	6,354
Total expenses before depreciation	1,350,494	170,695	119,675	1,640,864
Depreciation	62,778	5,980	3,967	72,725
Total functional expenses	$ 1,413,272	$ 176,675	$ 123,642	$ 1,713,589

See notes to financial statements.

Lighthouse of Pinellas, Inc.

Statement of Cash Flows
Year Ended September 30, 2019

Cash flows from operating activities:		
Change in net assets	$	(33,737)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation		72,725
Net realized and unrealized gain on investment securities		(74,962)
Change in value of beneficial interests		(34,866)
Decrease (increase) in receivables:		
Grants and funding sources		12,377
Trusts and estates		(3,106)
Accrued interest		13,480
Increase in inventories		(1,003)
Increase in prepaid expenses and other assets		(5,604)
Decrease in accounts payable and accrued expenses		9,344
Increase in unearned revenue		7,704
Net cash used in operating activities		(37,648)
Cash flows from investing activities:		
Purchase of equipment		(148,222)
Purchase of investments		(183,742)
Transfer of investments with donor restrictions to beneficial interest in assets held by Community Foundations		(300,000)
Proceeds from sale of investments		798,086
Net cash provided by investing activities		166,122
Cash flows from financing activities:		
Payments on line of credit		(18,115)
Payments on long-term debt		(40,700)
Net cash used in financing activities		(58,815)
Increase in cash and cash equivalents		69,659
Cash and cash equivalents:		
Beginning		199,419
End	$	269,078
Supplemental disclosure of cash flow information:		
Cash paid for interest	$	6,354

See notes to financial statements.

Note 1. Nature of Organization and Significant Accounting Policies

Nature of organization: Lighthouse of Pinellas, Inc. was formed in 1967. Lighthouse of Pinellas, Inc. (the Agency) and its affiliate, Lighthouse of Pinellas Foundation, Inc. (the Foundation), (together, the Organization) provide comprehensive rehabilitation services to people of all ages in Pinellas County who are blind or visually impaired.

Programs are designed to enable people to maximize their independence, health and safety through specialized training according to the age and individual needs of the client. This is accomplished through a continuum of comprehensive vision rehabilitation programs; Early Intervention, Children’s Program, Teen Transition, Pre-employment Transition, Vocational Rehabilitation and Independent Living.

Merger: During 2019, the respective board of directors of Lighthouse of Pinellas, Inc. and Lighthouse of Pinellas Foundation, Inc. approved an agreement and plan of merger effective September 30, 2019, to merge the two entities into a single surviving entity comprised of a new board of directors under the laws of the State of Florida. The surviving entity was named the Lighthouse of Pinellas, Inc. Both entities shared the common mission of providing comprehensive rehabilitation services to people of all ages in Pinellas County who are blind or visually impaired. At the time of the merger, a new board of directors was established to govern the merged entity. Prior to the merger, the Organizations’ financial statements were combined, with all significant inter-organization balances and transactions being eliminated upon combination. The merger was accounted for using the carryover method, under which all assets and liabilities of the combining organizations were merged into the financial statements of the new entity at the existing basis at September 30, 2019.

A summary of significant accounting policies follows:

Basis of accounting: The accompanying financial statements have been prepared on the accrual basis of accounting.

Principles of combination: Prior to the merger executed on September 30, 2019, the financial statements of Lighthouse of Pinellas, Inc. and Lighthouse of Pinellas Foundation, Inc. were combined. All significant inter-organization balances and transaction were eliminated upon combination.

Basis of presentation: A not-for-profit organization is required to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed stipulations, but may be designated for specific purposes by action of the board of directors. Net investment in land, building, and equipment represents the Organization’s investment in land, building, and equipment net of any restrictions. Designated net assets for long-term investment consists of a board designated endowment as determined by the board of directors.

Net assets with donor restrictions: Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization, passage of time, or maintained in perpetuity by the Organization. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

Use of estimates: The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the 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 may differ from such estimates.

Cash equivalents: Cash and cash equivalents includes all highly liquid fixed income instruments purchased with original maturities of three months or less.

Concentrations of credit risk: The Organization's financial instruments that are exposed to concentrations of credit risk include cash and cash equivalents, investments, estates and trusts receivable and public support and revenue and related accounts receivable. Cash and cash equivalents includes accounts placed with federally insured financial institutions. Such accounts may at times exceed federally insured limits. The Organization has not experienced any losses on such accounts. Investments include securities insured by the Securities Investor Protection Corporation. Such investments may at times exceed insured limits. The Organization has not experienced any losses on such accounts. Trusts and estates receivable are unsecured and represent concentrations of credit risk in the event that any one of the entities or individuals is unable to remit the amount due or pledged. The Organization's public support and revenues includes concentrations from grantor agencies. Changes in operating support and revenues from grantor agencies could significantly impact the Organization, including a reduction in the program services offered by the Organization; however, management does not anticipate any such changes in the near-term.

Grants and funding sources: Grants and funding sources represent amounts due from various governmental agencies for purposes specified by each contract due within one year. Management believes grants and funding sources are fully collectable and has not provided an allowance for doubtful accounts. The Organization provides for losses on grants and funding sources based on historical experience and any other circumstances which may affect the ability of payors to meet their obligations. It is the Organization's policy to charge off uncollectable accounts when management determines the accounts receivable will not be collected.

Investments and investment income, net: Investments are reported at fair value. Investment income, net, reported in the accompanying statement of activities and change in net assets, includes realized and unrealized gains and losses and interest and dividend income, net of investment expenses, as increases or decrease in net assets with donor restriction. Management's intention is to hold the investment portfolio for long-term investment. Therefore, the entire investment balance is presented as a noncurrent asset in the accompanying balance sheet.

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

Fair value: The Organization follows accounting standards relating to fair value measurements which defines fair value, establishes a framework for measuring fair value in accordance with U.S. GAAP, and expands disclosures about fair value measurements. Fair value is 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. The accounting standards relating to fair value measurements establishes a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The three levels are defined as follows:

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

Inventories: Inventory is stated at the lower of cost or net realizable value and consists of items held for sale to clients. Cost is determined using the first-in, first-out method (FIFO)

Land, building and equipment, net: Land, building and equipment are recorded at cost, if purchased or at fair value at the date of receipt if acquired by gift, less accumulated depreciation. Depreciation expense related to building and equipment is computed using the straight-line method over the estimated useful lives of the related assets, which range from 5 to 40 years.

Maintenance and repairs are charged to expense as incurred. Betterments and renewals are capitalized. When buildings and equipment are sold or otherwise disposed of, the asset account and the related accumulated depreciation account are relieved, and any gain or loss included in income.

Property acquired with grant funds is considered owned by the Organization while used in the program for which it is purchased or in future authorized programs; however, its disposition, as well as the ownership of any proceeds there from, is subject to applicable regulations.

Impairment of long-lived assets: The carrying value of land, building and equipment is reviewed for impairment whenever events or changes in circumstances indicate such value may not be recoverable. Recoverability of assets or asset groups to be held and used is measured by a comparison of the carrying amount of an asset or asset group to future net cash flows expected to be generated by the asset or asset group. If such assets or asset groups are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets or asset groups exceeds the fair value of the assets or asset groups. Assets or asset groups to be disposed of are reported at the lower of the carrying amount or fair value less cost to sell. No impairment of its long-lived assets or asset groups has been recognized during the year ended September 30, 2019.

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

Contributions and donor-imposed restrictions: The Organization recognizes contributions received, including unconditional promises to give, as assets and revenue in the period received at their fair values. All contributions are considered to be increases in net assets without donor restrictions and available for use unless specifically restricted by the donor. Gifts of cash and other assets are reported as net assets with donor restrictions support if they are received with donor stipulations that limit the use of such assets. When donor restrictions expire, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restriction if the restriction expires in the reporting period in which the contributions are received.

Government contracts and grants: A significant portion of the Organization's government contracts and grants are exchange transactions in which each party receives and sacrifices commensurate value. Funds from these exchange transactions are not considered contributions and are deemed to be earned and reported as revenue when such funds have been expanded towards the designated purpose. Funds received in advance and not yet earned are recorded as unearned revenue.

Conditional promises: The Organization has been informed of donor's intentions to give through possible future bequests. These intentions to give are considered to be conditional and are, therefore, not reflected in the accompanying financial statements. The value of these conditional contributions is currently undeterminable.

The Organization has also been named as the remainder beneficiary in a charitable remainder trust. However, the remainder interest has not been recognized in the financial statements because the donor has retained the right to change the remainder beneficiary at his discretion during his lifetime or through his will. The value of the remainder interest is currently undeterminable.

Contributed services: No amounts have been reflected in the accompanying financial statements for contributed services. The Organization pays for most services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Organization, including specific training and educational services provided to clients and various board and committee assignments. The Organization received approximately 1,746 volunteer hours for the fiscal year ended September 30, 2019.

Noncash contributions: Contributions of materials and securities are recorded as support at estimated fair value at the date of donation. Contributions of services are recorded as support at their estimated fair value if the services received create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would need to be purchased if not provided by donation.

Functional expense allocations: The cost of providing the various programs and supporting services have been provided in the accompanying statement of functional expenses. Expenses that can be identified with a specific program or fundraising event are charged directly to that program or fundraising department according to their natural classification. Client transportation and educational supplies are charged directly to program services. Dues and subscription, repairs and maintenance, professional fees, telephone, utilities, travel and training, insurance, marketing and advertising, depreciation and other expenses are allocated to specific departments based on either the square footage allocation or the full-time equivalent allocation percentages. Interest expense is charged directly to management and general expenses.

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

Income taxes: The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and state income tax under similar provisions of the Florida Statutes. Accordingly, no provision for federal and state income taxes has been recorded in the accompanying financial statements.

Lighthouse of Pinellas Foundation, Inc. was a Florida not-for-profit corporation organized to support Lighthouse of Pinellas, Inc. through September 30, 2019, the time at which the merger occurred. Lighthouse of Pinellas Foundation, Inc. is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and state income tax under similar provisions of the Florida Statutes. Accordingly, no provision for federal and state income taxes has been recorded in the accompanying financial statements.

In addition, management assess whether there were any uncertain tax positions which may give rise to income tax liabilities and determined that there were no such matters requiring recognition in the accompanying financial statements. The Organization and Lighthouse of Pinellas Foundation, Inc. files tax returns in the U.S. federal jurisdiction. Generally, the Organization and Lighthouse of Pinellas Foundation, Inc. is no longer subject to U.S. federal income tax examinations by taxing authorities for years before September 30, 2016.

Recent accounting pronouncements: In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The update will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulate effect transition method. The updated standard will be effective for annual reporting periods beginning after December 15, 2018. The Organization is currently evaluating the impact of this pronouncement on its financial statements.

In February 2016, FASB issued ASU 2016-02, *Leases (Topic 842)*, Under the new guidance, lessees will be required to recognize the following for all leases (with the exception of short-term leases) at commencement date:(a) A lease liability, which is a lessees obligation to make lease payments arising from a lease, measured on a discounted basis; and (b) A right-of-use asset, which is an asset that represents the lessees right to use, or control the use of, a specified asset for the lease term. Lessees will no longer be provided with a source of off balance sheet financing. Lessees must apply a modified retrospective transition approach for leases existing at or entered into after, the beginning of the earliest comparative period presented in the consolidated financial statements. Nonpublic entities should apply the amendments for the fiscal years beginning after December 15, 2020. The Organization is currently evaluating the impact of this pronouncement on its financial statements.

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

In June 2018, FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which clarifies and improves the scope and accounting guidance around contributions of cash and other assets received and made by not-for-profit organizations and business enterprises. The ASU clarifies and improves current guidance about whether a transfer of asset, or the reduction, settlement, or cancellation of liabilities, is a contribution or exchange transaction. It provides criteria for determining whether a resource provider is receiving commensurate value in return for the resources transferred which, depending on the outcome, determines whether the organization follows contribution guidance or exchange transaction guidance in the revenue recognition and other applicable standards. It also provides a more robust framework for determining whether a contribution is conditional or unconditional, and for distinguishing a donor-imposed condition from a donor-imposed restriction. The new ASU does not apply to transfers of assets from governments to businesses. The amendments in ASU 2018-08 should be applied on a modified perspective basis with early adoption and retrospective application permitted. The ASU will be effective for fiscal years beginning after December 15, 2018. The Organization is currently evaluating the impact of this pronouncement on the financial statements.

The FASB has issued certain new or modifications to, or interpretations of, existing accounting guidance in addition to the ASUs' described above. The Organization has considered the new pronouncements and does not believe that any other new or modified guidance will have a material impact on the Organization's reported financial position or activities in the near term.

Newly adopted accounting pronouncement: In August 2016, the FASB issued ASU 2016-14, *Not-for Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 changes presentation and disclosure requirements for not-for-profit entities to provide qualitative and quantitative requirements as follows:

- Net assets presentation in two categories – net assets without donor restrictions and net assets with donor restrictions;
- Presentation of investment income net of investment expenses;
- Analysis of expenses by both natural and functional classification;
- Liquidity and availability of resources disclosure requirement;
- Presentation of operating cash flows using either direct or indirect methods, permits the use of direct method without reconciliation of changes in net assets to net cash flows from operating activities.

As a result of ASU 2016-14 adoption, the Organization has adjusted the presentation of these financial statements accordingly.

Subsequent events: Management has assessed subsequent events through April 8, 2020, the date the financial statements were available to be issued.

Revision: During the year ended September 30, 2019, management made the decision to correct an error that was identified in the Organization's prior financial statements. Depreciation was not recorded in accordance with U.S. GAAP related to the Organization's building from the date of purchase, September 30, 1993 through fiscal year ending 2005. The Organization determined that the effect on the prior fiscal year financial statements was not material; however, the error had accumulated over the course of several years to a material adjustment. As of October 1, 2018, property and equipment and net assets were both reduced by $234,915 to reflect the revision of the financial statements.

Note 2. Liquidity and Availability of Resources

As of September 30, 2019, the following reflects the Organization's financial assets, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of September 30, 2019.

	2019
Financial assets, at year-end	
Cash & cash equivalents	$ 269,078
Grants and funding sources	64,596
Accrued interest receivable	8,898
Investments, at fair value	3,871,565
Endowment spending-rate distributions and appropriations	111,000
Less those unavailable for general expenditures within one year, due to:	
Donor imposed restrictions	(1,599,260)
Board designated quasi endowment	(1,175,000)
Financial assets available to meet cash needs for general expenditures within one year	$ 1,550,877

The Organization's endowment funds consist of donor-restricted endowments and funds designated by the board. Income from donor-restricted endowments may be restricted for specific purposes, otherwise it is available for general use. Donor-restricted endowment funds are not available for general expenditure.

The board designated endowment of $1,175,000 is subject to an annual spending rate of 4%. Although the Organization does not intend to spend from the corpus of the board designated endowment, these amounts could be made available if necessary.

As part of the Organization's liquidity management plan, excess cash may be invested into short term money market accounts. The Organization maintains a $100,000 line of credit available to meet cash flow needs.

Note 3. Trusts and Estates Receivable

The Organization is a beneficiary of an estate which stipulates that the Organization will receive the corpus upon the death of the income beneficiary. The related receivable classified as noncurrent trusts and estates is estimated at approximately $129,000 at September 30, 2019.

Note 4. Beneficial Interests

Beneficial Interest in perpetual trust: The Organization is the income beneficiary of a perpetual trust at September 30, 2019. The Organization's interest in the trust is stated at the present value of the anticipated future cash flows to be received from the trust which approximates the fair value of the assets that produce the income. The estimated anticipated future cash flows of the trust are $386,000 at September 30, 2019.

Beneficial interest in assets held by Pinellas Community Foundation: The Organization holds an interest in the Lighthouse of Pinellas Fund (the Fund) within Pinellas County Community Foundation (Pinellas Community Foundation). When established, the Organization contributed approximately $233,500 to the Fund and the Pinellas Community Foundation matched 30% of the Organization's original investment, or $70,050, to the Fund. The match is not recorded in the accompanying financial statements as the Organization is only entitled to the earnings on the match.

Note 4. Beneficial Interests (Continued)

The interest in the Pinellas Community Foundation is subject to an agreement which grants variance power to the Pinellas Community Foundation. Should the purpose of the Fund, at the sole discretion of the board of trustees (the Trustees) of the Pinellas Community Foundation, become unnecessary, incapable of fulfillment, undesirable, impractical, or no longer adapted to community needs, it is the Trustees' responsibility to use the Fund for purposes which most nearly approximate the original purpose of the Fund.

The Organization's investment in the Fund is stated at the fair value of the investments the Fund holds. The Pinellas Community Foundation will distribute an annual payout of 5% of the market value of the fund. The principal of the Fund will remain in perpetuity for the benefit of the Organization providing; however, that principal may be used, if necessary, to make the 5% annual payout. The Organization may have the ability to withdraw funds from the principal, to the satisfaction of the Pinellas Community Foundation, that such expenditure is necessary because of a financial emergency, natural disaster or arson, or any other extraordinary occurrence that threatens the existence of the Organization.

Beneficial interest in assets held by Community Foundation of Tampa Bay: During 2019, the Organization established an endowment fund at the Community Foundation of Tampa Bay (CFTB) under the community foundation's Endowment Match and named the Organization as beneficiary. The endowment funds were transferred were originally restricted for a donor established endowment (Note 6). The CFTB matched 30% of the Organization's original investment, or $100,000, to the Fund. The match is not recorded in the accompanying financial statements as the Organization is only entitled to the earnings on the match.

The Organization granted variance power to the CFTB, which allows the CFTB to modify any condition or restriction on its distributions for any specified charitable purpose or to any specified organization if, in the sole judgment of the CFTB's board of directors, such restriction or condition becomes unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community. The fund is held and invested by the CFTB for our benefit and is reported at fair value in the statements of financial position, with distributions and changes in fair value recognized in the statement of activities.

The fair value of the Organization's beneficial interest consisted of the following at September 30, 2019:

Beneficial interest in perpetual trusts, reported at fair value	$ 386,000
Beneficial interest in assets held by others – Community	
Foundations, reported at fair value	
Pinellas Community Foundation	242,503
Community Foundation of Tampa Bay	342,761
	585,264
	$ 971,264

Note 5. Investments and Fair Value Measurements

Investments as of September 30, 2019 consists of:

Cash equivalents and money market investments	$ 111,008
Mutual funds	1,081,318
U.S. Treasury and federal agency obligations	530,455
Corporate bonds	900,365
Common stocks	1,248,419
	$ 3,871,565

Investment income, net of investment expenses, was comprised of the following components for the year ended September 30, 2019:

Interest and dividends	$ 87,615
Net realized and unrealized gain	74,962
Investment fees	(33,664)
	$ 128,913

The tables below represent the Organization's financial assets measured at fair value on a recurring basis by level within the hierarchy at September 30, 2019:

	Fair Value Measurements Using:			
	Level 1	Level 2	Level 3	Total
Cash equivalents and money market investments	$ 111,008	$ -	$ -	$ 111,008
Common stocks	1,248,419	-	-	1,248,419
Mutual funds	1,081,318	-	-	1,081,318
Corporate bonds	900,365	-	-	900,365
U.S. Treasury and federal agency obligations	530,455	-	-	530,455
	$ 3,871,565	$ -	$ -	$ 3,871,565
Beneficial Interests				
Beneficial interest in perpetual trust	$ -	$ -	$ 386,000	$ 386,000
Beneficial interest in assets held by Community Foundations	-	-	585,264	585,264
	$ -	$ -	$ 971,264	$ 971,264

The fair value of actively traded debt and equity securities are based on quoted market prices. Fair value of inactively traded debt securities are based on quoted market prices of identical or similar securities or based on observable inputs like interest rates using either a market or income valuation approach and generally classified as Level 2.

The fair value of the Organization's beneficial interest in assets held by Community Foundations and beneficial interest in assets in perpetual trust is determined based on the fair value of fund investments as reported by the Community Foundations and trust advisor. The pooled investments at the Community Foundations primarily consist of level 1 securities. The beneficial interest in Community Foundations and beneficial interest in assets in perpetual trust are classified as level 3 since redemption cannot occur in the near term. The Community Foundations maintain variance power over the assets held. Information is provided to the Organization in the form of quarterly investment reports.

Note 5. Investments and Fair Value Measurements (Continued)

The following is a reconciliation of the Organization's level 3 investments:

Beginning balance	$	636,398
Contributions		300,000
Change in beneficial interests		34,866
Ending balance	$	971,264

Note 6. Endowment Funds

The Organization's endowment funds consist of donor-restricted funds, as well as funds designated by the board of directors to function as endowments. As required by accounting principles generally accepted in the United States of America, net assets associated with the endowment funds, including funds designated by the board of directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions and designations by the board of directors.

The portion of the endowment funds that have donor imposed restrictions that are perpetual in nature are made up of two separate gifts recorded at their original fair value. A gift of $1,799,260 was made to the Organization in 1988 for the establishment of an endowment fund. Income generated from this gift is classified as net assets without donor restrictions and may be used to fund the general activities of the Organization. In 1992, a gift of $100,000 was made to the Organization to add to the donor restricted endowment. Income derived from this gift is classified as net assets with donor restrictions to be used to fund children's department activities. The Organization is required by the donor to maintain this gift in the Investment Company of America mutual fund. There are no other donor-imposed restrictions on any other endowment fund assets.

The Organization has interpreted the Florida Uniform Management of Institutional Funds Act (FUMIFA) 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 Organization classifies as net assets with donor imposed restrictions that are perpetual in nature: a) the original value of gifts donated to the donor restricted endowment, b) the original value of subsequent gifts to the donor restricted endowment, and c) accumulations to the donor restricted endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor restricted fund that is not classified as net assets with donor restriction related to the endowment to be held in perpetuity is classified as net assets with donor restriction until those amounts are apportioned for expenditures by the Organization in a manner consistent with the standard of prudence prescribed by that standard.

In accordance with FUMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- Donor desires and restrictions
- General economic conditions
- The possible effect of inflation or deflation
- The expected total return from income and appreciation of investments
- Other resources of the Organization
- The investment policies of the Organization

Note 6. Endowment Funds (Continued)

Fund deficiencies: From time to time, certain donor-restricted endowment funds may have fair values less than amount required to be maintained by donors or by law (underwater endowments). The Organization has interpreted FUPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. The Organization does permit spending from underwater endowments. As of September 30, 2019, the Organization has no underwater endowments.

Return objectives and risk parameters: The Organization's investment policy has the objective of generating a total rate of return, net of all investment management costs and fees, from all authorized investments that is equal to or greater than returns of the appropriate indices identified in its investment policy statement for the calculation of an overall performance return comparison.

The benchmark returns for each segment of assets must be proportional to the assets' respective allocation in the portfolio when calculating the overall portfolio return. The asset allocations within the portfolio are designed to provide opportunity for growth of the portfolio while reducing unwarranted risk through concentrations.

In accordance with this policy, which is reviewed at least annually and approved by the board of directors upon modification, endowment funds are invested in a manner that is intended to protect against any loss associated with a single security, industry, issuer, or single event.

Strategies employed for achieving objectives: To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation.

Spending policy and how the investment objectives relate to spending policy: On an annual basis, the board of directors approves the amount of earnings, if any, that the Organization may spend from the endowment funds based on the operating needs of the Organization. The effect of the amount approved on the investment policy objectives is evaluated during this process. The Organization adopted a formal spending policy on August 21, 2019 whereas it is the intention of the board that the Organization will appropriate for spending 4% of the three year average market value from the December 31 of the previous year. Prior to this date, the Organization did not maintain a formal spending policy.

Endowment net asset composition by type of fund are as follows at September 30, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment fund	$ 1,175,000	$ -	$ 1,175,000
Donor-restricted endowment funds			
Original donor restricted gift amount and amounts required to be maintained in perpetuity by donor	-	1,899,260	1,899,260
Accumulated investment gains	-	42,761	42,761
	$ 1,175,000	$ 1,942,021	$ 3,117,021

Note 6. Endowment Funds (Continued)

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 1,175,000	$ 1,899,260	$ 3,074,260
Appropriated for expenditure	(44,975)	(68,870)	(113,845)
Investment return:			
Investment income	14,453	22,132	36,585
Net appreciation	30,522	89,499	120,021
Total investment income	44,975	111,631	156,606
Endowment net assets, end of year	$ 1,175,000	$ 1,942,021	$ 3,117,021

Note 7. Land, Building and Equipment

Land, building and equipment consists of the following at September 30:

Land	$ 325,067
Building	1,638,799
Building improvements	698,642
Furniture, fixtures and equipment	349,301
	3,011,809
Less accumulated depreciation	(1,693,474)
	$ 1,318,335

Depreciation expense for the years ended September 30, 2019 is $72,725.

Note 8. Line of Credit

The Organization holds a line of credit at a commercial bank with an authorized limit of $100,000. The balance was $0 at September 30, 2019. Interest is calculated at the bank's prime rate, not to fall below 3.25% (4.75% at September 30, 2019). The line of credit is renewed annually and matures on April 15, 2020.

Note 9. Long-Term Debt

Long-term debt at September 30 consists of the following:

Note payable to a bank secured by investments	$ 105,208
Less current portion	(40,700)
	$ 64,508

Note 9. Long-Term Debt (Continued)

The note payable requires monthly payments of principal of approximately $3,400 and interest at a fixed rate of 3.75%. The interest rate is subject to change to the bank's prime rate every three years (4.75% at September 30, 2019, respectively). The note payable is due April 12, 2022. Maturities of long-term debt are as follows at September 30, 2019:

Years ending September 30:		
2020	$	40,700
2021		40,700
2022		23,808
	$	105,208

Note 10. Employee Benefit Plan

The Organization has a 403(b) salary reduction deferred contribution plan (the Plan) for the benefit of employees. All employees are eligible to make elective deferrals upon hire. Employees who are budgeted to work 20 or more hours per week are eligible for employer contributions. Participants may contribute up to 100% of their salary to the Plan up to the compensation limits set by the federal tax laws. All participant contributions are immediately fully vested and nonforfeitable, while vesting in employer contributions is based on years of continuous service. A participant is 100% vested after three years of service.

The Organization may make discretionary contributions to the Plan equal to 100% of employee contributions, up to a maximum of 5% of an employee's salary. For the year ended September 30, 2019 discretionary contributions totaled approximately $29,000.

Note 11. Leases

The Organization leases a portion of its operating facility to others under multiple operating leases which expire on various dates over the next three fiscal years. Rental income, net of related expenses, for the years ended September 30, 2019 is $54,491. Base monthly rents may be adjusted periodically for changes in the Consumer Price Index over the lease terms.

At September 30, 2019, maturities of future minimum lease payments to be received are as follows:

Years ending September 30:		
2020	$	71,660
2021		17,868
	$	89,528

The Organization leases equipment from third parties. Rent expense relating to these operating leases, for the year ended September 30, 2019 is $6,557. Future minimum lease payments as of September 30, 2019 are as follows:

Years ending September 30:		
2020	$	5,460
2021		5,460
2022		5,460
2023		455
	$	16,835

Note 12. Net Assets with Donor Restrictions

Net assets with donor restrictions for time or purpose consists of trusts and estate receivable valued at $129,258 at September 30, 2019.

Net assets with donor restrictions held in perpetuity consist of assets contributed by donors as endowments to be held in perpetuity, a beneficial interest in a perpetual trust, and a beneficial interest in assets held by Community Foundations. Income distributions from the beneficial interests are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the earnings are recognized.

Net assets with donor restrictions are as follows at September 30:

Subject to expenditure for specified purpose or passage of time:		
Time restrictions - trusts and estate receivable	$	129,258
Endowment related:		
Endowment funds		1,599,260
Beneficial interest in assets held by Community Foundation		342,761
Total endowments		1,942,021
Beneficial interest in perpetual trust		386,000
Beneficial interest in assets held by Community Foundation		242,503
Total net assets with donor restrictions	$	2,699,782

Note 13. Subsequent Events

On January 30, 2020, the World Health Organization declared the coronavirus outbreak (COVID-19) a “Public Health Emergency of International Concern” and on March 11, 2020, declared COVID-19 a pandemic. The spread of COVID-19 appears to be altering the behavior of businesses and people in a manner that is having negative effects on local, regional and global economies. The impact of COVID-19 could negatively impact the Organization’s operations. Any quarantines or other disruptions to the Organization’s operations may adversely impact the Organization’s revenues, ability to provide services, ability to fundraise and ultimately its operating results. The extent to which COVID-19 could impact the Organization will depend on future developments, which are highly uncertain and cannot be predicted with confidence at this time.