

PINE CASTLE, INC.
FINANCIAL REPORT

Year Ended September 30, 2021

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ABARE, KRESGE & ASSOCIATES CPAS, LLC

CERTIFIED PUBLIC ACCOUNTANTS

1200 Plantation Island Drive South, Ste 230
St. Augustine, FL 32080
William T. Abare III, CPA, MAFF, CVA, MAcc

(904) 460-0747
Fax (904) 209-3000
Kenneth R. Kresge, CPA

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Pine Castle, Inc.
Jacksonville, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of Pine Castle, Inc. (a Florida not-for-profit corporation), which comprise the statement of financial position as of September 30, 2021, and the related statement of activities, 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.

Auditors' 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Pine Castle, Inc. as of September 30, 2021, and the changes 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.

Other Matters

Subsequent Event: COVID-19 Pandemic

As discussed in Note 17 to the consolidated financial statements, management has evaluated the operational and financial effect on the Organization of the COVID-19 pandemic. Our opinion is not modified with respect to that matter.

Abare, Kresge & Associates CPAs, LLC

St. Augustine, FL
February 11, 2022

PINE CASTLE, INC.
STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2021

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 994,590
Unconditional promises to give, net	243,717
Accounts receivable:	
Open contracts	302,981
Medicaid	336,476
Inventories	57,670
Prepaid expenses and other assets	<u>25,414</u>
Total current assets	<u>1,960,848</u>

PROPERTY AND EQUIPMENT, NET	<u>4,332,852</u>
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OTHER ASSETS

Unconditional promises to give, net	385,416
Investments	2,055,184
Investments held by others	<u>253,194</u>
Total other assets	<u>2,693,794</u>

TOTAL ASSETS	<u><u>\$ 8,987,494</u></u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable and accrued expenses	\$ 493,566
Current portion of long-term liabilities	<u>134,125</u>
Total current liabilities	<u>627,691</u>

LONG-TERM LIABILITIES	<u>895,341</u>
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TOTAL LIABILITIES	<u>1,523,032</u>
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NET ASSETS

Without donor restrictions	6,041,867
With donor restrictions	<u>1,422,595</u>
Total net assets	<u>7,464,462</u>

TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 8,987,494</u></u>
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See accompanying notes

PINE CASTLE, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE AND PUBLIC SUPPORT			
Revenue			
State of Florida - Medicaid	\$ 2,646,865	\$ -	\$ 2,646,865
State of Florida - other	52,611	-	52,611
Workshop income	1,055,502	-	1,055,502
Program fees	485,854	-	485,854
Loan forgiveness	741,335	-	741,335
Other	<u>38,969</u>	<u>-</u>	<u>38,969</u>
Total revenue	<u>5,021,136</u>	<u>-</u>	<u>5,021,136</u>
Public Support			
United Way	77,077	-	77,077
Contributions	350,708	699,400	1,050,108
Fundraisers, net of direct expenses of \$8,273	522,747	-	522,747
In-kind contributions	<u>268,540</u>	<u>-</u>	<u>268,540</u>
Total public support	<u>1,219,072</u>	<u>699,400</u>	<u>1,918,472</u>
TOTAL REVENUE AND PUBLIC SUPPORT	<u>6,240,208</u>	<u>699,400</u>	<u>6,939,608</u>
NET ASSETS RELEASED FROM RESTRICTIONS	<u>235,150</u>	<u>(235,150)</u>	<u>-</u>
EXPENSES			
Program services	4,684,697	-	4,684,697
Management and general	1,016,237	-	1,016,237
Development and fundraising	<u>434,445</u>	<u>-</u>	<u>434,445</u>
Total expenses	<u>6,135,379</u>	<u>-</u>	<u>6,135,379</u>
CHANGE IN NET ASSETS BEFORE INVESTMENT			
GAINS (LOSSES)	339,979	464,250	804,229
INVESTMENT INCOME			
Interest and dividends, net of expenses of \$21,818	18,122	-	18,122
Realized and unrealized gains (losses)	<u>388,876</u>	<u>-</u>	<u>388,876</u>
Total investment income	<u>406,998</u>	<u>-</u>	<u>406,998</u>
CHANGE IN NET ASSETS	746,977	464,250	1,211,227
NET ASSETS, BEGINNING	<u>5,294,890</u>	<u>958,345</u>	<u>6,253,235</u>
NET ASSETS, ENDING	<u>\$ 6,041,867</u>	<u>\$ 1,422,595</u>	<u>\$ 7,464,462</u>

See accompanying notes

PINE CASTLE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2021

	Program Services					Supporting Services		
	Adult Day Training	Group Homes	Independent Living	Supported Employment	Total Program Services	Management and General	Development and Fundraising	Total
Compensation	\$ 1,248,769	\$ 959,827	\$ 52,448	\$ 76,757	\$ 2,337,801	\$ 548,843	\$ 269,277	\$ 3,155,921
Payroll taxes and employee benefits	331,632	255,787	17,457	14,265	619,141	84,444	43,558	747,143
Total employee costs	1,580,401	1,215,614	69,905	91,022	2,956,942	633,287	312,835	3,903,064
Supplies and program materials	667,008	21,826	1,135	978	690,947	11,549	1,369	703,865
Client support costs	14,673	55,078	-	-	69,751	-	-	69,751
Printing supplies and forms	6,931	(9)	-	62	6,984	16,694	5,415	29,093
Vehicles costs and maintenance	5,600	11,838	-	-	17,438	2,279	-	19,717
Maintenance	58,727	15,973	438	1,214	76,352	36,159	2,743	115,254
Building and occupancy	16,557	16,225	523	5	33,310	9,220	(424)	42,106
Janitorial	7,828	-	-	30	7,858	7,574	33	15,465
Professional and consulting fees	75,171	5,080	86	158	80,495	100,694	64,826	246,015
Staff training and travel	4,840	1,922	46	3,623	10,431	911	1,285	12,627
Food	5,679	52,260	8	-	57,947	1,010	11	58,968
Telephone	9,464	3,453	-	170	13,087	2,423	177	15,687
Utilities	84,529	44,234	1,754	795	131,312	4,980	818	137,110
Insurance	52,181	30,484	1,122	798	84,585	12,917	728	98,230
Dues and memberships	2,213	(23)	-	(147)	2,043	14,706	1,686	18,435
Postage, shipping and freight	36,209	12	1	-	36,222	1,861	771	38,854
Interest expense	46,233	-	-	-	46,233	-	-	46,233
In-kind donations	134,664	15,747	-	-	150,411	112,733	5,395	268,539
Other expenses	4,251	1,235	55	6	5,547	17,732	3,449	26,728
Total expenses before depreciation, discounts and allowances	2,813,159	1,490,949	75,073	98,714	4,477,895	986,729	401,117	5,865,741
Depreciation expense	158,664	44,121	3,321	696	206,802	29,508	1,009	237,319
Subtotal	2,971,823	1,535,070	78,394	99,410	4,684,697	1,016,237	402,126	6,103,060
Unconditional promises to give, discounts and allowances	-	-	-	-	-	-	32,319	32,319
Total expenses after depreciation, discounts and allowances	\$ 2,971,823	\$ 1,535,070	\$ 78,394	\$ 99,410	\$ 4,684,697	\$ 1,016,237	\$ 434,445	\$ 6,135,379

See accompanying notes

PINE CASTLE, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED SEPTEMBER 30, 2021

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 1,211,227
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	237,319
Provision for unconditional promise discount and allowance	23,541
Unrealized (gain) loss on investments	(388,876)
Net changes in:	
Unconditional promises to give, net	(315,822)
Accounts receivable	(286,845)
Inventories	58,125
Prepaid expenses and other assets	5,907
Accounts payable and accrued expenses	<u>(29,120)</u>
Net cash provided by operating activities	<u>515,456</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchases of property and equipment	(168,632)
Reinvestment of interest and dividends	<u>82,052</u>
Net cash used by investing activities	<u>(86,580)</u>

CASH FLOW FROM FINANCING ACTIVITIES

Principal repayment of long-term liabilities	<u>(106,335)</u>
Net cash used by financing activities	<u>(106,335)</u>

NET CHANGE IN CASH	322,541
CASH, BEGINNING	<u>672,049</u>
CASH, ENDING	<u>\$ 994,590</u>

SUPPLEMENTAL CASH FLOW INFORMATION

Cash paid for interest	<u>\$ 46,233</u>
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See accompanying notes

PINE CASTLE, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1 ORGANIZATION

Pine Castle, Inc., (the "Organization"), a not-for-profit corporation located in Jacksonville, Florida and has served the needs of people with disabilities since 1952. Pine Castle Inc.'s mission is to promote the general welfare of intellectually and developmentally disabled adults and to provide employment, housing, job skills training, social programs, life skills training and athletics for persons with intellectual disabilities. The Organization's support comes primarily from the State of Florida, sales of items and services from its workshops, and contributions.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Classification of Net Assets

The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 dated August 2016, and the provisions of the American Institute of Certified Public Accountants (AICPA) "Audit and Accounting Guide for Not-for-Profit Organization's" (the "Guide").

Under the provisions of the Guide, net assets and revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified as follows:

- a) Net assets without donor restrictions: Net assets are resources over which the Board of Directors (the "Board") has discretionary control including those unrestricted net assets.
- b) Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. After the donor-imposed time or purpose restriction is satisfied, donor restricted net assets are reclassified to donor unrestricted net assets and reported within the statement of activities as net assets released from restrictions.

Revenue Recognition

The Organization follows Topic 606, Revenue from Contracts with Customers, in the Accounting Standards Codification (ASC), as developed by the Financial Accounting Standards Board (FASB). Under ASC 606, revenue recognition for customer contract related services is required when promised goods or services are transferred to customers in an amount that reflects the consideration to which an organization expects to be entitled in exchange for those goods and services.

Inventory

Inventory is valued at the lower of cost or market as determined by the first-in/first-out (FIFO) basis. Major classes of inventory include materials for assembly and finished goods in the woodshop (\$12,553), mop shop (\$18,037), drug and alcohol testing devices (\$22,789), and luminary products (\$4,291).

PINE CASTLE, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents

Cash and cash equivalents include all cash balances and highly liquid investments with a maturity of 90 days or less.

Investments

Investments are composed of certificates of deposit, corporate and government bonds, and mutual funds and are carried at fair value. Donated investments are initially recorded at their fair market value at the time of the donation.

Fair Value of Financial Instruments

All financial instruments are carried at amounts that approximate estimated fair value.

Financial Accounting Standards Board ASC 820, *Fair Value Measurement* ("ASC 820"), establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement). The three levels of the fair value hierarchy under ASC 820 are described below:

Level 1

Inputs to the valuation methodology are unadjusted quoted prices in active markets for identical assets or liabilities that the Organization can access at the measurement date.

Level 2

Inputs to the valuation methodology are other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly such as publicly available information about actual events or transactions, and that reflect the assumptions that market participants would use when pricing the asset or liability.

Level 3

Inputs to the valuation methodology are unobservable for the asset or liability. Unobservable inputs are defined as inputs for which market data are not available and that are developed using the best information available about the assumptions that market participants would use when pricing the asset or liability.

For the year ended September 30, 2021, all assets and liabilities qualified as level 1 and 2 under the fair value hierarchy.

Investments Held by Others

The financial statements are presented in accordance with FASB ASC 958-605, *Transfers of Assets to a Not-For-Profit Organization or Charitable Trust that Raises or Holds Contributions for Others*. This requires that endowment funds transferred to a community foundation by a not-for-profit organization, where the organization will be the beneficiary of that fund, referred to as agency endowments, be accounted for by the community foundation as a liability. The non-for-profit organization presents the endowment as an asset.

PINE CASTLE, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

Property and equipment are stated at cost, if purchased. Donations of property and equipment are recorded at their estimated fair market value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and furnishings are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies donor restricted net assets to unrestricted net assets at that time. Expenditures for renewals or improvements that either materially add value or prolong the useful lives of assets are capitalized. Expenditures that are less than \$1,000 are expensed as incurred.

Building and improvements are depreciated using the straight-line method over their estimated useful lives, which range from 5 to 50 years. Furniture, vehicles and equipment are depreciated using the straight-line method over their estimated useful lives, which range from 2 to 10 years. Land is not depreciated. Depreciation expense for the year ended September 30, 2021 was \$237,319.

Compensated Absences

Employees of the Organization are entitled to paid vacation depending on length of service and other factors.

Years of Service Hours Earned/Per Working Hour

0–1 year – 1.0 day per month
1–5 years – 1.5 day per month
5-10 years – 2.0 days per month
10+ years – 2.25 days per month

Employees are allowed to carry over up to 40 days of accrued and unused paid vacation from one year to the next. Unused paid time off days in excess of 40 days on September 30 are automatically forfeited and reduced to 40 days on October 1.

Contributions

In accordance with FASB ASC 958, contributions received are recorded as unrestricted or donor restricted support depending on the existence and/or nature of donor restrictions. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in donor restricted net assets depending on the nature of the restrictions. Under FASB ASC 958, contributions that are required to be reported as donor restricted support are then reclassified to unrestricted net assets upon expiration of time restrictions or satisfaction of donor restrictions.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts, including certain types of assets, liabilities, revenues and expenses, as well as disclosures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, actual results could differ from those estimated. The nature of these estimates, however, is such that variances from actual results are held to be immaterial.

PINE CASTLE, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Materials and Services

The Organization records the value of donated goods or services when there is an objective basis available to measure their value. Donated services of a professional or skilled nature are presented at the estimated value of such services. Donated materials and equipment are reflected in the accompanying statements at their estimated value at date of receipt.

Donated services are recognized as contributions in accordance with FASB ASC 958-10, Accounting for Contributions Received and Contributions Made, if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased. Additionally, a number of volunteers periodically donate significant amounts of time to the Organization. No amounts have been reflected in the statements for these contributed services since the contribution of these services did not create or enhance non-financial assets or require specialized skills.

Functional Expense Allocation

The costs of providing the Organization's programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among programs and other supporting services benefited.

The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Compensation	Time and effort
Payroll taxes and employee benefits	Time and effort
Depreciation	Time and effort
Insurance	Square footage
Building and occupancy	Square footage
Utilities	Square footage

Grant and Contract Revenue and Support

The Organization receives funding from government agencies. Any of the funding sources may, at its discretion, request reimbursement for expenses or return of funds, or both, as a result of non-compliance by the Organization with the terms of the grants/contracts. Government granting agencies may have a reversionary interest in any equipment purchased with funds provided by grants.

Income Taxes

The Organization is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes on related income pursuant to Section 501(a) of the Internal Revenue Code and Chapter 220.13 of the Florida Statutes, respectively, except on net income derived from unrelated business activities. The Organization occasionally leases its facilities, which provides income that maybe subject to unrelated business income tax if the income exceeds related expenses. The Organization is not a private foundation.

Accounting for Income Taxes

The Organization has adopted FASB ASC 740-10, Accounting for Income Taxes, which clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements. The interpretation prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken in a tax return.

PINE CASTLE, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting for Income Taxes (Continued)

Based on analyses of various federal and state filing positions of the Organization, management believes that its income tax filing positions and deductions are well documented and supported.

As of September 30, 2021, the Organization had no temporary differences relating to the recognition of income and expenses for financial and tax reporting purposes. Accordingly, no deferred tax assets or liabilities are recorded. Additionally, as of September 30, 2021, the Organization had no uncertain tax positions that would qualify for either recognition or disclosure in the financial statements. Therefore, no reserves for uncertain income tax positions have been recorded pursuant to FASB ASC 740-10. In addition, no cumulative effect adjustment related to the adoption of FASB ASC 740-10 was recorded.

There have been no increases or decreases in unrecognized tax benefits for current or prior years since the date of adoption. Furthermore, no interest or penalties have been included since no reserves were recorded and no significant increases or decreases are expected to occur within the next 12 months. When applicable, such interest and penalties will be reported as income tax expense.

Since tax matters are subject to some degree of uncertainty, there can be no assurance that the Organization's tax returns will not be challenged by the taxing authorities and that the Organization will not be subject to additional tax, penalties, and interest as a result of such challenge. At September 30, 2021, the periods that remain open to examination under federal statute are for the tax years ended September 30, 2018 through 2020.

NOTE 3 PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of September 30, 2021:

Land	\$ 295,897
Buildings and improvements	7,000,182
Vehicles	289,564
Furniture and equipment	<u>792,245</u>
Total property and equipment	8,377,888
Less, accumulated depreciation	<u>(4,045,036)</u>
Property and equipment, net	<u>\$ 4,332,852</u>

NOTE 4 INVESTMENTS

The following table sets forth, by level, within the fair value hierarchy, investments recorded in the Organization's financial statements at fair value as of September 30, 2021:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Fixed Income	\$ 613,499	\$ 613,499	\$ -	\$ -
Equities	1,374,409	1,374,409	-	-
Real asset fund	67,276	67,276	-	-
Investments held by others	<u>253,194</u>	<u>-</u>	<u>253,194</u>	<u>-</u>
Total investments	<u>\$ 2,308,378</u>	<u>\$ 2,055,184</u>	<u>\$ 253,194</u>	<u>\$ -</u>

PINE CASTLE, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 4 INVESTMENTS (Continued)

	<u>Fair Value</u>	<u>Cost</u>
Fixed Income	\$ 613,499	\$ 595,731
Equities	1,374,409	791,320
Real asset fund	67,276	57,605
Investments held by others	<u>253,194</u>	<u>253,194</u>
Total investments	<u>\$ 2,308,378</u>	<u>\$ 1,697,850</u>

NOTE 5 BOARD DESIGNATED FUNDS

The Board of Directors of Pine Castle, Inc. has designated \$1,335,664 from an investment account as a cash reserve held for long-term purposes.

NOTE 6 DONOR RESTRICTED NET ASSETS

At September 30, 2021, the Organization's donor restricted net assets were as follows:

Tuition assistance	\$ 42,515
Capital improvements	341,574
Endowment funds	899,349
Nursing program	79,583
Other minor projects	<u>59,574</u>
Total	<u>\$ 1,422,595</u>

NOTE 7 NET ASSETS RELEASED FROM RESTRICTIONS

Donor restricted net assets are released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of other events specified by donors. Donor restricted net assets released during the fiscal years ending September 30, 2021, totaled \$235,150 and were utilized for program services.

NOTE 8 LINE OF CREDIT

The Organization has available a \$200,000 secured revolving line of credit from a financial institution. Interest is set at the Wall Street Journal Prime Rate and is payable monthly. The loan is secured by a blanket lien on assets, and the agreement expires on February 28, 2022. There was no outstanding balance on the line of credit as of September 30, 2021. There was no interest during the current fiscal year on this loan. The Organization's line of credit agreement includes financial covenants and as of September 30, 2021, the Organization met these covenants.

NOTE 9 LONG-TERM DEBT

In April 2013 the loan of \$2,130,389 on the life Enrichment Center was refinanced at 3.30% with monthly principal and interest payments in the amount of \$13,659. This loan has a ten-year maturity. Additional principal payments have brought the new loan balance to \$1,029,466 as of September 30, 2021. The Organization's bank loan agreement includes financial covenants and as of September 30, 2021, the Organization has met these loan covenants. Annual maturities of the note payable at September 30, 2021 are as follows:

2022	\$ 134,125
2023	<u>895,341</u>
Total	<u>\$ 1,029,466</u>

PINE CASTLE, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 10 ENDOWMENT FUNDS

The Albert and Viola Kissling Endowment Fund, the Borowy Family Endowment Fund, the Pine Castle Endowment Fund, and the Ralph and Elizabeth Mundell Endowment Fund were created at the Community Foundation for Northeast Florida to ensure the perpetuation of residential services to developmentally disabled clients of the organization and to support general operations. The Community Foundation maintains variance power and legal ownership of these endowment funds, and accounts for the funds as agency endowments, recording a corresponding liability for the fair value of the funds. The Organization includes the endowment fund as restricted assets. Net income from the endowment funds is paid and distributed to the Organization as determined by the Foundation and the Organization. Net income may be accumulated, reinvested, and subsequently paid to the Organization for the endowment fund purposes upon request of the Board of Directors of Pine Castle, Inc. The endowment funds totaled \$253,194 as of September 30, 2021.

During the fiscal year ending September 30, 2009, the Organization received funds as a remainder beneficiary to establish a second Ralph Paul Mundell and Elizabeth Marie Mundell Endowment Fund, the corpus of which is to remain intact and the income of which shall be used to support the charitable activities of Pine Castle, Inc. This investment totaled \$836,093 as of September 30, 2021 of which \$646,155 was the amount of the permanent endowment. The difference between the total value of the Mundell permanent endowment and the restricted amount (\$189,938) is included in unrestricted investments and unrestricted net assets.

Pine Castle, Inc. follows the Florida Uniform Prudent Management of institutional Funds Act (UPMIFA) in managing its endowments. The investment objectives of the Permanent Endowment Fund are to: (a) achieve returns in excess of the rate of inflation over the investment horizon in order to preserve purchasing power of account assets while controlling risk, and (b) to emphasize long-term growth of principal while avoiding excessive risk. The spending policy allows up to 5.0% of a twelve-quarter trailing average of fair market value.

The activity in the Mundell endowment fund is as follows:

Beginning balance, endowment funds	\$ 735,678
Interest and dividends	14,349
Unrealized gains (losses)	130,045
Amounts appropriated for expenditure	<u>(43,979)</u>
Ending balance, endowment funds	<u>\$ 836,093</u>

NOTE 11 DONATIONS IN-KIND

A substantial number of individuals and organizations have made significant contributions of time, expertise and materials during the current year to support and promote the Organization's programs. These donations have been recorded at their fair market value (approximately \$268,540) as contributions and expenses in the statement of activities.

The Organization also received donated services from a variety of unpaid volunteers who make significant contributions of their time in conjunction with programs and services. No amounts have been recognized for these services in the accompanying statement of activities because the accounting criteria for recognition of such volunteer effort as contributed services has not been satisfied.

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NOTES TO FINANCIAL STATEMENTS

NOTE 12 UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give for the *Inspirations* campaign, as discounted at 5%, were expected to be received as follows at September 30, 2021:

Less than one year	\$ 243,717
One to five years	<u>441,772</u>
Total unconditional promises to give	685,489
Unamortized discount	(40,134)
Allowance for uncollectable amounts	<u>(16,222)</u>
Unconditional promises to give, net	<u>\$ 629,133</u>

NOTE 13 CONCENTRATIONS OF CREDIT RISK

Financial instruments, which potentially subject the Organization to concentrations of risk, consist primarily of bank accounts with balances in excess of amounts insured by the Federal Deposit Insurance Corporation ("FDIC"). The Organization maintains its cash balances with high quality financial institutions. Accounts at these institutions currently are insured by the FDIC up to \$250,000. At times, such balances may be in excess of FDIC insurance limits. As of September 30, 2021, the Organization had a total of \$712,913 in cash balances which exceeded FDIC insurance limits.

NOTE 14 OTHER CONCENTRATIONS OF RISK

The Organization receives a significant portion of its support from a single source, which is subject to annual renewal provisions. For the year ending September 30, 2021, this funding represented approximately 36% of the Organization's total revenue. Consequently, changes in funding levels from this single source in future periods have the potential to significantly impact the financial position and operations of the Organization.

NOTE 15 RETIREMENT PLAN

The Organization sponsors a 403(b) defined contribution retirement plan covering substantially all of its employees. Under the plan, employees may contribute an amount not to exceed the limit imposed by the Internal Revenue Service. The Organization contributed elective contributions of 3% of each eligible employee's compensation to the plan for fiscal year ended September 30, 2021. The Organization's contribution under this plan totaled \$54,692 for the year ended September 30, 2021.

NOTE 16 LIQUIDITY OF FINANCIAL ASSETS

The Organization is substantially supported by unrestricted and restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Organization must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year.

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Another part of this policy is the board's approval of the annual balanced budget.

The Organization has \$1,834,643 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditures consisting of cash of \$951,469, unconditional promises to give of \$243,717 and accounts receivable of \$639,457. The Organization has a goal to maintain financial assets, which consist of cash on hand to meet 60 days of normal operating expenses. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

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NOTES TO FINANCIAL STATEMENTS

NOTE 17 CORONAVIRUS (COVID-19)

In December 2019, a novel strain of coronavirus (COVID-19) was reported to have surfaced in China. The World Health Organization has characterized COVID-19 as a pandemic. The spread of this virus caused business disruption to the Organization due to stay-at-home orders issued by the State of Florida. The impact of COVID-19 to the Organization during the year ended September 30, 2021 is fully reflected in these financial statements. Subsequent to the statement of financial position date, the extent of the impact of COVID-19 on the Organization's operational and financial performance will depend on future developments, including the duration and spread of the outbreak and the length of the stay-at-home orders, all of which are highly uncertain and cannot be predicted at this time.

NOTE 18 SUBSEQUENT EVENTS

Subsequent events have been evaluated through February 11, 2022. The impact of Coronavirus (COVID-19) to the Organization is discussed in Note 17. No other events were identified as necessary to be disclosed to keep these financial statements from being misleading or that provide additional evidence about conditions that existed at September 30, 2021, including estimates inherent in the process of preparing these financial statements.