PIEDMONT EDUCATION FOUNDATION

(A California Non-Profit Corporation)

FINANCIAL STATEMENTS

JUNE 30, 2016

RINA
accountancy corporation

PIEDMONT EDUCATION FOUNDATION

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JUNE 30, 2016

RINA *accountancy corporation*
201 North Civic Drive, Suite 220 Walnut Creek, CA 94596
phone: 925.210.2180 *fax:* 925.210.2190 1.800.RINA.CPA *web:* www.rina.com

Independent Auditors' Report

The Board of Directors
Piedmont Education Foundation

We have audited the accompanying statement of assets, liabilities, and net assets - income tax basis of the Piedmont Education Foundation as of June 30, 2016, and the related statements of activities and functional expenses - income tax basis for the year 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 income tax basis of accounting described in Note 1; this includes determining that the income tax 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 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 Foundation'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 the Piedmont Education Foundation as of June 30, 2016 and its revenue, expenses, and changes in net assets for the years then ended, in accordance with the basis of accounting 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 basis of accounting the Foundation uses for income tax reporting purposes, 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.

RINA accountancy corporation

Certified Public Accountants

Walnut Creek, California
March 21, 2018

PIEDMONT EDUCATION FOUNDATION

STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS – INCOME TAX BASIS - JUNE 30, 2016

ASSETS

CURRENT:		
Cash and cash equivalents	$	2,006,093
Scrip inventory		39,754
TOTAL CURRENT ASSETS		2,045,847
CASH AND INVESTMENTS - RESTRICTED		6,732,321
TOTAL ASSETS	$	8,778,168

LIABILITIES AND NET ASSETS

LIABILITIES:		
Accounts payable	$	566
Parent club scrip investment		100,000
TOTAL LIABILITIES		100,566
NET ASSETS:		
Unrestricted		1,925,302
Temporarily restricted		19,979
Permanently restricted		6,732,321
TOTAL NET ASSETS		8,677,602
TOTAL LIABILITIES AND NET ASSETS	$	8,778,168

See notes to financial statements.

PIEDMONT EDUCATION FOUNDATION

STATEMENT OF ACTIVITIES – INCOME TAX BASIS

YEAR ENDED JUNE 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE AND SUPPORT:				
Donations	$ 1,949,186	$ 25,000	$ 481,209	$ 2,455,395
Fundraising	297,471	-	-	297,471
Registration fees	244,966	-	-	244,966
Investment income	188,215	-	-	188,215
Scrip sales, net	77,619	-	-	77,619
Partner sponsors	73,184	-	-	73,184
Support Club Receipts	44,580	-	-	44,580
Investment fees	(33,019)	-	-	(33,019)
Realized and Unrealized Gain (Loss)	(451,288)	-	-	(451,288)
Net assets released from restrictions	226,168	(226,168)	-	-
TOTAL REVENUE AND SUPPORT	2,617,082	(201,168)	481,209	2,897,123
EXPENSES:				
Program services	2,677,924	-	-	2,677,924
Supporting services:				
Administration	64,259	-	-	64,259
Fundraising	282,470	-	-	282,470
TOTAL EXPENSES	3,024,653	-	-	3,024,653
CHANGE IN NET ASSETS	(407,571)	(201,168)	481,209	(127,530)
NET ASSETS, beginning of year	240,549	221,147	6,251,112	6,712,808
NET ASSETS, from APCP	2,092,324	-	-	2,092,324
NET ASSETS, end of year	$ 1,925,302	$ 19,979	$ 6,732,321	$ 8,677,602

See notes to financial statements.

PIEDMONT EDUCATION FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES – INCOME TAX BASIS

YEAR ENDED JUNE 30, 2016

		Supporting Services		
	Program Services	Administration	Fundraising	Totals
Support to schools	$ 2,634,926	$ -	$ -	$ 2,634,926
Salaries and payroll costs	19,854	19,854	158,829	198,537
Credit card processing	5,171	-	46,536	51,707
Website	3,364	-	30,277	33,641
Printing & publication	13,987	-	13,989	27,976
Legal and professional services	-	19,124	-	19,124
Rent	-	8,325	8,325	16,650
Software/licensing fees	-	7,604	7,603	15,207
Advertising	-	-	7,003	7,003
IT support	-	1,624	1,623	3,247
Bank charges	-	1,562	1,562	3,124
Utilities	-	1,544	1,545	3,089
Supplies	-	1,495	1,495	2,990
Equipment	-	2,650	-	2,650
Insurance	215	71	430	716
Other expenses	407	406	3,253	4,066
TOTAL EXPENSES	$ 2,677,924	$ 64,259	$ 282,470	$ 3,024,653

See notes to financial statements.

PIEDMONT EDUCATION FOUNDATION

NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2016

Note 1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Nature of activities:

The Piedmont Education Foundation (Foundation) is a community-based non-profit founded in 1975 whose mission is to promote academic excellence, champion innovation, and provide sustained financial support to the Piedmont Unified School District. It is our community's commitment to public education and spirit of generosity that help to make Piedmont Unified School District so extraordinary. Our deeply held collective belief in public education as a core civic value unifies Piedmont, and helps to make our District successful. Piedmont rallies around the notion that a well-educated population will enable the greater good – that we have a civic duty to sustain and support our local schools.

The Foundation works collaboratively with District administrators and staff to respond to the greatest needs and opportunities in the schools. This partnership enables the board to maintain a strategic, long-term view and to support innovative K-12 programs. From community members to parents, teachers, support staff, administrators, School Board and City Council members, every stakeholder in our school district is vested in the success of Piedmont's schools. Our community's commitment to these collaborative relationships delivers excellent schools for today and for the generations to come.

The Associated Parents Clubs of Piedmont (Association or APCP) was founded in 1989 as a non-profit corporation. The Association was a collective network of six Parent Clubs with representative boards at each school site. The Association's mission was to support the K-12 General Fund, collaborate with the District administration and school principals to support enrichment, extracurricular programs, administer teacher grants and offer Summer Enrichment programs. The Foundation has conducted joint donation solicitations with the Association for many years. The Foundation merged with the Association as of June 30, 2015. The Association terminated effective with this merger.

As a result of the merger, the net assets at June 30, 2015 has been increased by $2,092,724 to reflect the assets contributed to PEF from the Association and the liabilities assumed by PEF from the Association as follows:

Cash	$ 2,142,263
Scrip inventory	50,061
	2,192,324
Less liabilities:	
Due to Parent Club for Scrip investment	(100,000)
Increase in net assets from APCP	$ 2,092,324

Basis of presentation:

The year-end financial statements are prepared on the income tax basis. The income tax basis differs from accounting principles generally accepted in the United States of America primarily because revenue and the related assets are recognized when received rather than when earned and expenditures are recognized when paid rather than when the obligation is incurred.

Note 1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Financial statement format:

Professional standards require that the Foundation report information regarding its assets, liabilities, net assets and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. A description of the three net assets categories follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Foundation and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations must be maintained permanently by the Foundation. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on any related investments for general or specific purposes.

Cash and cash equivalents:

The Foundation considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

The Foundation maintains its cash in bank deposit accounts, which at time may exceed federally insured limits. The Foundation has not experienced any losses in such accounts.

Income taxes:

The Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and similar state statutes on income other than income from activities outside of the Foundation's exempt purpose (unrelated business income). Management believes it has not generated any unrelated business income and has not paid any taxes or estimated tax payments. Accordingly, no income taxes are reflected in the statement of activities.

Inventories:

Inventories are valued at the lower of cost or market method.

Investments:

The Foundation reports investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

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

Note 1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Investments (Continued):

Professional accounting standards establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

The three levels of the fair value hierarchy under professional accounting standards are described as follows:

Level 1	Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.
Level 2	Inputs to the valuation methodology include: • quoted prices for similar assets or liabilities in active markets; • quoted prices for identical or similar assets or liabilities in inactive markets; • inputs other than quoted prices that are observable for the asset or liability; • inputs that are derived principally from or corroborated by observable market data, by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.
Level 3	Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Functional allocation of expenses:

Directly identifiable expenses are charged to programs and supporting services such as the summer school and school district programs. Expenses related to more than one function are charged to programs and supporting services based on the nature of the expense. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Foundation.

Salaries and payroll costs represent compensation incurred in connection with the summer school program.

Date of management's review:

Management has evaluated events through March 21, 2018, the date which the financial statements were available for issue. Management has concluded that there were no subsequent events to be disclosed or recognized in the financial statements.

PIEDMONT EDUCATION FOUNDATION

NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2016

Note 2. NATURE OF ESTIMATES:

The preparation of financial statements in conformity with the income tax basis of accounting requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 3. CONCENTRATIONS:

At June 30, 2016 financial instruments that potentially subject the Foundation to concentration of credit risk consist principally of cash. The Foundation places its cash with high credit quality institutions. At times, the account balances may exceed the institution's federally insured limits. The Foundation has not experienced any losses in such accounts.

Note 4. INVESTMENTS:

The investment portfolio is managed based on guidelines established by the Foundation's Board of Directors. Investments, stated at fair value, are comprised of the following:

	June 30, 2016	
	Cost	Fair Value
Money Market	$ 641,990	$ 641,990
Partnership	3,061	3,061
Fixed income securities	2,809,437	2,695,887
Equity Funds	2,711,058	2,420,347
Totals	$ 6,165,546	5,761,285
Restricted cash		971,036
Permanently Restricted		$ 6,732,321

Investment income shown on the statement of activities consists of the following at June 30, 2016:

Interest and dividend income	$ 188,215

Note 5. FAIR VALUE MEASUREMENTS:

The following table sets forth by level, the fair value hierarchy, the plan's assets at fair value as of June 30, 2016:

Assets at Fair Value as of June 30, 2016

	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Partnership	$ -	$ -	$ 3,061	$ 3,061
Fixed income securities	2,695,887	-	-	2,695,887
Equity funds	2,420,347	-	-	2,420,347
Total investments	$ 5,116,234	$ -	$ 3,061	$ 5,119,295

Note 6. ENDOWMENTS:

As required by professional accounting standards, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Foundation's endowment consists of permanently restricted funds based on the Foundation's evaluation of the intent of the donor, as well as funds designated by the Board of Directors to function as endowments as of June 30, 2016. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of restrictions. Donors agree in writing to the terms and conditions in effect for establishing a permanently restricted (endowed), temporarily restricted, or unrestricted gift to the Foundation or donations are classified as restricted or unrestricted based on the response to a particular donor appeal.

Interpretation of relevant law:

On September 30, 2008, the State of California adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA), effective January 1, 2009. The Board of Directors has interpreted UPMIFA as requiring the preservation of the historical cost value of the original gift as of the gift date to the permanent endowment fund absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets: the original value of the gifts donated to the permanent endowment and the original value of subsequent gifts to the permanent endowment. The Foundation classifies as temporarily restricted the original value of gifts donated less amounts released when the purpose or time restrictions have been met. Earnings and realized and unrealized gains or losses are classified as unrestricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA.

Note 6. ENDOWMENTS (Continued):

Interpretation of relevant law (continued):

In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate endowment funds:

- The duration and preservation of the fund
- The needs of the Piedmont schools
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Foundation
- The investment policies of the Foundation

Return objectives and risk parameters:

The Foundation has adopted investment spending policies for endowment assets that attempt to provide a predictable stream of funding to the Piedmont Unified School District while seeking to maintain the corpus of endowment assets. Endowment assets include donor-restricted assets that the Foundation must hold in perpetuity unless released from restriction. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the average yield results of a blend of diversified equity and bond index funds while assuming a moderate level of investment risk. The Foundation expects its endowment funds over time to provide an average rate of return of at least 6% annually. Actual returns in any given year may vary from this amount.

Strategies employed for achieving objectives:

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a balanced emphasis on equity income and fixed income investments to achieve its long-term return objectives within prudent risk constraints. The Foundation investment guidelines target 50% -70% equity Exchange Traded Funds (ETF) and 30%-50% fixed income ETF's and cash.

Spending policy and how the investment objectives relate to spending policy:

The Foundation has a policy of appropriating for distribution each year as unrestricted net assets. The Investment Committee calculates the maximum that may be distributed from available cumulative income from the Endowment Fund. (the potential payout). The potential payout may not exceed 5.0% of the three-year rolling average of the ending market value as of December 31st. Real growth for endowed funds is expected to occur through new temporarily and permanently restricted gifts in the future.

Endowment net asset composition included permanently restricted net assets with balances of $5,761,285 as of June 30, 2016. Changes in the unrestricted, temporarily and permanently restricted endowment net assets for the year ended June 30, 2016 is detailed below.

Note 6. ENDOWMENTS (Continued):

As required by professional accounting standards, net assets associated with endowment funds are classified and reported based on the existence or absence of restrictions.

Endowment Net Asset Compositions as of June 30, 2016:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
Donor restricted	$ -	$ -	$ 5,761,285	$ 5,761,285
Balance, June 30, 2016	$ -	$ -	$ 5,761,285	$ 5,761,285

Net changes in endowment funds for the year ended June 30, 2016 were as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
Balance, June, 30, 2015	$ -	$ -	$ 6,009,932	$ 6,009,932
Investment return	188,215	-	-	188,215
Transfer to cash	-	-	(248,647)	(248,647)
Grant expense	(188,215)	-	-	(188,215)
Balance, June 30, 2016	$ -	$ -	$ 5,761,285	$ 5,761,285