

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORTS

LIGHTHOUSE OF PINELLAS, INC.

September 30, 2021

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RIVERO, GORDIMER & COMPANY, P.A.

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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 statement of financial position as of September 30, 2021, and the related statements of activities and changes 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

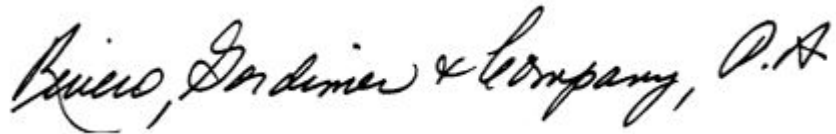
Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of September 30, 2021, and the change in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of Lighthouse of Pinellas, Inc. as of and for the year ended September 30, 2020, were audited by other auditors whose report dated February 17, 2021, expressed an unmodified opinion on those statements. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Tampa, Florida
March 9, 2022

A handwritten signature in black ink that reads "Buco, Jordan & Company, P.A." The signature is written in a cursive, flowing style.

Lighthouse of Pinellas, Inc.

STATEMENT OF FINANCIAL POSITION

September 30, 2021
(With comparative totals for September 30, 2020)

	<u>2021</u>	<u>2020</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 177,761	\$ 373,790
Grants and funding sources	99,917	47,121
Trusts and estates (note C)	62,500	62,500
Accrued interest receivable	14,578	12,862
Inventories	13,211	2,154
Prepaid expenses and other assets	29,874	42,968
Total current assets	<u>397,841</u>	<u>541,395</u>
Investment, at fair value (note E)	4,979,661	4,461,940
Trusts and estates receivable (note C)	144,123	135,238
Beneficial interest in perpetual trust (note D)	438,000	395,000
Beneficial interest in assets held by others (note D)	733,017	595,478
Land, building and equipment, net (note G)	<u>1,315,129</u>	<u>1,320,663</u>
TOTAL ASSETS	<u><u>\$ 8,007,771</u></u>	<u><u>\$ 7,449,714</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 17,172	\$ 15,409
Accrued expenses	88,601	109,235
Unearned revenues	9,800	-
Current portion of long-term debt (note H)	23,741	67,105
Total current liabilities	<u>139,314</u>	<u>191,749</u>
LONG-TERM DEBT (note H)	<u>-</u>	<u>231,229</u>
Total liabilities	<u>139,314</u>	<u>422,978</u>
NET ASSETS		
Without donor restrictions		
Undesignated	3,432,770	2,732,899
Net investment in land, building, and equipment	<u>1,315,129</u>	<u>1,320,663</u>
	4,747,899	4,053,562
With donor restriction (notes F and K)	<u>3,120,558</u>	<u>2,973,174</u>
Total net assets	<u>7,868,457</u>	<u>7,026,736</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 8,007,771</u></u>	<u><u>\$ 7,449,714</u></u>

The accompanying notes are an integral part of these financial statements.

Lighthouse of Pinellas, Inc.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSES

For the year ended September 30, 2021
(With comparative totals for September 30, 2020)

	Without Donor Restrictions	With Donor Restrictions	Total	
			2021	2020
Public support and revenues				
Trust and estates	\$ -	\$ 8,885	\$ 8,885	\$ 409,030
Contributions and donations	51,758	-	51,758	102,820
Special event revenue, net	58,826	-	58,826	60,423
Government contracts and grants	939,696	-	939,696	996,152
Other grants	194,000	-	194,000	87,709
Program service fees	8,280	-	8,280	17,142
Investment income, net	506,570	143,658	650,228	345,090
Rental income, net of expenses of \$2,061	69,431	-	69,431	63,499
Other	9,238	-	9,238	4,495
Net assets released from restriction	185,698	(185,698)	-	-
Total public support and revenues	2,023,497	(33,155)	1,990,342	2,086,360
Expenses				
Program services	1,076,725	-	1,076,725	1,124,954
Supporting expenses				
Management and general	306,810	-	306,810	225,999
Fundraising	179,518	-	179,518	95,396
Total expenses	1,563,053	-	1,563,053	1,446,349
Other changes				
Change in value of beneficial interests	-	180,539	180,539	19,214
Forgiveness of PPP loan	233,893	-	233,893	-
Change in net assets	694,337	147,384	841,721	659,225
Net assets at beginning of year	4,053,562	2,973,174	7,026,736	6,367,511
Net assets at end of year	\$ 4,747,899	\$ 3,120,558	\$ 7,868,457	\$ 7,026,736

The accompanying notes are an integral part of these financial statements.

Lighthouse of Pinellas, Inc.

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended September 30, 2021
(With comparative totals for September 30, 2020)

	Program Services	Supporting Services		Total	
		Management and General	Fundraising	2021	2020
Salaries	\$ 597,845	\$ 195,736	\$ 98,504	\$ 892,085	\$ 887,394
Employee benefits	46,317	12,095	5,434	63,846	57,727
Payroll taxes	46,432	15,155	7,643	69,230	68,324
Total salaries and related expenses	690,594	222,986	111,581	1,025,161	1,013,445
Client transportation	49,043	-	-	49,043	57,255
Dues and subscriptions	14,751	391	567	15,709	5,628
Repairs and maintenance	45,872	11,798	5,739	63,409	43,520
Professional fees	73,857	39,211	37,045	150,113	130,654
Telephone	7,830	1,725	549	10,104	9,054
Utilities	23,218	3,404	2,605	29,227	23,847
Travel and training	29,984	2,561	1,560	34,105	10,067
Insurance	34,449	6,213	2,855	43,517	37,974
Educational supplies	29,645	-	-	29,645	19,123
Marketing and advertising	74	26	8,561	8,661	4,386
Other	8,999	6,599	2,668	18,266	9,732
Interest	-	2,089	-	2,089	3,781
Total expenses before depreciation	1,008,316	297,003	173,730	1,479,049	1,368,466
Depreciation	68,409	9,807	5,788	84,004	77,883
Total functional expenses	<u>\$ 1,076,725</u>	<u>\$ 306,810</u>	<u>\$ 179,518</u>	<u>\$ 1,563,053</u>	<u>\$ 1,446,349</u>

The accompanying notes are an integral part of these financial statements.

Lighthouse of Pinellas, Inc.

STATEMENT OF CASH FLOWS

For the year ended September 30, 2021
(With comparative totals for September 30, 2020)

	2021	2020
Cash flows from operating activities		
Change in net assets	\$ 841,721	\$ 659,225
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities		
Depreciation	84,004	77,883
Loss on disposal of assets	655	-
Forgiveness of PPP loan	(233,893)	-
Net realized and unrealized gain on investment securities	(545,765)	(262,909)
Change in value of beneficial interest	(180,539)	(19,214)
(Increase) decrease in grant and funding sources	(52,796)	17,475
Increase in trust and estates	(8,885)	(68,480)
Increase in accrued interest	(1,716)	(3,964)
(Increase) decrease in inventories	(11,057)	1,442
Decrease (increase) in prepaid expense and other assets	13,094	(23,048)
Decrease in accounts payable and accrued expense	(18,871)	(29,862)
Increase (decrease) in unearned revenues	9,800	(29,285)
Total adjustments	(945,969)	(339,962)
Net cash (used) provided by operating activities	(104,248)	319,263
Cash flows from investing activities		
Capital expenditures	(79,125)	(80,211)
Proceeds from sale of investments, net	28,044	(667,084)
Net cash used by investing activities	(51,081)	(407,677)
Cash flows from financing activities		
Payments on long-term debt	(40,700)	(40,767)
Net cash (used) provided by financing activities	(40,700)	193,126
(Decrease) increase in cash and cash equivalents	(196,029)	104,712
Cash and cash equivalents at beginning of year	373,790	269,078
Cash and cash equivalents at end of year	\$ 177,761	\$ 373,790
Supplemental disclosures of cash flow information		
Cash paid during the year		
Interest	\$ 2,089	\$ 3,781
Income taxes	\$ 181	\$ -

The accompanying notes are an integral part of these financial statements.

Lighthouse of Pinellas, Inc.

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2021

NOTE A - DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A description of the organization and a summary of its significant accounting policies consistently applied in the preparation of the accompanying financial statements follow:

1. Description of the Organization

Lighthouse of Pinellas, Inc. (the Organization) was formed to provide comprehensive rehabilitation services to people of all age 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.

2. Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

3. 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.

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 statements of activities as net assets released from restrictions.

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2021

NOTE A - DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

4. 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 state of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results may differ from such estimated.

5. Cash Equivalents

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

6. 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, public support and revenue and related accounts receivable. Cash and cash equivalents include 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.

7. 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.

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

September 30, 2021

NOTE A - DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

8. Trusts and Estates Receivable

The Organization has been named as a beneficiary of future distributions from various trusts and estates. These trusts and estates receivables are recorded upon the Organization's interest becoming irrevocable and measurable.

9. Investments and Investment Income, Net

Investments are reported at fair value. Investment income, net, reported in the accompanying statements of activities and change in net assets, includes realized and unrealized gains and losses and interest and dividend income, net of investment expense. Net investment income from investments without donor restrictions are reported as revenue without donor restrictions. Net investment return for investments on net assets held in perpetuity are reported as increases in net assets with donor restrictions. 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 statements of financial position.

10. Fair Value

The Organization follows accounting guidance, which defines fair value and specifies a hierarchy of valuation technique. The disclosure of fair value estimates is based on whether the significant inputs into the valuation are observable. In determining the level of hierarchy in which the estimate is disclosed, the highest priority is given to unadjusted quoted prices in active markets and the lowest priority to unobservable inputs.

The following is brief description of the type of valuation information (inputs) that then qualifies a financial asset for each level:

Level 1: Unadjusted quoted prices in active market for identical assets or liabilities, which are assessable by the Organization.

Level 2: Observable prices in active markets for similar assets or liabilities. Prices for identical or similar assets or liabilities in markets that are not active. Market inputs that are not directly observable but are derived from or corroborated by observable market data.

Level 3: Unobservable inputs based on the Organization's own judgment as to assumptions a market participant would use, including inputs derived from extrapolation and interpolation that are not corroborated by observable market data.

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

September 30, 2021

NOTE A - DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The Organization evaluates the various types of financial assets to determine the appropriate classification within the fair value hierarchy based upon trading activity and the observability of market inputs. The Organization employs control processes to validate the reasonableness of the fair value estimates of its assets and liabilities, including those estimated based on prices and quotes obtained from independent third-party sources.

While the Organization believes its valuation, methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair values of certain financial instruments could result in a different estimate of fair value at the report date.

During the year ended September 30, 2021, there were no changes to the Organization's valuation techniques that has, or are expected to have, a material impact on its statements of financial position or activities.

11. 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).

12. 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. Assets with costs greater than \$750 and estimated useful lives greater than one year are capitalized. 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.

Expenditure for renewals and improvements that significantly add to the productive capacity or extend the useful lives of property and equipment are capitalized. Expenditures for normal repairs and maintenance are expensed as incurred. Upon retirement, sale or other disposition of property and equipment, the costs and accumulated depreciation are eliminated from the accounts and any resulting gain or loss is included within the statement of activities and changes in net assets.

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.

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

September 30, 2021

NOTE A - DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

13. Unearned Revenues

Deferred revenue relates to funding for which the terms of revenue recognition have not yet been met.

14. Contributions

Unconditional contributions are initially recognized at fair value in the period the promises are received. Conditional contributions with intent to give are not recognized until they become unconditional, that is, at the time when the conditions on which they depend on are substantially met. In the absence of donor stipulations, unconditional contributions are reported as revenue without donor restrictions. Amount received that are restricted by the donor for specific purposes are reported as revenue with donor restrictions. The Organization has adopted the accounting policy of not implying a time restriction on long-lived asset donations when the donor does not stipulate how long the asset must be used. The Organization reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restrictions are accomplished) in the reporting period in which the revenue is recognized.

15. Contributed Services, Materials, and Supplies

Donations of materials and securities are recorded as support at estimated fair value at the date of donation. Donations 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.

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.

16. Government Contracts and Grants

The Organization earns revenue from government contracts and grants in the form of performance, rate for service and expense reimbursement contracts. Support and revenue related to government and other grants is recognized when donor-imposed conditions are met. These revenues are subject to right of return if funds are not spent and also have other performance and/or control barriers that must be met to be entitled to the funds. For this reason, the Organization's grant revenues are considered to be conditional and revenue is recognized as funds are utilized for programmatic activities specified in the grant agreement. Funds received in advance and not yet earned are recorded as unearned revenue.

Lighthouse of Pinellas, Inc.

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

September 30, 2021

NOTE A - DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

17. Functional Expense Allocations

The cost of providing the various programs and supporting services have been provided in the accompanying statements 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 allocation percentages. Interest expense is charged directly to management and general.

18. Advertising

The Organization expenses advertising costs as incurred.

19. 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.

In addition, management assesses 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 files tax returns in the U.S. federal jurisdiction. Generally, the Organization is no longer subject to U.S. federal income tax examinations by taxing authorities for years before September 30, 2018.

Lighthouse of Pinellas, Inc.

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

September 30, 2021

NOTE B - LIQUIDITY AND AVAILABILITY OF RESOURCES

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, 2021.

Financial assets, at year-end	
Cash and cash equivalents	\$ 177,761
Grants and funding sources	99,917
Trusts and estates	62,500
Accrued interest receivable	14,578
Investments, at fair value	<u>4,979,661</u>
	5,334,417
Less donor-impose restrictions	
Funds subject to time and purpose restrictions	(206,623)
Endowment funds - accumulated investments gains	
subject to spending rate policy	(143,658)
Endowment fund restricted in perpetuity	<u>(1,599,260)</u>
Financial assets available to meet cash needs for general	
expenditures within one year	<u>\$ 3,384,876</u>

The Organization's endowment funds consist of donor-restricted endowments. 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.

As a 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 C - TRUSTS AND ESTATES RECEIVABLE

The Organization is a beneficiary of an estate which stipulated 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 \$144,000 at September 30, 2021. As of September 30, 2021, the Organization has approximately \$62,500 classified as current trusts and estates receivable from an estate gift.

Lighthouse of Pinellas, Inc.

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

September 30, 2021

NOTE D - BENEFICIAL INTERESTS

The fair value of the Organization's beneficial interests consisted of the following at September 30, 2021:

Beneficial interest in perpetual trusts	\$ 438,000
Beneficial interest in assets held by Community Foundations	
Pinellas Community Foundation	272,689
Community Foundation of Tampa Bay	460,328
	<u>733,017</u>
Total beneficial interests	<u>\$ 1,171,017</u>

Beneficial Interest in Perpetual Trust

The Organization is the income beneficiary of a perpetual trust at September 30, 2021. The Organization's interest in the trust is stated at the present value of the anticipated future cash flow 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 \$438,000 at September 30, 2021.

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 the only entitled to the earnings on the match.

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, became 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 extraordinary occurrence that threatens the existence of the Organization.

Lighthouse of Pinellas, Inc.

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

September 30, 2021

NOTE D - BENEFICIAL INTERESTS - Continued

Beneficial Interest in Assets Held by Community Foundation of Tampa Bay

The Organization has 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. 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 statement of financial position, with distributions and changes in fair value recognized in the statements of activities.

NOTE E - INVESTMENTS AND FAIR VALUE MEASUREMENTS

Investments as of September 30, 2021 consists of:

Cash equivalents and money market investments	\$ 87,759
Mutual funds	201,535
Fixed Income	2,606,834
Common stocks	<u>2,083,533</u>
	<u>\$ 4,979,661</u>

Investment income, net of investment expenses, was comprised of the following components for the year ended September 30, 2021:

Interest and dividends	\$ 108,113
Net realized and unrealized gain	544,852
Investment fees	<u>(2,737)</u>
	<u>\$ 650,228</u>

Lighthouse of Pinellas, Inc.

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

September 30, 2021

NOTE E - INVESTMENTS AND FAIR VALUE MEASUREMENTS - Continued

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, 2021:

	Fair Value Measurements Using			Total
	Level 1	Level 2	Level 3	
Cash equivalents and money market investments	\$ 87,759	\$ -	\$ -	\$ -
Mutual funds	201,535	-	-	-
Corporate bonds	2,606,834	-	-	-
Common stocks	2,083,533	-	-	-
	<u>\$ 4,979,661</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Beneficial interest				
Beneficial interest in perpetual trusts	\$ -	\$ -	\$ 438,000	\$ -
Beneficial interest in assets held by Community Foundations	-	-	733,017	-
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,171,017</u>	<u>\$ -</u>

The fair value of actively traded debt and equity securities are based on quoted market prices.

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 F - ENDOWMENT FUNDS

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

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

September 30, 2021

NOTE F - ENDOWMENT FUNDS - Continued

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 restricted 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 until those amounts are apportioned for expenditures by the Organization in a manner consistent with the standard of prudence prescribes 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 desired 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

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 FUMIFA to permit spending from underwater endowment in accordance with prudent measures required under law. The Organization does permit spending from underwater endowments. As of September 30, 2021, the Organization has no underwater endowments.

Lighthouse of Pinellas, Inc.

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

September 30, 2021

NOTE F - ENDOWMENT FUNDS - Continued

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 asset's 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 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 has a formal spending policy, whereas it is the intention of the board that the organization will appropriate for spending 4% of the three-year average market value from December 31 of the previous year. During the year ended September 30, 2021, the Organization made no appropriations from endowments with donor restrictions.

Endowment net assets restricted in perpetuity were \$1,899,260, with accumulated investment gains subject to spending rate policy of \$303,986 at September 30, 2021.

Changes in endowment net assets for the year ended September 30, 2021 are as follows:

	With Donor Restrictions
Endowment net assets at September 30, 2020	<u>\$ 2,080,183</u>
Endowment contributions	-
Endowment withdrawals	-
Investment income, net	<u>123,063</u>
Endowment net assets at September 30, 2021	<u><u>\$ 2,203,246</u></u>

Lighthouse of Pinellas, Inc.

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

September 30, 2021

NOTE G - LAND, BUILDING AND EQUIPMENT

Land building and equipment consists of the following at September 30, 2021:

Land	\$ 325,067
Building	1,638,799
Building improvements	745,104
Furniture, fixtures and equipment	419,181
Vehicles	42,337
	<u>3,170,488</u>
Less accumulated depreciation	<u>(1,855,359)</u>
	<u><u>\$ 1,315,129</u></u>

Depreciation expense for the year ended September 30, 2021 is \$77,883.

NOTE H - LONG-TERM DEBT

Long-term debt consists of the following at September 30, 2021:

Note payable to a bank secured by investments	\$ 23,741
	<u>23,741</u>
Less current portion	<u>(23,741)</u>
	<u><u>\$ -</u></u>

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, 2021). The note payable is due April 12, 2022.

Maturities of long-term debt are as follows at September 30, 2021:

Year ending September 30,

2022	<u><u>\$ 23,741</u></u>
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A promissory note in the amount of \$233,893 was granted to the Organization on April 24, 2020, pursuant to the Paycheck Protection Program established as part of the *Coronavirus Aid, Relief and Economics Security Act* (CARES Act). Under the terms of the loan, certain amounts may be forgiven if they are used for qualifying expenses, as described in the CARES Act. The note was forgiven during the year ended September 30, 2021 and a gain has been recognized on the Statement of Activities and Changes in Net Assets.

Lighthouse of Pinellas, Inc.

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

September 30, 2021

NOTE I - 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, 2021, discretionary contributions totaled approximately \$21,000.

NOTE J - LEASES

The Organization leases a portion of its operating facility under an operating lease which expires in December 2022. Rental income, net of related expenses, for year ended September 30, 2021 is \$63,499. Base monthly rents may be adjusted periodically for changed in the Consumer Price Index over the lease terms.

Future minimum lease payments to be received as of September 30, 2021 are as follows:

Year ending September 30,

2022	\$	71,470
2023		11,912
	\$	<u>83,382</u>

The Organization leases equipment from third parties. Rent expense relating to these operating leases, for the year ended September 30, 2021 is \$5,726.

Future minimum lease payments as of September 30, 2021, are as follows:

Year ending September 30,

2022	\$	6,256
2023		1,521
2024		1,066
2025		1,066
2026		799
	\$	<u>10,708</u>

Lighthouse of Pinellas, Inc.

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

September 30, 2021

NOTE K - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are as follows at September 30, 2021:

Subject to expenditure for special purpose or passage of time	
Time and purpose restrictions	\$ 206,623
Total expenditure for specified purpose or passage of time	<u>206,623</u>
Endowment related	
Subject to expenditure for special purpose or passage of time	
Accumulated earnings on endowments held in perpetuity	<u>303,986</u>
Endowments held in perpetuity	
Endowments funds	1,599,260
Beneficial interest in assets held by Community Foundation	<u>300,000</u>
	1,899,260
Total endowments	<u>2,203,246</u>
Beneficial interest in perpetual trust	438,000
Beneficial interest in assets held by Community Foundation	<u>272,689</u>
Total net assets with donor restrictions	<u>\$ 3,120,558</u>

Net assets with donor restrictions held in perpetuity consist of assets contributed by donors as endowment 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 released from net assets with donor restrictions for year ended September 30, 2021 were \$185,698 and relate to the passage of time and donor-imposed restrictions.

NOTE L - CONTINGENCIES

In March 2020, the United States and global financial markets experienced significant volatility resulting from uncertainty caused by the world-wide coronavirus pandemic (COVID-19). General economic uncertainties have arisen that may impact future cash flows and changes in net assets as a result of the pandemic. The related financial impact cannot be reasonably estimated at this time.

NOTE M - SUBSEQUENT EVENTS

The Organization has evaluated events and transactions occurring subsequent to September 30, 2021 for potential recognition and disclosure through March 9, 2022, which is the date these financial statements were available to be issued.