

**PIEDMONT EDUCATION FOUNDATION**

**FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2021**

**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, 2021, 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, 2021, 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 2020 financial statements, and our report dated March 1, 2021, 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, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Johanson & Yau Accountancy Corporation*

Campbell, California  
February 22, 2022

**PIEDMONT EDUCATION FOUNDATION**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2021**  
**(With Comparative Totals as of June 30, 2020)**

**ASSETS**

	<b>2021</b>	<b>2020</b>
Current assets		
Cash and cash equivalents	\$ 3,847,486	\$ 1,670,635
Investments - Note 2	9,481,044	9,872,603
Pledges receivable	59,838	79,268
Other receivable	11,358	26,402
Scrip inventory	21,390	39,486
Prepaid expenses	41,638	41,638
	13,462,754	11,730,032
Total current assets	\$ 13,462,754	\$ 11,730,032

**LIABILITIES AND NET ASSETS**

Current liabilities		
Accounts payable	\$ 25,499	\$ 520
Accrued vacation	8,903	3,185
Other liabilities	315	7,081
Refundable advance - Note 8	-	44,327
	34,717	55,113
Total current liabilities	34,717	55,113
Net assets		
Without donor restrictions - Note 4	13,133,331	11,523,677
With donor restrictions - Note 5	294,706	151,242
	13,428,037	11,674,919
	\$ 13,462,754	\$ 11,730,032

See accompanying notes to financial statements

**PIEDMONT EDUCATION FOUNDATION**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2021**  
**(With Comparative Totals for the Year Ended June 30, 2020)**

	<u>2021</u>		<u>2020</u>	
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Total</u>
Operating activities:				
Support and revenue				
Donations	\$ 3,127,464	\$ 167,595	\$ 3,295,059	\$ 3,343,670
Special events, net of expenses of \$43,633	81,093	-	81,093	129,293
Registration fees	38,380	-	38,380	58,073
Interest and dividends	206,172	-	206,172	168,457
Scrip sales, net of direct costs of \$510,813	15,505	-	15,505	34,504
Partner sponsors	50,650	-	50,650	62,635
Fiscal sponsorships	-	-	-	15,016
Support services	-	-	-	29,807
Net assets released from restrictions	36,941	(36,941)	-	-
Total support and revenue	<u>3,556,205</u>	<u>130,654</u>	<u>3,686,859</u>	<u>3,841,455</u>
Expenses				
Program services	3,601,042	-	3,601,042	3,391,608
Supporting expenses				
Management and general	118,015	-	118,015	109,077
Fundraising	184,474	-	184,474	177,697
Total expenses	<u>3,903,531</u>	<u>-</u>	<u>3,903,531</u>	<u>3,678,382</u>
Change in net assets from operations	(347,326)	130,654	(216,672)	163,073
Non-operating activities				
Investment return, net - Note 2	1,956,980	12,810	1,969,790	470,094
Change in net assets	1,609,654	143,464	1,753,118	633,167
Net assets, beginning of the year	<u>11,523,677</u>	<u>151,242</u>	<u>11,674,919</u>	<u>11,041,752</u>
Net assets, end of year	<u>\$ 13,133,331</u>	<u>\$ 294,706</u>	<u>\$ 13,428,037</u>	<u>\$ 11,674,919</u>

See accompanying notes to financial statements

**PIEDMONT EDUCATION FOUNDATION**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2021**  
**(With Comparative Totals for the Year Ended June 30, 2020)**

	<u>2021</u>			<u>2020</u>	
	<u>Program Services</u>	<u>Management &amp; General</u>	<u>Fundraising</u>	<u>Total</u>	<u>Total</u>
Salaries	\$ 130,207	\$ 47,048	\$ 73,389	\$ 250,644	\$ 227,575
Payroll taxes	10,495	3,628	5,519	19,642	18,220
Employee benefits	-	1,020	-	1,020	1,126
<b>Total salaries and related expenses</b>	<b>140,702</b>	<b>51,696</b>	<b>78,908</b>	<b>271,306</b>	<b>246,921</b>
Grants to Piedmont Unified School District	3,400,792	-	-	3,400,792	3,136,940
Summer school expenses	-	-	-	-	4,835
Grants to fiscal sponsor recipients	36,854	-	-	36,854	92,842
Credit card fees	4,212	-	41,262	45,474	56,699
Printing and publication	11,202	-	9,899	21,101	18,750
Professional services	-	29,460	19,166	48,626	30,145
Rent	-	19,020	-	19,020	18,744
Software and licensing	4,396	1,199	8,812	14,407	10,370
Advertising	-	-	4,187	4,187	6,163
Insurance	-	4,771	-	4,771	6,897
Office supplies	-	2,474	17	2,491	1,057
Bank fees	10	1	56	67	357
Food and beverage	-	-	3,217	3,217	7,164
Bad debt expense	-	-	18,631	18,631	31,067
Telephone and internet	-	3,024	-	3,024	2,601
Payroll processing	-	3,845	-	3,845	2,722
Other expenses	-	289	319	608	1,099
Website	2,874	-	-	2,874	2,996
Repairs and maintenance	-	2,236	-	2,236	13
<b>Total functional expenses</b>	<b>\$ 3,601,042</b>	<b>\$ 118,015</b>	<b>\$ 184,474</b>	<b>\$ 3,903,531</b>	<b>\$ 3,678,382</b>

See accompanying notes to financial statements

**PIEDMONT EDUCATION FOUNDATION**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED JUNE 30, 2021**  
**(With Comparative Totals for the Year Ended June 30, 2020)**

	<b>2021</b>	<b>2020</b>
Cash flow from operating activities		
Change in net assets	\$ 1,753,118	\$ 633,167
Adjustments to reconcile change in net assets to net cash used for operating activities		
Net realized and unrealized gain on investments	(1,996,677)	(499,968)
Forgiveness of refundable advance	(44,327)	-
Receipt of donated securities	(62,337)	(69,934)
Bad debt expense	18,631	31,066
(Increase) decrease in assets		
Receivables	15,843	37,705
Inventory	18,096	(17,690)
Prepaid expenses	-	(29,605)
Increase (decrease) in liabilities		
Accounts payable	24,979	(206,621)
Accrued vacation	5,718	3,185
Other liabilities	(6,766)	(6,909)
	<u>(273,722)</u>	<u>(125,604)</u>
Cash flows from investing activities		
Proceeds from sales of investments	4,143,483	7,978,980
Purchase of investments	(1,692,910)	(10,566,415)
	<u>2,450,573</u>	<u>(2,587,435)</u>
Cash flows from financing activities		
Refundable advance	-	44,327
	<u>-</u>	<u>44,327</u>
Net cash provided by financing activities	<u>-</u>	<u>44,327</u>
Net increase (decrease) in cash and cash equivalents	2,176,851	(2,668,712)
Cash and cash equivalents, beginning of year	<u>1,670,635</u>	<u>4,339,347</u>
Cash and cash equivalents, end of year	<u>\$ 3,847,486</u>	<u>\$ 1,670,635</u>

See accompanying notes to financial statements



**PIEDMONT EDUCATION FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**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.

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, net assets with donor restriction are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

**PIEDMONT EDUCATION FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**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. 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. During the year ended June 30, 2021, the Foundation received in-kind donations totaling \$27,904. In-kind donations are included in special events in the statement of activities and are offset by like amounts included in expenses. 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, 2021, 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, professional services, 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, 2021**

**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 and distribute any funds on behalf of Wall of Honor during the year ended June 30, 2021. 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 did not raise and distribute any funds on behalf of Hall of Fame during the year ended June 30, 2021. 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 \$37,486 and distributed \$28,872 on behalf of Piedmont Art Fund during the year ended June 30, 2021. See Note 5 for the remaining balance to be distributed to Piedmont Art Fund.

The Foundation entered into a memorandum of understanding to become a fiscal sponsor for Wellness Center Support Committee, an organization that raises money for Piedmont Unified School District (PUSD) Wellness Center. The Foundation raised \$63,470 and distributed \$6,542 on behalf of Wellness Center Support Committee during the year ended June 30, 2021. See Note 5 for the remaining balance to be distributed to Wellness Center Support Committee.

The Foundation entered into a memorandum of understanding to become a fiscal sponsor for Students for Solar, an organization that raises money for PUSD Students for Solar Committee. The Foundation raised \$60,389 and distributed \$1,440 on behalf of Students for Solar Committee during the year ended June 30, 2021. See Note 5 for the remaining balance to be distributed to Students for Solar Committee.

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, 2020, from which the summarized information was obtained.

New Accounting Pronouncement Adopted - In May 2014, Financial Accounting Standards Board (FASB) issued Accounting Standards Update (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 adopted this ASU on July 1, 2020. The adoption did not have an impact on the Foundation's change in net assets.

**PIEDMONT EDUCATION FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

New Accounting Pronouncement Adopted (Continued) - The FASB issued ASU 2018-13, Fair Value Measurement (Topic 820): Disclosure Framework-Changes to the Disclosure Requirements for Fair Value Measurement. The ASU was issued to improve the effectiveness of disclosure requirements for recurring and nonrecurring fair value measurements by removing, modifying and adding certain disclosures. The ASU is effective for years beginning after December 15, 2019. The Foundation adopted this ASU on July 1, 2020. There was no impact to net assets as a result of adopting this standard.

New Accounting Pronouncement Not Adopted - In February 2016, the FASB issued new accounting guidance for leases. The new guidance requires lessees to recognize lease assets and lease liabilities for all leases with terms more than 12 months in the statement of financial position and disclose key information about leasing agreements. This new guidance is effective for annual reporting periods beginning after December 15, 2021 with early adoption permitted. 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.

At June 30, 2021, 31% of pledges receivable was from one donor.

Subsequent Events - Subsequent events were evaluated through February 22, 2022, the date the financial statements were available to be issued.

**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.

**PIEDMONT EDUCATION FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**NOTE 2 - INVESTMENTS (Continued)**

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	\$ 4,643,550	\$ -	\$ -	\$ 4,643,550
Exchange traded funds	1,066,710	-	-	1,066,710
Equities	2,355,796	-	-	2,355,796
Asset backed securities	293,522	-	-	293,522
Corporate bonds	-	691,894	-	691,894
US treasury securities	-	429,572	-	429,572
	<u>\$ 8,359,578</u>	<u>\$ 1,121,466</u>	<u>\$ -</u>	<u>\$ 9,481,044</u>

Net investment return consisted of the following for the year ended June 30, 2021:

Net realized and unrealized investment gains	\$ 1,996,677
Less investment fees	<u>(26,887)</u>
	<u>\$ 1,969,790</u>

**NOTE 3 - LIQUIDITY AND AVAILABILITY**

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

Cash and cash equivalents	\$ 3,847,486
Investments, less net assets with donor restrictions	
of \$294,706	9,186,338
Pledges receivable	59,838
Other receivable	<u>11,358</u>
	<u>\$ 13,105,020</u>

**PIEDMONT EDUCATION FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 3 - LIQUIDITY AND AVAILABILITY (Continued)**

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, 2021 are as follows:

Board designated endowment fund	\$ 9,232,002
Undesignated	<u>3,901,329</u>
	<u><u>\$ 13,133,331</u></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.

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 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, 2021:

Board-designated endowment, beginning of the year	\$ 7,366,540
Investment income, net	2,170,155
Endowment contributions	70,587
Distribution for PUSD grant	<u>(375,280)</u>
	<u><u>\$ 9,232,002</u></u>

**PIEDMONT EDUCATION FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**NOTE 5 - NET ASSETS WITH DONOR RESTRICTIONS**

At June 30, 2021, the Foundation's net assets with donor restrictions consisted of the following:

Wall of Honor	\$	9,016
Piedmont Arts Fund		98,794
Hall of Fame		159
Other school programs		14,248
Wellness Center Support Committee		56,929
Students for Solar		58,949
Robert Dean Faberman Memorial Fund		27,364
Stanley Price Memorial Endowment Fund		29,247
		<hr/>
	\$	294,706
		<hr/> <hr/>

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.



**PIEDMONT EDUCATION FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 5 - NET ASSETS WITH DONOR RESTRICTIONS (Continued)**

At June 30, 2021, the endowment fund is composed of:

Amounts required to be held in perpetuity	\$ 20,000
Investment income available for expenditure	<u>36,611</u>
	<u><u>\$ 56,611</u></u>

The following summarizes the activity in the donor restricted endowment fund for the year ended June 30, 2021:

Endowment fund, beginning of year	\$ 43,801
Investment income	<u>12,810</u>
Endowment fund, end of year	<u><u>\$ 56,611</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 expired in December 2020 and is now on a month-to-month basis. Total rent expense for facilities was \$19,020 for the year ended June 30, 2021.

**NOTE 7 - RELATED PARTY TRANSACTIONS**

Donations from Foundation board members totaled \$210,795 for the year ended June 30, 2021.

**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. Under the terms of the PPP, the loan was forgiven and recognized as revenue in March 2021, as the funds were used for qualified expenses as described in the Coronavirus Aid, Relief, and Economic Security Act (CARE Act).



**PIEDMONT EDUCATION FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**NOTE 9 - UNCERTAINTIES**

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. No adjustments relating to the effects of the pandemic have been recorded in the accompany financial statements.