

10,000 DEGREES

Financial Statements &
Independent Auditor's Report
for the year ended
June 30, 2012



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Independent Auditor's Report

To the Board of Directors
10,000 Degrees
San Rafael, California

We have audited the accompanying statement of financial position of 10,000 Degrees, a nonprofit organization, as of June 30, 2012 and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the management of 10,000 Degrees. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Organization's June 30, 2011 financial statements, which were audited by another public accounting firm. That firm's report dated August 24, 2011 expressed an unqualified opinion on those statements.

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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of 10,000 Degrees as of June 30, 2012, and the result of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

August 24, 2012

A handwritten signature in blue ink that reads "Cook & Company". The signature is written in a cursive, flowing style.

Cook & Company
Certified Public Accountant

10,000 Degrees

Statement of Financial Position June 30, 2012 with Comparative Totals for June 30, 2011

ASSETS	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>6/30/12 Total</u>	<u>6/30/11 Total (Note 2)</u>
Current Assets:					
Cash & cash equivalents	\$1,177,613	\$2,738,409		\$3,916,022	\$2,661,110
Investment - certificate of deposit	110,004			110,004	109,732
Grants & contributions receivable - current (Note 4)	2,797	1,234,000		1,236,797	2,230,829
Due from related party (Note 5)	97,500	315,000		412,500	438,000
Other receivables				0	7,491
Prepaid expenses	54,588			54,588	39,314
Beneficial interest in assets held by Marin Community Foundation - current portion (Note 2)		62,799		62,799	62,303
Total current assets	1,442,502	4,350,208	0	5,792,710	5,548,779
Cash held for long-term investment			\$64,733	64,733	23,437
Grants & contributions receivable - long-term (Note 4)		287,790		287,790	208,280
Due from related party - long-term (Note 5)		550,034		550,034	683,886
Beneficial interest in assets held by Marin Community Foundation (Note 2)	12,229	18,932	1,162,011	1,193,172	1,259,400
Furniture, equipment & leasehold improvements, net (Note 6)	46,316			46,316	23,646
Other assets	60,014			60,014	16,903
TOTAL ASSETS	\$1,561,061	\$5,206,964	\$1,226,744	\$7,994,769	\$7,764,331
LIABILITIES & NET ASSETS					
Current Liabilities:					
Education grants & scholarships payable (Note 16)	\$190,317			\$190,317	\$315,000
Due to related party (Note 15)	45,929			45,929	45,929
Accounts payable	42,992			42,992	23,314
Accrued vacation pay	61,623			61,623	43,320
Deferred rent - current portion (Note 7)	24,668			24,668	20,146
Total current liabilities	365,529	0	0	365,529	447,709
Deferred rent (Note 7)	16,039			16,039	40,708
TOTAL LIABILITIES	381,568	0	0	381,568	488,417
Net Assets:					
Unrestricted (Note 8)	1,179,493			1,179,493	1,179,493
Temporarily restricted (Note 9)		\$5,206,964		5,206,964	4,869,944
Permanently restricted (Note 11)			\$1,226,744	1,226,744	1,226,477
NET ASSETS	1,179,493	\$5,206,964	\$1,226,744	7,613,201	7,275,914
TOTAL LIABILITIES & NET ASSETS	\$1,561,061	\$5,206,964	\$1,226,744	\$7,994,769	\$7,764,331

See accompanying notes to financial statements
& independent auditor's report.

10,000 Degrees

Statement of Activity and Changes in Net Assets for the Year Ended June 30, 2012 with Comparative Totals for the Year Ended June 30, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>6/30/12 Total</u>	<u>6/30/11 Total (Note 2)</u>
Support & revenue:					
Grants & donations	\$209,594	\$2,859,906	\$500	\$3,070,000	\$2,907,444
Related party support-Marin Community Foundation					
Child Care Scholarship Fund		391,475		391,475	407,034
Donor-advised and other funds		579,204		579,204	1,543,871
Net assets released from restriction:					
Satisfaction of donor requirements (Note 10)	3,660,193	(3,660,193)		0	0
In-kind contributions	27,095			27,095	16,261
Special events, net of direct expenses of \$89,169 in 2012 and \$68,928 in 2011	139,938	161,557		301,495	239,019
Program revenue	5,950			5,950	32,843
Change in value of beneficial interest in assets held by Marin Community Foundation	930	5,071	(233)	5,768	183,966
Interest	5,803			5,803	7,717
Other income	3,862			3,862	0
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total support & revenue	4,053,365	337,020	267	4,390,652	5,338,155
Expenses:					
Net grants and scholarships (Note 16)	1,740,849			1,740,849	1,485,958
Outreach programs and program support services	1,360,849			1,360,849	1,202,219
Total program expenses	3,101,698			3,101,698	2,688,177
General & administrative	319,512			319,512	230,401
Fundraising	632,155			632,155	526,318
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total expenses	4,053,365	0	0	4,053,365	3,444,896
Change in Net Assets	0	337,020	267	337,287	1,893,259
NET ASSETS, July 1st	1,179,493	4,869,944	1,226,477	7,275,914	5,391,349
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
NET ASSETS, June 30th	<u>\$1,179,493</u>	<u>\$5,206,964</u>	<u>\$1,226,744</u>	<u>\$7,613,201</u>	<u>\$7,284,608</u>

See accompanying notes to financial statements
& independent auditor's report.

10,000 Degrees

Statement of Functional Expenses for the Year Ended June 30, 2012 With Comparative Totals for the Year Ended June 30, 2011

	Programs	General & Administrative	Fundraising	Shared Costs	6/30/12 Total	6/30/11 Total (Note 2)
Gross grants & scholarships (Note 16)	\$1,959,073				\$1,959,073	\$1,662,275
Less: modifications	(218,224)				(218,224)	(176,317)
Net grants & scholarships	1,740,849				1,740,849	1,485,958
Salaries	656,518	\$150,182	\$299,522		1,106,222	888,203
Payroll taxes & benefits	143,087	31,546	65,113	\$28,224	267,970	232,492
Rent				183,571	183,571	162,566
Accounting & audit		59,409			59,409	28,747
Legal	552	4,788		1,320	6,660	2,016
Consultants & contractors	80,998	225	50,331	14,562	146,116	105,391
Public relations / communications	4,316	300	38,214	3,338	46,168	70,254
Supplies	5,584	1,012	2,679	27,024	36,299	21,462
Computer services	4,189	3,247	5,220	26,932	39,588	50,888
Grantmaking	3,909			110	4,019	8,000
Telephone & internet	257			22,065	22,322	9,048
Equipment rental & service				15,245	15,245	18,857
Staff development	1,100		3,165	4,411	8,676	16,323
Board expenses		12,310			12,310	4,494
Travel	5,730	2,651	6,647	11,862	26,890	12,433
Events			61,102		61,102	67,906
Outreach programs	199,058			3,309	202,367	164,524
Program evaluation					0	33,115
Postage	308	10	567	4,762	5,647	3,402
Dues & memberships	1,559	3,014	4,738	5,971	15,282	4,275
Depreciation				12,635	12,635	16,410
Other	1,807	9,835	9,977	12,399	34,018	46,826
Allocation of shared costs	251,877	40,983	84,880	(377,740)	0	0
Total Expenses	\$3,101,698	\$319,512	\$632,155	\$0	\$4,053,365	\$3,453,590

See accompanying notes to financial statements
& independent auditor's report.

10,000 Degrees

Statement of Cash Flows for the Year Ended June 30, 2012 with Comparative Totals for the Year Ended June 30, 2011

	<u>6/30/12</u>	<u>6/30/11</u>
Cash flows from operating activities:		
Change in net assets	\$337,287	\$1,884,565
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation & amortization expense	17,022	16,410
Loss on disposal of fixed assets	6,780	8,695
Amortization of deferred rent	(20,147)	(15,847)
Change in fair value of beneficial interest in assets held by Marin Community Foundation	3,931	(174,496)
Changes in assets and liabilities:		
Decrease (increase) in grants/contributions receivable	914,522	331,771
Decrease (increase) in receivable from related party	159,352	(1,121,886)
Decrease (increase) in other receivables	7,491	(7,491)
Decrease (increase) in prepaid expenses & deposits	(15,774)	50,239
Increase (decrease) in accounts payable	20,044	(16,749)
Increase (decrease) in accrued payroll liabilities	(366)	(700)
Increase (decrease) in accrued vacation pay	18,303	17,392
Increase (decrease) in grants & scholarships payable	(124,683)	19,000
Cash provided (used) by operating activities:	1,323,762	990,903
Cash flows from investing activities:		
Liquidation of (additional investment in) beneficial interest in assets held by Marin Community Foundation	61,803	(47,813)
Investment in cash held for long-term purposes	(41,296)	68,213
Interest re-invested in short-term certificate of deposit	(272)	(431)
Purchase of fixed assets	(42,085)	(2,552)
Purchase of intangible assets	(47,000)	0
Cash provided (used) by investing activities:	(68,850)	17,417
Increase (decrease) in cash	1,254,912	1,008,320
Cash & cash equivalents, July 1	2,661,110	1,652,790
Cash & cash equivalents, June 30	\$3,916,022	\$2,661,110

See accompanying notes to financial statements
& independent auditor's report.

10,000 Degrees

Notes to Financial Statements June 30, 2012

1. The Organization

Nature of activities

10,000 Degrees, a supporting organization of the Marin Community Foundation (MCF), is a nonprofit corporation established in 1981. In April 2010, Marin Education Fund changed its name to 10,000 Degrees. The Organization was established as the scholarship arm of the Buck Trust, which is administered by the Marin Community Foundation. 10,000 Degrees is dedicated to creating educational equity by providing college access programs, scholarships, and recipient support to students of all ages.

Students who receive assistance are from low-income households. These students are frequently the first generation of their family to attend college and are from groups who have been traditionally underrepresented in higher education.

Relationship to Marin Community Foundation

10,000 Degrees is a supporting organization of the Marin Community Foundation, which constitutes a subsidiary relationship. As such, 10,000 Degrees' financial statements are combined with those of MCF. 10,000 Degrees is exempt from income taxes under Internal Revenue Code Section 501(c)(3).

Funding

10,000 Degrees receives the majority of its funding in the form of grants from the Marin Community Foundation and its affiliates. Additional funding is received from private foundations and individuals, as well as community organizations.

2. Summary of Significant Accounting Policies

Basis of Presentation

Net assets, revenues, expenses, gains, and losses are classified based upon the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets, which includes resources not subject to donor-imposed restrictions.

Temporarily restricted net assets, which includes resources subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time.

Permanently restricted net assets, which includes resources subject to donor-imposed restrictions that require permanent investment by the Organization.

Accounting for Restricted Support

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor 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.

The Organization reports gifts of fixed assets as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those

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10,000 Degrees

Notes to Financial Statements June 30, 2012

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assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed into service.

Cash & Cash Equivalents

Cash & cash equivalents include funds on deposit with banks as well as money funds held with an investment brokerage. All accounts are highly liquid and immediately accessible.

Short Term Investments

Short-term Investments consist of a five-month bank certificate of deposit that matures in August 2012.

Grants & Contributions Receivable

Grants & contributions receivable consist of amounts committed by donors that have not been received by 10,000 Degrees. The vast majority of these are restricted for student scholarship awards. Amounts receivable beyond one year have been classified as long-term and have been discounted to present value using a risk-adjusted rate (ranging from 3.21% to 3.72%) predicated upon the *Daily Treasury Yield Curve Rate*. Based on management's judgment, no allowance for doubtful accounts has been made.

Fair Value of Financial Instruments

The carrying amounts of cash and cash equivalents, receivables, and accounts payable approximate fair value because of the short maturity of these instruments.

Beneficial Interest in Assets Held by Marin Community Foundation

Beneficial interest in assets held by MCF consists of assets transferred to MCF for investment purposes, with the understanding that the income pertaining to these assets would be distributed to 10,000 Degrees.

Although 10,000 Degrees' board of directors recommends distributions from the fund, the trustees of MCF have the power to modify any restriction or condition on the distribution of funds for any specified charitable purposes or to a specified organization, if, in the sole judgement of the Board, such restriction or condition becomes, in effect, unnecessary, incapable of fulfillment, or inconsistent with the needs of the community served by the Foundation.

Property & Equipment

Property and equipment with an initial cost of at least \$1,000 consist of leasehold improvements, office equipment and furnishings. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets, which range from three to seven years.

Change in Accounting Policy - Support from the Marin Community Foundation

Grants and contributions received directly from the Marin Community Foundation is recorded as 'related party support' and handled in accordance with 10,000 Degrees' policy for accounting for restricted support as stated above. This includes the annual Child Care Scholarship grant and distributions from donor-advised funds where MCF and/or the donor are involved in the recommendation of specific scholarship recipients. It also includes gifts from various donor advised funds where neither MCF nor the original donors are involved in the selection of scholarship recipients.

Gifts from other organizations that are administered by Marin Community Foundation are not considered related party support. These amounts are included in grants and contributions. This treatment reflects a change in accounting policy, which was effective July 1, 2011. In previous years, all grants, gifts and contributions processed by Marin Community Foundation, regardless of their original source, were recorded as related party support. This change has no effect on beginning net assets. However, amounts included in the prior year comparative information have been reclassified to conform to the new treatment.

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10,000 Degrees

Notes to Financial Statements June 30, 2012

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Specifically, \$1,945,000 in 'related party support' has been reclassified to 'grants and donations', and \$1,805,000 in 'due from related party' has been reclassified to 'grants and contributions receivable'.

Grants & Scholarships

Grants & scholarships are recorded as expenses after the approval process is completed and recipients are notified. Scholarship modifications represent amounts rescinded by 10,000 Degrees, which occurs primarily because recipient eligibility has changed (i.e. they did not enroll for sufficient college coursework).

Scholarships payable consist of amounts approved, but awaiting payment to the individual or educational institution.

Outreach Programs

Outreach program costs include expenses associated with the production of *10KD Institute*, a summer program designed to help high school students prepare for the college application process. Expenses include venue rental, travel, food and supplies.

Functional Expenses

10,000 Degrees allocates its expenses on a functional basis among its program and support services. Expenses that can be identified with a specific activity or support service are allocated directly. Expenses that are common to several functions are allocated based on the amount of collective staff time spent on the respective functions.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Comparative Data

The financial statement information for the year ended June 30, 2011, presented for comparative purposes, is not intended to be a complete financial statement presentation. For a complete presentation, please refer to the financial statements for that year.

Reclassification

Certain amounts in the June 30, 2011 financial statements have been reclassified to conform to the June 30, 2012 presentation.

10,000 Degrees

Notes to Financial Statements June 30, 2012

3. Fair Value Measurements

Fair values of assets measured on a recurring basis at June 30, 2012 are as follows:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Certificate of deposit	\$110,004	\$110,004		
Beneficial Interest in Assets held by Marin Community Foundation	\$1,255,971			\$1,255,971

Assets measured at fair value on a recurring basis using significant unobservable inputs:

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)
July 1, 2011	\$1,321,702
Net gain (loss)	5,768
Contributions / purchases	500
Distributions	(62,303)
Investment fees	(9,696)
June 30, 2012	\$1,255,971

All investments have been valued using a market approach. Fair value of the Beneficial Interest in Assets of Marin Community Foundation (level 3), consisting of approximately 65% equities, 31% fixed income securities and 4% cash funds, is determined by the management of the underlying investment funds held at MCF. The total unrestricted gain for the year attributable to level 3 assets still held by the Organization at year-end is \$930.

4. Grants & Contributions Receivable

	Due in One Year	Due in 1 – 5 Years	Total
Grants & Contributions receivable, face value	\$1,236,797	\$301,000	\$1,537,797
Discount to Present Value		(13,210)	(13,210)
Grants & Contributions Receivable, net	\$1,236,797	\$287,790	\$1,524,587

10,000 Degrees

**Notes to Financial Statements
June 30, 2012**

5. Due from Related Party

	Due in One Year	Due in 1 – 5 Years	Total
Due from Related Party, face value	\$412,500	\$580,000	\$992,500
Discount to Present Value		<u>(29,966)</u>	<u>(29,966)</u>
Due from Related Party, net	<u>\$412,500</u>	\$550,034	\$962,534

6. Property & Equipment

	Cost	Accumulated Depreciation	Net Book Value
Office Furniture & Equipment	\$225,617	\$179,301	\$46,316
Leasehold Improvements	<u>11,137</u>	<u>11,137</u>	<u>0</u>
Total	\$236,754	\$190,438	\$46,316

7. Deferred Rent

When 10,000 Degrees moved into its current premises in July 2003, the first six months of rent were “free”. As such, this amount was deferred to future periods so that rent expense is recorded properly over the period of the lease. Deferred rent will be fully amortized at the end of the lease in December 2013.

8. Unrestricted Net Assets

Unrestricted net assets consists of the following:

General	\$1,153,632
Board-designated endowment (see Note 11)	90,594
Less: deficit of permanently restricted endowment funds (see Note 11)	<u>(64,733)</u>
Total unrestricted net assets	\$1,179,493

9. Temporarily Restricted Net Assets

Temporarily restricted net assets represent donations, grants, and gifts to 10,000 Degrees that have been restricted for a specific purpose, as follows:

Scholarships	\$3,943,099
General support for future periods	1,119,015
<i>10KD Institute</i> program	93,000
<i>Marin Kids</i> program	27,850
Other	<u>24,000</u>
Total temporarily restricted net assets	\$5,206,964

10,000 Degrees

Notes to Financial Statements June 30, 2012

10. Net Assets Released from Restriction

During the fiscal year, donor restrictions were satisfied and net assets released from restriction by spending funds as follows:

Scholarship awards	\$1,716,776
General operations	1,500,183
<i>10KD Institute</i> program	167,500
Scholarship administration	150,000
<i>Marin Kids</i> program	99,032
Other	<u>26,702</u>
Total net assets released from restriction	\$3,660,193

11. Endowment Funds

The Organization's endowments consist of eight individual funds established for a variety of purposes. Its endowments include both donor-restricted funds and funds designated by the Board of Directors to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. The Board of Directors of the Organization has interpreted the California Uniform Prudent Management of Institutional Funds Act (California UPMIFA) 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. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by California UPMIFA. In accordance with California UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization, and (7) the Organization's investment policies.

Investment Return Objectives, Risk Parameters and Strategies: The Organization has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of 5%, while growing the funds if possible. Therefore, the Organization expects its endowment assets, over time, to produce an average rate of return of approximately 8% annually. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

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10,000 Degrees

Notes to Financial Statements June 30, 2012

(continued)

Spending Policy: The Organization has a policy of appropriating for distribution each year 5% of its endowment fund's average fair value of the prior 12 quarters through the calendar year-end proceeding the fiscal year in which the distribution is planned. In establishing this policy, the Organization considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, many of which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through new gifts and investment return.

Endowment net asset composition by type of fund as of June 30, 2012 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds		\$3,366	\$1,162,011	\$1,165,377
Deficit of endowment funds (owed by Unrestricted to Permanently Restricted)	(\$64,733)		64,733	0
Board-designated endowment funds	<u>90,594</u>			<u>90,594</u>
Total	\$25,861	\$3,366	\$1,226,744	\$1,255,971

Changes in endowment net assets as of June 30, 2012 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$67,440	\$27,785	\$1,226,477	\$1,321,702
Contributions			500	500
Investment Income	5,783	9,674		15,457
Net appreciation (depreciation)	(4,853)	(4,603)	(233)	(9,689)
Amounts appropriated for expenditure	<u>(42,509)</u>	<u>(29,490)</u>	<u>0</u>	<u>(71,999)</u>
Endowment net assets, end of year	\$25,861	\$3,366	\$1,226,744	\$1,255,971

Due to unrealized investment losses that occurred during fiscal year 08/09, the fair value of assets held in the donor-restricted endowment funds is \$64,733 less than the amount initially contributed by the donors. In accordance with the original donor agreements, such losses may not reduce the balance of permanently restricted net assets. As such, the deficiency is shown above as a reduction in unrestricted net assets.

12. Operating Leases

10,000 Degrees leases its office space on Lincoln Avenue in San Rafael under an operating lease which extends through 2013. As mentioned in Note 7, the initial six months of the lease were rent-free. Monthly rent was \$15,277 as of June 2012. Rent is increased annually, increasing to \$15,680 in 2013. 10,000 Degrees also leases its copier and postage meter. Future minimum lease payments on all leases are as follows:

<u>Fiscal Year Ending</u>	
June 30, 2013	191,789
June 30, 2014	100,128
June 30, 2015	<u>2,016</u>
	\$293,933

10,000 Degrees

Notes to Financial Statements June 30, 2012

13. Retirement Plan

10,000 Degrees maintains a 401(k) plan which allows for employer contributions of 5% of each eligible employee's annual salary. Eligible employees include those individuals who work at least 20 hours per week and are employed by the organization for at least one year. Employees are also permitted to make voluntary contributions. All deposits are fully vested at the time of contribution. During the fiscal year ended June 30, 2012, 10,000 Degrees contributed a total of \$33,580 to employee retirement benefits.

14. Concentrations

Support & Revenue

Approximately 68% of 10,000 Degrees' support & revenue is derived directly or indirectly from Marin Community Foundation.

Cash & Investments

10,000 Degrees is invested in bank accounts and brokerage money funds that are not federally insured. The aggregate value of uninsured cash and cash equivalents is \$3,510,017.

In addition, 10,000 Degrees' Beneficial Interest in Marin Community Foundation, which totals \$1,255,971, is invested in various securities that are subject to market fluctuation.

15. Related Party Transactions

As 10,000 Degrees is a supporting organization of the Marin Community Foundation, financial dealings with the Foundation are considered related party transactions. These are summarized as follows:

Statement of Financial Position – June 30, 2012

Due from Related party	\$962,534
Beneficial interest in assets held by MCF	\$1,255,971
Due to the Buck Trust	\$45,929

Statement of Activity – July 1, 2011 to June 30, 2012

Support - Child Care Scholarship Fund grant	\$391,475
Support - Donor Advised Funds & grants	\$579,203
Revenue – change in value of beneficial interest in assets held by MCF	\$5,768

16. Significant Estimate

Scholarships are awarded to students based on each student's anticipated enrollment status at the time of the award. Scholarship expense is recorded at the time the award is made. If a student's enrollment status changes, the amount of that individual's scholarship will be reduced accordingly. This is reflected as a scholarship modification, which is a decrease to scholarship expense.

Although management has made its best estimate based on past experience, it is possible that the scholarship expense and associated liability for June 30, 2012 may differ materially from what is currently reflected in the financial statements.

10,000 Degrees

**Notes to Financial Statements
June 30, 2012**

17. Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through August 24, 2012, which is the date the financial statements were available to be issued.