

# SAN FRANCISCO EDUCATION FUND

JUNE 30, 2013

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INDEPENDENT AUDITORS' REPORT

AND

FINANCIAL STATEMENTS

# San Francisco Education Fund

## Independent Auditors' Report and Financial Statements

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**Independent Auditors' Report**

THE BOARD OF DIRECTORS  
SAN FRANCISCO EDUCATION FUND  
San Francisco, California

**Report on the Financial Statements**

We have audited the accompanying financial statements of **SAN FRANCISCO EDUCATION FUND (the Fund)** which comprise the statement of financial position as of June 30, 2013, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended and the related notes to the financial statements.

**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 audit to obtain reasonable assurance about whether the financial statements are free of 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 Fund'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 Fund'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.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of San Francisco Education Fund as of June 30, 2013, and the results of activities and changes in net assets, and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Report on Summarized Comparative Information**

We have previously audited the Fund's June 30, 2012 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 29, 2012. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012 is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Hood & Strong LLP*

San Francisco, California  
February 20, 2014

# San Francisco Education Fund

## Statement of Financial Position

<i>June 30, 2013 (with comparative totals for 2012)</i>	2013	2012
<b>Assets</b>		
Cash and cash equivalents	\$ 163,641	\$ 368,146
Contracts receivable	4,628	128,464
Pledges receivable, net of allowance for doubtful accounts of \$2,010 and \$5,460 respectively	99,840	48,240
Prepaid expenses and other assets	29,517	40,679
Investments	5,503,752	4,908,353
Property and equipment, net	42,378	34,200
<b>Total assets</b>	<b>\$ 5,843,756</b>	<b>\$ 5,528,082</b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities:</b>		
Accounts payable and accrued expenses	\$ 61,200	\$ 200,885
Leases payable	9,290	15,126
Payable to fiduciary groups	4,839	13,974
Deferred revenue	-	96,528
<b>Total liabilities</b>	<b>75,329</b>	<b>326,513</b>
<b>Net Assets:</b>		
Unrestricted	1,387,686	1,155,875
Temporarily restricted	1,213,737	878,690
Permanently restricted	3,167,004	3,167,004
<b>Total net assets</b>	<b>5,768,427</b>	<b>5,201,569</b>
<b>Total liabilities and net assets</b>	<b>\$ 5,843,756</b>	<b>\$ 5,528,082</b>

The accompanying notes are an integral part of this statement.

# San Francisco Education Fund

## Statement of Activities and Changes in Net Assets

*Year Ended June 30, 2013 (with comparative totals for 2012)*

	2013			Total	2012 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted		
<b>Support and Revenue:</b>					
Contributions	\$ 345,016	\$ 367,747		\$ 712,763	\$ 1,442,897
Government grants	164,927			164,927	28,672
Event revenue, net of expenses of \$62,360 in 2013 and \$54,876 in 2012	345,765			345,765	291,629
Interest and dividends	36,986	72,733		109,719	124,732
Other income	1,943			1,943	22,872
Net assets released from restrictions	753,718	(753,718)		-	-
<b>Total support and revenue</b>	<b>1,648,355</b>	<b>(313,238)</b>		<b>1,335,117</b>	<b>1,910,802</b>
<b>Expenses:</b>					
Program services	1,240,618			1,240,618	1,704,757
Management and general	157,760			157,760	189,992
Fundraising	346,990			346,990	407,765
<b>Total expenses</b>	<b>1,745,368</b>			<b>1,745,368</b>	<b>2,302,514</b>
<b>Change in Net Assets from Operations</b>	<b>(97,013)</b>	<b>(313,238)</b>		<b>(410,251)</b>	<b>(391,712)</b>
<b>Other Changes in Net Assets:</b>					
Net gain (loss) from investments	328,824	648,285		977,109	(206,624)
<b>Change in Net Assets</b>	<b>231,811</b>	<b>335,047</b>		<b>566,858</b>	<b>(598,336)</b>
<b>Net Assets, beginning of year</b>	<b>1,155,875</b>	<b>878,690</b>	<b>\$ 3,167,004</b>	<b>5,201,569</b>	<b>5,799,905</b>
<b>Net Assets, end of year</b>	<b>\$ 1,387,686</b>	<b>\$ 1,213,737</b>	<b>\$ 3,167,004</b>	<b>\$ 5,768,427</b>	<b>\$ 5,201,569</b>

The accompanying notes are an integral part of this statement.

## San Francisco Education Fund

### Statement of Functional Expenses

Year Ended June 30, 2013 (with comparative totals for 2012)

	2013									2012 Total
	Program Services					Supporting Services			Total	
	Leadership & Professional Development	Peer Resources	Public Engagement (includes School Volunteers)	Public Awareness	Postsecondary Success	Management & General	Fundraising			
Salaries	\$ 4,546	\$ 55,928	\$ 242,709	\$ 32,141	\$ 179,335	\$ 125,468	\$ 250,195	\$ 890,322	\$ 1,114,601	
Payroll taxes	374	4,225	19,334	2,499	14,547	10,726	20,225	71,930	85,767	
Unemployment compensation	7	105	862	46	424	136	335	1,915	12,458	
<b>Total personnel costs</b>	<b>4,927</b>	<b>60,258</b>	<b>262,905</b>	<b>34,686</b>	<b>194,306</b>	<b>136,330</b>	<b>270,755</b>	<b>964,167</b>	<b>1,212,826</b>	
Consultants	356	14,081	56,182	7,579	203,067	6,783	16,876	304,924	420,159	
Grants and awards	-	100	1,765	9,000	-	-	-	10,865	34,771	
Health insurance	10	294	1,151	61	566	182	447	2,711	77,324	
Special event	-	-	-	-	-	-	641	641	190	
Other expenses	353	23,553	53,238	2,971	23,162	6,725	18,494	128,496	70,072	
Professional development and recruitment	54	1,636	29,960	346	3,286	1,030	2,535	38,847	79,020	
Rent	156	2,295	18,914	1,002	9,300	2,984	7,348	41,999	206,719	
Travel	46	441	6,312	54	22,702	53	395	30,003	19,252	
Insurance	48	705	5,812	308	2,858	917	2,258	12,906	50,556	
Equipment rent	36	932	4,370	229	2,124	682	1,678	10,051	10,405	
Hospitality	-	-	-	-	-	-	-	-	9,225	
Supplies	63	4,461	1,323	1,803	597	121	1,455	9,823	12,819	
Workers compensation	30	776	3,646	193	1,793	575	1,416	8,429	16,013	
Depreciation	25	369	3,042	161	1,496	480	1,182	6,755	8,092	
Printing & reproduction	-	-	625	1,185	-	-	1,056	2,866	2,078	
Substitute teacher expense	-	2,126	-	-	4,259	-	-	6,385	4,737	
Dues, subscriptions and publications	25	569	3,163	1,577	2,004	475	13,115	20,928	20,777	
Program transfer expense	-	130,678	-	-	-	-	-	130,678	34,298	
Finance charges	2	62	256	14	126	52	3,691	4,203	6,846	
Postage & delivery	63	12	392	250	47	15	2,770	3,549	3,921	
Telephone & internet service	19	274	2,509	120	1,986	356	878	6,142	2,414	
Bad debt expense	-	-	-	-	-	-	-	-	-	
<b>Total</b>	<b>\$ 6,213</b>	<b>\$ 243,622</b>	<b>\$ 455,565</b>	<b>\$ 61,539</b>	<b>\$ 473,679</b>	<b>\$ 157,760</b>	<b>\$ 346,990</b>	<b>\$ 1,745,368</b>	<b>\$ 2,302,514</b>	

The accompanying notes are an integral part of this statement.

# San Francisco Education Fund

## Statement of Cash Flows

<i>Year Ended June 30, 2013 (with comparative totals for 2012)</i>	2013	2012
<b>Cash Flows from Operating Activities:</b>		
Change in net assets	\$ 566,858	\$ (598,336)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	6,755	8,092
Net loss (gain) from investments	(977,109)	206,624
Loss on disposal of equipment	2,752	
Changes in assets and liabilities:		
Contracts receivable	123,836	74,421
Pledges receivable	(51,600)	344,311
Prepaid expenses and other assets	11,162	1,851
Accounts payable and accrued expenses	(139,685)	(34,019)
Payable to fiduciary groups	(9,135)	96,528
Deferred revenue	(96,528)	(130,923)
<b>Net cash used by operating activities</b>	<b>(562,694)</b>	<b>(31,451)</b>
<b>Cash Flows from Investing Activities:</b>		
Purchases of property	(17,685)	-
Purchases of investments	(103,997)	(392,135)
Proceeds from sales	485,707	715,849
<b>Net cash provided by investing activities</b>	<b>364,025</b>	<b>323,714</b>
<b>Cash Flows from Financing Activities:</b>		
Payments on obligations under capital lease	(5,836)	(16,025)
<b>Net cash used by financing activities</b>	<b>(5,836)</b>	<b>(16,025)</b>
<b>Net Change in Cash and Equivalents</b>	<b>(204,505)</b>	<b>276,238</b>
<b>Cash and Equivalents, beginning of year</b>	<b>368,146</b>	<b>91,908</b>
<b>Cash and Equivalents, end of year</b>	<b>\$ 163,641</b>	<b>\$ 368,146</b>
<b>Supplemental Data:</b>		
Interest paid	\$ 1,632	\$ 2,632

The accompanying notes are an integral part of this statement.

# San Francisco Education Fund

## Notes to Financial Statements

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### Note 1 - Organization:

The San Francisco Education Fund (the Education Fund) believes that strong public schools are critical to San Francisco's viability and that the community must take action to ensure their success. By acting as a bridge between the community and the classroom, the Education Fund increases the availability and impact of resources for students and teachers throughout San Francisco public schools and in partnership with the San Francisco Unified School District (SFUSD).

The Education Fund is dedicated to increasing the number of San Francisco public school students – in particular those from underserved communities – who graduate ready for college, careers and civic responsibility. We accomplish our mission by:

- enhancing teacher quality,
- fostering youth engagement,
- mobilizing volunteers, and
- implementing strategic partnerships.

The Education Fund strategically employs programs that address current challenges in classrooms while we also design, incubate and implement long term reform strategies. The following are programs of the Education Fund:

#### Public Engagement (includes School Volunteers)

The Education Fund recruits, trains, places and supports more than 600 community and corporate volunteers annually who serve as tutors, mentors and interpreters. The School Volunteers program directs resources where they will have the greatest impact for those who need them most. SFUSD teachers and administrators enter requests and volunteers are matched to them based on the volunteers' skills and the school staff person's needs. The Education Fund also works with the schools to provide resources and lead activities designed to build the infrastructure of schools to effectively manage their schools' volunteers. In FY12-13, volunteers placed through the Education Fund provided more than 38,000 hours of service in San Francisco public schools, which delivered a value of over \$900,000 in staffing support to schools. The value of this contributed time is not reflected in the financial statements because there is no current means of measurement or valuation accepted by accounting regulatory bodies.

In fiscal year 2012-2013, the School Volunteers program staff included four full-time AmeriCorps VISTA members acting as recruitment coordinators that are funded directly by a \$90,000 grant award from the Corporation for National and Community Service. This grant award is not included in the foregoing financial statements, as salaries and benefits for the VISTA members were funded directly by AmeriCorps.

# San Francisco Education Fund

## Notes to Financial Statements

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On November 1, 2013 The Ed Fund absorbed the funds and programmatic work of edMatch – previously a fiscally sponsored project of the San Francisco School Alliance (SFSA). edMatch was started in 2010 by two public school parents to raise funds that would then be matched by corporations and community members to be distributed to SF public schools. Incorporating edMatch as a program within the Ed Fund will allow the San Francisco Unified School District to have a single organization who can serve as the lead partner for raising funds and volunteers for the schools.

### Peer Resources

For more than 30 years, the Education Fund and the San Francisco Unified School District have collaborated to operate San Francisco Peer Resources, the largest school-based peer support group in the country.

Peer Resources fosters middle and high school students' leadership skills so they take more ownership of their education and take an active role in creating safe, engaging, supportive, and rigorous learning environments in their schools. The nationally recognized program develops Peer Educators who make presentations on important issues like cyber bullying, combating homophobia and managing peer pressure that reach more than 13,000 fellow students. Peer Leaders also work with students to negotiate their disputes non-violently. Additionally, every year approximately 450 Peer Resources students participate in the Youth Are Resources (YAR) conference where students make presentations and learn from one another.

In fiscal years 2011-2012 and 2012-2013, Peer Resources teacher salaries and benefits were funded directly by approximately \$467,000 in contributed support from the Public Education Enrichment Fund (Proposition H, administered by SFUSD) and \$349,000 in contributed support from Peer Resources school sites. The funds from Prop H and school sites supporting Peer Resources are not included in the foregoing financial statements as teacher salaries and benefits were funded directly by SFUSD.

The Education Fund transferred the Peer Resources program to Community Initiatives and the SFUSD effective January 19, 2013. In fiscal year 2013, the Statement of Activities reflects revenues and expenses of \$63,050 and \$244,144 respectively. Program transfer expenses related to Peer Resources totaled \$130,678.

### Postsecondary Success

The Postsecondary Success Program (PSP) transforms how schools utilize student data and leverage partnerships to increase the number of students graduating high school who are eligible and prepared for college. PSP helps school staff understand the larger student achievement trends (including which students graduate with college requirements complete, which students enroll in college but never attend, which students start college but later drop-out) and accordingly use that data to inform their individual and school-wide strategies. Furthermore, PSP works with community based organizations that provide direct service to students and families to understand the student trends and evaluate how their programs serve the school priorities. By understanding which students drop-out, when and why, the schools can implement an intervention with teachers, counselors and direct service organizations that span several years until the student is back on track.

# San Francisco Education Fund

## Notes to Financial Statements

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### Leadership & Professional Development

The Education Fund is dedicated to enhancing teacher quality. Currently, the Education Fund invests in teacher professional development in two ways:

1. **Instructional Rounds** which pairs SFUSD teachers with professors at San Francisco State University to build the knowledge and skills of the group around an identified problem of practice. The teachers observe each other and provide feedback to strengthen instruction.

Instructional Rounds are based on the work of Dr. Richard Elmore, who adapted for education the professional practice of conducting medical rounds. The premise of Instructional Rounds is that people best learn about the meaning of high quality instruction by observing teachers, students and the work students are asked to do, followed by meaningful conversation and analysis. Specific protocols focus the conversation on the link between instruction and learning. During the spring of 2013 teachers from Burton High School, professors from San Francisco State University, and staff from the San Francisco Education Fund were trained in the observational techniques used during Instruction Rounds. We then conducted the first set of rounds at Burton High School which produced a set of recommendations for improved teaching that are now being implemented.

2. **Professional development on teachers' terms** We partner with Fund for Teachers to award San Francisco PreK-12 teachers with fellowships for self-designed professional growth. Fund for Teachers fellowships have taken place in countries on every continent, empowering teachers to explore countless ideas, terrains and cultures. Fellowship grants provide up to \$5,000 for individual teachers or \$10,000 for teams. In FY12-13, 23 San Francisco teachers received grants totaling \$73,410. The funds granted to San Francisco teachers are not included in the foregoing financial statements as fellowships were funded directly by Fund for Teachers.

### Public Awareness

In addition to engaging community members and corporate employees as volunteers, the Education Fund also leads city-wide campaigns to raise awareness about education issues. For example, we organize the Thank a Teacher campaign, a public call to action that seeks to thank San Francisco public school teachers for their professionalism, dedication, and work on behalf of our City's young people. We also collaborated with groups like the Public Engagement for Public Schools (PEPS) to develop and implement a broad-based dialogue process that engaged diverse populations in San Francisco in creating home-grown, clear, compelling public education goals that capture the imagination of our city and inspire action.

# San Francisco Education Fund

## Notes to Financial Statements

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### Note 2 - Summary of Significant Accounting Policies:

#### a. Basis of Presentation and Description of Net Assets

The financial statements are prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles.

The Education Fund reports information regarding its financial position and activities according to their classes of net assets: unrestricted, temporarily restricted and permanently restricted.

##### *Unrestricted Net Assets*

The portion of net assets that is neither temporarily restricted nor permanently restricted by donor-imposed stipulations. The Education Fund has established a quasi-endowment fund for long-term investment and future needs. This fund was established to ensure that the Education Fund will have sufficient financial means to provide to its constituents.

##### *Temporarily Restricted Net Assets*

The portion of net assets which use by the Education Fund is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Education Fund.

##### *Permanently Restricted Net Assets*

The portion of net assets whose use by the Education Fund is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Education Fund.

#### b. Recognition of Revenue

Contributions and grants are made by individuals, foundations, and various organizations to be used for the Education Fund's programs and administration of those programs. Contributions and grants are recorded as revenue at their fair value when the promise to give to the Education Fund is made. Restricted contributions and grants are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished) temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities and Changes in Net Assets as net assets released from restrictions.

Government contracts and revenue are recognized when the Education Fund incurs expenditures related to the required services.

# San Francisco Education Fund

## Notes to Financial Statements

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c. Contributed Services and In-kind Donations

Approximately 300 hours of unpaid office volunteers' time have been contributed to the Education Fund's office management and administrative function during the year ending June 30, 2013. Additionally, approximately 38,000 hours of service were provided directly to students, teachers and schools in fiscal year 2012-2013 by corporate and community volunteers who were recruited, cleared, trained and placed by the Education Fund. The value of this contributed time is not reflected in the financial statements because there is no objective means of measurement or valuation.

The Education Fund also receives in-kind and professional service donations, which it records at estimated fair value at the time of contribution as miscellaneous income and expense.

d. Cash and Cash Equivalents

Cash and cash equivalents consist primarily of cash and money market funds. The Education Fund considers investments with a maturity of three months or less at the time of purchase to be cash equivalents.

e. Grants, Contracts and Pledges Receivable

Grants, contracts and pledges receivable represent unconditional commitments from various foundations, organizations and individuals that are recorded at their net realizable value. The Education Fund expects to collect substantially all of the outstanding balance by June 30, 2014.

f. Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the Statement of Financial Position. Investments received as contributions are recorded at fair market value on the date of receipt. Realized and unrealized gains and losses are reflected as increases or decreases in the unrestricted class of net assets, unless donors place restrictions on the manner of use of such gains and losses.

g. Property and Equipment

Property and equipment are recorded at cost. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets which range from three to five years. Amortization of leasehold improvements is computed over the life of the related lease. The Education Fund's policy is to capitalize property and equipment greater than \$1,000.

# San Francisco Education Fund

## Notes to Financial Statements

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### h. Functional Expenses

Expenses have been charged to program or supporting service classifications based on direct expenditures incurred. Any expenditure not directly chargeable is allocated among program or support service classifications based on relative usage.

### i. Income Taxes

The Education Fund is a tax-exempt organization under the Internal Revenue Code, Section 501(c)(3) and related California code sections. Accordingly, no provision for income taxes has been reflected in these financial statements.

The Education follows the guidance on accounting for uncertainty in income taxes issued by ASC Topic 740. As of June 30, 2012, management evaluated the Education Fund's tax positions and concluded that the Education Fund had maintained its tax exempt status and had taken no uncertain tax positions that required adjustment to the financial statements. Therefore, no provision or liability for income taxes has been included in the financial statements. The Education Fund continues to remain subject to examination by U.S. federal authorities for the years 2010 through 2012 and for California state authorities for the years 2009 through 2012.

### 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 estimates based on assumptions. Those estimates affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

### k. Summarized Comparative Information and Reclassifications

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Education Fund's financial statements for the year ended June 30, 2012 from which the summarized information was derived. Certain 2012 amounts have been reclassified to conform to the 2013 financial statement preparation. These reclassifications have no effect on previously reported changes in net assets.

### l. Fair Value Measurements

Investments are stated at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The carrying amount of cash and cash equivalents, receivables, prepaid expenses, other assets, accounts payable, accrued expenses and other payables approximates fair value because of the short maturities of these financial instruments.

# San Francisco Education Fund

## Notes to Financial Statements

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The Education Fund classifies its investments measured at fair value on a recurring basis based on a fair value hierarchy with three levels of inputs. Level 1 values are based on unadjusted quoted prices in active markets for identical securities. Level 2 values are based on significant observable market inputs, such as quoted prices for similar securities and quoted prices in inactive markets. Level 3 values are based on significant unobservable inputs that reflect the Education Fund's determination of assumptions that market participants might reasonably use in valuing the securities. The valuation levels are not necessarily an indication of the risk or liquidity associated with the assets and liabilities measured at fair value.

m. Subsequent Event

The Education Fund evaluated subsequent events through February 20, 2014, the date these financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements, except as discussed in Note 1.

**Note 3 - Investments:**

Investments consist of the following at June 30, 2013:

	Cost	Fair Value
Mutual Funds	\$ 3,646,650	\$ 5,500,194
Equity Securities	3,215	3,558
<u>Total</u>	<u>\$ 3,649,865</u>	<u>\$ 5,503,752</u>

# San Francisco Education Fund

## Notes to Financial Statements

The table below summarizes the valuation of the Education Fund's investments by the above ASC 820 fair value hierarchy levels at June 30, 2013 measured at fair value on a recurring basis:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>
<b>Mutual Funds:</b>			
Equity securities held in mutual funds:			
Energy	\$ 291,625		\$ 291,625
Materials	128,952		128,952
Industrials	304,347		304,347
Consumer discretionary	538,739		538,739
Consumer staples	63,388		63,388
Health care	735,101		735,101
Financials	965,755		965,755
Information technology	888,072		888,072
Telecommunication service	147,829		147,829
Fixed income held in mutual funds:			
US Treasury bills	133,090		133,090
Mortgage-related securities	463,988		463,988
Corporate	577,374		577,374
Government-related	126,232		126,232
Asset backed	20,968		20,968
Money market	114,734		114,734
Equity securities:			
Technology	3,558	3,558	
<hr/>			
<b>Total investments measured at fair value</b>	<b>\$ 5,503,752</b>	<b>\$ 3,558</b>	<b>\$ 5,500,194</b>

#### **Note 4 - Capital Leases:**

The Education Fund acquired certain equipment under non-cancelable capital lease arrangements. Each of these arrangements provides the Education Fund an option to purchase the equipment upon the termination of the lease. These leases are accounted for by an increase to fixed assets and a corresponding increase to liabilities. Payments are made periodically throughout the year, which reduce the liability. At June 30, 2013, the minimum future commitments under these arrangements were \$6,900 and \$3,450 for the years ending June 30, 2014 and 2015, respectively. Included in these minimum payments is \$1,060 interest. Amortization expense related to these capital leases is recorded under depreciation expense. Total payments under the above leases were \$5,836 during the year ended June 30, 2013.

# San Francisco Education Fund

## Notes to Financial Statements

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### Note 5 - Operating Lease:

The Education Fund leases office space under a non-cancelable operating lease arrangement that expires on August 31, 2017. In addition to monthly rent, the Education Fund is responsible for some building expenses as stipulated in the lease agreement. Future minimum lease payments, excluding building expenses, under this arrangement are as follows:

Year ending June 30,	
2014	\$ 43,100
2015	44,300
2016	45,700
2017	47,000
	<hr/>
	\$ 180,100

Total payments under the above arrangement were \$42,000 for the year ended June 30, 2013. The Education Fund determined that the fair market value of the use of the office netted total payment was \$174,470 which are included in the in-kind contribution and functional expense on the Statement of Activities for the year ended June 30, 2012.

### Note 6 - Payable to Fiduciary Groups:

From time to time, the Education Fund serves as fiscal agent for fiduciary groups whose activities benefit the work of the Education Fund. As such the Education Fund receives incoming contributions and subsequently disburses funds to these groups and exercises no discretionary authority over such receipts and disbursements. The Education Fund was in custody of \$4,839 at June 30, 2013 of amounts payable to such groups.

### Note 7 - Temporarily Restricted Net Assets:

Temporarily restricted net assets at June 30, 2013 were available for:

Public Engagement (includes School Volunteers)	\$ 7,102
Post Secondary Success	110,542
Program	53,885
Teacher Grants and Public Education	1,042,208
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	\$ 1,213,737

# San Francisco Education Fund

## Notes to Financial Statements

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Temporarily restricted net assets were released in 2013 for:

Public Engagement (includes School Volunteers)	\$ 90,495
Post Secondary Success	302,053
Peer Resources	63,050
Special Projects	19,500
Program - Various	69,500
Teacher Grants and Public Education	209,120
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	\$ 753,718

**Note 8 - Permanently Restricted Net Assets:**

Permanently restricted net assets as of June 30, 2013 and 2012 of \$3,167,004 are restricted to investment in perpetuity, the income from which is expendable to support teacher professional development and general activities of the Education Fund.

**Note 9 - Endowment Fund:**

The Education Fund's endowment includes two donor-restricted endowment funds, one to support teacher grants and the second to support activities deemed by the Board of Directors of the Education Fund to improve the quality of education in San Francisco public schools. A third endowment fund consists of reserves designated by the Board of Directors of the Education Fund to function as endowment.

As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowment, are classified and reported based on the existence or absence of donor-imposed restrictions.

*Interpretation of Relevant Law*

The Board of Directors of the Education Fund 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 the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Education Fund classifies permanently restricted net assets at (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 investment income 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.

# San Francisco Education Fund

## Notes to Financial Statements

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In accordance with SPMIFA, the Education Fund considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) The duration and preservation of the fund, (2) The purposes of the organization and the donor-restricted endowment fund, (3) General economic conditions, (4) The possible effect of inflation and deflation, (5) The expected total return from income and the appreciation of investments, (6) Other resources of the organization, (7) The investment policies of the organization.

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or SPMIFA requires the Education Fund to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net assets.

### *Return Objectives and Risk Parameters*

The Education Fund has adopted investment and spending policies for endowment assets with the objective of ultimately providing a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Education Fund must hold in perpetuity as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that, at a minimum, maintains the purchasing power of the original Endowment corpus and shall be consistent with: i) the risk deemed appropriate by the Investment Committee; ii) the mission and programs of the Education Fund, and iii) the projected cash needs of the Education Fund which may require a constant and reliable flow of income to the annual operating budget.

### *Strategies Employed for Achieving Objectives*

To satisfy its long-term rate-of-return objectives, The Education Fund relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Education Fund targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

### *Spending Policy and How the Investment Objectives Relate to Spending Policy*

The Education Fund determines an annual spending rate based on the average fair market value of the endowed assets over the previous twelve quarters, with a minimum required spending per donor imposed restrictions. This rate may not exceed 4% without a majority vote of the Education Fund Board. Over the long term, the Education Fund expects the current spending policy to allow its endowment to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

The Education Fund follows the FASB ASC No. 958, *Presentation of Financial Statements*, which provides guidance on the net assets classification of contributed funds.

# San Francisco Education Fund

## Notes to Financial Statements

Endowment net assets composition by type as of June 30, 2013:

	Unrestricted Funds	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment funds		\$ 1,042,207	\$ 3,167,004	\$ 4,209,211
Board designated funds-other	\$ 1,165,193			1,165,193
<b>Total Endowment Funds</b>	<b>\$ 1,165,193</b>	<b>1,042,208</b>	<b>\$ 3,167,004</b>	<b>\$ 5,374,405</b>
Endowment Net Assets, June 30, 2012	\$ 1,076,064	\$ 530,310	\$ 3,167,004	\$ 4,773,378
Investment Return:				
Interest and dividends	36,892	72,733		109,625
Net appreciation (realized and unrealized)	328,824	648,285		977,109
Appropriation of endowment assets for expenditure	(276,587)	(209,120)		(485,707)
Endowment Net Assets, June 30, 2013	\$ 1,165,193	1,042,208	\$ 3,167,004	\$ 5,374,405

### Note 10 - Defined Contribution Pension Plan:

The Education Fund provides a defined contribution retirement plan, under Section 403(b) of the Internal Revenue Code, to all its employees. The Education Fund is not required to make contributions to the plan and made no contributions to the plan for the years ending June 30, 2013 and 2012.

### Note 11 - Concentration of Credit Risk:

The Education Fund has defined its financial instruments, which are potentially subject to credit risk as cash, receivables and investments.

All receivables consist primarily of unsecured amounts due from individuals and foundations. The credit risk associated with the receivables from individuals and foundations is mitigated by the number of donors comprising the receivable balance.

Periodically, throughout the year, the Education Fund has maintained balances in various operation and money market accounts in excess of federally insured limits.