

**HIGHLANDS COUNTY
EDUCATION FOUNDATION,
INC.**

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

Financial Statements

June 30, 2022

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Highlands County Educational Foundation, Inc.
Sebring, Florida

Opinion

We have audited the accompanying financial statements of Highlands County Educational Foundation, Inc. (a nonprofit organization) (the "Foundation"), a component unit of the District School Board of Highlands County, which comprise the statements of financial position as of June 30, 2022, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statement.

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

- Obtain an understanding of internal control relevant to the audit 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 Foundation's internal control. Accordingly, no such opinion is expressed
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Moss, Krusick & Associates, LLC

Winter Park, Florida
October 18, 2022

HIGHLANDS COUNTY EDUCATION FOUNDATION, INC.

STATEMENT OF NET ASSESTS

June 30, 2022

| | <u>2022</u> |
|------------------------------------|------------------|
| ASSETS | |
| Cash and cash equivalents | <u>\$ 10,899</u> |
| Total assets | <u>10,899</u> |
| LIABILITIES | |
| Deferred revenue | <u>\$ 10,000</u> |
| Total liabilities | <u>10,000</u> |
| NET POSITION | |
| Unrestricted | <u>899</u> |
| Total net position | <u>899</u> |
| Total liabilities and net position | <u>\$ 10,899</u> |

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

HIGHLANDS COUNTY EDUCATION FOUNDATION, INC.

STATEMENT OF ACTIVITIES

Year ended June 30, 2022

| | Program Revenues | | | Net (expense) Revenue and Changes in Net Position | |
|--------------------------------------|-------------------|-------------------------|---|--|-------------------------------------|
| | Expenses | Charges for Services | Operating Grant and Contributions | | Capital grants and Contributions |
| Program services | \$ 104,510 | \$ - | \$ 106,715 | \$ - | \$ 2,205 |
| Fundraising | - | - | - | - | |
| Administration | 2,170 | - | - | - | (2,170) |
| Total expenses | <u>\$ 106,680</u> | <u>\$ -</u> | <u>\$ 106,715</u> | <u>\$ -</u> | 35 |
| General revenues: | | | | | |
| Unrestricted investment earnings | | | | | 19 |
| Change in net position | | | | | 54 |
| Net position - beginning of the year | | | | | 845 |
| Net position - end of the year | | | | | <u>\$ 899</u> |

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

HIGHLANDS COUNTY EDUCATION FOUNDATION, INC.

STATEMENT OF CASH FLOWS

Year Ended June 30, 2022

CASH FLOWS FROM OPERATING ACTIVITIES

| | | |
|--|----|----------------------|
| Change in net position | \$ | 54 |
| Change in deferred revenue | | <u>10,000</u> |
| Cash provided from operating activities | | <u>10,054</u> |
| Cash and cash equivalents at beginning of the year | | <u>845</u> |
| Cash and cash equivalents at ending of the year | \$ | <u><u>10,899</u></u> |

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

HIGHLANDS COUNTY EDUCATION FOUNDATION, INC.

STATEMENT OF FUNCTIONAL EXPENCES

Year Ended June 30, 2022

| | Program Services | Fundraising | Administration | Total Expenses |
|--------------------|-----------------------------|--------------------|-----------------------|---------------------------|
| School mini grants | \$ 67,525 | \$ - | \$ - | \$ 67,525 |
| Summit | 24,985 | - | - | 24,985 |
| Scholarships | 12,000 | - | - | 12,000 |
| Administration | - | - | 2,170 | 2,170 |
| Total expenses | <u>\$ 104,510</u> | <u>\$ -</u> | <u>\$ 2,170</u> | <u>\$ 106,680</u> |

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

HIGHLANDS COUNTY EDUCATION FOUNDATION INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

NOTE 1 –SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The accounting policies and presentation of the financial report of the Highlands County Education Foundation, Inc. (the "Foundation") conform to generally accepted accounting principles (GAAP) as applicable to governmental units. The accounting systems and classification 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 (12) grade education provided by the School Board of Highlands County (the "Board"). The Foundation is a direct support organization of the Board as defined by Section 237.40, 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 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. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, 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.

HIGHLANDS COUNTY EDUCATION FOUNDATION INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

NOTE 1 –SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 order are issued but not considered expenditures under GAAP until the liability is incurred. Encumbrances under GAAP are recorded as reservation of fund balance.

Deferred Revenue

Revenues collected for future scholarships are reported as deferred revenue and recognized in future periods when the scholarship is awarded.

Risk and Uncertainties

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the “COVID-19 outbreak”) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Foundation’s financial condition, liquidity, and future results of operation. Management is actively monitoring the global pandemic situation.

Subsequent Events

Management has evaluated the effect subsequent events would have on the financial statements through the date these financial statements were available to be issued on October 18, 2022.

NOTE 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.

NOTE 3 – CASH

Cash on June 30, 2022, totaled \$10,899 and was pooled with the District for cash management purposes.



**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**

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To the Board of Directors
Highlands County Education Foundation, Inc.
Sebring, FL

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 Highlands County Education Foundation, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 18, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Foundation'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 Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

Purpose of this Report

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

Moss, Krusick & Associates, LLC

Winter Park, Florida
October 18, 2022