

2020

Hernando County Education Direct Support
Organization, Inc.

Financial Statements and
Independent Auditor's Report

June 30, 2020

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

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

JUNE 30, 2020

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and major fund of the Hernando County Education Direct Support Organization, Inc. (the Organization) as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Organization'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 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.

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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 respective financial position of the business-type activities and major fund of the Organization as of June 30, 2020 and 2019, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As more fully described in Note 1 to the financial statements, the Organization changed to reporting in conformity with the Governmental Accounting Standards Board from the Financial Accounting Standards Board for the years ended June 30, 2020 and 2019.

As more fully described in Note 1 to the financial statements, the Organization may be operationally and financially impacted by the outbreak of the novel coronavirus (COVID-19) pandemic.

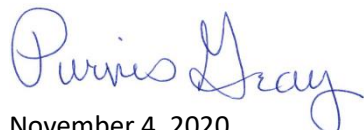
Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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 November 4, 2020, 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.



November 4, 2020
Ocala, Florida

**HERNANDO COUNTY EDUCATION DIRECT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020**

This section of the Hernando County Education Direct Support Organization, Inc. (the Organization) annual financial report presents our discussion and analysis of financial performance for the fiscal periods ended on June 30, 2020 and 2019. Please read it in conjunction with the preceding Accountant's Audit Report and financial statements following this section.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of a series of financial statements. The Statements of Net Position and the Statements of Revenues, Expenses, and Changes in Net Position provide information about activities and present a longer-term view of financial position. The Statements of Cash Flows provides information regarding net cash from (used in) various activities.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. These notes are an integral part of these financial statements and should be read as a part of the financial statements in order for the reader to have a clear understanding of activities and performance.

FINANCIAL HIGHLIGHTS

- The Organization's overall combined net position totaled \$876,958 as of the year ended June 30, 2020, as compared to \$573,463 as of the year ended June 30, 2019.
- Unrestricted net position totaled \$65,112 and \$96,553 for the years ended June 30, 2020 and 2019, respectively. These funds represent monies available to provide academic program support to students, teachers and staff in Hernando County Public Schools, as well as general and administrative support.
- Restricted net position totaled \$811,846 and \$476,910 for the years ended June 30, 2020 and 2019, respectively. These funds represent monies which have been limited by donors for a specific purpose.

FINANCIAL ANALYSIS

	<u>2020</u>	<u>2019</u>
Current Assets	\$ 923,817	\$ 602,299
Total Assets	<u>923,817</u>	<u>602,299</u>
Current Liabilities	46,859	28,836
Total Liabilities	<u>46,859</u>	<u>28,836</u>
Net Position		
Unrestricted	65,112	96,553
Restricted	811,846	476,910
Net Positon at End of Year	<u>\$ 876,958</u>	<u>\$ 573,463</u>

**HERNANDO COUNTY EDUCATION DIRECT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020**

In comparing 2020 activity to 2019 activity, we note the following:

Total assets increased by 53.4%, or \$321,518. Part of the increase in assets was caused by a \$224,000 donated property - held for sale.

There was a net increase in total liabilities of \$18,023, due primarily to a \$25,511 addition of a Short-Term Note Payable – Payroll Protection Program.

Total net position increased by \$303,495.

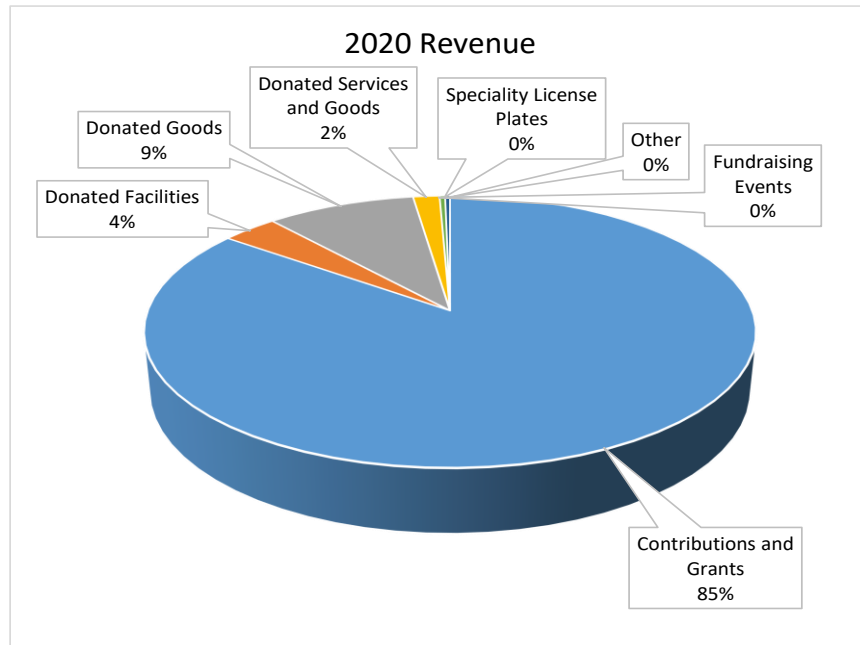
CHANGES IN NET POSITON

	<u>2020</u>	<u>2019</u>
Revenue:		
Contributions and Grants	\$ 1,038,221	\$ 891,021
Donated Facilities	42,000	42,000
Donated Goods	111,500	134,972
Donated Services and Goods	19,733	45,030
Fundraising Events	-	112,065
Speciality License Plates	4,144	3,045
Other	3,643	90
Total Revenue	<u>1,219,241</u>	<u>1,228,223</u>
Expenses:		
Grant Related Salary	366,711	453,353
Administration Salary	78,685	67,334
Scholarship Awards	29,500	26,000
Grants to Schools	190,827	140,775
Insurance	7,703	6,222
Bank Charges	313	206
Events and Fundraising	36,592	11,199
Memberships and Licenses	3,627	5,473
Janitorial	893	-
Program Support	3,540	35,586
Professional Fees	35,493	60,904
Fundraising Expenses	1,840	3,963
Postage and Freight	456	-
Recognition Awards	2,600	7,200
Training	4,713	3,051
Supplies	26,876	21,297
Advertising and Marketing	4,053	4,919
Travel Expenses	4,415	21,996
Miscellaneous	9,771	5,056
Donated Facilities	42,000	42,000
Grants to Teachers - Tools 4 Schools	45,405	51,991
Donated Services and Goods	19,733	45,030
Total Expenses	<u>915,746</u>	<u>1,013,555</u>
Change in Net Position	303,495	214,668
Net Position at Beginning of Year	<u>573,463</u>	<u>358,795</u>
Net Position at End of Year	<u>\$ 876,958</u>	<u>\$ 573,463</u>

**HERNANDO COUNTY EDUCATION DIRECT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020**

Significant differences between 2020 and 2019 revenues and expenses are discussed below:

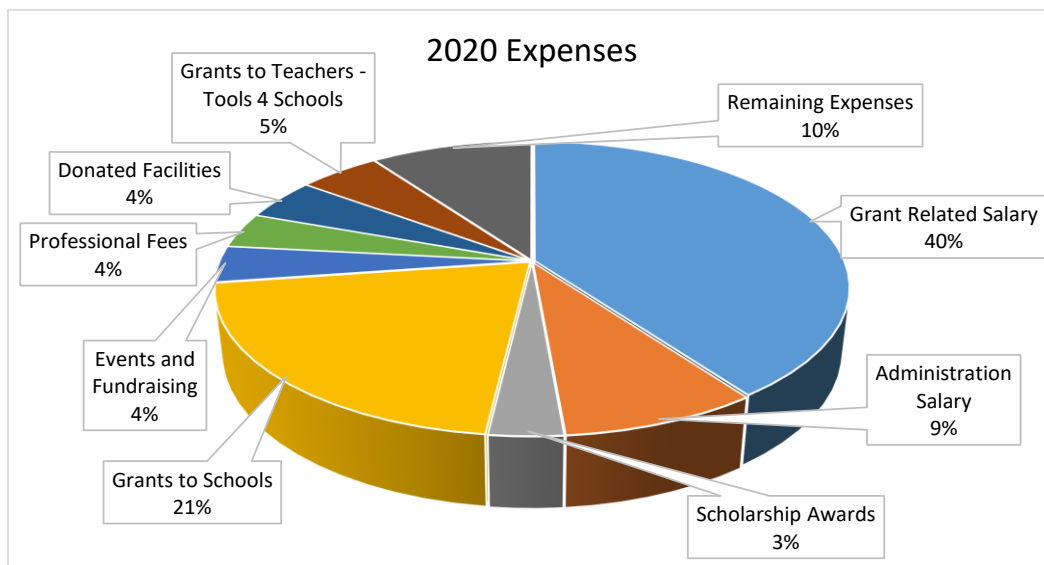
REVENUES



Operating Revenue – Overall Operating Revenue decreased by 0.7%, or \$8,982, with Fundraising Events decreasing by \$112,065, due to events being cancelled related to COVID-19. There was also a \$147,200 increase in Contributions and Grants.

Contributions and Grants consists of contributions and STEAM grant.

EXPENSES



**HERNANDO COUNTY EDUCATION DIRECT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020**

Program Expenses – Overall Expenses decreased by 9.7%, or \$97,809, with Grant Related Salary Expenses decreasing by \$86,642, due to events related to COVID-19. There was also a \$32,046 decrease in Program Support. Administrative related salaries represent 9% of total expenses. In addition, professional fees were STEAM grant related.

OTHER

During March 2020, a global pandemic was declared by the World Health Organization related to the rapidly growing outbreak of a novel strain of coronavirus (COVID-19). The pandemic has significantly impacted the economic conditions in the United States, with accelerated effects in February and March, as federal, state, and local governments reacted to the public health crisis, creating significant uncertainties in the United States economy. In the interest of public health and safety, face to face teaching at schools was halted and students completed the remainder of the school year online. Several special events were canceled for the Organization due to COVID-19, and the potential impact on contributions and donations are unknown at this time. Donations of supplies are likely to decline if businesses that typically contribute are financial strapped, and the need for some supplies may also decline as more students elect to complete their education online, or if face to face teaching is again halted.

While there is uncertainty on the ongoing effects of COVID-19, the Organization is still positioned to continue to provide the District with resources to assist in carrying out its mission to financially and materially support Hernando County Public Schools, its students, and teachers.

REQUESTS FOR INFORMATION

This section of the Organization's annual financial report is designed to provide a general overview of the Organization's finances. Questions about any of the information provided in this report or requests for additional financial information should be addressed to the Hernando County Education Foundation at 900 Emerson Rd, Brooksville, Florida 34601.

FINANCIAL STATEMENTS

**STATEMENT OF NET POSITION
AS OF JUNE 30, 2020 AND 2019
HERNANDO COUNTY EDUCATION DIRECT SUPPORT ORGANIZATION, INC.
BROOKSVILLE, FLORIDA**

ASSETS

	2020	2019
Assets		
Cash and Cash Equivalents	\$ 226,606	\$ 234,865
Grant Receivable	179,107	127,306
Annual Campaign Receivable	-	10,600
Accounts Receivable - Other	1,500	1,314
Prepaid Expenses	3,276	4,981
Inventory - Tools 4 Schools	245,703	180,503
Inventory - Operation Cinderella and Other Donated Items	43,625	42,730
Assets Held for Sale	224,000	-
Total Assets	923,817	602,299

LIABILITIES AND NET POSITION

Liabilities		
Accounts Payable	2,168	7,000
Accrued Payroll and Related Expenses	8,680	21,836
Other Accrued Liabilities	10,500	-
Short-Term Note Payable - Payroll Protection Program	25,511	-
Total Liabilities	46,859	28,836
Net Position		
Unrestricted	65,112	96,553
Restricted:		
Tools 4 Schools	292,271	228,469
Operation Cinderella	43,625	42,730
Scholarships	348,300	120,922
Classroom Grants/School Donations	127,650	84,789
Total Net Position	\$ 876,958	\$ 573,463

See accompanying notes.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019
HERNANDO COUNTY EDUCATION DIRECT SUPPORT ORGANIZATION, INC.
BROOKSVILLE, FLORIDA

	<u>2020</u>	<u>2019</u>
Operating Revenues:		
Government Grant - STEAM	\$ 413,801	\$ 559,042
Contributions - Unrestricted	364,370	265,979
Contributions - Scholarships	36,050	66,000
Contributions - Scholarships - Donated Capital	224,000	-
Specialty License Plate Revenue	4,144	3,045
Donated Facilities	42,000	42,000
Donated Goods - Tools 4 Schools	110,605	127,942
Donated Goods - Operation Cinderella	895	7,030
Donated Services and Goods	19,733	45,030
Other	3,643	90
Fundraising Events	-	112,065
Total Operating Revenues	<u>1,219,241</u>	<u>1,228,223</u>
Operating Expenses		
Program Services:		
Salary Expenses (Administration and Grant Related)	445,396	520,687
Scholarship Awards	29,500	26,000
Grants to Schools	190,827	140,775
Insurance	7,703	6,222
Bank Charges	313	206
Events and Fundraising	36,592	11,199
Memberships and Licenses	3,627	5,473
Janitorial	893	-
Program Support	3,540	35,586
Professional Fees	35,493	60,904
Fundraising Expenses	1,840	3,963
Postage and Freight	456	-
Recognition Awards	2,600	7,200
Training	4,713	3,051
Supplies	26,876	21,297
Advertising and Marketing	4,053	4,919
Travel Expenses	4,415	21,996
Miscellaneous	9,771	5,056
Donated Facilities	42,000	42,000
Grants to Teachers - Tools 4 Schools	45,405	51,991
Donated Services and Goods	19,733	45,030
(Total Operating Expenses)	<u>(915,746)</u>	<u>(1,013,555)</u>
Operating Income	<u>303,495</u>	<u>214,668</u>
Increase in Net Position	303,495	214,668
Net Position, Beginning of Year	<u>573,463</u>	<u>358,795</u>
Net Position, End of Year	<u>\$ 876,958</u>	<u>\$ 573,463</u>

See accompanying notes.

STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019
HERNANDO COUNTY EDUCATION DIRECT SUPPORT ORGANIZATION, INC.
BROOKSVILLE, FLORIDA

	<u>2020</u>	<u>2019</u>
Cash Flows from Operating Activities		
Receipts from Contributions	\$ 411,020	\$ 255,379
Receipts from Government Grants	366,144	570,603
Other Receipts	3,457	179,886
Payments to Employees for Services	(458,552)	(539,204)
Payments to Vendors	(135,512)	(266,503)
Payments for Scholarships Awarded	(29,500)	(26,000)
Payments for School Grants/Donations	(190,827)	(140,775)
Net Cash Provided by (Used in)		
Operating Activities	<u>(33,770)</u>	<u>33,386</u>
Cash Flows from Capital and Related Financing Activities		
Proceeds from Short-Term Note Payable	25,511	-
Net Cash Used in Financing Activities	<u>25,511</u>	<u>-</u>
Net (Decrease) Increase in Cash and Cash Equivalents	(8,259)	33,386
Cash and Cash Equivalents at Beginning of Year	<u>234,865</u>	<u>201,479</u>
Cash and Cash Equivalents at End of Year	<u>\$ 226,606</u>	<u>\$ 234,865</u>
Reconciliation of Operating Income to Net Cash		
Used in (Provided by) Operating Activities		
Operating Income	\$ 303,495	\$ 214,668
Adjustments to Reconcile Operating Income to Net Cash		
Provided (Used) by Operating Activities:		
Donated Items	(290,095)	(82,981)
Decrease (Increase) in:		
Grants and Other Receivables	(41,387)	(353)
Prepaid Expenses	1,705	(1,457)
Inventory	-	(57,026)
Increase (Decrease) in:		
Accounts Payable and Accrued Expenses	(7,488)	(39,465)
Total Adjustments	<u>(337,265)</u>	<u>(181,282)</u>
Net Cash Used in (Provided by) Operating Activities	<u>\$ (33,770)</u>	<u>\$ 33,386</u>
Supplemental Information:		
Non-Cash Donations		
Donated Inventory (Tools 4 Schools Program and Operation Cinderella)	\$ 111,500	\$ 134,972
Donated Facilities	42,000	42,000
Donated Property (Held for Sale)	224,000	-
School Donations	19,733	-
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 2020, the Organization received a large donation of supplies for this program from the Kids Wish Network valued at approximately \$86,000.

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The financial statements of the Organization have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting.

The Organization prepares its financial statements using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when incurred.

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, which contains restricted and unrestricted components. The Organization's operating account includes unrestricted and restricted resources, representing the portion of expendable and non-expendable funds that are available for support of operations and funds available for use in accordance with specific restrictions, respectively. When both restricted and unrestricted resources are available for use, it is the Organization's policy to use restricted resources first, then unrestricted resources as they are needed.

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.

Classification of Revenues and Expenses

The Organization classifies its revenues and expenses as operating or non-operating. Operating revenues include the primary activities of contributions from donors, program revenues, special events, and other activities. Operating Expenses include the primary activities of grants to schools, salaries, fundraising, and other expenses. Non-operating expenses include support expenses and other miscellaneous expenses.

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.

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

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.

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.

Assets Held for Sale

Land was donated with an appraised value of \$224,000; the land is held for sale and restricted for scholarships upon sale of the asset.

Subsequent Events

The Organization has evaluated events and transactions for potential recognition or disclosure in the financial statements through November 4, 2020, the date the financial statements were available to be issued.

COVID-19

During the year, the COVID-19 pandemic has created economic disruptions throughout the country resulting in significant declines in the financial markets and economic activity overall. Special events that were scheduled to occur after March 2020 were canceled during the pandemic. The ultimate effects of these items are expected to be significant but are not quantifiable at this time.

Change in Reporting

The Organization's Board of Directors are subject to approval of a controlling majority of the members of the governing board by the Hernando County School District, which subjects the Organization to the accounting standards promulgated by the GASB. In the prior year the Organization reported in conformity with Financial Accounting Standards Board but for the year ended June 30, 2020, the Organization is now reporting in conformity with GASB. Below is a list of the primary changes from the prior year:

- Net Assets With and Without Donor Restrictions have been reclassified to meet GASB reporting to include Unrestricted Net Position, Net Investment in Capital Assets, and Restricted Net Position.
- A Management Discussion and Analysis, which is required supplementary information, has been added.
- Some changes to financial disclosures have been updated for terminology and other GASB related disclosures.

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

The changes have the following effect on net assets at June 30, 2019:

	<u>As Originally Presented</u>	<u>Updated for GASB Presentation</u>
Net Position		
Unrestricted	\$ -	\$ 96,553
Restricted:		
Tools 4 Schools	-	228,469
Operation Cinderella	-	42,730
Scholarships	-	120,922
Classroom Grants/School Donations	-	84,789
Total Net Position	<u>\$ -</u>	<u>\$ 573,463</u>
Net Asset Class		
Net Assets Without Donor Restrictions	\$ 98,869	\$ -
Net Assets With Donor Restrictions	474,594	-
Total Net Assets	<u>\$ 573,463</u>	<u>\$ -</u>

Note 2 - Specialty License Plate Revenue

For the fiscal year ended June 30, 2020, the Organization received \$4,244 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 - Restricted Net Position

At June 30, 2020, the Organization had a restricted net position of \$522,518. 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>2020</u>	<u>2019</u>
Tools 4 Schools	\$ 46,568	\$ 47,966
Scholarships	348,300	120,922
Classroom Grants/School Donations	127,650	84,789
Total	<u>\$ 522,518</u>	<u>\$ 253,677</u>

Note 4 - 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.

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

Note 5 - 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 2020 fiscal year was \$42,000, and the amount recognized for 2019 was \$42,000.

Note 6 - STEAM Grant

The Organization was awarded a Department of Education 21st Century Education Center (STEAM) grant. Total federal expenditures in the program were approximately \$413,801 including indirect costs. 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.

Note 7 - Short-Term Debt

Due to the COVID-19 Pandemic, the President signed into law the *Paycheck Protection Program Flexibility Act of 2020* (PPP Act) to amend the Small Business Administration’s (SBA) Paycheck Protection Program (PPP) loan program enacted under the *Coronavirus Aid, Relief, and Economic Security Act of 2020* (CARES Act). The Organization received \$25,052 through the PPP loan program. The loan will be fully forgiven if the funds received are used for payroll costs, interest on mortgages, rent, and utilities. At least 60% of the loan must have been used for payroll expenses. As of June 30, 2020, the loan has not been forgiven. However, the Organization is confident most, if not all, loan expenses are related to payroll across the 24-week forgiveness period.

The following is a summary of changes in debt:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Business Type Activities:					
PPP Short-Term Loan	\$ -	\$ 25,511	\$ -	\$ 25,511	\$ 25,511

Note 8 - Subsequent Events

The Organization’s STEAM funding agreement with the Florida Department of Education ended July 31, 2020, and the Organization has been notified that the agreement will not be extended for the 2020 - 2021 fiscal year. The Organization has, accordingly, made staffing and programmatic changes.

Effective for the 2020 - 2021 scholastic year the Organization took over administration for Take Stock in Children a non-profit organization offering comprehensive services working to offer college scholarships to students and provide volunteer mentors. The Florida Prepaid program was utilized to facilitate this change.

**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 the business-type activities of Hernando County Education Direct Support Organization, Inc. (the Organization), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Organization's basic financial statements, and have issued our report thereon dated November 4, 2020.

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) as a basis for designing 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. 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:

CERTIFIED PUBLIC ACCOUNTANTS

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An Independent Member of the BDO Alliance USA

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.

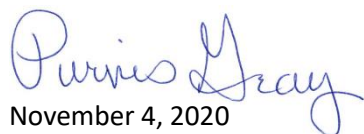
This issue is common with small organizations of this size. It is our understanding that the Organization has an audit and finance committee that was formed to oversee accounting transactions and financial statements and reports. Additional oversight is provided by the Board of Directors (the Board) 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 4, 2020
Ocala, Florida



Chief Executive Officer

Tammy Brinker

President

Debra Myers

Vice President

Kandice Christmas

Secretary/Treasurer

Debbye Warrell

Marketing & Communications

Carly Mullins

Past President

Ben Prescott

Board of Directors

Lisa Becker

Karen Dove

Devon Overmyer Jr.

Joe Pastore

Justen Early

Linda Prescott

Jeff Holcomb

Fred Weber

Eric Sangvic

Billy Healis

Paul Douglas

Rich Linkul

Shannon Rodriguez

Michael Gunther

Jarvis Upshaw

Gus Guadagnino (Ex-Officio)

Ray Mooney (Ex-Officio)

Date: November 4, 2020

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, 2020 Independent Auditor's Report:

2014-1 Segregation of Duties – Our CPA firm recommends that Hernando County Education Foundation Board of Director's and Finance and Audit Committee continue to oversee all accounting functions. In 2014 management put into place a Finance and Audit Committee that meets on monthly financials overseeing all aspects of 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 any time at 352-544-6418.

Sincerely,

Tammy Brinker

Tax ID# 59-3031959

Tammy Brinker
 Executive Director
 Hernando County Education Foundation
brinker_t@hcsb.k12.fl.us
 352-544-6418



The Hernando County Education Foundation is a non-profit 501©3 organization Dedicated in Creating Partnerships that Advance Student Achievement and Promote Excellence within Hernando County Public Education.

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