

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT**

**HERNANDO COUNTY EDUCATION DIRECT
SUPPORT ORGANIZATION, INC.
BROOKSVILLE, FLORIDA**

JUNE 30, 2019

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT**

**HERNANDO COUNTY EDUCATION DIRECT
SUPPORT ORGANIZATION, INC.
BROOKSVILLE, FLORIDA**

JUNE 30, 2019

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Hernando County Education Direct Support Organization, Inc.
Brooksville, Florida

We have audited the accompanying financial statements of the Hernando County Education Direct Support Organization, Inc. (the Organization), a non-profit organization, which comprise the statement of financial position as of June 30, 2019, and the related statements 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.

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 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.

Certified Public Accountants

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Board of Directors
Hernando County Education Direct Support Organization, Inc.
Brooksville, Florida

INDEPENDENT AUDITOR'S REPORT

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2019, 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2019, on our consideration of the Organization's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We have previously audited the Organization's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 26, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.


November 8, 2019
Ocala, Florida

FINANCIAL STATEMENTS

**STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED JUNE 30, 2019,
WITH COMPARATIVE TOTALS FOR JUNE 30, 2018
HERNANDO COUNTY EDUCATION DIRECT SUPPORT ORGANIZATION, INC.
BROOKSVILLE, FLORIDA**

ASSETS

	<u>2019</u>	<u>2018</u>
Assets		
Cash and Cash Equivalents	\$ 234,865	\$ 201,479
Grant Receivable	127,306	138,867
Annual Campaign Receivable	10,600	-
Accounts Receivable - Other	1,314	-
Prepaid Expenses	4,981	3,524
Inventory - Tools 4 Schools	180,503	47,526
Inventory - Operation Cinderella and Other Donated Items	42,730	35,700
Total Assets	<u>602,299</u>	<u>427,096</u>

LIABILITIES AND NET ASSETS

Liabilities		
Accounts Payable	7,000	27,948
Accrued Payroll and Related Expenses	21,836	40,353
Total Liabilities	<u>28,836</u>	<u>68,301</u>
Net Assets		
Without Donor Restrictions	98,869	84,241
With Donor Restrictions	474,594	274,554
Total Net Assets	<u>573,463</u>	<u>358,795</u>
Total Liabilities and Net Assets	<u>\$ 602,299</u>	<u>\$ 427,096</u>

See accompanying notes.

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019,
WITH COMPARATIVE TOTALS FOR JUNE 30, 2018
HERNANDO COUNTY EDUCATION DIRECT SUPPORT ORGANIZATION, INC.
BROOKSVILLE, FLORIDA

	2019			2018
	Without Donor Restrictions	With Donor Restrictions	Total	
Revenues and Support				
Contributions - Corporations/Foundations	\$ 26,500	\$ 95,574	\$ 122,074	\$ 137,919
Contributions - Individuals	9,400	117,552	126,952	50,735
STEAM Grant	559,042	-	559,042	617,818
Scholarship Donations	-	66,000	66,000	6,000
Specialty License Plate Revenue	-	3,045	3,045	3,549
Recognition Events	-	32,125	32,125	24,315
Fundraising Events	112,065	-	112,065	38,813
Donations for Tools 4 Schools Program	-	157,942	157,942	58,965
Donations for Operation Cinderella Program	-	7,030	7,030	4,500
Donated Facilities	42,000	-	42,000	42,000
Return of Unused Grants	-	90	90	72
Net Assets Released from Restriction	279,318	(279,318)	-	-
Total Revenues and Support	1,028,325	200,040	1,228,365	984,686
Expenses				
Program Services:				
STEAM Grant - Salaries and Operations	541,779	-	541,779	598,972
Operation Cinderella Program	1,945	-	1,945	340
Specialty License Plate	10,461	-	10,461	2,495
Tools 4 Schools Program	29,055	-	29,055	35,699
Classroom Grants - Other	102,586	-	102,586	70,514
Recognition Events	37,506	-	37,506	32,657
School Donations	65,660	-	65,660	33,426
Scholarships Awarded	29,059	-	29,059	26,815
Specific School Donation	3,045	-	3,045	-
Supporting Services:				
Management and General	134,435	-	134,435	101,832
Fundraising Expenses	58,166	-	58,166	8,839
(Total Expenses)	(1,013,697)	-	(1,013,697)	(911,589)
Increase in Net Assets	14,628	200,040	214,668	73,097
Net Assets, Beginning of Year	84,241	274,554	358,795	285,698
Net Assets, End of Year	\$ 98,869	\$ 474,594	\$ 573,463	\$ 358,795

See accompanying notes.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019
WITH COMPARATIVE TOTALS FOR JUNE 30, 2018
HERNANDO COUNTY EDUCATION FOUNDATION
BROOKSVILLE, FLORIDA

	Program Services						
	STEAM Grant	Operation Cinderella	Specialty License Plate	Tools 4 Schools	Classroom Grants	Recognition Events	School Donations
Functional Expenses							
Salaries	\$ 398,883	\$ -	\$ -	\$ 17,826	\$ -	\$ 1,087	\$ -
Payroll Taxes	31,642	-	-	1,381	-	83	-
Workers' Compensation and General Liability Insurance	2,610	-	-	-	-	-	-
Supplies	30,106	-	-	-	-	-	-
Travel/Mileage	159	-	-	877	884	-	-
Contracted Services	54,078	-	-	-	-	-	-
Field Trips	19,169	-	-	-	-	-	-
Printing	80	-	-	71	1,931	405	-
Board Related	-	-	-	-	-	-	-
Janitorial	-	-	-	-	-	-	-
Office Furniture	-	-	-	-	472	-	-
Technology Support	-	-	-	-	-	-	-
Accounting Assistance	-	-	-	-	-	-	-
Audit	4,869	-	-	-	-	-	-
Advertising	-	-	-	-	-	-	-
Dues, Subscriptions, and Licenses	-	-	-	-	1,310	-	-
Sports Events	-	-	-	-	-	-	-
Scholarships Awarded	-	-	-	-	-	-	-
Program Supplies	-	1,945	2,524	8,731	3,526	986	-
School Donations	-	-	-	-	-	1,540	46,535
Award to Other Entities	-	-	-	-	163	-	-
Postage/Freight	-	-	-	-	-	-	-
Recognition Awards	-	-	-	-	-	7,200	-
Event Expense	-	-	-	131	-	23,784	4,224
Grant Awarded	-	-	7,937	-	93,949	2,421	14,901
In-Kind Donations	-	-	-	-	216	-	-
Miscellaneous	183	-	-	38	135	-	-
Total Functional Expenses	\$ 541,779	\$ 1,945	\$ 10,461	\$ 29,055	\$ 102,586	\$ 37,506	\$ 65,660

See accompanying notes.

Program Services			Support Services			June 30, 2019	June 30, 2018
Scholarships	Specific School Donation	Program Total	Management and General	Fundraising Expenses	Support Total		
\$ 1,979	\$ -	\$ 419,775	\$ 56,042	\$ 7,779	\$ 63,821	\$ 483,596	\$ 471,659
1,080	-	34,186	756	772	1,528	35,714	45,030
-	-	2,610	3,612	-	3,612	6,222	8,159
-	-	30,106	638	7	645	30,751	32,805
-	-	1,920	3,860	57	3,917	5,837	15,483
-	-	54,078	275	-	275	54,353	58,247
-	-	19,169	-	-	-	19,169	37,333
-	-	2,487	179	-	179	2,666	4,618
-	-	-	5,497	-	5,497	5,497	1,204
-	-	-	-	-	-	-	270
-	-	472	-	-	-	472	970
-	-	-	-	-	-	-	500
-	-	-	1,991	-	1,991	1,991	1,597
-	-	4,869	70	-	70	4,939	-
-	-	-	1,023	5	1,028	1,028	199
-	-	1,310	4,163	-	4,163	5,473	560
-	-	-	1,425	1,268	2,693	2,693	7,818
26,000	-	26,000	-	-	-	26,000	26,750
-	-	17,712	396	-	396	18,108	11,948
-	-	48,075	-	-	-	48,075	33,426
-	3,045	3,208	-	-	-	3,208	2,495
-	-	-	-	-	-	-	196
-	-	7,200	7,211	-	7,211	14,411	3,900
-	-	28,139	4,854	3,239	8,093	36,232	20,726
-	-	119,208	321	9	330	119,538	76,052
-	-	216	42,000	45,030	87,030	87,246	42,000
-	-	356	122	-	122	478	7,644
<u>\$ 29,059</u>	<u>\$ 3,045</u>	<u>\$ 821,096</u>	<u>\$ 134,435</u>	<u>\$ 58,166</u>	<u>\$ 192,601</u>	<u>\$ 1,013,697</u>	<u>\$ 911,589</u>

See accompanying notes.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019,
WITH COMPARATIVE TOTALS FOR JUNE 30, 2018
HERNANDO COUNTY EDUCATION DIRECT SUPPORT ORGANIZATION, INC.
BROOKSVILLE, FLORIDA

	<u>2019</u>	<u>2018</u>
Cash Flows from Operating Activities		
Receipts from Donors	\$ 657,409	\$ 366,868
Receipts from Grantors	570,603	564,473
Payments to Employees for Services	(502,113)	(482,778)
Payments to Vendors	(498,441)	(276,502)
Payments for Scholarships Awarded	(26,000)	(30,715)
Payments for School Contributions	(168,072)	(111,973)
Net Cash Provided by (Used in)		
Operating Activities	<u>33,386</u>	<u>29,373</u>
Net Increase in Cash and Cash Equivalents	33,386	29,373
Cash and Cash Equivalents at Beginning of Year	<u>201,479</u>	<u>172,106</u>
Cash and Cash Equivalents at End of Year	<u>\$ 234,865</u>	<u>\$ 201,479</u>
Supplemental Information:		
Non-Cash Donations		
Tools 4 Schools Program and Operations Cinderella	\$ 134,972	\$ 48,774
Donated Facilities	42,000	42,000
Donated Car	18,100	-
Donated Supplies for Fundraisers	26,930	-

See accompanying notes.

NOTES TO FINANCIAL STATEMENTS
HERNANDO COUNTY EDUCATION DIRECT SUPPORT ORGANIZATION, INC.
BROOKSVILLE, FLORIDA

Note 1 - Summary of Significant Accounting Policies

Organization

Hernando County Education Direct Support Organization, Inc. (the Organization) is a non-profit corporation, organized solely for education support purposes pursuant to Florida Statutes Section 617 and to act as a Direct Support Organization as set forth in Section 1001.453 of the Florida Statutes.

The specific and exclusive purpose of this organization is to create partnerships that advance student achievement and promote excellence for the benefit of public pre-kindergarten through 12th grade education in Hernando County, Florida.

Program Information

STEAM Grant – the Organization facilitates the Science Technology Engineering Arts and Mathematics (STEAM) grant for the school district. The grant provides afterschool and summer STEAM programs for the students of Hernando County.

Operation Cinderella – the Organization accepts donations of prom, homecoming, and formal dresses. With the donated goods, the Organization offers for young ladies to utilize the dresses in order to attend the various school dances. On a smaller scale, the Organization also receives men’s suits for the same purposes.

Specialty License Plate – the Organization receives revenues from the State for individuals that purchase a specialty license plate.

Tools 4 Schools – the Organization receives donated goods or directed gifts for the purpose of stocking the tools for school pantry. The teachers may visit and take supplies for their classrooms and students in need. During 2019, the Organization received a large donation of supplies for this program from the Kids Wish Network valued at approximately \$124,942.

Classroom Grants – grants to classrooms are provided through several means. The Organization is a member of Consortium and applies for grants on behalf of teachers and students. Also, community members can provide grant funds to the Organization that are provided to the applicable classrooms.

Recognition Events – events held for the recognition of outstanding teacher and support related employees for their efforts to help students in Hernando County, turnaround student, retiree celebration, Volunteer and Business Partner Recognition. In addition, the Organization receives community donations to support a parent and teacher academy and new teacher orientation to the individuals of the school district.

School Donations – the Organization receives community donations and these funds are then provided to the respective schools or teachers as per the school district requirement.

Scholarships – the Organization receives awarded scholarship funds from various sources and provides them to individuals on a semester by semester basis.

Specific School Donation – the Organization receives donations that are intended for *Specific School Donation* use that are subsequently passed on to that organization.

NOTES TO FINANCIAL STATEMENTS
HERNANDO COUNTY EDUCATION DIRECT SUPPORT ORGANIZATION, INC.
BROOKSVILLE, FLORIDA

Basis of Accounting

The Organization accounts for all transactions on the accrual basis of accounting for year-end reporting purposes. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the related liability is incurred.

Basis of Presentation

Financial statement presentation follows *Accounting Codification Standards (ACS) 958-205, Financial Statements of Not-For-Profit Organizations*. Under ACS 958-205, the Organization is required to report information regarding its financial position and activities as follows:

- Without Donor Restrictions
- With Donor Restrictions

Without Donor Restrictions

Net assets that are not subject to donor-imposed stipulations.

With Donor Restrictions

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

For the fiscal year ended June 30, 2019, net assets in the amount of \$279,318 were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of other events specified by the donor.

Fund Accounting

The financial statements are presented in accordance with principles of fund accounting, whereby revenues and expenses are classified into funds according to specified purposes. Currently, the Organization has one operating fund.

Comparative Data

The amounts shown for the year ended June 30, 2018, in the accompanying financial statements, are included to provide a basis for comparison with 2019 and present summarized totals only. Accordingly, the 2018 totals are not intended to present all information necessary for a fair presentation in conformity with accounting principles generally accepted in the United States of America. Such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2018, from which the summarized information was derived.

Income Taxes

The Organization is exempt from income taxes under Section 501(c) (3) of the Internal Revenue Code. Accordingly, the financial statements do not reflect a provision for income taxes.

The Organization files income tax returns in the U.S. federal jurisdictions.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

NOTES TO FINANCIAL STATEMENTS
HERNANDO COUNTY EDUCATION DIRECT SUPPORT ORGANIZATION, INC.
BROOKSVILLE, FLORIDA

Revenue Recognition

All contributions are considered available for the Organization's general programs unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor are reported as temporarily or permanently restricted contributions and support, and increases in the respective class of net assets.

Grants Receivable

Accounts receivable consisted of grant funds. Management anticipates subsequent receipt of all of these funds; therefore, no allowance amount was recorded.

Annual Campaign Receivable

Annual Campaign Receivables consist of short-term pledges by individuals and corporations. Management anticipates subsequent receipt of all of these funds; therefore, no allowance amount was recorded.

Inventory

Inventory consists of donated supplies used for program services specified by the donor. Contributions of inventory are stated at fair value determined by the first-in, first-out method. The Organization receives and distributes contributions for the new Tools 4 Schools program to assist teachers with classroom supplies and donated prom/homecoming dresses for the Operation Cinderella program.

In-Kind Contributions

Contributions of services and donated items, which are provided to the Organization, have been recorded in the accompanying financial statements. These contributions are recorded at their estimated fair values at the date of receipt. Volunteer services provided during events held by the Organization do not meet the criterion used to record donated services and have not been recorded in the financial statements.

Advertising Costs

The Organization's general policy is to expense advertising costs as incurred.

Fundraising Expense

For the fiscal years 2019 and 2018, the Organization spent \$58,166 and \$8,839, respectively.

Accounting Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Functional Allocation of Expenses

The costs of providing the events and funded activities and supporting services have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been specifically recorded between events and funded activities and supporting services benefited based on direct time spent and direct expenses.

NOTES TO FINANCIAL STATEMENTS
HERNANDO COUNTY EDUCATION DIRECT SUPPORT ORGANIZATION, INC.
BROOKSVILLE, FLORIDA

Subsequent Events

The Organization has evaluated events and transactions for potential recognition or disclosure in the financial statements through November 8, 2019, the date the financial statements were available to be issued.

Note 2 - Specialty License Plate Revenue

For the fiscal year ended June 30, 2019, the Organization received \$3,045 of specialty license plate revenue from the State of Florida Department of Highway Safety and Motor Vehicles.

Pursuant to Section 320.08056 of the Florida Statutes, the Organization may not use specialty license plate revenue or any interest earned from those fees for commercial, or for-profit activities, or for general or administrative expenses, except as authorized by the Florida Statutes.

Note 3 - Net Assets with Donor Restrictions

At June 30, 2019, the Organization had \$474,594 with donor restrictions. These funds were received from outside parties to be used for specified purposes and related expenditures had not been made as of year-end. This money is not available for other uses.

The funds are restricted as follows:

	<u>2019</u>	<u>2018</u>
Classroom Grants	\$ 49,253	\$ 52,124
Specialty License Plates	-	7,416
Scholarships	120,922	83,981
Recognition Events	-	715
School Donations	35,536	443
Operation Cinderella	40,413	35,328
Tools 4 Schools	<u>228,470</u>	<u>94,547</u>
Total	<u>\$ 474,594</u>	<u>\$ 274,554</u>

Note 4 - Liquidity and Availability of Financial Assets

The following reflects the Organization's financial assets as of the balance sheet date, reduced by amounts not available for general expenditures because of contractual or donor-imposed restrictions within one year of the balance sheet date. Amounts not available include prepaids and inventory items.

Financial Assets, at Year-End*	\$ 374,085
Less Those Unavailable for General Expenditures	
Within One Year, Due to:	
Contractual or Donor Imposed Restrictions:	
Restricted by Donor with Time or Purpose Restrictions	<u>253,732</u>
Total	<u>\$ 120,353</u>

*Total Assets, less non-financial assets (i.e. inventory and prepaid)

NOTES TO FINANCIAL STATEMENTS
HERNANDO COUNTY EDUCATION DIRECT SUPPORT ORGANIZATION, INC.
BROOKSVILLE, FLORIDA

Note 5 - Concentration of Credit Risk

Demand Deposits

The Organization maintains demand deposit accounts with a financial institution in which funds are insured by the Federal Deposit Insurance Corporation (FDIC). At times throughout the year, the funds held in these accounts may exceed FDIC limits.

Note 6 - Related-Party Transactions

Several of the Board Members are employed by the Hernando County School Board District (the District) or Corporations that donate or provide goods to the Organization.

The District provides donated services and payments for services to the Organization including office space, information technology, utilities, and financial audit and tax preparation. The value of the donated office space for the 2019 fiscal year was \$42,000, and the amount recognized for 2018 was \$42,000.

Note 7 - Concentration

The Organization receives approximately 46% of its support from the STEAM grant. A significant reduction in the level of this support, if this were to occur, may have an effect on the Organization's operations. The contracts are awarded every five years.

Revenue

The Organization receives a significant amount of its support from the Suncoast Schools Credit Union. A significant reduction in the level of this support, if this were to occur, may have an effect on the Organization's programs and activities.

Note 8 - STEAM Grant

The Organization was awarded a Department of Education 21st Century Education Center (STEAM) grant. Total federal expenditures in the program were approximately \$559,042 including indirect costs, and the terms of the grant have been extended for the 2019-2020 fiscal year. Because the total federal expenditures were less than \$750,000, the Organization was not subject to an audit in accordance with 2 CFR Part 200 (Federal Single Audit) under the Uniform Guidance.

**ADDITIONAL ELEMENTS OF REPORT PREPARED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS, ISSUED BY THE COMPTROLLER GENERAL
OF THE UNITED STATES**

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors
Hernando County Education Direct Support Organization, Inc.
Brooksville, Florida

We have audited, in accordance with the 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, the financial statements of Hernando County Education Direct Support Organization, Inc. (the Organization), a non-profit organization, which comprise the statement of financial position as of June 30, 2019, the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 8, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify the following deficiency in internal control, which we consider the following item to be a significant deficiency:

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To the Board of Directors
Hernando County Education Direct Support Organization, Inc.
Brooksville, Florida

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

- **2014-1 Segregation of Duties**—Currently, the Organization's staff consists of a few individuals that have complete access to all accounting transactions including the receipting and disbursement processes and cash and account reconciliation processes. These issues create a deficiency in internal controls such that there is a lack of proper segregation of duties in the accounting function.

This issue is common with small organizations of this size. It is our understanding that the Organization has an audit and finance committee that was formed to oversee accounting transactions and financial statements and reports. Additional oversight is provided by the Board of Directors (the Board) and Executive Committee (Committee).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



November 8, 2019
Ocala, Florida



Executive Director

Tammy Brinker

President

Debra Myers

President Elect

Amrita Bedi

Vice President

Kandice Christmas

Treasurer

Lisa Becker

Secretary

Debbye Warrell

Marketing & Communications

Carly Mullins

Past President

Ben Prescott

Board of Directors

Karen Dove

Devon Overmyer Jr.

Joe Pastore

Justen Early

Linda Prescott

Jeff Holcomb

Fred Weber

Eric Sangvic

Billy Healis

Paul Douglas

Rich Linkul

Gus Guadagnino (Ex-Officio)

Ray Mooney (Ex-Officio)

Date: November 8, 2019

To: HCEF Board of Directors

Re: Independent Auditor's Report

Dear Board of Director's,

The following is Managements responses and recommendations to the July 1, 2019- June 30, 2019 Independent Auditor's Report:

2014-1: Segregation of Duties- Our CPA firm recommends that that the Board and Finance and Audit Committee continues to oversee all accounting functions. In 2014 management put into place a Finance and Audit Committee that meets on monthly financials overseeing all aspects for the organization. This issue is common with small organizations and our board and committee will continue to oversee all accounting functions.

If you have any questions or concerns, please feel free to contact me at any time at 352-544-6418.

Sincerely,

Tammy Brinker

Tammy Brinker

Executive Director

Hernando County Education Foundation

brinker_t@hcsb.k12.fl.us

352-544-6418

