



*Report of Independent Auditors and  
Financial Statements*

**Oakland Public Education Fund**

*June 30, 2020 and 2019*

## Table of Contents

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REPORT OF INDEPENDENT AUDITORS .....	1
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### FINANCIAL STATEMENTS

Statements of Financial Position .....	4
Statements of Activities and Changes in Net Assets .....	5
Statements of Functional Expenses .....	6
Statements of Cash Flows .....	8
Notes to Financial Statements .....	9

## **Report of Independent Auditors**

The Board of Directors  
Oakland Public Education Fund

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Oakland Public Education Fund (the “Ed Fund”), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years 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.

#### ***Auditor’s Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 the Oakland Public Education Fund as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Moss Adams LLP*

San Francisco, California  
March 17, 2021

## **Financial Statements**

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**Oakland Public Education Fund**  
**Statements of Financial Position**  
**June 30, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 21,811,707	\$ 18,966,825
Grants and pledges receivable	10,070,778	1,959,515
Contracts receivable	1,422,396	1,056,147
Beneficial interest in assets	-	2,928,942
Prepaid expenses and other assets	104,466	758,863
	<u>                    </u>	<u>                    </u>
Total assets	<u>\$ 33,409,347</u>	<u>\$ 25,670,292</u>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Accounts payable and accrued expenses	\$ 390,024	\$ 1,826,129
Accrued wages and related costs	340,058	134,045
Long-term debt	989,400	-
Grants payable	425,000	1,632,062
	<u>                    </u>	<u>                    </u>
Total liabilities	<u>2,144,482</u>	<u>3,592,236</u>
Net assets:		
Without donor restrictions:		
Undesignated	358,295	1,630,406
Board designated - operating reserve	740,710	604,128
	<u>                    </u>	<u>                    </u>
Total without donor restrictions	1,099,005	2,234,534
With donor restrictions	<u>30,165,860</u>	<u>19,843,522</u>
Total net assets	<u>31,264,865</u>	<u>22,078,056</u>
Total liabilities and net assets	<u>\$ 33,409,347</u>	<u>\$ 25,670,292</u>

**Oakland Public Education Fund**  
**Statements of Activities and Changes in Net Assets**  
**Years Ended June 30, 2020 and 2019**

	2020			2019		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and revenue:						
Contributions and grants	\$ 1,524,935	\$ 29,358,415	\$ 30,883,350	\$ 1,525,035	\$ 24,172,398	\$ 25,697,433
Fiscal sponsor projects	2,029,448	-	2,029,448	1,923,312	-	1,923,312
Program revenue	905,096	-	905,096	837,508	-	837,508
Interest and investment income, net	216,352	-	216,352	320,477	-	320,477
Government contracts	182,474	-	182,474	187,690	-	187,690
Special events (net of direct expenses of \$31,953 and \$98,288 in 2020 and 2019, respectively)	157,330	-	157,330	102,372	-	102,372
Other income	46,125	-	46,125	23,948	-	23,948
Net assets released from restrictions	<u>19,036,077</u>	<u>(19,036,077)</u>	<u>-</u>	<u>20,759,417</u>	<u>(20,759,417)</u>	<u>-</u>
Total support and revenue	<u>24,097,837</u>	<u>10,322,338</u>	<u>34,420,175</u>	<u>25,679,759</u>	<u>3,412,981</u>	<u>29,092,740</u>
Expenses:						
Program services	23,992,784	-	23,992,784	23,867,114	-	23,867,114
Management and general	1,005,863	-	1,005,863	1,539,740	-	1,539,740
Fundraising	<u>234,719</u>	<u>-</u>	<u>234,719</u>	<u>327,045</u>	<u>-</u>	<u>327,045</u>
Total expenses	<u>25,233,366</u>	<u>-</u>	<u>25,233,366</u>	<u>25,733,899</u>	<u>-</u>	<u>25,733,899</u>
Change in net assets	(1,135,529)	10,322,338	9,186,809	(54,140)	3,412,981	3,358,841
Net assets, beginning of year	<u>2,234,534</u>	<u>19,843,522</u>	<u>22,078,056</u>	<u>2,288,674</u>	<u>16,430,541</u>	<u>18,719,215</u>
Net assets, end of year	<u>\$ 1,099,005</u>	<u>\$ 30,165,860</u>	<u>\$ 31,264,865</u>	<u>\$ 2,234,534</u>	<u>\$ 19,843,522</u>	<u>\$ 22,078,056</u>

See accompanying notes.

**Oakland Public Education Fund**  
**Statement of Functional Expenses**  
**Year Ended June 30, 2020**

	<b>Program Services</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total</b>
Salaries	\$ 5,009,537	\$ 375,664	\$ 142,493	\$ 5,527,694
Benefits	276,045	53,649	20,350	350,044
Payroll taxes	423,444	37,228	14,121	474,793
<b>Total personnel costs</b>	<b>5,709,026</b>	<b>466,541</b>	<b>176,964</b>	<b>6,352,531</b>
Grants	10,764,837	-	-	10,764,837
Contract and professional services	2,512,591	221,766	49,620	2,783,977
Advertising	5,563	4,694	600	10,857
Supplies and communication	2,857,816	35,239	895	2,893,950
Rent and occupancy	173,586	73,315	-	246,901
Travel and meetings	374,780	481	-	375,261
Bank and payroll fees	-	25,844	-	25,844
Dues and subscriptions	122,809	82,256	595	205,660
Equipment and maintenance	46,633	2,470	2,224	51,327
Software licenses	113,663	23,616	66	137,345
Staff development	231,958	45,387	3,755	281,100
Stipends	938,484	-	-	938,484
Bad debt expense	123,684	-	-	123,684
Other	17,354	24,254	-	41,608
<b>Total expenses</b>	<b>\$ 23,992,784</b>	<b>\$ 1,005,863</b>	<b>\$ 234,719</b>	<b>\$ 25,233,366</b>

**Oakland Public Education Fund**  
**Statement of Functional Expenses**  
**Year Ended June 30, 2019**

	<b>Program Services</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total</b>
Salaries	\$ 5,499,707	\$ 281,615	\$ 250,467	\$ 6,031,789
Benefits	379,695	8,441	22,501	410,637
Payroll taxes	469,532	22,182	19,622	511,336
<b>Total personnel costs</b>	<b>6,348,934</b>	<b>312,238</b>	<b>292,590</b>	<b>6,953,762</b>
Grants	9,952,368	-	-	9,952,368
Contract and professional services	4,509,029	218,190	5,486	4,732,705
Advertising	29,213	3,439	-	32,652
Supplies and communication	1,094,550	64,174	7,696	1,166,420
Rent and occupancy	384,253	103,127	-	487,380
Travel and meetings	323,164	426,713	-	749,877
Bank and payroll fees	-	23,811	-	23,811
Dues and subscriptions	168,387	35,278	19,772	223,437
Equipment and maintenance	7,199	54,888	1,501	63,588
Software licenses	-	55,113	-	55,113
Staff development	345,016	237,679	-	582,695
Stipends	655,188	-	-	655,188
Other	49,813	5,090	-	54,903
<b>Total expenses</b>	<b>\$ 23,867,114</b>	<b>\$ 1,539,740</b>	<b>\$ 327,045</b>	<b>\$ 25,733,899</b>

**Oakland Public Education Fund**  
**Statements of Cash Flows**  
**Years Ended June 30, 2020 and 2019**

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	<u>2020</u>	<u>2019</u>
Operating activities:		
Changes in net assets	\$ 9,186,809	\$ 3,358,841
Adjustment to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Beneficial interest in assets income	-	(18,392)
Transfer of beneficial interest in assets as grant expense	2,928,942	-
Provision for bad debt	123,684	-
Changes in operating assets and liabilities:		
Grants and pledges receivable	(8,111,263)	(308,649)
Contracts receivable	(489,933)	(11,063)
Prepaid expenses and other assets	654,397	(269,952)
Accounts payable and accrued expenses	(1,436,105)	1,082,615
Accrued wages and related costs	206,013	(44,781)
Grants payable	<u>(1,207,062)</u>	<u>(6,107,705)</u>
Net cash provided by (used in) operating activities	<u>1,855,482</u>	<u>(2,319,086)</u>
Financing activities:		
Proceeds from long-term debt	<u>989,400</u>	<u>-</u>
Net cash provided by financing activities	<u>989,400</u>	<u>-</u>
Net change in cash and cash equivalents	2,844,882	(2,319,086)
Cash and cash equivalents, beginning of year	<u>18,966,825</u>	<u>21,285,911</u>
Cash and cash equivalents, end of year	<u><u>\$ 21,811,707</u></u>	<u><u>\$ 18,966,825</u></u>

**NOTE 1 – ORGANIZATION**

The Oakland Public Education Fund (“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.

The Ed Fund spun off the Oakland Promise program effective July 1, 2019, by entering in to an Exit-Project Transfer Agreement (“Agreement”). The Agreement required the Ed Fund to assign, transfer, convey, grant, and deliver to Oakland Promise any and all of the Ed Fund’s rights, title, and interest in the project assets of Oakland Promise. The Agreement also required transfers of ownership of the investment account held by the East Bay Community Foundation (Note 4) and the revocable funds held by the San Francisco Foundation (Note 5). At June 30, 2020, all project assets have been transferred to Oakland Promise.

**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES**

**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 (“GAAP”).

The Ed Fund reports information regarding its financial position and activities according to two classes of net assets as follows:

*Net assets without donor restrictions* – Net assets without donor restrictions represent the portion of net assets that are not subject to donor-imposed stipulations. The Ed Fund’s Board established an operating reserve fund policy to support working capital needs. The Board plans to build the fund over time to a level equivalent to three months’ worth of expenses. As of June 30, 2020 and 2019, the Ed Fund’s board designated operating reserve fund had a balance of \$740,710 and \$604,128, respectively.

*Net assets with donor restrictions* – Net assets with donor restrictions 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. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor imposed restrictions are released when a restriction expires; that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

**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 through services rendered or program occurrence. Contributions without donor-imposed restrictions are reported as support without donor restrictions. Contributions with donor-imposed restrictions are reported as net assets with donor restrictions.

# Oakland Public Education Fund

## Notes to Financial Statements

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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 statements 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. The Ed Fund considers all unconditional promises to give to be fully collectible; accordingly, no allowance for doubtful accounts is considered necessary.

**Cash and cash equivalents** – For purposes of the statements 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.

**Contracts receivable** – Contracts receivable are stated at the amount management expects to collect from outstanding balances. The Ed Fund considers all contracts receivable to be fully collectible as of June 30, 2020 and 2019. The Ed Fund uses the historical allowance method to determine potential uncollectible receivables. The allowance is based on prior years' experience and management's analysis of specific promises made. Bad debt expense for the years ended June 30, 2020 and 2019, amounted to \$123,684 and \$0, respectively.

**Beneficial interest in assets** – The Ed Fund invests in a diversified investment pool offered by East Bay Community Foundation (the "Foundation"). The Foundation has the Ed Fund's investment account under its management. The Ed Fund's share of the pool is recorded as beneficial interest in assets. The beneficial interest in assets is stated at fair value. The fair value is based on the net asset value of the pooled assets and the Ed Fund's ownership interest in the pool. Net asset values are evaluated by the Foundation to determine if the values of these investments should be adjusted. Factors considered may include, but are not limited to, estimates of liquidation value, prices of recent transactions in the same or similar funds, current performance, future expectations of the particular investment, and changes in market outlook and the financing environment. Valuations are reviewed at least annually using a variety of qualitative factors to subjectively determine the most appropriate valuation methodologies. As of June 30, 2020, this beneficial interest in assets was transferred to Oakland Promise (see Note 1).

**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 Statements

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**Grants and grants payable** – 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, 2020 and 2019, were \$425,000 and \$1,632,062, respectively, of which all is expected to be paid within one year.

**Fiscal sponsorship projects** – The Ed Fund provides fiscal sponsorship and organizational services to approximately 110 projects. All the financial activity of fiscal sponsored projects is aggregated for financial statement purposes. The fiscal sponsorship 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.

**Functional allocation of expenses** – Program expenses include the expenses of various projects of the Ed Fund. The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and changes in net assets and statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The costs have been allocated among the program and supporting services benefited based upon management’s estimate of time and effort recorded on functions related to the specific activity, or in the case of shared expenses, using an allocation based on personnel costs, space usage or, if necessary, other relevant bases.

**Use of estimates** – The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**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 23701d of the California Revenue and Taxation Code.

The Ed Fund follows the guidance on accounting for uncertainty in income taxes issued by Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 740. As of June 30, 2020, 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.

**Recent accounting pronouncements** – During 2020, the Ed Fund adopted FASB Accounting Standards Update (“ASU”) No. 2018-08, *Not-for-Profit-Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (“ASU No. 2018-08”), which assists entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of ASC Topic 958, *Not-for-Profit-Entities*, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. The adoption of ASU No. 2018-08 did not have a significant impact on the financial statements.

## Oakland Public Education Fund

### Notes to Financial Statements

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In May 2014, FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers* ("ASU No. 2014-09"). As compared to existing guidance on revenue recognition, ASU No. 2014-09 will significantly enhance comparability of revenue recognition practices across entities, industries, jurisdictions, and capital markets. The largely principles-based guidance in ASU No. 2014-09 will provide a framework for addressing revenue recognition issues comprehensively for entities that apply GAAP in addition to those entities that apply International Financial Reporting Standards. The guidance in ASU No. 2014-09 also improves GAAP by reducing the number of requirements to which an entity must consider in recognizing revenue, as well as requires improved disclosures to help users of financial statements better understand the nature, amount, timing, and uncertainty of revenue that is recognized. The effective date of ASU No. 2014-09 was deferred by ASU No. 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842)*, to fiscal years beginning after December 15, 2019. The adoption is effective for the Ed Fund beginning July 1, 2020. The Ed Fund is currently evaluating the impact of the provisions of ASU No. 2014-09 on the financial statements.

In September 2020, the FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* ("ASU No. 2020-07"), which increases the transparency of contributed nonfinancial assets for not-for-profit organizations through enhancements to presentation and disclosure. The update addresses certain stakeholders' concerns about the lack of transparency about the measurement of contributed nonfinancial assets recognized by not-for-profit organizations, as well as the amount of those contributions used in a not-for-profit organization's programs and other activities. The adoption of ASU No. 2020-07 is effective for the Ed Fund beginning July 1, 2021. Management is currently evaluating the impact of the provisions of ASU No. 2020-07 on the Ed Fund's financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)* ("ASU No. 2016-02"), to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements. The effective date of ASU No. 2016-02 was deferred by ASU No. 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842)*, to annual periods beginning after December 15, 2021. As such, the adoption of ASU 2016-02 is effective for the Ed Fund beginning July 1, 2022. The Ed Fund is currently evaluating the impact of the provisions of ASU No. 2016-02 on the financial statements.

#### **NOTE 3 – GRANTS AND PLEDGES RECEIVABLE**

Grants and pledges receivable of \$10,070,778 and \$1,959,515 as of June 30, 2020 and 2019, consists primarily of commitments made by individuals and foundations. Grants and pledges receivables outstanding as of June 30, 2020 and 2019, are expected to be collected within one year.

As of June 30, 2020 and 2019, the Ed Fund has received five and six conditional grants, respectively, 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 \$1,175,000 and \$1,800,000 under these grants during the years ended June 30, 2020 and 2019, respectively.

## Oakland Public Education Fund Notes to Financial Statements

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:

	2020	2019
Due in less than one year	\$ 1,000,000	\$ 1,175,000
Due in one to four years	-	1,000,000
	\$ 1,000,000	\$ 2,175,000

#### NOTE 4 – FAIR VALUE MEASUREMENTS

As of June 30, 2020, this beneficial interest in assets was transferred to Oakland Promise, a fiscally sponsored project of the Ed Fund (See Note 1).

The beneficial interest in assets is classified as Level 3 pursuant to the valuation hierarchy. The valuation of the beneficial interest in assets is determined based on the net asset value of the pooled assets and the Ed Fund's ownership interest in the pool. Management reviews detailed information about the pool on a quarterly basis and evaluates its proportional share to substantiate the valuation. The Ed Fund's policy is to recognize transfers in and transfers out at the beginning of the period in which the event or change in circumstances occurred.

The Ed Fund's beneficial interest in assets represents its investment in a diversified investment pool offered by the Foundation. The pool consists of various investments including, but not limited to, cash, public and private equities, global bonds, real assets, and hedge funds. Investments are exposed to various risks such as interest rate, market, liquidity, and credit risks.

At June 30, 2020 and 2019, beneficial interest in assets consist of the following:

	2020	2019
Level 3:		
Long-term investment pool	\$ -	\$ 2,928,942
Total	\$ -	\$ 2,928,942

While the Ed Fund believes its valuation methods are appropriate and consistent with those used by other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date. Those estimated values may differ significantly from the values that would have been used had a readily available market for such investments existed, or had such investments been liquidated, and these differences could be material to the financial statements.

# Oakland Public Education Fund

## Notes to Financial Statements

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**Level 3 roll-forward table** – The following table presents the rollforward of Level 3 investments carried at fair value (including the change in fair value) on the statement of financial position for the year ended June 30, 2020:

	<b>Beneficial interest in assets</b>
	<u>                    </u>
Balance, July 1, 2018	\$ 2,910,550
Unrealized gain	46,851
Investment fees	<u>(28,459)</u>
Balance, June 30, 2019	<u>2,928,942</u>
Unrealized gain	-
Investment fees	-
Transferred out to Oakland Promise as grant expense	<u>(2,928,942)</u>
Balance, June 30, 2020	<u><u>\$ -</u></u>

### NOTE 5 – REVOCABLE FUND

As of June 30, 2020, this revocable fund was transferred to Oakland Promise, a fiscally sponsored project of the Ed Fund (See Note 1). A fund was established by an outside donor in 2018 for \$10,000,000 under the administration of the San Francisco Foundation to support the mission and activities of Oakland Promise, a fiscally sponsored project of the Ed Fund. The Oakland Promise Fund is invested in the San Francisco Foundation’s long-term pool with a balance of approximately \$0 and \$18,783,094 as of June 30, 2020 and 2019, respectively. The San Francisco Foundation has variance power and has the ability to modify any restrictions or conditions on the distribution of funds and distributions are subject to the San Francisco Foundation’s approval.

### NOTE 6 – LONG-TERM DEBT

In April 2020, the Ed Fund was granted a loan under the Paycheck Protection Program (“PPP”) offered by the Small Business Administration (“SBA”) under the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”), section 7(a)(36) of the Small Business Act for \$989,400. The loan bears interest at 1% with no payments for the first six months. Monthly payments of principal and interest of \$41,641 begin in November 2020 and continue through maturity in April 2022, if required. This loan is subject to partial or full forgiveness if the Ed Fund uses all proceeds for eligible purposes; maintains certain employment levels; and maintains certain compensation levels in accordance with and subject to the CARES Act and the various rules, regulations, and guidance.

Subsequent to June 30, 2020, the Ed Fund received full forgiveness of the loan in the amount of \$989,400, to be recorded as support and revenue without donor restrictions for the year ending June 30, 2021 (See Note 12).

**Oakland Public Education Fund**  
**Notes to Financial Statements**

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**NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS**

As of June 30, 2020 and 2019, net assets with donor restrictions were available for the following purposes:

	<u>2020</u>	<u>2019</u>
Projects	\$ 28,640,925	\$ 18,320,631
Other	<u>1,524,935</u>	<u>1,522,891</u>
Total	<u>\$ 30,165,860</u>	<u>\$ 19,843,522</u>

All net assets with donor restrictions as of June 30, 2020 and 2019, are expected to be released from restriction within one year.

During 2020 and 2019, net assets were released from donor restriction by incurring expenses satisfying the restrictions specified by donors as follows:

	<u>2020</u>	<u>2019</u>
Projects	\$ 18,611,970	\$ 20,452,413
Other	<u>424,107</u>	<u>307,004</u>
Total	<u>\$ 19,036,077</u>	<u>\$ 20,759,417</u>

**NOTE 8 – COMMITMENTS AND CONTINGENCIES**

**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 ending June 30:

2021	<u>\$ 86,517</u>
Total	<u>\$ 86,517</u>

Total rent and occupancy expense related to these lease agreements for the year ended June 30, 2020 and 2019, were \$73,315 and \$93,144, respectively.

**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.

**COVID-19 pandemic** – In March 2020, the World Health Organization declared the novel coronavirus (“COVID-19”) a global pandemic and recommended containment and mitigation measures worldwide. The related adverse public health developments, including orders to shelter-in-place, travel restrictions, and mandated business and school closures, have adversely affected workforces, organizations, their customers, economies, and financial markets globally, leading to increased market volatility and disruptions in normal business operations, including the Ed Fund’s operations.

# Oakland Public Education Fund

## Notes to Financial Statements

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Ed Fund management has been closely monitoring the impact of COVID-19 on the Ed Fund's operations, including the impact on its customers and employees. The duration and intensity of the pandemic is uncertain but may influence customer decisions, donor decisions, and may also negatively impact collections of the Ed Fund's receivables.

### NOTE 9 – RETIREMENT 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 10 – 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 89% of these receivables are due from one donor as of June 30, 2020, and 72% of contributions and grant revenue was recognized from six donors for the year ended June 30, 2020. Approximately 84% of these receivables were due from one donor as of June 30, 2019, and 67% of contributions and grant revenue was recognized from five donors for the year ended June 30, 2019.

### NOTE 11 – LIQUIDITY AND FUNDS AVAILABLE

The following table reflects the Ed Fund's financial assets as of June 30, 2020 and 2019, reduced by amounts not available for general expenditure within one year:

	<u>2020</u>	<u>2019</u>
Financial assets, at year end		
Cash and cash equivalents	\$ 21,811,707	\$ 18,966,825
Grants and pledges receivable	10,070,778	1,959,515
Contracts receivable	1,422,396	1,056,147
Beneficial interest in assets	-	2,928,942
	<u>33,304,881</u>	<u>24,911,429</u>
Less assets unavailable for general expenditures within one year		
Board designated - operating reserve	<u>(740,710)</u>	<u>(604,128)</u>
	<u>(740,710)</u>	<u>(604,128)</u>
Total financial assets available to meet cash needs for general expenditure within one year	<u>\$ 32,564,171</u>	<u>\$ 24,307,301</u>

Financial assets are considered unavailable when illiquid or not convertible to cash and cash equivalents within one year. The Ed Fund has established an operating reserve and reviews its funding level on an ongoing basis to ensure it is adequate to meet current obligations. In addition to financial assets available to meet general expenditures over the next 12 months, the Ed Fund operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. Cash in excess of daily requirements is typically invested in liquid investments.

#### **NOTE 12 – SUBSEQUENT EVENTS**

Subsequent events are events or transactions that occur after the statement of financial position date but before financial statements are available to be issued. The Ed Fund recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statement of financial position, including estimates inherent in the process of preparing the financial statements. The Ed Fund's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of financial position but arose after the statement of financial position date and before financial statements were available to be issued.

In December 2020, the Ed Fund received full forgiveness of the SBA PPP loan in the amount of \$989,400 (See Note 6).

In February 2021, the Ed Fund was granted a Second Draw PPP loan offered by the SBA under the CARES Act, and renewed under section 311 of the Economic Aid to Hard-Hit Small Business, Nonprofits, and Venues Act ("Economic Aid Act"), for \$1,270,700. The loan bears interest at 1% with monthly payments beginning either from (1) the date the SBA remits the borrower's loan forgiveness amount to the lender or (2) 10 months after the end of the borrower's loan forgiveness covered period. This loan is subject to partial or full forgiveness if the Ed Fund uses all proceeds for eligible purposes; maintains certain employment levels; and maintains certain compensation levels in accordance with and subject to the CARES Act, Economic Aid Act, and the various rules, regulations, and guidance. The Ed Fund expects this Second Draw PPP loan to be fully forgiven.

The Ed Fund has evaluated subsequent events through March 17, 2021, which is the date the financial statements are available to be issued.

