

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORTS

HILLSBOROUGH EDUCATION FOUNDATION, INC.

June 30, 2022 and 2021

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Hillsborough Education Foundation, Inc.

### **Opinion**

We have audited the accompanying financial statements of Hillsborough Education Foundation, Inc. (a nonprofit organization) (the "Foundation"), which comprise the statement 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 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. 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 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 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 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 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.

## **Prior Period Financial Statements**

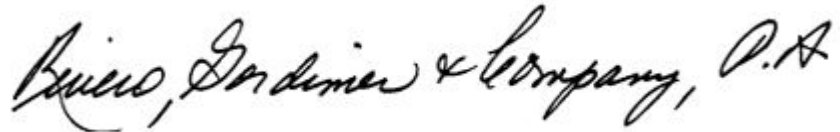
The financial statements of Hillsborough Education Foundation, Inc. as of June 30, 2021, were audited by other auditors whose report dated November 10, 2021 expressed an unmodified opinion on those statements. The comparative information presented herein as of and for the year ended June 30, 2021 is consistent, in all material respects, with the audited financial statement from which it has been derived.

## Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of state financial assistance, as required by Chapter 10.650, Rules of the Auditor, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of state financial assistance is fairly stated, in all material respects, in relation to the financial statements as a whole.

## Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2022, on our consideration of the Foundation'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 Foundation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control over financial reporting and compliance.



Tampa, Florida  
October 26, 2022

Hillsborough Education Foundation, Inc.

STATEMENTS OF FINANCIAL POSITION

June 30,

	<u>2022</u>	<u>2021</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1,265,830	\$ 833,208
Restricted cash	-	250,000
Accounts receivable	90,843	170,778
Pledges receivable	88,690	149,313
Investments	1,403,316	1,195,665
Total current assets	<u>2,848,679</u>	<u>2,598,964</u>
Long-term pledges receivable, net	651,237	-
Prepaid scholarships	2,748,924	2,914,485
Furniture, equipment and improvements, net	330,264	357,753
Long-term investments	4,090,067	4,654,240
Beneficial interest in assets held by others	47,859	55,829
Deposits	14,635	24,654
	<u>10,731,665</u>	<u>10,605,925</u>
TOTAL ASSETS		
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 75,110	\$ 123,889
Accrued expenses	746,681	737,406
Deferred revenue	7,536	33,344
Total current liabilities	<u>829,327</u>	<u>894,639</u>
NET ASSETS		
Without donor restrictions	2,555,868	2,774,709
With donor restrictions	7,346,470	6,936,577
Total net assets	<u>9,902,338</u>	<u>9,711,286</u>
	<u>10,731,665</u>	<u>10,605,925</u>
TOTAL LIABILITIES AND NET ASSETS		

The accompanying notes are an integral part of these statements.

Hillsborough Education Foundation, Inc.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the year ended June 30, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT AND REVENUE			
Community support and revenue			
Public support			
Received directly			
Contributions	\$ 390,127	\$ 1,945,768	\$ 2,335,895
State grants	-	951,692	951,692
Other government grants	-	601,215	601,215
Local grants	17,150	1,239,337	1,256,487
Fundraising events, net	248,345	-	248,345
Donated goods and services			
Teaching tools	-	4,125,649	4,125,649
Other	19,281	57,930	77,211
Total community support and revenue	<u>674,903</u>	<u>8,921,591</u>	<u>9,596,494</u>
Other revenue			
Net change in prepaid scholarships	-	(31,377)	(31,377)
Investment return, net	(240,032)	(394,056)	(634,088)
Other revenue	24,833	-	24,833
Total other revenue	<u>(215,199)</u>	<u>(425,433)</u>	<u>(640,632)</u>
Net assets released from restrictions	<u>8,086,265</u>	<u>(8,086,265)</u>	<u>-</u>
Total support and revenue	<u>8,545,969</u>	<u>409,893</u>	<u>8,955,862</u>
Expenses			
Program services	8,195,700	-	8,195,700
Management and general	246,446	-	246,446
Fundraising	322,664	-	322,664
Total expenses	<u>8,764,810</u>	<u>-</u>	<u>8,764,810</u>
Change in net assets	(218,841)	409,893	191,052
Net assets at beginning of year	<u>2,774,709</u>	<u>6,936,577</u>	<u>9,711,286</u>
Net assets at end of year	<u>\$ 2,555,868</u>	<u>\$ 7,346,470</u>	<u>\$ 9,902,338</u>

The accompanying notes are an integral part of this statement.

Hillsborough Education Foundation, Inc.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the year ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT AND REVENUE</b>			
Community support and revenue			
Public support			
Received directly			
Contributions	\$ 347,765	\$ 1,807,294	\$ 2,155,059
State grants	-	941,309	941,309
Other government grants	-	258,186	258,186
Local grants	56,000	422,155	478,155
Fundraising events, net	210,848	22,000	232,848
Donated goods and services			
Teaching tools	-	2,430,043	2,430,043
Other	5,467	302,861	308,328
Total community support and revenue	<u>620,080</u>	<u>6,183,848</u>	<u>6,803,928</u>
Other revenue			
Net change in prepaid scholarships	-	(86,447)	(86,447)
Investment return	508,247	569,308	1,077,555
PPP loan forgiveness	254,400	-	254,400
Other revenue	3,125	-	3,125
Total other revenue	<u>765,772</u>	<u>482,861</u>	<u>1,248,633</u>
Net assets released from restrictions	<u>6,221,893</u>	<u>(6,221,893)</u>	<u>-</u>
Total support and revenue	<u>7,607,745</u>	<u>444,816</u>	<u>8,052,561</u>
<b>Expenses</b>			
Program services	6,361,860	-	6,361,860
Management and general	232,108	-	232,108
Fundraising	308,874	-	308,874
Total expenses	<u>6,902,842</u>	<u>-</u>	<u>6,902,842</u>
Change in net assets	704,903	444,816	1,149,719
Net assets at beginning of year	<u>2,069,806</u>	<u>6,491,761</u>	<u>8,561,567</u>
Net assets at end of year	<u>\$ 2,774,709</u>	<u>\$ 6,936,577</u>	<u>\$ 9,711,286</u>

The accompanying notes are an integral part of this statement.



Hillsborough Education Foundation, Inc.

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended June 30, 2022

	Program Services	Management and General	Fundraising	Total
Salaries and benefits	\$ 1,454,648	\$ 158,036	\$ 247,846	\$ 1,860,530
Occupancy, infrastructure and insurance	227,666	28,648	21,350	277,664
Grant and awards distributions	1,081,071	-	-	1,081,071
Scholarships	981,041	-	-	981,041
Depreciation and amortization	45,650	2,870	3,856	52,376
Other expenses	222,192	54,999	32,077	309,268
In-kind expense	4,183,432	1,893	17,535	4,202,860
Events	-	-	105,163	105,163
Total expenses by function	<u>8,195,700</u>	<u>246,446</u>	<u>427,827</u>	<u>8,869,973</u>
Less: expenses included with revenues on the Statement of Activities and Changes in Net Assets:				
Fundraising event expense	<u>-</u>	<u>-</u>	<u>(105,163)</u>	<u>(105,163)</u>
Total expenses included in the expense section on the Statement of Activities and Changes in Net Assets	<u>\$ 8,195,700</u>	<u>\$ 246,446</u>	<u>\$ 322,664</u>	<u>\$ 8,764,810</u>
Functional expenses as a percentage of total	<u>93%</u>	<u>3%</u>	<u>4%</u>	<u>100%</u>

The accompanying notes are an integral part of this statement.

Hillsborough Education Foundation, Inc.

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended June 30, 2021

	Program Services	Management and General	Fundraising	Total
Salaries and benefits	\$ 1,316,949	\$ 175,572	\$ 251,995	\$ 1,744,516
Occupancy, infrastructure and insurance	209,518	17,767	17,739	245,024
Grant and awards distributions	743,598	-	-	743,598
Scholarships	1,084,759	-	-	1,084,759
Depreciation and amortization	14,551	1,688	1,932	18,171
Other expenses	265,803	30,362	32,237	328,402
In-kind expense	2,726,682	6,719	4,971	2,738,372
Events	-	-	68,677	68,677
Total expenses by function	<u>6,361,860</u>	<u>232,108</u>	<u>377,551</u>	<u>6,971,519</u>
Less: expenses included with revenues on the Statement of Activities and Changes in Net Assets: Fundraising event expense	<u>-</u>	<u>-</u>	<u>(68,677)</u>	<u>(68,677)</u>
Total expenses included in the expense section on the Statement of Activities and Changes in Net Assets	<u>\$ 6,361,860</u>	<u>\$ 232,108</u>	<u>\$ 308,874</u>	<u>\$ 6,902,842</u>
Functional expenses as a percentage of total	<u>92%</u>	<u>3%</u>	<u>5%</u>	<u>100%</u>

The accompanying notes are an integral part of this statement.

Hillsborough Education Foundation, Inc.

STATEMENTS OF CASH FLOWS

For the year ended June 30,

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities		
Change in net assets	\$ 191,052	\$ 1,149,719
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	52,376	18,171
Realized and unrealized loss (gains) on investments	847,026	(963,936)
Net utilization of prepaid scholarships	303,175	310,356
Net change in prepaid scholarships	31,377	86,447
Forgiveness of paycheck Protection Program Loan	-	(254,400)
Decrease in accounts receivable	79,935	213,358
Increase in pledges receivable	(590,614)	(4,531)
Decrease (increase) in assets held by others	7,970	(11,640)
Decrease (increase) in deposits	10,019	(19,210)
(Decrease) increase in accounts payable	(48,779)	62,742
Increase in accrued expenses	9,275	67,418
(Decrease) increase in deferred revenue	(25,808)	13,276
	<u>867,004</u>	<u>667,770</u>
Net cash provided by operating activities		
Cash flows from investing activities		
Prepaid scholarship additions	(168,991)	(144,999)
Purchase of property, equipment and improvements	(24,887)	(271,447)
Purchase of investments	(856,418)	(1,745,094)
Proceeds from sale of investments	365,914	1,624,272
	<u>(684,382)</u>	<u>(537,268)</u>
Net cash used by investing activities		
Net change in cash, cash equivalents and restricted cash	182,622	130,502
Cash, cash equivalents and restricted cash - beginning of year	<u>1,083,208</u>	<u>952,706</u>
Cash, cash equivalents and restricted cash - end of year	<u>\$ 1,265,830</u>	<u>\$ 1,083,208</u>
Supplemental disclosures of cash flow information		
Cash paid during the year		
Interest	<u>\$ -</u>	<u>\$ -</u>
Taxes	<u>\$ -</u>	<u>\$ -</u>
Noncash financing activities		
Forgiveness of Paycheck Protection Program Loan	<u>\$ -</u>	<u>\$ 254,400</u>

The accompanying notes are an integral part of these statements.

Hillsborough Education Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

NOTE A - DESCRIPTION OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A description of the organization and a summary of its significant accounting policies consistently applied in the preparation of the accompanying financial statements follow:

1. Description of the Organization

Hillsborough Education Foundation, Inc. (the "Foundation") was incorporated on March 2, 1988 under Chapter 617 of the Florida Statutes as a not-for-profit corporation for educational and charitable purposes. The mission of the Foundation is to strengthen public education in Hillsborough County through advocacy, investment of resources, and programs that empower every student to achieve both academic and personal success.

2. Basis of Accounting

The financial statements, presented on the accrual basis of accounting, have been prepared to focus on the Foundation as a whole, and to present balances and transactions according to the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment.
- Net Assets With Donor Restrictions – Net assets subject to donor – (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Contributions received and unconditional promises to give are measured at their fair values at the date of contribution and are reported as increases in net assets. Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from restrictions.

Hillsborough Education Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

NOTE A - DESCRIPTION OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

3. Cash and Cash Equivalents

The Foundation considers all cash and highly liquid financial instruments with original maturities of three months or less to be cash and cash equivalents.

4. Restricted Cash

The Foundation has no restricted cash at June 30, 2022. At June 30, 2021, the Foundation had \$250,000 in restricted cash related to a deposit account used to secure the line of credit. The line of credit account was closed in February 2022 and the cash was released from restriction.

5. Accounts Receivable and Pledges Receivable

The Foundation receives support from contributions, state grants, and local grants. The Foundation considers the receivable to be fully collectible. As such, there is no allowance for doubtful accounts included for the years ended June 30, 2022 and 2021. These receivables are written off when management deems the accounts to be uncollectible.

6. Investments

Investments are stated at fair value based upon quoted market prices with dividends, interest, investment fees, realized and unrealized gains and losses captioned as investment return, net on the statement of activities and changes in net assets. Noncurrent investments include donor-restricted and board designated endowments, as well as donor advised funds.

7. Prepaid Scholarships

Prepaid scholarships consist of amounts paid to the Florida Prepaid College Foundation, Inc. for the purpose of purchasing scholarships to be awarded in the future to qualified students. The expenses related to these scholarships are recognized in the statements of activities and changes in net assets at the time scholarships are paid by the Florida Prepaid College Foundation, Inc. to the qualified students selected higher education institution.

8. Furniture, Equipment, and Improvements

Furniture, equipment and improvements are stated at cost or fair value at the date of donation. Depreciation and amortization are calculated using the straight-line method over an estimated useful life of five to 10 years. The Foundation capitalizes asset acquisitions and improvements which have a useful life of over one year and exceed \$1,000 individually.

Hillsborough Education Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

NOTE A - DESCRIPTION OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

9. Beneficial Interest in Assets Held by Others

This consist of a fund with the Community Foundation of Tampa Bay, Inc. (the Community Foundation). The funds are invested in the Community Foundation's investment pool and the Foundation receives a proportionate share of the overall investment return of the pool. The underlying investments in the Community Foundation's investment pool consists of cash, equity securities, debt securities, private equity funds, limited partnerships, and hedge funds. Distributions and changes in fair value are recognized in the statements of activities and changes in net assets.

10. Contributions and Grants

Contributions received are classified as with and without donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions receivable are recognized when an unconditional promise to give is received. Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. The Foundation has recorded the present value discount for long-term contributions using a rate of 3.38%.

Conditional contributions – that is, those with a measurable performance or other barrier and right of return – are recognized only when the conditions on which they depend are substantially met and the promised become unconditional. Payments received before conditions are substantially met are recorded as deferred revenue in the accompanying statements of financial position.

11. Fundraising Events

The Foundation conducted a variety of fundraising events during the years ended June 30, 2022 and 2021 to benefit the Foundation which are reflected in the statements of activities and changes in net assets as fundraising events, net. Proceeds from fundraising events comprise an exchange element based on the value of benefits provided, and a contribution element for the difference between the total proceeds and the exchange element. The exchange element includes the meals and activities provided at the event, which the Foundation recognized when the performance obligation is met. The performance obligation is met at the point in time of the event.

Hillsborough Education Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

NOTE A - DESCRIPTION OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Fundraising events, net consisted of the following for the years ended June 30,:

	<u>2022</u>	<u>2021</u>
Contribution revenue	\$ 291,793	\$ 250,490
Exchange revenue	61,715	51,035
Total proceeds	<u>353,508</u>	<u>301,525</u>
Less: direct expenses	<u>(105,163)</u>	<u>(68,677)</u>
Fundraising events, net	<u><u>\$ 248,345</u></u>	<u><u>\$ 232,848</u></u>

12. Donated Goods and Services

Donations of goods used by the Foundation are recorded as contributions and as assets or expenses based on similar wholesale values to measure the value of such items. Donated goods for Teaching Tools are recognized when they are distributed to recipients since that is when the Foundation has determined whether the goods will be used in programs.

Donated services are recorded as contributions upon performance of service if the services create or enhance nonfinancial assets or require specialized skills, are provided by individuals or organizations possessing these skills, and would typically need to be purchased if not provided by donations. A substantial number of volunteers have contributed significant amounts of time and services to the Foundation's activities. However, these services have not been recognized in the financial statements since the recognition criteria have not been met.

Donated school supplies and other goods and services consisted of the following for the years ended June 30,:

	<u>2022</u>	<u>2021</u>
School supplies	\$ 4,125,649	\$ 2,430,043
Gift cards	30,849	-
Other	25,352	35,013
Computer equipment	21,010	197,815
Tuition vouchers	-	25,500
Clothing	<u>-</u>	<u>50,000</u>
	<u><u>\$ 4,202,860</u></u>	<u><u>\$ 2,738,371</u></u>

Hillsborough Education Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

NOTE A - DESCRIPTION OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

13. Functional Allocation of Expenses

The cost of program and supporting services activities have been summarized on a functional basis in the statements of activities and changes in net assets. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. These expenses are allocated using factors such as square footage and headcounts for depreciation, amortization, occupancy, infrastructure, and insurance. The allocations for salaries and benefits are based on estimated time and effort of the Foundation's personnel.

14. Income Taxes

The Foundation is exempt from federal income taxes under Section 501(c)(3) and is exempt from state corporate income tax under applicable Florida Statutes. Under certain circumstances, the Internal Revenue Code provides for taxation of unrelated business income. Such status is subject to final determination upon examination of the related income tax returns by the appropriate taxing authorities. Management is not aware of any activities that would jeopardize the Foundation's tax-exempt status.

Management has evaluated all tax positions that could have a significant effect on the financial statements and determined the Foundation had no uncertain income positions at June 30, 2022 and 2021.

15. Concentrations of Credit Risk

The Foundation maintains checking and depository accounts with financial institutions which are insured by the Federal Deposit Insurance Corporation up to certain limits. At times, cash balances on deposits may exceed federally insured amounts.

16. Use of Estimates

The preparation of these financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and operating expenses and to disclose contingent assets and liabilities at the date of the financial statements. Actual results could differ from these estimates.

17. Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.



Hillsborough Education Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

NOTE A - DESCRIPTION OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

18. Accounting Principle Updates

In fiscal year 2022, the Foundation adopted Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The new guidance requires nonprofit entities to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets. The standard also increases the disclosure requirements around contributed nonfinancial assets, including disaggregating by category the types of contributed nonfinancial assets a nonprofit entity has received. Adoption of this standard did not have a significant impact on the financial statements, with the exception of increased disclosure.

NOTE B - LIQUIDITY AND AVAILABILITY

The Foundation manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintain adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

The Foundation has a policy to target a year-end balance of reserves from net assets without donor restrictions to meet at least six months of expected expenditures. During the years ended June 30, 2022 and 2021 the level of liquidity and reserves was managed within the policy requirements.

As part of the Foundation's liquidity management, the Foundation invests cash in excess of daily requirements in short-term investments. To help manage unanticipated liquidity needs, the Foundation has a board-designated quasi-endowment of approximately \$1.3 and \$1.6 million available as of June 30, 2022 and 2021, respectively.

The Foundation's financial assets available within one year of the statement of financial position date for general expenditures are as follows:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 1,265,830	\$ 833,208
Accounts receivable	90,843	170,778
Pledges receivable	88,690	149,313
Investments	<u>5,493,383</u>	<u>5,849,905</u>
Total financial assets	6,938,746	7,003,204
Less: donor-imposed restrictions	(3,898,450)	(4,246,779)
Less: Board-designated quasi-endowment	<u>(1,281,517)</u>	<u>(1,574,972)</u>
Total financial assets available for general expenditure within one year	<u>\$ 1,758,779</u>	<u>\$ 1,181,453</u>

Hillsborough Education Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

NOTE C - PLEDGES RECEIVABLE

Short and long-term pledges receivable consists of the following at June 30,:

	<u>2022</u>	<u>2021</u>
Gross pledges receivable:		
Within one year	\$ 88,690	\$ 149,313
Between one and five years	<u>714,286</u>	<u>-</u>
	802,976	149,313
Net discount for present value	(63,049)	-
Allowance for uncollectible pledges	-	-
Pledges receivable, net	<u>\$ 739,927</u>	<u>\$ 149,313</u>

NOTE D - FAIR VALUE MEASUREMENTS

The Foundation reports certain assets and liabilities at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants will be used in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumption market participants would use in price in the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable input our inputs that reflect the reporting entities own assumptions about the assumptions market participants would use in price in the asset or liability is based on the best information available.

A three-tier hierarchy categorizes the inputs as following:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities that are accessible at the measurement date.

Level 2 - Inputs other than quoted prices included within level one that are observable for the assets or liability, either directly or indirectly. These include quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market corroborated inputs.

Level 3 - Unobservable inputs for the asset or liability.

Hillsborough Education Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

NOTE D - FAIR VALUE MEASUREMENTS - Continued

A significant portion of the Foundation's investment assets are classified within level one because they comprise fixed-income, equities, and strategic opportunities with readily determinable fair values based on daily redemption values. The fair value of beneficial interest in assets held by the Community Foundation is based on the fair value of assets. These are considered to be level three measurements.

The following table presents financial assets measured at fair value on a recurring basis as of June 30,:

	2022			Total
	Level 1	Level 2	Level 3	
Cash and cash equivalents	\$ 239,542	\$ -	\$ -	\$ 239,542
Fixed income	2,193,179	-	-	2,193,179
Equities	2,638,066	-	-	2,638,066
Strategic Opportunities	422,596	-	-	422,596
Total investments	<u>5,493,383</u>	<u>-</u>	<u>-</u>	<u>5,493,383</u>
Beneficial interest in assets held by others	<u>-</u>	<u>-</u>	<u>47,859</u>	<u>47,859</u>
Total assets at fair value	<u>\$ 5,493,383</u>	<u>\$ -</u>	<u>\$ 47,859</u>	<u>\$ 5,541,242</u>

	2021			Total
	Level 1	Level 2	Level 3	
Cash and cash equivalents	\$ 243,251	\$ -	\$ -	\$ 243,251
Fixed income	1,946,810	-	-	1,946,810
Equities	3,244,210	-	-	3,244,210
Strategic Opportunities	415,634	-	-	415,634
Total investments	<u>5,849,905</u>	<u>-</u>	<u>-</u>	<u>5,849,905</u>
Beneficial interest in assets held by others	<u>-</u>	<u>-</u>	<u>55,829</u>	<u>55,829</u>
Total assets at fair value	<u>\$ 5,849,905</u>	<u>\$ -</u>	<u>\$ 55,829</u>	<u>\$ 5,905,734</u>

Hillsborough Education Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

NOTE D - FAIR VALUE MEASUREMENTS – Continued

Investment return, net consisted of the following for the years and that June 30,:

	<u>2022</u>	<u>2021</u>
Interest and dividend income	\$ 236,083	\$ 133,968
Realized and unrealized (loss) gain	(847,026)	963,936
Investment fees	<u>(23,145)</u>	<u>(20,349)</u>
Investment return, net	<u>\$ (634,088)</u>	<u>\$ 1,077,555</u>

The following table sets forth the valuation technique for Level 3 assets as of June 30,:

<u>Instrument</u>	<u>Fair Value</u>		Principal Valuation Technique Fair Market Value of Assets	Unobservable Inputs Value of Underlying Assets
	<u>2022</u>	<u>2021</u>		
Beneficial interest in assets held by others	\$ 47,859	\$ 55,829		

The following table summarizes the activity of Level 3 assets for the years and that June 30,:

	<u>2022</u>	<u>2021</u>
Beneficial interest in assets held by others - beginning of year	\$ 55,829	\$ 44,189
Contributions	-	500
Distributions	(3,154)	(2,116)
Investment (loss) income, net	<u>(4,816)</u>	<u>13,256</u>
Beneficial interest in assets held by others - end of year	<u>\$ 47,859</u>	<u>\$ 55,829</u>

Hillsborough Education Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

NOTE E - FURNITURE, EQUIPMENT AND IMPROVEMENTS

Furniture, equipment and improvements are summarized as follows at June 30,:

	<u>2022</u>	<u>2021</u>
Software and website	\$ 84,642	\$ 84,642
Furniture, fixtures, and equipment	148,123	128,717
Leasehold improvements	836,901	831,421
Vehicles	<u>30,700</u>	<u>30,700</u>
	1,100,366	1,075,480
Less: accumulated depreciation and amortization	<u>(770,102)</u>	<u>(717,727)</u>
Total furniture, equipment, and improvements, net	<u>\$ 330,264</u>	<u>\$ 357,753</u>

NOTE F - COMMITMENTS

The Foundation entered into an office space lease with the City of Tampa effective March 2010 for \$1 per year for a period of 10 years, with optional renewals for the two additional five-year terms. The first optional renewal was effective October 15, 2019 and extended the term through February 11, 2025. The lease agreement required the Foundation to make certain financial commitments for improvements, repairs, and maintenance to the leased premises during the term of the agreement. The Foundation has satisfied the lease improvements stipulated under the original agreement and undertaken additional modifications through June 30, 2022 and expect to continue to meet ongoing requirements.

NOTE G - LINE OF CREDIT

The Foundation established a \$250,000 secured line of credit with a financial institution, bearing interest at prime minus 0.25%. Monthly payments are payable in an amount greater than \$250 or the aggregate sum of accrued interest, plus, 1/60<sup>th</sup> of the unpaid principal balance. The line of credit is secured by a deposit account with the same financial institution in the amount of \$250,000. The line was not used in the year ended June 30, 2021 and subsequently closed during fiscal year 2022.

Hillsborough Education Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

NOTE H - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or other events specified by the donor consisted of the following at June 30,:

	<u>2022</u>	<u>2021</u>
Net assets restricted for time or purpose:		
Scholarships and mentoring	\$ 4,455,139	\$ 5,076,846
School and classroom enrichment	1,701,546	653,672
College and career readiness	90,563	60,722
Teaching tools	53,900	15,339
Teacher support and recognition	30,200	7,324
Digital equity	<u>28,345</u>	<u>135,897</u>
	6,359,693	5,949,800
Endowments to be invested in perpetuity, the income from which is expendable to support		
Scholarship and mentoring	976,777	976,777
School and classroom enrichment	<u>10,000</u>	<u>10,000</u>
	<u>986,777</u>	<u>986,777</u>
 Total net assets with donor restrictions	 <u>\$ 7,346,470</u>	 <u>\$ 6,936,577</u>

Net assets were released from donor restrictions for in current expenses satisfying the restricted purpose or other events specified by the donors as follows for the years ended June 30,:

	<u>2022</u>	<u>2021</u>
Satisfaction of purpose or time restrictions		
Scholarships and mentoring	\$ 1,544,083	\$ 1,845,623
School and classroom enrichment	798,043	553,040
Digital equity	777,981	633,666
College and career readiness	290	86,156
Teaching tools	4,710,273	2,856,288
Teacher support and recognition	237,645	213,942
Other	<u>17,950</u>	<u>33,178</u>
 Total net assets released from donor restrictions	 <u>\$ 8,086,265</u>	 <u>\$ 6,221,893</u>

Hillsborough Education Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

NOTE I - ENDOWMENT NET ASSETS

The Foundation's endowment consists of approximately 20 individual funds established for a variety of purposes. Its endowment includes both donor restricted funds and funds designated by the board of directors to function as endowments. As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the board of directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Foundation is subject to the Florida Uniform Prudent Management of Institutional Funds Act (FUPMIFA) and thereof, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions until the board of directors appropriate such amounts for expenditure and any other purpose restrictions have been met. The board of directors has interpreted FUPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Earnings on donor-restricted endowment funds are classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard prudence prescribed by FUPMIFA.

In accordance with the FUPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the Foundation and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and that appreciation of investments
6. Other resources of the Foundation
7. The investment policies of the Foundation

Hillsborough Education Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

NOTE I - ENDOWMENT NET ASSETS - Continued

Endowment net asset composition by type of fund was as follows as of June 30,:

June 30, 2022	Without Donor Restriction	With Donor Restriction	Total
Board-designated endowment funds	\$ 1,281,517	\$ -	\$ 1,281,517
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintain in perpetuity by donor	-	986,777	986,777
Portion subject to appropriation under FUPMIFA	-	224,462	224,462
	<u>\$ 1,281,517</u>	<u>\$ 1,211,239</u>	<u>\$ 2,492,756</u>

June 30, 2021	Without Donor Restriction	With Donor Restriction	Total
Board-designated endowment funds	\$ 1,574,972	\$ -	\$ 1,574,972
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintain in perpetuity by donor	-	986,777	986,777
Portion subject to appropriation under FUPMIFA	-	445,529	445,529
	<u>\$ 1,574,972</u>	<u>\$ 1,432,306</u>	<u>\$ 3,007,278</u>

Changes in endowment assets were as follows for the years ended June 30,:

June 30, 2022	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets - beginning of year	\$ 1,574,972	\$ 1,432,306	\$ 3,007,278
Contributions	-	10,500	10,500
Investment return, net	(200,873)	(189,351)	(390,224)
Endowment expenditures	(92,582)	(42,288)	(134,870)
Transfers	-	72	72
Endowment net assets - end of year	<u>\$ 1,281,517</u>	<u>\$ 1,211,239</u>	<u>\$ 2,492,756</u>



Hillsborough Education Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

NOTE I - ENDOWMENT NET ASSETS - Continued

June 30, 2021	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets - beginning of year	\$ 1,234,438	\$ 1,045,391	\$ 2,279,829
Contributions	-	150,100	150,100
Investment return, net	340,508	287,794	628,302
Endowment expenditures	-	(51,079)	(51,079)
Transfers	26	100	126
Endowment net assets - end of year	<u>\$ 1,574,972</u>	<u>\$ 1,432,306</u>	<u>\$ 3,007,278</u>

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the original value of the gift or the amount required to be maintained by the donor, or that FUPMIFA requires the Foundation to retain as a fund for perpetual duration. These deficiencies can result from unfavorable market fluctuations that may occur shortly after the investment of new contributions for donor-restricted endowment funds with continued appropriation for certain programs deemed prudent by the board of directors. There are no deficiencies of this nature as of June 30, 2022 or 2021.

Investment and Spending Policy

The Foundation has adopted an investment and spending policy for the endowment assets that attempts to preserve the real (inflation-adjusted) value of endowment, increase the real value of the portfolio and facilitate a potential distribution to support some level of future operations. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period(s). The terms of the operating policies of the endowment funds (the Fund) requires that the Fund will be managed by the Investment Committee and approved by the board of directors.

The Investment Committee is responsible to oversee the portfolio's investments and monitor the investments on an ongoing basis to ensure that long-term objectives are being met. The Investment Committee has agreed to a target asset allocation for the portfolio's assets and seeks advice from professional investment managers which hold the assets. The Fund is to invest funds in accordance with the standards set forth in the Foundation's investment policy.

Hillsborough Education Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

NOTE I - ENDOWMENT NET ASSETS - Continued

The Foundation's board of directors, on the recommendation of the Investment Committee, has adopted a spending policy that governs the annual distributions from the endowment fund that may be expended for current operations of the Foundation. This policy authorizes the Foundation to distribute from its endowment fund a specific percentage, to be determined by the board of directors from time to time, of the current market value at budget time or fiscal year end of the endowment fund. The policy also allows the board of directors to base a distribution formula on the average market value over a period of several years as it chooses to do so. The Foundation's board of directors approved policy is to distribute 4% of the three-year average market value of the endowment as of March 31 each year.

Distributions cannot exceed their cumulative unspent earnings of the endowment without the board of director's approval. Income earned in excess of the spending rate may be reinvested in endowment principal. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through investment return.

NOTE J - RETIREMENT PLAN

The Foundation participates in a 403(b)-retirement plan that covers all employees. The Foundation's plan includes a matching contribution of 100% of the employee's contribution, up to a maximum of 4%. The matching contribution starts after the employee's first 12 consecutive months of employment, or if part-time, after 1,000 hours of employment, and the vesting schedule is 33% per year for three years. Retirement plan expenses were approximately \$18,000 and \$17,000 for the years ended June 20, 2022 and 2021, respectively, and is classified as salaries and benefits in the accompanying statements of functional expenses.

NOTE K - PPP LOAN FORGIVENESS

On April 17th, 2020, the Foundation received a loan from a financial institution in the amount of \$254,400 to fund payroll, rent and utilities through the Paycheck Protection Program (the PPP Loan). The original loan agreement was written prior to the PPP Flexibility Act of 2020 (June 5) and was over twenty-four months with payments deferred for six months. Subsequent to this, the law changed the loan deferral term retroactively. The PPP Loan bore interest at a fixed rate of 1% per annum, had a term of two years, and was unsecured and guaranteed by the US Small Business Administration. Payment of principal and interest was deferred until the date of which the amount of forgiveness was remitted to the lender or, if the Foundation failed to apply for forgiveness within ten months after the covered period, then payment of principal and interest shall begin on that date.

The PPP Loan was forgiven in full by the financial institution on June 7, 2021 and was recorded as PPP Loan forgiveness in the accompanying statement of activities and changes in its assets as of June 30, 2021.

Hillsborough Education Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

NOTE L - SUBSEQUENT EVENT

We have evaluated subsequent events through October 26, 2022, the date the financial statements were available to be issued.

INDEPENDENT AUDITORS' 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*

HILLSBOROUGH EDUCATION FOUNDATION, INC.

June 30, 2022



INDEPENDENT AUDITORS' 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

Board of Directors  
Hillsborough Education Foundation, Inc.

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 Hillsborough Education Foundation, Inc. (a nonprofit organization) (the "Foundation"), which comprise the statement of financial position as of June 30, 2022 and the related statements of activities and changes in net assets, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 26, 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) 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 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

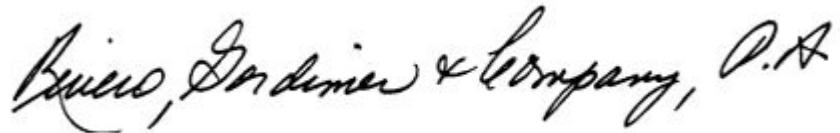


## Report on Compliance and Other Matters

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 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.

A handwritten signature in black ink that reads "Bruce, Gardner & Company, P.A." The signature is written in a cursive, flowing style.

Tampa, Florida  
October 26, 2022

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH  
MAJOR STATE PROJECT AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED  
BY CHAPTER 10.650, RULES OF THE AUDITOR GENERAL

HILLSBOROUGH EDUCATION FOUNDATION, INC.

June 30, 2022

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
FOR EACH MAJOR STATE PROJECT AND ON INTERNAL  
CONTROL OVER COMPLIANCE REQUIRED BY  
CHAPTER 10.650, RULES OF THE AUDITOR GENERAL

Board of Directors  
Hillsborough Education Foundation, Inc.

**Report on Compliance for Each Major State Project**

***Opinion on Each Major State Project***

We have audited Hillsborough Education Foundation's compliance with the types of compliance requirements identified as subject to audit in the Florida Department of Financial Service's State Projects Compliance Supplement that could have a direct and material effect on each of Hillsborough Education Foundation's major state projects for the year ended June 30, 2022. Hillsborough Education Foundation's major state projects are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Hillsborough Education Foundation complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major state projects for the year ended June 30, 2022.

***Basis for Opinion on Each Major State Project***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and Chapter 10.650, Rules of the Auditor General for *Florida Single Audit Act Audits of Nonprofit and For-Profit Organizations* (Chapter 10.650). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Hillsborough Education Foundation and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major state project. Our audit does not provide a legal determination of Hillsborough Education Foundation's compliance with the compliance requirements referred to above.



## ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Hillsborough Education Foundation's state projects.

## ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Hillsborough Education Foundation's compliance based on our audit. 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, *Government Auditing Standards*, and Chapter 10.650, Rules of the Auditor General will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Hillsborough Education Foundation's compliance with the requirements of each major state project as a whole. In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and Chapter 10.650, Rules of the Auditor General, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Hillsborough Education Foundation's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Hillsborough Education Foundation's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with Chapter 10.650, Rules of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of Hillsborough Education Foundation's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

## **Report on Internal Control over Compliance**

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state project on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over

compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state project will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state project that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Chapter 10.650, Rules of the Auditor General. Accordingly, this report is not suitable for any other purpose.

Tampa, Florida  
October 26, 2022

SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE  
HILLSBOROUGH EDUCATION FOUNDATION, INC.  
June 30, 2022

Hillsborough Education Foundation, Inc.

SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE

June 30, 2022

<u>State Grantor/Pass through Grantor/Program or Cluster Title</u>	<u>State CSFA Number</u>	<u>State Expenditures</u>	<u>Passed Through to Subrecipients</u>
<b>State Financial Assistance</b>			
<b>Department of Education and Commissioner of Education</b>			
Passed through Florida Prepaid College Foundation, Inc. Prepaid Tuition Scholarships	48.051	\$ 290,785	\$ -
Pass-through Consortium of Florida Education Foundations School District Matching Grants	48.061	419,529	-
Pass-through Take Stock In Children Mentoring/Student Assistance Initiatives	48.068	<u>213,593</u>	<u>-</u>
Total Department of Education and Commissioner of Education		<u>923,907</u>	<u>-</u>
<b>Department of Highway Safety and Motor Vehicles</b>			
Direct Projects:			
Florida Educational Licenses Plate Project	76.023	<u>27,785</u>	<u>-</u>
Total Department of Highway Safety and Motor Vehicles		<u>27,785</u>	<u>-</u>
Total Expenditures of State Financial Assistance		<u>\$ 951,692</u>	<u>\$ -</u>

Hillsborough Education Foundation, Inc.

NOTES TO SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE

June 30, 2022

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of state financial assistance (the Schedule) includes the state projects activity of Hillsborough Education Foundation, Inc. (the Foundation) for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of Chapter 10.650, Rules of the Auditor General for *Florida Single Audit Act Audits of Nonprofit and For-Profit Organizations* (Chapter 10.650). This schedule presents only a selected portion of the operations of the Foundation; therefore, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Foundation.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Department of Financial Services' State Projects Compliance Supplement, wherein types of expenditures are not allowable or are limited as to reimbursement.

NOTE C - SUBRECIPIENTS

Hillsborough Education Foundation, Inc. provided no state financial assistance to sub recipients for the year ended June 30, 2022.

Hillsborough Education Foundation, Inc.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2022

**Section I - Summary of Auditors' Results**

**Financial Statements**

Type of auditors' report issued	<u>Unmodified</u>	
Internal control over financial reporting		
Material weakness(es) identified?	<u>      </u> yes	<u>  X  </u> no
Significant deficiency(ies) identified?	<u>      </u> yes	<u>  X  </u> none reported
Noncompliance material to financial statements noted?	<u>      </u> yes	<u>  X  </u> no

**State Financial Assistance**

Internal control over major programs		
Material weakness(es) identified?	<u>      </u> yes	<u>  X  </u> no
Significant deficiency(ies) identified?	<u>      </u> yes	<u>  X  </u> none reported
Type of auditors' report issued on compliance for major programs	<u>Unmodified</u>	

**Identification of Major State Programs:**

<u>CSFA Number(s)</u>	<u>Name of Program</u>
48.061	School District Matching Grants
48.068	Mentoring/Student Assistance Initiatives
Dollar threshold used to distinguish between type A and type B programs	<u>\$ 300,000</u>

**Section II - Financial Statement Findings**

Our audit did not disclose any matters required to be reported in accordance with *Government Auditing Standards*.

**Section III - Findings and Questioned Costs - Major State Projects**

Our audit did not disclose any matters required to be reported in accordance with Chapter 10.650, Rules of the Auditor General.