

Financial Statements with Report of  
Independent Auditors Thereon

San Francisco Education Fund

For the Year Ended  
June 30, 2014



# San Francisco Education Fund

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## REPORT OF INDEPENDENT AUDITORS

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 statements of financial position as of June 30, 2014 and the related statements of activities, cash flows and functional expenses 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 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, 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  
May 6, 2015

**San Francisco Education Fund**  
**Statement of Financial Position**  
**June 30, 2014**

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**ASSETS**

Assets:

Cash and cash equivalents	\$ 209,618
Cash held for fiduciary group	25,601
Contracts receivable	55,350
Pledges receivable, net of allowance for doubtful accounts of \$7,750	89,047
Prepays expenses and other assets	11,193
Investments	6,579,155
Property and equipment, net	<u>38,066</u>
Total assets	<u>\$ 7,008,030</u>

**LIABILITIES AND NET ASSETS**

Liabilities:

Accounts payable	\$ 70,084
Leases payable	23,988
Payable to fiduciary groups	<u>25,601</u>
Total liabilities	<u>119,673</u>

Net assets:

Unrestricted	1,856,675
Temporarily restricted	1,864,678
Permanently restricted	<u>3,167,004</u>
Total net assets	<u>6,888,357</u>
Total liabilities and net assets	<u>\$ 7,008,030</u>

The accompanying notes are an integral part of these financial statement

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Operating Support and Revenue:				
Contributions	\$ 298,440	\$ 467,819	\$ -	\$ 766,259
Government grants	42,328	-	-	42,328
In kind donations	26,899	-	-	26,899
Event revenue, net of expenses of \$143,609	369,407	-	-	369,407
Interest and dividends	122,584	-	-	122,584
Other income	274	-	-	274
Net assets released from restrictions	<u>511,669</u>	<u>(511,669)</u>	<u>-</u>	<u>-</u>
 Total Operating Support and Revenue	 <u>1,371,601</u>	 <u>(43,850)</u>	 <u>-</u>	 <u>1,327,751</u>
 Operating Expenses				
Program services	962,355	-	-	962,355
Management and general	59,974	-	-	59,974
Fundraising	<u>242,918</u>	<u>-</u>	<u>-</u>	<u>242,918</u>
 Total Operating Expenses	 <u>1,265,247</u>	 <u>-</u>	 <u>-</u>	 <u>1,265,247</u>
 Change in Net Assets from Operations	 106,354	 (43,850)	 -	 62,504
 Other Change:				
Net gain from investments	<u>362,635</u>	<u>694,791</u>	<u>-</u>	<u>1,057,426</u>
 Change in Net Assets	 468,989	 650,941	 -	 1,119,930
 NET ASSETS:				
Beginning of year	<u>1,387,686</u>	<u>1,213,737</u>	<u>3,167,004</u>	<u>5,768,427</u>
 End of year	 <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**  
**Statement of Cash Flows**  
**For The Year Ended June 30, 2014**

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Cash flows from operating activities:	
Change in net assets	\$ 1,119,930
Adjustments to reconcile change in net assets to net cash/(used) provided by operating activities:	
Depreciation	6,213
Bad debt expense	5,740
Net gain from investments	(1,057,426)
Loss on disposal of equipment	22,407
Changes in assets and liabilities	
Contract receivable	(50,722)
Pledges receivable	5,053
Prepaid expenses and other assets	18,324
Accounts payable and accrued expenses	8,884
Payable to fiduciary groups	<u>20,762</u>
Net cash provided by operating activities	<u>99,165</u>
Cash flows from investing activities:	
Purchases of investments	(122,370)
Proceeds from sales	<u>99,132</u>
Net cash used by investing activities	(23,238)
Cash flows from financing activities:	
Payments on obligations under capital lease	<u>(9,610)</u>
Net cash used by financing activities	<u>(9,610)</u>
Net increase in cash and cash equivalents	66,317
Cash and cash equivalents and cash held for fiduciary group at beginning of year	<u>168,902</u>
Cash and cash equivalents at end of year	\$ <u>209,618</u>
Cash held for fiduciary group at end of year	\$ <u><u>25,601</u></u>
Supplemental disclosure of cash flow information:	
Assets acquired through capital leases	\$ <u><u>24,308</u></u>
Interest paid	\$ <u><u>913</u></u>
In-kind donations	\$ <u><u>26,899</u></u>

The accompanying notes are an integral part of these financial statement

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

						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	\$ 706,766
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	5,138
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 expenses	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
Total	\$ 228,763	\$ 151,435	\$ 396,771	\$ 185,386	\$ 962,355	\$ 59,974	\$ 242,918	\$ 1,265,247

The accompanying notes are an integral part of these financial statement

# San Francisco Education Fund

## Notes to Financial Statements

### June 30, 2014

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#### 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 San Francisco Education Fund Board of Directors approved new vision, mission and goals language.

##### Vision

The San Francisco 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 San Francisco 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.

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 & Career Readiness Program.



# San Francisco Education Fund

## Notes to Financial Statements

### June 30, 2014

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#### 1. Organization (continued)

##### Programs (continued)

College & Career Readiness places career volunteers in schools to help provide college and career advice, provides grants focused on improving college & career readiness, and utilizes data to work with schools and partners to follow college going trends and identify students most in need of support.

Finally 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 650 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 year 2013-14, volunteers placed in San Francisco public schools through the Education Fund provided more than 50,000 hours of service, which delivered a value of over \$1,150,000 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 fiscal year 2013-14 we provided \$50,000 in direct grants to educators in seven target high-needs schools. In addition, on November 1, 2013, the Education Fund absorbed the funds and programmatic work of edMatch previously a fiscally sponsored project of the San Francisco School Alliance (SFSA). edMatch was founded in 2010 by two public school parents to raise funds that would then be matched by corporations and community members for distribution to high need San Francisco public schools. Incorporating edMatch as a program within the Education Fund allows the San Francisco Unified School District to have a single organization that can serve as the lead partner organizing volunteers and fundraising for the schools. Through the newly integrated work an additional \$15,000 was distributed to partner schools.

# San Francisco Education Fund

## Notes to Financial Statements

### June 30, 2014

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#### 1. Organization (continued)

##### Direct Grants to Educators (continued)

The Education Fund also has a longstanding partnership 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 fiscal year 2013-14, 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.

##### 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.

#### 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.

# San Francisco Education Fund

## Notes to Financial Statements

### June 30, 2014

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#### 2. Summary of Significant Accounting Policies (continued)

##### Basis of Presentation and Description of Net Assets (continued)

###### *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.

##### 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 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 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.

# San Francisco Education Fund

## Notes to Financial Statements

### June 30, 2014

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#### 2. Summary of Significant Accounting Policies (continued)

##### 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, 2014.

##### 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.

##### 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 greater than \$1,000.

# San Francisco Education Fund

## Notes to Financial Statements

### June 30, 2014

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#### 2. Summary of Significant Accounting Policies (continued)

##### 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 investment, 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 year 2014.

##### Allowance for Doubtful Accounts

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

#### 3. Investment

Investments consist of the following at June 30, 2014:

	Cost	Fair Value
Mutual Funds	\$ 3,688,292	\$ 6,574,860
Equity Securities	3,215	4,295
	<u>\$ 3,691,507</u>	<u>\$ 6,579,155</u>

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

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**3. Investment (continued)**

Investment income consisted of the following:

Interest and dividends	\$	122,584
Appreciation of investments		<u>1,057,426</u>
Total investment income	\$	<u><u>1,180,010</u></u>

**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, 2014:

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

**5. PROPERTY AND EQUIPMENT**

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

Furniture and equipment	\$	70,991
Capital leased equipment		24,308
Less: Accumulated depreciation		<u>(57,233)</u>
Property and equipment, net	\$	<u><u>38,066</u></u>

Depreciation expense amounted to \$6,213 for the year ended June 30, 2014. 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.

# San Francisco Education Fund

## Notes to Financial Statements

### June 30, 2014

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#### 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 to 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,		
2015	\$	5,546
2016		5,546
2017		5,546
2018		5,546
2019		5,546
Thereafter		926
Total future minimum payment		28,656
Less amount representing interest		(4,668)
Obligation under capital lease		23,988
Less current portion of capital lease obligation		(3,994)
Obligation under capital lease, net of current portion	\$	<u>19,994</u>

#### 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,		
2015	\$	42,000
2016		42,000
2017		42,000
Total Future Minimum Lease Payment	\$	<u>126,000</u>

Total payments under the above arrangement were \$42,000 for the year ended June 30, 2014.

#### 8. 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 \$25,601 on June 30, 2014 belonging to such groups.

# San Francisco Education Fund

## Notes to Financial Statements

### June 30, 2014

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#### 9. Temporarily Restricted Net Assets:

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

Teacher Grants and Public Education	\$	1,652,865
Public Engagement		67,077
Expense for Future Periods		52,150
College and Career Readiness		50,000
Math		40,000
Special Projects		2,586
Total	\$	<u>1,864,678</u>

Temporarily restricted net assets were released in 2014 for:

Teacher Grants and Public Education	\$	99,132
Public Engagement		12,916
Expense for Future Periods		49,100
College and Career Readiness		235,828
Math		5,000
Special Projects		11,718
Literacy		97,975
Total	\$	<u>511,669</u>

#### 10. Permanently Restricted Net Assets:

Permanently restricted net assets as of June 30, 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.

#### 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.



# San Francisco Education Fund

## Notes to Financial Statements

### June 30, 2014

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#### 11. Endowment Fund (continued)

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.

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.

# San Francisco Education Fund

## Notes to Financial Statements

### June 30, 2014

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#### 11. Endowment Fund (continued)

##### *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.

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</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	<u>1,649,461</u>	<u>1,637,866</u>	<u>3,167,004</u>	<u>6,454,331</u>
Endowment Net Assets, June 30, 2013	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, June 30, 2014	<u>\$ 1,649,461</u>	<u>1,637,866</u>	<u>3,167,004</u>	<u>6,454,331</u>

#### 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 year ending June 30, 2014.

# San Francisco Education Fund

## Notes to Financial Statements

### June 30, 2014

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#### 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, 2014. 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 and foundations. The credit risk associated with the receivables from individuals and foundations is mitigated by the large number of donors comprising the receivable balance.

#### 14. DONATED GOODS AND SERVICES

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

Software license	\$	24,000
Professional services		2,899
	\$	<u>26,899</u>

#### 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 2009.

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.

#### 16. 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 ending June 30, 2014, this date was May 6, 2015.