

THE BASIC FUND

JUNE 30, 2015

INDEPENDENT AUDITORS' REPORT

AND

FINANCIAL STATEMENTS

The BASIC Fund

Independent Auditors' Report and Financial Statements

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Independent Auditors' Report

THE BOARD OF DIRECTORS
THE BASIC FUND
San Francisco, California

Report on the Financial Statements

We have audited the accompanying financial statements of **THE BASIC FUND (the Fund)** which comprise the statement of financial position as of June 30, 2015, the related statements of activities, 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.

Auditor's 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 of 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.

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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 Fund as of June 30, 2015, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited The Fund's 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 10, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Hood & Strong LLP

San Francisco, California
February 10, 2016

The BASIC Fund

Statement of Financial Position

<i>June 30, 2015 (with comparative totals for 2014)</i>	2015	2014
Assets		
Cash and cash equivalents	\$ 2,806,477	\$ 3,345,098
Interest receivable	17,005	10,320
Contributions receivable, net	2,406,597	2,217,261
Investments	12,716,270	12,865,305
Prepaid expenses	28,065	8,925
Property, plant, and equipment, net	37,271	27,813
Total assets	\$ 18,011,685	\$ 18,474,722
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 19,431	\$ 8,780
Total liabilities	19,431.00	8,780
Net Assets:		
Unrestricted - designated for scholarships	2,132,061	4,031,400
Temporarily restricted	15,860,193	14,434,542
Total net assets	17,992,254	18,465,942
Total liabilities and net assets	\$ 18,011,685	\$ 18,474,722

See accompanying notes to financial statements.

The BASIC Fund

Statement of Activities

Year Ended June 30, 2015 (with comparative totals for 2014)

	2015			2014
	Unrestricted	Temporarily Restricted	Total	Total
Revenue and Support:				
Contributions	-	\$ 5,760,777	\$ 5,760,777	5,529,713
Interest	\$ 63,742	15,925	79,667	50,241
Realized and unrealized gains on investments	7,255	5,009	12,264	8,822
Net assets released from restriction	4,356,060	(4,356,060)	-	-
Total revenue and support	4,427,057	1,425,651	5,852,708	5,588,776
Expenses:				
Scholarships	5,332,047		5,332,047	6,014,443
Management and general	994,349		994,349	796,805
Total expenses	6,326,396		6,326,396	6,811,248
Changes in Net Assets	(1,899,339)	1,425,651	(473,688)	(1,222,472)
Net Assets, beginning of year	4,031,400	14,434,542	18,465,942	19,688,414
Net Assets, end of year	\$ 2,132,061	\$ 15,860,193	\$ 17,992,254	18,465,942

See accompanying notes to financial statements.

The BASIC Fund

Statement of Cash Flows

<i>June 30, 2015 (with comparative totals for 2014)</i>	2015	2014
Cash Flows from Operating Activities:		
Change in net assets	\$ (473,688)	\$ (1,222,472)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Realized and unrealized gains on investments	(12,263)	(8,629)
Depreciation	14,125	16,717
Amortization of pledge discount	5,027	(19,805)
Changes in operating assets and liabilities:		
Contributions receivable	(194,362)	(3,434)
Interest receivable	(6,686)	1,117
Prepaid expense	(19,140)	5,177
Accounts payable	10,651	(8,637)
Cash (used) provided by operating activities	(676,336)	(1,239,966)
Cash Flows from Investing Activities:		
Purchase of investments	(10,827,318)	(16,105,036)
Proceeds from sale of investments	10,988,616	17,639,985
Purchase of property, plant and equipment	(23,583)	(18,001)
Cash provided by investing activities	137,715	1,516,948
(Decrease) Increase in Cash	(538,621)	276,982
Cash and Cash Equivalents, beginning of year	3,345,098	3,068,116
Cash and Cash Equivalents, end of year	\$ 2,806,477	\$ 3,345,098

See accompanying notes to financial statements.

The BASIC Fund

Notes to Financial Statements

Note 1 - Nature of Fund:

The BASIC Fund (the Fund) is a privately funded program dedicated to broadening the educational opportunities for children by helping low-income families in Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Solano, and Sonoma counties afford the cost of tuition at private or parochial schools of their choice. The scholarships are offered to students in kindergarten through eighth grade.

The Fund receives the majority of its contributions from individuals and foundations. The Board of Directors, through their personal contributions, fund the administrative and general expenses of the Fund.

Continuing scholarship support is available to students, as long as they meet all academic and admission requirements of the school to which they apply and as long as their families remain financially eligible under the Fund's guidelines.

Note 2 - Significant Accounting Policies:

a. Basis of Presentation and Description of Net Assets

The financial statements are prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles.

The Fund reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted.

Unrestricted Net Assets - the portion of net assets that is neither temporarily nor permanently restricted by donor - imposed stipulations. These net assets are intended for use of management and the Board of Directors for educational scholarships and general operations. The Board of the Fund has designated the majority of its funds for ongoing support of the Fund's scholarship activity.

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

Permanently Restricted Net Assets - the portion of net assets of which use by the Fund is limited by donor - imposed stipulations that neither expire by passage of time nor can otherwise be removed by actions of the Fund. The Fund has no permanently restricted net assets.

The BASIC Fund

Notes to Financial Statements

b. Recognition of Revenue

Contributions are recorded as revenue at their fair value when the promise to give to the Fund is made. Contributions with donor restrictions are reported as an increase in temporarily restricted net assets. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished) temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions. Certain contributions restricted by the donor are reported as an increase in unrestricted net assets if the restriction is released in the same reporting period in which the support is received.

Management reviews outstanding contributions receivable on a regular basis and deemed all receivables to be fully collectable in future periods.

c. Cash and Cash Equivalents

Cash and cash equivalents consist primarily of cash and money market funds.

d. Investments

Investments consist primarily of certificates of deposit and mutual funds.

Investments are recorded at fair value, with realized and unrealized gains and losses reflected in the Statement of Activities.

e. Fair Value Measurements

The 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 Fund classifies its financial assets and liabilities measured at fair value on a recurring basis based on a fair value hierarchy with three levels of inputs. Level 1 values are based on unadjusted quoted prices in active markets for identical securities. Level 2 values are based on significant observable market inputs, such as quoted prices for similar securities and quoted prices in inactive markets. Level 3 values are based on significant unobservable inputs that reflect the Fund's determination of assumptions that market participants might reasonably use in valuing the securities. The valuation levels are not necessarily an indication of the risk or liquidity associated with the assets and liabilities measured at fair value.

The BASIC Fund

Notes to Financial Statements

f. Property and Equipment

Property and equipment are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets, ranging from 3 to 5 years. Renewals and betterments are capitalized; maintenance and repairs are charged to expense as incurred.

g. Donated Goods and Services

Contributions of donated noncash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received. A number of unpaid volunteers have made significant contributions of their time to the Fund. However, the value of these services is not reflected in these statements because the criteria for recognition have not been satisfied.

h. Income Taxes

The Fund is a tax exempt organization under Internal Revenue Service Code Section 501(c)(3) and the California tax code.

The Fund follows the guidance of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 740 for accounting for uncertainty in income taxes. Management evaluated the Fund's tax positions and concluded that the Fund had maintained its tax exempt status and had taken no uncertain tax positions that would require adjustments to the statement of financial position to comply with provisions of this guidance.

i. Use of Estimates

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

j. Management and General

Management and general represent expenses for salary and overhead related expenses incurred in administering the Fund's scholarship program.

The BASIC Fund

Notes to Financial Statements

k. 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 Fund's financial statements for the year ended June 30, 2014 from which the summarized information was derived.

l. Subsequent Events

The Fund has reviewed the results of activities for the period of time from its fiscal year ended June 30, 2015 through February 10, 2016, the date of the 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 subsequent events have occurred, the nature of which would require disclosure.

Note 3 - Contributions Receivable:

Contributions receivable consist of the following at June 30:

2016	\$ 1,127,250
2017	796,434
2018	369,050
2019	202,862
2020	13,200
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Subtotal	2,508,796
Less unamortized discount	102,199
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	\$ 2,406,597
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The long-term portion of contributions receivable has been discounted using a 5% discount rate. Management has determined that all contributions receivable are collectible; therefore no allowance for uncollectible accounts has been recorded.

At June 30, 2015, contributions receivable includes approximately \$997,896 pledged from the Board of Directors.

The BASIC Fund

Notes to Financial Statements



Children's Scholarship Fund has expressed intention to match on a one for three basis \$715,000 for the 2012 Program, and an intention to match on a one for four basis \$572,000 for the 2013 Program. A further condition of the Children's Scholarship Fund grant is that all their funding is to be used exclusively for scholarships. These conditional promises to give are recognized as revenue upon receipt.

Note 4 - Investments:

The amortized cost and estimated fair values of the major components of investment are as follows:

June 30, 2015	Amortized Cost	Fair Value
Certificates of deposit	\$ 11,982,243	\$ 11,982,447
Mutual Funds	727,472	733,823
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	\$ 12,709,715	\$ 12,716,270

Note 5 - Fair Value Measurements:

Following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis and recognized in the accompanying Statement of Financial Position, as well as the general classification of such instruments pursuant to the valuation hierarchy.

Investment Securities

The fair value of investment securities is the market value based on quoted market prices, when available, or market prices provided by recognized broker dealers. If listed prices or quotes are not available, fair value is based upon externally developed models that use unobservable inputs due to the limited market activity of the instrument.

At June 30, 2015, all of the investments, as described in Note 4, are valued under ASC 820 using level 2 inputs.

Other financial instruments

Financial instruments, which are included in the Fund's Statement of Financial Position as of June 30, 2015 but not required to be measured at fair value, consist of cash and cash equivalents, contributions receivable and interest receivable. Their carrying amounts represent a reasonable estimate of the corresponding fair values.

The BASIC Fund

Notes to Financial Statements

Note 6 - Temporarily Restricted Net Assets:

Temporarily restricted net assets are available for the following purpose at June 30, 2015:

2009 Program	\$ 134,365
2010 Program	861,863
2011 Program	1,300,958
2012 Program	1,974,309
2013 Program	2,629,413
2014 Program	2,440,798
2015 Program	3,712,272
2016 Program	913,647
2017 Program	748,176
2018 Program	43,750
2019 Program	69,033
2020 Program	7,200
General Scholarship and Operations	1,024,408
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	\$ 15,858,183

Included in the amounts above is a \$1,000,000 contribution, which along with its related investment earnings, will be used to support scholarships and operations, with a 5% draw each year from the combined principal and earnings, thereon, as needed.

Net assets during 2015 were released from restrictions as follows:

2009 Program	\$ 433,407
2010 Program	477,715
2011 Program	641,271
2012 Program	765,684
2013 Program	1,073,938
2014 Program	947,045
Operations	17,000
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	\$ 4,356,060

Note 7 - Related Party Transactions:

The Fund recorded contribution revenue of approximately \$1,096,000 from its Board of Directors for the year ended June 30, 2015. Contributions receivable due from the Board of Directors are discussed in Note 3.

The BASIC Fund

Notes to Financial Statements

Note 8 - Concentration of Credit Risk and Support:

The Fund has identified its financial instruments which are potentially subject to credit risk. These financial instruments consist principally of investments and contributions receivable.

Investments consist of certificates of deposit, mutual funds, and equities.

All receivables consist primarily of unsecured amounts due from individuals, corporations, and foundations. The credit risk associated with receivables is substantially mitigated by the large number of entities comprising the receivable balance.

Note 9 - Commitments and Contingencies:

The Fund had an operating lease agreement for its headquarters in San Francisco through May 2015, which required minimum base lease payments.

The Fund has an operating lease agreement for its headquarters in Oakland through July 2020, which requires minimum base lease payments.

The future minimum lease payments under the lease agreement for the office in Oakland are approximately \$471,000.

Rental expense under these agreements for the year ended June 30, 2015 was approximately \$31,000 with an additional operating cost of approximately \$35,000.