

**Hispanic Heritage Scholarship Fund
Of Metro Orlando, Inc.**

Financial Statements

As of December 31, 2022

HISPANIC HERITAGE SCHOLARSHIP FUND OF METRO ORLANDO, INC.

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YEAR ENDED DECEMBER 31, 2022

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Hispanic Heritage Scholarship Fund of Metro Orlando, Inc.
Orlando, FL

Opinion

We have audited the accompanying financial statements of Hispanic Heritage Scholarship Fund of Metro Orlando, Inc., (a nonprofit organization) which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, cash flows and functional expenses 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 Hispanic Heritage Scholarship Fund of Metro Orlando, Inc. as of December 31, 2022 and the results of its operations and its cash flows for the year then ended in conformity 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 Hispanic Heritage Scholarship Fund of Metro Orlando, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements related to our audit. 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 these 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 Hispanic Heritage Scholarship Fund of Metro Orlando, Inc.'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 of 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 judgement made by a reasonable user based on the financial statements.

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

- Exercise professional judgement 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 Hispanic Heritage Scholarship Fund of Metro Orlando, Inc.'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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Hispanic Heritage Scholarship Fund of Metro Orlando, Inc.'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.

Schafer, Tschopp, Whitcomb, Mitchell & Sheridan, LLP

SCHAFER, TSCHOPP, WHITCOMB, MITCHELL & SHERIDAN, LLP

August 22, 2023

HISPANIC HERITAGE SCHOLARSHIP FUND OF METRO ORLANDO, INC.
STATEMENT OF FINANCIAL POSITION
December 31, 2022

ASSETS

Cash and cash equivalents	\$ 290,471
Cash and cash equivalents restricted to fund scholarships	<u>28,112</u>
Total cash and cash equivalents	318,583
Investments	850,848
Accounts receivable	4,500
Prepaid expenses	1,023
Property and equipment - net of \$1,278 of accumulated depreciation	<u>-</u>
TOTAL ASSETS	<u><u>\$ 1,174,954</u></u>

LIABILITIES AND NET ASSETS

Liabilities	
Accounts payable and accrued expenses	\$ <u>3,549</u>
Total Liabilities	<u>3,549</u>
Net Assets	
Without donor restrictions	425,265
With donor restrictions	<u>746,140</u>
Total Net Assets	<u>1,171,405</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 1,174,954</u></u>

See accompanying notes to the financial statements

HISPANIC HERITAGE SCHOLARSHIP FUND OF METRO ORLANDO, INC.
STATEMENT OF ACTIVITIES
For the year ended December 31, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues			
Contributions	\$ 365,246	\$ -	\$ 365,246
Event revenue	11,878	-	11,878
Investment income	3	(136,573)	(136,570)
Net assets released from restrictions			-
	<u>377,127</u>	<u>(136,573)</u>	<u>240,554</u>
Total Unrestricted Revenues			
Expenses			
Program Services	245,858	-	245,858
Support Services			
Management and general	79,645	-	79,645
Fundraising	22,936	-	22,936
	<u>348,439</u>	<u>-</u>	<u>348,439</u>
Total Expenses			
Increase (Decrease) in Net Assets	28,688	(136,573)	(107,885)
Net Assets at Beginning of Year	<u>396,577</u>	<u>882,713</u>	<u>1,279,290</u>
Net Assets at End of Year	<u>\$ 425,265</u>	<u>\$ 746,140</u>	<u>\$ 1,171,405</u>

See accompanying notes to the financial statements

HISPANIC HERITAGE SCHOLARSHIP FUND OF METRO ORLANDO, INC.
STATEMENT OF CASH FLOWS
For the year ended December 31, 2022

Increase in net assets	\$ (107,885)
Adjustments to reconcile change in net assets to net cash flows from operating activities:	
Depreciation	-
Realized and unrealized gains on investments	159,150
Change in assets and liabilities:	
Increase in accounts receivable	18,500
Increase in prepaid expenses	11
Decrease in accounts payable and accrued expenses	<u>1,772</u>
Net Cash Provided by Operating Activities	<u>71,548</u>
 Cash Flows from Investing Activities	
Purchase of investments	(254,313)
Proceeds from sale of investments	<u>249,036</u>
Net Cash Used in Investing Activities	<u>(5,277)</u>
 Cash Flows from Financing Activities	<u>-</u>
 Net Increase in Cash	66,271
Cash at Beginning of year	<u>252,312</u>
Cash at End of Year	<u><u>\$ 318,583</u></u>
 Cash paid during the year for:	
Interest	\$ -
Income taxes	\$ -

See accompanying notes to the financial statements

HISPANIC HERITAGE SCHOLARSHIP FUND OF METRO ORLANDO, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended December 31, 2022

	<u>Program Services</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total</u>
Scholarships	\$ 156,000	\$ -	\$ -	\$ 156,000
Salaries		\$ 54,143		54,143
Scholarship administration	43,024	-	-	43,024
Advertising	-	-	18,770	18,770
Event expenses	37,495	-	4,166	41,661
Depreciation	-	-	-	-
Insurance	-	1,546	-	1,546
Office expenses	-	9,123	-	9,123
Occupancy	-	6,535	-	6,535
Professional fees	9,339	5,028	-	14,367
Travel and meetings	-	3,270	-	3,270
Total	<u><u>\$ 245,858</u></u>	<u><u>\$ 79,645</u></u>	<u><u>\$ 22,936</u></u>	<u><u>\$ 348,439</u></u>

See accompanying notes to the financial statements

HISPANIC HERITAGE SCHOLARSHIP FUND OF METRO ORLANDO, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

NOTE 1 – Summary of Significant Accounting Policies

The summary of significant accounting policies is presented to assist in the understanding of the financial statements of the Hispanic Heritage Scholarship Fund of Metro Orlando, Inc. (the Organization). The financial statements and notes are representation of management who are responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Organization – The Organization is a non-profit organization in Central Florida dedicated to providing scholarships to Hispanic students pursuing a college or university degree. It was incorporated in 2003 under the laws of the State of Florida.

Basis of Accounting – The financial statements of the Organization have been prepared on the accrual basis of accounting. Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) in its Accounting Standards Codification (ASC) Topic 958.

Revenue recognition – Contributions received are recorded as net assets with donor restrictions or net assets without donor restrictions depending on the existence or nature of any donor restrictions. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Non-cash contributions received by the Organization are recorded at management's estimate of the fair market value at the date received.

HISPANIC HERITAGE SCHOLARSHIP FUND OF METRO ORLANDO, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

NOTE 1 – Summary of Significant Accounting Policies (continued)

Cash and cash equivalents – Cash and cash equivalents include cash invested in liquid instruments with an original maturity of three months or less.

Receivables - Receivables are primarily for corporate sponsorships. Management considers all receivables to be collectible.

Property and equipment - Fixed assets are recorded at cost or, if donated, at the fair market value on the date of receipt. Depreciation of fixed assets is calculated using the straight line method over the estimated useful lives of the respective assets.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Functional Expenses - The costs of providing the various functions and other activities have been detailed in the statement of functional expenses. Salaries and other expenses which are associated with a specific function are charged directly to that function. Other expenses which benefit more than one function are allocated to the various functions based on the percentage of each function's salary expense to total salary expense or upon area usage.

NOTE 2 – Contributed Services

A number of unpaid volunteers have made contributions of their time in the management, administration and scholarship selection process of the organization. The value of this contributed time is not reflected in these financial statements because they did not meet the criteria for recognition as contributed services.

NOTE 3 – Property and Equipment:

Property and equipment consist of the following:

Furniture and equipment	\$ 1,278
	1,278
Less accumulated depreciation	(1,278)
	<u>\$ -</u>

HISPANIC HERITAGE SCHOLARSHIP FUND OF METRO ORLANDO, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

NOTE 4 – Investments and Fair Value Measurements

Cost and fair value of investments at December 31, 2022 are as follows:

	<u>Cost</u>	<u>Net Unrealized Gain (Loss)</u>	<u>Fair Value</u>
Equity Funds	\$ 302,961	\$ 8,913	\$ 311,874
Exchange Traded Products	531,031	(18,884)	512,147
Bond Funds	<u>30,492</u>	<u>(3,665)</u>	<u>26,827</u>
	<u>\$ 864,484</u>	<u>\$ (13,636)</u>	<u>\$ 850,848</u>

Generally accepted accounting principles provide a framework for measuring fair value and require expanded disclosure about fair value measurements of certain assets and liabilities.

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurements date. Generally accepted accounting principles also establish a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of input that may be used to measure fair value:

Level 1 - Quoted prices in active markets for identical assets or liabilities

Level 2 – Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The Organization utilizes Level 1 inputs to measure the fair value for all of the marketable securities.

HISPANIC HERITAGE SCHOLARSHIP FUND OF METRO ORLANDO, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

NOTE 4 – Investments and Fair Value Measurements (continued)

At December 31, 2022, investment income consisted of the following:

Interest and dividend income	\$ 22,487
Net realized gains	6,667
Net unrealized gains	(159,247)
Investment expenses	<u>(6,480)</u>
	<u>\$ (136,573)</u>

NOTE 5 – Restrictions on Net Assets

Endowment Fund

Net assets with donor restrictions at December 31, 2022 consist of an endowment fund established in 2016 to support the scholarship program. Contributions to the endowment fund are subject to donor restrictions that stipulate the original principal of the gift is to be held and invested by the Organization indefinitely and income from the fund is to be expended for the scholarship program. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Organization has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (1) the original value of gifts donated to the permanent endowment, (2) the original value of subsequent gifts to the permanent endowment, and (3) 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. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various

HISPANIC HERITAGE SCHOLARSHIP FUND OF METRO ORLANDO, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

NOTE 5 – Restrictions on Net Assets (continued)

Endowment Fund

funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization, and (7) the Organization’s investment policies.

The Organization has adopted investment and spending policies for endowment assets that attempt to subject the fund to low investment risk and provide its scholarship program with current income. Endowment assets are invested in equity and bond funds and in exchange traded products. The Organization seeks to build endowment assets through additional contributions. The Organization has a policy of appropriating for scholarship distributions from the investment income of the endowment fund that is permanently restricted. This is consistent with the Organizations’ objectives to provide income for its scholarship program and preserve endowment assets without subjecting them to substantial risk.

The composition of endowment net assets for this fund and the changes in endowment net assets as of December 31, 2022 are as follows:

	<u>Income</u>	<u>Principal</u>	<u>Total</u>
Endowment net assets, December 31, 2021	\$ 132,713	\$ 750,000	\$ 882,713
Contributions	-	-	-
Investment income	22,674	-	22,674
Net appreciation	(159,247)	-	(159,247)
Amounts appropriated for expenditure	-	-	-
Endowment net assets, December 31, 2022	<u>\$ (3,860)</u>	<u>\$ 750,000</u>	<u>\$ 746,140</u>

HISPANIC HERITAGE SCHOLARSHIP FUND OF METRO ORLANDO, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

NOTE 5 – Restrictions on Net Assets (continued)

Restricted net assets, which are not available for operating purposes, are included on the statement of financial position as follows:

Cash and cash equivalents restricted	\$ 28,112
Investments	<u>718,028</u>
	<u>\$ 746,140</u>

NOTE 6 – Lease Obligations

The Organization conducts its operations from a leased office facility, which is leased month-by-month. Rent expense was \$4,800 in 2022.

NOTE 7 – Income Taxes

The Organization is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code on income related to its tax-exempt purpose. The Organization had no unrelated business income during the year ended December 31, 2022, accordingly, no tax liability or provision has been provided for in the accompanying financial statements.

The Organization has adopted the provisions of ASC 740, Income Taxes. These provisions clarify the accounting for uncertainty in tax positions and prescribe guidance related to the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The tax benefit from an uncertain tax position is only recognized in the statement of financial position if the tax position is more likely than not to be sustained upon an examination, based on the technical merits of the position. Interest and penalties, if any, are included in expenses in the statement of activities. As of December 31, 2022, the Organization had no uncertain tax positions that qualify for recognition or disclosure in the financial statements.

The Organization's income tax returns are subject to review and examination by federal authorities. The Organization is not aware of any activities that would jeopardize its tax exempt status. The tax returns for the fiscal years ended from 2019 forward are open to examination by federal authorities.

HISPANIC HERITAGE SCHOLARSHIP FUND OF METRO ORLANDO, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

NOTE 8 – Concentration of Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash. The Organization places its cash with financial institutions and limits the amount on deposit to less than the amount covered by federal insurance.

NOTE 9 – Subsequent Events

Management Evaluation - The Organization has evaluated subsequent events through August 22, 2023, which is the date the financial statements were issued. All subsequent events requiring recognition as of August 22, 2023 have been incorporated into these financial statements.