



PENINSULA  
EDUCATION  
FOUNDATION

FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019

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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, 2020 and 2019, 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 auditors' 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 auditors consider 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, 2020 and 2019, 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.

### *Emphasis of Matter*

As discussed in Note 1, during the year ended June 30, 2020, Palos Verdes Peninsula Education Foundation adopted Accounting Standards Update (ASU) No. 2014-09, *Revenue from Customers* (Topic 606) and ASU No. 2018-08, *Not-for-Profit Entities* (Topic 958): *Clarifying the Scope of the Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to this matter.

*Windes, Inc.*

Long Beach, California  
February 23, 2021

**PALOS VERDES PENINSULA EDUCATION FOUNDATION**

**STATEMENTS OF FINANCIAL POSITION**

**ASSETS**

	<b>June 30,</b>	
	<b>2020</b>	<b>2019</b>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 838,670	\$ 1,009,663
Investments	4,316,051	4,362,751
Prepaid expenses and other assets	<u>107,260</u>	<u>42,946</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 5,261,981</u></b>	<b><u>\$ 5,415,360</u></b>

**LIABILITIES AND NET ASSETS**

<b>LIABILITIES</b>		
Deferred summer program income	\$ 517,125	\$ 645,068
Note payable	78,320	-
Accrued expenses	<u>129,365</u>	<u>62,373</u>
	<u>724,810</u>	<u>707,441</u>

**COMMITMENTS AND CONTINGENCIES (NOTE 9)**

**NET ASSETS**

Without Donor Restrictions		
Undesignated	165,390	345,168
Board-designated endowment fund	<u>3,959,159</u>	<u>4,019,522</u>
	4,124,549	4,364,690
With Donor Restrictions		
Restricted for purpose or time	202,327	132,934
Perpetually restricted for endowment	<u>210,295</u>	<u>210,295</u>
	<u>412,622</u>	<u>343,229</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 5,261,981</u></b>	<b><u>\$ 5,415,360</u></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, 2020**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>SUPPORT AND REVENUE</b>			
Individual contributions	\$ 1,918,150	\$ -	\$ 1,918,150
Corporate donations	180,514	55,730	236,244
Special events, net	349,926	-	349,926
Tuition	895,451	-	895,451
Donated facilities, services and materials	135,067	-	135,067
Net investment return	172,913	16,663	189,576
Satisfaction of donor restrictions	3,000	(3,000)	-
Total Support and Revenue	3,655,021	69,393	3,724,414
<b>EXPENSES</b>			
Program services			
Education support	2,617,189	-	2,617,189
Summer school	637,395	-	637,395
Total Program Services	3,254,584	-	3,254,584
Supporting services			
Management and general	246,083	-	246,083
Fundraising	394,495	-	394,495
Total Supporting Services	640,578	-	640,578
Total Expenses	3,895,162	-	3,895,162
<b>CHANGE IN NET ASSETS</b>	(240,141)	69,393	(170,748)
<b>NET ASSETS, BEGINNING OF YEAR</b>	4,364,690	343,229	4,707,919
<b>NET ASSETS, END OF YEAR</b>	\$ 4,124,549	\$ 412,622	\$ 4,537,171

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, 2019**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>SUPPORT AND REVENUE</b>			
Individual contributions	\$ 2,176,680	\$ -	\$ 2,176,680
Corporate donations	144,640	-	144,640
Special events, net	562,948	-	562,948
Tuition	1,214,440	-	1,214,440
Donated facilities, services and materials	139,395	-	139,395
Net investment return	264,681	18,945	283,626
Satisfaction of program restrictions	1,000	(1,000)	-
Total Support and Revenue	4,503,784	17,945	4,521,729
<b>EXPENSES</b>			
Program services			
Education support	2,986,568	-	2,986,568
Summer school	805,916	-	805,916
Total Program Services	3,792,484	-	3,792,484
Supporting services			
Management and general	251,509	-	251,509
Fundraising	404,742	-	404,742
Total Supporting Services	656,251	-	656,251
Total Expenses	4,448,735	-	4,448,735
<b>CHANGE IN NET ASSETS</b>	55,049	17,945	72,994
<b>NET ASSETS, BEGINNING OF YEAR</b>	4,309,641	325,284	4,634,925
<b>NET ASSETS, END OF YEAR</b>	\$ 4,364,690	\$ 343,229	\$ 4,707,919

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, 2020**

	Program Services			Supporting Services			Total Expenses
	Education Support	Summer School	Total Program Services	Management and General	Fund-raising	Total Supporting Services	
Contributions to PVPUSD	\$ 2,575,000	\$ -	\$ 2,575,000	\$ -	\$ -	\$ -	\$ 2,575,000
Scholarship and grants	42,189	-	42,189	-	-	-	42,189
Total contributions and grants	<u>2,617,189</u>	<u>-</u>	<u>2,617,189</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,617,189</u>
Salaries and other related expenses							
Salaries	-	460,678	460,678	144,385	165,754	310,139	770,817
Employee benefits	-	11,566	11,566	8,897	10,214	19,111	30,677
Payroll taxes	-	41,167	41,167	11,614	13,333	24,947	66,114
Total salaries and other related expenses	<u>-</u>	<u>513,411</u>	<u>513,411</u>	<u>164,896</u>	<u>189,301</u>	<u>354,197</u>	<u>867,608</u>
Other expenses							
Accounting expense	-	-	-	21,800	-	21,800	21,800
Advertising and marketing	-	1,083	1,083	-	49,374	49,374	50,457
Credit card service charges	-	38,593	38,593	9,577	28,731	38,308	76,901
Computer expenses	-	14,231	14,231	3,302	9,907	13,209	27,440
Contracted services	-	21,271	21,271	-	-	-	21,271
Conferences and meetings	-	156	156	1,151	3,452	4,603	4,759
Dues and subscriptions	-	-	-	364	1,093	1,457	1,457
Insurance expense	-	5,582	5,582	7,447	-	7,447	13,029
Facilities and rentals	-	10,408	10,408	-	-	-	10,408
Office expenses	-	-	-	1,233	3,698	4,931	4,931
Postage, shipping, and printing	-	2,913	2,913	689	2,067	2,756	5,669
Supplies	-	22,170	22,170	-	-	-	22,170
Telephone	-	2,039	2,039	1,078	3,234	4,312	6,351
Other	-	5,538	5,538	779	2,338	3,117	8,655
Total other expenses	<u>-</u>	<u>123,984</u>	<u>123,984</u>	<u>47,420</u>	<u>103,894</u>	<u>151,314</u>	<u>275,298</u>
Total expenses before donated items	2,617,189	637,395	3,254,584	212,316	293,195	505,511	3,760,095
Donated facilities, services, and materials	<u>-</u>	<u>-</u>	<u>-</u>	<u>33,767</u>	<u>101,300</u>	<u>135,067</u>	<u>135,067</u>
Total expenses	<u>\$ 2,617,189</u>	<u>\$ 637,395</u>	<u>\$ 3,254,584</u>	<u>\$ 246,083</u>	<u>\$ 394,495</u>	<u>\$ 640,578</u>	<u>\$ 3,895,162</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, 2019**

	Program Services			Supporting Services			Total Expenses
	Education Support	Summer School	Total Program Services	Management and General	Fund-raising	Total Supporting Services	
Contributions to PVPUSD	\$ 2,943,578	\$ -	\$ 2,943,578	\$ -	\$ -	\$ -	\$ 2,943,578
Scholarship and grants	42,990	-	42,990	-	-	-	42,990
Total contributions and grants	<u>2,986,568</u>	<u>-</u>	<u>2,986,568</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,986,568</u>
Salaries and other related expenses							
Salaries	-	564,683	564,683	151,786	167,961	319,747	884,430
Employee benefits	-	11,864	11,864	8,349	9,238	17,587	29,451
Payroll taxes	-	50,963	50,963	13,419	14,853	28,272	79,235
Total salaries and other related expenses	<u>-</u>	<u>627,510</u>	<u>627,510</u>	<u>173,554</u>	<u>192,052</u>	<u>365,606</u>	<u>993,116</u>
Other expenses							
Accounting expense	-	-	-	20,000	-	20,000	20,000
Advertising and marketing	-	3,021	3,021	-	57,864	57,864	60,885
Credit card service charges	-	45,195	45,195	9,126	27,376	36,502	81,697
Computer expenses	-	14,688	14,688	2,895	8,686	11,581	26,269
Contracted services	-	31,731	31,731	-	-	-	31,731
Conferences and meetings	-	-	-	790	2,371	3,161	3,161
Dues and subscriptions	-	-	-	130	388	518	518
Insurance expense	-	6,276	6,276	6,343	-	6,343	12,619
Facilities and rentals	-	27,506	27,506	-	-	-	27,506
Office expenses	-	-	-	1,326	3,976	5,302	5,302
Postage, shipping, and printing	-	4,657	4,657	834	2,500	3,334	7,991
Supplies	-	35,091	35,091	-	-	-	35,091
Telephone	-	2,358	2,358	980	2,939	3,919	6,277
Other	-	7,883	7,883	682	2,044	2,726	10,609
Total other expenses	<u>-</u>	<u>178,406</u>	<u>178,406</u>	<u>43,106</u>	<u>108,144</u>	<u>151,250</u>	<u>329,656</u>
Total expenses before donated items	2,986,568	805,916	3,792,484	216,660	300,196	516,856	4,309,340
Donated facilities, services, and materials	<u>-</u>	<u>-</u>	<u>-</u>	<u>34,849</u>	<u>104,546</u>	<u>139,395</u>	<u>139,395</u>
Total expenses	<u>\$ 2,986,568</u>	<u>\$ 805,916</u>	<u>\$ 3,792,484</u>	<u>\$ 251,509</u>	<u>\$ 404,742</u>	<u>\$ 656,251</u>	<u>\$ 4,448,735</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>2020</b>	<b>2019</b>
		<b>(Restated)</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (170,748)	\$ 72,994
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Net realized and unrealized gain on investments	(95,529)	(184,692)
Changes in assets and liabilities:		
Accrued expenses	66,992	1,368
Prepaid expenses	(64,314)	(2,968)
Deferred summer program income	(127,943)	(24,199)
Net Cash Used In Operating Activities	(391,542)	(137,497)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from maturities of investments	611,943	324,838
Purchases of investments	(469,714)	(203,501)
Net Cash Provided By Investing Activities	142,229	121,337
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from note payable	78,320	-
Net Cash Provided By Financing Activities	78,320	-
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	(170,993)	(16,160)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	1,009,663	1,025,823
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	\$ 838,670	\$ 1,009,663

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, 2020 AND 2019

### 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 volunteer Board of Trustees (the Board) governs the Foundation, which is staffed by over 200 volunteers who help with fundraising activities throughout the year.

In addition to 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).

#### *Recently Adopted Accounting Standards*

During the year ended June 30, 2020, the Foundation adopted Accounting Standards Update ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)* (ASU 2014-09) and ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (ASU 2018-08), and has applied them prospectively. ASU 2014-09 will replace most existing revenue recognition guidance and requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. ASU 2018-08 provides additional guidance on characterizing grants and similar contracts with resource providers as either exchange transactions or contributions, as well as distinguishing between conditional and unconditional contributions. No significant reclassifications to prior-year amounts were necessary in order to adopt the new standards.

**PALOS VERDES PENINSULA EDUCATION FOUNDATION**

**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2020 AND 2019**

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

***Basis of Presentation***

The financial statements of the Foundation have been prepared under the accrual basis of accounting. The Foundation reports information regarding its financial position and activities according to two classes of net assets: with donor restrictions and without donor restrictions. Net assets and revenue are classified based on the existence or absence of donor-imposed restrictions.

***Without Donor Restrictions*** - Net assets not subject to donor-imposed restrictions. As reflected in the accompanying statements of financial position, the Foundation's Board of Directors (the Board) has designated a portion of net assets without donor restrictions for long-term investment purposes, referred to as the Board-designated endowment fund.

***With Donor Restrictions*** - Net assets subject to donor-imposed restrictions that may be temporary in nature that may be or will be met by actions of the Foundation or the passage of time. As the restrictions are satisfied, net assets with donor restrictions are reclassified to assets without donor restrictions. Other donor stipulations may be perpetual in nature, where the donor stipulates that the corpus be maintained intact in perpetuity. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or law.

***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 revenue and expenses. Actual results could vary from the estimates that were assumed in preparing the financial statements.

**PALOS VERDES PENINSULA EDUCATION FOUNDATION**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

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

***Revenue and Revenue Recognition***

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, that is, those with a measurable performance barrier and a right of return, are not recognized until the conditions on which they depend are met.

***Tuition***

The Foundation recognizes revenue from student tuition and fees during the year in which the related services are provided to students. The performance obligation of delivering educational services is simultaneously received and consumed by the students; therefore, the revenue is recognized ratably over the course of the summer school program.

***Contributions***

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 with donor restriction that increases those net asset classes. When a donor's stipulated time restriction ends or purpose restriction is accomplished, donor-restricted net assets are reclassified to without donor-restricted 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 without donor restrictions. 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.

***Cash and Cash Equivalents***

For the purposes of the statements of cash flows, the Foundation 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.

**PALOS VERDES PENINSULA EDUCATION FOUNDATION**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

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

***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. The Foundation uses allocation methodologies, including time studies and percentage of use estimates to allocate indirect costs.

***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 nonfinancial 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, 2020, the Foundation received donated services from 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 services is not recorded in the financial statements.

**PALOS VERDES PENINSULA EDUCATION FOUNDATION**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

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

***Donated Facilities, Materials and Services (Continued)***

The Foundation recorded in-kind support in the amount of \$137,585 and \$348,777 for venues, auction items, and professional services related to the special events during the years ended June 30, 2020 and 2019, respectively. (See Note 6.) The Foundation also received donated use of facilities and services from PVPUSD. The estimated fair value of donated facilities are \$72,808 and \$71,144 for the years ended June 30, 2020 and 2019, respectively. The estimated fair value of donated professional services and other marketing materials amounted to \$62,259 and \$63,652 for the years ended June 30, 2020 and 2019, 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 February 23, 2021, the date the financial statements were available to be issued for the year ended June 30, 2020, and except for the subsequent events described in Notes 5 and 11, management has determined that there were no other items to disclose.

**PALOS VERDES PENINSULA EDUCATION FOUNDATION**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

**NOTE 2 – Liquidity and Availability of Resources**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	<b>June 30,</b>	
	<b>2020</b>	<b>2019</b>
Financial assets at:		
Cash and cash equivalents	\$ 838,670	\$ 1,009,663
Investments	4,316,051	4,362,751
	5,154,721	5,372,414
Less amounts not available to be used within one year due to:		
Board-designated endowment fund	(3,959,159)	(4,019,522)
Restricted for purpose or time	(202,327)	(132,934)
Perpetually restricted for endowment	(210,295)	(210,295)
Financial assets available to meet general expenditures within one year:	\$ 782,940	\$ 1,009,663

The Foundation maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Foundation’s governing board has designated a portion of its resources for endowment purposes, which are identified as Board-designated in the table above. These funds are invested for long-term appreciation and current income but remain available and may be spent at the discretion of the Board.

**NOTE 3 – Investments**

Investments are summarized as follows:

	<b>June 30,</b>	
	<b>2020</b>	<b>2019</b>
Mutual funds		
Fixed income	\$ 1,508,553	\$ 1,217,909
Equities	2,807,498	3,144,842
	\$ 4,316,051	\$ 4,362,751

**PALOS VERDES PENINSULA EDUCATION FOUNDATION**

**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2020 AND 2019**

**NOTE 3 – Investments (Continued)**

	<b>For the Year Ended</b>	
	<b>June 30,</b>	
	<b>2020</b>	<b>2019</b>
Dividends and interest	\$ 117,117	\$ 118,472
Net realized and unrealized gains on sale of investments	95,529	184,692
Investment fees	<u>(23,070)</u>	<u>(19,538)</u>
	<u>\$ 189,576</u>	<u>\$ 283,626</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, 2020 AND 2019**

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

The following table presents assets that are measured at fair value on a recurring basis at June 30, 2020 and 2019:

	<b>Fair Value Measurement of Investments as of June 30, 2020</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Mutual funds				
Fixed income	\$ 1,508,553	\$ -	\$ -	\$ 1,508,553
Equities	2,807,498	-	-	2,807,498
Total	\$ 4,316,051	\$ -	\$ -	\$ 4,316,051

	<b>Fair Value Measurement of Investments as of June 30, 2019</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Mutual funds				
Fixed income	\$ 1,217,909	\$ -	\$ -	\$ 1,217,909
Equities	3,144,842	-	-	3,144,842
Total	\$ 4,362,751	\$ -	\$ -	\$ 4,362,751

**NOTE 5 – Payroll Protection Program Loan**

In April 2020, the Foundation entered into a loan agreement with a bank under the Small Business Administration (SBA) Payroll Protection Program (PPP) contained within the new Coronavirus Aid, Relief, and Economic Security (CARES) Act. The amount of the loan obtained by the Foundation was \$78,320. The loan had a stated interest rate of 1% per annum and required equal monthly payments of principal that were scheduled to commence in December 2020. Under terms of the PPP loan program, a PPP loan provided for conditional forgiveness if the Foundation utilizes the loan proceeds on admissible expenses, including qualifying payroll, rent, and utility expenses, and maintains employment and compensation levels for a specified period of time. In November 2020, the Foundation applied for and received full forgiveness of the loan.

**PALOS VERDES PENINSULA EDUCATION FOUNDATION**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

**NOTE 6 – Special Events**

The Foundation held three special events during the year ended June 30, 2020, which consisted of the following:

	<u>Main Event</u>	<u>Skechers Walk</u>	<u>Garden to Table Event</u>	<u>Total</u>
Contributions	\$ 163,980	\$ -	\$ 32,405	\$ 196,385
Event revenue	60,879	257,052	-	321,042
Less expenses	<u>(136,351)</u>	<u>(946)</u>	<u>(27,093)</u>	<u>(167,501)</u>
	<u>\$ 88,508</u>	<u>\$ 256,106</u>	<u>\$ 5,312</u>	<u>\$ 349,926</u>

For the year ended June 30, 2020, merchandise and services with an estimated value of \$137,585 were contributed for the fundraising events, which are characterized above as both contributions and expenses.

The Foundation held six special events during the year ended June 30, 2019, which consisted of the following:

	<u>Main Event</u>	<u>Car Drawing</u>	<u>Choral Music Event</u>	<u>Terranea Opportunity</u>	<u>Skechers Walk</u>	<u>Wine Event</u>	<u>Total</u>
Contributions	\$ 287,918	\$ 55,730	\$ -	\$ -	\$ -	\$ 204,998	\$ 548,646
Event revenue	300,638	45,825	14,124	11,200	247,122	-	618,909
Less expenses	<u>(411,334)</u>	<u>(58,050)</u>	<u>(4,522)</u>	<u>-</u>	<u>(1,250)</u>	<u>(129,451)</u>	<u>(604,607)</u>
	<u>\$ 177,222</u>	<u>\$ 43,505</u>	<u>\$ 9,602</u>	<u>\$ 11,200</u>	<u>\$ 245,872</u>	<u>\$ 75,547</u>	<u>\$ 562,948</u>

For the year ended June 30, 2019, merchandise and services with an estimated value of \$348,777 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, 2020 AND 2019**

**NOTE 7 – Restrictions on Net Assets**

The following is a summary of net assets:

*Net Assets Without Donor Restrictions*

	June 30,	
	2020	2019
Undesignated	\$ 165,390	\$ 345,168
Board designated endowment fund	3,959,159	4,019,522
	\$ 4,124,549	\$ 4,364,690

*Net Assets With Donor Restrictions*

	June 30,	
	2020	2019
Restricted for Purpose:		
Earnings on endowment, pending appropriation	\$ 146,597	\$ 132,934
Toyota raffle, purpose restricted	55,730	-
	\$ 202,327	\$ 132,934

*Net Assets With Donor Restrictions - Restricted in Perpetuity*

	June 30,	
	2020	2019
Perpetually restricted for endowment		
Jack Bagdasar Memorial Endowment Fund	\$ 15,295	\$ 15,295
Norris Foundation	50,000	50,000
Allman	60,000	60,000
Borzi	25,000	25,000
Long	40,000	40,000
Other	20,000	20,000
	\$ 210,295	\$ 210,295

**PALOS VERDES PENINSULA EDUCATION FOUNDATION**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

**NOTE 8 – Endowment Funds**

Endowment funds include perpetually restricted endowment funds and Board-designated funds, collectively referred to as Endowment Funds. 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 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 net assets with donor restrictions in perpetuity: (a) the original value of the gifts donated to the perpetually restricted endowment, (b) the original value of subsequent gifts to the perpetually restricted endowment, and (c) accumulations to the perpetually restricted 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 donor restricted in perpetuity net assets is classified as net assets with donor restriction for time/purpose/spending policy until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard prudence prescribed by UPMIFA. Board-designated endowment funds are reported as net assets without donor restrictions.

*Summary of Endowment Funds*

Net changes in Endowment Funds for the years ended June 30, 2020 and 2019 were as follows:

	<b>For the Year Ended June 30, 2020</b>			
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>		<b>Total</b>
		<b>Accumulated Earnings</b>	<b>Perpetual</b>	
Endowment net assets, beginning of year	\$ 4,019,522	\$ 132,934	\$ 210,295	\$ 4,362,751
Realized and unrealized gains	88,373	7,156	-	95,529
Interest and dividends	117,418	9,507	-	126,925
Appropriation of endowment assets for expenditure	(266,154)	(3,000)	-	(269,154)
Endowment net assets, end of year	\$ 3,959,159	\$ 146,597	\$ 210,295	\$ 4,316,051

**PALOS VERDES PENINSULA EDUCATION FOUNDATION**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

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

	<b>For the Year Ended June 30, 2019</b>			
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>		<b>Total</b>
		<b>Accumulated Earnings</b>	<b>Perpetual</b>	
Endowment net assets, beginning of year	\$ 3,974,112	\$ 114,989	\$ 210,295	\$ 4,299,396
Realized and unrealized gains	172,342	12,350	-	184,692
Interest and dividends	92,684	6,595	-	99,279
Appropriation of endowment assets for expenditure	(219,616)	(1,000)	-	(220,616)
Endowment net assets, end of year	\$ 4,019,522	\$ 132,934	\$ 210,295	\$ 4,362,751

***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. 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.

**NOTE 9 – Commitments and Contingencies**

***Legal***

The Foundation may be involved in various claims and lawsuits arising in the normal course of its operations. The Foundation’s management believes it has adequate defenses and insurance coverage for these actions.

**PALOS VERDES PENINSULA EDUCATION FOUNDATION**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

**NOTE 9 – Commitments and Contingencies (Continued)**

***Risks Associated with the Impact of COVID-19***

The Foundation’s operations have been affected by the recent and ongoing outbreak of COVID-19, which was declared a pandemic by the World Health Organization in March 2020. The ultimate disruption caused by the outbreak is uncertain; however, possible effects may include, but are not limited to, reduction in the Foundation’s revenue streams, and a decline in the value of investments, which could result in a material impact on the Foundation’s financial position and operating results. There is significant uncertainty as to the severity and longevity of the outbreak and management is in the process of evaluating the impact on the business and its financial statements.

**NOTE 10 – Restatement**

An error was discovered in the presentation of the amount of net realized and unrealized gain on investments in the June 30, 2019 financial statement of cash flow. As a result, the net realized and unrealized gain on investments on the cash flow statement was decreased by \$98,934. The below balances in the 2019 cash flow statement were adjusted as follows to reflect this error:

	<u>As Previously Reported</u>	<u>Adjustment</u>	<u>As Restated June 30, 2019</u>
Statement of Cash Flows			
Net realized and unrealized gain on investments	(\$ 283,626)	(\$ 98,934)	(\$ 184,692)
Cash and Cash Equivalents at end of year	\$ 910,729	\$ 98,934	\$ 1,009,663

**NOTE 11 – Subsequent Event**

On January 28, 2021, the Foundation received a Paycheck Protection Program Second Draw (PPP Second Draw) loan totaling \$78,320 under the Coronavirus Aid Relief and Economic Security (CARES) Act. Under the terms of the PPP Second Draw, the loan is unsecured, has a five-year term, and accrues interest at 1%. The loan is structured to be forgiven if the proceeds are used for their intended purpose, which includes employee wages, benefits, payroll taxes and utilities and for the covered period. Management expects that the entire loan balance will be used for the qualifying expenses; therefore, management anticipates that the loan will be substantially forgiven.