

PIEDMONT EDUCATION FOUNDATION

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

AND

INDEPENDENT AUDITORS' REPORT



PIEDMONT EDUCATION FOUNDATION

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Piedmont Education Foundation
Piedmont, California

We have audited the accompanying financial statements of Piedmont Education Foundation (a nonprofit organization), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses and cash flows 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 accounting principles generally accepted in the United States of America. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Piedmont Education Foundation as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Piedmont Education Foundation's 2019 financial statements, and our report dated January 13, 2020, expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Johanson & Yau Accountancy Corporation

Campbell, California
March 1, 2021

**PIEDMONT EDUCATION FOUNDATION
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2020
(With Comparative Totals as of June 30, 2019)**

ASSETS

	2020	2019
Current assets		
Cash and cash equivalents	\$ 1,670,635	\$ 4,339,347
Investments - Note 2	9,872,603	6,715,266
Pledges receivable	79,268	171,941
Other receivable	26,402	2,500
Scrip inventory	39,486	21,796
Prepaid expenses	41,638	12,033
Total current assets	11,730,032	11,262,883
	\$ 11,730,032	\$ 11,262,883

LIABILITIES AND NET ASSETS

Current liabilities		
Accounts payable	\$ 520	\$ 107,141
Accrued vacation	3,185	-
Other liabilities	7,081	13,990
Refundable advance - Note 8	44,327	-
Total current liabilities	55,113	121,131
Payable to parent club for scrip advances	-	100,000
	55,113	221,131
Net assets		
Without donor restrictions - Note 4	11,523,677	10,859,998
With donor restrictions - Note 5	151,242	181,754
	11,674,919	11,041,752
	\$ 11,730,032	\$ 11,262,883

See accompanying notes to financial statements

PIEDMONT EDUCATION FOUNDATION
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020
(With Comparative Totals for the Year Ended June 30, 2019)

	<u>2020</u>			<u>2019</u>
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Operating activities:				
Support and revenue				
Donations	\$ 3,294,708	\$ 48,962	\$ 3,343,670	\$ 3,154,814
Special events, net of expenses of \$5,145	129,293	-	129,293	421,212
Registration fees	58,073	-	58,073	172,978
Interest and dividends	168,457	-	168,457	176,908
Scrip sales, net of direct costs of \$703,761	34,504	-	34,504	44,325
Partner sponsors	62,635	-	62,635	54,800
Fiscal sponsorships	15,016	-	15,016	-
Support services	29,807	-	29,807	-
Net assets released from restrictions	83,341	(83,341)	-	-
Total support and revenue	<u>3,875,834</u>	<u>(34,379)</u>	<u>3,841,455</u>	<u>4,025,037</u>
Expenses				
Program services	3,391,608	-	3,391,608	3,082,508
Supporting expenses				
Management and general	109,077	-	109,077	144,401
Fundraising	177,697	-	177,697	178,033
Total expenses	<u>3,678,382</u>	<u>-</u>	<u>3,678,382</u>	<u>3,404,942</u>
Change in net assets from operations	197,452	(34,379)	163,073	620,095
Non-operating activities				
Investment return, net - Note 2	466,227	3,867	470,094	268,613
Change in net assets	663,679	(30,512)	633,167	888,708
Net assets, beginning of the year	<u>10,859,998</u>	<u>181,754</u>	<u>11,041,752</u>	<u>10,153,044</u>
Net assets, end of year	<u>\$ 11,523,677</u>	<u>\$ 151,242</u>	<u>\$ 11,674,919</u>	<u>\$ 11,041,752</u>

See accompanying notes to financial statements

PIEDMONT EDUCATION FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2020
(With Comparative Totals for the Year Ended June 30, 2019)

	<u>2020</u>			<u>2019</u>	
	<u>Program Services</u>	<u>Management & General</u>	<u>Fundraising</u>	<u>Total</u>	<u>Total</u>
Salaries	\$ 118,371	\$ 40,378	\$ 68,826	\$ 227,575	\$ 226,549
Payroll taxes	9,685	3,435	5,100	18,220	18,451
Employee benefits	-	1,126	-	1,126	761
Total salaries and related expenses	128,056	44,939	73,926	246,921	245,761
Grants to Piedmont Unified School District	3,136,940	-	-	3,136,940	2,712,283
Summer school expenses	4,835	-	-	4,835	172,320
Grants to fiscal sponsor recipients	92,842	-	-	92,842	46,272
Credit card fees	7,299	493	48,907	56,699	64,129
Printing and publication	12,852	-	5,898	18,750	27,063
Professional services	-	30,145	-	30,145	83,447
Rent	-	18,744	-	18,744	18,198
Software and licensing	1,968	1,611	6,791	10,370	10,751
Advertising	2,217	-	3,946	6,163	5,935
Insurance	205	6,692	-	6,897	2,542
Office supplies	87	970	-	1,057	2,893
Bank fees	91	68	198	357	847
Food and beverage	200	-	6,964	7,164	3,385
Bad debt expense	-	-	31,067	31,067	-
Telephone and internet	-	2,601	-	2,601	2,731
Payroll processing	-	2,722	-	2,722	1,890
Other expenses	1,020	79	-	1,099	1,566
Travel, meetings and conferences	-	-	-	-	877
Website	2,996	-	-	2,996	2,052
Repairs and maintenance	-	13	-	13	-
Total functional expenses	<u>\$ 3,391,608</u>	<u>\$ 109,077</u>	<u>\$ 177,697</u>	<u>\$ 3,678,382</u>	<u>\$ 3,404,942</u>

See accompanying notes to financial statements

PIEDMONT EDUCATION FOUNDATION
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2020
(With Comparative Totals for the Year Ended June 30, 2019)

	<u>2020</u>	<u>2019</u>
Cash flow from operating activities		
Change in net assets	\$ 633,167	\$ 888,708
Adjustments to reconcile change in net assets to net cash (used for) provided by operating activities		
Net realized and unrealized gain on investments	(499,968)	(296,652)
Receipt of donated securities	(69,934)	(83,740)
Bad debt expense	31,066	2,731
(Increase) decrease in assets		
Receivables	37,705	12,362
Inventory	(17,690)	26,627
Prepaid expenses	(29,605)	(7,645)
Increase (decrease) in liabilities		
Accounts payable	(206,621)	76,042
Accrued vacation	3,185	-
Other liabilities	(6,909)	(22,151)
	<u>(125,604)</u>	<u>596,282</u>
Net cash (used for) provided by operating activities		
Cash flows from investing activities		
Proceeds from sales of investments	7,978,980	2,031,348
Purchase of investments	(10,566,415)	(1,658,941)
	<u>(2,587,435)</u>	<u>372,407</u>
Net cash (used for) provided by investing activities		
Cash flows from financing activities		
Refundable advance	44,327	-
	<u>44,327</u>	<u>-</u>
Net cash provided by financing activities		
Net (decrease) increase in cash and cash equivalents	(2,668,712)	968,689
Cash and cash equivalents, beginning of year	<u>4,339,347</u>	<u>3,370,658</u>
Cash and cash equivalents, end of year	<u>\$ 1,670,635</u>	<u>\$ 4,339,347</u>

See accompanying notes to financial statements

PIEDMONT EDUCATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Organization - Piedmont Education Foundation (the Foundation) is a California community-based nonprofit corporation founded in 1975. The mission of the Foundation is to provide sustained financial support to Piedmont schools through fundraising and community engagement. This mission supports the Foundation's vision of a school district that has the resources needed to provide students with an outstanding education in a supportive and inclusive environment.

Basis of Accounting - The financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles (GAAP), and accordingly, reflect all significant receivables, payables and other liabilities.

Basis of Presentation - The Foundation reports information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Foundation. These net assets may be used at the discretion of the Foundation's management and the board of directors.

Net assets with donor restrictions - Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Measure of Operations - The statement of activities reports all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to the Foundation's ongoing program services and interest and dividends earned on investments. Non-operating activities are limited to resources that generate return from investments and other activities considered to be of a more unusual or nonrecurring nature.

Revenue Recognition - The Foundation recognizes revenue on the accrual basis of accounting. The Foundation's primary revenue sources are its annual giving campaign, grants and awards from local foundations and donations from individuals and corporations.

Contributions are recognized when the donor makes a pledge to give that is, in substance, an unconditional promise. Contributions are recorded as net assets without donor restrictions or with donor restrictions depending on the nature of donor-imposed restrictions, if any, and upon whether the restrictions are met in the current year.

Donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

PIEDMONT EDUCATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donations in-kind - In-kind donations are recorded at their estimated fair market value on the day of donation. The amounts reflected in the statement of activities as in-kind donations are offset by like amounts included in expenses. Contributed services, which require a specialized skill which the Foundation would have paid for if not donated, are recorded at their estimated fair market value at the time the services are rendered. There were no in-kind donations received during the year ended June 30, 2020. The Foundation also received donated services that do not require expertise but which are nonetheless central to the Foundation's operations. These contributed services are not reflected in the financial statements.

Cash and Cash Equivalents - For purposes of the statement of cash flows, the Foundation considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Investments - The Foundation carries investments in marketable securities with readily determinable fair values in the statement of financial position as reported by the investment broker. Unrealized gains and losses resulting from market fluctuations are included in the statement of activities in the period such fluctuations occur. Dividend and interest income are accrued when earned and recorded as unrestricted revenue unless income is restricted by the donor.

Pledges Receivable and Allowance for Doubtful Pledges - Pledges receivable consist of unconditional promises to give. Unconditional promises to give that are expected to be collected in more than one year are recorded at the present value of their future cash flows. An allowance for doubtful pledges is recorded, as considered necessary, based on management's analysis of specific unconditional pledges and on the Foundation's prior experience. As of June 30, 2020, there was no allowance for doubtful pledges.

Scrip Inventory - Inventory is valued at lower of cost or market and consists of gift certificates.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Functional Allocation of Expenses - The costs of providing program and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the program and support services benefited based on management's estimate. The significant expenses that are allocated include salaries and related expenses, which are allocated based on estimates of time and effort, as well as credit card fees, printing and publication, and software and licensing, which are allocated based on estimates of usage.

Income Taxes - The Foundation is exempt from federal and state income taxes under section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Code. The Foundation is a publicly supported organization. The Foundation's tax filings are subject to audit by various taxing authorities.

Fair Value of Financial Instruments - The carrying value of cash and accounts payable approximates fair value due to the short maturity of these instruments. The carrying value of long-term debt approximates fair value based on discounting the projected cash flows using market rates available for similar maturities. None of the financial instruments are held for trading purposes.

PIEDMONT EDUCATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fiscal Sponsor - The Foundation entered into a memorandum of understanding to become a fiscal sponsor for Wall of Honor, an organization that honors veterans and those who have served the country. The Foundation did not raise any funds but distributed \$3,436 on behalf of Wall of Honor during the year ended June 30, 2020. See Note 5 for the remaining balance to be distributed to Wall of Honor.

The Foundation entered into a memorandum of understanding to become a fiscal sponsor for the Piedmont Sports Hall of Fame, an organization that honors Piedmont High School (PHS) athletes, coaches, administrators, boosters and community members who have made outstanding contributions to PHS athletics. The Foundation raised \$15,016 and distributed \$14,857 on behalf of Piedmont Sports Hall of Fame for the year ended June 30, 2020. See Note 5 for the remaining balance to be distributed to Hall of Fame.

The Foundation entered into a memorandum of understanding to become a fiscal sponsor for Piedmont Art Fund, an organization that raises money for arts and to organize arts events. The Foundation raised \$31,721 and distributed \$62,869 on behalf of Piedmont Art Fund during the year ended June 30, 2020. See Note 5 for the remaining balance to be distributed to Piedmont Art Fund.

Prior Year Information - The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended June 30, 2019, from which the summarized information was obtained.

New Accounting Pronouncement - In June 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2018-08, Not-for-Profit Entities (Topic 958), Clarifying the Scope of the Accounting Guidance for Contributions Received and Contributions Made. The ASU was issued to clarify and improve current guidance about whether a transfer of assets is a contribution or an exchange transaction. This new guidance is effective for annual reporting periods beginning after December 15, 2018. The Foundation adopted this ASU on July 1, 2019. The adoption did not have an impact on the Foundation's change in net assets.

In May 2014, FASB issued ASU 2014-09, Revenue from Contracts with Customers, as amended (Topic 606). The five step process in the new guidance may necessitate more judgment and estimation within the revenue recognition process than required under existing pronouncements, including identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each separate performance obligation. This new guidance is effective for annual reporting periods beginning after December 15, 2019 and may be applied using either a full retrospective or a modified retrospective approach upon adoption. The Foundation is currently evaluating the impact of adopting this standard on its financial statements.

Concentration of Credit Risk - The Foundation maintains cash deposits in excess of federally insured limits.

Subsequent Events - Subsequent events were evaluated through March 1, 2021, the date the financial statements were available to be issued.

PIEDMONT EDUCATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 2 - INVESTMENTS

Generally accepted accounting principles establish a hierarchy to prioritize the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest ranking to fair values determined using unadjusted quoted prices in active markets for identical assets (Level 1) and the lowest ranking to fair values determined using methodologies and models with unobservable inputs (Level 3). Observable inputs are those that market participants would use in pricing the assets based on market data obtained from sources independent of the Foundation. Unobservable inputs reflect the Foundation's assumption about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 - Values are unadjusted quoted prices for identical assets or liabilities in active markets accessible at the measurement date.

Level 2 - Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices from those willing to trade in markets that are not active or other inputs that are observable or can be corroborated by market data for the term of the instrument. Such inputs include market interest rates and volatilities, spreads and yield curves.

Level 3 - Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect the Foundation's best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

The Foundation's investments recorded at fair value, have been categorized based upon a fair value hierarchy in accordance with generally accepted accounting principles. The following table presents information about the Foundation's assets measured at fair value.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds	\$ 3,363,884	\$ -	\$ -	\$ 3,363,884
Exchange traded funds	894,395	-	-	894,395
Equities	1,639,839	-	-	1,639,839
Asset backed securities	522,422	-	-	522,422
Corporate bonds	-	619,580	-	619,580
US treasury securities	-	332,483	-	332,483
Certificates of deposit	2,500,000	-	-	2,500,000
	<u>\$ 8,920,540</u>	<u>\$ 952,063</u>	<u>\$ -</u>	<u>\$ 9,872,603</u>

PIEDMONT EDUCATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 2 - INVESTMENTS (Continued)

Net investment return consisted of the following for the year ended June 30, 2020:

Net realized and unrealized investment gains	\$ 499,968
Less investment fees	<u>(29,874)</u>
	<u>\$ 470,094</u>

NOTE 3 - LIQUIDITY AND AVAILABILITY

The following represents the Foundation's financial assets available within one year of the balance sheet date for general expenditure:

Cash and cash equivalents	\$ 1,670,635
Investments, less net assets with donor restrictions of \$151,242	9,721,361
Pledges receivable	79,268
Other receivable	<u>26,402</u>
	<u>\$ 11,497,666</u>

As part of the Foundation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations become due. In addition, the Foundation invests cash in excess of daily requirements in short-term investments.

NOTE 4 - BOARD DESIGNATED ENDOWMENT

The components of net assets without donor restrictions at June 30, 2020 are as follows:

Board designated endowment fund	\$ 7,366,540
Undesignated	<u>4,157,137</u>
	<u>\$ 11,523,677</u>

The Board of Directors established the Piedmont Education Foundation Endowment Fund to generate sufficient income from earnings to fund annual needs and to provide a source of funds against possible future financial challenges. The Foundation's policy of appropriating endowment funds for distribution to the school district is to distribute an amount not to exceed 5% of the rolling three-year average of the ending market value as of December 31.

**PIEDMONT EDUCATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 4 - BOARD DESIGNATED ENDOWMENT (Continued)

The Foundation considers the following factors in deciding whether to appropriate or accumulate endowment funds: the duration and preservation of the fund, the needs of Piedmont schools, general economic conditions, the possible effect of inflation and deflation, the expected rate of return from income and the appreciation of investments, other resources of the Foundation and the investment policies of the Foundation.

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 (PUSD) while seeking to maintain the endowment assets. The Foundation expects its endowment funds over time to provide an average rate of return of at least 6% annually. Actual returns in a given year may vary from this amount.

The following summarizes the activity in the board designated endowment for the year ended June 30, 2020:

Board-designated endowment, beginning of the year	\$ 7,032,235
Investment income, net	612,167
Endowment contributions	60,162
Distribution for PUSD grant	<u>(338,024)</u>
	<u>\$ 7,366,540</u>

NOTE 5 - NET ASSETS WITH DONOR RESTRICTIONS

At June 30, 2020, the Foundation's net assets with donor restrictions consisted of the following:

Gail Dryden Community Impact Award	\$ 88
Wall of Honor	9,016
Piedmont Arts Fund	90,180
Hall of Fame	159
Other school programs	7,998
Robert Dean Faberman Memorial Fund	21,172
Stanley Price Memorial Endowment Fund	<u>22,629</u>
	<u>\$ 151,242</u>

PIEDMONT EDUCATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 5 - NET ASSETS WITH DONOR RESTRICTIONS (Continued)

Endowments

The Stanley Price Memorial Fund is to support school libraries and the Robert Dean Faberman Memorial Fund is to encourage declamation among Piedmont High School students and to foster awareness among high school student of the dangers of drunk driving. The endowments are subject to donor restrictions that stipulate the original principal of the gift is to be held and invested by the Foundation indefinitely and income from the fund is to be expended for the purposes stipulated. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Foundation is subject to the State Prudent Management of Institutional Funds Act (SPMIFA) and, therefore, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions until the Board appropriates amounts for expenditure and any purpose restrictions have been met. The Board of the Foundation has interpreted SPMIFA as requiring the maintenance of only the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, the Foundation would consider the fund to be underwater if the fair value of the fund is less than the sum of (1) the original value of initial and subsequent gifts donated to the fund and (2) any accumulations to the fund that are required to be maintained in perpetuity in accordance with applicable donor gift instrument. The Foundation has interpreted SPMIFA to permit spending from underwater funds in accordance with prudent measures required under the law. The fund is not currently underwater.

In accordance with SPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the fund, (2) the purpose of the donor-restricted endowment fund, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Foundation, and (7) the Foundation's investment policies.

The Foundation has adopted investment and spending policies for the endowment assets that attempt to subject the fund to low investment risk. The current spending policy is not expected to allow the Foundation 's endowment fund to grow as a result of investment returns. This is consistent with the Foundation's objectives to preserve endowment assets without subjecting them to substantial risk.

At June 30, 2020, the endowment fund is composed of:

Amounts required to be held in perpetuity	\$ 20,000
Investment income available for expenditure	<u>23,801</u>
	<u><u>\$ 43,801</u></u>

PIEDMONT EDUCATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 5 - NET ASSETS WITH DONOR RESTRICTIONS (Continued)

The following summarizes the activity in the donor restricted endowment fund for the year ended June 30, 2020:

Endowment fund, beginning of year	\$ 41,314
Distribution	(1,380)
Investment income	<u>3,867</u>
Endowment fund, end of year	<u><u>\$ 43,801</u></u>

NOTE 6 - LEASES

The Foundation entered into a facility use agreement with the City of Piedmont for use of the Piedmont Veterans Hall, which is owned and operated by the City. The agreement expires in December 2020. Total rent expense for facilities was \$18,744 for the year ended June 30, 2020.

Future minimum payments required under this operating lease for the year ending June 30, 2021 are \$9,510.

NOTE 7 - RELATED PARTY TRANSACTIONS

Donations from Foundation board members totaled \$232,690 for the year ended June 30, 2020.

NOTE 8 - REFUNDABLE ADVANCE

In May 2020, the Foundation entered into a promissory note with Bank of America to borrow \$44,327 under the Paycheck Protection Program (PPP). The unsecured note payable bears an interest rate of 1%. Principal and interest payments are deferred during the first six months. Subsequent to year end, the Foundation applied for loan forgiveness in February 2021 and the application is undergoing review as of the date of this report. The note is being treated as a refundable advance on the statement of financial position as of June 30, 2020. Upon notification of forgiveness, the advance will be reclassified into revenue. This is expected to occur in the next fiscal year.

NOTE 9 - UNCERTAINTIES

Subsequent to year end, the COVID-19 outbreak is disrupting events typically held by the Foundation. The extent of the impact of COVID-19 on the Foundation's operational performance will depend on certain developments, including the duration and spread of the outbreak and the overall impact on the community, all of which are uncertain and cannot be predicted. As of the date of the report, the extent to which COVID-19 may impact the Foundation's financial condition or results of operations is uncertain.