

SAN FRANCISCO
CONSERVATORY OF MUSIC

JUNE 30, 2014

INDEPENDENT AUDITORS' REPORT

AND

FINANCIAL STATEMENTS

San Francisco Conservatory of Music

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Independent Auditors' Report

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

San Francisco Conservatory of Music

Statement of Financial Position
(in thousands)



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San Francisco Conservatory of Music

Statement of Activities (in thousands)

Year Ended June 30, 2014 (with comparative totals for 2013)

	2014			Total	2013 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted		
Operating Revenue and Support:					
Tuition and fees	\$ 17,396			\$ 17,396	\$ 17,253
Less: Scholarships	(7,331)			(7,331)	(7,520)
Net tuition and fees	10,065			10,065	9,733
Private contributions and government grants	3,886	\$ 1,034		4,920	2,654
Other educational revenue	483			483	509
Fundraising events				-	471
Net investment and endowment income	1	1,676		1,677	1,770
Net assets released from restrictions	2,534	(2,534)		-	-
Total operating revenue and support	16,969	176		17,145	15,137
Expenses:					
Program services:					
Instruction	7,956			7,956	7,856
Student services	920			920	736
Academic support	841			841	728
Public programs	198			198	142
Total program services	9,915			9,915	9,462
Fund-raising:					
General fund-raising	973			973	619
Fund-raising events				-	185
Total fund-raising	973			973	804
General management and administration	3,120			3,120	2,831
Maintenance of plant	1,964			1,964	1,922
Depreciation	1,342			1,342	1,444
Interest expense	181			181	208
Total expenses	17,495			17,495	16,671
Change in net assets from operations	(526)	176		(350)	(1,534)
Nonoperating Activities:					
Endowment and capital campaign contributions		14,981	\$ 1,649	16,630	1,350
Student housing project expenses	(115)			(115)	-
Gain (loss) on sale of assets	4			4	15
Investment income (loss), net of fees		2,296		2,296	288
Change in value of trust receivable			(6)	(6)	(14)
Postretirement health plan obligation	(626)			(626)	283
Net assets released from restrictions	315	(315)		-	-
Underwater endowment fund adjustment	830	(830)		-	-
Change in net assets from nonoperating activities	408	16,132	1,643	18,183	1,922
Total Change in Net Assets	(118)	16,308	1,643	17,833	388
Net Assets -beginning of year	58,092	4,199	37,677	99,968	99,580
Net Assets -end of year	\$ 57,974	\$ 20,507	\$ 39,320	\$ 117,801	\$ 99,968

The accompanying notes are an integral part of this statement.

San Francisco Conservatory of Music

Statement of Cash Flows (in thousands)

Year Ended June 30, 2014 (with comparative totals for 2013)	2014	2013
Operating Activities:		
Change in net assets	\$ 17,833	\$ 388
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Forgiveness of note receivable	(110)	(10)
Depreciation	1,342	1,444
Net realized and unrealized loss (gain) on investments	(3,516)	(1,801)
(Gain) loss on sale of assets	(4)	(15)
Contributions of equipment	(61)	(62)
Contributions received for long-term investment and acquisition of long lived assets	(5,473)	(1,902)
Changes in operating assets and liabilities:		
Receivables	(12,658)	1,069
Other assets	171	(116)
Accounts payable and accrued liabilities	787	(174)
Government advances for loan program	8	7
Deposits and deferred income	97	(34)
Net cash used by operating activities	(1,584)	(1,206)
Investing Activities:		
Property and equipment:		
Proceeds from sales		63
Purchases and capital expenditures	(475)	(245)
Investments:		
Proceeds from sales	13,553	28,115
Purchases	(13,866)	(28,342)
Net cash used by investing activities	(788)	(409)
Financing Activities:		
Contributions received for long-term investment and acquisition of long lived assets	5,473	1,902
Line of credit proceeds	1,250	-
Line of credit payments	(1,000)	(1,250)
Term loan payment	(375)	(375)
Net cash provided by financing activities	5,348	277
Net Change in Cash and Equivalents and Restricted Cash	2,976	(1,338)
Cash and Cash Equivalents beginning of year	1,384	2,722
Cash and Cash Equivalents, end of year	\$ 4,360	\$ 1,384
Supplemental Cash Flow Information:		
Interest paid	\$ 181	\$ 208
Components of Cash and Cash Equivalents:		
Cash	\$ 4,075	\$ 1,267
Cash and cash equivalents - restricted	\$ 285	\$ 117

The accompanying notes are an integral part of this statement.

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Notes to Financial Statements

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Notes to Financial Statements

b. Revenue Recognition

Student tuition accounts receivable are recorded when students are billed. Tuition revenue is recorded as earned, on a pro-rata basis over the applicable teaching period. Payments received for tuition for future periods are reported as deferred revenue. Collection or development of payment plans for tuition is required prior to registration for the following term.

All contributions and grants, whether or not restricted, are recognized as revenue when they are received by or unconditionally pledged to SFCM. SFCM classifies gifts of cash and other assets as temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When such donor restrictions expire, that is, when stipulated time restrictions end or purpose restrictions are accomplished, temporarily restricted net assets

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Notes to Financial Statements

g. Endowment Funds

SFCM's endowments include donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. Net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of UPMIFA

The Board of Trustees of SFCM has interpreted California's 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, SFCM 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's UPMIFA. In accordance with California's UPMIFA, SFCM considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- 1) The duration and preservation of the fund
- 2) The purposes of the organization and donor-restricted endowment fund
- 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 SFCM
- 7) The needs of SFCM and the fund to make distributions and to preserve capital
- 8) The expected tax consequences
- 9) The role that each investment or course of action plays within the overall Fund
- 10) The investment policies of SFCM

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Notes to Financial Statements

Investment Objectives and Spending Policy

SFCM has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of endowment assets. Under this policy, as approved by the Board of Trustees, the performance of the endowment fund shall be measured by total return. It is the desire of the Board of Trustees to realize a return (net of fees) of CPI + 4%.

SFCM has a spending goal of 4% of the 20 quarter moving average market value of the Fund calculated December 31st of each year. The spending rate for the year ending June 30, 2014 was calculated on the prior policy of the average market value of the endowment for the previous three years, calculated on December 31st. The specific income requirement shall be determined by the Board of Trustees on an annual basis and may be approved at a higher level depending on the need of the program. This is consistent with SFCM's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, SFCM 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). SFCM's endowment fund is invested in a portfolio of stocks, bonds, alternative investments and other investments

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Notes to Financial Statements

Student accounts receivable are written off when deemed uncollectible and student loans receivable may be assigned to the U.S. Department of Education. Late fees are charged on student accounts receivable after the posted registration dates.

After a student is no longer enrolled in an institution of higher education and after a grace period, interest is charged on student loans receivable and is recognized as it is charged. Late charges are charged if payments are not paid by the payment due date and are recognized as they are charged. Student loans receivable are considered to be past due if a payment is not made within 90 days of payment due date. After receivables become past due, the accrual of late charges is suspended. Students may be granted a deferment, forbearance or cancellation of their student loan receivable based on eligibility requirements defined by the U.S. Department of Education.

i. Trusts Receivable

Trusts receivable are gifts and bequests held by SFCM or a trustee of which the income is paid to a beneficiary specified by the donor during the beneficiary's lifetime. Upon maturation, the principal becomes available for use by SFCM in accordance with the donor's specified purpose. Currently all recorded trusts contain provisions permanently restricting the corpus of the trust, at least in part. Trusts receivable include charitable remainder trusts, which are carried at the estimated net present value of SFCM's remainder interest in irrevocable trusts. The present value was actuarially determined at a rate of 1.2%.

j. Property, Plant and Equipment

Property, plant and equipment are stated at cost, if purchased, or fair market value at date of acquisition, if donated. Depreciation is recorded using the straight-line method over estimated useful lives of 80 years for buildings, 20-40 years for building improvements, and 3-10 years for all other depreciable assets. Included in property and plant assets are musical instruments SFCM maintains and records as a collection, and accordingly, no depreciation is recognized in operations.

k. Collections

SFCM has capitalized its collection of musical instruments since its inception. If purchased, items accessioned into the collection are capitalized at cost, and if donated, they are capitalized at their fair value on the accession date. Gains or losses on the deaccession of collection items are classified in the statement of activities as unrestricted or temporarily restricted support depending on donor restrictions, if any, placed on the item at the time of accession.

l. Deposits and Deferred Income

Deposits and deferred income represent tuition that has not been earned at year-end and will be recognized in subsequent periods.

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Notes to Financial Statements

m. Government Advances for Loan Program

SFCM records the portion of Federally funded student loan payments received as a refundable advances. The amount includes principal and interest earned on the loans less certain allowable costs.

n. Non-Operating Revenue and Gains

Non-operating revenue and gains includes gifts and grants restricted or designated for endowment or plant and the related investment income and net realized gains on investments in excess of the allocated income under the endowment spending policy.

o. Advertising Expenses

SFCM's policy is to expense advertising costs as they are incurred.

p. Functional Expense Allocations

Certain expenses, such as depreciation and amortization expense, building services, and personnel, are allocated among program services and supporting services based primarily on direct payroll charges and other direct expenses.

q. Income Taxes

SFCM operates as a not-for-profit corporation and is exempt from income taxes on related income under provisions of the United States Internal Revenue Code, Section 501(c)(3) and the California Tax Code. Accordingly, no provision for income taxes has been reflected in these financial statements.

SFCM follows the guidance of the Financial Accounting Standards Board (FASB) ASC Topic 740 for accounting for uncertainty in income taxes. As of June 30, 2014, management evaluated SFCM's tax positions and concluded that SFCM had maintained its tax exempt status and had taken no uncertain tax positions that require adjustment to the financial statements. Therefore, no provision or liability for income taxes has been included in the financial statements. With few exceptions, SFCM is no longer subject to income tax examinations by federal or state authorities for years before 2011 and 2010, respectively.

r. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

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Notes to Financial Statements

The availability of funds for loans under the Perkins loan program is dependent on reimbursements to the pool from repayments on outstanding loans. Funds advanced by the Federal government of \$726,000 at June 30, 2014 are ultimately refundable to the government and are classified as liabilities in the statement of financial position. Outstanding loans cancelled under the program result in a reduction of the funds available for loan and a decrease in the liability to the government.

The principal amount past due under the Perkins loan program was approximately \$178,000 at June 30, 2014.

Note 4 - Investments:

SFCM's investments consisted of the following at June 30:

	2014		2013	
	Fair Value	Cost	Fair Value	Cost
Cash and equivalents	\$ 333,000	\$ 333,000	\$ 11,036,000	\$ 11,036,000
Domestic equities and funds	7,395,000	4,598,000	6,138,000	5,272,000
International equities and funds	9,625,000	6,781,000	3,803,000	3,831,000
Domestic fixed income funds	5,732,000	4,021,000	5,159,000	5,192,000
International fixed income funds	1,893,000	1,825,000	1,329,000	1,374,000
Alternative investment funds	622,000	594,000	590,000	613,000
Commodities fund	106,000	103,000	122,000	128,000

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Notes to Financial Statements

Note 5 - Fair Value Measurements:

The table below presents the assets and liabilities measured at fair value at June 30, 2014 on a recurring basis.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
Investments:				
Cash and cash equivalents	\$ 333,000			\$ 333,000
Domestic equities and funds:				
Consumer	1,447,000			1,447,000
Health care	757,000			757,000
Technology	467,000			467,000
Utilities	288,000			288,000
Financials	649,000			649,000
Industrials	590,000			590,000
Materials	329,000			329,000
Energy	340,000			340,000
Communications	363,000			363,000
Equity funds	2,155,000	\$ 8,000		2,163,000
International equities and funds	9,626,000			9,626,000
Domestic fixed income funds:				
Total return funds	2,239,000			2,239,000
Corporate/government				
funds – multi sector	1,717,000			1,717,000
Corporate – high yield	110,000			110,000
Income focused bonds	1,667,000			1,667,000
International fixed income				
funds	1,893,000			1,893,000
Alternative funds	621,000			621,000
Commodities fund	106,000			106,000
Real asset funds	5,464,000			5,464,000
Hedge fund – small cap access		1,086,000		1,086,000
Hedge fund – multi-advisor			\$ 1,437,000	1,437,000
Hedge fund – multi-strategy			2,406,000	2,406,000
Hedge fund – multi-managers				
futures	944,000			944,000

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	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Liabilities:				

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Notes to Financial Statements

- (a) The fund is a mutual fund registered under the Mutual Funds Law of the Cayman Islands. The fund was formed to provide clients with access to the Chilton Small Cap International Fund Ltd. The Fund invests substantially all of its assets in Chilton Small Cap, Class H and Class I, which may hold illiquid investments.
- (b) The fund is a mutual fund registered under the Mutual Funds Law of the Cayman Islands. The fund's investment objective is to seek attractive, absolute and relative returns with volatility that is lower than that of the equity market and returns that demonstrate a low to moderate correlation to both the equity and fixed income markets. The fund invests among a diversified group of hedge funds and separately managed accounts managed by portfolio managers with differing styles and strategies and cash held by each class and subtracting all of its liabilities. The fund has a one year lock up period.
- (c) The fund is a registered multi-strategy fund of hedge funds. The Fund's investment objective is to seek attractive risk-adjusted returns and capital appreciation by investing in 30-35 hedge funds. The Fund has quarterly liquidity with no lock up period.
- (d) The fund is a single manager multi-strategy hedge fund registered under the Mutual Funds Law of the Cayman Islands. The Fund's investment objective is to deliver repeatable alpha-driven returns with minimal volatility and market correlation. The Fund has a one year soft lock-up period. After one year, 25% of a participant's interests may be withdrawn quarterly and the entire balance may be withdrawn over 4 quarters with 95 days notice.
- (e) The fund is a limited partnership that invests in a portfolio consisting primarily of securities of privately held technology companies. The term of the partnership is until December 31, 2014. Liquidity is expected in the form of distributions from the fund when the underlying assets are sold.
- (f) The fund is a limited partnership which makes loans secured primarily by first and second deeds of trust on California real property. The partnership is scheduled to terminate in 2032, unless sooner terminated as provided in the partnership agreement. There are substantial restrictions on transferability of units and accordingly an investment in the partnership is non-liquid. After the one year lock-up period, limited partners may withdraw all or part of their capital accounts from the partnership in four quarterly installments beginning on the last day of the calendar quarter following the quarter in which the notice of withdrawal is given, subject to a 10% early withdrawal penalty. However, in March 2009, due to the distress in the financial markets, the partnership suspended capital liquidations and is not accepting new liquidation requests until further notice.

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Notes to Financial Statements

Note 6 - Contributions and Grants Receivable:

Contributions and grants receivable are as follows at June 30:

	2014	2013
Within one year	\$ 4,206,000	\$ 950,000
One to five years	12,889,000	1,867,000
	17,095,000	2,817,000
Discount on multi-year contributions	(297,000)	(65,000)
Allowance for uncollectible contributions	(1,589,000)	(280,000)
	\$ 15,209,000	\$ 2,472,000

The majority of the receivables are for the endowment, \$1,441,000 net of allowance for present value and uncollectible pledges of \$194,000; and capital campaign including \$12,569,000 net of allowance for present value and uncollectible pledges of \$1,693,000 for the previous capital campaign as of June 30, 2014. See Note 14 for related party contribution receivables.

Note 7 - Property and Plant:

Property and plant consist of the following at June 30:

	2014	2013
Land	\$ 9,861,000	\$ 9,861,000
Building and improvements	64,713,000	64,597,000
Books, furnishings and equipment	5,128,000	4,917,000
Musical instrument collection	3,782,000	3,616,000
	83,484,000	82,991,000
Less accumulated depreciation and amortization	(12,671,000)	(11,336,000)
	70,813,000	71,655,000
Construction in progress	151,000	110,000
	\$ 70,964,000	\$ 71,765,000

Land and building are pledged as collateral for the credit agreement (see Note 8).

Depreciation expense were \$1,342,000 and \$1,004,000 for the years ended June 30, 2014 and 2013, respectively.

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Notes to Financial Statements

Note 8 - Credit Agreement:

On August 25, 2009, SFCM entered into a credit agreement with Union Bank. On December 13, 2012, the credit agreement was amended to extend the maturity date. The original credit agreement consisted of both a term loan of \$7,440,000 and a line of credit of \$4,000,000. The amended line of credit has a maximum limit of \$3,000,000. SFCM's property and land are pledged as collateral for the credit agreement. The credit agreement requires a current ratio of 2 to 1 and a liquidity ratio on its end-of-month funds of 2 to 1 to be maintained at all times. The credit agreement also requires a debt coverage ratio of 1.25 to 1 as of the close of each fiscal quarter on a rolling 4 quarter basis and certain non-financial covenants. At June 30, 2014, SFCM is in compliance with financial and non-financial covenants.

The term loan bears interest at 1.75% over Union Bank's LIBOR Rate, payable monthly. Principal payments are due in yearly installments over seven years. The term loan matures on October 31, 2019 at which time the remaining principal balance is due and payable. The outstanding balance of the term loan as of June 30, 2014 is \$5,625,000.

The amended line of credit is a revolving line of credit and is used for ongoing operating

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With respect to certain employees, SFCM contributes to a multiemployer pension plan for employees covered by a collective bargaining agreement. This plan is not administered by SFCM and contributions are determined in accordance with provisions of negotiated labor contracts. The Multiemployer Pension Plan Amendments Act of 1980 (The Act) significantly increased the pension responsibilities of participating employers. Under the provisions of The Act, if the plan terminates or SFCM withdraws, SFCM could be subject to a substantial "withdrawal liability." Management has no intention of undertaking any action which could subject SFCM to this obligation. The total pension expense related to these employees was \$46,800 for the year ended June 30, 2014.

Note 10 - Multiemployer Pension Plan:

The multiemployer defined benefit pension plan under the terms of collective-bargaining agreements that cover its union-represented employees which are approximating 3.8% of total faculty and staff of SFCM at June 30, 2014. The risks of participating in these multiemployer plans are different from single-employer plans in the following aspects:

1. Assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers.
2. If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
3. If SFCM chooses to stop participating in one of its multiemployer plans, SFCM may be required to pay those plans an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

SFCM's participation in this plan for the annual period ended December 31, 2012, is outlined in the table below. The "EIN/Pension Plan Number" 988:r56 Tw(an Nu8(Nithdrawal9(a(p)-7.2(l)

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<u>Pension Fund</u>	<u>EIN/Pension Plan Number</u>	<u>Pension Protection Act Zone Status</u>	<u>2012</u>	<u>2011</u>	<u>FIP/RP Status Pending or Implemented</u>	<u>The Conservatory Contributions</u>	<u>2012</u>	<u>2011</u>	<u>Expiration Date Date of Collective Bargaining Agreement</u>
Stationary Engineers Local 39 Trust Funds	94-6118939/ 001	Green		Yellow	N/A	\$ 53,000	\$ 50,000		8/31/17

There have been no other significant changes that affect the comparability of 2012 and 2011 contributions.

SFCM has not received information from the plans' administrators to determine its share of utlb

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Notes to Financial Statements

The benefits expected to be paid from SFCM's noncontributory postretirement health benefit plan in each of the next five years, and aggregated for the five years thereafter are as follows:

Year Ended June 30,	
2014	\$ 41,000
2015	50,000
2016	55,000
2017	62,000
2018	67,000
2019 - 2023	495,000

Weighted average assumptions as of June 30, 2014:

Discount Rate	4.4%
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SFCM's projected medical cost trend rate relates to its noncontributory postretirement health benefit plan in 2014 was 6.38% (Hartford/Kei). The assumed medical cost trend rate is expected to gradually decrease in subsequent years to 5% in 2021 and thereafter.

Health Care Trend Rate Sensitivity for Fiscal 2014

<u>1% Increase</u>	<u>1% Decrease</u>
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Notes to Financial Statements

Note 13 - Net Assets:

Net assets consisted of the following at June 30:

	2014			Total	2013 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted		
Endowment:					
Quasi-endowment funds	\$ 107,000			\$ 107,000	\$ 102,000
True endowment funds:					
General purpose	(90,000)	\$ 470,000	\$ 5,779,000	6,159,000	5,819,000
Scholarship	(1,040,000)	1,750,000	25,048,000	25,758,000	22,974,000
Faculty support	(159,000)	695,000	7,417,000	7,953,000	7,314,000
Other program support	(1,000)	135,000	896,000	1,030,000	867,000
Retirement of indebtedness		34,000	180,000	214,000	202,000
True endowment funds	(1,290,000)	3,084,000	39,320,000	41,114,000	37,176,000
Total endowment funds	(1,183,000)	3,400,000	39,320,000	41,221,000	37,278,000
Other	59,157,000	17,423,000		76,580,000	62,690,000
Total net assets	\$ 57,974,000	\$20,507,000	\$ 39,320,000	\$117,801,000	\$ 99,968,000

Included in other temporarily restricted net assets of \$17,423,000 is \$1,362,000 (Lund Fund) of net assets restricted for the collegiate piano program. During fiscal year 2014, SFCM released \$315,000 from the Lund Fund for the collegiate Jack H. Lund Scholarship program. Also included in other temporarily restricted net assets is \$14,866,000 related to the newly established capital campaign (see Note 17).

Temporarily restricted net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors as follows for the year ended June 30, 2014:

Utilized for scholarships	\$ 1,507,000
Utilized for faculty salaries	286,000
Utilized for capital expenditures	389,000
Utilized for other project and program purposes	522,000
Expiration of time restrictions	s of \$17,4

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Notes to Financial Statements

Changes in endowment net assets for the year ended June 30, 2014:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net assets, beginning of year	\$ (2,018,000)	\$ 1,619,000	\$ 37,677,000	\$ 37,278,000
Investment return:				
Investment income	1,000	450,000		451,000
Net realized and unrealized gain (loss) on investments, net of fees	11,000	3,514,000	(6,000)	3,519,000
Underwater endowment funds adjustment	830,000	(830,000)		
Total investment return	842,000	3,134,000	(6,000)	3,970,000
New gifts			1,649,000	1,649,000
Appropriation of endowment	(7,000)	(1,669,000)		(1,676,000)
Net assets, end of year	\$ (1,183,000)	\$ 3,084,000	\$ 39,320,000	\$ 41,221,000

Note 14 - Related Party Transactions:

SFCM received contributions from members of the board of trustees and related entities of approximately \$17,986,000 for the fiscal year ended June 30, 2014. Contributions receivable related to current and prior years' contributions from board members totaled approximately \$14,237,000 at June 30, 2014.

In April 2013, SFCM signed an agreement with the Harris Guitar Foundation (the

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Notes to Financial Statements

Note 15 - Allocation of Certain Shared Costs:

The following tables show the allocation of interest, operation and maintenance of plant, and depreciation expense to each function based on allocation methods and estimates made by SFCM's management.

	Expenses	Interest Expense	Operation and Maintenance of Plant	Total Depreciation	Total 2014
Instruction	\$ 7,956,000	\$ 103,000	\$1,117,000	\$ 763,000	\$ 9,939,000
Student service	920,000	12,000	129,000	88,000	1,149,000