

**THE EDUCATION FOUNDATION OF
ALACHUA COUNTY, INC.**

FINANCIAL STATEMENTS

JUNE 30, 2013 AND 2012

THE EDUCATION FOUNDATION OF ALACHUA COUNTY, INC.
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JUNE 30, 2013 AND 2012

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INDEPENDENT AUDITORS' REPORT

Board of Directors,
The Education Foundation of Alachua County, Inc.:

Report on the Financial Statements

We have audited the accompanying financial statements of The Education Foundation of Alachua County, Inc. (the Foundation), which comprise the statements of financial position as of June 30, 2013 and 2012, and the related statements of activities and cash flows for the years 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 used 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.

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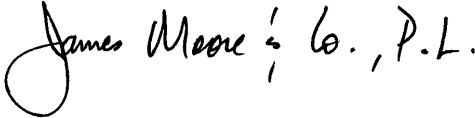
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Opinion

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, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

James Moore & Co., P.L.

Gainesville, Florida
October 8, 2013

THE EDUCATION FOUNDATION OF ALACHUA COUNTY, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2013 AND 2012

	2013	2012
<u>ASSETS</u>		
Current assets		
Cash and cash equivalents	\$ 340,515	\$ 908,038
Certificates of deposit	238,598	-
Receivables	46,025	22,718
Investments	664,189	307,971
Prepaid expenses	-	7,999
Total current assets	1,289,327	1,246,726
Office equipment, net	4,063	3,311
Assets held by others	1,315,693	1,175,076
Total Assets	\$ 2,609,083	\$ 2,425,113
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities		
Accrued expenses	\$ 7,399	\$ 7,910
Agency funds held for others	63,222	55,504
Total current liabilities	70,621	63,414
Net assets		
Unrestricted	247,995	277,469
Temporarily restricted	2,155,317	1,949,230
Permanently restricted	135,150	135,000
Total net assets	2,538,462	2,361,699
Total Liabilities and Net Assets	\$ 2,609,083	\$ 2,425,113

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

THE EDUCATION FOUNDATION OF ALACHUA COUNTY, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Support and revenue				
Contributions	\$ 303,602	\$ 157,227	\$ 150	\$ 460,979
Special events	92,444	-	-	92,444
Take Stock in Children	-	87,300	-	87,300
In-kind donations	21,967	-	-	21,967
Administrative fees	5,952	-	-	5,952
Investment gain	8,499	43,844	-	52,343
Gain on reinvested scholarships	-	91,980	-	91,980
Net assets released from restrictions:				
Restricted funds expended	174,264	(174,264)	-	-
Total support and revenue	<u>606,728</u>	<u>206,087</u>	<u>150</u>	<u>812,965</u>
Expenses				
Program services:				
Scholarships	167,336	-	-	167,336
Other assistance and awards	173,748	-	-	173,748
Salaries	86,795	-	-	86,795
Other program expenses	47,418	-	-	47,418
Total program services	<u>475,297</u>	<u>-</u>	<u>-</u>	<u>475,297</u>
Supporting services:				
General and administrative:				
Salaries	62,015	-	-	62,015
Supplies, postage and printing	4,651	-	-	4,651
Facilities and utilities	12,768	-	-	12,768
Meeting and training	6,345	-	-	6,345
Dues and fees	2,667	-	-	2,667
Advertising	940	-	-	940
Investment fees	5,195	-	-	5,195
Depreciation	898	-	-	898
Other expenses	19,353	-	-	19,353
Fundraising:				
Salaries	23,797	-	-	23,797
Other expenses	22,276	-	-	22,276
Total supporting services	<u>160,905</u>	<u>-</u>	<u>-</u>	<u>160,905</u>
Total expenses	<u>636,202</u>	<u>-</u>	<u>-</u>	<u>636,202</u>
Change in net assets	(29,474)	206,087	150	176,763
Net assets, beginning of year	277,469	1,949,230	135,000	2,361,699
Net assets, end of year	<u>\$ 247,995</u>	<u>\$ 2,155,317</u>	<u>\$ 135,150</u>	<u>\$ 2,538,462</u>

The accompanying notes to financial statements
are an integral part of this statement.

THE EDUCATION FOUNDATION OF ALACHUA COUNTY, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Support and revenue				
Contributions	\$ 115,572	\$ 196,249	\$ -	\$ 311,821
Special events	115,403	-	-	115,403
Take Stock in Children	-	88,325	-	88,325
In-kind donations	30,626	-	-	30,626
Administrative fees	7,840	-	-	7,840
Investment loss	(1,813)	-	-	(1,813)
Net assets released from restrictions:				
Restricted funds expended	346,170	(346,170)	-	-
Total support and revenue	<u>613,798</u>	<u>(61,596)</u>	<u>-</u>	<u>552,202</u>
Expenses				
Program services:				
Scholarships	106,909	-	-	106,909
Other assistance and awards	101,427	-	-	101,427
Salaries	60,952	-	-	60,952
Other program expenses	5,882	-	-	5,882
Total program services	<u>275,170</u>	<u>-</u>	<u>-</u>	<u>275,170</u>
Supporting services:				
General and administrative:				
Salaries	52,077	-	-	52,077
Supplies, postage and printing	12,791	-	-	12,791
Facilities and utilities	12,768	-	-	12,768
Meeting and training	5,137	-	-	5,137
Insurance	3,267	-	-	3,267
Dues and fees	3,027	-	-	3,027
Interest	2,798	-	-	2,798
Advertising	2,186	-	-	2,186
Investment fees	1,367	-	-	1,367
Depreciation	1,128	-	-	1,128
Other expenses	19,733	-	-	19,733
Fundraising:				
Salaries	9,077	-	-	9,077
Other expenses	42,181	-	-	42,181
Total supporting services	<u>167,537</u>	<u>-</u>	<u>-</u>	<u>167,537</u>
Total expenses	<u>442,707</u>	<u>-</u>	<u>-</u>	<u>442,707</u>
Change in net assets	<u>171,091</u>	<u>(61,596)</u>	<u>-</u>	<u>109,495</u>
Net assets, beginning of year	106,378	2,010,826	135,000	2,252,204
Net assets, end of year	<u>\$ 277,469</u>	<u>\$ 1,949,230</u>	<u>\$ 135,000</u>	<u>\$ 2,361,699</u>

The accompanying notes to financial statements
are an integral part of this statement.

THE EDUCATION FOUNDATION OF ALACHUA COUNTY, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	2013	2012
Cash flows from operating activities		
Change in net assets	\$ 176,763	\$ 109,495
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	898	1,128
Unrealized (gain) loss on investments	(19,670)	7,689
Gain on sale of investments	(15,827)	(734)
Decrease (increase) in receivable	(23,307)	215
Decrease (increase) in prepaid expenses	7,999	(7,999)
Decrease (increase) in assets held by others	(140,617)	3,638
Decrease in accrued expenses	(511)	(692)
Increase in agency funds	7,718	722
Net cash provided by (used in) operating activities	(6,554)	113,462
Cash flows from investing activities		
Proceeds received from sales of investments	321,401	25,912
Purchase of certificates of deposit	(238,598)	-
Purchases of investments	(642,122)	(3,775)
Purchase of office equipment	(1,650)	(2,955)
Net cash provided by (used in) investing activities	(560,969)	19,182
Net increase (decrease) in cash and cash equivalents	(567,523)	132,644
Cash and cash equivalents, beginning of year	908,038	775,394
Cash and cash equivalents, end of year	\$ 340,515	\$ 908,038

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

THE EDUCATION FOUNDATION OF ALACHUA COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

(1) **Summary of Significant Accounting Policies:**

The following is a summary of the significant accounting policies and practices of the The Education Foundation of Alachua County, Inc. (the Foundation), which affect the accompanying financial statements:

(a) **Nature of operations**—The Foundation is a nonprofit organization located in Gainesville, Florida. The Foundation's purpose is exclusively educational and charitable, and is to secure and distribute contributions from individuals, corporations, and other foundations for the benefit of the students in Alachua County's public schools. The Foundation works to support new and improved educational opportunities.

(b) **Financial statement presentation**—These financial statements, which are presented on the accrual basis of accounting, have been prepared to present balances and transactions according to the existence or absence of donor-imposed restrictions. This has been accomplished by classification of net assets and transactions into three classes – permanently restricted, temporarily restricted, or unrestricted as follows:

Permanently restricted net assets—net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation. Generally, the donor of these assets permits the Foundation to use all or part of the income earned on related investments for general or specific purposes in support of the Foundation. The Foundation has permanently restricted net assets of \$135,150 and \$135,000 as of June 30, 2013 and 2012, respectively.

Temporarily restricted net assets—net assets subject to donor-imposed stipulations that may or will be met by actions of the Foundation and/or the passage of time.

Unrestricted net assets—net assets which represent resources generated from operations or that are not subject to donor-imposed stipulations. Unrestricted net assets include contributions designated to a particular program or fund for which the use or purpose is unrestricted.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulations or by law. Expirations of restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time periods has elapsed) are reported as reclassifications between the applicable classes of net assets.

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value.

(c) **Cash and cash equivalents**—For purposes of reporting cash flows, cash and cash equivalents include only investments with original maturities of three months or less.

THE EDUCATION FOUNDATION OF ALACHUA COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

(1) **Summary of Significant Accounting Policies:** (Continued)

(d) **Certificates of deposit**—Investments in certificates of deposit with original maturities of greater than three months are recorded at cost, which represents purchases of certificates of deposits plus accrued interest. Investment income is included in the statement of activities. The certificates bear interest ranging from 0.5% to 1.4% and have maturity dates ranging from November 2013 to September 2014, with penalties for early withdrawal. Any penalties for early withdrawal would not have a material effect on the financial statements.

(e) **Receivables**—Substantially all of the receivables of the Foundation are due from Take Stock in Children, a non-profit organization in Florida. Management has concluded that realization of losses on balances outstanding will be immaterial at June 30, 2013 and 2012.

(f) **Investments**—Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses from changes in the fair value of investments are included in the statement of activities.

(g) **Office equipment**—Office equipment purchased with an original cost of \$500 or more are recorded at cost. Office equipment is depreciated using the straight-line method over the estimated useful life of five years.

(h) **Agency funds held for others**—The Foundation acts as an agent for the control and distribution of cash for various entities supporting students in the Alachua County Public School system. Such amounts are not included in the statement of activities.

(i) **Income taxes**—Management of the Foundation considers the likelihood of changes by taxing authorities in its filed income tax returns and recognizes a liability for or discloses potential significant changes that management believes are more likely than not to occur, including changes to the Foundation's status as a not-for-profit entity. Management believes the Foundation met the requirements to maintain its tax-exempt status and has no income subject to unrelated business income tax, therefore no provision for income taxes has been provided in these financial statements. The Foundation's income tax returns for the past three years are subject to examination by tax authorities, and may change upon examination.

(j) **Use of estimates**—The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make various estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

(k) **Advertising costs**—The Foundation expenses advertising costs as incurred.

(l) **Functional allocation of expenses**—The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

(m) **In-kind services**—Contributed services that qualify as specialized services and donated items are recorded at their estimated fair value at the date of receipt. For the year ended June 30, 2013 and 2012, the Foundation received contributed services from the School Board of Alachua County for

THE EDUCATION FOUNDATION OF ALACHUA COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

(1) **Summary of Significant Accounting Policies:** (Continued)

the occupancy and other expenses valued at \$14,000. In addition, for the year ended June 30, 2013 and 2012, in-kind contributions of \$7,967 and \$16,626, respectively, were received for various fundraising and other events.

Volunteer services provided during fundraising events do not meet the criterion used to record donated services; therefore, they have not been recorded in the financial statements.

(n) **Subsequent events**—The Foundation has evaluated events and transactions for potential recognition or disclosure in the financial statements through October 8, 2013, the date the financial statements were available to be issued. Subsequent to year-end the Rotary Club notified the Foundation that the permanently restricted funds at June 30, 2013 of \$135,150 are released from permanent restriction and will be classified as temporarily restricted funds during the 2014 fiscal year. No other subsequent events have been recognized or disclosed.

(2) **Fair Value Measurements:**

The fair value measurement accounting literature 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 below 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: (1) quoted market prices for similar assets or liabilities in active markets, (2) quoted prices for identical or similar assets or liabilities in inactive markets, (3) inputs other than quoted prices that are observable for the asset or liability, and (4) 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 (contractual) 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 value measurement.

The asset's 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 used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2013 and 2012.

Mutual funds – valued at quoted market prices which represent the net asset value of shares held by the Foundation at year-end.

THE EDUCATION FOUNDATION OF ALACHUA COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

(2) **Fair Value Measurements:** (Continued)

The following table summarizes the assets of the Foundation for which fair values are determined on a recurring basis:

	Fair Value Measurements as of June 30, 2013			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual Funds:				
U.S. equities	\$ 335,592	\$ -	\$ -	\$ 335,592
International equities	173,423	-	-	173,423
Exchange traded note	38,291	-	-	38,291
Fixed income	116,883	-	-	116,883
Total assets at fair value	<u>\$ 664,189</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 664,189</u>

	Fair Value Measurements as of June 30, 2012			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual Funds:				
U.S. equities	\$ 180,873	\$ -	\$ -	\$ 180,873
International equities	73,873	-	-	73,873
Fixed income	53,225	-	-	53,225
Total assets at fair value	<u>\$ 307,971</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 307,971</u>

(3) **Office Equipment:**

Office equipment consists of the following at June 30:

	<u>2013</u>	<u>2012</u>
Office equipment	\$ 9,256	\$ 7,606
Less: Accumulated depreciation	(5,193)	(4,295)
Office equipment, net	<u>\$ 4,063</u>	<u>\$ 3,311</u>

(4) **Concentrations of Credit Risk:**

At June 30, 2013 and 2012, the Foundation has demand deposits and money market accounts with national banks and a local credit union amounting to \$442,040 and \$952,786, respectively. The Foundation has no policy requiring collateral to support these deposits, although amounts are federally insured up to FDIC limits. Total uninsured cash balances totaled \$11,877 and \$634,453 at June 30, 2013 and 2012, respectively.

THE EDUCATION FOUNDATION OF ALACHUA COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

(5) **Temporarily Restricted Net Assets:**

Temporarily restricted net assets at June 30, 2013 and 2012, are available for scholarships and programs. Prepaid scholarships (Note 7) are included in the following funds:

	<u>2013</u>	<u>2012</u>
Rotary Club	\$ 37,974	\$ 44,542
General Scholarship Fund	-	90,159
Take Stock In Children	1,277,719	1,040,375
Other programs and scholarships	839,624	774,154
Total	<u>\$ 2,155,317</u>	<u>\$ 1,949,230</u>

(6) **Risk Management:**

General liability coverage is provided through purchased commercial insurance. No settled claim resulting from this area of risk has exceeded commercial coverage.

(7) **Assets Held by Others:**

Since 1997, the Foundation, through its donors, has purchased 847 scholarship contracts from the Florida Prepaid College Foundation (FPCF). As of June 30, 2013 and 2012, the Foundation owns 494 and 518 scholarship contracts held by FPCF, respectively. The scholarship contracts with remaining tuition hours available at June 30, 2013 and 2012 have a cost of \$2,631,387 and \$2,350,151, respectively. Of the 494 and 518 scholarship contracts, 71 and 24 were purchased in fiscal year 2013 and 2012, respectively, at a cost of \$217,842 and \$49,998 together with a reinvested value of \$334,994 and \$84,474 from contracts with unused tuition hours. Through FPCF, the State of Florida matches, dollar for dollar, the Foundation's cost of scholarship contracts purchased for the Take Stock in Children program. Unawarded scholarships mature in years 2013 through 2019. The scholarship contracts owned by the Foundation are valued at 50% of the remaining current tuition plan value as provided by FPCF at June 30, 2013 and 2012.

The Foundation receives a Scholarship Reinvestment Opportunity (SRO) adjustment assigned by FPCF. This SRO adjustment net the original cost of reinvested or downgraded scholarships resulted in an increase in the value of the scholarships held by the Foundation at June 30, 2013 of \$91,980 as noted in the table below.

Scholarship activity for the year ended June 30, 2013, was as follows:

	<u>Unawarded</u>	<u>Awarded</u>	<u>Total</u>
Scholarships	348	499	847
Beginning balance	\$ 864,059	\$ 311,017	\$ 1,175,076
Scholarships			
Purchases	108,920	-	108,920
Reinvested	167,497	(75,517)	91,980
Awarded	(124,560)	124,560	-
Usage	-	(60,283)	(60,283)
Ending balance	<u>\$ 1,015,916</u>	<u>\$ 299,777</u>	<u>\$ 1,315,693</u>

THE EDUCATION FOUNDATION OF ALACHUA COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
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(7) **Assets Held by Others:** (Continued)

Scholarship activity for the year ended June 30, 2012, was as follows:

	<u>Unawarded</u>	<u>Awarded</u>	<u>Total</u>
Scholarships	281	495	776
Beginning balance	\$ 814,733	\$ 363,841	\$ 1,178,574
Scholarships			
Purchases/reinvested	134,472	-	134,472
Awarded	(85,146)	85,146	-
Value used/reinvested	-	(137,970)	(137,970)
Ending balance	<u>\$ 864,059</u>	<u>\$ 311,017</u>	<u>\$ 1,175,076</u>

(8) **Endowment:**

Donor-restricted Endowments Funds

The Foundation's endowment consists of one fund established to fund future scholarships and includes only donor-restricted funds. 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.

Interpretation of Relevant Law

In June 2011, the State of Florida adopted the Florida Uniform Prudent Management of Institutional Funds Act (FUPMIFA). The Foundation's Board has interpreted the State of Florida Statute (617.2104) cited as the "Florida Uniform Prudent Management of Institutional Funds Act" (FUPMIFA) as requiring the Board to consider the purpose of the Foundation and the purpose of the endowment, subject to the intent of a donor expressed in a gift instrument, when managing and investing the endowment. In addition, the Board interpreted FUPMIFA as requiring the Board to act in good faith and apply reasonable care, skill, and caution as exercised by a prudent investor, in considering the investment management and expenditures of the Foundation's endowment funds. In accordance with FUPMIFA, the Board may incur only costs that are appropriate and reasonable in relation to the assets, the purposes of the Foundation and the skills available to the Foundation. The Board shall make reasonable efforts and circumstances considered by the Board in managing and investing the endowment funds: (1) the long-term and short-term needs of the Foundation, (2) general economic conditions, (3) the possible effect of inflation and deflation, (4) the expected total return from income and the appreciation of investments, (5) other resources of the Foundation, (6) the Foundation's investment policies, (7) and the needs of the Foundation and the endowment to make distribution and the duration and preservation of the fund.

In accordance with 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 various funds, (2) the purposes of the donor-restricted endowment funds, (3) the intent of the donor of the

THE EDUCATION FOUNDATION OF ALACHUA COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

(8) **Endowment:** (Continued)

endowment fund, (4) the long-term and short-term needs of the Foundation, (5) general economic conditions, (6) the possible effect of inflation and deflation, (7) the expected total return from income and the appreciation of investments, (8) other resources of the Foundation, and (9) the Foundation's investment policies.

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. 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 Foundation in a manner consistent with the standard of prudence prescribed by FUPMIFA.

Investment Return Objectives, Risk Parameters and Strategies

The Foundation has adopted investment policies, approved by the Board, for endowment assets that attempt to provide a predictable stream of funding for programs supported by the endowment while seeking to maintain the purchasing power of the endowed assets over the long-term and growth of the fund corpus. The Foundation's investment policy establishes an achievable return objective through diversification of asset classes. The primary investment objective of the Foundation is to produce a favorable investment return as compared against inflation. The current long-term return objective is to return 5%. Actual returns in any given year may vary from this amount. The Board recognizes that under various market conditions the investment policy may be both impractical and to some extent, undesirable, therefore, the asset allocation may vary from time to time without being considered an exception to the investment policy.

Changes in endowment net assets as of June 30, 2013 are as follows:

	Temporarily Restricted	Permanently Restricted	Total Net Endowment Assets
Endowment net assets, beginning of year	\$ 14	\$ 135,000	\$ 135,014
Contributions	280	150	430
Investment income	61	-	61
Endowment net assets, end of year	<u>\$ 355</u>	<u>\$ 135,150</u>	<u>\$ 135,505</u>

Changes in endowment net assets as of June 30, 2012 are as follows:

	Temporarily Restricted	Permanently Restricted	Total Net Endowment Assets
Endowment net assets, beginning of year	\$ -	\$ 135,000	\$ 135,000
Investment income	14	-	14
Endowment net assets, end of year	<u>\$ 14</u>	<u>\$ 135,000</u>	<u>\$ 135,014</u>

THE EDUCATION FOUNDATION OF ALACHUA COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

(9) **Retirement Plan:**

The Foundation has a Simplified Employee Pension (SEP) retirement plan. The SEP plan is available to employees who have satisfied certain eligibility requirements. The Foundation may contribute up to 100% of eligible salary to the SEP plan on behalf of the employees; contributions of \$1,663 to the retirement plan were made during the fiscal year ended June 30, 2013. No contributions to the retirement plan were made during the fiscal year ended June 30, 2012.