

# OAKLAND PUBLIC EDUCATION FUND

JUNE 30, 2017

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INDEPENDENT AUDITORS' REPORT

AND

FINANCIAL STATEMENTS

# Oakland Public Education Fund

## Independent Auditors' Report and Financial Statements

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A Century Strong

## Independent Auditors' Report

THE BOARD OF DIRECTORS  
OAKLAND PUBLIC EDUCATION FUND  
Oakland, California

### Report on the Financial Statements

We have audited the accompanying financial statements of **OAKLAND PUBLIC EDUCATION FUND (the Ed Fund)**, which comprise the statement of financial position as of June 30, 2017, 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.

### 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 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 Ed Fund'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 Ed Fund'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.

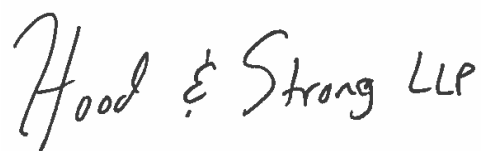
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Oakland Public Education Fund as of June 30, 2017 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.

**Emphasis of Matter**

As discussed in Note 9 to the financial statements, opening net assets as of July 1, 2016 on the financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

A handwritten signature in black ink that reads "Hood & Strong LLP". The signature is written in a cursive, slightly slanted style.

San Francisco, California  
June 21, 2018

# Oakland Public Education Fund

## Statement of Financial Position

*June 30, 2017*

### Assets

Cash and cash equivalents	\$ 13,613,429
Grants and pledges receivable	3,176,325
Contracts receivable	1,020,425
Prepaid expenses and other assets	108,947

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**Total Assets** \$ 17,919,126

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### Liabilities and Net Assets

Accounts payable	\$ 551,847
Accrued wages and related costs	200,425
Grants payable	2,557,860

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Total liabilities 3,310,132

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### Net Assets:

Unrestricted:	
Undesignated	3,782,678
Board designated - operating reserve	354,036

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Total unrestricted 4,136,714

Temporarily restricted 10,472,280

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Total net assets 14,608,994

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**Total Liabilities and Net Assets** \$ 17,919,126

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See accompanying notes to financial statements.

# Oakland Public Education Fund

## Statement of Activities and Changes in Net Assets

*Year Ended June 30, 2017*

	Unrestricted	Temporarily Restricted	2017 Total
<b>Support and Revenue:</b>			
Contributions and grants	\$ 1,141,596	\$ 17,187,821	\$ 18,329,417
Fiscal sponsor projects	2,121,842		2,121,842
Program revenue	290,112		290,112
Government contracts	129,722		129,722
Special events (net of direct expenses of \$224,619 for 2017)	586,400		586,400
Interest and dividends	59,150		59,150
Other income	32,348		32,348
Net assets released from restrictions	17,702,659	(17,702,659)	-
<b>Total support and revenue</b>	<b>22,063,829</b>	<b>(514,838)</b>	<b>21,548,991</b>
<b>Expenses:</b>			
Program services	20,059,386		20,059,386
Management and general	397,572		397,572
Fundraising	388,924		388,924
<b>Total expenses</b>	<b>20,845,882</b>	<b>-</b>	<b>20,845,882</b>
<b>Change in Net Assets</b>	<b>1,217,947</b>	<b>(514,838)</b>	<b>703,109</b>
<b>Net Assets, beginning of year</b>			
as previously stated	3,038,767	8,548,923	11,587,690
Prior period adjustment (Note 9)	(120,000)	2,438,195	2,318,195
<b>Net Assets, beginning of year as restated</b>	<b>2,918,767</b>	<b>10,987,118</b>	<b>13,905,885</b>
<b>Net Assets, end of year</b>	<b>\$ 4,136,714</b>	<b>\$ 10,472,280</b>	<b>\$ 14,608,994</b>

See accompanying notes to financial statements.

# Oakland Public Education Fund

## Statement of Functional Expenses

*Year Ended June 30, 2017*

	Program Services			Management and General	Fundraising	2017 Total
	Program	Projects	Total			
Salaries	\$ 462,419	\$ 3,393,668	\$ 3,856,087	\$ 89,599	\$ 268,092	\$ 4,213,778
Benefits	34,151	214,570	248,721	6,617	19,799	275,137
Payroll taxes	37,139	327,607	364,746	7,809	21,532	394,087
<b>Total personnel costs</b>	<b>533,709</b>	<b>3,935,845</b>	<b>4,469,554</b>	<b>104,025</b>	<b>309,423</b>	<b>4,883,002</b>
Grants		7,767,277	7,767,277			7,767,277
Contract and professional services	24,943	4,489,288	4,514,231	122,736	6,238	4,643,205
Advertising	765	30,172	30,937	4,158	527	35,622
Supplies and communication	64,162	1,613,093	1,677,255	108,044	47,502	1,832,801
Rent and occupancy	10,321	270,650	280,971	2,591	5,980	289,542
Travel and meetings	351	403,211	403,562	7,988		411,550
Bank and payroll fees	6	17,439	17,445	3,979	3,197	24,621
Dues and subscriptions	120	3,549	3,669	9,031		12,700
Equipment and maintenance	240	26,489	26,729	4,686	616	32,031
Software licenses	25,050	443,285	468,335	4,853	14,523	487,711
Staff development	12,000	98,267	110,267	8,810		119,077
Stipends		281,068	281,068			281,068
Other	5,224	2,862	8,086	16,671	918	25,675
<b>Total Expenses</b>	<b>\$ 676,891</b>	<b>\$ 19,382,495</b>	<b>\$ 20,059,386</b>	<b>\$ 397,572</b>	<b>\$ 388,924</b>	<b>\$ 20,845,882</b>

See accompanying notes to financial statements.

# Oakland Public Education Fund

## Statement of Cash Flows

*Year Ended June 30, 2017*

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**Operating Activities:**

Cash flows provided by operating activities	
Changes in net assets	\$ 703,109
Adjustment to reconcile changes in net assets to net cash provided by operating activities:	
Pledge receivable transferred to spun-off fiscal project	500,000
Changes in operating assets and liabilities	
Grants and pledges receivable	951,747
Contracts receivable	(202,120)
Prepaid expenses and other assets	(68,954)
Accounts payable	342,538
Accrued wages and related costs	82,780
Grants payable	(1,212,640)
Net cash provided by operating activities	1,096,460
<b>Net Change in Cash and Cash Equivalents</b>	<b>1,096,460</b>
<b>Cash and Cash Equivalents, beginning of year</b>	<b>12,516,969</b>
<b>Cash and Cash Equivalents, end of year</b>	<b>\$ 13,613,429</b>

See accompanying notes to financial statements.



# Oakland Public Education Fund

## Notes to Financial Statement

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### Note 1 - Organization:

Oakland Public Education Fund (the Ed Fund) is a California nonprofit public benefit corporation. The Ed Fund secures and manages resources for schools while helping those schools develop their own capacity to create the best learning environments for their students. The Ed Fund works with schools that strive to be results oriented, to develop entrepreneurial leadership, and to cultivate collaboration and family leadership, and to focus on student personalization and innovative curriculum. The Ed Fund is also a fiscal sponsor for a range of projects with the Oakland public schools, Oakland Unified School District, and education-focused projects.

The Ed Fund is primarily funded through grants, contributions, and fees generated from its fiscal sponsor contracts.

### Note 2 - Significant Accounting Policies:

#### a. Basis of Presentation

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The financial statements have been presented on the basis of unrestricted, temporarily restricted and permanently restricted net assets predicated upon the existence of donor-imposed restrictions. The Ed Fund does not have any permanently restricted net assets.

#### *Unrestricted Net Assets*

Unrestricted net assets represent the portion of net assets that is neither temporarily restricted nor permanently restricted by donor-imposed stipulations. The Board has designated funds of approximately \$354,000 for future operating expenses.

#### *Temporarily Restricted Net Assets*

Temporarily restricted net assets represent the portion of net assets, the use of which by the Ed Fund is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Ed Fund.

#### b. Revenue Recognition

Contributions and grants are recognized at their fair value when the donor/grantor makes an unconditional promise to give to the Ed Fund. Fiscal sponsor project and program revenues are recognized when earned. Contributions without donor-imposed restrictions are reported as unrestricted support. Contributions with donor-imposed restrictions are reported as temporarily restricted.

# Oakland Public Education Fund

## Notes to Financial Statement

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The satisfaction of a donor-imposed restriction on a contribution is recognized when the corresponding expenditures are incurred or when the time restriction expires. Such transactions are recorded as net assets released from restriction on the Statement of Activities and Changes in Net Assets.

Unconditional grants and pledges receivable which are scheduled to be received after one year are discounted at rates commensurate with the risks involved. Amortization of the discount is recorded with contribution revenue in accordance with the donor-imposed restrictions, if any, on the contributions. Conditional promises to give are not included as support until the conditions are substantially met.

c. Cash and Cash Equivalents

For purposes of the statement of cash flows, the Ed Fund considers all money market funds and other highly liquid investments with original maturities of three months or less when purchased to be cash and cash equivalents.

d. Grants, Pledges and Contracts Receivable

Grants, contributions, and accounts receivable are stated at the amount management expects to collect from outstanding balances. The Ed Fund considers all grants, pledges and contracts receivable to be fully collectible at June 30, 2017. The Ed Fund uses the allowance method to determine uncollectible receivables. The allowance is based on prior years' experience and management's analysis of specific promises made.

e. Fair Value Measurements

The Ed Fund carries certain assets and liabilities 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 Ed Fund classifies its financial assets and liabilities according to three levels, and maximizes the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value.

Level 1 - Quoted market prices (unadjusted) in active markets for identical assets or liabilities that the entity has the ability to access at the measurement date.

Level 2 - Observable inputs other than quoted market prices included within Level 1 for the asset or liability, either directly or indirectly.

Level 3 - Unobservable inputs for the asset or liability that are not corroborated by market data.

# Oakland Public Education Fund

## Notes to Financial Statement

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f. Grants

Unconditional grants awarded are accrued as a liability and expensed when approved. Grant cancellations or unspent funds are recorded in the year cancelled or the funds are returned. Total grants payable as of June 30, 2017 was \$2,557,860. Grants payable of \$2,259,860 are expected to be paid in fiscal year 2018 and \$178,000 in fiscal year 2019.

g. Fiscal Sponsorship Projects

The Ed Fund provides fiscal sponsorship and organizational services to approximately 75 projects. All the financial activity of fiscal sponsored projects is aggregated for financial statement purposes. The Projects are legally a part of the Ed Fund and all of their employees are employees of the Ed Fund. From time to time, projects will obtain their own 501(c)(3) status and are "spun-off" as separate organizations. During 2017, net assets of approximately \$1,445,000 were distributed to a spun-off project and is recorded as grant expense.

h. Functional Allocation of Expenses

Program expenses include the expenses of various Ed Fund projects. The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and Changes in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

i. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. Those estimates affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

j. Income Taxes

The Ed Fund has been determined to be exempt from federal and state income taxes pursuant to Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code.

The Ed Fund follows the guidance on accounting for uncertainty in income taxes issued by the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 740. As of June 30, 2017, management evaluated the Ed Fund's tax positions and concluded that the Ed Fund had maintained its tax-exempt status and had taken no uncertain tax positions that required adjustment to the financial statements. Therefore, no provision or liability for income taxes has been included in the financial statements.

# Oakland Public Education Fund

## Notes to Financial Statement

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### k. Accounting Pronouncements Adopted and Under Consideration

In August 2014, FASB issued Accounting Standards Update (ASU) 2014-15 – *Presentation of Financial Statements Going Concern: Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern*. The ASU provides U.S. GAAP guidance on management's responsibility in evaluating whether there is substantial doubt about an entity's ability to continue as a going concern and about related footnote disclosures. For each reporting period, management is required to evaluate whether there are conditions or events that raise substantial doubt about an entity's ability to continue as a going concern within one year from the date the financial statements are issued. The amendments in this ASU are effective for the annual period ending after December 15, 2016, and for annual periods and interim periods thereafter. Early application is permitted. The Ed Fund's adoption of the guidance did not have an impact on the financial statements and disclosures.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606), requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. Early adoption is not permitted. The updated standard will be effective for annual reporting periods beginning after December 15, 2018. The Ed Fund has not yet selected a transition method and is currently evaluating the effect that the updated standard will have on its financial statements.

In February 2016, the FASB issued amendments to ASU 2016-02 - *Leases*. Among other things, in the amendments in ASU 2016-02, lessees will be required to recognize the following for all leases (with exception of short-term leases) at the commencement date: 1) A lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and 2) A right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. Nonpublic business entities should apply the amendments for fiscal years beginning after December 15, 2019. Early adoption is permitted. The Ed Fund is currently evaluating the guidance and the effect that the updated standard will have on its financial statements.

In August 2016, FASB issued ASU 2016-04 *Not-for-Profit Entities (Topic 958) Presentation of Financial Statements of Not-for-Profit Entities*. The amendments in this update are designed to improve the current net asset classification requirements and the information presented in financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. The amendments in this update are effective for annual financial statements issued for fiscal years beginning after December 15, 2017. Early application is permitted. Amendments should be applied on a retrospective basis in the year the update is first applied. The Ed Fund is currently evaluating the impact of this pronouncement on its financial statements.

# Oakland Public Education Fund

## Notes to Financial Statement

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### 1. Subsequent Events

The Ed Fund evaluated subsequent events with respect to the financial statements for the year ended June 30, 2017 through June 21, 2018, the date these financial statements were available to be issued and has determined that no adjustments are necessary to the amounts reported in the accompanying financial statements nor have any subsequent events occurred, the nature of which would require disclosure, except as disclosed in Notes 5 and 10.

### **Note 3 - Grants and Pledges Receivable:**

Grants and pledges receivable consists primarily of commitments made by individuals and foundations. Grants and pledges receivables are due as follows:

	Total
Receivable in less than one year	\$ 1,927,500
Receivable in one to four years	1,392,203
Less discounts to net present value	(143,378)
	<hr/>
	\$ 3,176,325

The Ed Fund has received five conditional grants for fiscal projects which require the Ed Fund to comply with additional reporting requirements and other metrics that must be met prior to receiving additional payments. The Ed Fund earned and received payments of \$2,000,000 under these grants during 2017.

If the Ed Fund complies with all requirements, payments will be recorded in the fiscal year the condition is met and are expected to be earned as follows:

Due in less than one year	\$ 2,083,750
Due in one to four years	3,400,000
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	\$ 5,483,750

# Oakland Public Education Fund

## Notes to Financial Statement

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### Note 4 - Temporarily Restricted Net Assets:

As of June 30, 2017, temporarily restricted net assets were available for the following purposes:

Projects	\$ 10,364,979
Elementary literacy collaborative (ELC)	74,352
Other	32,949
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Total	\$ 10,472,280

During 2017, net assets were released from donor restriction by incurring expenses satisfying the restrictions specified by donors as follows:

Projects	\$ 17,619,667
Elementary literacy collaborative (ELC)	72,658
Cadet program	430,592
Other	218,032
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Total	\$ 18,340,949

### Note 5 - Commitments and Contingencies:

#### a. *Operating Leases*

The Ed Fund entered into lease agreements for its headquarters and office equipment. The approximate future minimum lease payments related to these leases are as follows:

Year Ended	
June 30,	
2018	\$ 87,000
2019	64,000
2020	26,000
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	\$ 177,000

Total rent and occupancy expense for the year ended June 30, 2017 was \$289,542.

Subsequent to year end, the Ed Fund entered into a three-year lease agreement with a third party for its headquarters. Over the term of the lease, monthly payments range between \$7,022 and 7,865.

# Oakland Public Education Fund

## Notes to Financial Statement

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b. Contingencies

Grant awards required the fulfillment of certain conditions as set forth in the grant agreement. Failure to fulfill the conditions could result in the return of the funds to the grantors. The Ed Fund's management is of the opinion that it has complied with the terms of all grants.

**Note 6 - Pension Plans:**

The Ed Fund sponsors a 401(k) profit sharing plan (the Plan) that covers all employees who meet certain eligibility requirements. The Plan is funded by employee contributions and the Ed Fund does not match or make discretionary contributions into the Plan.

**Note 7 - Concentrations of Credit Risk:**

The Ed Fund has defined its financial instruments, which are potentially subject to credit risk as cash and accounts receivable.

Periodically, throughout the year, the Ed Fund has maintained balances in various operation and money market accounts in excess of federally insured limits. The Ed Fund has not experienced any losses on such accounts.

Grants and contributions receivables consist primarily of unsecured amounts due from foundations and individuals. Approximately 71% of these receivables are due from one donor at June 30, 2017 and 28% of contributions and grant revenue was recognized from four donors for the year ended June 30, 2017.

**Note 8 - Related Party Transactions:**

The Ed Fund paid a printing company owned by a current board member. The total amount paid to the printing company during the year ended June 30, 2017 was approximately \$41,000.

In addition, the Ed Fund paid a program consulting company owned by a current board member. The total amount paid to this company during the year ended June 30, 2107 was approximately \$23,000.

# Oakland Public Education Fund

## Notes to Financial Statement

### Note 9 - Prior Period Adjustment:

Net assets as of July 1, 2016 were restated as a result of a change in management's analysis of its revenue recognition and grant expense policies. As a result of the analysis, management corrected the presentation of unrestricted and temporarily restricted net assets. Following is a summary of the prior period adjustment:

	Unrestricted	Temporarily Restricted	Total
<b>Net assets</b> , beginning of year (as previously stated)	\$ 3,038,767	\$ 8,548,923	\$ 11,587,690
<b>Adjustments:</b>			
Unrecorded grant payable	(120,000)		(120,000)
Proceeds from unconditional grants previously recognized as deferred revenue		3,896,945	3,896,945
Recognition of unconditional grant revenue		(458,750)	(458,750)
Record contributed revenue to the proper fiscal period		(1,000,000)	(1,100,000)
<b>Subtotal</b>	(120,000)	2,438,195	2,318,195
<b>Net assets</b> , beginning of year (as restated)	\$ 2,918,767	\$ 10,987,118	\$ 13,905,885

The impact of this prior period adjustment on 2016 is an increase to Change in Net Assets from \$3,844,802 to 6,162,997.



# Oakland Public Education Fund

## Notes to Financial Statement

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### Note 10 - Subsequent Events:

Subsequent to year end, the Ed Fund entered into an agreement with a community foundation to establish an agency fund named the Oakland Promise Agency Fund (Agency Fund). The Agency Fund will be funded by a \$3,000,000 contribution from a donor. The community foundation will hold, manage, and reinvest the assets of the Agency Fund in accordance with the investment policy of the community foundation.

Subsequent to year end, the Ed Fund with the assistance of a donor created a field of interest fund with a community foundation to establish the Oakland Promise Fund (the Fund). The Fund will be funded by a \$10,000,000 contribution from a donor. The community foundation will hold, manage, and reinvest the assets of the Fund in accordance with the investment policy of the community foundation. The assets will be established on the books of the community foundation, with the Ed Fund maintaining the ability to recommend grants subject to approval by the community foundation's Board of Trustees.