

**ROCHESTER EDUCATION FOUNDATION**

**FINANCIAL STATEMENTS**

**December 31, 2017**



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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Rochester Education Foundation  
Rochester, New York

We have audited the accompanying financial statements of Rochester Education Foundation (a nonprofit organization), which comprise the balance sheets as of December 31, 2017 and 2016 and the related statements of cash flows for the years then ended, and the statements of activities and functional expenses for the year ended December 31, 2017, 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 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

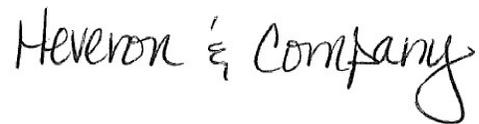


## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Rochester Education Foundation as of December 31, 2017 and 2016 and its cash flows for the years then ended, and the changes in net assets and functional expenses for the year ended December 31, 2017, in accordance with accounting principles generally accepted in the United States of America.

## **Report on Summarized Comparative Information**

We have previously audited Rochester Education Foundation's statements of activities and functional expenses for the year ended December 31, 2016, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 18, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in cursive script that reads "Heveron & Company".

Heveron & Company  
Certified Public Accountants

Rochester, New York  
April 12, 2018

**ROCHESTER EDUCATION FOUNDATION**  
**BALANCE SHEETS**  
**December 31, 2017 and 2016**

**ASSETS**

|                                | <u>2017</u>       | <u>2016</u>       |
|--------------------------------|-------------------|-------------------|
| <u>Current Assets</u>          |                   |                   |
| Cash and Cash Equivalents      | \$ 129,737        | \$ 253,840        |
| Accounts Receivable            | 2,550             | -                 |
| Pledges Receivable             | 12,659            | 42,305            |
| Inventory                      | 7,879             | 7,879             |
| Prepaid Expenses               | 1,918             | 3,230             |
| Funds Held for Others          | <u>1,487</u>      | <u>2,156</u>      |
| Total Current Assets           | <u>156,230</u>    | <u>309,410</u>    |
| <u>Property and Equipment</u>  |                   |                   |
| Equipment                      | 1,249             | 1,249             |
| Less: Accumulated Depreciation | <u>(1,249)</u>    | <u>(749)</u>      |
| Net Property and Equipment     | <u>-</u>          | <u>500</u>        |
| <u>Other Assets</u>            |                   |                   |
| Investments                    | 117,741           | 103,731           |
| Security Deposit               | <u>875</u>        | <u>875</u>        |
| Total Other Assets             | <u>118,616</u>    | <u>104,606</u>    |
| TOTAL ASSETS                   | <u>\$ 274,846</u> | <u>\$ 414,516</u> |

## LIABILITIES AND NET ASSETS

|   | <u>2017</u>       | <u>2016</u>       |
|---|-------------------|-------------------|
| <u>Current Liabilities</u>                |                   |                   |
| Accounts Payable and Accrued Expenses     | \$ 284            | \$ 11,165         |
| Deferred Revenue                          | 5,002             | 121,435           |
| Funds Held for Others                     | <u>1,487</u>      | <u>2,156</u>      |
| Total Current Liabilities                 | <u>6,773</u>      | <u>134,756</u>    |
| <br><u>Net Assets</u>                     |                   |                   |
| Unrestricted - Operating                  | 56,512            | 60,976            |
| Unrestricted - Board Designated Endowment | <u>31,725</u>     | <u>27,207</u>     |
| Total Unrestricted Net Assets             | 88,237            | 88,183            |
| Temporarily Restricted                    | <u>179,836</u>    | <u>191,577</u>    |
| Total Net Assets                          | <u>268,073</u>    | <u>279,760</u>    |
| <br>TOTAL LIABILITIES AND NET ASSETS      | <u>\$ 274,846</u> | <u>\$ 414,516</u> |

See Independent Auditors' Report and Notes to Financial Statements.

**ROCHESTER EDUCATION FOUNDATION**  
**STATEMENT OF ACTIVITIES**  
**For The Year Ended December 31, 2017**  
**(With Comparative Totals For The Year Ended December 31, 2016)**

|  | Unrestricted     | Temporarily<br>Restricted | <u>Totals</u>     |                   |
|--|------------------|---------------------------|-------------------|-------------------|
|  |                  |                           | <u>2017</u>       | <u>2016</u>       |
| <u>Support and Revenue</u>                               |                  |                           |                   |                   |
| Support:   |                  |                           |                   |                   |
| Gifts, Grants and Contributions                          | \$ 18,558        | \$ 166,293                | \$ 184,851        | \$ 221,976        |
| In-Kind Contributions                                    | 106,786          | -                         | 106,786           | 40,240            |
| Recognition Event  | 55,772           | -                         | 55,772            | 49,863            |
| Less: Direct Benefit to Donors                           | (11,624)         | -                         | (11,624)          | (11,286)          |
| Net Assets Released from Restrictions                    | 178,034          | (178,034)                 | -                 | -                 |
| Revenue:   |                  |                           |                   |                   |
| Program Revenue  | 116,433          | -                         | 116,433           | 150,655           |
| Investment Income  | 2,788            | -                         | 2,788             | 2,629             |
| Net Realized/Unrealized                                  |                  |                           |                   |                   |
| Gain on Investments                                      | <u>13,060</u>    | <u>-</u>                  | <u>13,060</u>     | <u>8,064</u>      |
| Total Support and Revenue                                | <u>479,807</u>   | <u>(11,741)</u>           | <u>468,066</u>    | <u>462,141</u>    |
| <u>Expenses</u>  |                  |                           |                   |                   |
| Program Expenses   | 403,218          | -                         | 403,218           | 399,098           |
| Supporting Services:                                     |                  |                           |                   |                   |
| Management and General                                   | 42,387           | -                         | 42,387            | 41,600            |
| Fund Raising   | <u>34,148</u>    | <u>-</u>                  | <u>34,148</u>     | <u>27,243</u>     |
| Total Expenses   | <u>479,753</u>   | <u>-</u>                  | <u>479,753</u>    | <u>467,941</u>    |
| Excess/(Deficit) of Support and<br>Revenue Over Expenses | 54               | (11,741)                  | (11,687)          | (5,800)           |
| Net Assets - Beginning of Year                           | <u>88,183</u>    | <u>191,577</u>            | <u>279,760</u>    | <u>285,560</u>    |
| Net Assets - End of Year                                 | <u>\$ 88,237</u> | <u>\$ 179,836</u>         | <u>\$ 268,073</u> | <u>\$ 279,760</u> |

See Independent Auditors' Report and Notes to Financial Statements.

**ROCHESTER EDUCATION FOUNDATION  
STATEMENT OF FUNCTIONAL EXPENSES**

**For The Year Ended December 31, 2017**

**(With Comparative Totals For The Year Ended December 31, 2016)**

|   | Program<br>Services | Management<br>and General | Fund<br>Raising  | Direct Benefit<br>To Donors | Totals            |                   |
|---|---------------------|---------------------------|------------------|-----------------------------|-------------------|-------------------|
|   |                     |                           |                  |                             | 2017              | 2016              |
| Salaries and Wages  | \$ 97,720           | \$ 18,617                 | \$ 24,378        | \$ -                        | \$ 140,715        | \$ 120,360        |
| Payroll Taxes and Benefits  | <u>19,245</u>       | <u>3,796</u>              | <u>4,766</u>     | <u>-</u>                    | <u>27,807</u>     | <u>17,221</u>     |
| Total Personnel Expenses  | 116,965             | 22,413                    | 29,144           | -                           | 168,522           | 137,581           |
| Professional Services   | 131,369             | 4,345                     | 546              | -                           | 136,260           | 149,403           |
| Instruments   | 82,078              | -                         | -                | -                           | 82,078            | 34,390            |
| Student Activities  | 33,824              | -                         | -                | -                           | 33,824            | 63,979            |
| Food  | 4,832               | -                         | -                | 10,800                      | 15,632            | 11,754            |
| Occupancy   | 9,096               | 1,715                     | 2,042            | 500                         | 13,353            | 13,201            |
| Books   | 12,612              | -                         | -                | -                           | 12,612            | 40,969            |
| Legal and Accounting  | -                   | 11,381                    | -                | -                           | 11,381            | 13,687            |
| Grants  | 4,910               | -                         | -                | -                           | 4,910             | 3,200             |
| Office Expenses   | 2,881               | 582                       | 693              | -                           | 4,156             | 4,606             |
| Insurance   | 2,349               | 1,124                     | 564              | -                           | 4,037             | 1,997             |
| Other Expenses  | 337                 | 327                       | 1,159            | 324                         | 2,147             | 1,693             |
| Supplies  | 1,965               | -                         | -                | -                           | 1,965             | 2,226             |
| Depreciation  | <u>-</u>            | <u>500</u>                | <u>-</u>         | <u>-</u>                    | <u>500</u>        | <u>541</u>        |
| Total Expenses  | 403,218             | 42,387                    | 34,148           | 11,624                      | 491,377           | 479,227           |
| Less Expenses Included<br>with Support and Revenue<br>on the Statement of<br>Activities | <u>-</u>            | <u>-</u>                  | <u>-</u>         | <u>(11,624)</u>             | <u>(11,624)</u>   | <u>(11,286)</u>   |
| Total Expenses Included in<br>the Expense Section of the<br>Statement of Activities     | <u>\$ 403,218</u>   | <u>\$ 42,387</u>          | <u>\$ 34,148</u> | <u>\$ -</u>                 | <u>\$ 479,753</u> | <u>\$ 467,941</u> |

See Independent Auditors' Report and Notes to Financial Statements.

**ROCHESTER EDUCATION FOUNDATION**  
**STATEMENTS OF CASH FLOWS**  
**For The Years Ended December 31, 2017 and 2016**

|   | 2017              | 2016              |
|---|-------------------|-------------------|
| <u>Cash Flow From Operating Activities</u>        |                   |                   |
| Deficit of Support and Revenue Over Expenses      | \$ (11,687)       | \$ (5,800)        |
| Noncash Expenses, Revenues, Losses and Gains:     |                   |                   |
| Depreciation                                      | (500)             | (541)             |
| Net Realized/Unrealized Gain on Investment        | (13,060)          | (8,064)           |
| (Increase)/Decrease In:                           |                   |                   |
| Accounts Receivable                               | (2,550)           | -                 |
| Pledges Receivable                                | 29,646            | (35,522)          |
| Inventory   | -                 | 14,248            |
| Prepaid Expenses                                  | 1,312             | (1,660)           |
| Increase/(Decrease) In:                           |                   |                   |
| Accounts Payable and Accrued Expenses             | (10,881)          | 5,203             |
| Deferred Revenue                                  | <u>(116,433)</u>  | <u>26,616</u>     |
| Net Cash Flow Used By Operating Activities        | <u>(124,153)</u>  | <u>(5,520)</u>    |
| <u>Cash Flow From Investing Activities</u>        |                   |                   |
| Proceeds from Sale of Investments                 | 8,661             | 47,358            |
| Purchase of Investments                           | <u>(8,611)</u>    | <u>(47,465)</u>   |
| Cash Flow Provided/(Used) By Investing Activities | <u>50</u>         | <u>(107)</u>      |
| Net Decrease in Cash and Cash Equivalents         | (124,103)         | (5,627)           |
| Cash and Cash Equivalents - Beginning of Year     | <u>253,840</u>    | <u>259,467</u>    |
| Cash and Cash Equivalents - End of Year           | <u>\$ 129,737</u> | <u>\$ 253,840</u> |

See Independent Auditors' Report and Notes to Financial Statements.

**ROCHESTER EDUCATION FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Organization

Rochester Education Foundation (the Organization) is a nonprofit organization, which provides programs and resources to support the success of city students in school and in life, using partnerships with educators, businesses, and the community to achieve their goals. Founded in 2005, the Organization is an independent nonprofit that helps Rochester City School District (RCSD) students of every age and grade level have the opportunities they need to succeed. The Organization is supported through program revenue, contributions and special events.

The main programs of the Organization are as follows:

Spring for Music Opportunities: The Spring for Music Opportunities program provides city students with opportunities to play, perform and excel in the field of music. The Organization collected and donated 478 musical instruments for city students in 2017, bringing the total of musical instruments donated since the program launch in 2005 to approximately 2,000. The Organization also supported music scholarships for summer music lessons, and the purchase of instruments so college-bound students can audition and receive scholarships. The Organization also supported the purchase of music for ensembles and refreshments to support the citywide marching band.

Give Back, Give Books: The Organization supports student book clubs, parent-student reading events and a wide range of literacy projects for city students through Teachers' Choice, a program within Give Back, Give Books. The Organization has given more than 41,300 new books to city students for reading activities in class and to enjoy at home since 2006. In 2017 the Organization provided 2,308 new books or magazine subscriptions to 41 educators at city schools. Books are then given to students for their home libraries.

College Access: Through the Organization's college access collaborative, Rochester College Access Network (RCAN), the Organization has worked with colleges and universities, community organizations, businesses and individuals to provide information, guidance and activities so that more Rochester city students can go to college – and reach their full potential. In 2017 the Organization provided FAFSA Fest, a series of five community events in the winter and three in the fall through which students and a parent receive free help filling out and submitting the Free Application for Federal Student Aid. The Organization also trained volunteers so they will be able to help fill out these forms. The Organization also supported 10<sup>th</sup> grade college visits for city students, a 9<sup>th</sup> grade informational program about college and support of a special website to help students apply to college (RochesterCAN.org).

**ROCHESTER EDUCATION FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**  
**(Continued)**

**NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING  
POLICIES (Continued)**

Dr. Walter Cooper Fund and Other Continuing Funds: The Organization provides valuable field trip and other resources to students at Dr. Walter Cooper Academy School No. 10, and helps students discover the great outdoors with a club at Wilson High School. In 2016, the Organization added the One Step Closer partner program. This program provides new sneakers to students in need prior to the start of school. The Organization also supported gardens at two schools through the generosity of a private donor.

Finally, the Organization concluded its role in the Greater Rochester Health Foundation's Childhood Healthy Weight Initiative as scheduled. Through June 2017, the Organization supported consultants at five city schools. The goal of the program is to increase the percentage of 4 to 10 year olds in the city who are at a healthy weight by increasing healthy eating habits and physical activity.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Basis of Presentation

In accordance with accounting principles generally accepted in the United States of America, the Organization reports information regarding its financial position and activities according to the existence and nature of donor restrictions in three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. There were no permanently restricted net assets at December 31, 2017 and 2016.

The Organization also records contributions received as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and nature of any donor restrictions.

The following are descriptions of the Organization's net asset classifications:

Unrestricted - Operating: Unrestricted net assets include undesignated resources that are available for the general support of the Organization's operations.

Unrestricted - Board Designated Endowment: The board of the Organization has resolved to invest amounts as a reserve for capital or operating needs. The board created a quasi-endowment with these funds to maximize return while preserving the principal for future capital building or other specific purposes.

**ROCHESTER EDUCATION FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**  
**(Continued)**

**NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING  
POLICIES (Continued)**

Temporarily Restricted: Temporarily restricted net assets result from contributions subject to donors' restrictions that expire with the passage of time or by actions of the Organization.

When donor restrictions expire, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Revenue Recognition

A portion of the Organization's revenue is derived from grants. Amounts received but not yet earned are reported as deferred revenue.

Funding sources may, at their discretion, amend the grant and contract amounts. In addition, reimbursement for expenses or return of funds, or both, may be requested as a result of noncompliance by the Organization with the terms of the grants and contracts. The Organization records such amendments, reimbursements, and returns of funds as an adjustment to revenue in the year of the amendment.

Contributions

Contributions are recorded at the time of receipt or when evidence of a non-conditional promise to give has been received. Promises subject to conditions are not recorded as income until those conditions have been met. Contributions that are expected to be received in future years are recorded at their present value. Contributions are recorded as unrestricted unless they are subject to donor restrictions, or are required to be used or expected to be received in future years.

Inventories

Inventories consist of books to be used for the Organization's programs and are recorded at their average cost or value when donated.

Accounts and Pledges Receivable

Accounts and pledges receivable are stated at the amount management expects to collect. Amounts that management believes to be uncollectible after collection efforts have been completed, are written off. In addition, management evaluates the need for, and if appropriate, provides an allowance to reduce receivables to amounts management expects will be collected. Management determined that no allowances were necessary at December 31, 2017 and 2016.

**ROCHESTER EDUCATION FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**  
**(Continued)**

**NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING  
POLICIES (Continued)**

Income Taxes

The Internal Revenue Service has determined that the Organization is qualified as a charity exempt under Section 501(c)(3) of the Internal Revenue Code, and has also determined that the Organization is publicly supported. As a result, no provision for federal or state income taxes has been made.

Use of Estimates in the Preparation of Financial Statements

Accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the amounts of assets and liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities. Actual results could vary from those estimates.

Functional Expenses

The costs of providing the various program services have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the program services, management and general, and fund raising categories.

Property and Equipment

Property and equipment are stated at cost. The Organization capitalizes property and equipment with a cost of over \$1,000 and an estimated life of three years or more. Depreciation is computed using the straight-line method based on the estimated useful lives of the assets, as follows.

|           | <u>Years</u> |
|-----------|--------------|
| Equipment | 3            |

Depreciation expense amounted to \$500 and \$541 for the years ended December 31, 2017 and 2016, respectively.

Comparative Financial Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2016 from which the summarized information was derived.

**ROCHESTER EDUCATION FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**  
**(Continued)**

**NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Determining Fair Value of Financial Assets and Liabilities

Accounting principles generally accepted in the United States of America established a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1: Inputs to the valuation method are unadjusted quoted market prices in active markets for identical assets or liabilities.

Level 2: Inputs to the valuation method include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or by other means.

Level 3: Inputs to the valuation method are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Cash and Cash Equivalents

For the purposes of the statements of cash flows, cash and cash equivalents include all cash on hand and in bank. The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Cash and cash equivalents consisted of the following at December 31:

|                                 | <u>2017</u>       | <u>2016</u>       |
|---------------------------------|-------------------|-------------------|
| Savings                         | \$ 69,021         | \$ 203,860        |
| Checking                        | 60,616            | 49,880            |
| Petty Cash/Cash Held for Change | <u>100</u>        | <u>100</u>        |
| Total                           | <u>\$ 129,737</u> | <u>\$ 253,840</u> |

**ROCHESTER EDUCATION FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**  
**(Continued)**

**NOTE 2 - INVESTMENTS**

Investments in equity securities with readily determinable fair values, and all investments in debt securities are measured at fair market value. Unrealized gains or losses on securities result from differences between the cost and fair market value of securities on a specified valuation date.

Investment securities are exposed to various risks, such as interest rate, market, economic conditions, world affairs and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying financial statements.

Investments are held in investment funds managed by professional investment advisors. Investments are also held in investment funds managed by Rochester Area Community Foundation (the Community Foundation). These consisted primarily of mutual funds and equity investments. The value of these holdings is based on the Organization's proportional ownership in the Community Foundation's pooled funds based on net asset value. The fair value of all of the investments is based on Level 2 inputs in the hierarchy as described in Note 1 for the years ended December 31, 2017 and 2016.

A summary of investments at market value at December 31 are as follows:

2017

|              | <u>Level 1</u>   | <u>Level 2</u>   | <u>Level 3</u> | <u>Totals</u>     |
|--------------|------------------|------------------|----------------|-------------------|
| Money Market | \$ 2,912         | \$ -             | \$ -           | \$ 2,912          |
| Mutual Funds | 83,104           | -                | -              | 83,104            |
| RACF Funds   | -                | 31,725           | -              | 31,725            |
| Totals       | <u>\$ 86,016</u> | <u>\$ 31,725</u> | <u>\$ -</u>    | <u>\$ 117,741</u> |

2016

|              | <u>Level 1</u>   | <u>Level 2</u>   | <u>Level 3</u> | <u>Totals</u>     |
|--------------|------------------|------------------|----------------|-------------------|
| Money Market | \$ 3,841         | \$ -             | \$ -           | \$ 3,841          |
| Mutual Funds | 72,685           | -                | -              | 72,685            |
| RACF Funds   | -                | 27,205           | -              | 27,205            |
| Totals       | <u>\$ 76,526</u> | <u>\$ 27,205</u> | <u>\$ -</u>    | <u>\$ 103,731</u> |

There were no changes in the valuation techniques during the year.

**ROCHESTER EDUCATION FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**  
**(Continued)**

**NOTE 2 - INVESTMENTS (Continued)**

The fair value of investments held by the Community Foundation are taken from the statements that the the Community Foundation provides with investment values at year-end. The Community Foundation values the securities in the fund based on quoted market prices, when available. The Community Foundation also holds fixed income securities with no quoted market prices available. Those fixed income securities are valued based on information on comparative securities, prevailing interest rates, and other factors. The value of the investment is reported by the Community Foundation at its net asset value.

**NOTE 3 - BOARD DESIGNATED ENDOWMENT**

The Board Designated Net Assets consist of donations amounting to \$25,000 received from multiple individuals during the year ended December 31, 2013 that the board used to create a quasi-endowment fund. As required by accounting principles generally accepted in the United States of America, net assets associated with funds functioning as endowments are classified and reported based on the existence or absence of donor-imposed restrictions or board designations.

Interpretation of Relevant Law

The Organization has interpreted the New York Prudent Management of Institutional Funds Act (NYPMIFA) as requiring the preservation 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. The endowment currently does not contain any donor restricted amounts.

Return Objectives and Risk Parameters

The Organization has adopted investment policies for endowment assets that attempt to provide an optimum stream of funding for programs supported by these investments while seeking to maintain the historical value of those assets. These policies are applied to amounts designated by the Board of Directors as quasi-endowments.

Strategies Employed for Achieving Objectives

Funds were invested with The Community Foundation subject to the Foundation's policies for investments. To satisfy its long-term rate of return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

**ROCHESTER EDUCATION FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**  
**(Continued)**

**NOTE 3 - BOARD DESIGNATED ENDOWMENT (Continued)**

Spending Policy

The Organization determines the amount eligible to be spent in any given year based on 5% of the rolling twenty-quarter average market value of the endowment fund. In establishing this policy, the Organization considered the long-term expected return on its investment assets, the nature and duration of the endowment funds, and the possible effects of inflation. However, with a vote of 2/3 of its board members, the Organization may request payout from principal for capital building purposes or other specific needs. The Organization may request payout of some or all principal.

Endowment net asset composition by type of fund as of December 31:

|                                 | 2017         | 2016      |
|---------------------------------|--------------|-----------|
|                                 | Unrestricted |           |
| Board Designated Endowment Fund | \$ 31,725    | \$ 27,207 |

Endowment net asset composition and changes:

|  | Unrestricted<br>Quasi<br>Endowment |           |
|--|------------------------------------|-----------|
| Endowment Net Assets - Beginning of Year | \$ 27,207                          | \$ 25,295 |
| Investment Income                        | 234                                | 53        |
| Net Appreciation                         | 4,709                              | 2,242     |
| Contributions                            | 687                                | 180       |
| Amounts Appropriated for Expenditure     | (1,112)                            | (563)     |
| Endowment Net Assets - End of Year       | \$ 31,725                          | \$ 27,207 |

**NOTE 4 - DONATED SERVICES AND GOODS**

The Organization receives donated services that, although substantial, do not meet the criteria for recording as revenue and expense under accounting principles generally accepted in the United States of America. During the years ended December 31, 2017 and 2016, approximately 125 and 180 active volunteers provided 900 and 1,300 hours of service, respectively. These consisted mainly of volunteers for events, program services, and board meetings.

**ROCHESTER EDUCATION FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**  
**(Continued)**

**NOTE 4 - DONATED SERVICES AND GOODS (Continued)**

The Organization also receives donated goods and services that do meet the criteria for recording as revenue and expense under accounting principles generally accepted in the United States of America. During the years ended December 31, 2017 and 2016, the Organization recognized \$106,786 and \$40,240 of in-kind contributions, respectively. These consisted mainly of instruments, books and professional services.

**NOTE 5 - TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets were restricted for the following purposes at December 31:

|   | 2017       | 2016       |
|---|------------|------------|
| College Access                          | \$ 50,442  | \$ 52,556  |
| Dr. Walter Cooper Academy               | 35,860     | 41,570     |
| Wilson Outdoor Club                     | 34,825     | 20,006     |
| Arts                                    | 18,137     | 18,137     |
| Books, Music Programs or College Access | 15,332     | -          |
| One Step Closer                         | 10,082     | 12,970     |
| Spring for Music Opportunities          | 5,363      | 29,556     |
| Last Dollar/College Student Grants      | 5,308      | 2,960      |
| Other                                   | 4,487      | 11,019     |
| Book Programs                           | -          | 2,803      |
| Total                                   | \$ 179,836 | \$ 191,577 |

**NOTE 6 - SUBSEQUENT EVENTS**

Subsequent events have been evaluated through April 12, 2018, which is the date the statements were available for issuance.