

**THE BASIC FUND**

**JUNE 30, 2021**

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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, 2021, the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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.

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, 2021, 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 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 12, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Hood & Strong LLP*

San Francisco, California  
September 23, 2022

# The BASIC Fund

## Statement of Financial Position

<i>June 30, 2021 (with comparative totals for 2020)</i>	2021	2020
<b>Assets</b>		
Cash and cash equivalents	\$ 2,440,498	\$ 1,581,386
Interest receivable	1,123	80,421
Contributions receivable, net	1,921,379	1,724,092
Investments	19,512,827	19,748,728
Prepaid expenses	46,582	37,696
Fixed assets	65,091	62,487
<b>Total assets</b>	<b>\$ 23,987,500</b>	<b>\$ 23,234,810</b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities:</b>		
Accounts payable and accrued expenses	\$ 129,741	\$ 63,699
Paycheck Protection Plan loan	137,600	137,600
<b>Total liabilities</b>	<b>267,341</b>	<b>201,299</b>
<b>Net Assets:</b>		
Without donor restrictions	1,418,755	1,328,386
With donor restrictions	22,301,404	21,705,125
<b>Total net assets</b>	<b>23,720,159</b>	<b>23,033,511</b>
<b>Total liabilities and net assets</b>	<b>\$ 23,987,500</b>	<b>\$ 23,234,810</b>

See accompanying notes to financial statements.

# The BASIC Fund

## Statement of Activities

*Year Ended June 30, 2021 (with comparative totals for 2020)*

	2021			2020
	Without Donor Restrictions	With Donor Restrictions	Total	Total
<b>Revenue and Support:</b>				
Contributions		\$ 9,432,921	\$ 9,432,921	\$ 8,988,126
Investment income	\$ 15,368	297,966	313,334	374,085
Net assets released from restriction	9,134,608	(9,134,608)	-	-
<b>Total revenue and support</b>	<b>9,149,976</b>	<b>596,279</b>	<b>9,746,255</b>	<b>9,362,211</b>
<b>Expenses:</b>				
Programs	8,395,199		8,395,199	6,919,663
Fundraising	516,456		516,456	441,162
Management and general	147,952		147,952	111,809
<b>Total expenses</b>	<b>9,059,607</b>	<b>-</b>	<b>9,059,607</b>	<b>7,472,634</b>
<b>Changes in Net Assets</b>	<b>90,369</b>	<b>596,279</b>	<b>686,648</b>	<b>1,889,577</b>
<b>Net Assets, beginning of year</b>	<b>1,328,386</b>	<b>21,705,125</b>	<b>23,033,511</b>	<b>21,143,934</b>
<b>Net Assets, end of year</b>	<b>\$ 1,418,755</b>	<b>\$ 22,301,404</b>	<b>\$ 23,720,159</b>	<b>\$ 23,033,511</b>

See accompanying notes to financial statements.

## The BASIC Fund

### Statement of Functional Expenses

*Year Ended June 30, 2021 (with comparative totals for 2020)*

	<u>Supporting Services</u>			2021 Total	2020 Total
	Programs	Fundraising	Management and General		
Grants and awards	\$ 7,662,969			\$ 7,662,969	\$ 6,246,633
Salaries and employee benefits	533,210	\$ 412,480	\$ 81,246	1,026,936	872,531
Contract and professional services	52,805	42,803	58,268	153,876	138,927
Travel and meetings	7,333	1,250	438	9,021	25,621
Printing, postage and supplies	19,658	8,508	1,174	29,340	27,802
Rent, utilities and maintenance	82,612	35,758	4,932	123,302	102,856
Depreciation	10,226	4,426	610	15,262	3,244
Telecommunication	9,292	4,022	555	13,869	25,923
Insurance	12,212	5,286	729	18,227	14,026
Other expenses	4,882	1,923		6,805	15,071
	\$ 8,395,199	\$ 516,456	\$ 147,952	\$ 9,059,607	\$ 7,472,634

See accompanying notes to financial statements.

# The BASIC Fund

## Statement of Cash Flows

<i>Year Ended June 30, 2021 (with comparative totals for 2020)</i>	2021	2020
<b>Cash Flows from Operating Activities:</b>		
Change in net assets	\$ 686,648	\$ 1,889,577
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Net realized and unrealized (gains) losses on investments	(153,617)	56,677
Depreciation	15,262	3,244
Amortization of pledge discount	(2,790)	355
Allowance for doubtful accounts	(10,000)	
Changes in operating assets and liabilities:		
Contributions receivable	(184,497)	(152,032)
Interest receivable	79,298	(3,524)
Prepaid expenses	(8,886)	6,829
Accounts payable and accrued expenses	66,042	(14,832)
Cash provided by operating activities	487,460	1,786,294
<b>Cash Flows from Investing Activities:</b>		
Purchase of investments	(88,507,018)	(27,633,264)
Proceeds from sale of investments	88,896,536	26,521,736
Purchase of fixed assets	(17,866)	
Cash provided (used) by investing activities	371,652	(1,111,528)
<b>Cash Flows from Financing Activities:</b>		
Paycheck Protection Program loan borrowing		137,600
Cash provided by financing activities	-	137,600
<b>Change in Cash and Cash Equivalents</b>	859,112	812,366
<b>Cash and Cash Equivalents, beginning of year</b>	1,581,386	769,020
<b>Cash and Cash Equivalents, end of year</b>	\$ 2,440,498	\$ 1,581,386
Non-cash Investing Activities:		
Fixed assets included in accounts payable	\$ -	\$ 45,728

See accompanying notes to financial statements.



# The BASIC Fund

## Notes to Financial Statements

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### 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 accounting principles generally accepted in the United States of America.

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

*Net Assets Without Donor Restrictions* - the portion of net assets that is without 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.

*Net Assets With Donor Restrictions* - the portion of net assets of which use by the Fund is limited by donor-imposed stipulations that can be fulfilled and removed by actions of the Fund, primarily through payment of educational scholarships. There is no 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 net assets restricted in perpetuity.

# The BASIC Fund

## Notes to Financial Statements

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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 net assets with donor restrictions. When a restriction expires (that is, when a stipulated purpose restriction is accomplished) net assets with donor restrictions are reclassified to net assets without donor restrictions 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 net assets without donor restrictions 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 maintains an allowance for doubtful accounts for estimated losses resulting from the inability of donors to make payments. This allowance is based on historical experience and identification of contribution-specific collectability concerns. Losses incurred from uncollectible donations have not historically been material to the Fund.

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, government securities, equities and mutual funds. Investments also include an alternative investment in a fund of funds and is valued at cost.

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

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f. Fixed Assets

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.

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 financial statements to comply with provisions of this guidance.

i. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions 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 expenses incurred to administer the Fund's scholarship program and general operations.

# The BASIC Fund

## Notes to Financial Statements

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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, 2020 from which the summarized information was derived.

l. New Accounting Pronouncements

*Pronouncement effective in the future:*

In February 2016, the FASB issued ASU 2016-02 – *Leases (Topic 842)*. The amendments in this update will supersede much of the existing authoritative guidance for leases. This guidance requires lessees, among other things, to recognize right-of-use assets and liabilities on their balance sheet for all leases with lease terms longer than twelve months. In April of 2020 the FASB voted to further delay the effective date of the lease accounting standard for private not-for-profit entities because of challenges related to the coronavirus pandemic. As a result, the standard will be effective for the Fund for its fiscal year beginning July 1, 2022 with early application permitted. Entities are required to use modified retrospective application for leases that exist or are entered into after the beginning of the earliest comparative period in the financial statements with the option to elect certain transition reliefs.

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Non-for-Profit Entities for Contributed Nonfinancial Assets*, to address stakeholders' concerns regarding the lack of transparency about how certain gifts-in-kind are valued and used in a not-for-profit's programs and other activities. The standard introduces enhanced presentation and disclosure requirements. The standard is effective for the Fund on July 1, 2021. Early adoption is permitted.

The Fund is currently evaluating the impact of these pronouncements on its financial statements.

m. Subsequent Events

The Fund has reviewed the results of activities for the period of time from its fiscal year ended June 30, 2021 through September 23, 2022, the date the financial statements were available to be issued, except as discussed in note 9, the Fund has determined that no adjustments are necessary to the amounts reported in the accompanying financial statements.

# The BASIC Fund

## Notes to Financial Statements

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### Note 3 - Contributions Receivable:

Contributions receivable consisted of the following at June 30, 2021:

Due within one year	\$ 1,237,000
Due after one year	733,480
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Subtotal	1,970,480
Less unamortized discount	(12,601)
Less allowance for doubtful accounts	(36,500)
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	\$ 1,921,379
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The long-term portion of contributions receivable has been discounted using a 1.5% discount rate.

For program years 2008 to 2020, Children's Scholarship Fund has expressed conditional intentions to match scholarship spending, on a one to five basis, with a capped amount defined for each program year. As of June 30, 2021, a cumulative \$2,553,000 remains available to the BASIC Fund under these grants, contingent on satisfaction of future scholarship spending. These amounts are recognized as contribution revenue upon receipt which coincides with the satisfaction of the one to five scholarship spending match.

### Note 4 - Investments and Fair Value Measurements:

The amortized cost and estimated fair values of the major components of investments were as follows at June 30, 2021:

<b>June 30, 2021</b>	Amortized Cost	Fair Value
Cash equivalents related to investments	\$ 120,141	\$ 120,141
Certificates of deposit	904,247	904,354
Equities	1,224,593	1,504,250
U.S. Treasury bills	16,886,582	16,886,582
Fund of funds	97,500	97,500
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	\$ 19,233,063	\$ 19,512,827
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# The BASIC Fund

## Notes to Financial Statements

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All investments are measured at Level 1 with the exception of the Fund of Funds which is measured at Level 3.

Net investment income is comprised of the following for the year ended June 30, 2021:

Interest and dividends	\$ 159,717
Unrealized and realized gains	97,500
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	\$ 313,334

**Note 5 - Net Assets with Donor Restrictions:**

Net assets with donor restrictions totaled \$22,301,404 at June 30, 2021 and are primarily available for scholarship awards. Included in that amount is a \$1,097,500 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 as needed.

As of June 30, 2021, net assets of \$9,134,608 were released from donor restrictions by incurring expenses satisfying the restricted purposes.

**Note 6 - Related Party Transactions:**

The Fund recorded contribution revenue of approximately \$1,409,045 from its current Board of Directors for the year ended June 30, 2021.

**Note 7 - 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, fixed income and equity securities, mutual funds and an investment in a fund of funds.

At June 30, 2021, two donors made up approximately 22% of the Fund's total contributions and three donors owe approximately 68% of the Fund's total outstanding pledge receivables.

# The BASIC Fund

## Notes to Financial Statements

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### Note 8 - Commitments and Contingencies:

The Fund had an operating lease agreement for its headquarters in Oakland through July 2020, and entered into a new operating lease in the same building beginning August 2020 and extending through July 2028. Both leases require minimum base lease payments. The new lease allows for free rent for five months and a rent credit of \$42,000 for tenant improvements paid for by the Fund.

Future minimum lease payments under these leases are as follows:

Year Ending	
June 30,	
2022	\$ 123,994
2023	127,715
2024	131,650
2025	135,499
2026	139,544
Thereafter	155,730
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	\$ 814,132

Rental expense under these agreements for the year ended June 30, 2021 was approximately \$117,049.

Additionally, the Fund has made a capital commitment of \$750,000 in connection with an investment in a fund of funds, at which \$97,500 had been called and paid as of June 30, 2021.

### Note 9 - Paycheck Protection Plan Loan:

As of April 17, 2020, the Fund received loan proceeds in the aggregate amount of approximately \$137,600 under the Paycheck Protection Program (“PPP”). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), provides for loans to qualifying entities. The loans and accrued interest may be forgivable as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries. No collateral or guarantees were provided in connection with the PPP loans.

Any unforgiven portion of the PPP loans matures on April 17, 2022 and includes fixed annual interest at a rate of 1%. The Fund has applied for loan forgiveness and was granted in fiscal 2022.

# The BASIC Fund

## Notes to Financial Statements

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### Note 10 - Availability and Liquidity:

As of June 30, 2021, the Fund's financial assets available within one year for general expenditures were as follows:

Cash	\$ 2,440,498
Receivables	1,237,000
Investments	19,512,827
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	23,190,325
Less amounts not available to be used within one year:	
Net assets with donor restrictions	(22,301,404)
Alternative investment in fund of funds	(97,500)
Add net assets with purpose restrictions to be met within one year	8,020,126
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Total available for general expenditures	\$ 8,811,547

The Fund's goal is generally to maintain financial assets to meet 90 days of operating expenses, which is budgeted at approximately \$354,900. As part of its liquidity plan, excess cash is invested in certificates of deposits, government securities and mutual funds.

### Note 11 - Impact of COVID-19:

An outbreak of respiratory disease caused by a novel (new) coronavirus was first detected in China and has now been detected in more than 100 locations internationally, including in the United States. The virus has been named "SARS-CoV-2" and the disease it causes has been named "coronavirus disease 2019" (abbreviated "COVID-19"). On March 11, 2020, the World Health Organization publicly characterized COVID-19 as a pandemic.

On March 16, 2020, the individual governments of the Greater San Francisco Bay Area announced a mandatory shelter in place order for all residents in the area due to the COVID-19 pandemic. The orders required that all non-essential businesses close until the orders are lifted. The Fund modified its operations in accordance with the health department requirements and continues to evaluate the impact of the pandemic on its ongoing operations.