



PENINSULA  
EDUCATION  
FOUNDATION

FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021

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## INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of  
Palos Verdes Peninsula Education Foundation

### **Opinion**

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, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Palos Verdes Peninsula Education Foundation (the Foundation) as of June 30, 2022 and 2021, 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.

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

*Winder, Inc.*

Long Beach, California  
March 10, 2023

**PALOS VERDES PENINSULA EDUCATION FOUNDATION**

**STATEMENTS OF FINANCIAL POSITION**

**ASSETS**

	<u>June 30,</u>	
	<u>2022</u>	<u>2021</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 1,838,339	\$ 884,806
Investments	4,338,240	5,203,021
Prepaid expenses and other assets	<u>123,024</u>	<u>136,222</u>
<b>TOTAL ASSETS</b>	<u>\$ 6,299,603</u>	<u>\$ 6,224,049</u>

**LIABILITIES AND NET ASSETS**

<b>LIABILITIES</b>		
Deferred summer program income	\$ 830,133	\$ 515,689
Paycheck Protection Program loan	-	78,320
Accrued expenses	<u>365,203</u>	<u>152,899</u>
	<u>1,195,336</u>	<u>746,908</u>

**COMMITMENTS AND CONTINGENCIES (NOTE 9)**

**NET ASSETS**

Without Donor Restrictions		
Undesignated	766,027	218,465
Board-designated endowment fund	<u>3,983,069</u>	<u>4,782,362</u>
	4,749,096	5,000,827
With Donor Restrictions		
Restricted for purpose or time	144,876	266,019
Perpetually restricted for endowment	<u>210,295</u>	<u>210,295</u>
	<u>355,171</u>	<u>476,314</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 6,299,603</u>	<u>\$ 6,224,049</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, 2022**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>SUPPORT AND REVENUE</b>			
Individual contributions	\$ 1,935,931	\$ -	\$ 1,935,931
Corporate donations	149,708	-	149,708
Special events, net	507,127	-	507,127
Special events, in-kind	53,020	-	53,020
Tuition	1,242,598	-	1,242,598
Donated facilities, in-kind	266,103	-	266,103
Services and materials, in-kind	26,735	-	26,735
Paycheck Protection Program loan income	78,320	-	78,320
Net investment loss	(800,615)	(62,488)	(863,103)
Satisfaction of donor restrictions	58,655	(58,655)	-
Total Support and Revenue	3,517,582	(121,143)	3,396,439
<b>EXPENSES</b>			
Program services			
Education support	2,100,131	-	2,100,131
Summer school	774,972	-	774,972
Total Program Services	2,875,103	-	2,875,103
Supporting services			
Management and general	316,862	-	316,862
Fundraising	577,348	-	577,348
Total Supporting Services	894,210	-	894,210
Total Expenses	3,769,313	-	3,769,313
<b>CHANGE IN NET ASSETS</b>	(251,731)	(121,143)	(372,874)
<b>NET ASSETS, BEGINNING OF YEAR</b>	5,000,827	476,314	5,477,141
<b>NET ASSETS, END OF YEAR</b>	\$ 4,749,096	\$ 355,171	\$ 5,104,267

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, 2021**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>SUPPORT AND REVENUE</b>			
Individual contributions	\$ 1,706,981	\$ -	\$ 1,706,981
Corporate donations	39,629	55,655	95,284
Special events, net	197,317	-	197,317
Special events, in-kind	240,980	-	240,980
Tuition	805,001	-	805,001
Donated facilities, in-kind	74,556	-	74,556
Services and materials, in-kind	44,468	-	44,468
Paycheck Protection Program loan income	78,320	-	78,320
Net investment return	1,011,431	66,767	1,078,198
Satisfaction of donor restrictions	58,730	(58,730)	-
Total Support and Revenue	4,257,413	63,692	4,321,105
<b>EXPENSES</b>			
Program services			
Education support	2,112,000	-	2,112,000
Summer school	592,494	-	592,494
Total Program Services	2,704,494	-	2,704,494
Supporting services			
Management and general	264,049	-	264,049
Fundraising	412,592	-	412,592
Total Supporting Services	676,641	-	676,641
Total Expenses	3,381,135	-	3,381,135
<b>CHANGE IN NET ASSETS</b>	876,278	63,692	939,970
<b>NET ASSETS, BEGINNING OF YEAR</b>	4,124,549	412,622	4,537,171
<b>NET ASSETS, END OF YEAR</b>	\$ 5,000,827	\$ 476,314	\$ 5,477,141

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, 2022**

	Program Services			Supporting Services			Total Expenses
	Education Support	Summer School	Total Program Services	Management and General	Fund-raising	Total Supporting Services	
Contributions to PVPUSD	\$ 2,057,000	\$ -	\$ 2,057,000	\$ -	\$ -	\$ -	\$ 2,057,000
Scholarship and grants	43,131	-	43,131	-	-	-	43,131
Total contributions and grants	<u>2,100,131</u>	<u>-</u>	<u>2,100,131</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,100,131</u>
Salaries and other related expenses							
Salaries	-	613,720	613,720	145,019	172,056	317,075	930,795
Employee benefits	-	4,710	4,710	5,263	6,244	11,507	16,217
Payroll taxes	-	29,870	29,870	10,324	12,249	22,573	52,443
Total salaries and other related expenses	<u>-</u>	<u>648,300</u>	<u>648,300</u>	<u>160,606</u>	<u>190,549</u>	<u>351,155</u>	<u>999,455</u>
Other expenses							
Accounting expense	-	-	-	23,200	-	23,200	23,200
Advertising and marketing	-	9,942	9,942	-	50,288	50,288	60,230
Credit card service charges	-	32,330	32,330	16,008	48,023	64,031	96,361
Computer expenses	-	14,072	14,072	9,123	27,367	36,490	50,562
Contracted services	-	31,046	31,046	-	-	-	31,046
Conferences and meetings	-	-	-	1,516	4,547	6,063	6,063
Dues and subscriptions	-	-	-	2,009	6,025	8,034	8,034
Insurance expense	-	3,571	3,571	20,883	-	20,883	24,454
Facilities and rentals	-	10,761	10,761	-	-	-	10,761
Office expenses	-	2,212	2,212	5,508	16,522	22,030	24,242
Postage, shipping, and printing	-	1,545	1,545	533	1,600	2,133	3,678
Supplies	-	15,379	15,379	-	-	-	15,379
Telephone	-	1,688	1,688	1,285	3,856	5,141	6,829
Other	-	4,126	4,126	2,981	8,943	11,924	16,050
Total other expenses	<u>-</u>	<u>126,672</u>	<u>126,672</u>	<u>83,046</u>	<u>167,171</u>	<u>250,217</u>	<u>376,889</u>
Total expenses before donated items	2,100,131	774,972	2,875,103	243,652	357,720	601,372	3,476,475
Donated facilities, in-kind				66,526	199,577	266,103	266,103
Services and materials, in-kind	-	-	-	6,684	20,051	26,735	26,735
Total expenses	<u>\$ 2,100,131</u>	<u>\$ 774,972</u>	<u>\$ 2,875,103</u>	<u>\$ 316,862</u>	<u>\$ 577,348</u>	<u>\$ 894,210</u>	<u>\$ 3,769,313</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, 2021**

	Program Services			Supporting Services			Total Expenses
	Education Support	Summer School	Total Program Services	Management and General	Fund-raising	Total Supporting Services	
Contributions to PVPUSD	\$ 2,108,000	\$ -	\$ 2,108,000	\$ -	\$ -	\$ -	\$ 2,108,000
Scholarship and grants	4,000	-	4,000	-	-	-	4,000
Total contributions and grants	<u>2,112,000</u>	<u>-</u>	<u>2,112,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,112,000</u>
Salaries and other related expenses							
Salaries	-	434,840	434,840	158,024	162,445	320,469	755,309
Employee benefits	-	2,596	2,596	7,630	7,844	15,474	18,070
Payroll taxes	-	55,904	55,904	13,031	13,395	26,426	82,330
Total salaries and other related expenses	<u>-</u>	<u>493,340</u>	<u>493,340</u>	<u>178,685</u>	<u>183,684</u>	<u>362,369</u>	<u>855,709</u>
Other expenses							
Accounting expense	-	-	-	23,000	-	23,000	23,000
Advertising and marketing	-	4,452	4,452	-	65,754	65,754	70,206
Credit card service charges	-	41,757	41,757	8,926	26,778	35,704	77,461
Computer expenses	-	15,918	15,918	2,795	8,383	11,178	27,096
Contracted services	-	8,122	8,122	-	-	-	8,122
Conferences and meetings	-	-	-	970	2,911	3,881	3,881
Dues and subscriptions	-	-	-	758	2,273	3,031	3,031
Insurance expense	-	369	369	7,978	-	7,978	8,347
Facilities and rentals	-	6,564	6,564	-	-	-	6,564
Office expenses	-	-	-	1,202	3,604	4,806	4,806
Postage, shipping, and printing	-	515	515	932	2,797	3,729	4,244
Supplies	-	12,724	12,724	-	-	-	12,724
Telephone	-	1,970	1,970	999	2,997	3,996	5,966
Other	-	6,763	6,763	8,048	24,143	32,191	38,954
Total other expenses	<u>-</u>	<u>99,154</u>	<u>99,154</u>	<u>55,608</u>	<u>139,640</u>	<u>195,248</u>	<u>294,402</u>
Total expenses before donated items	2,112,000	592,494	2,704,494	234,293	323,324	557,617	3,262,111
Donated facilities, in-kind				18,639	55,917	74,556	74,556
Services and materials, in-kind	-	-	-	11,117	33,351	44,468	44,468
Total expenses	<u>\$ 2,112,000</u>	<u>\$ 592,494</u>	<u>\$ 2,704,494</u>	<u>\$ 264,049</u>	<u>\$ 412,592</u>	<u>\$ 676,641</u>	<u>\$ 3,381,135</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>2022</b>	<b>2021</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (372,874)	\$ 939,970
Adjustments to reconcile change in net assets to net cash from operating activities:		
Forgiveness of Paycheck Protection Program loan	(78,320)	(78,320)
Net realized and unrealized loss (gain) on investments	902,564	(1,047,100)
Changes in assets and liabilities:		
Accrued expenses	212,304	23,534
Prepaid expenses	13,198	(28,962)
Deferred summer program income	314,444	(1,436)
Net Cash Provided By (Used In) Operating Activities	991,316	(192,314)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from maturities of investments	218,605	636,090
Purchases of investments	(256,388)	(475,960)
Net Cash Provided By (Used In) Investing Activities	(37,783)	160,130
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from Paycheck Protection Program loan	-	78,320
Net Cash Provided By Financing Activities	-	78,320
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	953,533	46,136
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	884,806	838,670
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	\$ 1,838,339	\$ 884,806

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, 2022 AND 2021**

**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).

***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 are temporary in nature that 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 are 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.

**PALOS VERDES PENINSULA EDUCATION FOUNDATION**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

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

*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.

**PALOS VERDES PENINSULA EDUCATION FOUNDATION**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

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

*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.

*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.

*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.

**PALOS VERDES PENINSULA EDUCATION FOUNDATION**

**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2022 AND 2021**

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

*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, 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, 2022, 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.

*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, 2022 AND 2021**

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

***Recently Adopted Accounting Pronouncement***

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires a not-for-profit to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. Additionally, the standard requires a not-for-profit to disclose a disaggregation of the amount of contributed nonfinancial assets by category that depicts the type of nonfinancial assets and additional information related to the monetization, utilization, and valuation of the contributed nonfinancial assets. The Foundation adopted the standard during the year ended June 30, 2022 and included necessary presentation changes and disclosures herein.

As a result of ASU No. 2020-07, the statement of activities of the Foundation for the year ended June 30, 2021 was adjusted as follows:

	<u>After Adoption of ASU No. 2020-07</u>	<u>As Originally Presented</u>	<u>Effect of Change</u>
Donated facilities, services and materials	\$ -	\$ 119,024	\$ (119,024)
Donated facilities, in-kind	\$ 74,556	\$ -	\$ 74,556
Services and materials, in-kind	\$ 44,468	\$ -	\$ 44,468

***Subsequent Events***

The Foundation’s management has evaluated subsequent events from the statement of position date through March 10, 2023, the date the financial statements were available to be issued for the year ended June 30, 2022, and determined that there were no other items to disclose.

**PALOS VERDES PENINSULA EDUCATION FOUNDATION**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

**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>2022</b>	<b>2021</b>
Financial assets at:		
Cash and cash equivalents	\$ 1,838,339	\$ 884,806
Investments	4,338,240	5,203,021
	6,176,579	6,087,827
Less amounts not available to be used within one year due to:		
Board-designated endowment fund	(3,983,069)	(4,782,632)
Restricted for purpose or time	(144,876)	(266,019)
Perpetually restricted for endowment	(210,295)	(210,295)
Financial assets available to meet general expenditures within one year	\$ 1,838,339	\$ 828,881

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>2022</b>	<b>2021</b>
Mutual funds		
Fixed income	\$ 1,673,766	\$ 1,807,686
Equities	2,664,474	3,395,335
Total Investments	\$ 4,338,240	\$ 5,203,021



**PALOS VERDES PENINSULA EDUCATION FOUNDATION**

**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2022 AND 2021**

**NOTE 3 – Investments (Continued)**

	<b>For the Year Ended</b>	
	<b>June 30,</b>	
	<u><b>2022</b></u>	<u><b>2021</b></u>
Dividends and interest	\$ 62,585	\$ 54,154
Net realized and unrealized (losses) gains on sale of investments	(902,564)	1,047,100
Investment fees	<u>(23,124)</u>	<u>(23,056)</u>
Net investment (loss) return	<u>\$ (863,103)</u>	<u>\$ 1,078,198</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, 2022 AND 2021**

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

The following table presents assets that are measured at fair value on a recurring basis at June 30, 2022 and 2021:

	<b>Fair Value Measurement of Investments as of June 30, 2022</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Mutual funds				
Fixed income	\$ 1,673,766	\$ -	\$ -	\$ 1,673,766
Equities	<u>2,664,474</u>	<u>-</u>	<u>-</u>	<u>2,664,474</u>
Total	<u>\$ 4,338,240</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,338,240</u>
	<b>Fair Value Measurement of Investments as of June 30, 2021</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Mutual funds				
Fixed income	\$ 1,807,686	\$ -	\$ -	\$ 1,807,686
Equities	<u>3,395,335</u>	<u>-</u>	<u>-</u>	<u>3,395,335</u>
Total	<u>\$ 5,203,021</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,203,021</u>

**NOTE 5 – Paycheck Protection Program Loan**

In January 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 was unsecured, had a five-year term, and accrued interest at 1%. In August 2021, the Foundation applied for and received full forgiveness of the loan which is reflected as Paycheck Protection Program loan income on the statement of activities.

**PALOS VERDES PENINSULA EDUCATION FOUNDATION**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

**NOTE 6 – Special Events**

The Foundation held five special events during the year ended June 30, 2022, which consisted of the following:

	<u>Main Event</u>	<u>Car Drawings</u>	<u>Terranea Opportunity</u>	<u>Skechers Walk</u>	<u>Toast on the Coast</u>	<u>Total</u>
Contributions	\$ 46,250	\$ -	\$ -	\$ -	\$ 18,351	\$ 64,601
Event revenue	360,215	47,750	19,400	240,581	66,471	734,417
In-kind contributions	-	53,020	-	-	153,000	206,020
Less in-kind expenses	-	(53,020)	-	-	(153,000)	(206,020)
Less expenses	<u>(155,214)</u>	<u>(2,905)</u>	<u>-</u>	<u>(1,360)</u>	<u>(79,392)</u>	<u>(238,871)</u>
	<u>\$ 251,251</u>	<u>\$ 44,845</u>	<u>\$ 19,400</u>	<u>\$ 239,221</u>	<u>\$ 5,430</u>	<u>\$ 560,147</u>

The Foundation held five special events during the year ended June 30, 2021, which consisted of the following:

	<u>Main Event</u>	<u>Car Drawings</u>	<u>Choral Music Event</u>	<u>Terranea Opportunity</u>	<u>Skechers Walk</u>	<u>Total</u>
Contributions	\$ 52,331	\$ -	\$ -	\$ -	\$ -	\$ 52,331
Event revenue	194,293	41,375	19,058	18,100	159,943	432,769
In-kind contributions	-	53,730	-	-	-	53,730
Less in-kind expenses	-	(53,730)	-	-	-	(53,730)
Less expenses	<u>(36,819)</u>	<u>(4,365)</u>	<u>(4,940)</u>	<u>-</u>	<u>(679)</u>	<u>(46,803)</u>
	<u>\$ 209,805</u>	<u>\$ 37,010</u>	<u>\$ 14,118</u>	<u>\$ 18,100</u>	<u>\$ 159,264</u>	<u>\$ 438,297</u>

**PALOS VERDES PENINSULA EDUCATION FOUNDATION**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

**NOTE 7 – Restrictions on Net Assets**

The following is a summary of net assets:

*Net Assets Without Donor Restrictions*

	<b>June 30,</b>	
	<b>2022</b>	<b>2021</b>
Undesignated	\$ 766,027	\$ 218,465
Board designated endowment fund	3,983,069	4,782,362
	<b>\$ 4,749,096</b>	<b>\$ 5,000,827</b>

*Net Assets With Donor Restrictions*

	<b>June 30,</b>	
	<b>2022</b>	<b>2021</b>
Restricted for Purpose:		
Earnings on endowment, pending appropriation	\$ 144,876	\$ 210,364
Toyota raffle, purpose restricted	-	55,655
	<b>\$ 144,876</b>	<b>\$ 266,019</b>

*Net Assets With Donor Restrictions - Restricted in Perpetuity*

	<b>June 30,</b>	
	<b>2022</b>	<b>2021</b>
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
	<b>\$ 210,295</b>	<b>\$ 210,295</b>

**PALOS VERDES PENINSULA EDUCATION FOUNDATION**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

**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, 2022 and 2021 were as follows:

	For the Year Ended June 30, 2022			Total
	Without Donor Restrictions	With Donor Restrictions Accumulated Earnings	Perpetual	
Endowment net assets, beginning of year	\$ 4,782,362	\$ 210,364	\$ 210,295	\$ 5,203,021
Realized and unrealized gains	(837,239)	(65,325)	-	(902,564)
Interest and dividends	36,359	2,837	-	39,196
Appropriation of endowment assets for expenditure	1,587	(3,000)	-	(1,413)
Endowment net assets, end of year	\$ 3,983,069	\$ 144,876	\$ 210,295	\$ 4,338,240

**PALOS VERDES PENINSULA EDUCATION FOUNDATION**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

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

*Summary of Endowment Funds (Continued)*

	For the Year Ended June 30, 2021			
	Without Donor Restrictions	With Donor Restrictions		Total
		Accumulated Earnings	Perpetual	
Endowment net assets, beginning of year	\$ 3,959,159	\$ 146,597	\$ 210,295	\$ 4,316,051
Realized and unrealized gains	982,246	64,854	-	1,047,100
Interest and dividends	28,979	1,913	-	30,892
Appropriation of endowment assets for expenditure	(188,022)	(3,000)	-	(191,022)
Endowment net assets, end of year	\$ 4,782,362	\$ 210,364	\$ 210,295	\$ 5,203,021

*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, 2022 AND 2021**

**NOTE 10 – Contributed Nonfinancial Assets**

During the years ended June 30, 2022 and 2021, contributed nonfinancial assets recognized within the statements of activities included:

	<b>June 30,</b>	
	<b>2022</b>	<b>2021</b>
Professional services	\$ 15,785	\$ 786
Supplies	10,950	19,682
Restaurant gift cards	-	24,000
Donated facilities	266,103	74,556
Special events – in-kind		
Auction items	285,998	169,700
Vehicle for drawing	53,020	53,730
Event services	153,000	-
 Total	 \$ 784,856	 \$ 342,454

The Foundation recognized contributed nonfinancial assets within revenue, unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions. Such in-kind support is offset by like amounts included in expense. Professional and event services include marketing, production and services for the Foundation and fundraising events. These services that are reported using current rates for similar services. Contributed supplies and restaurant gift cards were utilized at fundraising events. The Foundation estimated the fair market value as substantiated by a receipt or proof of cost. The Foundation receives donated use of facilities and services for the office and summer school program from PVPUSD valued at the fair market value of rent for similar building. Auction items include travel, experiences and various other goods and services. Contributed auction items are valued at the gross selling price received. The donated vehicle for drawing is valued at the estimated manufacturer suggested retail price.