

**SAN DIEGO EDUCATION FUND
FINANCIAL STATEMENTS
JUNE 30, 2014**

SAN DIEGO EDUCATION FUND

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CERTIFIED PUBLIC ACCOUNTANTS

To The Board of Directors
San Diego Education Fund
4100 Normal Street, Room 3251
San Diego, CA 92103

Independent Accountant's Review Report

We have reviewed the accompanying statement of financial position of San Diego Education Fund (a nonprofit organization) as of June 30, 2014, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Organization management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.



CONSIDINE & CONSIDINE
An Accountancy Corporation

January 15, 2015

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**SAN DIEGO EDUCATION FUND
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2014**

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ASSETS

ASSETS

Cash	\$ 334,817
Investments (Notes 3 and 4)	1,020,679

TOTAL ASSETS	<u>1,355,496</u>
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LIABILITIES AND NET ASSETS

TOTAL LIABILITIES	-
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NET ASSETS (Note 6)

Unrestricted	79,872
Temporarily Restricted	558,594
Permanently Restricted	717,030

	<u>1,355,496</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,355,496</u>

SAN DIEGO EDUCATION FUND
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2014

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
REVENUE				
Donations	\$ 42,460	\$ 118,655	\$ 5,000	\$ 166,115
Investment Return (Note 3)	19,439	99,860	-	119,299
Endowment Management Fee	5,600	-	-	5,600
In Kind Donations	2,400	-	-	2,400
	<u>69,899</u>	<u>218,515</u>	<u>5,000</u>	<u>293,414</u>
Net Assets Released from Restriction	139,706	(139,706)	-	-
	<u>209,605</u>	<u>78,809</u>	<u>5,000</u>	<u>293,414</u>
EXPENSES				
Program Services	192,208	-	-	192,208
Management and General Development	15,920 9,735	- -	- -	15,920 9,735
	<u>217,863</u>	<u>-</u>	<u>-</u>	<u>217,863</u>
CHANGE IN NET ASSETS	(8,258)	78,809	5,000	75,551
NET ASSETS, BEGINNING OF YEAR	<u>88,130</u>	<u>479,785</u>	<u>712,030</u>	<u>1,279,945</u>
NET ASSETS, END OF YEAR	<u>\$ 79,872</u>	<u>\$ 558,594</u>	<u>\$ 717,030</u>	<u>\$ 1,355,496</u>

**SAN DIEGO EDUCATION FUND
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2014**

	PROGRAM	MANAGEMENT AND GENERAL	DEVELOPMENT	TOTAL
EXPENSES				
Counselors	\$ 20,348	\$ -	\$ -	\$ 20,348
District Projects	96,206	-	-	96,206
Endowment Management Fee	-	5,600	-	5,600
Event	-	-	1,715	1,715
Insurance	727	727	726	2,180
Mashin Scholarship	35,000	-	-	35,000
Office and Administrative	304	71	72	447
Organizational Consultant	7,223	7,222	7,222	21,667
Professional Services	-	2,300	-	2,300
Rent - In Kind	2,400	-	-	2,400
Scholars Stipends	30,000	-	-	30,000
TOTAL EXPENSES	\$ 192,208	\$ 15,920	\$ 9,735	\$ 217,863

**SAN DIEGO EDUCATION FUND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2014**

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CASH FLOWS USED BY OPERATING ACTIVITIES	
Increase in Net Assets	\$ 75,551
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH USED BY OPERATING ACTIVITIES	
Investment Return	(118,439)
NET CASH USED BY OPERATING ACTIVITIES	<u>(42,888)</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	
Purchases of Long-Term Investments	(635,295)
Proceeds on Sales of Long-Term Investments	648,795
	<u>13,500</u>
NET DECREASE IN CASH	<u>(29,388)</u>
CASH, BEGINNING OF YEAR	<u>364,204</u>
CASH, END OF YEAR	<u><u>\$ 334,817</u></u>

See Accompanying Notes and Independent Accountant's Review Report

SAN DIEGO EDUCATION FUND
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

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NOTE 1 THE ORGANIZATION

San Diego Education Fund (SDEF) was incorporated under the laws of the State of California in 1954 as a nonprofit community organization. The SDEF operates to raise funds to initiate, support, strengthen and sustain educational efforts to promote the academic achievement and well-being of students in the San Diego Unified School District (SDUSD) and to encourage students to become teachers.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting - The accompanying financial statements are prepared using the accrual method in conformity with generally accepted accounting principles.

Basis of Presentation - Under accounting standards on Financial Statements of Not-for-profit Organizations, SDEF is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Unrestricted Net Assets - Unrestricted amounts represent expendable funds available for operations that are not otherwise limited by donor restrictions. Unrestricted net assets also include amounts designated for certain purposes by the Board of Directors.

Temporarily Restricted Net Assets - Temporarily restricted amounts consist of contributed funds subject to specific donor-imposed restrictions contingent upon specific performance of a future event or a specific passage of time before SDEF may recognize the funds or recognize the support. At June 30, 2014, SDEF had temporarily restricted net assets of \$558,594.

Permanently Restricted Net Assets - Permanently restricted amounts are those which are restricted by donors that neither expire by the passage of time nor can be fulfilled or removed by actions of SDEF. At June 30, 2014, SDEF had permanently restricted net assets of \$717,030.

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

See Independent Accountant's Review Report

SAN DIEGO EDUCATION FUND
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash - SDEF considers financial instruments with a fixed maturity date of less than three months to be cash equivalents. SDEF maintains accounts with financial institutions with funds insured by the Federal Deposit Insurance Corporation (FDIC). The Organization maintains cash balances in bank accounts that, at times, exceed the federally insured limits. SDEF has not experienced any losses in such accounts and management believes it is not exposed to any significant credit risk on cash.

Fair Value Measurement - The SDEF follows accounting standards consistent with the FASB codification which defines fair value, establishes a framework for measuring fair value and enhances disclosures about fair value measurements for all financial assets and liabilities.

Investments - SDEF carries investments in marketable securities with readily determinable fair values and all investments in debt and equity securities at fair values in the Statement of Financial Position. Realized and unrealized gains and losses are included in the changes in net assets in the accompanying Statement of Activities and Changes in Net Assets. Investment income is recognized as revenue in the period it is earned and gains and losses are recognized as changes in net assets in the accounting period in which it occurs. Investment income and gains restricted by a donor are reported as increased in temporarily restricted net assets and released from restriction when a restriction expires, either by passage of time or by use. If a restriction is fulfilled in the same period in which the income and gains are earned, the income and gains are reported as temporarily restricted and then released from restriction in the same period.

Contributions - Contributions received are considered to be unrestricted and available for general use unless designated by the donor for a specific purpose. All donor-restricted support is reported as an increase in temporarily restricted net assets. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities and Changes in Net Assets as net assets released from restrictions. If a restriction is fulfilled in the same period in which the contribution is received, the support is reported as temporarily restricted and then released from restriction in the same period.

Donation Recognition - Donations are recognized when earned, which may be when cash is received, unconditional promises made, ownership of other assets transferred, or services rendered. Gifts of cash and other assets are reported as restricted support if received with donor stipulations that limit the use of the donated amounts.

SAN DIEGO EDUCATION FUND
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

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NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Donated Rent - SDEF receives free use of office space in a SDUSD facility. Contributions and expenses related to the donated office space amounting to \$2,400 have been reflected in the accompanying statements.

Donated Services - SDEF recognizes the value of donated services by recording the services at fair value. All donated services recognized must create a non-financial asset or must require specialized skills that would have been purchased if not donated. During the year ending June 30, 2014, SDEF had many individuals volunteer substantial time and effort in order to perform a variety of tasks, however, these services do not meet the criteria for recognition as contributed services.

Functional Allocation of Expenses - SDEF allocates its expenses on a functional basis amount for its various programs and support services. Expenditures which can be identified with a specific program or support service are allocated directly, according to the natural expenditure classification. Costs that are common to several functions are allocated among the program and supporting services based on management's estimates.

Income Taxes - The SDEF is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and under Section 23701(d) of the California Franchise Tax Code.

SDEF follows accounting standards which clarify the accounting uncertainty in income taxes recognized in the financial statements and prescribes a recognition threshold and measurement attribute for the financial statements and recognition and measurement of a tax position taken or expected to be taken in the tax return. It also provides guidance on derecognition and measurement of a tax position taken or to be taken in a tax return. As of June 30, 2014, SDEF has not accrued interest or penalties related to uncertain tax positions. SDEF files tax returns in the U.S. Federal jurisdiction and the state of California. SDEF is no longer subject to examination by U.S. and California tax authorities for years before 2011 and 2010, respectively.

See Independent Accountant's Review Report

SAN DIEGO EDUCATION FUND
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 3 INVESTMENTS

Long-term investments, carried at fair value based on quoted prices in active markets, at June 30, 2014 consist of the following:

	<u>Cost</u>	<u>Fair Value</u>
Equity Funds	\$ 572,455	\$ 662,510
Bond Funds	265,453	271,406
ETF	47,823	70,189
Money Market	16,574	16,574
	<u>\$ 902,305</u>	<u>\$ 1,020,679</u>

The following schedule summarizes SDEF's return on long-term investments and its classification in the Statement of Activities and Changes in Net Assets for the year ended June 30, 2014:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Interest and Dividends	\$ 4,784	\$ 25,047	\$ -	\$ 29,831
Realized and Unrealized Gains	16,541	81,138	-	97,679
Investment Fees	(2,746)	(6,325)	-	(9,071)
Total Investment Return	<u>\$ 18,579</u>	<u>\$ 99,860</u>	<u>\$ -</u>	<u>\$ 118,439</u>

Included in the investment return is \$860 of interest income from SDEF's cash accounts, which is classified as unrestricted.

SAN DIEGO EDUCATION FUND
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 4 FAIR VALUE MEASUREMENT

SDEF follows the method of fair value to value its financial assets and liabilities. Fair value is based on 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. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three broad levels has been established, which are described below:

Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2: Observable inputs other than level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.

Level 3: Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

Financial assets carried at fair value and measured on a recurring basis at June 30, 2014 are classified below in one of the three levels described above:

	Level 1	Level 2	Level 3	Total
Assets				
Equity Funds	\$ 662,510	\$ -	\$ -	\$ 662,510
Bond Funds	271,406	-	-	271,406
ETF	70,189	-	-	70,189
Money Market	16,574	-	-	16,574
	\$ 1,020,679	\$ -	\$ -	\$ 1,020,679

Investments in equity funds, bond funds, ETF and money market funds are valued at market prices in active markets and are classified as Level 1.

SAN DIEGO EDUCATION FUND
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

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NOTE 5 ENDOWMENT FUND

In January 2007, SDEF received a donation from Jack and Virginia Mashin for the purpose of scholarships. According to the terms of the donation, the principal shall be invested in perpetuity and the investment income of the donation shall be used to provide four scholarships annually. The students awarded the Mashin scholarships will receive the annual scholarships throughout their college studies.

SDEF has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the presentation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, SDEF 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. In accordance with SPMIFA, SDEF considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (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 SDEF, and (7) SDEF's investment policies.

To maintain and grow the principal investment balance of the endowment while awarding the Mashin scholarships, SDEF has adopted an investment policy that attempts to provide a steady investment return. Accordingly, the endowment is invested in a diversified mix of money market, equity and bond funds and ETFs. SDEF's Board of Directors has a finance committee in charge of monitoring the endowment.

The current distribution policy is to allow a fixed percentage currently set at 5 - 6% of the market value of the endowment funds. This amount will be available for scholarships and mentor services.

**SAN DIEGO EDUCATION FUND
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 5 ENDOWMENT FUND (CONTINUED)

The portion of the endowment funds that are classified as permanently restricted are not reduced by losses on the investments of the fund. Losses on the investments of permanently restricted funds reduce the temporarily restricted net assets to the extent that donor-imposed temporary restrictions on net appreciation of the fund have not been met before the loss occurs. Any remaining losses reduce unrestricted net assets.

The endowment fund is reported as long-term investments on the Statement of Financial Position.

SDEF has the following endowment related activities and changes in endowment net assets for the year ending June 30, 2014:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets,				
Beginning of Year	\$ -	\$ 30,824	\$ 712,030	\$ 742,854
Contributions	-	-	5,000	5,000
Interest and Dividends	-	25,047	-	25,047
Realized and Unrealized Gains	-	81,138	-	81,138
Expenditure Appropriations	-	(43,500)	-	(43,500)
Investment Fees	-	(6,325)	-	(6,325)
Endowment Net Assets,				
End of Year	<u>\$ -</u>	<u>\$ 87,184</u>	<u>\$ 717,030</u>	<u>\$ 804,214</u>

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Organization to retain as a fund of perpetual duration. At June 30, 2014, the Organization did not have a deficiency associated with the donor-restricted endowment funds.

SAN DIEGO EDUCATION FUND
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 6 NET ASSETS

Net assets consist of the following at June 30, 2014:

Unrestricted:	
Undesignated	\$ 79,872
Temporarily Restricted:	
District Projects	471,410
Mashin Scholarships Program Endowment	87,184
	<u>558,594</u>
Permanently Restricted:	
Mashin Scholarships Program Endowment	717,030
Total Net Assets	<u><u>\$ 1,355,496</u></u>

NOTE 7 SUBSEQUENT EVENTS

SDEF has evaluated events through January 15, 2015, the date at which the financial statements were available to be issued, and no material subsequent events requiring disclosure.