

**SAN DIEGO EDUCATION FUND
FINANCIAL STATEMENTS
JUNE 30, 2021**

SAN DIEGO EDUCATION FUND

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

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

We have reviewed the accompanying financial statements of San Diego Education Fund, a nonprofit organization which comprise the statement of financial position as of June 30, 2021, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company 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's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Accountant's Responsibility

Our responsibility is to conduct a review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

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 accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in cursive script that reads 'Considine & Considine'.

CONSIDINE & CONSIDINE
An accountancy corporation
January 26, 2022

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**SAN DIEGO EDUCATION FUND
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2021**

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ASSETS

CURRENT ASSETS

Cash	\$ 405,851
Investments (note 3)	<u>1,111,187</u>

TOTAL ASSETS	<u><u>1,517,038</u></u>
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LIABILITIES AND NET ASSETS

TOTAL LIABILITIES	-
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NET ASSETS (note 6)

Without donor restriction	362,608
With donor restriction	<u>1,154,430</u>
	<u><u>1,517,038</u></u>

TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 1,517,038</u></u>
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SAN DIEGO EDUCATION FUND
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2021

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE			
Donations	\$ 179,830	\$ 11,065	\$ 190,895
In kind donations	32,400	-	32,400
Endowment management fee	5,000	-	5,000
Investment return (note 3)	55,970	162,429	218,399
	273,200	173,494	446,694
Net assets released from restriction (note 6)	72,717	(72,717)	-
TOTAL REVENUE	345,917	100,777	446,694
OPERATING EXPENSES			
Program services	179,770	-	179,770
Management and general	28,677	-	28,677
Development	21,213	-	21,213
	229,659	-	229,659
CHANGE IN NET ASSETS	116,258	100,777	217,035
NET ASSETS, BEGINNING	246,350	1,053,653	1,300,003
NET ASSETS, ENDING	\$ 362,608	\$ 1,154,430	\$ 1,517,038

**SAN DIEGO EDUCATION FUND
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>PROGRAM SERVICES</u>	<u>MANAGEMENT AND GENERAL</u>	<u>DEVELOPMENT</u>	<u>TOTAL</u>
EXPENSES				
Endowment management fee	\$ -	\$ 5,000	\$ -	\$ 5,000
Future teacher scholarships	15,500	-	-	15,500
In-kind outside services	10,000	10,000	10,000	30,000
Insurance	546	546	546	1,638
Mentor counselor	38,000	-	-	38,000
Office and Administrative	2,660	64	-	2,724
Organizational consultant	10,667	10,667	10,667	32,000
Rent in-kind	-	2,400	-	2,400
Scholarship recognition event	1,430	-	-	1,430
STEM scholarships	68,000	-	-	68,000
Student/school enrichment program	32,717	-	-	32,717
Teacher donation	250	-	-	250
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL EXPENSES	<u><u>\$ 179,770</u></u>	<u><u>\$ 28,677</u></u>	<u><u>\$ 21,213</u></u>	<u><u>\$ 229,659</u></u>

**SAN DIEGO EDUCATION FUND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021**

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	<u>2021</u>
CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	
Change in net assets	\$ 217,035
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH USED BY OPERATING ACTIVITIES	
Investment return	<u>(218,399)</u>
NET CASH USED BY OPERATING ACTIVITIES	(1,364)
CASH FLOWS PROVIDED BY INVESTING ACTIVITIES	
Purchases of long-term investments	(467,619)
Proceeds on sales of long-term investments	<u>502,772</u>
	<u>35,153</u>
NET INCREASE IN CASH	33,789
CASH, BEGINNING OF YEAR	<u>372,062</u>
CASH, END OF YEAR	<u><u>\$ 405,851</u></u>

See accompanying notes and independent accountant's review report

SAN DIEGO EDUCATION FUND
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

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NOTE 1 THE ORGANIZATION

San Diego Education Fund (SDEF) was incorporated in 1954, as a nonprofit community organization, under section 501(c)(3) of the Internal Revenue Code and under laws of the State of California. 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 (GAAP) in the United States of America.

Basis of presentation – SDEF follows the Financial Accounting Standards Board’s (FASB) Financial Statements of Not-For-Profit Organizations for presentation of its financial statements which require that net assets, support, revenue and gains, expenses and losses be classified as with donor restrictions and without donor restrictions.

Net assets without donor restriction – These consist of assets which are not subject to donor-imposed stipulations and are currently available for use in SDEF's operations under the direction of the board, those designated for specific uses, and those resources invested in land, buildings, and equipment.

Net assets with donor restriction – These net assets consist of contributed funds subject to donor-imposed restrictions contingent upon specific performance of a future event or a specific passage of time before SDEF may spend the funds. These net assets also include amounts that are restricted for specific operating purposes and are not currently available for use in SDEF’s operations until commitments regarding their use have been fulfilled or lifetime beneficiary interests have ceased. At June 30, 2021, SDEF had donor restricted net assets of \$1,243,105.

Estimates - The preparation of financial statements in conformity with GAAP 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.

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). SDEF 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 - SDEF follows accounting standards consistent with the Financial Accounting Standards Board (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.

See independent accountant’s review report

SAN DIEGO EDUCATION FUND
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

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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 net assets with donor restrictions 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 net assets with donor restrictions. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restriction are reclassified to net assets without donor restriction 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 net assets with donor restrictions 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.

SDEF follows the FASB Accounting Standards Codification ("ASC") Topic 606 ("ASC 606") Revenue from Contracts with Customers, which provides guidance for revenue recognition. This ASC's core principle requires an organization to recognize revenue when it transfers promised goods or services to customers in an amount that reflects consideration to which the organization expects to be entitled in exchange for those goods and services. The standard also clarifies the principal versus agent considerations, providing the evaluation must focus on whether the entity has control of the goods or services before they are transferred to the customer.

SDEF follows the FASB-issued Accounting Standards Update (ASU) 2018-08, Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made which provides clarification regarding the accounting for contracts and agreements as exchange transactions or contributions and provides improved guidance to better distinguish between conditional and unconditional contributions.

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

See independent accountant's review report

SAN DIEGO EDUCATION FUND
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

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would have been purchased if not donated. During the year ending June 30, 2021, SDEF had many individuals volunteer substantial time and effort in order to perform a variety of tasks, however, some of the services did not meet the criteria for recognition as contributed services. Services meeting the criteria totaling \$30,000 were recorded and are reflected in these financials.

Functional allocation of expenses - SDEF allocates its expenses on a functional basis among its program and support services. Directly identifiable expenses are charged to program and supporting services. There are certain categories of expenses that are attributable to more than one program or supporting function and require allocation on a reasonable basis. In-kind outside services and organization consultant expenses are allocated on the basis of estimated time spent. Insurance and office and administrative expenses are allocated on the basis of estimated usage.

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, 2021, 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.

Recent accounting pronouncements

As of July 1, 2020, SDEF adopted ASU 2016-01 "Recognition and Measurement of Financial Assets and Financial Liabilities". This ASU amends certain aspects of current guidance on the recognition, measurement and disclosure of financial instruments. Among other changes, this ASU requires most equity investments to be measured at fair value. Additionally, this ASU eliminates the requirement to disclose the method and significant assumptions used to estimate the fair value for instruments not recognized at fair value in SDEF's financial statements. The adoption of this standard had no material impact on the Foundation's financial statements and related disclosures.

In February 2016, FASB issued ASU 2016-02 Leases (Topic 842). In July 2018, FASB issued two updates to ASU 2016-02, ASU 2018-10, Codification Improvements to Topic 842 Leases, and ASU 2018-11, Leases (Topic 812): Targeted Improvements. The new standard is effective for fiscal years beginning after December 15, 2021. ASU 2016-02 requires recognition of operating leases with lease terms of more than twelve months on the statement of financial position as both assets and liabilities for the obligations created by the leases. Topic 842 also requires disclosures that provide qualitative and quantitative information for the lease assets and liabilities recorded in the financial statements. SDEF is still assessing the impact this standard will have on its financial statements.

**SAN DIEGO EDUCATION FUND
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 3 INVESTMENTS

Long-term investments, carried at fair value based on quoted prices in active markets, at June 30, 2021 consist of the following:

	<u>Cost</u>	<u>Fair Value</u>
Equity funds	\$ 239,245	\$ 303,048
Bond Funds	467,955	464,373
ETF	248,619	323,933
Money market	19,833	19,833
	<u>\$ 975,651</u>	<u>\$ 1,111,187</u>

The following schedule summarizes SDEF's return on investments and its classification in the statement of activities and changes in net assets for the year ended June 30, 2021:

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Realized and unrealized gains	\$ 52,916	\$ 127,593	\$ 180,509
Interest and dividends	6,991	41,041	48,032
Investment fees	(3,937)	(6,205)	(10,142)
Total Investment return	<u>\$ 55,970</u>	<u>\$ 162,429</u>	<u>\$ 218,399</u>

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.

**SAN DIEGO EDUCATION FUND
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021**

Financial assets carried at fair value and measured on a recurring basis at June 30, 2021 are classified below in one of the three levels described above:

	Level 1	Level 2	Level 3	Total
Assets				
Equity funds	\$ 303,048	\$ -	\$ -	\$ 303,048
Bond funds	464,373	-	-	464,373
ETF	323,933	-	-	323,933
	<u>\$ 1,091,354</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,091,354</u>

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

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. These are scholarships given to students focusing on Science, Technology, Engineering and Math (STEM) fields. The students awarded the STEM 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 finds absent explicit donor stipulations to the contrary. As a result of this interpretation, SDEF classifies as net assets with donor restrictions (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 STEM 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. 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.

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NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021**

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The portion of the endowment funds that are classified as held in perpetuity, \$697,766, are not reduced by losses on the investments of the fund. Losses on the investments of held in perpetuity funds reduce the net assets with donor restrictions to the extent that net assets with donor restrictions on net appreciation of the fund have not been met before the loss occurs. Any remaining losses reduce net assets without donor restriction.

The endowment fund is reported as 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, 2021:

	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, beginning of year	\$ -	\$ 688,900	\$ 688,900
Realized and unrealized gains	-	127,593	127,593
Interest and dividends	-	41,041	41,041
Investment fees	-	(6,205)	(6,205)
Expenditure appropriations	-	(40,005)	(40,005)
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 811,324</u>	<u>\$ 811,324</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 SDEF to retain as a fund of perpetual duration. At June 30, 2021, SDEF did not have a deficiency associated with the donor-restricted endowment funds.

NOTE 6 NET ASSETS

Net assets consist of the following at June 30, 2021:

Without donor restrictions:		
Unrestricted and undesignated		\$ 362,608
With donor restrictions:		
Investments in perpetuity		697,766
District projects		343,106
Endowment funds' earnings		<u>113,558</u>
		<u>1,154,430</u>
Total net assets		<u>\$ 1,517,038</u>

See independent accountant's review report

SAN DIEGO EDUCATION FUND
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

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NOTE 7 LIQUIDITY AND AVAILABILITY

SDEF is substantially supported by contributions without restrictions, but does also receive contributions with restrictions based on specific program use. SDEF's management and board monitor contributions, expenses and assets on a monthly basis. SDEF's goal is to function within the boundaries of the annual budget established by management and approved by the board every year.

As part of SDEF's liquidity management, it has structured its financial assets to be available as its general expenditures and liabilities come due. Its investments are invested in funds that can be liquidated at the end of every trading day. SDEF manages its liquidity following these guiding principles: operating within a prudent range of financial stewardship and stability, maintain adequate liquid assets to fund near term operating needs, and invest other funds to maintain long term stability for SDEF.

The following reflects SDEF's financial assets as of June 30, 2021, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date.

Financial assets at year end:

Cash	\$ 405,851
Investments	<u>1,111,187</u>
	1,517,038

Less those unavailable for general expenditures within one year due to:

Contractual or donor imposed restrictions:	
Investments in perpetuity	(697,766)
Restricted by purpose restrictions	<u>(456,664)</u>
	<u>(1,154,430)</u>

Financial assets available to meet general expenditures within one year \$ 2,671,468

NOTE 8 SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 26, 2022, the date the financial statements were available to be issued. There were no material subsequent events which affected the amounts or disclosures in the financial statements.

While SDEF is has not experienced decreased revenue due to the COVID-19 pandemic, it continues to monitor the effects on SDEF and, as needed, adjusts its operations based on the health orders issued by governmental authorities. The future financial impact of the pandemic cannot be reasonably estimated at this time.

See independent accountant's review report