

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

**PUBLIC EDUCATION FOUNDATION OF  
MARION COUNTY, INC.  
OCALA, FLORIDA**

**JUNE 30, 2019**

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

**PUBLIC EDUCATION FOUNDATION OF  
MARION COUNTY, INC.  
OCALA, FLORIDA**

**JUNE 30, 2019**

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Public Education Foundation of Marion County, Inc.  
Ocala, Florida

We have audited the accompanying financial statements of the Public Education Foundation of Marion County, Inc. (the Foundation), a non-profit organization, which comprise the statements of financial position as of June 30, 2019 and 2018, the related statements of activities and cash flows for the years then ended and functional expenses for the year ended June 30, 2019, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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.

### **Certified Public Accountants**

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MEMBER OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS PRIVATE COMPANIES AND S.E.C. PRACTICE SECTIONS

Board of Directors  
Public Education Foundation of Marion County, Inc.  
Ocala, Florida

## INDEPENDENT AUDITOR'S REPORT

### 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, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

### Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2019, on our consideration of the Foundation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control over financial reporting and compliance.

*Purvis, Gray and Company, LLP*

September 20, 2019

Ocala, Florida

**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2019 AND 2018**  
**PUBLIC EDUCATION FOUNDATION OF MARION COUNTY, INC.**  
**OCALA, FLORIDA**

	<b>2019</b>	<b>2018</b>
<b>Current Assets</b>		
Cash and Cash Equivalents	\$ 449,617	\$ 263,185
Accounts Receivable	58,757	66,015
Inventory	335,208	431,555
Prepaid Expenses	38,049	41,998
<b>Total Current Assets</b>	<b>881,631</b>	<b>802,753</b>
 <b>Property and Equipment, Net</b>	 <b>7,872</b>	 <b>16,219</b>
 <b>Non-Current Assets</b>		
Investments	546,842	490,419
Assets Held by Others	1,964,614	2,016,634
Interest in Beneficial Trust	8,042	6,449
<b>Total Non-Current Assets</b>	<b>2,519,498</b>	<b>2,513,502</b>
 <b>Total Assets</b>	 <b>3,409,001</b>	 <b>3,332,474</b>
<b>LIABILITIES AND NET ASSETS</b>		
 <b>Current Liabilities</b>		
Accrued Expenses and Accounts Payable	10,801	8,130
Lease Payable - Current Portion	539	3,032
Funds Held on Behalf of Others	312,322	51,533
<b>Total Current Liabilities</b>	<b>323,662</b>	<b>62,695</b>
 <b>Long-Term Liabilities</b>		
Lease Payable	-	541
<b>Total Long-Term Liabilities</b>	<b>-</b>	<b>541</b>
 <b>Total Liabilities</b>	 <b>323,662</b>	 <b>63,236</b>
 <b>Net Assets</b>		
Without Donor Restrictions	477,504	524,565
With Donor Restrictions	2,607,835	2,744,673
<b>Total Net Assets</b>	<b>3,085,339</b>	<b>3,269,238</b>
 <b>Total Liabilities and Net Assets</b>	 <b>\$ 3,409,001</b>	 <b>\$ 3,332,474</b>

See accompanying notes.

**STATEMENTS OF ACTIVITIES**  
**JUNE 30, 2019 AND 2018**  
**PUBLIC EDUCATION FOUNDATION OF MARION COUNTY, INC.**  
**OCALA, FLORIDA**

	<b>2019</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Revenues, Gains, and Other Support:			
Contributions and Grants	\$ 1,478,837	\$ 232,117	\$ 1,710,954
Investment Income	52,960	-	52,960
Net Assets Released from Restrictions:			
Florida Prepaid Scholarships Utilized, Net of Value Adjustment	253,902	(253,902)	-
Other Programs	115,053	(115,053)	-
Total Revenues, Gains, and Other Support	<u>1,900,752</u>	<u>(136,838)</u>	<u>1,763,914</u>
Expenses:			
Program Services	1,571,918	-	1,571,918
General and Administrative	323,838	-	323,838
Fund-Raising	52,057	-	52,057
Total Expenses	<u>1,947,813</u>	<u>-</u>	<u>1,947,813</u>
<b>Increase/(Decrease) in Net Assets</b>	<u>(47,061)</u>	<u>(136,838)</u>	<u>(183,899)</u>
<b>Net Assets, at Beginning of Year</b>	<u>524,565</u>	<u>2,744,673</u>	<u>3,269,238</u>
<b>Net Assets, at End of Year</b>	<u>\$ 477,504</u>	<u>\$ 2,607,835</u>	<u>\$ 3,085,339</u>
	<b>2018</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Revenues, Gains, and Other Support:			
Contributions and Grants	\$ 1,662,376	\$ 201,066	\$ 1,863,442
Investment Income	56,721	-	56,721
Net Assets Released from Restrictions:			
Florida Prepaid Scholarships Utilized, Net of Value Adjustment	307,571	(307,571)	-
Other Programs	218,323	(218,323)	-
Total Revenues, Gains, and Other Support	<u>2,244,991</u>	<u>(324,828)</u>	<u>1,920,163</u>
Expenses:			
Program Services	1,606,233	-	1,606,233
Florida Prepaid Scholarships Utilized, Net of Value Adjustment	307,571	-	307,571
General and Administrative	344,955	-	344,955
Fund-Raising	51,256	-	51,256
Depreciation	9,354	-	9,354
Total Expenses	<u>2,319,369</u>	<u>-</u>	<u>2,319,369</u>
<b>Increase/(Decrease) in Net Assets</b>	<u>(74,378)</u>	<u>(324,828)</u>	<u>(399,206)</u>
<b>Net Assets, at Beginning of Year</b>	<u>598,943</u>	<u>3,069,501</u>	<u>3,668,444</u>
<b>Net Assets, at End of Year</b>	<u>\$ 524,565</u>	<u>\$ 2,744,673</u>	<u>\$ 3,269,238</u>

See accompanying notes.

**STATEMENT OF FUNCTIONAL EXPENSES**  
**JUNE 30, 2019**  
**PUBLIC EDUCATION FOUNDATION OF MARION COUNTY, INC.**  
**OCALA, FLORIDA**

2019

	Program Activities					Supporting Activities		Total Expenses	
	Take Stock In Children	Tools For Teaching	Business Partners	Grants for Great Ideas	Senior Scholarships	Other	Management and General		Fundraising
<b>Expenses</b>									
Awards and Grants	\$ 4,012	\$ 783,026	\$ 85,500	\$ 136,900	\$ 67,583	\$ 6,786	\$ 27,426	\$ 23,882	\$ 1,135,115
Salaries and Related Expenses	149,770	16,538	-	-	-	-	197,269	-	363,577
Contract Services	24,105	-	-	-	1,362	8,512	35,064	22,465	91,508
Office Supplies and Expenses	5,967	7,045	-	5,780	6	8,795	11,537	1,515	40,645
Facility and Equipment	-	300	-	-	-	-	31,171	-	31,471
Travel & Meeting Expenses	2,313	428	-	-	23	804	4,639	586	8,793
Scholarship Expenses	253,902	-	-	-	-	-	-	-	253,902
Other Expenses	947	600	650	-	189	75	16,732	3,609	22,802
<b>Total Expenses</b>	<b>\$ 441,016</b>	<b>\$ 807,937</b>	<b>\$ 86,150</b>	<b>\$ 142,680</b>	<b>\$ 69,163</b>	<b>\$ 24,972</b>	<b>\$ 323,838</b>	<b>\$ 52,057</b>	<b>\$ 1,947,813</b>

See accompanying notes.

**STATEMENTS OF CASH FLOWS**  
**JUNE 30, 2019 AND 2018**  
**PUBLIC EDUCATION FOUNDATION OF MARION COUNTY, INC.**  
**OCALA, FLORIDA**

	<u>2019</u>	<u>2018</u>
<b>Cash Flows from Operating Activities</b>		
Decrease in Net Assets	\$ (183,899)	\$ (399,206)
Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided by (Used in) Operating Activities:		
Depreciation	8,347	9,354
(Increase) Decrease in Operating Assets:		
Accounts Receivable	7,258	7,577
Inventory	96,347	181,613
Prepaid Expenses	3,949	(7,438)
Change in Interest in Beneficial Trust	(1,593)	-
Assets Held by Others	52,020	140,028
Increase (Decrease) in Operating Liabilities:		
Accrued Expenses and Accounts Payable	2,671	(42,023)
Funds Held on Behalf of Others	260,789	32,164
<b>Net Cash Provided by (Used in) Operating Activities</b>	<u>245,889</u>	<u>(77,931)</u>
<b>Cash Flows from Investing Activities</b>		
Purchase of Investments	(657,239)	(86,725)
Cash Received from Sale of Investments	577,221	191,491
Interest and Dividends Received	23,595	16,629
<b>Net Cash Provided by (Used in) Investing Activities</b>	<u>(56,423)</u>	<u>121,395</u>
<b>Cash Flows from Financing Activities</b>		
Purchase of Equipment	-	(2,671)
Repayment of Capital Lease	(3,034)	(2,697)
<b>Net Cash Provided by (Used in) Financing Activities</b>	<u>(3,034)</u>	<u>(5,368)</u>
<b>Net (Decrease) in Cash and Cash Equivalents</b>	186,432	38,096
<b>Cash and Cash Equivalents, at Beginning of Year</b>	<u>263,185</u>	<u>225,089</u>
<b>Cash and Cash Equivalents, at End of Year</b>	<u>\$ 449,617</u>	<u>\$ 263,185</u>

See accompanying notes.



**NOTES TO FINANCIAL STATEMENTS**  
**PUBLIC EDUCATION FOUNDATION OF MARION COUNTY, INC.**  
**OCALA, FLORIDA**

**Note 1 - Summary of Significant Accounting Policies**

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

**Organization**

The Foundation is a Florida corporation, not-for-profit, incorporated under the provisions of Chapter 617, Florida Statutes in August 1988. The Foundation is a district school board direct-support organization created by the authority of Section 237.40, Florida Statutes. It is organized and operated exclusively to receive, hold, invest, and administer property and to make expenditures to or for the benefit of public pre-kindergarten through twelfth grade education and adult vocational and community education programs in Marion County, Florida. The Foundation's Board of Directors is comprised of volunteers whose selection is approved by the Marion County School Board (the School Board). The major sources of revenue are Coupons for Education, Take Stock in Children, and direct support from the School Board.

**Basis of Accounting**

The financial statements of the Foundation have been prepared on the accrual basis.

Net assets of the Foundation and changes therein are classified and reported as follows:

■ **Without Donor Restrictions Net Assets**

Net assets that are not subject to donor-imposed stipulations.

■ **With Donor Restrictions**

Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Foundation and/or passage of time. When a restriction expires, with donor restriction assets are reclassified to without donor restrictions, and reports in the statement of activities as net assets released from restrictions.

**Income Taxes**

The Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, the financial statements do not reflect a provision for income taxes.

The Foundation files income tax returns in the U.S. federal and state jurisdictions. With few exceptions, the Corporation is no longer subject to U.S. federal, state, and local, or non-U.S. income tax examinations by tax authorities after three years from the due date of the tax return.

**Cash and Cash Equivalents**

For purposes of the statements of cash flows, the Foundation considers all highly-liquid investments purchased with a maturity of three months or less to be cash equivalents.

**Accounts Receivable**

Accounts receivable consisted of grant funds receivable and employee payroll contributions from the School Board. Management anticipates subsequent receipt of all of these funds; therefore, no allowance amount was recorded.

**NOTES TO FINANCIAL STATEMENTS**  
**PUBLIC EDUCATION FOUNDATION OF MARION COUNTY, INC.**  
**OCALA, FLORIDA**

**Investments**

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values based on quoted prices in active markets (all Level 1 measurements) in the statements of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in net assets without donor restrictions if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

**Equipment and Depreciation**

The Foundation follows the practice of capitalizing at cost all expenditures for equipment in excess of \$500. Depreciation of equipment is computed using the straight-line method over the estimated useful lives of the assets.

**Revenue Recognition**

All contributions are considered available for the Foundation's general programs unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor are reported as with donor restrictions contributions and support and increases in the respective class of net assets. Contributions received with restrictions that are met in the same reporting period are reported as without donor restricted support and increase net assets without donor restriction.

**In-Kind Contributions**

Contributions of services and donated items, which are provided to the Foundation, have been recorded in the accompanying financial statements. These contributions are recorded at their estimated fair values at date of receipt. The difference between the fair value and rent paid for office space during fiscal years 2019 and 2018, is also recorded in the accompanying financial statements. In-kind contributions, exclusive of direct support received from the School Board (see Note 10) total \$744,896 and \$792,308 for the years ended June 30, 2019 and 2018, respectively. Volunteer services provided during events held by the Foundation do not meet the criterion used to record donated services and have not been recorded in the financial statements.

In circumstances in which the Foundation distributes gifts in kind as part of its programs, it reports an expense, which is reported in the program in which the gifts in kind were used. Although it is the Foundation's practice to distribute gifts in kind as promptly as possible, the Foundation does hold some gifts in kind at year-end for the Tools for Teaching program for teachers to shop for learning materials. Undistributed gifts in kind at year-end are reported as inventory. Inventory is valued at the lower of cost or fair value (cost is determined as fair value at the date of gift plus any costs incurred).

**Advertising Costs**

The Foundation's general policy is to expense advertising costs as incurred. Advertising expense for the years ended June 30, 2019 and 2018, was \$1,606 and \$0, respectively.

**Accounting Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**NOTES TO FINANCIAL STATEMENTS**  
**PUBLIC EDUCATION FOUNDATION OF MARION COUNTY, INC.**  
**OCALA, FLORIDA**

**Functional Allocation of Expenses**

The costs of providing the events and funded activities and supporting services have been summarized on a functional basis in the Statements of Activities. Accordingly, certain costs have been specifically recorded between events and funded activities and supporting services benefited.

**Subsequent Events**

The Foundation has evaluated events and transactions for potential recognition or disclosure in the financial statements through September 20, 2019, the date the financial statements were available to be issued. No subsequent events have been recognized or disclosed.

**New Accounting Pronouncement**

On August 18, 2016, the Financial Accounting Statement Board issued Accounting Standards Update 2016-14, *Not-for-Profit Entities (Topic 958), Presentation of Financial Statements of Not-for-Profit Entities*. The Foundation has adjusted the presentation of its financial statements accordingly, applying the changes for the period presented. The new standards change the following aspects of financial statements:

- The temporarily restricted and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions.
- The unrestricted net asset class has been renamed net assets without donor restrictions.
- The financial statements include a new disclosure about liquidity and availability of resources.

The changes have the following effect on net assets at June 30, 2018:

<b>Net Asset Class</b>	<b>As Originally Presented</b>	<b>After Adoption of ASU 2016-14</b>
Unrestricted Net Assets	\$ 524,565	\$ -
Temporarily Restricted Net Assets	2,646,975	-
Permanently Restricted Net Assets	97,698	-
Net Assets without Donor Restrictions	-	524,565
Net Assets with Donor Restrictions	-	2,744,673
<b>Total Net Assets</b>	<b>\$ 3,269,238</b>	<b>\$ 3,269,238</b>

In addition, certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

**Note 2 - Assets Held by Others**

**Take Stock in Children Scholarship Program Overview**

The Foundation, through its donors for the Take Stock in Children Program, purchases two-year scholarship contracts from the Florida Prepaid College Foundation. The State of Florida through the Florida Prepaid College Foundation matches, dollar for dollar, the cost of these scholarship contracts purchases and holds the full value of the scholarship contracts, including changes in the scholarship contracts' contract value, on behalf of the Foundation.

**NOTES TO FINANCIAL STATEMENTS**  
**PUBLIC EDUCATION FOUNDATION OF MARION COUNTY, INC.**  
**OCALA, FLORIDA**

The Foundation exercises control over these scholarship contracts by selecting students from Marion County Public Schools to participate in the Marion Take Stock in Children program. Upon completion of the program and graduation from high school, the full contract value of these scholarship contracts are provided to the students for their college education. Any unused scholarships may be reinvested in new scholarship contracts to be provided to new students or existing students.

	<u>2019</u>	<u>2018</u>
<b>Beginning Contract Value</b>	\$ 2,016,634	\$ 2,156,662
Purchases by Foundation	100,941	83,771
Matching Contributions by the Florida Prepaid College Foundation	100,941	83,771
Florida Prepaid Scholarships Utilized, Net of Value Adjustment	<u>(253,902)</u>	<u>(307,571)</u>
<b>Ending Contract Value</b>	<u>\$ 1,964,614</u>	<u>\$ 2,016,633</u>

**Contract Value**

The Foundation has reported the current value of the scholarship contracts based on information provided by the Florida Prepaid College Foundation, which values the scholarship contracts based on available hours on the contract and the average rates paid to Florida universities and colleges.

**Florida Prepaid Scholarships Utilized, Net of Value Adjustment**

The Foundation has reported the Florida Prepaid Scholarships Utilized, Net of Value Adjustment based on information provided by the Florida Prepaid College Foundation. This component consists of changes in the value of the scholarship related to the scholarships usage by students, as well as changes in the value of the scholarship contracts as a result of changes in tuition costs at Florida universities and colleges.

**Note 3 - Accounts Receivable**

**Take Stock in Children**

The Foundation receives quarterly grant installments from the Take Stock in Children Foundation, Inc. for the reimbursement of employee salaries and payroll expenses and allowable program operational expenses in the Marion County Take Stock in Children program. As of June 30, 2019 and 2018, accounts receivable of \$40,063 and \$41,840, respectively, have been recorded for quarterly grant installments unpaid as of these dates. No allowance for uncollectible receivables related to these amounts has been recorded, as these amounts are expected to be collected in the ordinary course of business within a year.

**Employee Payroll Contributions from the School Board**

The School Board submits payments to the Foundation for School Board employee payroll contributions periodically. As of June 30, 2019 and 2018, accounts receivable of \$13,204 and \$13,840, respectively, have been recorded for School Board employee payroll contributions. No allowance for uncollectible receivables related to these amounts has been recorded, as these amounts are expected to be collected in the ordinary course of business within a year.

**NOTES TO FINANCIAL STATEMENTS**  
**PUBLIC EDUCATION FOUNDATION OF MARION COUNTY, INC.**  
**OCALA, FLORIDA**

**Other Receivables**

As of June 30, 2019 and 2018, the Foundation reported other receivables, primarily donations receivable from local business, of \$5,490 and \$10,335, respectively. Amounts deemed uncollectible were written off during year and no allowance for uncollectible receivables related to the amounts of receivable reported, as these amounts are expected to be collected in the ordinary course of business within a year.

**Note 4 - Investments**

The Foundation holds investments in various equities and mutual funds. The investments are stated at fair market value.

Investments are summarized as follows at June 30, 2019:

	<u>Cost</u>	<u>Fair Value</u>
Cash Equivalents	\$ 14,865	\$ 14,864
Equities	159,354	166,493
Mutual Funds	<u>363,361</u>	<u>365,485</u>
	<u>\$ 537,580</u>	<u>\$ 546,842</u>

Investments are summarized as follows at June 30, 2018:

	<u>Cost</u>	<u>Fair Value</u>
Equities	\$ 256,648	\$ 381,790
Mutual Funds	<u>115,018</u>	<u>108,629</u>
	<u>\$ 371,666</u>	<u>\$ 490,419</u>

Investment return at June 30 is summarized as follows:

	<u>2019</u>	<u>2018</u>
Dividend and Interest Income	\$ 23,595	\$ 16,629
Net Unrealized/Realized Gains	<u>29,365</u>	<u>40,092</u>
	<u>\$ 52,960</u>	<u>\$ 56,721</u>

**Note 5 - Fair Value Measurement**

Generally accepted accounting principles (GAAP) establishes a 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 under GAAP are described below:

**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.

**NOTES TO FINANCIAL STATEMENTS**  
**PUBLIC EDUCATION FOUNDATION OF MARION COUNTY, INC.**  
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**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 assets' or liabilities' 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.

The Foundation uses fair value measurements to record fair value adjustments to certain assets and to determine fair value disclosures. There have been no changes in the methodologies used at June 30, 2018. The valuation methodologies may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

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

	<b>Fair Value of Measurements at</b>			
	<b>Reporting Date Using</b>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>June 30, 2019</b>				
Cash Equivalent	\$ -	\$ -	\$ -	\$ 14,864
Equities	166,493	-	-	166,493
Mutual Funds	<u>365,485</u>	-	-	<u>365,485</u>
<b>Total Assets</b>	<u>\$ 531,978</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 546,842</u>

	<b>Fair Value of Measurements at</b>			
	<b>Reporting Date Using</b>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>June 30, 2018</b>				
Equities	\$ 381,790	\$ -	\$ -	\$ 381,790
Mutual Funds	<u>108,629</u>	-	-	<u>108,629</u>
<b>Total Assets</b>	<u>\$ 490,419</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 490,419</u>

**Note 6 - Property and Equipment**

Property and equipment consists of the following at June 30:

**NOTES TO FINANCIAL STATEMENTS**  
**PUBLIC EDUCATION FOUNDATION OF MARION COUNTY, INC.**  
**OCALA, FLORIDA**

	<u>2019</u>	<u>2018</u>
Technical Equipment	\$ 16,402	\$ 16,402
Vehicles	25,150	25,150
(Accumulated Depreciation and Amortization)	<u>(33,680)</u>	<u>(25,333)</u>
<b>Net Property Equipment</b>	<b><u>\$ 7,872</u></b>	<b><u>\$ 16,219</u></b>

Depreciation and amortization expense for the years ended June 30, 2019 and 2018, is \$8,347 and \$9,354, respectively.

**Note 7 - Obligations Under Capital Leases**

In 2016, the Foundation entered into a capital lease for a copier which expires in 2020. The asset and liability under the capital lease is recorded at the lower of the present value of the minimum lease payments of the fair market value of the asset. The gross cost and accumulated depreciation of the asset held under the capital lease is \$8,321 and \$7,859, respectively for the years ended June 30, 2019 and 2018. The asset is being depreciated over the term of the lease. Depreciation of the asset held under the capital lease is included in the depreciation expense.

Minimum future lease payments under the capital lease as of June 30, 2019, are:

<u>Year</u>	<u>Capital Leases</u>
2020	\$ 549
Total Future Minimum Lease Payment	549
Less: Amount Representing Interest	<u>(10)</u>
Present Value of Net Minimum Lease Payment	<u>\$ 539</u>

The interest rate included on the capitalized lease is 11.75%. The amount of interest cost incurred was \$260 in 2019.

**Note 8 - Net Assets With Donor Restrictions**

Net Assets with donor at June 30, 2019 and 2018, are available for the following purposes or periods:

	<u>2019</u>	<u>2018</u>
Florida Prepaid Scholarships	\$ 1,964,614	\$ 2,016,634
Tools for Teaching	335,208	431,555
Teacher to Be	49,003	52,509
Marion County Medical Society	44,619	43,869
The Margaret "Peggie" Anderson Scholarship Fund	33,115	31,225
Unspent Earnings on Endowments	26,599	19,524
Student Media Festival Endowment	25,000	25,000
The Margaret "Peggie" Anderson Endowment	20,049	20,049
Joshua Rossignol Memorial Scholarship	17,187	15,187
Others Whose Balance is less than \$2,500	15,875	12,055
Marion County Medical Society	14,244	15,244
Walter William Wade Memorial	13,500	14,500
Jim and Joanne Yancey Scholarship Fund	10,968	10,468

**NOTES TO FINANCIAL STATEMENTS  
PUBLIC EDUCATION FOUNDATION OF MARION COUNTY, INC.  
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Fort McCoy Alumni Scholarship	\$ 10,000	\$ *
Engage in Education	5,499	5,499
Westport High School Music Scholarship Endowment	4,750	4,750
Fred Smiley Scholarship Fund	4,126	11,018
Isaac Neeley Endowment	4,030	4,030
Fort McCoy Alumni Scholarship	3,557	*
Publix Vo-Tech	3,125	3,125
Retirement Celebration	2,767	2,877
Ocala Film Foundation Scholarship	*	3,000
Lamar Luffman Scholarship	*	2,555
	<u>\$ 2,607,835</u>	<u>\$ 2,744,673</u>

\* Balance was below \$2,500

**Note 9 - Net Assets**

The detail of the Foundation's net asset categories at June 30, is as follows:

	<u>2019</u>	<u>2018</u>
<b>Without Donor Restrictions</b>		
Invested in Property, Plant and Equipment	\$ 7,872	\$ 16,219
Undesignated	469,632	508,346
<b>Total Without Donor Restrictions</b>	<u>\$ 477,504</u>	<u>\$ 524,565</u>
<b>With Donor Restrictions</b>		
Unexpended Funds Received for Restricted Purposes, Principally Scholarships for Seniors	\$ 2,472,788	\$ 2,627,451
Income Earned on Perpetual Endowment	26,599	19,524
Endowment Funds	108,448	97,698
<b>Total With Donor Restrictions</b>	<u>\$ 2,607,835</u>	<u>\$ 2,744,673</u>

**Note 10 - Direct-Support Received From the School Board**

The Marion County School Board is authorized under Section 237.40, Florida Statutes, to provide or permit use of property, facilities, and personal services of the School Board by a direct-support organization. At June 30, the Marion County School Board provided direct-support to the Foundation as follows:

	<u>2019</u>	<u>2018</u>
<b>Salaries and Benefits</b>		
Executive Director	\$ 76,068	\$ 74,832
Administrative Staff	45,228	45,200
Facilities	22,824	22,824
<b>Total Direct-Support Received</b>	<u>\$ 144,120</u>	<u>\$ 142,856</u>

Additionally, the School Board provides use of equipment and information services support. A value for the use of equipment and information services support has not been established and is not included in the accompanying financial statements.



**NOTES TO FINANCIAL STATEMENTS**  
**PUBLIC EDUCATION FOUNDATION OF MARION COUNTY, INC.**  
**OCALA, FLORIDA**

**Note 11 - Operating Leases**

The Foundation moved its office to the Thelma Parker Center in June 2008. The office space is provided without charge to the Foundation by the School Board. An estimate of the fair market value of the space provided has been included (see Note 10).

**Note 12 - Concentration of Credit Risk**

**Demand Deposits**

The Foundation maintains demand deposit accounts with a national bank in which funds are insured by the Federal Deposit Insurance Corporation (FDIC) limits. At times throughout the year, the funds held in these accounts may exceed FDIC limits.

**Revenue**

The Foundation receives a significant amount of its support from the Marion County School Board and the School Board employees. A significant reduction in the level of this support, if this were to occur, may have an effect on the Foundation's programs and activities.

**Note 13 - Endowments**

The Foundation's endowments consist of five (5) donor-restricted funds. As required by accounting principles generally accepted in the United States of America, 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.

**Interpretation of Relevant Law**

The Board of Directors has interpreted the State of Florida Statute (1010.10) cited as the *Florida Uniform Management of Institutional Funds Act* (FUMIFA) as requiring the Board of Directors to 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 FUMIFA, the Board of Directors may expend as much of an endowment fund as the Board of Directors determines to be prudent for the uses and purposes for which the endowment fund is established, consistent with the goal of conserving the purchasing power of the endowment funds. The factors and circumstances considered by the Board of Directors in making a determination to appropriate or accumulate endowment funds include, but are not limited to, the following:

- 1) The Purpose of the Foundation
- 2) The Intent of the Donor of the Endowment Fund
- 3) The Terms of the Applicable Instrument
- 4) The Long-Term and Short-Term Needs of the Foundation in Carrying out its Purposes
- 5) The General Economic Conditions
- 6) The Possible Effect of Inflation or Deflation
- 7) The Other Resources of the Foundation
- 8) Perpetuation of the Endowments
- 9) The Investment Policies of the Foundation

**NOTES TO FINANCIAL STATEMENTS**  
**PUBLIC EDUCATION FOUNDATION OF MARION COUNTY, INC.**  
**OCALA, FLORIDA**

As a result of this interpretation, the Board of Directors classifies as net assets with donor restrictions: (a) the original value of the 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 net assets with donor restriction remains until those amounts are appropriated for expenditure in a manner consistent with the standard of prudence prescribed by FUMIFA.

**Endowment Spending and Investment Policy**

The Foundation has adopted investment policies, approved by the Board of Directors, that attempt to provide a predictable stream of funding to programs supported by its endowments while seeking to maintain the purchasing power of these endowment assets over the long-term and growth of the fund corpus. The Foundation's investment policies were designed to achieve this objective. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor specified period(s), as well as Board-designated funds.

The Foundation recognizes that the strategic allocation of portfolio assets across broadly defined financial assets and sub asset categories with varying degrees of risk, return, and return correlation will be the most significant determinant of long-term investment returns and portfolio asset value stability.

The Foundation expects that actual returns and return volatility may vary from expectations and return objectives across short periods of time. While the Foundation wishes to retain flexibility with respect to making periodic changes to the portfolio's asset allocation, it expects to do so only in the event of material changes to the Foundation, to the assumptions underlying Foundation spending policies, and/or the capital markets and assets classes in which the portfolio exists.

Foundation assets will be managed as a balanced portfolio composed of two major components: an equity portion and a fixed income portion. The expected role of the Foundation equity investments will be to maximize the long-term real growth of portfolio assets, while the role of fixed income investments will be to generate current income, provide for more stable periodic returns, and provide some protection against a prolonged decline in the market value of portfolio equity investments.

2019	Total
<b>Endowment Net Asset Composition by Type of Fund as of June 30, 2019</b>	
Donor-Restricted Endowment Funds	\$ 108,448
Income Earned on Endowment Funds	26,599
<b>Total Funds as of June 30, 2019</b>	<u>\$ 135,047</u>
 <b>Changes in Endowment Net Assets for the Year Ended June 30, 2019</b>	
Endowment Net Assets, Beginning of Year	\$ 117,222
Investment Income	7,075
Endowment Contribution	10,750
<b>Endowment Net Assets, End of Year</b>	<u>\$ 135,047</u>

**NOTES TO FINANCIAL STATEMENTS**  
**PUBLIC EDUCATION FOUNDATION OF MARION COUNTY, INC.**  
**OCALA, FLORIDA**

2018	Total
<b>Endowment Net Asset Composition by</b>	
<b>Type of Fund as of June 30, 2018</b>	
Donor-Restricted Endowment Funds	\$ 97,698
Income Earned on Endowment Funds	19,524
<b>Total Funds as of June 30, 2018</b>	<b><u>\$ 117,222</u></b>
<b>Changes in Endowment Net Assets for</b>	
<b>the Year Ended June 30, 2018</b>	
Endowment Net Assets,	
Beginning of Year	\$ 132,886
Investment Income	5,616
Release from Restrictions	(21,280)
<b>Endowment Net Assets, End of Year</b>	<b><u>\$ 117,222</u></b>

**Note 14 - Retirement Plan**

In 2016 the Foundation instituted a Simple IRA plan for all eligible employees. The Foundation makes a matching contribution of 3% of the participating employee's salary to the Plan. As of June 30, 2019 and 2018, the Foundation contributed \$3,381 and \$3,927, respectively, to the Plan.

**Note 15 - Interest in Beneficial Trust**

Amount reported in the statement of financial position as Interest in Beneficial Trust at current market value. The balance is from cumulative transfers by the Foundation to the Community Foundation of Ocala Marion County and related earnings. The Community Foundation of Ocala Marion County holds and invests the funds on behalf of the Foundation in an Endowment Fund for the benefit of the Foundation. Funds are to be distributed to the Foundation at their request.

	2019	2018
<b>Interest in Beneficial Trust</b>		
Amount Transferred by the Foundation	\$ 6,449	\$ 6,449
Income Earned	1,593	-
<b>Total Interest in Beneficial Trust</b>	<b><u>\$ 8,042</u></b>	<b><u>\$ 6,449</u></b>

**Note 16 - Liquidity and Availability of Resources**

The following reflects the Foundation's financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date:

**NOTES TO FINANCIAL STATEMENTS  
PUBLIC EDUCATION FOUNDATION OF MARION COUNTY, INC.  
OCALA, FLORIDA**

<b>Financial Assets, as of June 30, 2019</b>	<b>\$ 3,027,872</b>
Less Those Unavailable for General Expenditures	
Within One Year	
Restricted by Donor with Time or Purpose Restrictions	(199,566)
Funds Held on Behalf of Others	(312,322)
Florida Prepaid Scholarships	(1,964,614)
Interest in Beneficial Trust	(8,042)
Donor-Restricted to Maintain as an Endowment	<u>(108,448)</u>
<b>Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year</b>	<b><u>\$ 434,880</u></b>

**Note 17 - Funds Held on Behalf of Others**

The liability account “Funds Held on Behalf of Others” represent funds received by the Foundation on behalf of others. The Foundation’s policy is to recognize the funds in cash and an offsetting liability until the funds are distributed to the ultimate beneficiary, at which time the asset and liability are removed from the Foundation’s books.

**Note 18 - Related-Party Transaction**

The School Board provides property, facilities, and personal services to the Foundation as described in Note 10. Several Board members are also employed by the School Board.

**ADDITIONAL ELEMENTS OF REPORT PREPARED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*, ISSUED BY THE COMPTROLLER GENERAL OF THE UNITED STATES**

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors  
Public Education Foundation of Marion County, Inc.  
Ocala, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Public Education Foundation of Marion County, Inc. (the Foundation) a non-profit organization, which comprises the statement of financial position as of the year ended June 30, 2019, the related statements of activities functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 20, 2019.

**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 preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Certified Public Accountants**

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MEMBERS OF AMERICAN AND FLORIDA INSTITUTES OF CERTIFIED PUBLIC ACCOUNTANTS  
MEMBER OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS PRIVATE COMPANIES AND S.E.C. PRACTICE SECTIONS

To the Board of Directors  
Public Education Foundation of Marion County, Inc.  
Ocala, Florida

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS**

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Foundation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the 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 non-compliance 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 with the results of that testing, and not to provide an opinion on the effectiveness of the Foundation's internal control or compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

  
September 20, 2019  
Ocala, Florida