

# San Francisco Education Fund

Financial Statements  
With Independent Auditors' Report

June 30, 2015 and 2014

# San Francisco Education Fund

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## INDEPENDENT AUDITORS' REPORT

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 "Education Fund") which comprise the statements of financial position as of June 30, 2015 and 2014 and the related statements of activities, cash flows and functional expenses 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain 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 auditor 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.

***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, 2015 and 2014, 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.

*PMB Helin Donovan, LLP*

PMB Helin Donovan, LLP  
San Francisco, California  
January 7, 2016

# San Francisco Education Fund

## Statements of Financial Position

As of June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
<b>ASSETS</b>		
<b>Assets</b>		
Cash and cash equivalents	\$ 163,451	\$ 209,618
Restricted cash	18,246	25,601
Contracts receivable	220,000	55,350
Pledges receivable, net	34,750	89,047
Prepays expenses and other assets	9,219	11,193
Investments	6,649,687	6,579,155
Property and equipment, net	38,004	38,066
	<u>7,133,357</u>	<u>7,008,030</u>
Total assets	<u>\$ 7,133,357</u>	<u>\$ 7,008,030</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable	\$ 133,817	\$ 70,084
Leases payable	19,994	23,988
Payable to fiduciary groups	-	25,601
	<u>153,811</u>	<u>119,673</u>
Total liabilities	<u>153,811</u>	<u>119,673</u>
<b>Net assets</b>		
Unrestricted	1,955,746	1,856,675
Temporarily restricted	1,856,796	1,864,678
Permanently restricted	3,167,004	3,167,004
	<u>6,979,546</u>	<u>6,888,357</u>
Total net assets	<u>6,979,546</u>	<u>6,888,357</u>
Total liabilities and net assets	<u>\$ 7,133,357</u>	<u>\$ 7,008,030</u>

The accompanying notes are an integral part of these financial statements

**San Francisco Education Fund**  
**Statements of Activities**  
**For The Years Ended June 30, 2015 and 2014**

	2015				2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Operating Support and Revenue</b>								
Contributions	\$ 409,752	\$ 464,927	\$ -	\$ 874,679	\$ 298,440	\$ 467,819	\$ -	\$ 766,259
Government grants	220,000	-	-	220,000	42,328	-	-	42,328
In kind donations	45,461	-	-	45,461	26,899	-	-	26,899
Event revenue, net of expenses of \$238,881 and \$143,609, respectively	182,976	-	-	182,976	369,407	-	-	369,407
Interest and dividends	34,349	92,732	-	127,081	32,137	90,447	-	122,584
Other income	7,929	-	-	7,929	274	-	-	274
Net assets released from restrictions	598,029	(598,029)	-	-	511,669	(511,669)	-	-
<b>Total operating support and revenue</b>	<b>1,498,496</b>	<b>(40,370)</b>	<b>-</b>	<b>1,458,126</b>	<b>1,281,154</b>	<b>46,597</b>	<b>-</b>	<b>1,327,751</b>
<b>Operating Expenses</b>								
Program services	1,102,822	-	-	1,102,822	962,355	-	-	962,355
Management and general	125,421	-	-	125,421	59,974	-	-	59,974
Fundraising	183,372	-	-	183,372	242,918	-	-	242,918
<b>Total operating expenses</b>	<b>1,411,615</b>	<b>-</b>	<b>-</b>	<b>1,411,615</b>	<b>1,265,247</b>	<b>-</b>	<b>-</b>	<b>1,265,247</b>
Change in net assets from operations	86,881	(40,370)	-	46,511	15,907	46,597	-	62,504
Other change								
Net gain from investments	12,190	32,488	-	44,678	453,082	604,344	-	1,057,426
Change in net assets	99,071	(7,882)	-	91,189	468,989	650,941	-	1,119,930
<b>Net Assets</b>								
Beginning of year	1,856,675	1,864,678	3,167,004	6,888,357	1,387,686	1,213,737	3,167,004	5,768,427
End of year	<u>\$ 1,955,746</u>	<u>\$ 1,856,796</u>	<u>\$ 3,167,004</u>	<u>\$ 6,979,546</u>	<u>\$ 1,856,675</u>	<u>\$ 1,864,678</u>	<u>\$ 3,167,004</u>	<u>\$ 6,888,357</u>

The accompanying notes are an integral part of these financial statements

**San Francisco Education Fund**  
**Statements of Cash Flows**  
**For The Years Ended June 30, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 91,189	\$ 1,119,930
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	9,250	6,213
Bad debt expense	-	5,740
Net loss (gain) from investments	97,594	(1,057,426)
Loss on disposal of equipment	-	22,407
Changes in assets and liabilities		
Increase in contract receivable	(164,650)	(50,722)
Decrease in pledges receivable	54,297	5,053
Decrease in prepaid expenses and other assets	1,974	18,324
Increase in accounts payable and accrued expenses	63,734	8,884
(Decrease) increase in payable to fiduciary groups	(25,601)	20,762
Net cash provided by operating activities	<u>127,787</u>	<u>99,165</u>
<b>Cash flows from investing activities</b>		
Purchases of property	(9,188)	-
Dividends and gains reinvested	(269,196)	(122,370)
Proceeds from sales	101,069	99,132
Net cash used by investing activities	<u>(177,315)</u>	<u>(23,238)</u>
<b>Cash flows from financing activities</b>		
Payments on obligations under capital lease	(3,994)	(9,610)
Net cash used by financing activities	<u>(3,994)</u>	<u>(9,610)</u>
Net change in cash and cash equivalents	(53,522)	66,317
Unrestricted and restricted cash and cash equivalents at beginning of year	235,219	168,902
Unrestricted cash and cash equivalents at end of year	\$ 163,451	\$ 209,618
Restricted cash and cash equivalents at end of year	\$ 18,246	\$ 25,601
Total unrestricted and restricted cash and cash equivalents at end of year	<u>\$ 181,697</u>	<u>\$ 235,219</u>
Supplemental disclosure of cash flow information:		
Assets acquired through capital leases	\$ -	\$ 24,308
Interest paid	\$ 1,799	\$ 913
In-kind donations	<u>\$ 45,461</u>	<u>\$ 26,899</u>

The accompanying notes are an integral part of these financial statements

**San Francisco Education Fund**

**Statement of Functional Expenses**

**For The Year Ended June 30, 2015 (with comparative totals for June 30, 2014)**

	Program Services					Supporting Services			2015	2014
	Literacy	Math	College and Career Readiness	Public Engagement	Fiscally Sponsored Projects	Total Program Services	Management and General	Fundraising	Total	Total
Salaries	\$ 142,830	128,846	121,423	112,537	2,397	\$ 508,033	\$ 25,843	122,375	\$ 656,251	\$ 699,522
Payroll taxes	11,470	10,316	9,939	9,154	88	40,967	1,884	10,088	52,939	51,006
Employee benefits	5,437	5,125	3,543	3,667	713	18,485	2,102	3,073	23,660	12,382
Total personnel costs	159,737	144,287	134,905	125,358	3,198	567,485	29,829	135,536	732,850	762,910
Bank fees and finance charges	785	700	485	502	98	2,570	288	7,276	10,134	3,936
Depreciation	2,125	2,004	1,384	1,434	279	7,226	822	1,202	9,250	6,213
Dues, subscriptions, and publications	181	171	117	647	24	1,140	70	964	2,174	11,924
Equipment rental	6,851	10,930	4,288	4,439	862	27,370	2,545	3,720	33,635	25,900
Grants and awards	34,512	78,697	15,136	27,430	8,050	163,825	-	-	163,825	66,647
Hospitality	128	4,342	1,591	-	339	6,400	-	-	6,400	1,298
Insurance	2,397	2,260	1,562	1,617	315	8,151	928	1,355	10,434	11,035
Other	7,703	3,876	3,677	2,337	55	17,648	167	2,396	20,211	17,011
Payroll processing	3,498	3,298	2,279	2,360	459	11,894	1,353	1,978	15,225	16,088
Postage and delivery	-	-	-	-	-	-	-	2,494	2,494	2,232
Printing and reproduction	1,673	639	620	391	9	3,332	26	2,881	6,239	2,904
Professional services	82,241	37,192	34,568	43,180	22,934	220,115	84,747	16,671	321,533	237,104
Program event	6,051	2,795	1,573	1,153	81	11,653	239	618	12,510	8,286
Rent	9,650	9,098	6,288	6,510	1,266	32,812	3,732	5,456	42,000	42,000
Substitute teacher expense	-	990	-	-	-	990	-	-	990	11,623
Supplies	4,067	3,199	1,963	452	4,515	14,196	458	385	15,039	7,826
Telephone and internet service	593	648	416	650	67	2,374	197	288	2,859	2,970
Travel	2,138	661	486	350	6	3,641	20	152	3,813	4,933
Loss on disposal of equipment	-	-	-	-	-	-	-	-	-	22,407
<b>Total</b>	<b>\$ 324,330</b>	<b>\$ 305,787</b>	<b>\$ 211,338</b>	<b>\$ 218,810</b>	<b>\$ 42,557</b>	<b>\$ 1,102,822</b>	<b>\$ 125,421</b>	<b>\$ 183,372</b>	<b>\$ 1,411,615</b>	<b>\$ 1,265,247</b>

The accompanying notes are an integral part of these financial statements



**San Francisco Education Fund**  
**Statement of Functional Expenses**  
**For The Year Ended June 30, 2014**

	Program Services					Supporting Services		
	Literacy	Math	College and Career Readiness	Public Engagement	Total Program Services	Management and General	Fundraising	Total
Salaries	\$ 128,855	\$ 82,240	\$ 243,177	\$ 63,960	\$ 518,232	\$ 38,198	\$ 150,336	\$ 699,522
Payroll taxes	9,297	5,925	17,636	4,590	37,448	2,737	10,821	51,006
Employee benefits	949	624	1,701	521	3,795	232	1,111	12,382
Total personnel costs	139,101	88,789	262,514	69,071	559,475	41,167	162,268	762,910
Bank fees and finance charges	491	323	880	460	2,154	120	1,662	3,936
Depreciation	1,147	755	2,057	630	4,589	281	1,343	6,213
Dues, subscriptions, and publications	878	568	2,009	492	3,947	212	7,765	11,924
Equipment rental	4,769	3,140	8,622	2,617	19,148	1,169	5,583	25,900
Grants and awards	13,638	19,209	2,400	27,400	62,647	4,000	-	66,647
Hospitality	-	1,078	-	-	1,078	-	220	1,298
Insurance	2,038	1,342	3,653	1,118	8,151	498	2,386	11,035
Other	2,921	2,236	2,928	3,960	12,045	579	4,387	17,011
Payroll processing	2,971	1,956	5,325	1,630	11,882	728	3,478	16,088
Postage and delivery	117	77	210	466	870	28	1,334	2,232
Printing and reproduction	290	123	685	942	2,040	46	818	2,904
Professional services	44,580	23,158	74,040	50,532	192,310	8,071	36,723	237,104
Program event	478	139	1,395	6,268	8,280	1	5	8,286
Rent	7,755	5,107	13,903	4,256	31,021	1,900	9,079	42,000
Substitute teacher expense	-	-	3,123	8,500	11,623	-	-	11,623
Supplies	2,884	163	522	3,783	7,352	47	427	7,826
Telephone and internet service	402	265	1,513	221	2,401	98	471	2,970
Travel	166	282	3,575	769	4,792	16	125	4,933
Loss on disposal of equipment	4,137	2,725	7,417	2,271	16,550	1,013	4,844	22,407
<b>Total</b>	<b>\$ 228,763</b>	<b>\$ 151,435</b>	<b>\$ 396,771</b>	<b>\$ 185,386</b>	<b>\$ 962,355</b>	<b>\$ 59,974</b>	<b>\$ 242,918</b>	<b>\$ 1,265,247</b>

The accompanying notes are an integral part of these financial statements

# San Francisco Education Fund

## Notes to Financial Statements

June 30, 2015 and 2014

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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”).

In November 2014, the Education Fund Board of Directors approved new vision, mission and goals language.

#### Vision

The Education Fund envisions a San Francisco where our public schools are as renowned as our City. San Franciscans, known for their ingenuity, innovation and passion, partner with the Education Fund to help all of our students succeed.

#### Mission

The Education Fund harnesses the power of the community to equip every public school student with the skills to succeed in college, career and civic responsibility. We analyze data to target resources where they are needed most, engage volunteers in classrooms and provide grants to educators, to build a bright future for our city and its young people.

#### Goals

We focus our resources on three critical milestones that research shows accelerate students' progress on the path to high school and college graduation:

- Reading proficiently by third grade
- Performing at grade-level in math by eighth grade
- Graduating from high school prepared for college and career

#### Programs

The Education Fund's programs are aligned with its goals: literacy, math, college and career readiness and public engagement.

- The Literacy Program works in 5 high-need elementary schools. In each school, the Education Fund trains and places volunteers in classrooms to work one-on-one with students on their literacy skills. The Education Fund supplements those volunteers with direct grants to teachers and principals focused on improving literacy in their classroom or school, and uses data analysis to identify which individual students or groups of students need our support.

# San Francisco Education Fund

## Notes to Financial Statements

June 30, 2015 and 2014

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### NOTE 1 – ORGANIZATION *(continued)*

- The Math Program works in 4 high-need middle schools to place trained math volunteers in classrooms, provide math related grants to educators, and targets the students most in need. In high school, the Education Fund shifts its emphasis to our College and Career Readiness Program.
- College and Career Readiness places career volunteers in schools to help provide college and career advice, provides grants focused on improving college and career readiness, and utilizes data to work with schools and partners to follow college going trends and identify students most in need of support.
- The Public Engagement Program continues to engage community members in all 117 San Francisco public schools as general volunteers, tutors, mentors and supports. A subset of those schools is also involved in its corporate partnership program, Circle the Schools, and receive grants as a result.

The Education Fund addresses current challenges in classrooms and supports the achievement of our goals using the following strategies across all four program areas:

#### **School Volunteers**

The Education Fund recruits, trains, places and supports more than 700 community and corporate volunteers annually who provide tutoring, mentoring and classroom and event support. The Education Fund directs our people power to where they will have the greatest impact and to those who need them most. The Education Fund has two in-depth programs, one focused on elementary school literacy and one focused on middle school math, in nine target high-need schools. In addition, the Education Fund fulfills volunteer requests for SFUSD teachers and administrators from all public schools, matching them based on the volunteers' skills and the educator's needs. In fiscal years ended June 30, 2015 and 2014, volunteers placed in San Francisco public schools through the Education Fund provided more than 50,000 hours of service each year, which delivered a value of over \$1,150,000 each year in staffing support to schools.

#### **Direct Grants to Educators**

Throughout its history, the Education Fund has provided direct grants to teachers and educators allowing them to invest in both their own professional development and in innovative ideas they would like to bring to life in their schools and classrooms. In the year ended June 30, 2015, the Education Fund provided over \$140,000 in direct grants to educators in seventeen target high-needs schools. In the year ended June 30, 2014, the Education Fund provided \$50,000 in direct grants to educators in seven target high-needs schools.

The Education Fund also has a longstanding partnership with Fund for Teachers to award San Francisco Pre K-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 the year ended June 30, 2015, 28 San Francisco teachers received grants totaling \$44,983. In the year ended 2014, 19 San Francisco teachers received grants totaling \$66,833. The funds granted to San Francisco teachers are not included in these financial statements as fellowships were funded directly by Fund for Teachers.

**San Francisco Education Fund**  
**Notes to Financial Statements**  
**June 30, 2015 and 2014**

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**NOTE 1 – ORGANIZATION**    *(continued)*

**Data Analysis**

In partnership with the Community Schools Incubator at SFUSD, the Education Fund has co-funded a researcher who not only helps track and measure the impact of our direct programs, but also provides data and analysis that fuels school-wide conversations about shared goals, pinpoints gaps in student services and allows us to work collaboratively with our partners to address critical trends in college-going rates and outcomes.

**Communication**

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.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**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 these 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, the use of which by the Education Fund is limited by donor-imposed stipulations that either expire through the 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 restrictions that neither expire through the passage of time nor can be fulfilled or otherwise removed by actions of the Education Fund.

# San Francisco Education Fund

## Notes to Financial Statements

June 30, 2015 and 2014

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### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### 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 unconditional promise to give (pledge) is made known to the Education Fund. 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 as net assets released from restrictions.

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

#### Contributed Services and In-kind Donations

Contributions of donated assets are recorded at fair value in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at fair value in the period received.

A number of unpaid volunteers have made significant contributions of their time to the Education Fund. See note 1, Program, School Volunteers. The value of this contributed time is not reflected in the financial statements.

#### 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.

#### 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 at June 30, 2015.

#### 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.

# San Francisco Education Fund

## Notes to Financial Statements

June 30, 2015 and 2014

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### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### **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.

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 value is 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.

#### **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 with a cost of greater than \$1,000.

#### **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.

#### **Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Significant estimates include estimated pledges receivable, fair value of investments, useful lives, functional allocation of expenses and allowances for doubtful accounts. Accordingly, actual results could differ from those estimates.

#### **Advertising costs**

The Education Fund expenses advertising production costs as they are incurred. There were no advertising costs incurred in fiscal years ended June 30, 2015 and 2014.

# San Francisco Education Fund

## Notes to Financial Statements

June 30, 2015 and 2014

### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Allowance for Doubtful Accounts

The allowance for doubtful accounts reflects the Education Fund's best estimate of probable losses inherent in its pledges receivable portfolio determined on the basis of historical experience, specific allowances for known troubled accounts, as well as other data. The allowance for doubtful accounts for the years ended June 30, 2015 and 2014 amounted to \$0 and \$7,750 respectively.

### NOTE 3 – INVESTMENTS

Investments consisted of the following at June 30, 2015 and 2014:

Description	June 30, 2015		June 30, 2014	
	Cost	Fair Value	Cost	Fair Value
Mutual funds	\$ 3,892,142	\$ 6,645,139	\$ 3,688,292	\$ 6,574,860
Equity securities	3,215	4,548	3,215	4,295
	<u>\$ 3,895,357</u>	<u>\$ 6,649,687</u>	<u>\$ 3,691,507</u>	<u>\$ 6,579,155</u>

Investment income consisted of the following:

	2015	2014
Interest and dividends reinvested	\$ 127,081	\$ 122,584
Capital gains reinvested	142,303	-
(Depreciation) appreciation of investments	(97,625)	1,057,426
Total investment income	<u>\$ 171,759</u>	<u>\$ 1,180,010</u>

### NOTE 4 – FAIR VALUE OF FINANCIAL INSTRUMENTS

The following table sets forth the Education Fund's assets and liabilities that are measured at fair value on a recurring basis as of June 30, 2015:

Description	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 6,645,139	\$ -	\$ -	\$ 6,645,139
Equities	4,548	-	-	4,548
	<u>\$ 6,649,687</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,649,687</u>

The following table sets forth the Education Fund's assets and liabilities that are measured at fair value on a recurring basis as of June 30, 2014:

Description	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 6,574,860	\$ -	\$ -	\$ 6,574,860
Equities	4,295	-	-	4,295
	<u>\$ 6,579,155</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,579,155</u>

**San Francisco Education Fund**  
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**NOTE 5 – PROPERTY AND EQUIPMENT**

Property and equipment is valued as stated in Note 1 and is summarized as follows:

	<u>2015</u>	<u>2014</u>
Furniture and equipment	\$ 80,179	\$ 70,991
Capital leased equipment	24,308	24,308
Accumulated depreciation	<u>(66,483)</u>	<u>(57,233)</u>
Property and equipment, net	<u>\$ 38,004</u>	<u>\$ 38,066</u>

Depreciation expense amounted to \$9,250 and \$6,213 for the years ended June 30, 2015 and 2014, respectively. During the year ended June 30, 2014, the Education Fund disposed of furniture and equipment with a cost basis of \$25,604 and a net book value of \$22,407. There were no disposals of furniture and equipment during the year ended June 30, 2015.

**NOTE 6 – 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 in liabilities. Payments are made periodically throughout the year, which reduce the liability. The minimum future commitments under these arrangements are as follow:

Year ending June 30,		
2016	\$	5,546
2017		5,546
2018		5,546
2019		5,546
2020		<u>925</u>
Total future minimum payments		23,109
Less amount representing interest		<u>(3,115)</u>
Obligations under capital leases	\$	<u>19,994</u>



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### NOTE 7 – OPERATING LEASES

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 a share of 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,		
2016	\$	42,000
2017		42,000
Thereafter		-
Total future minimum lease payment	\$	<u>84,000</u>

Total payments under the above arrangement were \$42,000 in each of the years ended June 30, 2015 and 2014, respectively.

### NOTE 8 – PAYABLE TO FIDUCIARY GROUPS

From time to time, the Education Fund serves as fiscal sponsor for fiduciary groups whose activities benefit the work of the Education Fund. As such, the Education Fund receives incoming contributions and subsequently disburses funds on behalf of these groups. The Education Fund was in custody of \$25,601 belonging to such groups at June 30, 2014, and none at June 30, 2015.

### NOTE 9 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30, 2015 and 2014 were available for:

	June 30, 2015	June 30, 2014
Teacher grants and public education	\$ 1,491,251	\$ 1,652,865
College and career readiness	110,294	50,000
Expense for future periods	74,640	52,150
Public engagement	-	67,077
Math	-	40,000
Literary	5,513	-
Other	175,098	-
Special projects	-	2,586
Total	\$ <u>1,856,796</u>	\$ <u>1,864,678</u>

# San Francisco Education Fund

## Notes to Financial Statements

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### NOTE 9 – TEMPORARILY RESTRICTED NET ASSETS (continued)

Temporarily restricted net assets were released in 2015 and 2014 as follows:

	June 30, 2015	June 30, 2014
Teacher grants and public education	\$ 161,614	\$ 99,132
College and career readiness	142,205	235,828
Expense for future periods	52,150	49,100
Public engagement	68,577	12,916
Math	163,398	5,000
Special projects	5,085	11,718
Literacy	5,000	97,975
Total	\$ <u>598,029</u>	\$ <u>511,669</u>

### NOTE 10 – PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets as of June 30, 2015 and 2014 of \$3,167,004 is restricted in perpetuity, the income from this fund is expendable to support teacher professional development and general activities of the Education Fund.

### NOTE 11 – 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 an endowment.

The Board of Trustees of the Education Fund has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the date of gift of donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Education Fund 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 as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Education Fund in a manner consistent with the standard of prudence prescribed by UPMIFA.

# San Francisco Education Fund

## Notes to Financial Statements

June 30, 2015 and 2014

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### **NOTE 11 – ENDOWMENT FUND**      *(continued)*

In accordance with UPMIFA, 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

#### **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.

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**NOTE 11 – ENDOWMENT FUND**      *(continued)*

Endowment net assets composition by type of fund as of June 30, 2015 and 2014:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor restricted endowment funds	\$ -	\$ 1,645,354	\$ 3,167,004	\$ 4,812,358
Board designed funds-other	1,660,614	-	-	1,660,614
Total endowment funds at 6/30/15	<u>\$ 1,660,614</u>	<u>\$ 1,645,354</u>	<u>\$ 3,167,004</u>	<u>\$ 6,472,972</u>
Donor restricted endowment funds	\$ -	\$ 1,637,866	\$ 3,167,004	\$ 4,804,870
Board designed funds-other	1,649,461	-	-	1,649,461
Total endowment funds at 6/30/14	<u>\$ 1,649,461</u>	<u>\$ 1,637,866</u>	<u>\$ 3,167,004</u>	<u>\$ 6,454,331</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets at 6/30/13	\$ 1,165,193	\$ 1,042,207	\$ 3,167,004	\$ 5,374,404
Investment return				
Interest and dividends	63,041	90,447	-	153,488
Net appreciation (realized and unrealized)	421,227	604,344	-	1,025,571
Appropriation of endowment assets for expenditure	-	(99,132)	-	(99,132)
Endowment net assets at 6/30/14	<u>1,649,461</u>	<u>1,637,866</u>	<u>3,167,004</u>	<u>6,454,331</u>
Investment return				
Interest and dividends	31,834	92,732	-	124,566
Net appreciation (realized and unrealized)	11,153	32,488	-	43,641
Appropriation of endowment assets for expenditure	(31,834)	(117,732)	-	(149,566)
Endowment net assets at 6/30/15	<u>\$ 1,660,614</u>	<u>\$ 1,645,354</u>	<u>\$ 3,167,004</u>	<u>\$ 6,472,972</u>

**NOTE 12 – 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, 2015 and 2014.

# San Francisco Education Fund

## Notes to Financial Statements

June 30, 2015 and 2014

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### NOTE 13 – CONCENTRATION OF CREDIT RISK

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

The Education Fund maintains all cash accounts at a bank in California. Accounts at the bank are insured up to \$250,000 by the FDIC at June 30, 2015. The Education Fund had no uninsured cash balances on June 30, 2015. The Education Fund had uninsured cash balances in the amount of \$24,697 on June 30, 2014.

All receivables consist primarily of unsecured amounts due from individuals, foundations and governmental agencies. At June 30, 2015, 81% of amounts receivable were due from one agency.

### NOTE 14 – DONATED GOODS AND SERVICES

The Education Fund recognized contribution revenue for in-kind donations received at their estimated fair values for the following:

	2015	2014
Software licenses	\$ 24,000	\$ 24,000
Donated auction items and raffle prizes	21,071	-
Professional services	390	2,899
	<u>\$ 45,461</u>	<u>\$ 26,899</u>

### NOTE 15 – INCOME TAXES

The Education Fund is a not-for-profit organization, exempt from federal income tax under Section 501(c)(3) of the U.S Internal Revenue Code (the Code), and contributions to it are tax deductible as prescribed by the Code. The Education Fund is also exempt from California income tax under Section 23701d of the California Revenue and Taxation Code. The Education Fund is generally no longer subject to tax examinations relating to federal and state tax returns for years prior to 2010.

The Education Fund has been classified as an organization that is not a private foundation under Section 509(a)(1) and has been designated as a “publicly supported” organization under Section 170(b)(1)(A)(vi) of the Code.

The Education Fund assesses its accounting for uncertainty in income taxes recognized in its financial statements and prescribes a threshold of “more likely than not” for recognition and derecognition of tax positions taken or expected to be taken in its tax returns. There was no material impact on the Education Fund’s financial statements as a result of the adoption of this policy.

# **San Francisco Education Fund**

## **Notes to Financial Statements**

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### **NOTE 16 – RECLASSIFICATIONS**

Temporarily restricted interest and dividends of \$90,447 in the year ended June 30, 2014 which were classified as unrestricted have been reclassified as temporarily restricted. A similar amount of unrestricted gains on investments, previously classified as temporarily restricted has been reclassified as unrestricted.

### **NOTE 17 – FISCALLY SPONSORED PROJECTS**

The Maisin Scholars Fund, which was previously recognized as a fiscally sponsored fund has been reclassified as a program of the Education Fund beginning in the year ended June 30, 2015.

### **NOTE 18 – SUBSEQUENT EVENTS**

The Education Fund evaluates events that occur subsequent to the balance sheet date of periodic reports, but before financial statements are issued for periods ending on such balance sheet dates, for possible adjustment to such financial statements or other disclosure. This evaluation generally occurs through the date at which the Education Fund's financial statements are issued. For the financial statements as of and for the year ended June 30, 2015, this date was January 7, 2016.