



Hardee County School Board Agenda Analysis

Author:

Greg Harrelson, Finance Director

Date:

January 14, 2021

Subject:

Hardee County Education Foundation audit report for FY 2019-20

Background Information:

The Hardee County Education Foundation is considered a "direct support organization" of Hardee School Board because the Foundation (1) is approved by the School Board, (2) is a Florida corporation not for profit and (3) is organized and operated exclusively to receive, hold, invest and administer property and to make expenditures for the benefit of public kindergarten through 12th grade education and adult career and community education.

Bunting, Tripp & Ingley, CPA's, have completed their audit of the Hardee County Education Foundation for fiscal year 2019-20 and issued their report. The Foundation's Executive Secretary and I have taken steps to correct the "Investment Accounting" issue noted in the management letter on p. 19.

The Education Foundation's Board will meet in January 2021 to approve the audit report and to conduct other business.

Administrative Consideration:

Section 1001.453(4), Florida Statutes- Each direct support organization with more than \$100,000 in expenditures shall have an annual financial audit conducted by an independent certified public accountant. The annual audit report shall be submitted within 9 months after the fiscal year's end to the district school board.

Fiscal Impact:

The Education Foundation's net position increased by \$1.7 million in 2019-20 due to receipt of endowment contributions from the Hardee County Economic Development Authority, less investment losses. The Foundation's net position at June 30, 2020 was almost \$8.0 million.

Proposed Recommendation to School Board:

Recommend approval of Hardee County Education Foundation's audit report for FY 2019-20.

Action Required:

Consent Agenda

BOARD ACTION

1/14/2021
Approved

**HARDEE COUNTY EDUCATION FOUNDATION, INC.
(A COMPONENT UNIT OF THE SCHOOL
DISTRICT OF HARDEE COUNTY, FLORIDA)**

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

BOARD ACTION

**HARDEE COUNTY EDUCATION FOUNDATION, INC.
(A COMPONENT UNIT OF THE SCHOOL
DISTRICT OF HARDEE COUNTY, FLORIDA)**

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

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Bunting, Tripp & Ingley, LLP

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Independent Auditor's Report

ALSO WITH OFFICES IN
TAMPA, FLORIDA

The Board of Directors
Hardee County Education Foundation, Inc.
Wauchula, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of Hardee County Education Foundation, Inc. (a nonprofit organization), a component unit of the School District of Hardee County, Florida, which comprise the statement of net position as of June 30, 2020, and the related statements of activities and cash flows for the 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 control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable of financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Hardee County Education Foundation, Inc. as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

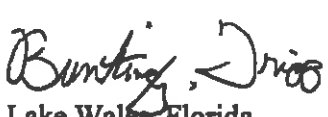

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 5 be presented to supplement the basic financial statements. Such information, although not a part of the 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 inquires 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 December 14, 2020, on our consideration of the Hardee County Education Foundation, Inc.'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 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 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 Hardee County Education Foundation, Inc.'s internal control over financial reporting and compliance.

 
Lake Wales, Florida
December 14, 2020

**HARDEE COUNTY EDUCATION FOUNDATION, INC.
(A COMPONENT UNIT OF THE SCHOOL
DISTRICT OF HARDEE COUNTY, FLORIDA)**

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2020

Introduction

As management of the Hardee County Education Foundation, Inc. (Foundation), we offer the readers of the Foundation's financial statements this narrative overview and analysis of the financial activities of the Foundation for the fiscal year ended June 30, 2020. The information contained in the Management's Discussion and Analysis (MD &A) is intended to highlight significant transactions, events, and conditions and should be considered in conjunction with the Foundation's financial statements and the notes to the financial statements.

Overview of the Financial Statements

The Foundation meets Governmental Accounting Standards Board (GASB) criteria for being reported as a component unit of the Hardee County District School Board. As explained in Note A of the Notes to the Financial Statements, the Foundation is a nonprofit organization and uses enterprise fund accounting and financial reporting for the purposes of complying with the requirements of GASB Statement 34. Required financial statements for the Foundation are described below:

Statement of Net Position

The statement of net position presents information on all assets, liabilities and net position. Over time, increases or decreases in net position may serve as an indicator of whether the financial condition of the Foundation is improving or deteriorating.

Statement of Activities

The statement of activities presents revenue and expense information showing how the Foundation's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the event occurs, regardless of the timing of related cash flows.

Statement of Cash Flows

The statement of cash flows presents all increases and decreases in cash and cash equivalents during the fiscal year. The statement also includes a reconciliation of operating income (or loss) to net cash provided (or used) by operating activities.

**HARDEE COUNTY EDUCATION FOUNDATION, INC.
(A COMPONENT UNIT OF THE SCHOOL
DISTRICT OF HARDEE COUNTY, FLORIDA)**

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

YEAR ENDED JUNE 30, 2020

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential for a full understanding of the data provided in the Foundation's financial statements.

Financial Analysis

As noted above, net position may serve over time as a useful indicator of a government's financial position. The assets of the Foundation exceeded its liabilities at June 30, 2020 by \$7,972,092. The Foundation's net position reflects cash and investments restricted for scholarships and other programs. The Foundation has an endowment with a historical value of \$8,000,000. The market value of the endowment at June 30, 2020, is \$7,829,708, and the endowment is considered to be underwater. The Foundation's unrestricted net position has been reduced by \$170,292 to restore the endowment balance. Any future gains will be used to restore the cumulative deficiency within the unrestricted net position.

The following table presents the Foundation's net position as of June 30, 2020, compared to net position as of June 30, 2019:

| | 2020 | 2019 | Increase (Decrease) |
|---------------------------|---------------------|---------------------|--------------------------------|
| Assets | \$ 8,024,625 | \$ 6,342,986 | \$ 1,681,639 |
| Liabilities | \$ 52,533 | \$ 71,545 | \$ (19,012) |
| Net position: | | | |
| Restricted | \$ 8,115,569 | \$ 6,102,214 | \$ 2,013,355 |
| Unrestricted | (143,477) | 169,227 | (312,704) |
| Total net position | \$ 7,972,092 | \$ 6,271,441 | \$ 1,700,651 |

Assets increased by \$1,681,639, which was primarily due to the receipt of endowment contributions.

HARDEE COUNTY EDUCATION FOUNDATION, INC.
(A COMPONENT UNIT OF THE SCHOOL
DISTRICT OF HARDEE COUNTY, FLORIDA)

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

YEAR ENDED JUNE 30, 2020

Financial Analysis - Continued

The following summarizes the Foundation's changes in net position for the fiscal year ended June 30, 2020, compared to the fiscal year ended June 30, 2019:

| | Fiscal Year 2019-2020 | Fiscal Year 2018-2019 | Increase (Decrease) |
|-------------------------------------|----------------------------------|----------------------------------|--------------------------------|
| Revenues: | | | |
| Contributions and fundraisers | \$ 2,164,000 | \$ 6,176,008 | \$ (4,012,008) |
| Investment income (loss), net | (251,426) | 72,476 | (323,902) |
| Miscellaneous revenue | 379 | 412 | (33) |
| Total revenues | 1,912,953 | 6,248,896 | (4,335,943) |
| Expenses: | | | |
| Scholarships | 32,500 | 44,000 | (11,500) |
| Program | 53,666 | 40,689 | 12,977 |
| Special events | 63,759 | 53,608 | 10,151 |
| Endowment advisory | 53,357 | 52,110 | 1,247 |
| General administrative | 9,020 | 8,064 | 956 |
| Total expenses | 212,302 | 198,471 | 13,831 |
| Change in net position | 1,700,651 | 6,050,425 | (4,349,774) |
| Net position, beginning of year | 6,271,441 | 221,016 | 6,050,425 |
| Net position, ending of year | \$ 7,972,092 | \$ 6,271,441 | \$ 1,700,651 |

The Foundation's total revenues decreased by \$4,335,943 and expenses increased by \$13,831 when compared with the prior year. Key element of the changes are as follows:

- Decrease in contributions was primarily due to receipt of final endowment transfer from Hardee County Economic Development Authority. Overall expenses were higher due to increased special events and program services netted against decreased scholarship awards.

Other Matters

The Foundation is not required to legally adopt a budget; therefore, no budgetary information is included. The Foundation has no capital assets, infrastructure assets, or long-term debt.

Requests for Information

This financial statement is designed to provide a general overview of the Foundation's finances for all those with interest in the Foundation's finances. Questions concerning any of the information provided in this report should be addressed to Greg Harrelson in the Hardee County District School Board Finance Office, 1009 N. 6th Avenue, Wauchula, Florida 33873. Greg can also be reached at gharrelson@hardee.k12.fl.us.

**HARDEE COUNTY EDUCATION FOUNDATION, INC.
(A COMPONENT UNIT OF THE SCHOOL
DISTRICT OF HARDEE COUNTY, FLORIDA)**

STATEMENT OF NET POSITION

JUNE 30, 2020

ASSETS

| | |
|---------------------------------|---------------------|
| Cash and cash equivalents | \$ 106,460 |
| Investments | 7,915,665 |
| Scholarship payments receivable | <u>2,500</u> |
| Total assets | <u>\$ 8,024,625</u> |

LIABILITIES AND NET POSITION

Liabilities

| | |
|-------------------|------------------|
| Accounts payable | <u>\$ 52,533</u> |
| Total liabilities | <u>52,533</u> |

Net Position

| | |
|--|---------------------|
| Restricted for scholarships and other programs | 8,115,569 |
| Unrestricted | <u>(143,477)</u> |
| Total net position | <u>7,972,092</u> |
| Total liabilities and net position | <u>\$ 8,024,625</u> |

See notes to accompanying financial statements.

HARDEE COUNTY EDUCATION FOUNDATION, INC.
(A COMPONENT UNIT OF THE SCHOOL
DISTRICT OF HARDEE COUNTY, FLORIDA)

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2020

Operating Revenues

| | |
|--------------------------|--------------|
| Contributions and grants | \$ 2,105,681 |
| Fundraising activities | 58,319 |
| Miscellaneous | 379 |
| | <hr/> |
| Total operating revenues | 2,164,379 |

Operating Expenses

| | |
|----------------------------|---------|
| Special events | 63,759 |
| Scholarships | 32,500 |
| Outdoor classroom | 22,512 |
| Technology 4 all | 11,500 |
| General and administrative | 9,020 |
| Teacher to Teacher | 5,000 |
| Other programs | 14,654 |
| | <hr/> |
| Total operating expenses | 158,945 |

Operating income 2,005,434

Nonoperating Revenues and (Expenses)

| | |
|--|-----------|
| Investment losses - net | (184,073) |
| Unrealized loss on investments | (67,353) |
| Endowment advisory expense | (53,357) |
| | <hr/> |
| Total nonoperating revenues and expenses | (304,783) |

Change in net position 1,700,651

Net position - beginning of year 6,271,441

Net position - end of year \$ 7,972,092

See notes to accompanying financial statements.

HARDEE COUNTY EDUCATION FOUNDATION, INC.
(A COMPONENT UNIT OF THE SCHOOL
DISTRICT OF HARDEE COUNTY, FLORIDA)

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2020

Cash Flows from Operating Activities

| | |
|--|--------------|
| Contributions, grants and fees | \$ 2,196,480 |
| Investment losses and expenses | (237,430) |
| Payments to scholarship recipients | (40,000) |
| Payments for program expenses and special events | (128,937) |
| Payments for administrative expenses | (9,020) |

Net cash provided by operating activities 1,781,093

Cash Flows from Investing Activities

| | |
|-----------------------------------|--------------|
| Purchase of investments | (12,197,014) |
| Proceeds from sale of investments | 10,414,779 |

Net cash used by investing activities (1,782,235)

Net decrease in cash (1,142)

Cash and cash equivalents, beginning of year 107,602

Cash and cash equivalents, end of year \$ 106,460

Reconciliation of Net Operating Income
to Net Cash Provided by Operating Activities

| | |
|--|--------------|
| Change in net position | \$ 1,700,651 |
| Adjustments to reconcile operating income to net cash provided by operating activities | |
| Unrealized loss on investments | 67,353 |
| (Increase) decrease in: | |
| Endowment contribution receivable | 33,601 |
| Scholarship payments receivable | (1,500) |
| Decrease in: | |
| Accounts payable | (11,512) |
| Scholarships payable | (7,500) |

Net cash provided by operating activities \$ 1,781,093

**HARDEE COUNTY EDUCATION FOUNDATION, INC.
(A COMPONENT UNIT OF THE SCHOOL
DISTRICT OF HARDEE COUNTY, FLORIDA)**

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

Note A - Summary of Significant Accounting Policies

Nature of Activities

The Hardee County Education Foundation, Inc. (Foundation), a nonprofit corporation, was established in July 1989. Its purpose is to focus the private sector upon enhancing the quality of and support for public education.

Reporting Entity

The Foundation, a nonprofit corporation, established by order of the Hardee County District School Board (School Board) in July 1989 is a direct-support organization (DSO) of the District. As defined by Section 1001.453 of Florida Statutes, a DSO is an organization which is approved by the district school board, is a nonprofit Florida corporation, and is organized and operated exclusively to receive, hold, invest, and administer property and to make expenditures to or for the benefit of public kindergarten through 12th grade education and adult career and community education programs.

According to the Foundation's By-Laws, the School Board 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 Governmental Accounting Standards Board (GASB) accounting and reporting standards. Also, because the Foundation's exclusive purpose is to benefit public kindergarten through post-secondary education and the School Board can unilaterally dissolve it, the Foundation is considered a Component Unit of the School Board. In evaluating the Foundation as a reporting entity, there were no component units identified for which the Foundation is considered financially accountable.

Basis of Presentation

The Foundation complies with accounting standards established by the GASB. The Foundation has implemented GASB Statement No. 34 as amended, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*. In accordance with the provisions of GASB 34, the Foundation uses enterprise fund accounting and financial reporting. For financial reporting purposes, the Foundation is presented as a stand-alone enterprise fund.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The financial statements of the Foundation are presented 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 at the time the liability is incurred.

The basic financial statements required for enterprise funds by GASB 34 are: a statement of net position or a balance sheet; a statement of activities; and a statement of cash flows. The Foundation maintains only one fund.

**HARDEE COUNTY EDUCATION FOUNDATION, INC.
(A COMPONENT UNIT OF THE SCHOOL
DISTRICT OF HARDEE COUNTY, FLORIDA)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEAR ENDED JUNE 30, 2020

Note A - Summary of Significant Accounting Policies - Continued

Measurement Focus, Basis of Accounting, and Financial Statement Presentation - Continued

The Foundation distinguishes *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services in connection with the Foundation's principal ongoing operations. The principal operating revenues of the Foundation are contributions. Operating expenses are those costs incurred in connection with Foundation programs. All revenues and expenses not meeting the above criteria are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Foundation's policy to use restricted resources first then unrestricted resources as they are needed.

Cash and Cash Equivalents

For the purpose of this statement, the Foundation considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

As of June 30, 2020, the carrying amount of the Foundation's cash deposits was \$106,460 and the bank balance was \$129,329. The entire bank balance was insured through the Federal Deposit Insurance Corporation (FDIC). To mitigate custodial credit risk the Foundation's deposits are held with reputable financial institutions.

Investments

Investments are recorded at fair value based on quoted market prices. Fair value is the amount at which a financial instrument could be exchanged in current transaction between willing parties. Investment return consists of interest and dividend income, capital gain distributions, realized gains (losses) and unrealized gains (losses).

Endowment Fund

As established on July 10, 2018, pursuant to the Local Development Agreement for Ona Mine between the Mosaic Company and Hardee County, \$8,000,000 of economic mitigation payments were dedicated to a permanent endowment trust to provide education opportunities to Hardee County residents. The endowment fund is administered by Hardee County Education Foundation, Inc. During the year ended June 30, 2020, \$2,000,000 was received from the Hardee Economic Development Authority. The principal amount for the endowment fund shall be maintained at \$8,000,000, initially, and will be adjusted for inflation thereafter.

The endowment is fully funded and will make forgivable student loans to Hardee County residents to pursue higher educational or skilled training programs. The loans will be considered forgivable at 20% per year if the student maintains residency in Hardee County for a period of five years following the completion of a degree or skilled trade certification. The Hardee County Education Foundation may also use surplus earnings from the *endowment to fund improvements to vocational education within the K-12 education system in Hardee County.*

HARDEE COUNTY EDUCATION FOUNDATION, INC.
(A COMPONENT UNIT OF THE SCHOOL
DISTRICT OF HARDEE COUNTY, FLORIDA)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEAR ENDED JUNE 30, 2020

Note A - Summary of Significant Accounting Policies - Continued

Endowment Fund - Continued

On March 25, 2019, the Hardee County Education Foundation adopted a formal investment policy (amended October 22, 2019). The investment policy establishes responsibilities of individuals managing the fund, establishes target account objectives, sets asset allocation percentages and manager guidelines, rules for rebalancing, and defines prohibited securities/transactions, in accordance with the Uniform Prudent Management of Institutional Funds Act (UPMIFA). By Florida Statute, UPMIFA governs the investment of and spending from true endowment funds.

The Foundation has interpreted this act as requiring the preservation of the historical value of the original endowment as of the endowment establishment date. Under this interpretation, if the market value of an endowment drops below its historical value, the endowment is considered to be underwater. At June 30, 2020, the historical value exceeds the market value by \$170,292. The Foundation's unrestricted net position has been reduced by \$170,292 to restore the endowment balance. Any future gains will be used to restore the cumulative deficiency within the unrestricted net position.

Fair Value of Financial Instruments

GASB Statement Number 72, *Fair Value Measurements and Application*, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means;
- if the asset or liability has a specified term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair market value measurement.

**HARDEE COUNTY EDUCATION FOUNDATION, INC.
(A COMPONENT UNIT OF THE SCHOOL
DISTRICT OF HARDEE COUNTY, FLORIDA)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEAR ENDED JUNE 30, 2020

Note A - Summary of Significant Accounting Policies - Continued

Fair Value of Financial Instruments - Continued

An asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs.

Restricted Net Position

Restricted net position is made up of cash and investments awarded to students as part of their class's fundraisers, contributions for designated senior classes or programs, and scholarships that have not yet been awarded.

Use of Estimates

Preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Tax Status and Positions

The Foundation is exempt from federal income taxes under Internal Revenue Code section 501(c)(3) and, as such, the Foundation will be recognized as a public charity not subject to the limitations of a private foundation. Therefore, no provision for federal or state income tax is included in these financial statements.

Management has evaluated its tax positions taken for all open tax years. Currently, the 2016 - 2018 tax years are open and subject to examination by the Internal Revenue Service. The Foundation is not currently under audit, nor has it been contacted by this jurisdiction. Based on the evaluation of the Foundation's tax positions, management believes all positions taken would be upheld under an examination. Therefore, no provision for the effects of uncertain tax positions has been recorded for the year ended June 30, 2020.

Date of Management Review

Subsequent events were evaluated through December 14, 2020, which is the date the financial statements were available to be issued.

**HARDEE COUNTY EDUCATION FOUNDATION, INC.
(A COMPONENT UNIT OF THE SCHOOL
DISTRICT OF HARDEE COUNTY, FLORIDA)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEAR ENDED JUNE 30, 2020

Note B - Deposits and Investments

Investments

The Foundation has a written investment policy that was amended on October 22, 2019. During the year the Foundation had investments in securities, limited partnership interests, and nonnegotiable certificates of deposit. The majority of these investments are restricted to a permanent endowment trust to provide educational opportunities to Hardee County residents through a forgivable student loan program.

As of June 30, 2020, the Foundation's investments were distributed as follows:

| Asset Class | Minimum | Target | Maximum | Actual | |
|-----------------------|----------------|---------------|----------------|---------------------|-------------------|
| | | | | Asset Total | Allocation |
| Growth investments | 30% | 33% | 40% | \$ 3,125,854 | 39% |
| Risk reduction assets | 45% | 51% | 55% | 3,946,806 | 50% |
| Inflation protection | 5% | 16% | 20% | 843,005 | 11% |
| Total | | | | \$ 7,915,665 | 100% |

Concentrations

The Foundation's policy is to maintain a diversified portfolio to minimize the risk of loss resulting from over concentration of assets in a specific asset class.

Custodial Credit Risk

This is the risk that in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, the Foundation will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Foundation does not have a custodial credit risk policy for investments.

Interest Rate Risk

This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

**HARDEE COUNTY EDUCATION FOUNDATION, INC.
(A COMPONENT UNIT OF THE SCHOOL
DISTRICT OF HARDEE COUNTY, FLORIDA)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEAR ENDED JUNE 30, 2020

Note C - Fair Value Measurement

Information related to the Foundation's assets measured at fair value on a recurring basis is as follows on June 30, 2020:

| | 2020 | | | |
|---|--------------------|--------------------|------------------|-------------------|
| | Total | Level 1 | Level 2 | Level 3 |
| Bank sweep | \$ 92,636 | \$ 92,636 | \$ - | \$ - |
| Exchange traded funds | 3,529,882 | 3,529,882 | - | - |
| Mutual funds - equity | 1,220,215 | 1,220,215 | - | - |
| Mutual funds - bond | 2,472,477 | 2,472,477 | - | - |
| Annuity investments | 84,086 | - | 84,086 | - |
| Arden credit fund | 250,000 | - | - | 250,000 |
| Altus realty income fund | 264,498 | - | - | 264,498 |
| Certificates of deposit | 1,871 | - | 1,871 | - |
| Total investments measured at fair value | \$7,915,665 | \$7,315,210 | \$ 85,957 | \$ 514,498 |

Note D - Restricted Net Position

As of June 30, 2020, the net position restricted for senior classes, scholarships, and other projects is as follows:

| | |
|---|----------------------------|
| Class of 2027 | \$ 18,061 |
| Class of 2029 | 500 |
| Class of 2030 | 20 |
| No Senior class designation, permanent endowment trust | <u>8,096,988</u> |
| Total | <u>\$ 8,115,569</u> |

Note E - Related Party Transactions

The Foundation records expenses for payments to the Hardee County District School Board. These expenses were for programs and projects overseen by the School Board and to reimburse them for extra duty salary expense of personnel paid by the School Board. Total expenses paid to the School Board for the year ended June 30, 2020, were \$56,137. Additionally, the School Board provides bookkeeping and administrative services to the Foundation, at no cost.

The Foundation incurred transactions with parties related to various board members. The related parties provided donations for scholarships, special programs, and special events. Total revenues received from parties related to board members during the year were \$50,000.

**HARDEE COUNTY EDUCATION FOUNDATION, INC.
(A COMPONENT UNIT OF THE SCHOOL
DISTRICT OF HARDEE COUNTY, FLORIDA)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEAR ENDED JUNE 30, 2020

Note F - Risk Management

The Foundation is exposed to the risk of loss related to theft of assets and errors and omissions. The Foundation was not insured during the year ended June 30, 2020, for any of these risks and therefore retains the risk of loss.

Note G - Economic Dependency

Approximately 92% of the Foundation's total support was provided by the Hardee County Economic Development Authority.

Bunting, Tripp & Ingley, LLP

CERTIFIED PUBLIC ACCOUNTANTS

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ALSO WITH OFFICES IN
TAMPA, 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**

The Board of Directors
Hardee County Educational Foundation, Inc.
Wauchula, Florida

We have audited, 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, the financial statements of Hardee County Educational Foundation, Inc. (a nonprofit organization), a component unit of the School District of Hardee County, Florida, which comprise the statement of net position as of June 30, 2020, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 14, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Hardee County Educational Foundation Inc.'s (the Foundation) internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion 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 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.

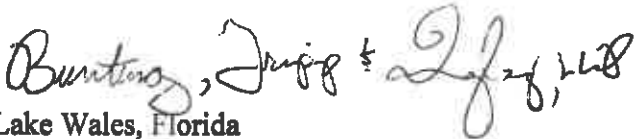
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies 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 certain deficiencies in internal control, described in the accompanying management recommendation letter, that we consider to be significant deficiencies.

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 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.


Lake Wales, Florida
December 14, 2020

Bunting, Tripp & Ingley, LLP

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ALSO WITH OFFICES IN
TAMPA, FLORIDA

To the Board of Directors
Hardee Education Foundation, Inc.
Wauchula, Florida

In planning and performing our audit of the financial statements of Hardee Education Foundation, Inc. (Foundation) as of and for the year ended June 30, 2020, in accordance with auditing standards generally accepted in the United States of America, we considered the Foundation's internal control over financial reporting (internal control) as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion 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.

Our 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 a material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Foundation's financial statements will not be prevented, or detected and corrected on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or 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. We consider the following deficiencies in the Foundation's internal control to be significant deficiencies:

Internal controls are a critical element in maintenance of accounting records that, in reasonable detail, accurately and fairly reflect the transactions of the Foundation. We had to prepare several adjusting entries that Foundation personnel need to know how to prepare. The following is our recommended summary of procedures that should be implemented:

Investment Accounting

The Foundation invested in private placements totaling \$514,498. The Foundation had a liability for future capital calls in the amount of \$44,779 that was not recorded in the Foundation’s general ledger. Also, \$11,654 of unrealized gains were not recorded in revenues.

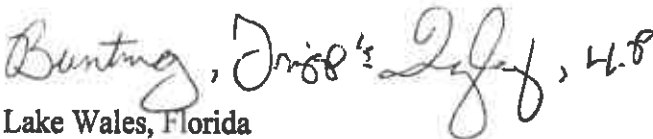
Investment Policy

The investment policy amended by the Foundation board on October 22, 2019 addresses a “Standard of Care” that states that investment decisions must be in compliance with Florida’s UPMIFA statutes found in section 617.2104, Florida statutes. The Board of Directors are ultimately responsible for determining the investments and for monitoring investment managers and consultants to ensure that the endowment fund maintains assets sufficient to carry out the purposes for which the endowment fund was created. There are certain types of investments in which the investment managers are not allowed to invest without the prior written approval of the Board of directors.

We noted that during the year the Foundation invested in certain private placements. We are not in a position to judge whether or not these investments comply with the guidelines of the Florida UPMIFA. We recommend you have the investment committee evaluate whether these investments comply with Florida Statutes and with the board adopted investment policy.

* * * *

This communication is intended solely for the use of the Board of Trustees, management, the School Board of Hardee County, and the Auditor General of the State of Florida and is not intended to be and should not be used by anyone other than these specified parties.


Lake Wales, Florida
December 14, 2020

**AUDIT REPORT SUBMITTAL CHECKLIST
PURSUANT TO CHAPTER 10.700, RULES OF THE AUDITOR GENERAL**

Entity Name: HARDEE COUNTY EDUCATION FOUNDATION, INC.
Entity Address: P O BOX 1678
WAUCHULA, FL 33873

Entity Contact Person:
Name: BECKY HARRELSON
Title: EXECUTIVE SECRETARY
Phone Number: (863) 773-9058
E-mail Address: bharrelson@hardee.k12.fl.us

CPA Firm Contact Person:
Name: ROGER INGLE
Title: CPA
Phone Number: (863) 676-7981
E-mail Address: roger.ingley@bticpa.com

Fiscal Year Audited: JUNE 30, 2020

Date the auditor delivered the audit report to the entity: DECEMBER 14, 2020

Does the audit report include the following items required by Section 10.730(4), Rules of the Auditor General:

YES The financial statements reported on, together with related notes to the financial statements and required supplementary information, required by generally accepted accounting principles (see Section 10.730(4)(d), Rules of the Auditor General)?

YES The auditor's report on the financial statements (see Section 10.730(4)(b), Rules of the Auditor General)?

YES The auditor's report on internal control and compliance based on an audit of the financial statements (see Section 10.730(4)(b), Rules of the Auditor General)?

N/A If applicable, any other auditor's reports, related financial information, and auditee-prepared documents required pursuant to Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); the Florida Single Audit Act; Chapter 10.650, Rules of the Auditor General; or other applicable Federal and State law (see Section 10.730(4)(c), Rules of the Auditor General)?

In addition to the above, have the following requirements been complied with:

YES Are all of the above elements of the audit report included in a *single document* as required by Section 10.730(4), Rules of the Auditor General)?

YES

Are one paper copy and one electronic copy of the audit report being submitted as required by Section 10.740(2), Rules of the Auditor General?

YES

Is the audit report being submitted within the following time periods prescribed by Section 10.740(1), Rules of the Auditor General? **NOTE:** There is no provision in law authorizing an extension for filing the audit report.

- For direct-support and citizen-support organizations, no later than 9 months after the end of the fiscal year.
- For scholarship funding-organizations, no later than 180 days after completion of the fiscal year of the auditee.
- For Enterprise Florida, Inc., within 45 days of delivery of the audit report to the auditee, but no later than 9 months after the end of the fiscal year of the auditee.
- For Florida Is For Veterans, Inc., within 45 days of delivery of the audit report to the auditee, but no later than December 1 after the end of the fiscal year of the auditee.
- For Scripps Florida Funding Corporation, within 45 days of delivery of the audit report to the auditee, but no later than December 1 after the end of the fiscal year of the auditee.

YES

Is the electronic copy named using all lower-case letters as follows? [fiscal year] [name of entity].pdf. For example, the converted document for the 2019-20 fiscal year for "Example Nonprofit" entity should be named 2020 example nonprofit.pdf.

This checklist should accompany the audit report. It is suggested that you retain a copy of the checklist for your files. Do not hesitate to contact us if assistance or clarification is needed regarding reporting requirements. Our contact information is as follows:

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Local Government Audits/342
Claude Pepper Building, Room 401
111 West Madison Street
Tallahassee, Florida 32399-1450

Telephone: (850) 412-2881

E-mail Address: flaudgen_dsb_charter@aud.state.fl.us

Web site Address: FLAuditor.gov