

File No. 100 934

Committee Item No. _____
Board Item No. 61

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Board of Supervisors Meeting

Date July 20, 2010

Cmte Board

- | | | |
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| <input type="checkbox"/> | <input type="checkbox"/> | Motion |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | Resolution |
| <input type="checkbox"/> | <input type="checkbox"/> | Ordinance |
| <input type="checkbox"/> | <input type="checkbox"/> | Legislative Digest |
| <input type="checkbox"/> | <input type="checkbox"/> | Budget Analyst Report |
| <input type="checkbox"/> | <input type="checkbox"/> | Legislative Analyst Report |
| <input type="checkbox"/> | <input type="checkbox"/> | Youth Commission Report |
| <input type="checkbox"/> | <input type="checkbox"/> | Introduction Form (for hearings) |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | Department/Agency Cover Letter and/or Report |
| <input type="checkbox"/> | <input type="checkbox"/> | MOU |
| <input type="checkbox"/> | <input type="checkbox"/> | Grant Information Form |
| <input type="checkbox"/> | <input type="checkbox"/> | Grant Budget |
| <input type="checkbox"/> | <input type="checkbox"/> | Subcontract Budget |
| <input type="checkbox"/> | <input type="checkbox"/> | Contract/Agreement |
| <input type="checkbox"/> | <input type="checkbox"/> | Award Letter |
| <input type="checkbox"/> | <input type="checkbox"/> | Application |
| <input type="checkbox"/> | <input type="checkbox"/> | Public Correspondence |

OTHER (Use back side if additional space is needed)

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Completed by: Annette Lonich Date July 15, 2010
 Completed by: _____ Date _____

An asterisked item represents the cover sheet to a document that exceeds 25 pages.
 The complete document is in the file.

RECEIVED
BOARD OF SUPERVISORS
SAN FRANCISCO
2010 JUL 13 AM 11:20

INTRODUCTION FORM

By a member of the Board of Supervisors or the Mayor

Time Stamp or
Meeting Date

AK

I hereby submit the following item for introduction:

- 1. For reference to Committee:
An ordinance, resolution, motion, or charter amendment.
- 2. Request for next printed agenda without reference to Committee
- 3. Request for Committee hearing on a subject matter.
- 4. Request for letter beginning "Supervisor _____ inquires..."
- 5. City Attorney request.
- 6. Call file from Committee.
- 7. Budget Analyst request (attach written motion).
- 8. Substitute Legislation File Nos.
- 9. Request for Closed Session
- 10. Board to Sit as A Committee of the Whole

Please check the appropriate boxes. The proposed legislation should be forwarded to the following:

- Small Business Commission
- Youth Commission
- Ethics Commission
- Planning Commission
- Building Inspection Commission

Note: For the Imperative Agenda (a resolution not on the printed agenda), use a different form.]

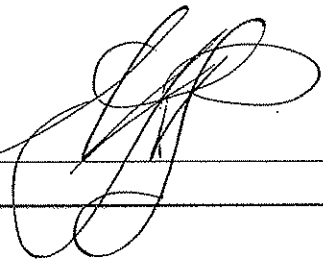
Sponsor(s): Supervisor Michela Alioto-Pier

SUBJECT: Issuance and Sale of Tax-Exempt Revenue Bonds – Drew School

The text is listed below or attached:

See attached.

Signature of Sponsoring Supervisor: _____



For Clerk's Use Only:

1 [Issuance and Sale of Tax-Exempt Revenue Bonds – Drew School - \$8,000,000]

2
3 **Resolution approving the issuance and sale of tax-exempt bonds by the California**
4 **Statewide Communities Development Authority in an aggregate principal amount not to**
5 **exceed \$8,000,000 to finance and/or refinance various capital facilities owned by Drew**
6 **School.**

7
8 WHEREAS, Drew School, a California nonprofit corporation (the "Corporation" or
9 "Borrower") has requested that the California Statewide Communities Development Authority,
10 a joint exercise of powers agency established pursuant to the laws of the State of California
11 (the "Authority") issue and sell its revenue bonds (the "Bonds") in an aggregate principal
12 amount not expected to exceed \$8,000,000, for the purpose of making a loan (the "Loan") to
13 the Corporation which will finance and/or refinance various capital facilities as more fully
14 described below; and

15 WHEREAS, proceeds of the Bonds are to be loaned to Drew School pursuant to a loan
16 agreement (the "Loan Agreement"); and

17 WHEREAS, The Corporation plans to use the proceeds of the Loan for the following
18 purposes: (1) financing and refinancing of the construction of educational facilities located at
19 2901 California Street and 1831-35 Broderick Street, San Francisco, California, which the
20 Corporation intends to use for additional classrooms and school assembly space (together
21 with the property at 2901 California Street, San Francisco, California, the "Facilities"), (2)
22 miscellaneous construction, renovation, improvements, capital maintenance, equipment
23 acquisition and installation thereof at the Facilities, and (3) various costs of issuance, debt
24 service reserve, capitalized interest and credit enhancement fees (collectively, the "Project"),
25

1 all to be owned and operated by the Corporation and used for the educational purposes
2 thereof; and

3 WHEREAS, the City and County of San Francisco (the "City") is a member of the
4 Authority; and

5 WHEREAS, The issuance and delivery of the Bonds shall be subject to the approval of
6 and execution by the Authority of all financing documents relating thereto to which the
7 Authority is a party and shall also be subject to the sale of the Bonds by the Authority; and,

8 WHEREAS, The Project is located wholly within the City; and,

9 WHEREAS, The interest on the Bonds may qualify for tax exemption under Section
10 103 of the Internal Revenue Code of 1986, as amended (the "Code") only if the Bonds are
11 approved in accordance with Section 147(f) of the Code; and,

12 WHEREAS, The Board of Supervisors of the City (the "Board") is the elected legislative
13 body of the City and is one of the applicable elected representatives required to approve the
14 issuance of the Bonds within the meaning of Section 147(f) of the Code and Section 9 of the
15 Amended and Restated Joint Exercise of Powers Agreement, dated as of June 1, 1988,
16 among certain local agencies, including the City (the "Agreement"); and,

17 WHEREAS, The Authority has requested the Board to approve the issuance and sale
18 of the Bonds in order to satisfy the public approval requirements of Section 147(f) of the Code
19 and the Agreement; and,

20 WHEREAS, On June 22nd, 2010, the City caused a notice to appear in the *San*
21 *Francisco Chronicle*, which is a newspaper of general circulation in the City, stating that a
22 public hearing with respect to the issuance of the Bonds would be held by the City's Office of
23 Public Finance on July 9th, 2010; and

1 WHEREAS, The Office of Public Finance held the public hearing described above on
2 July 9th, 2010, and an opportunity was provided for persons to comment on the issuance and
3 sale of the Bonds and the plan of finance for the Project; and

4 WHEREAS, the Director of the Office of Public Finance recommends approval of the
5 issuance and sale of the Bonds pursuant to Chapter 43, Article 9, Section 5 of the
6 Administrative Code; now, therefore be it

7 RESOLVED, That this Board hereby finds and declares the above recitals are true and
8 correct; and, be it

9 FURTHER RESOLVED, That this Board hereby approves the issuance and sale of the
10 Bonds by the Authority; and, be it

11 FURTHER RESOLVED, That it is the purpose and intent of this Board that this
12 Resolution constitute approval by the applicable elected representative of the governmental
13 unit having jurisdiction over the area in which the Project is located for the purposes of and in
14 accordance with Section 147(f) of the Code and the Agreement; and, be it

15 FURTHER RESOLVED, That the approval by the City of the issuance and sale of the
16 Bonds by the Authority is neither an approval of the underlying credit issues of the proposed
17 Project nor an approval of the financial structure of the Bonds; and the City, nor any
18 department thereof, shall have no responsibility or liability whatsoever with respect to the
19 Bonds or the Project; and, be it

20 FURTHER RESOLVED, That the Bonds shall not constitute a debt or obligation of the
21 City and the payment of the principal, prepayment premium, if any, and purchase price of and
22 interest on the Bonds shall be solely the responsibility of the Borrower; and, be it

23 FURTHER RESOLVED, The adoption of this Resolution shall not obligate (i) the City to
24 provide financing to the Borrower for the acquisition, rehabilitation and development of the
25

1 Project or to issue the Bonds for purposes of such financing; (ii) make any contribution or
2 advance any funds to the Authority; (iii) the City, or any department of the City, to approve any
3 application or request for, or take any other action in connection with, any environmental,
4 General Plan, zoning or any other permit or other regulatory action sought in connection with
5 the Project; and

6 FURTHER RESOLVED, That the Controller and the Director of the Office of Public
7 Finance and any other proper officers of the City are hereby authorized and directed to
8 execute such other agreements, documents and certificates, and to perform such other acts
9 as may be necessary or advisable to effect the purposes of this Resolution, and, be it

10 FURTHER RESOLVED, That this Resolution shall take effect immediately upon its
11 adoption.

12
13 APPROVED AS TO FORM:

14 DENNIS J. HERRERA
15 City Attorney

16 By: Kenneth David Roux
17 KENNETH DAVID ROUX
18 Deputy City Attorney



CITY AND COUNTY OF SAN FRANCISCO
OFFICE OF THE CONTROLLER

Ben Rosenfield
Controller

Monique Zmuda
Deputy Controller

Nadia Sesay
Director
Office of Public Finance

July 12, 2010

Supervisor Michela Alioto-Pier
City Hall, Room 244
City and County of San Francisco Board of Supervisors
1 Dr. Carlton B. Goodlett Place
San Francisco CA 94102

Dear Supervisor Alioto-Pier:

Thank you for agreeing to introduce the Board of Supervisors resolution approving, for the purposes of the Internal Revenue Code, the issuance of revenue bonds (the "Bonds") by the California Statewide Communities Development Authority (the "Authority") on behalf of Drew School, a California nonprofit public benefit corporation (the "Borrower"), to finance and/or refinance facilities owned by the Borrower as summarized below. I respectfully request introduction of the resolution at the meeting of the Board of Supervisors on Tuesday, July 13, 2010.

Pursuant to the Tax Equity and Fiscal Responsibility Act (TEFRA), to facilitate the tax exemption of interest on the Bonds the City is required to conduct a public hearing and to approve the financing by the Authority. The Office of Public Finance held such hearing on Friday, July 9, 2010, notice of which was published in the *San Francisco Chronicle* on June 22, 2010. No comments were heard or received from the TEFRA public hearing. The action by the Board acknowledges that the hearing was duly held and that the financing is proceeding.

The Bonds will be issued in an aggregate principal amount not to exceed \$8.0 million. I have performed a limited due diligence review of information pertaining to the project and proposed financing that I have summarized below.

The Borrower

Drew School was founded in 1908 by Bay Area educator John Sheehan Drew. The school is a fully accredited co-educational college preparatory school enrolling approximately 250 students in grades 9 through 12. The school is located at the corner of California and Broderick Streets in San Francisco, California.

The Project

The proceeds from the sale of the Bonds will be loaned to the Borrower for the following purposes: (1) financing and refinancing of the construction of educational facilities located at

2901 California Street and 1831-35 Broderick Street, San Francisco, California, which the Borrower intends to use for additional classrooms and school assembly space (together with the property at 2901 California Street, San Francisco, California, the "Facilities"), (2) miscellaneous construction, renovation, improvements, capital maintenance, equipment acquisition and installation thereof at the Facilities, and (3) various costs of issuance, debt service reserve, capitalized interest and credit enhancement fees (collectively, the "Project"), all to be owned and operated by the Corporation and used for the educational purposes thereof

Financing Information

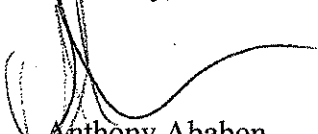
Assuming all required approvals are obtained, the Authority expects to issue a fixed rate bank qualified tax-exempt revenue bonds in an amount not to exceed \$8.0 million. The bonds will be privately placed. Bond Counsel on the transaction is Hawkins Delafield & Wood LLP.

Public Approval Process

The City and County of San Francisco is a participating member of the Authority, a joint powers authority. The Authority is authorized to issue bonds, notes, certificates of participation, or other forms of indebtedness, including refunding previously issued debt. As noted above, federal tax law requires that the governing body of the jurisdiction in which the project is located approve the financing and the project after providing the opportunity for a duly-noticed public hearing before the Bonds may be issued on a tax-exempt basis.

Your assistance with this matter is greatly appreciated. Please contact me at (415) 554-6902, if you any questions or require additional information. Thank you.

Sincerely,



Anthony Ababon
Bond Associate

Cc: Bill Barnes, Legislative Aide to Supervisor Alioto-Pier
Kenneth Roux, Deputy City Attorney

Attachments

CALIFORNIA STATEWIDE COMMUNITIES
DEVELOPMENT AUTHORITY

APPLICATION FOR CONDUIT FINANCING FOR 501(C)(3) NON-PROFIT

Drew School

A. DETAILED HISTORY OF APPLICANT:

Drew School

Principal Contact: Linda Riff
Director of Finance and Operations
2901 California Street
San Francisco, CA 94115
(415) 409-3739 (Riff)
(415) 346-0720 FAX
e-mail: linda@drewschool.org

Sponsoring Jurisdiction:

City and County of San Francisco
Office of the Mayor
City Hall
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102
Tel: (415) 554-6240
Fax: (415) 554-4864

Principal Contact: TBD
e-mail: TBD

OWNERSHIP STRUCTURE: Drew School is an independent school and a qualified 501(c)(3) organization.

Founded in 1908, Drew School has grown from a one student "coaching school" to a fully accredited co-educational college preparatory school enrolling 250 students in grades 9 through 12. The school is located at the corner of California and Broderick Streets, adjacent to Pacific Heights and Presidio Heights.

Drew School is accredited by both the California Association of Independent Schools (CAIS) and the Western Association of Schools and Colleges (WASC). Drew holds memberships in the California and National Associations of Independent Schools, WACAC, NACAC, and SSATB.

PUBLIC BENEFIT:

Drew's students come from a diverse range of ethnic, socio-economic, cultural and religious backgrounds. Approximately 38% of the student population are students of color.

Community Service is an integral component of the educational and social experience of each Drew student. Drew students are involved in such worthwhile projects as food and clothing drives, tutoring, fundraising and volunteering in the Bay Area. Getting Drew students to volunteer in their own community begins to create a life-long passion for serving people in need. And sending our students around the city, wearing their DREW Community Service t-shirts, shows the various San Francisco nonprofit organizations for whom we work that Drew students care deeply about their community. From discussions and planning to actual service in our community, Drew students are involved in such projects as:

- Serving food every month at Glide Memorial Church
- San Francisco Coast cleanup
- Packing and preparing food at the San Francisco Food Bank
- Weekly tutoring program at Cobb School
- Organizing clothing and food drives
- Fundraising for international and national disasters such as the Tsunami in Asia and Hurricane Katrina
- Volunteering at the Recreation Center for the Handicapped (The Janet Pomeroy Center) Valentine's Day dance

Financial Aid

For the 2009-10 year 41% of students received some form of financial assistance ranging from 5% to 95% of full annual tuition.

C. SOURCES AND USES OF FUNDS: Attached is a summary of the Sources and Uses of Funds for the financing (**ATTACHMENT #1: Sources and Uses of Funds**).

D. FINANCING DESCRIPTION: Drew School will be issuing Fixed Rate Bank Qualified Tax-Exempt Revenue Bonds. The purchaser of these bonds will be First Republic Bank.

The NEW ROOTS project is a proposed addition to Drew School's campus where Drew has been located for almost a century. In keeping with Drew's commitment to being a good citizen both locally and globally, the building will be an innovative and beautiful "green"

building in multiple senses of the word. The new assembly wing, performing arts space, and classroom building will be among the first high school buildings in the Bay Area to attain LEED-Gold (Leadership in Energy and Environmental Design) Certification™ for New Construction and for School Pilot. Please see ATTACHMENT #4 for a full project description.

E. SECURITY DESCRIPTION: As in the 2000 and 2007 financing, the security for the bonds will be a pledge of gross revenues from operations of the School as well as the land and buildings. ATTACHMENT #3: 2009 Audited Financial Statements, provides additional background on the School's current financial position.

F. FINANCING TEAM: Attached is a distribution list of financing team members. See ATTACHMENT #4: Distribution List.

We will also be forwarding the \$5,000 application fee shortly. Please let us know if there is anything else that we can provide to you for this application. Thank you for your assistance.

California Statewide Communities Development Authority
Application for Conduit Financing for Drew School
ATTACHMENT #1:
Sources and Uses of Funds

	L.RHF Project Budget	V. Veronh 12/09 Rev.	V. Veronh 3/2 Rev	V. Veronh 4/7 W/Deducts	V. Veronh 12-May
Construction					
A. Basic Construction	9,693,210	9,404,718	9,004,360	9,004,360	8,669,941
B. Allowances		657,000	75,000	75,000	
C. Basic Construction Subtotal: GMP	9,693,210	10,061,718	9,079,360	9,079,360	8,669,941
D. Site Work/Other Construction (Demolition)	2,400	2,400	2,400	2,400	2,400
E. To Be Deleted		200,000		(228,155)	
F. Value Engineering				(63,667)	
G. Addendum 4 Pending				(40,369)	
H. Hazardous Materials Sitework	50,000	50,000	50,000	40,000	40,000
I. Estim. Contingency (if not in Gen's #)					
J. Change Orders (Field Related 3.5%)		335,209	296,762	285,661	195,028
K. Change Orders (Program Related 3%)		257,853	228,294	263,687	217,809
L. Preconstruction Services	53,615	53,615	53,615	53,615	53,615
M. Builder's Risk Insurance	23,000	27,000	27,000	27,000	27,000
N. Other - Deferred Maintenance					
O. Site Utilities Connections	122,469	122,469	130,000	130,000	130,000
P. Site Landscaping	168,750	168,750	168,750	168,750	168,750
Q. Escalation					
Subtotal					
Owner's Office					
A. Sound/Video/Controls				200,000	200,000
B. Living Wall/Roof Plants/Irrigation/Felt				160,000	160,000
C. Theatrical rigging/Lighting					300,000
Subtotal					
Furniture					
A. Furniture			125,000	125,000	112,700
B. Fixtures			90,000	90,000	90,000
C. Equipment	407,400	407,400	80,000	80,000	80,000
Subtotal					
Permits					
A. Conditional Use					
B. Environmental Review					
C. Building Permit(s)	300,000	350,000	350,000	350,000	350,000
Subtotal					
Professional Fees					
A. Primary Architect	1,514,254	1,514,254	1,514,254	1,785,234	1,785,234
B. Arch. Add Services (Contingency)				50,000	50,000
C. Architect's Design Consultants					
D. Architectural Reimbursables					
E. Other Design Consultants - by Owner	83,500	50,000	50,000	50,000	50,000
F. LEED Direct Costs	55,470	55,470	55,470	55,470	55,470
G. As-Built Drawings - Existing Bldgs.					
H. Owner's Representative	94,000	94,000	94,000	94,000	94,000
I. Owner's Rep. Reimbursables					
J. Owner's Miscellaneous Direct Costs	79,699	79,699	79,699	79,699	79,699
K. Legal Services	350,000	350,000	350,000	350,000	350,000
L. Community Outreach (Lobbyist)	380,000	380,000	380,000	380,000	380,000
M. Site Surveyor	12,400	12,400	12,400	12,400	12,400
N. Traffic Consultant					
O. Other Radius					
P. Other: Title	33,500	33,500	33,500	33,500	33,500
Q. Soils Testing					
R. Construction Testing & Inspection		75,000	75,000	75,000	75,000
S. Permit Expediter	27,500	27,500	60,000	70,000	75,000
T. Reproduction/Printing	75,000	35,000	35,000	35,000	35,000
Subtotal					
Building Activation Costs					
A. Telephone Activation		75,000	75,000	50,000	50,000
B. Data Systems Activation				50,000	40,000
C. Security Systems				50,000	50,000
D. Locks & Signs		15,000	15,000	15,000	15,000
Subtotal					
With Fundraising Costs					
A. Fundraising Costs	300,000	300,000	300,000	300,000	300,000
B. Architectural Presentations			27,000	25,000	25,000
C. Donor Recognition					
Subtotal					
With Other Construction					
TOTAL PROJECT BUDGET					
OTHER PROJECT RELATED COSTS					
A. Tenant Relocation	300,000	300,000	300,000	300,000	300,000
B. Bond Financing	250,000	250,000	200,000	125,000	125,000
Subtotal					
REGARDING TOTALS					
FUNDING	14,132,118	14,132,118			
Financing			7,000,000	7,200,000	7,200,000
Capital Campaign/Major Gifts			7,000,000	7,000,000	7,000,000
Capital Campaign Gifts in Kind			382,118	653,098	653,098
School Reserves			617,882	(44,513)	447
Total Funding			15,000,000	14,808,585	14,853,545

California Statewide Communities Development Authority
Application for Conduit Financing for Drew School
ATTACHMENT #2:
2009 Audited Financial Statements

DREW

Financial Statements
with
Independent Auditors' Report

Year Ended June 30, 2009
(With Summarized Comparative Totals for 2008)

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LAUTZE & LAUTZE
CPAs & FINANCIAL ADVISORS

INDEPENDENT AUDITORS' REPORT

Board of Trustees
DREW SCHOOL
San Francisco, California

We have audited the accompanying statement of financial position of DREW SCHOOL (the School) as of June 30, 2009, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the School's management. 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 School's 2008 financial statements and, in our report dated December 1, 2008, we expressed an unqualified opinion on those financial 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 DREW SCHOOL as of June 30, 2009, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Lautze & Lautze

San Francisco, California
October 5, 2009

DREW SCHOOL
STATEMENT OF FINANCIAL POSITION
June 30, 2009
(With Summarized Comparative Totals for 2008)

	2009	2008
ASSETS		
Cash and cash equivalents	\$ 1,878,994	\$ 2,518,921
Tuition receivable, net	47,232	50,546
Other receivables	24,152	27,563
Promises to give, net	1,225,812	1,249,426
Prepaid expenses	305,521	254,176
Note receivable	215,140	222,446
Investments	2,036,241	1,106,066
Property and equipment, net	10,757,407	10,980,858
Bond issuance costs, net	225,814	234,191
Cash held in trust, net	746,822	752,683
Construction in progress	2,209,114	1,196,860
	\$ 19,672,249	\$ 18,593,736
LIABILITIES AND NET ASSETS		
Liabilities:		
Agency funds	\$ 7,887	\$ 9,316
Accounts payable and accrued expenses	399,602	143,692
Accrued salaries and benefits	552,767	449,630
Deferred revenue	1,762,054	1,702,675
Capital lease obligations	29,623	19,100
Bonds payable	9,975,000	9,975,000
	12,726,933	12,299,413
Commitments		
Net assets:		
Unrestricted	4,936,048	4,485,161
Temporarily restricted	2,009,268	1,809,162
	6,945,316	6,294,323
Total net assets	6,945,316	6,294,323
Total liabilities and net assets	\$ 19,672,249	\$ 18,593,736

See notes to financial statements.

DREW SCHOOL
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2009
(With Summarized Comparative Totals for 2008)

	2009			2008
	Unrestricted	Temporarily Restricted	Total	Total
Revenue, gains, and other support:				
Tuition and fees	\$ 7,546,000	\$ -	\$ 7,546,000	\$ 7,068,097
Less financial aid awards	(1,853,075)	-	(1,853,075)	(1,666,520)
Net tuition and fees	5,692,925	-	5,692,925	5,401,577
Other program services, net of financial aid awards of \$75,144	304,665	-	304,665	343,463
Contributions and gifts:				
Drew 100 Capital Campaign	-	1,136,607	1,136,607	789,033
Annual fund	323,139	200	323,339	271,696
Special events	120,942	-	120,942	120,106
Mr. Jowell Fund	-	53,530	53,530	71,830
Other contributions	1,704	29,073	30,777	48,498
Other income	59,115	-	59,115	85,479
Investment income	68,978	-	68,978	175,043
Gain (loss) on disposal of property and equipment	2,520	-	2,520	(134)
Net assets released from restrictions	1,019,304	(1,019,304)	-	-
Total revenue, gains, and other support	7,593,292	200,106	7,793,398	7,306,591
Expenses:				
Salaries and benefits	4,471,565	-	4,471,565	4,164,688
Curriculum and programs	575,063	-	575,063	554,929
Additional programs	236,779	-	236,779	264,066
General and administrative	275,426	-	275,426	312,928
Operations and maintenance	367,427	-	367,427	396,665
Interest expense	531,234	-	531,234	532,110
Depreciation and amortization	335,293	-	335,293	359,146
Development	121,361	-	121,361	50,807
Special events	46,973	-	46,973	55,455
Rental loss	25,955	-	25,955	18,910
Insurance	155,329	-	155,329	158,330
Total expenses	7,142,405	-	7,142,405	6,868,034

See notes to financial statements.

DREW SCHOOL
STATEMENT OF ACTIVITIES (CONTINUED)
For the Year Ended June 30, 2009
(With Summarized Comparative Totals for 2008)

	2009			2008
	Unrestricted	Temporarily Restricted	Total	Total
Change in net assets	\$ 450,887	\$ 200,106	\$ 650,993	\$ 438,557
Net assets:				
Beginning of year	4,485,161	1,809,162	6,294,323	5,855,766
End of year	\$ 4,936,048	\$ 2,009,268	\$ 6,945,316	\$ 6,294,323

See notes to financial statements.

DREW SCHOOL
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2009
(With Summarized Comparative Totals for 2008)

	2009	2008
Cash flows from operating activities:		
Change in net assets	\$ 650,993	\$ 438,557
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Contributions restricted for long-term use	(938,700)	(534,495)
Amortization of discount on promises to give restricted for long-term use	(16,558)	(53,354)
Provisions for uncollectible promises to give restricted for long-term use	25,100	20,000
Net realized and unrealized gain on investments	(15,618)	(36,297)
Depreciation and amortization	335,293	359,146
Loss (gain) on disposal of property and equipment	(2,520)	134
Decrease (increase) in assets:		
Tuition receivable, net	3,314	(38,092)
Other receivables	3,411	14,840
Promises to give	17,549	12,003
Prepaid expenses	(51,345)	(68,978)
Increase (decrease) in liabilities:		
Agency funds	(1,429)	412
Accounts payable and accrued expenses	17,475	54,324
Accrued salaries and benefits	103,137	35,634
Deferred revenue	59,379	12,176
Net cash provided by operating activities	189,481	216,010
Cash flows from investing activities:		
Purchase of investments	(5,695,557)	(1,049,805)
Proceeds from sale or maturity of investments	4,781,000	2,311,000
Purchase of property and equipment	(78,192)	(108,129)
Proceeds from sale of property and equipment	547	550
Cash paid for construction in progress	(773,819)	(760,372)
Net cash provided (used) by investing activities	(1,766,021)	393,244

See notes to financial statements.

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DREW SCHOOL
STATEMENT OF CASH FLOWS (CONTINUED)
For the Year Ended June 30, 2009
(With Summarized Comparative Totals for 2008)

	2009	2008
Cash flows from financing activities:		
Cash received from contributions restricted for long-term use	\$ 936,223	\$ 898,007
Proceeds from collection of note receivable	7,306	4,487
Cash advanced for note receivable	-	(226,933)
Principal payments under capital lease obligations	(12,777)	(5,351)
Cash held in trust, net	5,861	-
	936,613	670,210
Net cash provided by financing activities		
	(639,927)	1,279,464
Cash and cash equivalents:		
Beginning of year	2,518,921	1,239,457
End of year	\$ 1,878,994	\$ 2,518,921

See notes to financial statements.

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DREW SCHOOL
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Purpose and Organization

DREW SCHOOL (the School), founded in 1908, is an independent, fully accredited, college preparatory school located in San Francisco, California. The School provides quality education to approximately 250 students from grades 9 through 12. The Board of Trustees serves as a policy setting body for the School.

The School's mission statement is as follows:

Drew is a small, urban college preparatory school. Our mission is to engage and support the academic talents, initiative and self-confidence of each of our students while encouraging them to be respectful, responsible citizens.

We draw together a varied student body with diverse and emerging talents.

We offer rigorous education in a friendly, cooperative environment, where each kid counts.

We encourage our students to discover relationships between areas of knowledge and to understand the world.

We create opportunities for growth, self-expression, proficiency and leadership.

We foster in each member of the Drew community a joy of active, lifelong learning.

Basis of Accounting

The School prepares its financial statements in accordance with accounting principles generally accepted in the United States of America, which involves the application of accrual accounting; consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

Basis of Presentation

Classification of Net Assets

Accounting principles generally accepted in the United States of America require that the School report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Accordingly, the net assets of the School are classified and reported as described below:

Unrestricted: Those net assets and activities which represent the portion of expendable funds that are available to support the School's operations. A portion of these net assets may be designated by the Board of Trustees for specific purposes.

Temporarily Restricted: Those net assets and activities which are donor-restricted for (a) support of specific operating activities; (b) investment for a specified term; (c) use in a specified future period; or (d) acquisition of long-lived assets.

DREW SCHOOL
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

Classification of Net Assets (Continued)

Permanently Restricted: Those net assets and activities which are permanently donor-restricted for holdings of (a) assets donated with stipulations that they be used for a specified purpose, be preserved, and not be sold; or (b) assets donated with stipulations that they be invested to provide a permanent source of income.

For the year ended June 30, 2009, the School did not have net assets meeting the definition of permanently restricted.

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 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

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. The carrying amounts of long-term receivables and long-term payables approximate fair value as these receivables and payables earn or are charged interest based on the prevailing rates.

Cash and Cash Equivalents

The School considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents restricted as to their use are not included as equivalents, regardless of liquidity.

DREW SCHOOL
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

1. **ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Tuition Receivable

Tuition receivable are uncollateralized obligations which are stated at the amount billed to the parent plus any accrued and unpaid late fees.

Tuition receivable are due under contract terms requiring payment within 10 days from the due date as stated in the enrollment agreement. Unpaid tuition receivable with due dates over 10 days are subject to a one time late fee of \$50.

Payments of tuition receivable are allocated to specific invoices identified on the remittance advice or, if unspecified, are applied to the earliest unpaid invoices.

The School uses the allowance method to account for uncollectible tuition and fees receivables. The allowance for doubtful tuition and fees reflects management's best estimate of the amounts that will not be collected based on historical experience and an evaluation of the outstanding account balances at the end of the school year.

Promises to Give

Unconditional promises to give are recognized as revenues or gains in the period such promises are made by the donor. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. Unconditional promises to give which are due beyond one accounting cycle are recorded at the present value of the contribution, determined using the risk-free interest rate applicable for the year in which the promises are to be received. The interest portion earned in future periods is recorded as contributions in the periods earned.

The School uses the allowance method to account for uncollectible unconditional promises to give. The allowance is based on prior years' experience and management's analysis of specific promises made.

Note Receivable

Note receivable is stated at the principal amount. Management evaluates the collectability of the note receivable annually.

Investments

Marketable investments in equity and debt securities are carried at fair value based upon quoted market prices.

The School's Finance Committee is responsible for establishing investment criteria and overseeing the School's investments.

DREW SCHOOL
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

The School capitalizes acquisitions of property and equipment with a cost or value in excess of \$2,500 (\$1,500 for technology equipment) and with an estimated useful life beyond one year. Purchased assets are recorded at cost; donated assets are recorded at estimated fair value or appraised value at the date of acquisition. Depreciation is calculated using the straight-line method based upon estimated useful lives ranging from 3 to 50 years. Maintenance and repairs are charged to expense as incurred; major renewals and betterments are capitalized. The cost and accumulated depreciation of assets sold or retired are removed from the respective accounts and any gain or loss is reflected in the statement of activities.

Bond Issuance Costs

Bond issuance costs consist of an underwriter's discount, letter of credit fees and costs, trustee and tender agent fees, attorney's fees, printing costs, and other miscellaneous costs of delivery incurred in connection with issuing California Statewide Communities Development Authority Revenue Bonds Series 2007 (Drew School) (Note 10). These costs are being amortized using the straight-line method over 30 years.

Deferred Revenue

Deferred revenue results from the School recognizing registration and tuition revenue in the period in which the related educational instruction is performed. Accordingly, registration and tuition fees received for the next school term are deferred until the instruction commences.

Revenue Recognition

Tuition and Financial Aid

The School recognizes tuition and other fee revenue in the period in which the service has been provided. Gross tuition and fees reflects the School's standard tuition rates for all students. Grants awarded on the basis of financial need are netted against gross tuition and fees.

Contributions

The School recognizes all contributions in the year of receipt, regardless of compliance with restrictions. Contributions without donor-imposed restrictions are reported as unrestricted support. Contributions with donor-imposed restrictions are reported as either temporarily restricted or permanently restricted support, depending upon the type of restriction.

The satisfaction of a donor-imposed restriction on a contribution is recognized when the corresponding expenditures are incurred or when the time restriction expires. This occurs by increasing one class of net assets and decreasing another in the statement of activities. Such transactions are recorded as net assets released from restrictions and are reported separately from other transactions.

DREW SCHOOL
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

I. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

Contributed Goods and Services

Donated material and equipment are recorded as contributions at their estimated value on the date of receipt. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the School reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The School reclassifies temporarily restricted net assets to unrestricted net assets at that time.

The School records contribution revenue for certain services received at the fair value of those services, if the services (a) create or enhance nonfinancial assets, or (b) require specialized skills, are provided by individuals possessing those skills, and would be purchased if not donated.

For the year ended June 30, 2009, the School received \$182,118 in contributed services related to the construction in progress for the Drew 100 Capital Campaign.

Investment Income

Realized and unrealized gains and losses and investment income (losses) derived from investment transactions are included as income in the year earned.

Advertising

The costs of advertising are charged to expense as incurred. Advertising expense for the year ended June 30, 2009 was \$6,890.

Income Taxes

The School is a qualified organization exempt from federal income taxes under §501(c)(3) of the Internal Revenue Code and §23701d of the California Revenue and Taxation Code.

DREW SCHOOL
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Concentrations of Risk

Financial Instruments

Financial instruments which potentially subject the School to concentrations of credit risk consist principally of cash and cash equivalents, promises to give, and investments. The School maintains its cash in various bank deposit accounts which, at times, may exceed federally insured limits. The School has not experienced any losses in such accounts. Concentrations of credit risk with respect to promises to give are limited because the promises are from numerous corporations and individuals. The School attempts to limit its credit risk associated with cash equivalents and investments by utilizing outside investment managers to place the School's investments with highly rated corporate and financial institutions. Management believes that the School is not exposed to any significant credit risk related to concentrations.

In addition, through yearly contracts, the School extends credit to all parents requesting installment payments over the school year. The ability of parents to honor their contracts is dependent upon their individual circumstances. The School purchases tuition refund insurance for all accounts, including those who pay tuition in full before the start of the School year.

Contracts

Faculty and key administrators are employed on an annual contract basis. These contracts expire at the end of the fiscal year and August 15 for administrators and full-time faculty, respectively. Generally, the School has been able to retain the services of desired instructors and administrators, and has not experienced any decline in its programs due to this concentration.

Reclassifications

Certain amounts in the summarized comparative totals for 2008 have been reclassified to conform to the 2009 presentation. These reclassifications have no effect on previously reported net assets or change in net assets.

Comparative Financial Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the School's financial statements for the year ended June 30, 2008, from which the summarized information was derived.

DREW SCHOOL
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

2. FAIR VALUE MEASUREMENTS

The School's financial assets and liabilities carried at fair value have been classified, for disclosure purposes, based on a hierarchy defined by Statement of Financial Accounting Standard (SFAS) No. 157, *Fair Value Measurements*. The hierarchy gives the highest ranking to fair values determined using unadjusted quoted prices in active markets for identical assets and liabilities (Level 1) and the lowest ranking to fair values determined using methodologies and models with unobservable inputs (Level 3). An asset's or a liability's classification is based on the lowest level input that is significant to its measurement. For example, a Level 3 fair value measurement may include inputs that are both observable (Levels 1 and 2) and unobservable (Level 3). The levels of the fair value hierarchy are as follows:

Level 1 – Values are unadjusted quoted prices for identical assets and liabilities in active markets accessible at the measurement date.

Level 2 – Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument. Such inputs include market interest rates and volatilities, spreads and yield curves.

Level 3 – Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect the School's best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

Financial assets and liabilities measured at fair value on a recurring basis

The following table provides information as of June 30, 2009 about the School's financial assets measured at fair value on a recurring basis.

	<u>June 30, 2009</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Assets at fair value:				
Trading securities	\$ 2,036,241	\$ 2,036,241	\$ -	\$ -
Total assets at fair value	<u>\$ 2,036,241</u>	<u>\$ 2,036,241</u>	<u>\$ -</u>	<u>\$ -</u>

DREW SCHOOL
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

3. **PROMISES TO GIVE, NET**

Unconditional promises to give at June 30, 2009 consist of the following:

	Current	Due in 2 to 5 Years	Total
Unrestricted:			
Annual Fund	\$ 4,828	\$ -	\$ 4,828
Major Gifts Program	21,250	-	21,250
Allowance for doubtful promises	(21,250)	-	(21,250)
	<u>4,828</u>	<u>-</u>	<u>4,828</u>
Temporarily restricted:			
Drew 100 Capital Campaign	649,725	630,252	1,279,977
Allowance for doubtful promises	(16,331)	(10,700)	(27,031)
Discount to net present value	-	(31,962)	(31,962)
	<u>633,394</u>	<u>587,590</u>	<u>1,220,984</u>
	<u>\$ 638,222</u>	<u>\$ 587,590</u>	<u>\$ 1,225,812</u>

The promises to give for the *Major Gifts Program* are recorded as unrestricted because the program was established to generate board designated funds to support program, faculty retention, and faculty professional development.

The purpose of the *Drew 100 Capital Campaign* is to build a second building on the Drew Campus, which will feature classrooms and an assembly space/theatre.

All long-term promises to give are stated at their present values. Management has discounted these promises to give based on the four-year U.S. Treasury yield at June 30, a comparable risk-free rate. The rate at June 30, 2009 for the four-year U.S. Treasury yield was 2.09%.

Four donors comprise approximately 68% of the total gross promises to give at June 30, 2009.

DREW SCHOOL
NOTES TO FINANCIAL STATEMENTS
 June 30, 2009

4. **NOTE RECEIVABLE**

Note receivable consists of the following:

Loan to Booker T. Washington Community Service Center in the amount of \$226,933, unsecured, due May 1, 2027	\$ 226,933
Less cumulative principal payments received	<u>(11,793)</u>
Total note receivable at June 30, 2009	<u>\$ 215,140</u>

The loan bears an annual interest rate of 5%. This note receivable is coterminous with the term of the lease executed October 5, 2007 (see Note 18).

Maturities of the note receivable are as follows for the years ending June 30:

2010	\$ 7,622
2011	8,012
2012	8,422
2013	8,853
2014	9,306
Thereafter	<u>172,925</u>
	<u>\$ 215,140</u>

5. **INVESTMENTS**

Investments at June 30, 2009 consist of the following:

U.S. government obligations	\$ 1,950,000
Mutual funds	<u>86,241</u>
	<u>\$ 2,036,241</u>

Investment income for the year ended June 30, 2009 consists of the following:

Realized gains on investments	\$ 35,735
Unrealized losses on investments	(442)
Interest and dividend income	<u>33,685</u>
	<u>\$ 68,978</u>

DREW SCHOOL
NOTES TO FINANCIAL STATEMENTS
 June 30, 2009

6. **PROPERTY AND EQUIPMENT, NET**

Property and equipment at June 30, 2009 consist of the following:

Building	\$ 9,472,512
Equipment and furniture	765,011
Land	686,175
Building improvements	159,652
Vehicles	152,501
Software	92,552
Leasehold improvements	59,225
Broderick Street:	
Land	975,000
Building	661,479
Building improvements	66,440
	13,090,547
Less accumulated depreciation	(2,333,140)
	\$ 10,757,407

For the year ended June 30, 2009, depreciation expense, which includes amortization expense for equipment acquired by capital lease, was \$326,916.

7. **BOND ISSUANCE COSTS, NET**

Bond issuance costs at June 30, 2009 consist of the following:

Bond issuance costs	\$ 242,920
Less accumulated amortization	(17,106)
Bond issuance costs, net	\$ 225,814

Amortization expense for the year ended June 30, 2009 was \$8,377.

DREW SCHOOL
NOTES TO FINANCIAL STATEMENTS

June 30, 2009

8. CONSTRUCTION IN PROGRESS

The School is currently in the design phase in anticipation of construction of a second wing containing classrooms and an assembly/theatre space. As of June 30, 2009, the School has incurred \$2,209,114 on architectural fees and other soft costs.

9. DEFERRED REVENUE

Deferred revenue at June 30, 2009 in the amount of \$1,762,054 primarily represents tuition for the 2009/2010 school year, net of related financial aid in the amount of \$215,961.

10. DEFERRED COMPENSATION

Effective July 2003, and subsequently amended April 2007, the School entered into a non-qualified deferred compensation agreement with the Head of School. The invested assets are held in a separate account, which has a fair market value of \$142,497 at June 30, 2009.

As specified in the agreement, the Head of School shall have no right to payment of the funds during the initial four years of the agreement. The Head of School's rights to payment shall vest on the first day of July in the following years:

	<u>Cumulative Percentage Vested</u>
Vesting period:	
Four years to June 30, 2007	-%
Year ended June 30, 2008	33.33%
Year ended June 30, 2009	66.66%
Year ending June 30, 2010	100.00%

DREW SCHOOL
NOTES TO FINANCIAL STATEMENTS
 June 30, 2009

11. CAPITAL LEASE OBLIGATIONS

The School acquired equipment under a capital lease. The present value of the minimum lease payments has been capitalized. The lease expires September 15, 2013. As of June 30, 2009, the property under this capital lease had a total cost of \$31,990, accumulated amortization of \$6,398 and a net book value of \$25,592. The future minimum lease payments under this capital lease at June 30, 2009 are as follows:

2010	\$	7,989
2011		7,989
2012		7,989
2013		7,989
2014		1,505
Total minimum lease payments		33,461
Less amount representing interest		(3,838)
Present value of net minimum obligations		\$ 29,623

Assets capitalized under capital lease obligations are being amortized over their estimated useful economic lives and are included in depreciation expense. For the year ended June 30, 2009, interest expense on the capital lease obligation was \$2,559.

12. BONDS PAYABLE

On July 6, 2000, the School offered and issued \$8,000,000 in California Statewide Communities Development Authority Revenue Bonds Series 2000 (Drew College Preparatory School) (Series 2000 Revenue Bonds) pursuant to an indenture between California Statewide Communities Development Authority and Wells Fargo Bank bearing interest at a stated rate of 7.25%. The proceeds from the Series 2000 Bonds have been used to assist in financing the construction of a new campus.

The Series 2000 Revenue Bonds issue was advance refunded on June 14, 2007, effectively extinguishing the debt. The loss on extinguishment of this debt amounted to \$703,330. Proceeds of the refunding are held in escrow until the first redemption date of October 1, 2009, and will be redeemed at that time at 102% of remaining principal balance.

Simultaneously, on June 14, 2007, the School offered and issued \$9,975,000 in California Statewide Communities Development Authority Revenue Bonds Series 2007 (Drew School) (the Bonds), pursuant to an indenture between California Statewide Communities Development Authority and Wells Fargo Bank. The Bonds bear interest at a stated rate of 5.30%. The proceeds from the Bonds have been used to advance refund the Series 2000 Revenue Bonds and to repay the Broderick Street mortgage.

DREW SCHOOL
NOTES TO FINANCIAL STATEMENTS
 June 30, 2009

12. BONDS PAYABLE (CONTINUED)

The Bonds and the interest thereon are secured by a first lien deed of trust and an assignment of revenues, as well as the proceeds of the sale of the bonds, which are held in an account established pursuant to the indenture. The Bonds contain certain financial and restrictive covenants. Bond payments are interest only for six years. Principal repayment will be amortized over a period of 25 years beginning October 1, 2014, with the first repayment of bond principal being in the amount of \$215,000. There is a call feature which allows redemption of the Bonds prior to their stated maturity; the redemption price is 102% beginning October 1, 2015, 101% beginning October 1, 2016; the bonds can be redeemed prematurely without penalty at any time beginning October 1, 2017 and thereafter.

Interest expense for the year ended June 30, 2009 was \$528,675. Bond proceeds held in trust at June 30, 2009, were \$746,822.

13. UNRESTRICTED NET ASSETS

Unrestricted net assets at June 30, 2009 are as follows:

School facilities, net of accumulated depreciation	\$ 10,757,407
Construction in progress	2,209,114
Cash held in trust	746,822
Less:	
Accounts payable related to construction in progress	(238,435)
Series 2007 Revenue Bonds	<u>(9,975,000)</u>
Equity in school facilities	<u>3,499,908</u>
Board designations:	
Major Gifts Program	1,050,000
2008/09 Annual Fund for use in 2009/10	325,000
Potential leadership transition costs	<u>60,000</u>
	<u>1,435,000</u>
Undesignated	<u>1,140</u>
	<u><u>\$ 4,936,048</u></u>

DREW SCHOOL
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

14. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30, 2009 may be expended for:

Drew 100 Capital Campaign	\$ 1,772,426
Mr. Jowell Fund	147,137
Senegal Community Service Project	39,834
Library	23,792
Broderick	14,429
Senegal Community Service Financial Aid	<u>11,650</u>
	<u>\$ 2,009,268</u>

15. NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from restrictions by incurring expenses satisfying the restricted purposes or by the occurrence of other events specified by donors during the year ended June 30, 2009 as follows:

Drew 100 Capital Campaign	\$ 1,012,254
Mr. Jowell Fund	6,850
Athletics	<u>200</u>
	<u>\$ 1,019,304</u>

16. RETIREMENT PLAN

The School established a defined contribution retirement plan for eligible employees, sponsored by the School through the Teachers Insurance and Annuity Association/College Retirement Equities Fund (TIAA/CREF) which is qualified under §403(b) of the Internal Revenue Code. Eligible employees are full-time employees who are at least 21 years of age, have completed one year of service with any teaching institution, and who have at least 1,000 hours of service. All eligible employees may make voluntary contributions by salary reduction to the plan, up to the limit allowed by law, which the School will match up to 6% of the employees base salary if the employee contributes a minimum of 3% of their base salary. Total contributions made to the plan by the School were \$179,656 for the year ended June 30, 2009.

DREW SCHOOL
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

17. FUNDRAISING EXPENSE

Fundraising expense for the year ended June 30, 2009 was \$312,738.

18. COMMITMENTS

During the year ended June 30, 2008, the School entered into a 238 month lease with Booker T. Washington Community Service Center (BTWCSC) for its gym facilities. The rental rate is \$100 per hour subject to annual CPI adjustments, with a minimum of 700 annual hours. The lease called for a note receivable for \$226,933 with an interest rate of 5% to be repaid to the School on a monthly basis (see Note 4). The lease also called for a \$200,000 Right of Reinstatement Fee which guarantees the School an additional 20 years should the lease term be interrupted by renovation of BTWCSC's facilities.

The School also leases gym facilities at another location, with monthly payments of \$3,600, expiring September 2010.

The following is a schedule of minimum lease commitments for the years ending June 30:

2010	\$ 113,200
2011	80,800
2012	70,000
2013	70,000
2014	70,000
Thereafter	<u>910,000</u>
	<u>\$ 1,314,000</u>

Rent expense for the year ended June 30, 2009 was \$127,380.

The School is self-insured for its dental coverage. The dental group insurance expense for the year ended June 30, 2009 is \$33,667 and the School has accrued for claim settlements associated with this risk in the amount of \$20,721 as of June 30, 2009.

DREW SCHOOL
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

19. RELATED PARTY TRANSACTIONS

The Drew 100 Capital Campaign funds will be used to build a second building on the Drew campus, which will feature classrooms and assembly space/theatre. During the year ended June 30, 2006, the Board approved ROMA Design Group for services for theater, lighting, structural engineering and waterproofing consulting, and other services. One of ROMA's partners is a member of the School's Board of Trustees. The School estimates that the fees for these services would not exceed \$1,117,000. For the year ended June 30, 2009, the School paid \$324,326 to this organization.

Additionally, during the year ended June 30, 2006, the Board approved Luce, Forward, Hamilton, & Scripps law firm to assist in the Drew 100 Capital Campaign. One of Luce, Forward, Hamilton, & Scripps' partners is a member of the School's Board of Trustees. For the year ended June 30, 2009, the School paid \$96,348 to this organization.

20. SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash paid for interest for the year ended June 30, 2009 was \$531,234.

For the year ended June 30, 2009, the statement of cash flows does not include non-cash operating and investing activity related to construction in progress in the amount of \$238,435 via accounts payable and accrued expenses, and non-cash financing activity related to the capital lease of the copy machine in the amount of \$23,300.

21. SUBSEQUENT EVENTS

The School has evaluated all subsequent events through October 5, 2009, the date the financial statements were available to be issued.

California Statewide Communities Development Authority
Application for Conduit Financing for Drew School
ATTACHMENT #3:
Distribution List



Drew School
California Statewide Communities Development Authority
2010 Revenue Bond Financing

Distribution List
(As of June 7, 2010)

BORROWER

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BOND/DISCLOSURE COUNSEL

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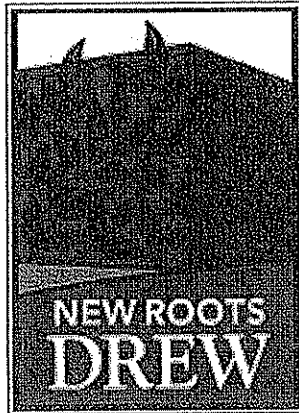
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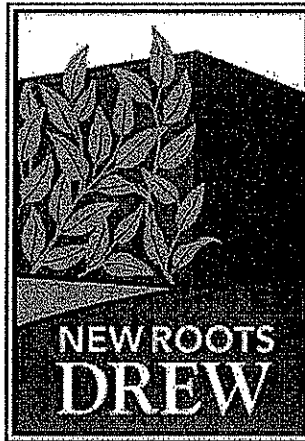
California Statewide Communities Development Authority
Application for Conduit Financing for Drew School
ATTACHMENT #4:
Project Description



DREW SCHOOL'S NEW ROOTS PROJECT 2010

The NEW ROOTS project is a proposed addition to Drew School's campus where Drew has been located for almost a century. In keeping with Drew's commitment to being a good citizen both locally and globally, this building will be an innovative and beautiful "green" building in multiple senses of the word. The new assembly wing, performing arts space, and classroom building will be among the first high school buildings in the Bay Area to attain LEED-Gold (Leadership in Energy and Environmental Design) Certification™ for New Construction and for School Pilot.

Founded in 1908 and located at its current site in Lower Pacific Heights since 1911, Drew School is an independent, co-educational, college preparatory high school enrolling up to 280 students. Drew's mission is to "engage and support the academic talents, initiative, and self confidence of each of our students while encouraging them to be respectful, responsible citizens." Drew recognizes that it is not enough to prepare a student for college—they must also be prepared for life, through citizenship, self knowledge, and independent decision-making. Drew has maintained a long-term commitment to our financial assistance partnership program—over 40% of students currently receive tuition assistance—to help ensure that qualified students have access to Drew's incredible learning environment. Drew is also committed to increasing diversity in multiple ways. The new Class of 2012 reflects that: 33% are self-identified students of color and the students hail from approximately 36 different K-8 and junior high schools within and beyond San Francisco.



NEW ROOTS PROJECT

DREW SCHOOL'S NEW ASSEMBLY WING / CLASSROOM AND THEATER BUILDING

OVERVIEW

The NEW ROOTS project is an addition to Drew School's campus where Drew has been located for almost a century. In keeping with Drew's commitment to being a good citizen both locally and globally, this LEED-Gold Certified building will be an innovative and beautiful "green" building in multiple senses of the word. It fulfills immediate and pressing needs for a flexible on-campus assembly space, performing arts areas and classrooms, and faculty workspace. Completing a long-term vision for the school, this project will realize the full potential of Drew's programs while increasing our financial sustainability and competitive edge—so we can continue our mission and our focus on the education of the whole student. This will offset overcrowding and finally give Drew's burgeoning performing arts programs a space to thrive.

- ❖ Project budget of \$14.2 million will be funded by individual (and foundation) donations and tax-free bonds; initial goal of \$6 million in individual and foundation donations has already been met and the projected total for the Capital Campaign is at least \$7 million.
- ❖ New Assembly Wing with retractable seating, flexible performances spaces, and additional classrooms and faculty workspace
- ❖ Drew's performing arts program has burgeoned, inspiring confidence and leadership among so many in the student body—the new building will not only give the Drew community a more integrated campus, but also reflects and supports our commitment to the arts and the development of our young artists
- ❖ Experienced and highly-lauded project team led by Award-winning ROMA Design Group (with Architects Boris Dramov and Bonnie Fisher) whose world-renowned projects include

San Francisco's Mid-Embarcadero and Northeastern Waterfront and Ferry Plaza, Santa Monica's Downtown Third Street Promenade, and the Martin Luther King, Jr. National Memorial in Washington, D.C.

- ❖ Green features include an external "living wall"/vertical garden, living roof, recycled and sustainable USGBC-certified materials, and environmental sensors

FULFILLING DREW'S MISSION AND LONG-TERM VISION – Drew School's NEW ROOTS project will be an addition to its campus at the corner of California and Broderick streets, where Drew has been located for almost a century. This project is the final stage of Drew's strategic vision for its future, conceived in the 1990's and realized partially with the current classroom building that opened in 2001 (constructed in 12 months and on budget). Coupled with Drew's 20-year lease partnership with our "home" gym, this addition ensures Drew will have its programmatic space needs fulfilled and enables us to usher in a "new era for a century-old school." This building is central to Drew's immediate needs as well as longer-term sustainability, and benefits its students and faculty—who in turn benefit the local community.

"GREEN" AND SUSTAINABLE – In keeping with Drew's commitment to being a good citizen both locally and globally, this building will be an innovative and beautiful "green" building, both literally and figuratively. The new assembly wing, performing arts space, and classroom building will be among the first high school buildings in the Bay Area to attain LEED Gold Certification™ for New Construction and for School Pilot. LEED (Leadership in Energy and Environmental Design) is a seal of approval given by the U.S. Green Building Council for buildings meeting a high level of environmental quality and strict standards. Furthermore, over 30% of the surface area will be covered by the living roof and vertical gardens, creating a vibrant green aesthetic.

NEIGHBORHOOD & COMMUNITY – Drew has been working closely with our neighbors and the local community to ensure all project and construction impacts are minimized. We have spoken with 190 neighbors in person in our door-to-door outreach effort and will continue to do so. Drew is committed to our larger Bay Area community and our local neighborhoods, and we appreciate the show of support in our Conditional Use Permit public process via letters written by neighbors, parents, businesses, and others who believe in Drew's vision and importance to the San Francisco community.

HIGHLIGHTS OF DREW'S NEW ROOTS PROJECT:

- ❖ An external "living wall" by the inventor of the vertical garden, Patrick Blanc—his first such installation in the U.S.; this along with the living roof designed by Rana Creek (creators of the acclaimed green roof at the new California Academy of Sciences) make up nearly 30% of the new building's visible surfaces.

- ❖ Focused on the courtyard, the addition will create a new center or “heart” for the campus, providing the only indoor meeting space on school grounds large enough to hold the entire student body and faculty.
- ❖ The building will be 14,770 square feet. It will be three stories tall, matching the height of the existing building, and will have a fourth floor below grade. The footprint is L-shaped with the short leg on the back (west) end of the building. Because of the slope of the street, there will be windows into the classrooms on the basement level, which was not possible in the construction of the current facility.
 - The lower level will have a music rehearsal room with two practice rooms, a digital classroom/recording studio, a third general classroom, a “green room” support space for the drama program, two multi-stall bathrooms, and electrical and data server rooms.
 - The first floor at courtyard level will contain a vestibule and the flexible assembly space with a faculty work room on the west side. With retractable seating and high glass doors opening into the courtyard, this space will support drama, music, and performing arts in addition to all-school meetings and events. The assembly space will be theatre height with open space extending to the third floor.
 - The second floor will have a classroom on the west side of the building and a gallery extending around two sides of the assembly space below, with a control room on the east side.
 - The third floor will have a classroom on the west side of the building, for a total of five new classrooms. There will be a walkway and tension grid overlooking the assembly space below, with dimmer and mechanical rooms on the east side.
 - The building will also have a number of monitoring devices, which in addition to providing data for maintenance purposes will also be used in the science curriculum. Examples of monitoring would be air quality, humidity, electrical and water usage, and HVAC performance.
- ❖ Our performing arts program has burgeoned in recent years in quality and offerings, inspiring confidence and leadership among so many in the student body. The new facility will not only give the Drew community a more integrated campus, but also it will enable Drew to reflect and support our commitment to music and the arts and the development of our young artists.
- ❖ LEED systems will meet strict standards of energy efficiency, water use reduction, recycled and sustainable building materials and resources.
- ❖ Glazed windows and courtyard doors will enhance “daylighting”; in addition, the indoor environment will meet stringent health standards and produce an environment more conducive to learning
- ❖ The design will visually increase neighborhood “greening” and the number of outdoor plantings.
- ❖ Building support systems and environmental sensors will be integrated into the curriculum of the school, such that the building functions as a ‘living laboratory.’
- ❖ Drew’s science curriculum already incorporates substantial environmental education modules in the classroom and beyond—this building will be a further learning tool.

- ❖ Drew is committed to being a good citizen, in the local and global community—our newly formed faculty-led “green team” (a.k.a., Environmental Sustainability Committee) to our Board-led commitment to LEED-Gold in our new building confirms our dedication at a mission-centric level.
- ❖ From diverting over 60% of our waste in our first year of composting in 2007-08, to using only Green Seal cleaning products in the school’s maintenance, our commitment will continue to grow—for healthier learning spaces and a better overall environment.

Project Team

Architect - ROMA Design Group
Contractor - Herrero
Living Wall/ Vertical Garden - Patrick Blanc
Living Roof - Rana Creek

Green Building Consultant - Simon and Associates, Inc.
Engineers - Structural: Simpson, Gumpertz & Heger
Theater: Auerbach Pollack and Friedlander
Mechanical & Electrical: Flack + Kurtz
Acoustical: Salter and Associates

I. FINDINGS OF OVERRIDING BENEFITS OF THE PROJECT

Pursuant to CEQA Guidelines Section 15093, the Commission has considered the following benefits provided by the Project:

Note to Aaron: Some of the following findings are too extensive for this Motion. The information will be included in the conditional use letter from the project sponsor. However, the City Attorney's office will need to know all the information below before deleting and shortening the findings so that the final findings will meet the "Topanga" legal requirements for findings. If you or the Deputy City Attorney wants, I can give you a new draft that cuts down the language of paragraphs 4, 6, 9.

The Project conforms to the neighborhood character. Land uses in the immediate vicinity of the project site include a mix of residential, commercial, restaurant, office, and institutional uses. The Project will not alter the diverse land use character of the neighborhood.

1. The Project will increase the student body from the currently authorized maximum of 250 to 280 and thus provide greater educational opportunities for San Francisco residents.
2. The Project will increase the number of staff by three, increasing employment opportunities at various skill levels, as one of the increased staff positions will be janitorial or maintenance in nature.
3. 28.6% of all of Drew School's students self-identify themselves as persons of color. Drew School's commitment to increasing the ethnic and socio-economic diversity of the student body is evidenced by that the fact that 20.6% of the Class of 2009, 22.2% of the Class 2010, 40.9% of the Class of 2011, and 31.1% of the Class of 2012 are persons of color.
4. Drew School does not offer any 100% financial aid grants. Instead, it creates a financial partnership model with families that are based on demonstrated financial need. In the 2008-2009 academic year, 41.6% of Drew School's students received partial financial grants ranging from 30% to 97% of the annual tuition with an average grant of 62.3% of tuition. Of the aid recipients, 40% are students of color. Drew School's financial aid program provides the opportunity for more than 100 students a year to attend small classes, have higher level course offerings and the availability of arts, athletics, learning differences support and counseling that may not always be available in public school. Without this financial aid partnership, these students would not have access to the education that best suits their needs. The associated increase in the number of students when the proposed project is complete will increase the number of students participating in financial aid grants.
5. The faculty at Drew participates in the educational lives of their students beyond the classroom. For example, 100% of the faculty members participate in extra-curricular activities as club sponsors, coaches, teachers of elective courses, or student advisors. The student to full-time faculty ratio is 8 to 1 with an average class size of 13-16 students. Annually, at least 50% of the students participate in

athletics and at least 25% to 30% in music and arts. Participation in music and performing arts is constrained by the lack of a performing arts facility, which would be addressed by the Project.

6. Drew School takes great pride in the range of its students and in its ability to serve their varied needs by providing a rigorous college preparatory curriculum with an excellent faculty in a cooperative, small-school environment and by offering individual assistance through the Learning Support Program. Drew is committed to supporting students with varying learning profiles, including those with documented learning disabilities. Drew offers supplemental assistance in these areas through its Learning Support Program. Competence in these areas has broad implications in terms of a student's current and future academic success.

The School's Learning Support Program serves approximately 25% of the student body. Students of many different learning styles benefit from this program and from the techniques taught therein, including strong writing, reading, reasoning, and research skills. This program develops in the student solid academic and time-management skills and challenges each student to reach his or her personal and intellectual potential. Students with diagnosed learning disabilities especially benefit from the availability of a strong music and performance art instructions. The Learning Support Program supporting different learning styles is unique, but is currently compromised because of facilities, particularly the lack of auditorium/theatre space, which would be addressed by the Project.

7. The 2008 mean SAT scores for Drew School student are higher than the National, All California Schools and California Public Schools in critical reading (by approximately 80-88 points), mathematics (by 45 to 47 points) and writing (by 73 to 78 point). 97% of Drew School's students attend college.
8. Drew School's 96 square foot per student is the lowest square footage per student of any private high school in San Francisco. It is also significantly lower than the average square foot per child for comprehensive high schools in the San Francisco Unified School District. The Project will provide specialized classrooms and an assembly hall/theatre which is essential to the expansion of the School's drama, music and the arts programs.
9. Drew School will continue to share resources such as using Crocker Amazon and the Beach Chalet fields for soccer, Big Rec for baseball, Golden Gate Park for tennis, and a 20 year lease with Booker T. Washington Community Service Center for use of its gymnasium for basketball and volleyball.
10. Drew School's summer program is open to all high school age students for academic and enrichment classes, regardless of what school they might attend during the school year. Drew School also serves as a community resource by making available classroom space when possible during the summer to other non-profit San Francisco summer programs whose missions are compatible. For example, Quantum Leap, Aim High and the San Francisco Shakespeare Festival have held classes at Drew. Community use, however, is constrained by the lack of assembly space.

11. The Project will not increase the number of off-street parking spaces thereby promoting the City's Transit First Policy.
12. The Project will incorporate green building technologies to lower energy consumption and is designed to be LEED-Gold certified. The living wall on Broderick Street and the green roof will be a habitat for wildlife.
13. The Project is consistent with and implements many objectives and policies of the General Plan, including but not limited to the following: