

Financial Statements
with Independent Auditors' Report

SAN FRANCISCO EDUCATION FUND

For the Years Ended
June 30, 2016 and 2015



SD MAYER & ASSOCIATES, LLP

ACCOUNTING | TAX | CONSULTING | WEALTH MANAGEMENT

San Francisco Education Fund

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
San Francisco Education Fund
San Francisco, California

We have audited the accompanying financial statements of San Francisco Education Fund (the "Education Fund"), a nonprofit organization, which comprise the statement of financial position as of June 30, 2016, 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 controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.



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INDEPENDENT AUDITORS' REPORT - Continued

Other Matter

The financial statements of San Francisco Education Fund as of June 30, 2015, were audited by other auditors whose report dated January 7, 2016, expressed an unqualified opinion on those statements.

SD Mayer & Associates, LLP

SD Mayer & Associates, LLP

San Francisco, CA
January 5, 2017

San Francisco Education Fund

Statements of Financial Position

As of June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
Assets		
Cash and cash equivalents	\$ 638,343	\$ 163,451
Restricted cash	11,498	18,246
Contracts receivable	2,994	220,000
Pledges receivable, net	6,260	34,750
Prepaid expenses and other assets	4,181	9,219
Investments	6,406,180	6,649,687
Property and equipment, net	49,032	38,004
	<u>\$ 7,118,488</u>	<u>\$ 7,133,357</u>
Total assets	<u>\$ 7,118,488</u>	<u>\$ 7,133,357</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 139,517	\$ 133,817
Capital lease obligations	28,755	19,994
	<u>168,272</u>	<u>153,811</u>
Total liabilities	<u>168,272</u>	<u>153,811</u>
Net assets		
Unrestricted	1,779,657	1,955,746
Temporarily restricted	2,003,555	1,856,796
Permanently restricted	3,167,004	3,167,004
	<u>6,950,216</u>	<u>6,979,546</u>
Total net assets	<u>6,950,216</u>	<u>6,979,546</u>
Total liabilities and net assets	<u>\$ 7,118,488</u>	<u>\$ 7,133,357</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, 2016 and 2015

	2016				2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating Support and Revenue								
Contributions	\$ 557,939	\$ 1,438,841	\$ -	\$ 1,996,780	\$ 409,752	\$ 464,927	\$ -	\$ 874,679
Government grants	357,333	-	-	357,333	220,000	-	-	220,000
In kind donations	283,985	-	-	283,985	45,461	-	-	45,461
Event revenue, net of expenses of \$246,876 and \$238,881, respectively	191,231	-	-	191,231	182,976	-	-	182,976
Interest and dividends	42,282	110,677	-	152,959	34,349	92,732	-	127,081
Other income	3,425	-	-	3,425	7,929	-	-	7,929
Net assets released from restrictions	1,545,563	(1,545,563)	-	-	598,029	(598,029)	-	-
Total operating support and revenue	2,981,758	3,955	-	2,985,713	1,498,496	(40,370)	-	1,458,126
Operating Expenses								
Program services	2,296,306	-	-	2,296,306	1,102,822	-	-	1,102,822
Management and general	116,585	-	-	116,585	125,421	-	-	125,421
Fundraising	208,769	-	-	208,769	183,372	-	-	183,372
Total operating expenses	2,621,660	-	-	2,621,660	1,411,615	-	-	1,411,615
Change in net assets from operations	360,098	3,955	-	364,053	86,881	(40,370)	-	46,511
Other change								
Net gain (loss) from investments	(536,187)	142,804	-	(393,383)	12,190	32,488	-	44,678
Change in net assets	(176,089)	146,759	-	(29,330)	99,071	(7,882)	-	91,189
Net Assets								
Beginning of year	1,955,746	1,856,796	3,167,004	6,979,546	1,856,675	1,864,678	3,167,004	6,888,357
End of year	\$ 1,779,657	\$ 2,003,555	\$ 3,167,004	\$ 6,950,216	\$ 1,955,746	\$ 1,856,796	\$ 3,167,004	\$ 6,979,546

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, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities		
Change in net assets	\$ (29,330)	\$ 91,189
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	8,639	9,250
Loss from investments	590,573	97,594
Gain on disposal of property and equipment	(681)	-
Other	(1,447)	-
Changes in assets and liabilities		
Decrease (increase) in contract receivable	217,005	(164,650)
Decrease in pledges receivable	28,490	54,297
Decrease in prepaid expenses and other assets	5,038	1,974
Increase in accounts payable	5,700	63,734
Decrease in payable to fiduciary groups	-	(25,601)
	<u>823,987</u>	<u>127,787</u>
Cash flows from investing activities		
Purchases of property and equipment	-	(9,188)
Dividends and gains reinvested	(350,153)	(269,196)
Proceeds from sale of investments	-	101,069
	<u>(350,153)</u>	<u>(177,315)</u>
Cash flows from financing activities		
Payments on capital lease obligations	(5,690)	(3,994)
	<u>(5,690)</u>	<u>(3,994)</u>
Net change in cash and cash equivalents	468,144	(53,522)
Unrestricted and restricted cash and cash equivalents at beginning of year	181,697	235,219
Unrestricted cash and cash equivalents at end of year	\$ 638,343	\$ 163,451
Restricted cash and cash equivalents at end of year	\$ 11,498	\$ 18,246
Total unrestricted and restricted cash and cash equivalents at end of year	<u>\$ 649,841</u>	<u>\$ 181,697</u>
Supplemental disclosure of cash flow information:		
Assets acquired through capital leases	\$ 30,200	\$ -
Interest paid	\$ 1,062	\$ 1,799
In-kind donations	<u>\$ 283,985</u>	<u>\$ 45,461</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, 2016

	Program Services						Supporting Services			Total
	Literacy	Math	College and Career Readiness	Public Engagement	Maisin Scholar Award	Fiscally Sponsored Projects	Total Program Services	Management and General	Fundraising	
Salaries	\$ 111,536	\$ 106,698	\$ 101,863	\$ 238,184	\$ 215,879	\$ -	\$ 774,160	\$ 14,519	\$ 113,689	\$ 902,368
Payroll taxes	9,543	9,139	8,712	20,441	18,616	-	66,451	1,225	9,777	77,453
Employee benefits	11,289	11,289	11,289	26,321	24,199	-	84,387	1,335	16,832	102,554
Total personnel costs	132,368	127,126	121,864	284,946	258,694	-	924,998	17,079	140,298	1,082,375
Bank fees and finance charges	159	168	159	1,072	336	12	1,906	19	1,563	3,488
Depreciation	955	955	955	2,226	2,012	-	7,103	113	1,423	8,639
Dues, subscriptions, and publications	67	67	142	157	142	-	575	8	200	783
Equipment and computers	5,187	5,187	5,187	12,095	11,009	225,000	263,665	613	7,734	272,012
Grants and awards	28,600	13,470	34,054	41,422	489,606	8,026	615,178	-	-	615,178
Hospitality	278	278	278	746	2,820	-	4,400	33	476	4,909
Insurance	1,115	1,115	1,115	2,600	2,351	-	8,296	132	1,663	10,091
Other	5,706	5,700	3,781	28,212	12,278	6,050	61,727	345	2,582	64,654
Payroll processing	2,698	2,698	2,698	6,290	5,687	-	20,071	319	4,022	24,412
Postage and delivery	22	26	22	1,441	643	-	2,154	149	2,530	4,833
Printing and reproduction	207	207	119	960	1,856	-	3,349	-	8,142	11,491
Professional services	50,844	47,816	39,696	46,858	61,092	-	246,306	97,131	29,403	372,840
Program event	1,154	1,263	819	2,262	11,324	-	16,822	-	314	17,136
Rent	4,641	4,641	4,641	10,822	20,836	-	45,581	549	6,920	53,050
Substitute teacher expense	-	-	-	-	-	16,000	16,000	-	-	16,000
Supplies	1,327	760	473	43,646	1,855	677	48,738	36	365	49,139
Telephone and internet service	379	379	379	716	3,127	-	4,980	30	378	5,388
Travel	694	697	557	1,816	693	-	4,457	29	756	5,242
Total	\$ 236,401	\$ 212,553	\$ 216,939	\$ 488,287	\$ 886,361	\$ 255,765	\$ 2,296,306	\$ 116,585	\$ 208,769	\$ 2,621,660

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

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

The accompanying notes are an integral part of these financial statements

San Francisco Education Fund

Notes to Financial Statements

June 30, 2016 and 2015

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”).

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, Maisin Scholar Award, 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, 2016 and 2015

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.
- The College and Career Readiness Program 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 supporters. A subset of those schools is also involved in its corporate partnership program, Circle the Schools, and receive grants as a result.
- The Maisin Scholar Award Program provides scholarships and counseling to 75 new San Francisco Public School graduates each year, as well to returning scholars for an additional 3 years.

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, 2016 and 2015, 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.

Grants and Scholarship for Educators and Students

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 innovative ideas that they would like to bring to life in their schools and classrooms. In the year ended June 30, 2016, the Education Fund provided close to \$60,000 in direct grants to educators in ten target high-needs schools. In the year ended June 30, 2015, the Education Fund provided \$140,000 in direct grants to educators in seventeen 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.

San Francisco Education Fund

Notes to Financial Statements

June 30, 2016 and 2015

NOTE 1 – ORGANIZATION *(continued)*

In the year ended June 30, 2016, 14 San Francisco teachers received grants totaling \$42,921. In the year ended 2015, 28 San Francisco teachers received grants totaling \$44,983. The funds granted to San Francisco teachers are not included in these financial statements as fellowships were funded directly by Fund for Teachers.

The San Francisco Education Fund believes every young person has unlimited potential to succeed when they are amply supported and provided equal access to opportunity. The Maisin Scholar Award Program was designed to identify and support students who are determined to achieve their academic goals beyond high school. The Maisin Scholar Award helps students overcome the financial obstacles that stand in between them and their pursuits of higher education by providing financial support, academic and career counseling, internships and professional development opportunities, encouragement and direction, and community and peer support.

Data Analysis

This work is 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.

San Francisco Education Fund

Notes to Financial Statements

June 30, 2016 and 2015

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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 (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, School Volunteers Program. 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.

Restricted Cash

Restricted cash represents unspent funds related to fiscally sponsored projects as of the balance sheet date.

San Francisco Education Fund

Notes to Financial Statements

June 30, 2016 and 2015

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

Pledges Receivable

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, 2016.

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 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.

San Francisco Education Fund

Notes to Financial Statements

June 30, 2016 and 2015

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

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, 2016 and 2015.

Allowance for Doubtful Accounts

Any 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, 2016 and 2015 amounted to \$0.

NOTE 3 – INVESTMENTS

Investments consisted of the following at June 30, 2016 and 2015:

Description	June 30, 2016		June 30, 2015	
	Cost	Fair Value	Cost	Fair Value
Mutual funds	\$ 4,242,160	\$ 6,406,180	\$ 3,892,142	\$ 6,645,139
Equity securities	-	-	3,215	4,548
	<u>\$ 4,242,160</u>	<u>\$ 6,406,180</u>	<u>\$ 3,895,357</u>	<u>\$ 6,649,687</u>

Investment income consisted of the following:

	2016	2015
Interest and dividends reinvested	\$ 152,959	\$ 127,081
Capital gains reinvested	197,190	142,303
Depreciation of investments	(590,573)	(97,625)
Total investment income (loss)	<u>\$ (240,424)</u>	<u>\$ 171,759</u>

San Francisco Education Fund

Notes to Financial Statements

June 30, 2016 and 2015

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, 2016:

Description	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 6,406,180	\$ -	\$ -	\$ 6,406,180
Equities	-	-	-	-
	<u>\$ 6,406,180</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,406,180</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, 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>

NOTE 5 – PROPERTY AND EQUIPMENT

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

	2016	2015
Furniture and equipment	\$ 76,435	\$ 80,179
Capital leased equipment	30,200	24,308
Accumulated depreciation	(57,603)	(66,483)
Property and equipment, net	<u>\$ 49,032</u>	<u>\$ 38,004</u>

Depreciation expense amounted to \$8,639 and \$9,250 for the years ended June 30, 2016 and 2015, respectively, which includes depreciation expense of \$5,101 and \$4,862 of equipment under capital lease obligations for the years ended June 30, 2016 and 2015, respectively.

NOTE 6 – CAPITAL LEASES

During the current year, the Education Fund acquired certain equipment under a non-cancelable capital lease arrangement. The arrangement 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.

San Francisco Education Fund

Notes to Financial Statements

June 30, 2016 and 2015

NOTE 6 – CAPITAL LEASES (continued)

The minimum future commitments under these arrangements are as follow:

Year ending June 30,		
2017	\$	6,120
2018		6,120
2019		6,120
2020		6,120
2021		5,100
Total future minimum payments		<u>29,580</u>
Less amount representing interest		(825)
Capital lease obligations	\$	<u><u>28,755</u></u>

NOTE 7 – OPERATING LEASES

The Education Fund leases office space under a non-cancelable operating lease arrangement that expires on June 30, 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,		
2017	\$	42,000
Thereafter		-
Total future minimum lease payment	\$	<u><u>42,000</u></u>

Total payments under the above arrangement were \$53,050 and \$42,000 in each of the years ended June 30, 2016 and 2015, respectively.

NOTE 8 – TEMPORARILY RESTRICTED NET ASSETS

For the year ended June 30, 2015, certain amounts for two categories under temporarily restricted net assets were not properly classified. Specifically, the following changes were made in the current year:

- The Education Fund originally reported under the category Teacher Grants and Public Education \$1,491,251 which should have been correctly reported as \$1,650,634.
- The Education Fund originally reported under the category Other \$175,098 which should have been correctly reported as \$15,715.

There was no net effect on the change in net assets in the statements of activities or the previously reported results as a result of this reclassification.

San Francisco Education Fund

Notes to Financial Statements

June 30, 2016 and 2015

NOTE 8 – TEMPORARILY RESTRICTED NET ASSETS (continued)

Temporarily restricted net assets at June 30, 2016 and 2015 were available for:

	June 30, 2016	June 30, 2015 (as reclassified)
Teacher grants and public education	\$ 1,295,322	\$ 1,650,634
College and career readiness	20,000	110,294
Expense for future periods	45,000	74,640
Literary	13,501	5,513
Other	11,498	15,715
Special projects	130,463	-
Maisin Scholar award	487,771	-
Total	<u>\$ 2,003,555</u>	<u>\$ 1,856,796</u>

Temporarily restricted net assets were released in 2016 and 2015 as follows:

	June 30, 2016	June 30, 2015
Teacher grants and public education	\$ 182,258	\$ 161,614
College and career readiness	115,295	142,205
Expense for future periods	64,640	52,150
Public engagement	-	68,577
Math	-	163,398
Other	24,771	-
Special projects	275,717	5,085
Literacy	7,012	5,000
Maisin Scholar award	875,870	-
Total	<u>\$ 1,545,563</u>	<u>\$ 598,029</u>

NOTE 9 – PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets as of June 30, 2016 and 2015 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 10 – 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, 2016 and 2015

NOTE 10 – 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, 2016 and 2015

NOTE 10 – 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 5% 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, 2016 and 2015:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor restricted endowment funds	\$ -	\$ 1,294,474	\$ 3,167,004	\$ 4,461,478
Board designed funds-other	1,478,611	-	-	1,478,611
Total endowment funds at June 30, 2016	<u>\$ 1,478,611</u>	<u>\$ 1,294,474</u>	<u>\$ 3,167,004</u>	<u>\$ 5,940,089</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 June 30, 2015	<u>\$ 1,660,614</u>	<u>\$ 1,645,354</u>	<u>\$ 3,167,004</u>	<u>\$ 6,472,972</u>
Endowment net assets at June 30, 2014	<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 June 30, 2015	<u>\$ 1,660,614</u>	<u>\$ 1,645,354</u>	<u>\$ 3,167,004</u>	<u>\$ 6,472,972</u>
Investment return				
Interest and dividends	38,191	110,677	-	148,868
Net appreciation (realized and unrealized)	(97,907)	(283,729)	-	(381,636)
Appropriation of endowment assets for expenditure	(122,287)	(177,828)	-	(300,115)
Endowment net assets at June 30, 2016	<u>\$ 1,478,611</u>	<u>\$ 1,294,474</u>	<u>\$ 3,167,004</u>	<u>\$ 5,940,089</u>

San Francisco Education Fund

Notes to Financial Statements

June 30, 2016 and 2015

NOTE 11 – 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, 2016 and 2015.

NOTE 12 – 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, 2016. The Education Fund had an uninsured cash balance of \$362,004 as of June 30, 2016. The Education Fund had no uninsured cash balances as of June 30, 2015.

All receivables consist primarily of unsecured amounts due from individuals, foundations and governmental agencies. At June 30, 2016, The Education Fund did not have a concentration of credit risk related to receivables. At June 30, 2015, 81% of amounts receivable were due from one agency.

NOTE 13 – DONATED GOODS AND SERVICES

The Education Fund recognized contribution revenue and expenses for in-kind donations received at their estimated fair values for the following for the years ended June 30:

	<u>2016</u>	<u>2015</u>
Software licenses	\$ 36,000	\$ 24,000
Donated auction items and raffle prizes	13,884	21,071
Computer hardware	228,106	-
Books and DVDs	5,995	-
Professional services	-	390
	<u>\$ 283,985</u>	<u>\$ 45,461</u>

These donated goods and services support The Education Fund different programs mainly the fiscally sponsored projects program.

San Francisco Education Fund

Notes to Financial Statements

June 30, 2016 and 2015

NOTE 14 – 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 2012.

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.

NOTE 15 – 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, 2016, this date was January 5, 2017.