



PENINSULA  
EDUCATION  
FOUNDATION

FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015

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## INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of  
Palos Verdes Peninsula Education Foundation

We have audited the accompanying financial statements of Palos Verdes Peninsula Education Foundation (a California nonprofit corporation), which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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

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

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Palos Verdes Peninsula Education Foundation as of June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



Long Beach, California  
March 9, 2017

**PALOS VERDES PENINSULA EDUCATION FOUNDATION**

**STATEMENTS OF FINANCIAL POSITION**

**ASSETS**

	<b>June 30,</b>	
	<b>2016</b>	<b>2015</b>
		(Restated)
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 1,631,250	\$ 1,878,375
Other receivables	56,400	49,185
Investments	3,965,310	4,178,213
Prepaid expenses	69,937	78,730
<b>TOTAL ASSETS</b>	<b>\$ 5,722,897</b>	<b>\$ 6,184,503</b>

**LIABILITIES AND NET ASSETS**

<b>LIABILITIES</b>		
Deferred summer program income	\$ 656,490	\$ 572,740
Accrued expenses	119,402	150,745
	<u>775,892</u>	<u>723,485</u>
<b>NET ASSETS</b>		
Unrestricted		
Undesignated	981,991	1,282,800
Board designated endowment fund	3,688,081	3,900,635
	<u>4,670,072</u>	<u>5,183,435</u>
Temporarily restricted	66,638	67,288
Permanently restricted	210,295	210,295
	<u>4,947,005</u>	<u>5,461,018</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 5,722,897</b>	<b>\$ 6,184,503</b>

See Independent Auditors' Report

The accompanying notes are an integral part of these financial statements.

**PALOS VERDES PENINSULA EDUCATION FOUNDATION**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>SUPPORT AND REVENUE</b>				
Individual contributions	\$ 2,234,206	\$ -	\$ -	\$ 2,234,206
Corporate donations	131,610	-	-	131,610
Special events, net	668,282	-	-	668,282
Tuition	1,070,067	-	-	1,070,067
Donated facilities, services and materials	127,005	-	-	127,005
Interest and dividend income	78,945	6,272	-	85,217
Net realized and unrealized loss on investments	(80,408)	(6,422)	-	(86,830)
Total Support and Revenue	<u>4,229,707</u>	<u>(150)</u>	<u>-</u>	<u>4,229,557</u>
<b>NET ASSETS RELEASED FROM RESTRICTIONS</b>				
Satisfaction of program restrictions	500	(500)	-	-
Total Support and Revenue	<u>4,230,207</u>	<u>(650)</u>	<u>-</u>	<u>4,229,557</u>
<b>EXPENSES</b>				
Program services				
Education support	3,390,178	-	-	3,390,178
Summer School	770,402	-	-	770,402
Total Program Services	<u>4,160,580</u>	<u>-</u>	<u>-</u>	<u>4,160,580</u>
Supporting services				
Management and general	208,653	-	-	208,653
Fundraising	374,337	-	-	374,337
Total Supporting Services	<u>582,990</u>	<u>-</u>	<u>-</u>	<u>582,990</u>
Total Expenses	<u>4,743,570</u>	<u>-</u>	<u>-</u>	<u>4,743,570</u>
<b>CHANGE IN NET ASSETS</b>	(513,363)	(650)	-	(514,013)
<b>NET ASSETS, BEGINNING OF YEAR (RESTATED, Note 2)</b>	<u>5,183,435</u>	<u>67,288</u>	<u>210,295</u>	<u>5,461,018</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 4,670,072</u>	<u>\$ 66,638</u>	<u>\$ 210,295</u>	<u>\$ 4,947,005</u>

See Independent Auditors' Report

The accompanying notes are an integral part of these financial statements.

**PALOS VERDES PENINSULA EDUCATION FOUNDATION**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2015  
(RESTATED)**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total (Restated)</u>
<b>SUPPORT AND REVENUE</b>				
Individual contributions	\$ 2,128,181	\$ -	\$ -	\$ 2,128,181
Corporate donations	156,204	-	-	156,204
Special events, net	640,283	-	-	640,283
Tuition	1,354,697	-	-	1,354,697
Donated facilities, services and materials	111,804	-	-	111,804
Interest and dividend income	88,190	6,621	-	94,811
Net realized and unrealized loss on investments	(44,881)	(3,386)	-	(48,267)
Total Support and Revenue	<u>4,434,478</u>	<u>3,235</u>	<u>-</u>	<u>4,437,713</u>
<b>NET ASSETS RELEASED FROM RESTRICTIONS</b>				
Satisfaction of program restrictions	61,776	(61,776)	-	-
Total Support and Revenue	<u>4,496,254</u>	<u>(58,541)</u>	<u>-</u>	<u>4,437,713</u>
<b>EXPENSES</b>				
Program services				
Education support	3,374,798	-	-	3,374,798
Summer School	982,172	-	-	982,172
Total Program Services	<u>4,356,970</u>	<u>-</u>	<u>-</u>	<u>4,356,970</u>
Supporting services				
Management and general	191,757	-	-	191,757
Fundraising	405,827	-	-	405,827
Total Supporting Services	<u>597,584</u>	<u>-</u>	<u>-</u>	<u>597,584</u>
Total Expenses	<u>4,954,554</u>	<u>-</u>	<u>-</u>	<u>4,954,554</u>
<b>CHANGE IN NET ASSETS</b>	(458,300)	(58,541)	-	(516,841)
<b>NET ASSETS, BEGINNING OF YEAR (RESTATED, Note 2)</b>	<u>5,641,735</u>	<u>125,829</u>	<u>210,295</u>	<u>5,977,859</u>
<b>NET ASSETS, END OF YEAR (RESTATED)</b>	<u>\$ 5,183,435</u>	<u>\$ 67,288</u>	<u>\$ 210,295</u>	<u>\$ 5,461,018</u>

See Independent Auditors' Report

The accompanying notes are an integral part of these financial statements.

**PALOS VERDES PENINSULA EDUCATION FOUNDATION**

**STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2016**

	Program Services			Supporting Services			Total Expenses
	Education Support	Summer School	Total Program Services	Management and General	Fund-raising	Total Supporting Services	
Contributions to PVPUSD	\$ 3,355,184	\$ -	\$ 3,355,184	\$ -	\$ -	\$ -	\$ 3,355,184
Scholarship and grants	34,994	-	34,994	-	-	-	34,994
Total contributions and grants	<u>3,390,178</u>	<u>-</u>	<u>3,390,178</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,390,178</u>
Salaries and other related expenses							
Salaries	-	488,703	488,703	121,896	161,058	282,954	771,657
Employee benefits	-	3,106	3,106	7,163	9,465	16,628	19,734
Payroll taxes	-	50,028	50,028	9,528	12,588	22,116	72,144
Total salaries and other related expenses	<u>-</u>	<u>541,837</u>	<u>541,837</u>	<u>138,587</u>	<u>183,111</u>	<u>321,698</u>	<u>863,535</u>
Other expenses							
Audit expense	-	-	-	15,900	-	15,900	15,900
Advertising and marketing	-	1,626	1,626	-	47,265	47,265	48,891
Bank service charges	-	47,242	47,242	8,241	24,724	32,965	80,207
Computer expenses	-	2,375	2,375	1,869	5,606	7,475	9,850
Contracted services	-	41,872	41,872	-	-	-	41,872
Conferences and meetings	-	-	-	968	2,902	3,870	3,870
Dues and subscriptions	-	-	-	164	491	655	655
Insurance expense	-	2,901	2,901	6,178	-	6,178	9,079
Facilities and rentals	-	74,614	74,614	-	-	-	74,614
Office expenses	-	-	-	2,306	6,918	9,224	9,224
Postage, shipping and printing	-	5,718	5,718	1,675	5,025	6,700	12,418
Supplies	-	38,659	38,659	-	-	-	38,659
Telephone	-	2,233	2,233	1,000	2,998	3,998	6,231
Other	-	11,325	11,325	14	43	57	11,382
Total other expenses	<u>-</u>	<u>228,565</u>	<u>228,565</u>	<u>38,315</u>	<u>95,972</u>	<u>134,287</u>	<u>362,852</u>
Total expenses before donated items	3,390,178	770,402	4,160,580	176,902	279,083	455,985	4,616,565
Donated facilities, services, and materials	-	-	-	31,751	95,254	127,005	127,005
Total expenses	<u>\$ 3,390,178</u>	<u>\$ 770,402</u>	<u>\$ 4,160,580</u>	<u>\$ 208,653</u>	<u>\$ 374,337</u>	<u>\$ 582,990</u>	<u>\$ 4,743,570</u>

See Independent Auditors' Report

The accompanying notes are an integral part of these financial statements.

**PALOS VERDES PENINSULA EDUCATION FOUNDATION**

**STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2015  
(Restated)**

	<u>Program Services</u>			<u>Supporting Services</u>			
	<u>Education Support</u>	<u>Summer School</u>	<u>Total Program Services</u>	<u>Management and General</u>	<u>Fund-raising</u>	<u>Total Supporting Services</u>	<u>Total Expenses</u>
							<u>(Restated)</u>
Contributions to PVPUSD	\$ 3,350,809	\$ -	\$ 3,350,809	\$ -	\$ -	\$ -	\$ 3,350,809
Scholarship and grants	<u>23,989</u>	<u>-</u>	<u>23,989</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>23,989</u>
Total contributions and grants	<u>3,374,798</u>	<u>-</u>	<u>3,374,798</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,374,798</u>
Salaries and other related expenses							
Salaries	-	674,101	674,101	131,459	168,175	299,634	973,735
Employee benefits	-	11,223	11,223	8,712	11,146	19,858	31,081
Payroll taxes	<u>-</u>	<u>73,947</u>	<u>73,947</u>	<u>10,021</u>	<u>12,820</u>	<u>22,841</u>	<u>96,788</u>
Total salaries and other related expenses	<u>-</u>	<u>759,271</u>	<u>759,271</u>	<u>150,192</u>	<u>192,141</u>	<u>342,333</u>	<u>1,101,604</u>
Other expenses							
Audit expense	-	-	-	15,250	-	15,250	15,250
Advertising and marketing	-	1,012	1,012	-	45,168	45,168	46,180
Bank service charges	-	52,321	52,321	3,699	27,128	30,827	83,148
Computer expenses	-	18,824	18,824	750	5,501	6,251	25,075
Contracted services	-	28,659	28,659	3,337	-	3,337	31,996
Conferences and meetings	-	-	-	989	7,253	8,242	8,242
Dues and subscriptions	-	-	-	53	387	440	440
Insurance expense	-	4,566	4,566	823	6,037	6,860	11,426
Facilities and rentals	-	68,367	68,367	-	-	-	68,367
Office expenses	-	-	-	974	7,145	8,119	8,119
Postage, shipping and printing	-	6,073	6,073	1,282	9,403	10,685	16,758
Supplies	-	33,241	33,241	-	-	-	33,241
Telephone	-	2,457	2,457	427	3,132	3,559	6,016
Other	<u>-</u>	<u>7,381</u>	<u>7,381</u>	<u>565</u>	<u>4,144</u>	<u>4,709</u>	<u>12,090</u>
Total other expenses	<u>-</u>	<u>222,901</u>	<u>222,901</u>	<u>28,149</u>	<u>115,298</u>	<u>143,447</u>	<u>366,348</u>
Total expenses before donated items	3,374,798	982,172	4,356,970	178,341	307,439	485,780	4,842,750
Donated facilities, services, and materials	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,416</u>	<u>98,388</u>	<u>111,804</u>	<u>111,804</u>
Total expenses	<u>\$ 3,374,798</u>	<u>\$ 982,172</u>	<u>\$ 4,356,970</u>	<u>\$ 191,757</u>	<u>\$ 405,827</u>	<u>\$ 597,584</u>	<u>\$ 4,954,554</u>

See Independent Auditors' Report

The accompanying notes are an integral part of these financial statements.



**PALOS VERDES PENINSULA EDUCATION FOUNDATION**

**STATEMENTS OF CASH FLOWS**

	<b>For the Year Ended June 30,</b>	
	<b>2016</b>	<b>2015</b>
		<b>(Restated)</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (514,013)	\$ (516,841)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Net realized and unrealized loss on investments	86,830	48,267
Changes in assets and liabilities:		
Other receivables	(7,215)	283,255
Accrued expenses	(31,343)	(26,996)
Prepaid expenses	8,793	(53,282)
Deferred summer program income	83,750	(111,673)
Net Cash Used In Operating Activities	(373,198)	(377,270)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from maturities of investments	282,527	1,561,321
Purchases of investments	(156,454)	(1,445,311)
Net Cash Provided By Investing Activities	126,073	116,010
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	(247,125)	(261,260)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	1,878,375	2,139,635
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	\$ 1,631,250	\$ 1,878,375

See Independent Auditors' Report

The accompanying notes are an integral part of these financial statements.

**PALOS VERDES PENINSULA EDUCATION FOUNDATION**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015**

**NOTE 1 – Summary of Significant Accounting Policies**

*Organization and Nature of Services*

The Palos Verdes Peninsula Education Foundation (the Foundation) is a California nonprofit corporation. The Foundation was founded in 1980 to maintain, provide and enhance vital education programs in the Palos Verdes Peninsula Unified School District.

A 30- to 35-member volunteer Board of Trustees (the Board) governs the Foundation, which is staffed by over 200 volunteers who help on the fundraising activities throughout the year.

To help with its fundraising efforts, the Foundation runs three Summer School Programs, the Palos Verdes Peninsula Summer School is a high school program for grades 9-12; the Summer Peninsula Enrichment Program is an intermediate school program for grades 6-8 and the Summer Break Program is an elementary school program for grades K-5. The net proceeds from these programs help the Foundation to meet its annual pledge to the Palos Verdes Peninsula Unified School District (PVPUSD).

*Basis of Presentation*

The Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted net assets. Accordingly, the net assets of the Foundation are classified and reported as described below:

**Unrestricted Net Assets** – Net assets that are not subject to donor-imposed restrictions.

**Temporarily Restricted Net Assets** – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Foundation or the passage of time. As restrictions are satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor restricted contributions whose restrictions have been met in the same reporting period are reported as unrestricted support in the statement of activities.

**Permanently Restricted Net Assets** – Net assets subject to donor-imposed restrictions that the corpus be invested in perpetuity and only the income be made available for program operations in accordance with donor restrictions. Such income generally includes interest, dividends, and realized and unrealized earnings from the corpus.

**PALOS VERDES PENINSULA EDUCATION FOUNDATION**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015**

**NOTE 1 – Summary of Significant Accounting Policies (Continued)**

*Use of Estimates and Assumptions*

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were assumed in preparing the financial statements.

*Contributions*

Contributions, including endowment gifts and pledges, are recognized as support in the period received or pledged. Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. Amortization of the discount to present value is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a donor's stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support. Permanently restricted contributions and net assets have restrictions stipulated by the donor that the corpus be invested in perpetuity and only the income be made available for operations.

*Legacies and Bequests*

The Foundation has been named as beneficiary in a bequest. Bequests are not recognized as support until all of the following conditions are met: the demise of the testator, the amount of the bequest is known, the Foundation is certain that, based on the estate's net assets, the amount bequeathed is realizable, and the probate court has declared the will valid.

**PALOS VERDES PENINSULA EDUCATION FOUNDATION**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015**

**NOTE 1 – Summary of Significant Accounting Policies (Continued)**

*Cash and Cash Equivalents*

For the purposes of the statements of cash flows, the Company considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

From time to time, cash balances may exceed federally insured limits. The Foundation has not experienced any previous losses in such accounts and believes it is not exposed to any significant credit risk on its cash and cash equivalents.

*Fair Value of Financial Instruments*

Accounting standards define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Accounting standards have also established a framework for measuring fair value and expand disclosures about fair value measurements. (See Note 4.)

*Investments and Market Risk*

Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statements of financial position. Realized gains and losses are computed as the difference between the beginning-of-year fair value, or cost for current year acquisitions, and sales proceeds. Unrealized gains and losses are the current year appreciation and depreciation in investments held at year-end. Unrealized gains and losses are included in the change in net assets in the statements of activities.

Investments in marketable securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position.

*Allocation of Functional Expenses*

The costs of providing the various programs and supporting services have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among program services and supporting services benefited based on reasonable allocation methods determined by management.

**PALOS VERDES PENINSULA EDUCATION FOUNDATION**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015**

**NOTE 1 – Summary of Significant Accounting Policies (Continued)**

*Donated Facilities, Materials and Services*

Contributions of donated noncash assets are recorded at fair value in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills and are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at fair value in the period received. During the year ended June 30, 2016, the Foundation received donated service from over 200 dedicated volunteers. The fair market value of these services does not meet the criteria of requiring a specialized skill and, therefore, the value of the service is not recorded in the financial statements.

The Foundation recorded in-kind support in the amount of \$353,204 and \$370,773 for venues, auction items and professional services related to the special events during the years ended June 30, 2016 and 2015, respectively. (See Note 5.) The Foundation also received donated use of facilities and services from PVPUSD. The estimated fair value of donated facilities are \$64,699 and \$63,406 for the years ended June 30, 2016 and 2015, respectively. The estimated fair value of donated professional services and other marketing materials amounted to \$62,306 and \$48,398 for the years ended June 30, 2016 and 2015, respectively. Such in-kind support is offset by like amounts included in expense.

*Income Taxes*

The Foundation has received tax-exempt status from the Internal Revenue Service and California Franchise Tax Board under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code, respectively. Accordingly, no provision for income taxes is included in the accompanying financial statements.

The Foundation recognizes the financial statement benefit of tax positions, such as its filing status as tax-exempt, only after determining that the relevant tax authority would more likely than not sustain the position following an audit. The Foundation is subject to potential income tax audits on open tax years by any taxing jurisdiction in which it operates. The statute of limitations for federal purposes is three years and for California purposes is four years.

*Subsequent Events*

The Foundation's management has evaluated subsequent events from the statement of position date through March 9, 2017, the date the financial statements were available to be issued for the year ended June 30, 2016, and determined that there were no other items to disclose.

**PALOS VERDES PENINSULA EDUCATION FOUNDATION**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015**

**NOTE 2 – Restatement**

During the year ended June 30, 2016, the Foundation elected to change from modified cash basis reporting to accrual basis reporting. Historically, the Foundation has elected to report on a modified cash basis for ease of internal reporting and oversight. During the year ended June 30, 2016, Management elected to change to full accrual basis in accordance with U.S Generally Accepted Accounting Principles (GAAP). Pursuant to this change in accounting, prior-period adjustments were recorded to restate the financial statements to the accrual basis as of and for the year ended June 30, 2015. The two most significant areas affected by this change relate to revenue recognition on an estate gift and timing of payroll related expenses

The prior period has been adjusted as follows based on the restatement:

	<u>As Previously Reported</u>	<u>Adjustment</u>	<u>As Restated June 30, 2015</u>
<b>Statement of Financial Position:</b>			
Other receivables	\$ -	\$ 49,185	\$ 49,185
Prepaid expenses	\$ 46,438	\$ 32,292	\$ 78,730
Accrued expenses	\$ -	\$ 150,745	\$ 150,745
Total net assets	\$ 5,530,286	\$ (69,268)	\$ 5,461,018
<b>Statement of Activities:</b>			
Net assets at the beginning of the year	\$ 5,823,160	\$ 154,699	\$ 5,977,859
Individual contributions	\$ 2,460,622	\$ (332,441)	\$ 2,128,181
Corporate donations	\$ 157,701	\$ (1,497)	\$ 156,204
Special events, net	\$ 642,710	\$ (2,427)	\$ 640,283
Summer School expense	\$ 1,101,799	\$ (119,627)	\$ 982,172
Management and general expense	\$ 217,867	\$ (26,110)	\$ 191,757
Fundraising expense	\$ 372,488	\$ 33,339	\$ 405,827
<b>Statement of Functional Expenses:</b>			
Salaries	\$ 1,073,712	\$ (99,977)	\$ 973,735
Payroll taxes	\$ 109,209	\$ (12,421)	\$ 96,788
<b>Statement of Cash Flows:</b>			
Change in net assets	\$ (292,874)	\$ (223,967)	\$ (516,841)
Other receivables	\$ -	\$ 283,255	\$ 283,255
Accrued expenses	\$ -	\$ (26,996)	\$ (26,996)
Prepaid expenses	\$ (20,990)	\$ (32,292)	\$ (53,282)

**PALOS VERDES PENINSULA EDUCATION FOUNDATION**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015**

**NOTE 3 – Investments**

Investments are summarized as follows:

	<u>June 30,</u>	
	<u>2016</u>	<u>2015</u>
Mutual funds		
Fixed income	\$ 1,121,848	\$ 1,180,918
Equities	<u>2,843,462</u>	<u>2,997,295</u>
	<u>\$ 3,965,310</u>	<u>\$ 4,178,213</u>

**NOTE 4 – Fair Value Hierarchy**

The Foundation uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine the fair value disclosures. The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is best determined based upon quoted market prices. However, in certain instances, there may not be quoted market prices for the Foundation's various financial instruments. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including discount rates and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument. The Foundation groups its assets and liabilities measured at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Foundation has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

**PALOS VERDES PENINSULA EDUCATION FOUNDATION**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015**

**NOTE 4 – Fair Value Hierarchy (Continued)**

The following table presents assets that are measured at fair value on a recurring basis at June 30, 2016 and 2015:

	<b>Fair Value Measurement of Investments as of June 30, 2016</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Mutual funds				
Fixed income	\$ 1,121,848	\$ -	\$ -	\$ 1,121,848
Equities	<u>2,843,462</u>	<u>-</u>	<u>-</u>	<u>2,843,462</u>
Total	<u>\$ 3,965,310</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,965,310</u>

	<b>Fair Value Measurement of Investments as of June 30, 2015</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Mutual funds				
Fixed income	\$ 1,180,918	\$ -	\$ -	\$ 1,180,918
Equities	<u>2,997,295</u>	<u>-</u>	<u>-</u>	<u>2,997,295</u>
Total	<u>\$ 4,178,213</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,178,213</u>

**NOTE 5 – Special Events**

The Foundation held six special events during the year ended June 30, 2016, which consisted of the following:

	<b>Main Event</b>	<b>Car Drawing</b>	<b>Classic to Rock</b>	<b>Choral Music Event</b>	<b>Terranea Opportunity</b>	<b>Skechers Walk</b>	<b>Total</b>
Contributions	\$ 360,667	\$ 38,982	\$ 50,000	\$ -	\$ -	\$ -	\$ 399,649
Event revenue	389,387	59,100	-	15,982	9,800	240,000	764,269
Less expenses	<u>(450,917)</u>	<u>(41,567)</u>	<u>-</u>	<u>(2,623)</u>	<u>(331)</u>	<u>(198)</u>	<u>(495,636)</u>
	<u>\$ 299,137</u>	<u>\$ 56,515</u>	<u>\$ 50,000</u>	<u>\$ 13,359</u>	<u>\$ 9,469</u>	<u>\$ 239,802</u>	<u>\$ 668,282</u>

For the year ending June 30, 2016, merchandise and services with an estimated value of \$353,204 were contributed for the fundraising events, which are characterized above as both contributions and expenses.



**PALOS VERDES PENINSULA EDUCATION FOUNDATION**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015**

**NOTE 5 – Special Events (Continued)**

The Foundation held six special events during the year ended June 30, 2015, which consisted of the following:

	<u>Main Event</u>	<u>Car Drawing</u>	<u>Wine Event</u>	<u>Choral Music Event</u>	<u>Terranea Opportunity</u>	<u>Skechers Walk</u>	<u>Total</u>
Contributions	\$ 321,373	\$ 39,793	\$ 75,006	\$ -	\$ -	\$ -	\$ 436,172
Event revenue	351,721	57,497	138,641	17,654	10,125	185,000	760,638
Less expenses	<u>(406,612)</u>	<u>(41,556)</u>	<u>(103,844)</u>	<u>(3,399)</u>	<u>-</u>	<u>(1,116)</u>	<u>(556,527)</u>
	<u>\$ 266,482</u>	<u>\$ 55,734</u>	<u>\$ 109,803</u>	<u>\$ 14,255</u>	<u>\$ 10,125</u>	<u>\$ 183,884</u>	<u>\$ 640,283</u>

For the year ending June 30, 2015, merchandise and services with an estimated value of \$370,773 were contributed for the fundraising events, which are characterized above as both contributions and expenses.

**NOTE 6 – Net Assets Released from Restrictions**

Net assets were released from donor or time restrictions as follows:

	<u>June 30,</u>	
	<u>2016</u>	<u>2015</u>
Net assets released from restrictions:		
Purpose restrictions accomplished:		
Bagdasar- graduating senior scholarship	\$ 500	\$ 500
Honda Foundation – STEM Project	<u>-</u>	<u>61,276</u>
Total net assets released from restrictions	<u>\$ 500</u>	<u>\$ 61,776</u>

**PALOS VERDES PENINSULA EDUCATION FOUNDATION**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015**

**NOTE 7 – Restrictions on Net Assets**

Net assets were restricted by donors or designated by the Foundation as follows:

	<b>June 30,</b>	
	<b>2016</b>	<b>2015</b>
Unrestricted net assets:		
Available for operations	\$ 981,991	\$ 1,282,800
Board designated endowment fund	3,688,081	3,900,635
Total Unrestricted Net Assets	4,670,072	5,183,435
Temporarily restricted net assets:		
Endowment earnings	66,638	67,288
Total Temporarily Restricted Net Assets	66,638	67,288
Permanently restricted net assets:		
Jack Bagdasar Memorial Endowment Fund	15,295	15,295
Jay and Carol Borzi Family Foundation	25,000	25,000
Allman Family Trust	60,000	60,000
The Norris Foundation	50,000	50,000
Long	40,000	40,000
Other	20,000	20,000
Total Permanently Restricted Net Assets	210,295	210,295
Total Net Assets	\$ 4,947,005	\$ 5,461,018

**PALOS VERDES PENINSULA EDUCATION FOUNDATION**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015**

**NOTE 8 – Endowment Funds**

Endowment funds include permanently restricted funds and Board-designated funds, collectively referred to as Endowment funds. The Foundation’s management and investment of endowment funds is subject to the Uniform Prudent Management of Institutional Funds Act (UPMIFA). The Foundation has interpreted California’s enacted version of UPMIFA as requiring the preservation of the fair value of the original gift as of the date of the gift of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets: (a) the original value of the 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 Foundation’s management in a manner consistent with the standard of prudence prescribed by UPMIFA. Board-designated endowment funds are reported as unrestricted net assets.

Endowment funds by net asset classification as of June 30, 2016 and 2015 are as follows:

	<b>For the Year Ended June 30, 2016</b>			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Board designated	\$ 3,688,081	\$ -	\$ -	\$ 3,688,081
Donor designated	<u>-</u>	<u>66,638</u>	<u>210,295</u>	<u>277,233</u>
	<u>\$ 3,688,081</u>	<u>\$ 66,638</u>	<u>\$ 210,295</u>	<u>\$ 3,965,314</u>
	<b>For the Year Ended June 30, 2015</b>			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Board designated	\$ 3,900,635	\$ -	\$ -	\$ 3,900,635
Donor designated	<u>-</u>	<u>67,288</u>	<u>210,295</u>	<u>277,583</u>
	<u>\$ 3,900,635</u>	<u>\$ 67,288</u>	<u>\$ 210,295</u>	<u>\$ 4,178,218</u>

The Foundation’s endowment consists of permanent funds established to generate return which is sufficient to meet the current and expected future financial requirements of the Foundation.

**PALOS VERDES PENINSULA EDUCATION FOUNDATION**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015**

**NOTE 8 – Endowment Funds (Continued)**

*Investment Policy for Endowment Funds*

The primary long-term financial objective of the Endowment Fund is to grow the endowment by increasing gifts to the endowment principal and investment growth through effective management of the fund. An effective endowment program will provide stable long-term support for school district initiatives above and beyond the Foundation’s annual pledge to the PVPUSD. The primary investment objective is to seek to earn a total rate of return modestly greater than that provided by a portfolio equally divided between domestic stocks and fixed income instruments to reduce volatility and prudently maximize total return for the long-term horizon of at least five to ten years.

*Changes In Endowment Funds*

Net changes in endowment funds were as follows:

	<b>For the Year Ended June 30, 2016</b>			
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Endowment net assets, beginning of the year	\$ 3,900,635	\$ 67,288	\$ 210,295	\$ 4,178,218
Realized and unrealized loss	(80,408)	(6,422)	-	(86,830)
Interest and dividends	78,529	6,272	-	84,801
Appropriation of endowment assets for expenditure	-	(500)	-	(500)
Board-designated transfers	(210,675)	-	-	(210,675)
Endowment net assets, end of the year	\$ 3,688,081	\$ 66,638	\$ 210,295	\$ 3,965,014

**PALOS VERDES PENINSULA EDUCATION FOUNDATION**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015**

**NOTE 8 – Endowment Funds (Continued)**

*Changes In Endowment Funds (Continued)*

	For the Year Ended June 30, 2015			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment net assets, beginning of the year	\$ 4,067,648	\$ 64,553	\$ 210,295	\$ 4,342,496
Realized and unrealized loss	(44,881)	(3,386)	-	(48,267)
Interest and dividends	87,749	6,621	-	94,370
Appropriation of endowment assets for expenditure	-	(500)	-	(500)
Board-designated transfers	(209,881)	-	-	(209,881)
Endowment net assets, end of the year	\$ 3,900,635	\$ 67,288	\$ 210,295	\$ 4,178,218