

**DESOTO COUNTY
EDUCATION FOUNDATION, INC.
(A COMPONENT UNIT OF THE DISTRICT SCHOOL
BOARD OF DESOTO COUNTY, FLORIDA)
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

DESOTO COUNTY EDUCATION FOUNDATION, INC.
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JUNE 30, 2020

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
DeSoto County Education Foundation, Inc.
Arcadia, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of DeSoto County Education Foundation, Inc. (a nonprofit organization), a component unit of the DeSoto County District School Board, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the DeSoto County Education Foundation, Inc.'s basic financial statements as listed in the table of contents.

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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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.

DeSoto County Education Foundation, Inc. (continued)

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of DeSoto County Education Foundation, Inc., as of June 30, 2020, and the respective changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 5 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2020, on our consideration of DeSoto County Education Foundation, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of DeSoto County Education Foundation, Inc.'s 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 DeSoto County Education Foundation, Inc.'s internal control over financial reporting and compliance.

Wicks, Brown, Williams & Co. CPA's LLP
Wicks, Brown, Williams & Co., CPA's LLP
Sebring, Florida

October 19, 2020

DESOTO COUNTY EDUCATION FOUNDATION, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
 JUNE 30, 2020
 (UNAUDITED)

As management of the DeSoto County Education Foundation, Inc. (Foundation), we offer the readers of the Foundation's financial statements this narrative overview and analysis of the financial activities of the Foundation for the fiscal years ended June 30, 2020 and 2019.

Overview of the Financial Statements

The Foundation meets the criteria in Government Auditing Standards Board (GASB) Statement 14, as amended, for being reported as a component unit of the District School Board of DeSoto County. As explained in Note 1 of the Notes to Financial Statements, the Foundation is a not-for-profit organization and uses enterprise fund accounting and financial reporting for purposes of complying with the requirements of GASB Statement 34. Required financial statements for enterprise funds are described below:

The *Statement of Net Position* presents information on all assets, liabilities and net position. Over time, increases or decreases in net position may serve as an indicator of whether the financial condition of the Foundation is improving or deteriorating.

The *Statement of Revenues, Expenses, and Changes in Net Position* presents information showing how the Foundation's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the event occurs, regardless of the timing of related cash flows.

The *Cash Flow Statement* presents all increases and decreases in cash and cash equivalents during the fiscal year. This statement also includes a reconciliation of income (or loss) from operations to net cash provided (or used) by operating activities.

Financial Analysis

As noted above, net position may serve over time as a useful indicator of a government's financial position. The assets of the Foundation exceeded its liabilities at June 30, 2020 and 2019 by \$441,751 and \$425,066 respectively. These amounts represent the Foundation's net position at June 30, 2020 and 2019. Of total net position, \$67,063 and \$49,328, respectively, are unrestricted for an increase of \$17,735 and may be used to meet the Foundation's obligations. At June 30, 2020 and 2019, the Foundation had \$374,688 and \$375,738, respectively, for a decrease of \$1,050 to net position restricted by donors or grants.

The Foundation has no capital assets. In addition, the Foundation has no long-term debt.

DeSoto County Education Foundation Inc.'s Net Position

	2020	2019	Increase (Decrease)
Total assets	\$ 441,751	\$ 425,066	\$ 16,685
Total liabilities	-	-	-
Net position:			
Restricted	374,688	375,738	(1,050)
Unrestricted	67,063	49,328	17,735
Total net position	\$ 441,751	\$ 425,066	\$ 16,685

DeSOTO COUNTY EDUCATION FOUNDATION, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020
(UNAUDITED)

Total net position for the year ended June 30, 2020 increased by \$16,685 from the prior year. The increase of \$17,735 in the unrestricted portion of net position for the year ended June 30, 2020 was due largely to an increase in unrestricted donations to fund general and administrative expenses. The decrease in restricted net position of \$1,050 for the year ended June 30, 2020 was primarily due to donations received for future scholarships being less than the amounts paid out during the year.

DeSoto County Education Foundation Inc.'s Changes in Net Position

	2020	2019	Increase (Decrease)
Revenues:			
Contributions	\$ 80,719	\$ 71,522	\$ 9,197
Contributions - scholarships	36,701	41,846	(5,145)
Nonoperating - interest income	3,777	1,540	2,237
Total revenues	121,197	114,908	6,289
Expenses:			
Program expenses:			
Scholarships	41,601	30,205	11,396
Grant awards	-	8,500	(8,500)
Donations to schools	28,220	16,142	12,078
Literacy K-12	7,131	15,335	(8,204)
General and administrative	27,560	26,531	1,029
Total expenses	104,512	96,713	7,799
Change in net position	16,685	18,195	(1,510)
Net position - beginning of year	425,066	406,871	18,195
Net position - end of year	\$ 441,751	\$ 425,066	\$ 16,685

Total revenues increased from the prior year by \$6,289. Total expenses increased from the prior year by \$7,799. The key elements of these changes are as follows:

- In 2020, the Foundation's total combined contributions to benefit students, restricted and unrestricted, increased \$4,052. The major increase is comprised of an increase of \$5,600 in unrestricted contributions.
- In 2020, the Foundation's overall expenses increased \$7,799. This increase is primarily comprised of four items: an increase of \$11,396 in scholarships paid out, an increase of \$12,078 from donations to schools, a decrease of \$8,500 for grant awards, and a decrease of \$8,204 for literacy grant.

DESOTO COUNTY EDUCATION FOUNDATION, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020
(UNAUDITED)

The Foundation is not required to legally adopt a budget; therefore, no budgetary information is included.

This financial report is designed to provide a general overview of the Foundation's finances for all those interested in the Foundation's finances. Questions concerning the information provided in this report or requests for additional information should be addressed to the Executive Director, The DeSoto County Education Foundation, Inc., P.O. Box 1903, Arcadia, FL 34265.

DESOTO COUNTY EDUCATION FOUNDATION, INC.
STATEMENT OF NET POSITION
JUNE 30, 2020

Assets:	
Cash and cash equivalents - unrestricted	\$ 60,824
Cash and cash equivalents - restricted	<u>380,927</u>
Total assets	<u>441,751</u>
 Net Position:	
Restricted for scholarships:	
Expendable	367,544
Nonexpendable	2,000
Restricted for grants/projects	5,144
Unrestricted	<u>67,063</u>
Total net position	<u><u>\$ 441,751</u></u>

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

DESOTO COUNTY EDUCATION FOUNDATION, INC.
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2020

Operating Revenues:	
Contributions	\$ 80,719
Contributions - scholarships	36,701
Total operating revenues	<u>117,420</u>
 Operating Expenses:	
Program expenses:	
Scholarships	41,601
Donations to schools	28,220
Literacy K - 12	7,131
Total program expenses	<u>76,952</u>
General and administrative	<u>27,560</u>
Total operating expenses	<u>104,512</u>
Income from operations	<u>12,908</u>
 Nonoperating Revenues (Expenses):	
Interest income	<u>3,777</u>
Total nonoperating revenues (expenses), net	<u>3,777</u>
Change in net position	16,685
Total Net Position - beginning of year	<u>425,066</u>
Total Net Position - end of year	<u><u>\$ 441,751</u></u>

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

DeSOTO COUNTY EDUCATION FOUNDATION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020

Cash Flows From Operating Activities:	
Cash receipts from contributions, grants, and fees	\$ 117,420
Payments to scholarship recipients	(41,601)
Payments to vendors for other program expenses	(35,351)
Payments to vendors for general and administrative expenses	<u>(27,560)</u>
Net cash provided by operating activities	<u>12,908</u>
Cash Flow From Investing Activities:	
Interest income	<u>3,777</u>
Net cash provided by investing activities	<u>3,777</u>
Net increase in cash and cash equivalents	16,685
Cash and Cash Equivalents - beginning of year	<u>425,066</u>
Cash and Cash Equivalents - end of year	<u><u>\$ 441,751</u></u>
Classified As:	
Unrestricted cash and cash equivalents	\$ 60,824
Restricted cash and cash equivalents	<u>380,927</u>
Total cash and cash equivalents	<u><u>\$ 441,751</u></u>
Reconciliation of Income from Operations to Net Cash	
Provided by Operating Activities:	
Income from operations	\$ 12,908
Adjustments to reconcile income from operations to net cash provided by operating activities:	
Change in assets and liabilities:	
Net cash provided by operating activities	<u><u>\$ 12,908</u></u>

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

DESOTO COUNTY EDUCATION FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The DeSoto County Education Foundation, Inc. (“Foundation”), a not-for-profit corporation, was established on May 19, 1997. Its purpose is to focus the private sector upon enhancing the quality of and support for public education.

Reporting Entity

The Foundation provides specific financial benefits to the School District. Under the criteria established in Governmental Accounting Standards Board (GASB) 14, as amended, the Foundation is a component unit of the District School Board of Desoto County (School District).

Basis of Presentation

The Foundation, being a component unit of a local government, has elected to prepare its financial statements in accordance with accounting standards established by the GASB. In accordance with the provisions of GASB 34 as amended, the Foundation uses enterprise fund accounting and financial reporting. For financial reporting purposes, the Foundation is presented as a stand alone enterprise fund.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The financial statements of the Foundation are reported using the economic resource measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time the liability is incurred.

The basic financial statements required for enterprise funds by GASB 34 are a statement of net position or a balance sheet; a statement of revenues, expenses, and changes in net position; and a statement of cash flows. The Foundation consists of only one fund.

The Foundation distinguishes *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services in connection with the Foundation’s principal ongoing operations. The principal operating revenues of the Foundation are contributions and grant activities. Operating expenses are those costs incurred in connection with Foundation programs and general and administrative costs. All revenues and expenses not meeting the above criteria are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Foundation’s policy to use restricted resources first, then unrestricted resources as they are needed.

The Foundation is not required to legally adopt a budget; therefore, no budgetary information is included.

Cash and Cash Equivalents

For the purpose of the Statement of Cash Flows, the Foundation considers cash and cash equivalents to be cash on hand, cash in banks, and all highly liquid investments with an initial maturity of three months or less when acquired, including restricted cash.

DESOTO COUNTY EDUCATION FOUNDATION, INC.
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Estimates

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

Income Tax Status

The Foundation is exempt from federal income taxes under Section 501(c) (3) of the Internal Revenue Code and, has been classified as an organization other than a private foundation. Therefore, no provisions for federal or state income tax are included in these financial statements.

Net Position

Net position is divided into three categories:

- *Investment in capital assets* – consist of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding and was used to finance those assets of which the Foundation has none at June 30, 2020.
- *Restricted net position* – consist of amounts constrained to specific purposes by their providers (such as grantors and contributors), through grant agreements or contributor restrictions.
- *Unrestricted* – all other net position are reported in this category.

NOTE 2 – CONCENTRATION OF CREDIT RISK

Cash

Custodial credit risk is the risk that in the event of a bank failure, the Foundation’s deposits may not be returned to it. The Foundation maintained deposits in a single financial institution, which may at times exceed amounts covered by insurance provided by the U.S. Federal Deposit Insurance Corporation (FDIC), which is \$250,000. As of June 30, 2020, the Foundation’s uninsured cash balances totaled \$211,830. The Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risks related to deposits.

Cash and cash equivalents at June 30, 2020, including restricted amounts, consists of:

Demand deposits	\$ 191,751
Certificates of deposit	<u>250,000</u>
Total cash and cash equivalents	<u>\$ 441,751</u>

NOTE 3 – RELATED PARTY TRANSACTIONS

As described in Note 1, the Foundation is a component unit of the DeSoto County District School Board. Because the operations of the Foundation and the School District are so closely interrelated, the grant activities for Foundation grants are performed by the School District and then reimbursed by the Foundation. During the year, the Foundation reported expenses of \$37,251 that the School District incurred for an attendance program, teacher training, and grant related program expenses.

DeSOTO COUNTY EDUCATION FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 4 – RESTRICTED CASH AND CASH EQUIVALENTS

Restricted cash and cash equivalents represent contributions received that were restricted by the donor for scholarships to be awarded or grant activity.

NOTE 5 – RESTRICTED NET POSITION

Restricted net position restricted for scholarships represents funds received from various donors for scholarship programs. The \$2,000 nonexpendable portion is a permanent fund, the income of which is to be used to purchase trophies for the outstanding male and female athletes. The funds restricted for grants/projects must be used in accordance with its corresponding contract or agreement.

NOTE 6 – COMMITMENTS

At June 30, 2020, the Foundation has awarded but not paid \$39,975 of scholarships. These scholarship payments will be funded from restricted cash and recorded as expenses at the time the student provides the required documentation for the payment of the award.

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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*

Board of Directors
DeSoto County Education Foundation, Inc.

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 the business-type activities of DeSoto County Education Foundation, Inc. (a non-profit organization), a component unit of the DeSoto County District School Board, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Foundation's basic financial statements, and have issued our report thereon dated October 19, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the DeSoto County Education Foundation'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the DeSoto County Education Foundation Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance 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 noncompliance 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 Foundation'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


Wicks, Brown, Williams & Co. CPA's LLP
Wicks, Brown, Williams & Co., CPA's LLP
Sebring, Florida

October 19, 2020