



FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

CONTENTS

Independent Auditors' Report	1-2
Statements of Assets, Liabilities, and Net Assets – Modified Cash Basis	3
Statements of Support, Revenue, Expenses, and Changes in Net Assets – Modified Cash Basis	4-5
Statements of Functional Expenses – Modified Cash Basis.....	6-7
Statements of Cash Flows – Modified Cash Basis	8
Notes to the Financial Statements	9-19

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 assets, liabilities, and net assets—modified cash basis as of June 30, 2015 and 2014, the related statements of support, revenue, expenses, and changes in net assets - modified cash basis, functional expenses – modified cash basis, and cash flows – modified cash basis 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 the modified cash basis of accounting as described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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 assets, liabilities, and net assets of Palos Verdes Peninsula Education Foundation as of June 30, 2015 and 2014, its support, revenue, expenses, and changes in net assets, and its cash flows for the years then ended in accordance with the modified cash basis of accounting as described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

A handwritten signature in cursive script that reads "Windes, Inc.".

Long Beach, California
March 15, 2016

PALOS VERDES PENINSULA EDUCATION FOUNDATION

**STATEMENTS OF ASSETS, LIABILITIES, AND NET ASSETS –
MODIFIED CASH BASIS**

ASSETS

	June 30,	
	2015	2014
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,878,375	\$ 2,139,635
Investments	4,178,213	4,342,490
Prepaid expenses	46,438	25,448
TOTAL ASSETS	\$ 6,103,026	\$ 6,507,573

LIABILITIES AND NET ASSETS

LIABILITIES		
Deferred summer program income	\$ 572,740	\$ 684,413
NET ASSETS		
Unrestricted		
Undesignated	1,352,068	1,419,388
Board designated endowment fund	3,900,635	4,067,648
	5,252,703	5,487,036
Temporarily restricted	67,288	125,829
Permanently restricted	210,295	210,295
	5,530,286	5,823,160
TOTAL LIABILITIES AND NET ASSETS	\$ 6,103,026	\$ 6,507,573

See Independent Auditors' Report

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

PALOS VERDES PENINSULA EDUCATION FOUNDATION

**STATEMENT OF SUPPORT, REVENUE, EXPENSES, AND
CHANGES IN NET ASSETS – MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE				
Individual contributions	\$ 2,460,622	\$ -	\$ -	\$ 2,460,622
Corporate donations	157,701	-	-	157,701
Special events, net	642,710	-	-	642,710
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 gain on investments	(44,881)	(3,386)	-	(48,267)
Total Support and Revenue	<u>4,770,843</u>	<u>3,235</u>	<u>-</u>	<u>4,774,078</u>
NET ASSETS RELEASED FROM RESTRICTIONS				
Satisfaction of program restrictions	<u>61,776</u>	<u>(61,776)</u>	<u>-</u>	<u>-</u>
Total Support and Revenue	<u>4,832,619</u>	<u>(58,541)</u>	<u>-</u>	<u>4,774,078</u>
EXPENSES				
Program services				
Education support	3,374,798	-	-	3,374,798
Summer School	<u>1,101,799</u>	<u>-</u>	<u>-</u>	<u>1,101,799</u>
Total Program Services	<u>4,476,597</u>	<u>-</u>	<u>-</u>	<u>4,476,597</u>
Supporting services				
Management and general	217,867	-	-	217,867
Fundraising	<u>372,488</u>	<u>-</u>	<u>-</u>	<u>372,488</u>
Total Supporting Services	<u>590,355</u>	<u>-</u>	<u>-</u>	<u>590,355</u>
TOTAL PROGRAM AND SUPPORT EXPENSES	<u>5,066,952</u>	<u>-</u>	<u>-</u>	<u>5,066,952</u>
CHANGE IN NET ASSETS	(234,333)	(58,541)	-	(292,874)
NET ASSETS, BEGINNING OF YEAR	<u>5,487,036</u>	<u>125,829</u>	<u>210,295</u>	<u>5,823,160</u>
NET ASSETS, END OF YEAR	<u>\$ 5,252,703</u>	<u>\$ 67,288</u>	<u>\$ 210,295</u>	<u>\$ 5,530,286</u>

See Independent Auditors' Report

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

PALOS VERDES PENINSULA EDUCATION FOUNDATION

**STATEMENT OF SUPPORT, REVENUE, EXPENSES, AND
CHANGES IN NET ASSETS – MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE				
Individual contributions	\$ 2,211,573	\$ 75,000	\$ -	\$ 2,286,573
Corporate donations	167,467	-	-	167,467
Special events, net	628,021	-	-	628,021
Tuition	1,329,070	-	-	1,329,070
Donated facilities, services and materials	116,678	-	-	116,678
Interest and dividend income	62,014	4,808	-	66,822
Net realized and unrealized gain on investments	<u>535,561</u>	<u>42,011</u>	<u>-</u>	<u>577,572</u>
Total Support and Revenue	<u>5,050,384</u>	<u>121,819</u>	<u>-</u>	<u>5,172,203</u>
NET ASSETS RELEASED FROM RESTRICTIONS				
Satisfaction of program restrictions	<u>74,224</u>	<u>(74,224)</u>	<u>-</u>	
Total Support and Revenue	<u>5,124,608</u>	<u>47,595</u>	<u>-</u>	<u>5,172,203</u>
EXPENSES				
Program services				
Education support	3,022,222	-	-	3,022,222
Summer School	<u>931,483</u>	<u>-</u>	<u>-</u>	<u>931,483</u>
Total Program Services	<u>3,953,705</u>	<u>-</u>	<u>-</u>	<u>3,953,705</u>
Supporting services				
Management and general	139,805	-	-	139,805
Fundraising	<u>462,859</u>	<u>-</u>	<u>-</u>	<u>462,859</u>
Total Supporting Services	<u>602,664</u>	<u>-</u>	<u>-</u>	<u>602,664</u>
TOTAL PROGRAM AND SUPPORT EXPENSES	<u>4,556,369</u>	<u>-</u>	<u>-</u>	<u>4,556,369</u>
CHANGE IN NET ASSETS	568,239	47,595	-	615,834
NET ASSETS, BEGINNING OF YEAR	<u>4,918,797</u>	<u>78,234</u>	<u>210,295</u>	<u>5,207,326</u>
NET ASSETS, END OF YEAR	<u>\$ 5,487,036</u>	<u>\$ 125,829</u>	<u>\$ 210,295</u>	<u>\$ 5,823,160</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 – MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2015**

	Program Services			Supporting Services			
	Education Support	Summer School	Total Program Services	Management and General	Fund- raising	Total Supporting Services	Total Expenses
Contributions to PVPUSD	\$3,350,809	\$ -	\$3,350,809	\$ -	\$ -	\$ -	\$3,350,809
Scholarship and grants	23,989	-	23,989	-	-	-	23,989
Total contributions and grants	3,374,798	-	3,374,798	-	-	-	3,374,798
Salaries and other related expenses							
Salaries	-	781,401	781,401	127,582	164,729	292,311	1,073,712
Employee benefits	-	11,180	11,180	8,686	11,215	19,901	31,081
Payroll taxes	-	86,319	86,319	9,991	12,899	22,890	109,209
Total salaries and other related expenses	-	878,900	878,900	146,259	188,843	335,102	1,214,002
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	7,707	23,120	30,827	83,148
Computer expenses	-	18,824	18,824	1,563	4,688	6,251	25,075
Contracted services	-	28,659	28,659	3,337	-	3,337	31,996
Conferences and meetings	-	-	-	2,061	6,181	8,242	8,242
Dues and subscriptions	-	-	-	110	330	440	440
Insurance expense	-	4,566	4,566	6,860	-	6,860	11,426
Facilities and rentals	-	68,367	68,367	-	-	-	68,367
Office expenses	-	-	-	2,030	6,089	8,119	8,119
Postage, shipping and printing	-	6,073	6,073	2,671	8,014	10,685	16,758
Supplies	-	33,241	33,241	-	-	-	33,241
Telephone	-	2,456	2,456	890	2,670	3,560	6,016
Other	-	7,380	7,380	1,178	3,532	4,710	12,090
Total other expenses	-	222,899	222,899	43,657	99,792	143,449	366,348
Total expenses before donated items	3,374,798	1,101,799	4,476,597	189,916	288,635	478,551	4,955,148
Donated facilities, services, and materials	-	-	-	27,951	83,853	111,804	111,804
Total expenses	<u>\$3,374,798</u>	<u>\$1,101,799</u>	<u>\$4,476,597</u>	<u>\$ 217,867</u>	<u>\$ 372,488</u>	<u>\$ 590,355</u>	<u>\$5,066,952</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 – MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2014**

	Program Services			Supporting Services			
	Education Support	Summer School	Total Program Services	Management and General	Fund- raising	Total Supporting Services	Total Expenses
Contributions to PVPUSD	\$2,997,786	\$ -	\$2,997,786	\$ -	\$ -	\$ -	\$2,997,786
Scholarship and grants	24,436	-	24,436	-	-	-	24,436
Total contributions and grants	<u>3,022,222</u>	<u>-</u>	<u>3,022,222</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,022,222</u>
Salaries and other related expenses							
Salaries	-	624,705	624,705	88,501	206,501	295,002	919,707
Employee benefits	-	9,143	9,143	7,911	18,459	26,370	35,513
Payroll taxes	-	76,551	76,551	6,404	14,942	21,346	97,897
Total salaries and other related expenses	<u>-</u>	<u>710,399</u>	<u>710,399</u>	<u>102,816</u>	<u>239,902</u>	<u>342,718</u>	<u>1,053,117</u>
Other expenses							
Audit expense	-	-	-	14,500	-	14,500	14,500
Advertising and marketing	-	1,466	1,466	-	58,044	58,044	59,510
Bank service charges	-	51,252	51,252	2,781	20,394	23,175	74,427
Computer expenses	-	3,693	3,693	1,825	13,381	15,206	18,899
Contracted services	-	33,017	33,017	-	-	-	33,017
Conferences and meetings	-	-	-	217	1,591	1,808	1,808
Dues and subscriptions	-	-	-	85	625	710	710
Insurance expense	-	3,579	3,579	869	6,371	7,240	10,819
Facilities and rentals	-	79,911	79,911	-	-	-	79,911
Office expenses	-	-	-	527	3,861	4,388	4,388
Postage, shipping and printing	-	5,625	5,625	1,290	9,459	10,749	16,374
Supplies	-	31,206	31,206	-	-	-	31,206
Telephone	-	2,013	2,013	401	2,938	3,339	5,352
Other	-	9,322	9,322	493	3,616	4,109	13,431
Total other expenses	<u>-</u>	<u>221,084</u>	<u>221,084</u>	<u>22,988</u>	<u>120,280</u>	<u>143,268</u>	<u>364,352</u>
Total expenses before donated items	3,022,222	931,483	3,953,705	125,804	360,182	485,986	4,439,691
Donated facilities, services, and materials	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,001</u>	<u>102,677</u>	<u>116,678</u>	<u>116,678</u>
Total expenses	<u>\$3,022,222</u>	<u>\$ 931,483</u>	<u>\$3,953,705</u>	<u>\$ 139,805</u>	<u>\$ 462,859</u>	<u>\$ 602,664</u>	<u>\$4,556,369</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 - MODIFIED CASH BASIS

	For the Year Ended June 30,	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (292,874)	\$ 615,834
Adjustments to reconcile change in net assets to net cash from operating activities:		
Net realized and unrealized gain on investments	48,267	(577,572)
Changes in assets and liabilities:		
Prepaid expenses	(20,990)	2,566
Deferred summer program income	(111,673)	(9,958)
Net Cash Provided By (Used In) Operating Activities	<u>(377,270)</u>	<u>30,870</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from maturities of investments	1,561,321	2,904,143
Purchases of investments	(1,445,311)	(2,780,719)
Net Cash Provided By Investing Activities	<u>116,010</u>	<u>123,424</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(261,260)	154,294
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>2,139,635</u>	<u>1,985,341</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 1,878,375</u></u>	<u><u>\$ 2,139,635</u></u>

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, 2015 AND 2014**

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 Accounting

The Foundation prepares its financial statements on the modified cash basis of accounting, except that marketable securities are carried at fair value. Accordingly, unrealized gains or losses on marketable securities are recorded based on changes in the fair value of such investments. Revenues and the related assets are recognized when received rather than when earned; and expenses are recognized when paid rather than when the obligation is incurred.

Modification from a pure cash basis of accounting also includes recording deferred income arising from cash transactions for summer school and summer activities and recording expenses related to those activities as prepaid expenses as of year-end.

PALOS VERDES PENINSULA EDUCATION FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2015 AND 2014

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Basis of Presentation of Financial Statements

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. Contributions with donor imposed restrictions which are satisfied in the year received are presented as unrestricted in the statements of support, revenue, expenses and changes in net assets – modified cash basis.

Temporarily Restricted Net Assets – Funds restricted based upon specific donor designations and, as such, are obligations the Foundation must fulfill. They include gifts for which donor-imposed restrictions have not been met. These amounts are not available for unrestricted purposes.

Permanently Restricted Net Assets – Includes gifts which require, by donor restriction, 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 invested corpus.

Use of Estimates and Assumptions

The preparation of financial statements in accordance with the modified cash basis of accounting requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and net assets and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Contributions

The Foundation recognizes all contributions received as income in the period received. 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 support, revenue, expenses, and changes in net assets – modified cash basis as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

PALOS VERDES PENINSULA EDUCATION FOUNDATION

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

For purposes of the statements of cash flows-modified cash basis, the Foundation considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents consist of bank deposits, money market and certificate of deposit accounts.

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 3.)

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 assets, liabilities, and net assets – modified cash basis. 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 support, revenue, expenses, and changes in net assets – modified cash basis.

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 assets, liabilities, and net assets – modified cash basis.

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 support, revenue, expenses, and changes in net assets and functional expenses – modified cash basis. 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, 2015 AND 2014

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, 2015, 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 \$370,773 and \$407,241 for venues, auction items and professional services related to the special events during the years ended June 30, 2015 and 2014, respectively. (See Note 4.) The Foundation also received donated use of facilities and services from PVPUSD. The estimated fair value of donated facilities is \$63,406 for the years ended June 30, 2015 and 2014. The estimated fair value of donated professional services and other marketing materials amounted to \$48,398 and \$53,272 for the years ended June 30, 2015 and 2014, 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.

PALOS VERDES PENINSULA EDUCATION FOUNDATION

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Reclassifications

Certain amounts in the 2014 financial statements have been reclassified to conform with the 2015 presentation.

Subsequent Events

The Foundation's management has evaluated subsequent events from the statement of position date through March 15, 2016, the date the financial statements were available to be issued for the year ended June 30, 2015, and determined that there were no other items to disclose.

NOTE 2 – Investments

Investments are summarized as follows:

	June 30,	
	2015	2014
Mutual funds		
Fixed income	\$ 1,180,918	\$ 1,253,983
Equities	<u>2,997,295</u>	<u>3,088,507</u>
	<u>\$ 4,178,213</u>	<u>\$ 4,342,490</u>

PALOS VERDES PENINSULA EDUCATION FOUNDATION

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

NOTE 3 – 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.

The following table presents assets that are measured at fair value on a recurring basis at June 30, 2015 and 2014:

Fair Value Measurement of Investments as of June 30, 2015				
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds				
Fixed income	\$ 1,180,918			\$ 1,180,918
Equities	<u>2,997,295</u>			<u>2,997,295</u>
Total	<u>\$ 4,178,213</u>	<u>None</u>	<u>None</u>	<u>\$ 4,178,213</u>

Fair Value Measurement of Investments as of June 30, 2014				
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds				
Fixed income	\$ 1,253,983			\$ 1,253,983
Equities	<u>3,088,507</u>			<u>3,088,507</u>
Total	<u>\$ 4,342,490</u>	<u>None</u>	<u>None</u>	<u>\$ 4,342,490</u>

PALOS VERDES PENINSULA EDUCATION FOUNDATION

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

NOTE 4 – Special Events

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	140,085	\$ 17,654	\$ 10,125	\$ 185,000	762,082
Less expenses	<u>(408,056)</u>	<u>(41,556)</u>	<u>(101,417)</u>	<u>(3,399)</u>		<u>(1,116)</u>	<u>(555,544)</u>
	<u>\$ 265,038</u>	<u>\$ 55,734</u>	<u>\$ 113,674</u>	<u>\$ 14,255</u>	<u>\$ 10,125</u>	<u>\$ 183,884</u>	<u>\$ 642,710</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.

The Foundation held six special events during the year ended June 30, 2014, 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	\$ 161,640	\$ 57,070	\$ 255,077				\$ 473,787
Event revenue	388,358	51,310	168,331	\$ 23,990	\$ 8,100	\$ 136,000	776,089
Less expenses	<u>(271,946)</u>	<u>(58,948)</u>	<u>(287,276)</u>	<u>(3,205)</u>		<u>(480)</u>	<u>(621,855)</u>
	<u>\$ 278,052</u>	<u>\$ 49,432</u>	<u>\$ 136,132</u>	<u>\$ 20,785</u>	<u>\$ 8,100</u>	<u>\$ 135,520</u>	<u>\$ 628,021</u>

For the year ending June 30, 2014, merchandise and services with an estimated value of \$407,241 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, 2015 AND 2014

NOTE 5 – Net Assets Released from Restrictions

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

	June 30,	
	2015	2014
Net assets released from restrictions:		
Purpose restrictions accomplished:		
Bagdasar- graduating senior scholarship	\$ 500	\$ 500
Honda Foundation – STEM Project	<u>61,276</u>	<u>73,724</u>
Total net assets released from restrictions	<u>\$ 61,776</u>	<u>\$ 74,224</u>

NOTE 6 – Restrictions on Net Assets

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

	June 30,	
	2015	2014
Unrestricted net assets:		
Available for operations	\$ 1,352,068	\$ 1,419,388
Board designated endowment fund	<u>3,900,635</u>	<u>4,067,648</u>
Total Unrestricted Net Assets	<u>5,252,703</u>	<u>5,487,036</u>
Temporarily restricted net assets:		
Honda Foundation – STEM Project		61,276
Endowment earnings	<u>67,288</u>	<u>64,553</u>
Total Temporarily Restricted Net Assets	<u>67,288</u>	<u>125,829</u>
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	<u>20,000</u>	<u>20,000</u>
Total Permanently Restricted Net Assets	<u>210,295</u>	<u>210,295</u>
Total Net Assets	<u>\$ 5,530,286</u>	<u>\$ 5,823,160</u>

PALOS VERDES PENINSULA EDUCATION FOUNDATION

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

NOTE 7 – 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, 2015 and 2014 are as follows:

		For the Year Ended June 30, 2015		
		Unrestricted	Temporarily Restricted	Permanently Restricted
		Total		
Board designated	\$ 3,900,630			\$ 3,900,630
Donor designated		\$ 67,288	\$ 210,295	277,583
	<u>\$ 3,900,630</u>	<u>\$ 67,288</u>	<u>\$ 210,295</u>	<u>\$ 4,178,213</u>
		For the Year Ended June 30, 2014		
		Unrestricted	Temporarily Restricted	Permanently Restricted
		Total		
Board designated	\$ 4,067,642			\$ 4,067,642
Donor designated		\$ 64,553	\$ 210,295	274,848
	<u>\$ 4,067,642</u>	<u>\$ 64,553</u>	<u>\$ 210,295</u>	<u>\$ 4,342,490</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, 2015 AND 2014**

NOTE 7 – 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:

	For the Year Ended June 30, 2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of the year	\$ 4,067,648	\$ 64,553	\$ 210,295	\$ 4,342,496
Realized and unrealized gains	(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	<u>(209,881)</u>	<u> </u>	<u> </u>	<u>(209,881)</u>
Endowment net assets, end of the year	<u>\$ 3,900,635</u>	<u>\$ 67,288</u>	<u>\$ 210,295</u>	<u>\$ 4,178,218</u>

PALOS VERDES PENINSULA EDUCATION FOUNDATION

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

NOTE 7 – Endowment Funds (Continued)

Changes In Endowment Funds (Continued)

	For the Year Ended June 30, 2014			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of the year	\$ 3,659,818	\$ 18,234	\$ 210,295	\$ 3,888,347
Realized and unrealized gains	535,561	42,011		577,572
Interest and dividends	61,287	4,808		66,095
Appropriation of endowment assets for expenditure		(500)		(500)
Board-designated transfers	<u>(189,018)</u>	<u> </u>	<u> </u>	<u>(189,018)</u>
Endowment net assets, end of the year	<u>\$ 4,067,648</u>	<u>\$ 64,553</u>	<u>\$ 210,295</u>	<u>\$ 4,342,496</u>