

# 2021

Hernando County Education Direct Support  
Organization, Inc.

Financial Statements and  
Independent Auditor's Report

June 30, 2021

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

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

**JUNE 30, 2021**

**TABLE OF CONTENTS**

<b>Independent Auditor’s Report</b> .....	1-2
<b>Management’s Discussion and Analysis</b> .....	3-6
<b>Financial Statements</b>	
Statements of Net Position .....	7
Statements of Revenues, Expenses, and Changes in Fund Net Position.....	8
Statements of Cash Flows .....	9
Notes to Financial Statements .....	10-14
<b>Additional Elements of Report Prepared in Accordance with Government Auditing Standards, Issued by the Comptroller General of the United States</b>	
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 <i>Government Auditing Standards</i> .....	15-16
Management Response Letter .....	17

## 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 activity and major fund of the Hernando County Education Direct Support Organization, Inc. (the Organization) as of and for the years ended June 30, 2021 and 2020, 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 basic 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 basic 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 basic 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 basic 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

Gainesville | Ocala | Tallahassee | Sarasota | Orlando | Lakeland

purvisgray.com

Members of American and Florida Institutes of Certified Public Accountants

An Independent Member of the BDO Alliance USA

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

## INDEPENDENT AUDITOR'S REPORT

### Opinion

In our opinion, the basic 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, 2021 and 2020, 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.

### 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 January 6, 2022, on our consideration of the Organization'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 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.



January 6, 2022  
Ocala, Florida

**HERNANDO COUNTY EDUCATION DIRECT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2021**

This section of the Hernando County Education Direct Support Organization, Inc.'s (the Organization) annual financial report presents our discussion and analysis of financial performance for the fiscal periods ended on June 30, 2021 and 2020. 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 long-term view of financial position. The Statements of Cash Flows provide 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 \$1,253,153 as of the year ended June 30, 2021, as compared to \$876,958 as of the year ended June 30, 2020.
- Unrestricted net position totaled \$106,805 and \$65,112 for the years ended June 30, 2021 and 2020, 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 \$1,152,348 and \$811,846 for the years ended June 30, 2021 and 2020, respectively. These funds represent monies which have been limited by donors for a specific purpose.

**FINANCIAL ANALYSIS**

	<u>2021</u>	<u>2020</u>
Current Assets	\$ 1,289,598	\$ 923,817
<b>Total Assets</b>	<u>1,289,598</u>	<u>923,817</u>
Current Liabilities	30,445	46,859
<b>Total Liabilities</b>	<u>30,445</u>	<u>46,859</u>
Net Position		
Unrestricted	106,805	65,112
Restricted	1,152,348	811,846
<b>Net Position at End of Year</b>	<u>\$ 1,259,153</u>	<u>\$ 876,958</u>

**HERNANDO COUNTY EDUCATION DIRECT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2021**

In comparing 2021 activity to 2020 activity, we note the following:

Total assets increased by 39.60%, or \$365,781. Part of the increase in assets was caused by a \$326,610 Take Stock in Children Scholarships donation.

There was a net decrease in total liabilities of \$(16,414), due primarily to current year use of a \$25,511 addition of a Short-Term Note Payable – Payroll Protection Program received in the prior year.

Total net position increased by \$382,195.

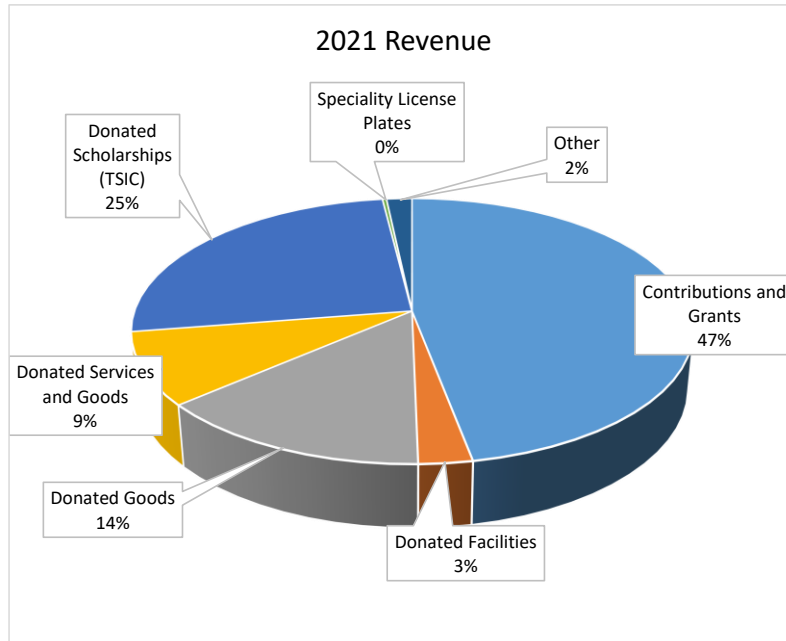
**CHANGES IN NET POSITON**

	<u>2021</u>	<u>2020</u>
Revenue:		
Contributions and Grants	\$ 733,506	\$ 1,038,221
Donated Facilities	42,000	42,000
Donated Goods	217,912	111,500
Donated Services and Goods	138,208	19,733
Donated Scholarships (TSIC)	398,284	-
Speciality License Plates	4,164	4,144
Other	26,352	3,643
Total Revenue	<u>1,560,426</u>	<u>1,219,241</u>
Expenses:		
Grant Related Salary	152,445	366,711
Administration Salary	178,412	78,685
Scholarship Awards	32,825	29,500
Grants to Schools	141,488	190,827
Insurance	5,785	7,703
Bank Charges	64	313
Events and Fundraising	35,007	38,432
Memberships and Licenses	5,410	3,627
Janitorial	1,356	893
Program Support	6,129	3,540
Professional Fees	15,697	35,493
Fundraising Expenses	-	-
Postage and Freight	240	456
Recognition Awards	10,614	2,600
Training	441	4,713
Supplies	13,135	26,876
Advertising and Marketing	4,297	4,053
Travel Expenses	2,762	4,415
Miscellaneous	4,260	9,771
Donated Facilities	42,000	42,000
Grants to Teachers - Tools 4 Schools	303,656	45,405
Write Down of Land Held for Sale	84,000	-
Donated Services and Goods	138,208	19,733
Total Expenses	<u>1,178,231</u>	<u>915,746</u>
<b>Change in Net Position</b>	382,195	303,495
<b>Net Position at Beginning of Year</b>	<u>876,958</u>	<u>573,463</u>
<b>Net Position at End of Year</b>	<u>\$ 1,259,153</u>	<u>\$ 876,958</u>

**HERNANDO COUNTY EDUCATION DIRECT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2021**

Significant differences between 2021 and 2020 revenues and expenses are discussed below:

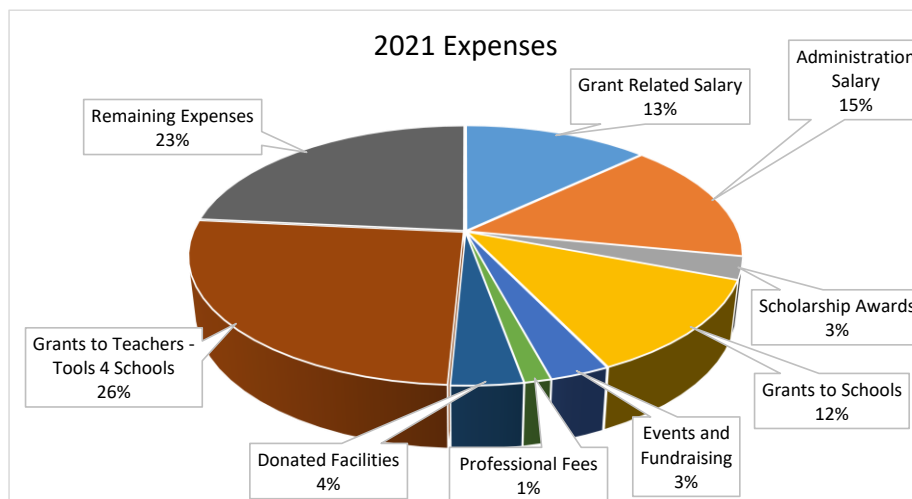
**REVENUES**



**Operating Revenue** – Overall Operating Revenue increased by 28%, or \$341,185. This increase was related to the new program Take Stock in Children and more Tools 4 Schools donations that offset the reduction of STEAM grant proceeds.

**Contributions and Grants** consists of contributions and STEAM grant.

**EXPENSES**



**HERNANDO COUNTY EDUCATION DIRECT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2021**

**Program Expenses** – Overall Expenses increased by 28.7%, or \$262,485, with STEAM related expenses decreasing by \$214,266, due to events related to COVID-19 closures in the prior year. The overall increase was related to significantly higher donated goods for both the annual campaign and Tools 4 Schools, and the combined total was \$376,276. In addition, the land held for sale was written down to the purchase price for a reduction of \$84,000.

**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**

**STATEMENTS OF NET POSITION  
AS OF JUNE 30, 2021 AND 2020  
HERNANDO COUNTY EDUCATION DIRECT SUPPORT ORGANIZATION, INC.  
BROOKSVILLE, FLORIDA**

**ASSETS**

	<b>2021</b>	<b>2020</b>
<b>Assets</b>		
Cash and Cash Equivalents	\$ 506,442	\$ 226,606
Grant Receivable	101,541	179,107
Take Stock in Children Receivable	8,014	-
Accounts Receivable - Other	-	1,500
Prepaid Expenses	3,436	3,276
Inventory - Tools 4 Schools	159,189	245,703
Inventory - Operation Cinderella and Other Donated Items	44,395	43,625
Take Stock in Children Scholarship (Contract Value)	326,581	-
Land Held for Sale	140,000	224,000
<b>Total Assets</b>	<b>1,289,598</b>	<b>923,817</b>

**LIABILITIES AND NET POSITION**

<b>Liabilities</b>		
Accounts Payable	30,445	2,168
Accrued Payroll and Related Expenses	-	8,680
Other Accrued Liabilities	-	10,500
Short-Term Note Payable - Payroll Protection Program	-	25,511
<b>Total Liabilities</b>	<b>30,445</b>	<b>46,859</b>
<b>Net Position</b>		
Unrestricted	106,805	65,112
Restricted:		
Tools 4 Schools	215,388	292,271
Operation Cinderella	44,395	43,625
Scholarships	259,935	348,300
Take Stock in Children	371,116	-
Classroom Grants/School Donations	261,514	127,650
<b>Total Net Position</b>	<b>\$ 1,259,153</b>	<b>\$ 876,958</b>

See accompanying notes.

**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**  
**HERNANDO COUNTY EDUCATION DIRECT SUPPORT ORGANIZATION, INC.**  
**BROOKSVILLE, FLORIDA**

	<u>2021</u>	<u>2020</u>
<b>Operating Revenues:</b>		
Government Grant - STEAM	\$ 170,185	\$ 413,801
Contributions - Unrestricted	527,321	364,370
Contributions - Scholarships	36,000	36,050
Contributions - Scholarships - Donated Capital	-	224,000
Specialty License Plate Revenue	4,164	4,144
Donated Facilities	42,000	42,000
Donated Goods - Tools 4 Schools	217,142	110,605
Donated Goods - Operation Cinderella	770	895
Donated Services and Goods	138,208	19,733
Donated Scholarships (TSIC)	398,284	-
PPP Loan Forgiveness	25,512	-
Other	840	3,643
<b>Total Operating Revenues</b>	<u>1,560,426</u>	<u>1,219,241</u>
<b>Operating Expenses</b>		
Program Services:		
Salary Expenses (Administration and Grant Related)	330,857	445,396
Scholarship Awards	32,825	29,500
Grants to Schools	141,488	190,827
Insurance	5,785	7,703
Bank Charges	64	313
Events and Fundraising	35,007	38,432
Memberships, Dues, & Licenses	5,410	3,627
Janitorial	1,356	893
Program Support	6,129	3,540
Professional Fees	15,697	35,493
Postage and Freight	240	456
Recognition Awards	10,614	2,600
Training	441	4,713
Supplies	13,135	26,876
Advertising and Marketing	4,297	4,053
Travel Expenses	2,762	4,415
Miscellaneous	4,260	9,771
Donated Facilities	42,000	42,000
Grants to Teachers - Tools 4 Schools	303,656	45,405
Write Down of Land Held for Sale	84,000	-
Donated Services and Goods	138,208	19,733
<b>(Total Operating Expenses)</b>	<u>(1,178,231)</u>	<u>(915,746)</u>
<b>Change in Net Position</b>	382,195	303,495
<b>Net Position, Beginning of Year</b>	<u>876,958</u>	<u>573,463</u>
<b>Net Position, End of Year</b>	<u>\$ 1,259,153</u>	<u>\$ 876,958</u>

See accompanying notes.

**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**  
**HERNANDO COUNTY EDUCATION DIRECT SUPPORT ORGANIZATION, INC.**  
**BROOKSVILLE, FLORIDA**

	<b>2021</b>	<b>2020</b>
<b>Cash Flows from Operating Activities</b>		
Receipts from Contributions	\$ 636,524	\$ 411,020
Receipts from Government Grants	243,901	366,144
Other Receipts	841	3,457
Payments to Employees for Services	(339,537)	(458,552)
Payments to Vendors	(87,580)	(135,512)
Payments for Scholarships Awarded	(32,825)	(29,500)
Payments for School Grants	(141,488)	(190,827)
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>279,836</b>	<b>(33,770)</b>
<b>Cash Flows from Capital and Related Financing Activities</b>		
Proceeds from Short-Term Note Payable	-	25,511
<b>Net Cash Provided By (Used in) Financing Activities</b>	<b>-</b>	<b>25,511</b>
<b>Net Increase (Decrease) Increase in Cash and Cash Equivalents</b>	<b>279,836</b>	<b>(8,259)</b>
<b>Cash and Cash Equivalents at Beginning of Year</b>	<b>226,606</b>	<b>234,865</b>
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 506,442</b>	<b>\$ 226,606</b>
<b>Reconciliation of Operating Income to Net Cash Used in (Provided by) Operating Activities</b>		
Operating Income	<b>\$ 382,195</b>	<b>\$ 303,495</b>
Adjustments to Reconcile Operating Income to Net Cash		
Provided (Used) by Operating Activities:		
Net Donated Items Utilized	(211,799)	(290,095)
Land Held for Sale Write Down	84,000	-
Loan Forgiveness	(25,511)	-
Decrease (Increase) in:		
Grants and Other Receivables	71,052	(41,387)
Prepaid Expenses	(160)	1,705
Inventory	(29,038)	-
Increase (Decrease) in:		
Accounts Payable and Accrued Expenses	9,097	(7,488)
Total Adjustments	<b>(102,359)</b>	<b>(337,265)</b>
<b>Net Cash Used in (Provided by) Operating Activities</b>	<b>\$ 279,836</b>	<b>\$ (33,770)</b>
<b>Supplemental Information</b>		
Non-Cash Donations:		
Donated Inventory (Tools 4 Schools Program and Operation Cinderella)	\$ 217,912	\$ 111,500
Donated Facilities	42,000	42,000
Donated Property (Held for Sale)	-	224,000
School Donations	-	19,733
Donated Goods for Annual Campaign	138,208	-
Take Stock in Children Scholarship Donations	326,581	-

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 12<sup>th</sup> 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 4 Schools pantry. The teachers may visit and take supplies for their classrooms and students in need. During 2021, the Organization received a large donation of supplies for this program from the Kids Wish Network valued at approximately \$162,000.

*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**

*Take Stock in Children* – The Organization, through its donors for the Take Stock in Children program, purchases two-year or four-year scholarship contracts from the Florida Prepaid College Foundation. The State of Florida, through the Florida Prepaid College Foundation, matches, dollar-for-dollar, the cost of these scholarship contracts purchases and holds the full value of the scholarship contracts, including changes in the scholarship contracts’ contract value, on behalf of the Organization. In addition, the Organization requests reimbursement from the program for certain operational costs.

**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 statements 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.

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

**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.

**Take Stock in Children Receivable**

The Organization receives quarterly grant installments from the Take Stock in Children program for the reimbursement of operational expenses of the program. As of June 30, 2021 and 2020, accounts receivable of \$8,014 and \$0, respectively, have been recorded for quarterly grant installments unpaid as of these dates. No allowance for uncollectible receivables related to these amounts has been recorded, as these amounts are expected to be collected in the ordinary course of business within a year.

**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 GAAP 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.

**Land Held for Sale**

Land was donated in the prior year with an appraised value of \$224,000; the land is held for sale and restricted for scholarships upon sale of the asset. Subsequent to year-end, the Organization accepted an offer to purchase land held for sale for less than the prior year appraised value. The Organization wrote down the asset to the accepted sales value, \$140,000, as of June 30, 2021.

**Restricted Net Position**

At June 30, 2021, the Organization had a restricted net position of \$1,152,348. 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.

**Subsequent Events**

The Organization has evaluated events and transactions for potential recognition or disclosure in the financial statements through January 6, 2022, the date the financial statements were available to be issued.

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

**Note 2 - Assets Held by Others**

**Take Stock in Children Scholarship Program Overview**

During the fiscal year, the Organization took over the administration of the Take Stock in Children Program from Pasco Hernando State College (PHSC). As part of that process, PHSC provided the remainder of their fundraising account (\$12,210) to allow for the Organization to purchase scholarships in the future.

The Organization, through its donors for the Take Stock in Children program, will purchase two-year or four-year scholarship contracts from the Florida Prepaid College Foundation. The State of Florida, through the Florida Prepaid College Foundation, matches, dollar-for-dollar, the cost of these scholarship contracts purchases and holds the full value of the scholarship contracts, including changes in the scholarship contracts' contract value, on behalf of the Organization.

The Organization exercises control over these scholarship contracts by selecting students from Hernando County School District to participate in the Take Stock in Children program. Upon completion of the program and graduation from high school, the full contract value of these scholarship contracts are provided to the students for their college education. Any unused scholarships may be reinvested in new scholarship contracts to be provided to new students or existing students.

	<b>2021</b>	<b>2020</b>
<b>Contract Value Transferred</b>	\$ 326,581	\$ -

**Contract Value**

The Organization has reported the current value of the scholarship contracts based on information provided by the Florida Prepaid College Foundation, which values the scholarship contracts based on available hours on the contract and the average rates paid to Florida universities and colleges.

**Florida Prepaid Scholarships Utilized, Net of Value Adjustment**

The Organization has reported the Florida Prepaid Scholarships Utilized, Net of Value Adjustment based on information provided by the Florida Prepaid College Foundation. This component consists of changes in the value of the scholarship related to the scholarships usage by students, as well as changes in the value of the scholarship contracts as a result of changes in tuition costs at Florida universities and colleges.

Rollback Refund – After assuming administrative control over the program, the Organization received a refund from Florida Prepaid in the amount of \$29,912. Through an audit at the Florida Prepaid program it was determined that the actual college tuition rates realized were less actuarial contract values purchased. Therefore, Florida Prepaid had excess funds that were returned to the purchaser. Since the Organization took over for PHSC, they received the refund. The Organization anticipates utilizing the funds to purchase scholarships in the 2022 fiscal year.

**Note 3 - Specialty License Plate Revenue**

For the fiscal year ended June 30, 2021, the Organization received \$4,163 of specialty license plate revenue from the State of Florida Department of Highway Safety and Motor Vehicles.



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

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 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.

**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 2021 fiscal year was \$42,000, and the amount recognized for 2020 was \$42,000.

**Note 6 - STEAM Grant**

The Organization was awarded a Department of Education 21<sup>st</sup> Century Education Center STEAM grant. Total federal expenditures in the program were approximately \$170,185, 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* (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* (CARES Act). The Organization received \$25,512 through the PPP loan program. The loan was fully forgiven as of June 30, 2021.

**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, 2021, and the related notes to the financial statements, which collectively comprise the Organization's basic financial statements, and have issued our report thereon dated January 6, 2022.

**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 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 a certain deficiency in internal control that we considered to be a significant deficiency:

CERTIFIED PUBLIC ACCOUNTANTS

Gainesville | Ocala | Tallahassee | Sarasota | Orlando | Lakeland

purvisgray.com

Members of American and Florida Institutes of Certified Public Accountants

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 and Executive Committee.

We recommend that the Organization continue this oversight to mitigate this condition.

**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 financial statements. 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.



January 6, 2022  
Ocala, Florida



**Chief Executive Officer**

Tammy Brinker

**President**

Kandice Christmas

**President Elect**

Carly Mullins

**Vice President/Marketing**

Shannon Rodriguez

**Secretary/Treasurer**

Debbie Warrell

**Past President**

Debra Myers

**Board of Directors**

John Stratton (Superintendent)

Lisa Becker

Karen Dove

Joe Pastore

Justen Early

Linda Prescott (School Board)

Jeff Holcomb (County Commissioner)

Fred Weber

Eric Sangvic

Billy Healis

Michael Gunther

Jarvis Upshaw

Gus Guadagnino  
(School Board and Ex Officio)

Ray Mooney (Ex Officio)

Ben Prescott (Past President)

Date: January 6, 2022

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, 2020-June 30, 2021 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.

Tax ID: 59-3031959

Sincerely,

*Tammy Brinker*

Tammy Brinker  
Chief Executive Officer  
Hernando County Education Foundation  
[brinker\\_t@hcsb.k12.fl.us](mailto:brinker_t@hcsb.k12.fl.us)  
(Phone) 352-797-7313 (Ext.0)  
(Fax) 352-797-7177



The Hernando County Education Foundation is a non-profit 501(c)(3) organization dedicated to creating partnerships that advance student achievement and promote excellence within Hernando County Public Education.

A COPY OF THE OFFICIAL REGISTRATION AND FINANCIAL INFORMATION MAY BE OBTAINED FROM THE DIVISION OF CONSUMER SERVICES BY CALLING TOLL-FREE WITHIN THE STATE, 1-800-435-7352. REGISTRATION DOES NOT IMPLY ENDORSEMENT, APPROVAL, OR RECOMMENDATION BY THE STATE REGISTRATION #ch2624.