

HIGHLANDS COUNTY EDUCATION
FOUNDATION, INC.

A COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF
HIGHLANDS COUNTY, FLORIDA

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2021 AND 2020

HIGHLANDS COUNTY EDUCATION FOUNDATION, INC.

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MARY H. TILLMAN, CPA, CIA
22704 Cliffside Way – Land O Lakes, FL 34639 – 813.833.4422

INDEPENDENT AUDITOR’S REPORT

To the Board of Directors Highlands County Education Foundation, Inc.
426 School Street
Sebring, FL 33870

Report on the Financial Statements

I have audited the accompanying financial statements of the Highlands County Education Foundation, Inc. (Foundation) a nonprofit organization and component unit of the District School Board of Highlands County, Florida, which comprise the statement of net assets as of June 30, 2021, and the related statements of activities, cash flows and functional expenses for the fiscal year then ended, and the related notes to the financial statements.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal controls 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my 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 I plan and perform the audits 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, I 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. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion based on my audit, the financial statements referred to above present fairly, in all material respects, the net assets of the Highlands County Education Foundation as of June 30, 2021, and related statements of activities, cash flows and functional expenses for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America. Other Reporting Required by Government Auditing Standards In accordance with Government Auditing Standards, I have also issued a report on my consideration of the Foundation's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. This report is included in this document under the heading 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. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Foundation's internal control over financial reporting and compliance.

Respectfully submitted,

A handwritten signature in cursive script that reads "Mary H. Tillman". The signature is written in black ink and is positioned to the left of the typed name.

Mary H. Tillman, CPA, CIA
December 17, 2021

HIGHLANDS COUNTY EDUCATION FOUNDATION, INC.
STATEMENT OF NET ASSETS
AS OF JUNE 30, 2021 AND JUNE 30, 2020

	6/30/2021	6/30/2020
ASSETS		
CURRENT ASSETS		
CASH AND CASH EQUIVALENTS	<u>\$ 845.45</u>	<u>\$ 8,186.84</u>
LIABILITIES	<u>\$ 0.00</u>	<u>\$ 0.00</u>
NET POSITION		
UNRESTRICTED	<u>\$ 845.45</u>	<u>\$ 8,186.84</u>
TOTAL NET ASSETS, UNASSIGNED	<u><u>\$ 845.45</u></u>	<u><u>\$ 8,186.84</u></u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS

HIGHLANDS COUNTY EDUCATION FOUNDATION, INC.
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	PROGRAM REVENUES			
EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS & CONTRIBUTIONS	CAPITAL GRANTS & CONTRIBUTIONS	NET REVENUES & CHANGES IN NET POSITION
PROGRAM SERVICES	\$ 98,000.44		\$ 92,806.00	(\$ 5,194.44)
FUNDRAISING	\$ 0.00			\$ 0.00
ADMINISTRATIVE	\$ 2,170.00			(\$ 2,170.00)
TOTAL EXPENSES	\$ 100,170.44	\$ 0.00	\$ 92,806.00	(\$ 7,364.44)
				GENERAL REVENUES
				UNRESTRICTED INVESTMENT EARNINGS
				\$ 23.05
				CHANGE IN NET ASSETS
				(\$ 7,341.39)
				NET ASSETS - BEGINNING OF FISCAL YEAR
				\$ 8,186.84
				NET ASSETS - END OF FISCAL YEAR
				\$ 845.45

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS

HIGHLANDS COUNTY EDUCATION FOUNDATION, INC.
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

CASH FLOWS FROM OPERATING ACTIVITIES	
INCREASE IN FUND BALANCE	<u>\$ (7,341.39)</u>
CASH/INVESTMENTS AT THE BEGINNING OF THE YEAR	8,186.84
CASH/INVESTMENTS AT THE END OF THE YEAR	<u>\$ 845.45</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS

HIGHLANDS COUNTY EDUCATION FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	PROGRAM SERVICES	FUNDRAISING	ADMINISTRATIVE EXPENSES	TOTAL
SCHOOL MINI GRANTS	\$ 60,333.43			\$ 60,333.43
SUMMIT	\$ 25,667.01			\$ 25,667.01
SCHOLARSHIPS	\$ 12,000.00			\$ 12,000.00
ADMINISTRATIVE			\$2,170.00	\$ 2,170.00
	\$ 98,000.44	\$ 0.00	\$2,170.00	\$100,170.44

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS

Highlands County Education Foundation, Inc.
Notes to Financial Statements
June 30, 2021

1. Summary of Significant Accounting Policies

Organization

The accounting policies and the presentation of the financial report of the Highlands County Education Foundation, Inc. (Foundation) conform to generally accepted accounting principles (GAAP) as applicable to governmental entities. The accounting systems and classifications of accounts conform to the standards of the Governmental Accounting Standards Board (GASB).

Background

The Foundation was established in 1998 as a Florida nonprofit corporation. The purpose of the corporation is to benefit public pre-kindergarten through twelfth grade, adult vocational and community education programs provided by the District School Board of Highlands County (District). The Foundation is a direct support organization of the District as defined by Section 1001.453, Florida Statutes.

According to the Foundation's By-Laws and Articles of Incorporation, the School Board of Highlands County must approve the Foundation's board of directors and has the irrevocable power and authority by majority vote to unilaterally cause the dissolution of the Foundation. Due to these provisions, the Foundation is considered a governmental entity and applies GASB accounting and reporting standards. Also, because of the structure of their relationship, the Foundation is considered a Component Unit of the District and is included in the District's reporting entity.

Measurement Focus, Basis of Presentation, and Financial Statement Presentation

The Foundation prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America for proprietary funds, which is similar to those for private business enterprises. Accordingly, revenues are recorded when earned and expenses are recorded when incurred. As permitted by Government Accounting Standards Board (GASB) Statement of Governmental Accounting Standard (SGAS) No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting, the Foundation has elected to apply Financial Accounting Standards Board statements that are applicable to the Foundation's function and do not conflict with or contradict GASB pronouncements.

Fund Accounting

The Governmental Accounting Standards Board (GASB) issued Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. The statement establishes fund balance classification, provides for a hierarchy of spending constraints for spendable resources and requires disclosure of non-spendable and spendable resources. Spendable resources are to be shown as Restricted, Committed, Assigned and Unassigned as considered appropriate in the Foundation's circumstances.

Income Taxes

The Foundation is exempt from federal income taxes as an organization described in Section 501(c)(3) of the Internal Revenue Code and from state income taxes under the provision of the 7 Florida Statutes. The Foundation is also classified as a public charity under section 509(a)(3) of the Internal Revenue Code.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported accounts

of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Budgetary Information

A budget is prepared annually for the General Fund using encumbrance accounting wherein encumbrances are treated as expenditure in the current period. Encumbrances are recorded when purchase orders are issued but not considered expenditures under GAAP until the liability is incurred. Encumbrances under GAAP are recorded as reservation of fund balance.

2. Related Party Transactions

The District provides financial support to the Foundation by paying payroll and benefits costs for the District staff that provide services to the Foundation on an as-needed basis. The Foundation also uses facilities and related office equipment owned by the District at no cost to the Foundation. The value of these services is not considered to be significant.

3. Cash

Cash on June 30, 2021 totaled \$845.45 and was pooled with the District for cash management purposes.

MARY H. TILLMAN, CPA, CIA

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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*

I 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 Highlands County Education Foundation, Inc. (a nonprofit organization), which comprise the statement of net assets as of June 30, 2021, and the related statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the financial statements, and have issued my report thereon.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the 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 my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, I do not express an opinion on the effectiveness of the Foundation's internal control.

My consideration of internal control was for the limited purpose described in the preceding paragraph 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 were not identified.

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. No material weaknesses were identified in this audit.

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. No significant deficiencies were identified in this audit.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation's financial statements are free from material misstatement, I 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, I do not express such an opinion. No 9 instances of noncompliance were identified in this audit.

Purpose of this Report

The purpose of this report is solely to describe the scope of my 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 Foundation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

A handwritten signature in black ink that reads "Mary H. Tillman". The signature is written in a cursive style with a large, sweeping initial "M".

Mary H. Tillman, CPA, CIA
December 17, 2021