

2023

Hernando County Education Direct
Support Organization, Inc.

Financial Statements and
Independent Auditor's Report

June 30, 2023

PURVIS GRAY
CERTIFIED PUBLIC ACCOUNTANTS

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

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

JUNE 30, 2023

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

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, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Organization's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activity and major fund of the Organization as of June 30, 2023, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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. 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 Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 Organization's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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

INDEPENDENT AUDITOR'S REPORT

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 opinions. 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 and *Government 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 and *Government 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 statements.
- 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 Organization'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 evaluate 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 Organization'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.

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 is the responsibility of management and, although not a part of the basic financial statements, is required

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

INDEPENDENT AUDITOR'S REPORT

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 6, 2023, 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.

Purvis Gray

October 6, 2023
Ocala, Florida

**HERNANDO COUNTY EDUCATION DIRECT SUPPORT ORGANIZATION, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

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, 2023 and 2022. 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 \$1,493,334 as of the year ended June 30, 2023, as compared to \$1,249,236 as of the year ended June 30, 2022.
- Unrestricted net position totaled \$(7,968) and \$89,848 for the years ended June 30, 2023 and 2022, 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. The decline in unrestricted is related to several restricted programs having overages related to non-cash items (such as scholarships, inventory, etc).
- Restricted net position totaled \$1,469,029 and \$1,146,888 for the years ended June 30, 2023 and 2022, respectively. These funds represent monies which have been limited by donors for a specific purpose.

FINANCIAL ANALYSIS

	<u>2023</u>	<u>2022</u>
Current Assets	\$ 1,138,607	\$ 920,273
Capital Assets	32,273	12,500
Other Assets	411,525	344,835
Total Assets	<u>1,582,405</u>	<u>1,277,608</u>
Current Liabilities	-	28,372
Total Liabilities	<u>-</u>	<u>28,372</u>
Deferred Inflows	89,071	-
Total Deferred Inflows	<u>89,071</u>	<u>-</u>
Net Position		
Net Investment in Capital Assets	32,273	12,500
Restricted	1,469,029	1,146,888
Unrestricted	(7,968)	89,848
Net Position at End of Year	<u>\$ 1,493,334</u>	<u>\$ 1,249,236</u>

**HERNANDO COUNTY EDUCATION DIRECT SUPPORT ORGANIZATION, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

In comparing 2023 activity to 2022 activity, we note the following:

Total assets increased by 23.9%, or \$304,797.

There was a net increase in total liabilities of 89,071.

Total net position increased by \$244,098.

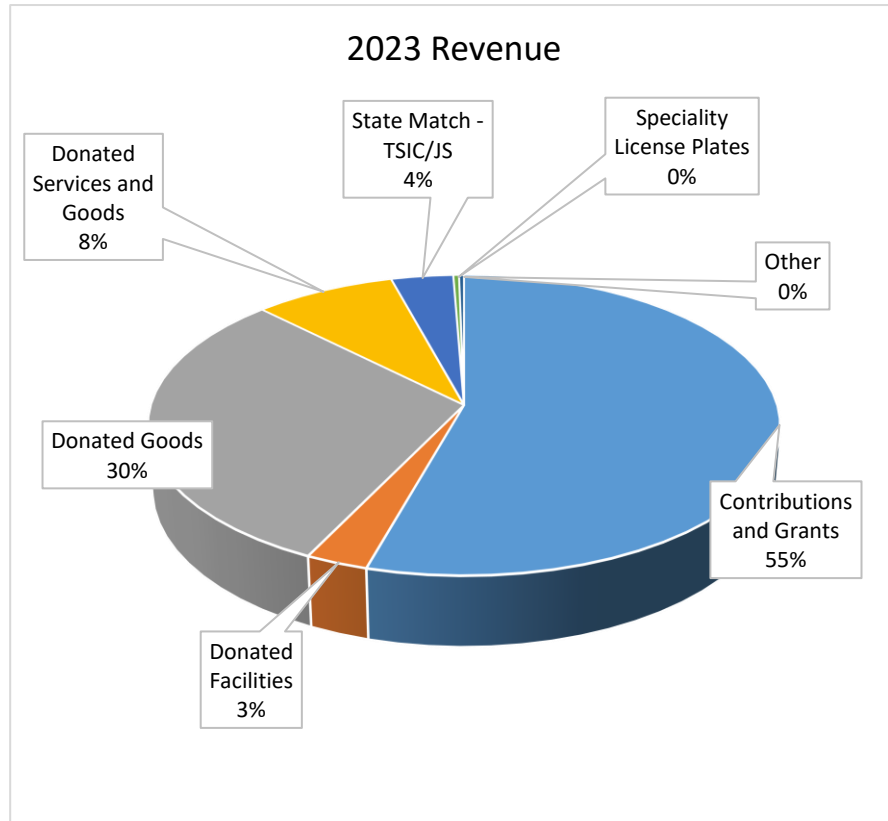
CHANGES IN NET POSITON

	<u>2023</u>	<u>2022</u>
Revenue:		
Contributions and Grants	\$ 833,455	\$ 893,922
Donated Facilities	43,400	43,400
Donated Goods	464,882	235,707
Donated Services and Goods	126,324	131,420
State Match - TSIC/JS	55,324	8,735
Speciality License Plates	5,091	5,480
Other	4,408	1,798
Total Revenue	<u>1,532,884</u>	<u>1,320,462</u>
Expenses:		
Grant Related Salary	23,025	252,483
Program/Administration Salary	304,760	164,264
Scholarship Awards	38,150	26,370
Grants to Schools	251,166	275,499
TSIC Scholarship Payouts	14,253	17,520
Insurance	7,560	6,601
Bank Charges	4,124	55
Events and Fundraising	73,795	70,729
Memberships and Licenses	5,861	3,803
Janitorial	2,786	205
Program Support	25,959	31,336
Professional Fees	17,945	12,568
Postage and Freight	426	261
Recognition Awards	12,425	10,792
Training	1,519	2,611
Supplies	36,265	30,830
Computer Related Expenses	851	322
Advertising and Marketing	5,773	2,343
Travel Expenses	7,667	9,218
Miscellaneous	11,841	7,656
Donated Facilities	43,400	43,400
Grants to Teachers - Tools 4 Schools	276,950	222,513
Repairs and Maintenance	7,816	-
Pledges Receivable - Uncollectible Accounts Expense	758	-
Depreciation Expense	3,387	-
Land for Sale Expenses	-	7,580
Donated Services and Goods	110,324	131,420
Total Expenses	<u>1,288,786</u>	<u>1,330,379</u>
Change in Net Position	244,098	(9,917)
Net Position at Beginning of Year	<u>1,249,236</u>	<u>1,259,153</u>
Net Position at End of Year	<u>\$ 1,493,334</u>	<u>\$ 1,249,236</u>

**HERNANDO COUNTY EDUCATION DIRECT SUPPORT ORGANIZATION, INC.
MANAGEMENT’S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

Significant differences between 2023 and 2022 revenues and expenses are discussed below:

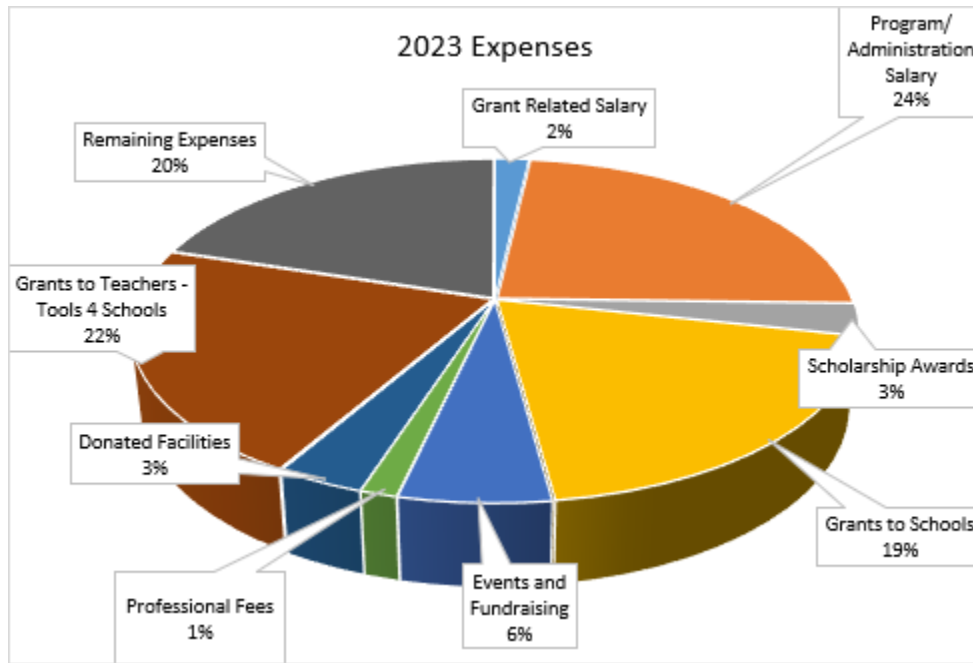
REVENUES



Operating Revenue – Overall Operating Revenue increased by 16.1%, or \$212,422. This overall increase was related to the ending of the STEAM grant program that was overshadowed by the increase in Tools 4 Schools for book drives, additional scholarship match for the new Jump Start program, and increases in donated goods and services.

**HERNANDO COUNTY EDUCATION DIRECT SUPPORT ORGANIZATION, INC.
MANAGEMENT’S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

EXPENSES



Program Expenses – Overall Expenses decreased by 3.1%, or \$41,593. The overall decrease was related to higher donated goods for both the recognition events, supplies and program support, and Tools 4 Schools and made up for the decrease related to the end of the STEAM program in the current year.

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, 2023 AND 2022
HERNANDO COUNTY EDUCATION DIRECT SUPPORT ORGANIZATION, INC.
BROOKSVILLE, FLORIDA**

ASSETS

	2023	2022
Assets		
Current Assets:		
Cash and Cash Equivalents	\$ 641,633	\$ 473,510
Grant Receivable - STEAM	-	187,572
Pledges Receivable, Net	45,832	-
Contributions Receivable	13,228	-
Take Stock in Children Receivable	6,768	23,200
Prepaid Expenses	5,029	6,555
Inventory - Tools 4 Schools	355,459	177,541
Inventory - Operation Cinderella and Other Donated Items	70,658	51,895
Total Current Assets	1,138,607	920,273
Capital Assets:		
Vehicles and Equipment	35,660	12,500
Accumulated Depreciation	(3,387)	-
Total Capital Assets	32,273	12,500
Other Assets:		
Take Stock in Children Scholarship (Contract Value)	334,668	344,835
Jump Start (Contract Value)	76,857	-
Total Other Assets	411,525	344,835
Total Assets	1,582,405	1,277,608

LIABILITIES AND NET POSITION

Liabilities		
Accounts Payable	-	16,853
Accrued Payroll and Related Expenses	-	11,519
Total Liabilities	-	28,372
Unearned Revenues - Air Gun Range	89,071	-
Total Deferred Inflows	89,071	-
Net Position		
Net Investment in Capital Assets	32,273	12,500
Restricted:		
Tools 4 Schools	355,459	204,782
Operation Cinderella	70,658	51,895
Scholarships	322,375	256,106
Take Stock in Children	341,435	362,660
Jump Start	76,857	-
Classroom Grants/School Donations	302,245	271,445
Unrestricted	(7,968)	89,848
Total Net Position	\$ 1,493,334	\$ 1,249,236

See accompanying notes.

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022
HERNANDO COUNTY EDUCATION DIRECT SUPPORT ORGANIZATION, INC.
BROOKSVILLE, FLORIDA

	<u>2023</u>	<u>2022</u>
Operating Revenues		
Government Grant - STEAM	\$ 24,914	\$ 322,310
State Revenues - TSIC	26,849	21,873
State Match - TSIC	4,086	8,735
State Match - Jump Start	51,238	-
Contributions - Unrestricted	731,692	519,739
Contributions - Scholarships	50,000	30,000
Specialty License Plate Revenue	5,091	5,480
Donated Facilities	43,400	43,400
Donated Goods - Tools 4 Schools	446,119	228,207
Donated Goods - Operation Cinderella	18,763	7,500
Donated Services and Goods	126,324	131,420
Return of Unused Grant Funds	4,408	1,798
Total Operating Revenues	<u>1,532,884</u>	<u>1,320,462</u>
Operating Expenses		
Salary Expenses (Administration and Grant Related)	327,785	416,747
Scholarship Awards	38,150	26,370
Grants to Schools	251,166	275,499
Grants to Teachers - Tools 4 Schools	276,950	222,513
TSIC Scholarship Payouts	14,253	17,520
Donated Facilities	43,400	43,400
Donated Services and Goods	110,324	131,420
Insurance	7,560	6,602
Bank Charges	4,124	55
Events and Fundraising	73,795	70,729
Memberships, Dues, and Licenses	5,861	3,803
Janitorial	2,786	205
Program Support	25,959	31,336
Professional Fees	17,945	12,568
Postage and Freight	426	261
Recognition Awards	12,425	10,792
Training	1,519	2,611
Supplies	36,265	30,830
Computer Related Expenses	851	322
Advertising and Marketing	5,773	2,343
Travel Expenses	7,667	9,218
Repairs and Maintenance	7,816	-
Pledges Receivable - Uncollectible Accounts Expense	758	-
Depreciation Expense	3,387	-
Miscellaneous	11,841	7,655
Selling Expenses - Land Sale	-	7,580
(Total Operating Expenses)	<u>(1,288,786)</u>	<u>(1,330,379)</u>
Change in Net Position	244,098	(9,917)
Net Position, Beginning of Year	<u>1,249,236</u>	<u>1,259,153</u>
Net Position, End of Year	<u>\$ 1,493,334</u>	<u>\$ 1,249,236</u>

See accompanying notes.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021
HERNANDO COUNTY EDUCATION DIRECT SUPPORT ORGANIZATION, INC.
BROOKSVILLE, FLORIDA

	<u>2023</u>	<u>2022</u>
Cash Flows from Operating Activities		
Receipts from Contributions	\$ 797,463	\$ 689,739
Receipts from Government Grants	260,858	248,446
Other Receipts	4,408	1,798
Payments to Employees for Services	(339,304)	(414,747)
Payments to Vendors	(233,207)	(256,299)
Payments for Scholarships Awarded	(63,769)	(26,370)
Payments for School Grants	(251,166)	(275,499)
Net Cash Provided by (Used in) Operating Activities	<u>175,283</u>	<u>(32,932)</u>
Cash Flows from Capital and Related Financing Activities		
Purchase of Capital Assets	(7,160)	-
Net Cash Used for Capital and Related Financing Activities	<u>(7,160)</u>	<u>-</u>
Net (Decrease) Increase in Cash and Cash Equivalents	168,123	(32,932)
Cash and Cash Equivalents at Beginning of Year	473,510	506,442
Cash and Cash Equivalents at End of Year	<u>\$ 641,633</u>	<u>\$ 473,510</u>
<u>Reconciliation of Operating Income to Net Cash Used in (Provided by) Operating Activities</u>		
Operating Income (Loss)	\$ 244,098	\$ (9,917)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:		
Donated Items - Inventory, Scholarships, and Vehicle Depreciation	(248,121)	(14,588)
Decrease (Increase) in:		
Grants and Other Receivables	3,387	-
Prepaid Expenses	144,944	(101,217)
Inventory	1,526	(3,119)
Donated Land Held for Sale	(5,631)	(15,046)
Scholarships Purchased - Jump Start	-	140,000
Increase (Decrease) in:		
Accounts Payable and Accrued Expenses	(25,619)	(26,972)
Unearned Revenues	(28,372)	(2,073)
Total Adjustments	89,071	-
Net Cash Used in (Provided by) Operating Activities	<u>\$ 175,283</u>	<u>\$ (32,932)</u>
<u>Supplemental Information</u>		
Non-Cash Donations:		
Donated Inventory (Tools 4 Schools Program and Operation Cinderella)	\$ 464,882	\$ 235,707
Donated Facilities	43,400	43,400
Donated Goods for Annual Campaign	143,524	131,420
State Match - Jump Start	51,238	-
State Match - Take Stock in Children	4,086	8,735

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(4) of the Florida Statutes.

The specific and exclusive purpose of the 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. The program ended in August 2022.

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 and events. 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 2023, the Organization received a large donation of books for this program from various collection sites within the county valued at approximately \$430,795.

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 contract value, on behalf of the Organization. In addition, the Organization requests reimbursement from the program for certain operational costs.

Jump Start – the Organization, through its donors for the Jump Start program, purchased scholarships at a 2 for 1 ratio with the state for use as of August 2023. The program encourages children to start a secondary education program immediately after high school by making the funds available.

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. There were no non-operating revenues or expenses.

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

Grants Receivable

Grants receivable consisted of grant funds and other scholarship related receivables. Management anticipates subsequent receipt of all of these funds; therefore, no allowance amount was recorded.

Contributions Receivable

Contributions receivable consisted of contributed funds received prior to fiscal year-end and deposited just after fiscal year-end. 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, 2023 and 2022, accounts receivable of \$6,768 and \$23,200, 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.

Pledges Receivable

Pledges receivable consisted of community member pledged revenues. Management anticipates a portion to be uncollectible and the allowance is built off on subsequent collections through date of issuance. As of June 30, 2023 and 2022, pledges receivable was \$46,590 and \$0, and the allowance for doubtful accounts was \$(758) and \$0 respectively.

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.

Capital Assets

During the previous year, the Organization received a donated, used school bus to be accounted for as a capital asset. Donated services were received in the current year to place the vehicle into operations. Donated capital assets are valued at their estimated acquisition value on the date received. It is the Organization's policy to capitalize all capital assets with values over \$5,000. The Organization will depreciate the school bus over the useful life of 10 years using the straight-line method. In addition, the Organization purchased a trailer for use with events.

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.

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

Unearned Revenue

The Organization received advanced funds for a JROTC Air Gun Range prior to fiscal year end. As of June 30, 2023 and 2022, unearned revenue was \$89,071 and \$0, respectively.

Revenue Recognition

All contributions are considered available for the Organization’s general programs unless specifically restricted by the donor. The Organization recognizes gifts of cash or pledges receivable as revenue when all eligibility requirements have been met. Donations of other non-monetary items are recorded as revenue based on their acquisition value at the date of the gift.

Net Position

The Organization’s net position is classified in three components. Net investment in capital assets consists of capital assets net of accumulated depreciation. Restricted net position is non-capital assets that must be used for a particular purpose, as specified by grantors or contributors external to the Organization. Unrestricted net position is the remaining net amount of assets that do not meet the definition of investment in capital assets, net of related debt or restricted net position.

Subsequent Events

The Organization has evaluated events and transactions for potential recognition or disclosure in the financial statements through October 6, 2023, the date the financial statements were available to be issued.

Note 2 - Assets Held by Others

Take Stock in Children Scholarship Program Overview

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 (the 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.

	2023	2022
Contract Value	\$ 334,668	\$ 344,835

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.

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

Jump Start Scholarship Program Overview

The Organization, through its donors for the Jump Start program, will purchase scholarship contracts from the Florida Prepaid College Foundation. The State of Florida, through the Florida Prepaid College Foundation, matches, 2 for 1, the cost of these scholarship contracts purchases and holds the full value of the scholarship contracts, on behalf of the Organization.

The Organization exercises control over these scholarship contracts by selecting students from the District to participate in the Jump Start program. Upon completion of the program and graduation from high school, the matched the scholarship contracts at the time of purchase and then the amounts are provided to the students for their college education.

	2023	2022
Contract Value	\$ 76,857	\$ -

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 the immediate availability to match amounts purchased.

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.

Note 3 - Capital Assets

	Beginning Balance	Additions	Deletions	Ending Balance
Business-Type Activities				
Equipment	\$ 12,500	\$ 23,160	\$ -	\$ 35,660
Less: Accumulated Depreciation for Equipment	-	(3,387)	-	(3,387)
Business-Type Activities				
Capital Assets, Net	\$ 12,500	\$ 19,773	\$ -	\$ 32,273

Note 4 - Specialty License Plate Revenue

For the fiscal year ended June 30, 2023 and 2022, the Organization received \$5,091 and \$5,480, respectively, 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 Florida Statutes.

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

Note 5 - 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 6 - Related-Party Transactions

Several of the Board Members are employed by 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 2023 fiscal year was \$43,400, and the amount recognized for 2022 was \$43,400.

The District also provided \$45,000 of scholarship funds that were previously held at the District to the Organization to invest in the Florida Prepaid College Tuition program. As of fiscal year end, the Organization had purchased scholarships valued at \$25,619.

Note 7 - STEAM Grant

The Organization was awarded a Department of Education 21st Century Education Center STEAM grant. Total federal expenditures in the program were approximately \$25,891, 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. In addition the program ended August 2022.

Note 8 - Commitments

The Organization received a commitment from a community member to fund the construction of a JROTC Air Gun Range at Central High School. The total project anticipated costs are \$1,000,000. As of fiscal year-end, no costs had been incurred but the Organization received \$89,071 to pay for anticipated engineering costs. These amounts were reported as unearned revenues.

**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 activity and major fund of Hernando County Education Direct Support Organization, Inc. (the Organization) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Organization's basic financial statements, and have issued our report thereon dated October 6, 2023.

Report on 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 were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a certain deficiency in internal control that we consider to be a significant deficiency:

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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.

Report on 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*.

Management's Response to the above Significant Deficiency in Internal Control

Government Auditing Standards requires the auditor to perform limited procedures on management's response to the finding identified in our audit and described above. Management's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.



October 6, 2023
Ocala, Florida



Date: October 6, 2023

Chief Executive Officer

Tammy Brinker

President

Kandice Christmas

President Elect

Carly Mullins

Secretary/Treasurer

Debbye Warrell

Past President

Debra Myers

Board of Directors

Lisa Becker

Michael Gunther

Ben Prescott

Jarvis Upshaw

Fred Weber

Joe Pastore

Burton Melaugh

Justen Early (Academy of Teachers)

John Stratton (Superintendent)
(School Board and Ex Officio)

Gus Guadagnino
(School Board and Ex Officio)

Shannon Rodriguez
(School Board and Ex Officio)

Linda Prescott (School Board)
(School Board and Ex Officio)

Ray Mooney (Ex Officio)

To: HCEF Board of Director's

Re: Independent Auditor's Report

Dear Board of Director's,

The following is managements responses and recommendations to the July 1, 2022 - June 30, 2023, 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 352-797-7313 ext. 165.

Tax ID: 59-3031959

Sincerely,

Tammy Brinker

Chief Executive Officer
Hernando County Education Foundation

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.

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