

PIEDMONT EDUCATION FOUNDATION

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023

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

Opinion

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, 2023, and the related statements of activities, functional expenses and cash flows for the year 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 Piedmont Education Foundation as of June 30, 2023, 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.

Basis for Opinion

We conducted our audit 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 Piedmont Education Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 Piedmont Education 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 Piedmont Education 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 Piedmont Education 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.

Report on Summarized Comparative Information

We have previously audited Piedmont Education Foundation's 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 21, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Johanson & Yau Accountancy Corporation

Campbell, California
March 8, 2024

PIEDMONT EDUCATION FOUNDATION
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2023
(With Comparative Totals as of June 30, 2022)

ASSETS

	<u>2023</u>	<u>2022</u>
Current assets		
Cash and cash equivalents	\$ 1,901,457	\$ 1,851,170
Investments - Note 2	11,441,476	11,013,548
Pledges receivable	24,068	41,089
Other receivable	71,958	11,010
Scrip inventory	29,093	18,319
Prepaid expenses	2,718	-
	<u>13,470,770</u>	<u>12,935,136</u>
Total current assets		
	<u>13,470,770</u>	<u>12,935,136</u>
Operating lease right-of-use assets - Note 6	45,794	-
	<u>\$ 13,516,564</u>	<u>\$ 12,935,136</u>

LIABILITIES AND NET ASSETS

Current liabilities		
Accounts payable	\$ 3,215	\$ 49,412
Accrued vacation	6,813	15,674
Current maturities of operating lease liability - Note 6	19,725	-
Other liabilities	2,159	-
	<u>31,912</u>	<u>65,086</u>
Total current liabilities		
	<u>31,912</u>	<u>65,086</u>
Operating lease liability, less current maturities - Note 6	26,069	-
	<u>57,981</u>	<u>65,086</u>
Net assets		
Without donor restrictions - Note 4	12,946,195	12,462,000
With donor restrictions - Note 5	512,388	408,050
	<u>13,458,583</u>	<u>12,870,050</u>
	<u>\$ 13,516,564</u>	<u>\$ 12,935,136</u>

See accompanying notes to financial statements

PIEDMONT EDUCATION FOUNDATION
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023
(With Comparative Totals for the Year Ended June 30, 2022)

	2023			2022
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Operating activities:				
Support and revenue				
Donations	\$ 3,314,705	\$ 303,711	\$ 3,618,416	\$ 4,088,121
Special events, net of expenses of \$202,969	349,782	-	349,782	136,751
Registration fees	25,400	-	25,400	31,420
Interest and dividends	302,578	-	302,578	259,108
Scrip sales, net of direct costs of \$463,538	37,364	-	37,364	21,902
Partner sponsors	32,171	-	32,171	34,630
Net assets released from restrictions	203,073	(203,073)	-	-
Total support and revenue	4,265,073	100,638	4,365,711	4,571,932
Expenses				
Program services	4,012,671	-	4,012,671	3,117,318
Supporting expenses				
Management and general	120,951	-	120,951	135,918
Fundraising	182,936	-	182,936	207,910
Total expenses	4,316,558	-	4,316,558	3,461,146
Change in net assets from operations	(51,485)	100,638	49,153	1,110,786
Non-operating activities				
Investment return, net - Note 2	535,680	3,700	539,380	(1,668,773)
Change in net assets	484,195	104,338	588,533	(557,987)
Net assets, beginning of the year	12,462,000	408,050	12,870,050	13,428,037
Net assets, end of year	\$ 12,946,195	\$ 512,388	\$ 13,458,583	\$ 12,870,050

See accompanying notes to financial statements

PIEDMONT EDUCATION FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2023
(With Comparative Totals for the Year Ended June 30, 2022)

	2023				2022
	Program Services	Management & General	Fundraising	Total	Total
Salaries	\$ 138,449	\$ 46,040	\$ 82,184	\$ 266,673	\$ 286,077
Payroll taxes	10,321	3,193	6,404	19,918	22,527
Employee benefits	7,225	2,892	4,495	14,612	926
 Total salaries and related expenses	 155,995	 52,125	 93,083	 301,203	 309,530
 Grants to Piedmont Unified School District	 3,639,065	 -	 -	 3,639,065	 2,826,790
Education speaker series expenses	23,940	-	-	23,940	15,030
Grants to fiscal sponsor recipients	167,886	-	-	167,886	106,140
Credit card fees	-	-	41,014	41,014	55,755
Printing and publication	13,241	35	11,610	24,886	24,544
Professional services	-	28,736	6,000	34,736	55,220
Rent	-	20,484	-	20,484	21,223
Software and licensing	5,906	548	22,820	29,274	15,687
Advertising	600	-	5,076	5,676	3,504
Insurance	-	5,663	-	5,663	4,822
Office supplies	-	2,089	209	2,298	1,645
Bank fees	-	-	-	-	30
Food and beverage	581	3,092	3,124	6,797	6,628
Bad debt expense	-	-	-	-	1,634
Telephone and internet	-	2,700	-	2,700	3,325
Payroll processing	-	4,166	-	4,166	3,947
Other expenses	2,568	243	-	2,811	609
Travel, meetings and conferences	-	-	-	-	1,154
Website	2,889	-	-	2,889	3,929
Repairs and maintenance	-	1,070	-	1,070	-
 Total functional expenses	 <u>\$ 4,012,671</u>	 <u>\$ 120,951</u>	 <u>\$ 182,936</u>	 <u>\$ 4,316,558</u>	 <u>\$ 3,461,146</u>

See accompanying notes to financial statements

PIEDMONT EDUCATION FOUNDATION
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2023
(With Comparative Totals for the Year Ended June 30, 2022)

	<u>2023</u>	<u>2022</u>
Cash flow from operating activities		
Change in net assets	\$ 588,533	\$ (557,987)
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities		
Net realized and unrealized loss (gain) on investments	(567,113)	1,636,035
Receipt of donated securities	-	(177,807)
Bad debt expense	-	1,634
(Increase) decrease in assets		
Receivables	(43,927)	17,463
Inventory	(10,774)	3,071
Prepaid expenses	(2,718)	41,638
Increase (decrease) in liabilities		
Accounts payable	(46,197)	23,913
Accrued vacation	(8,861)	6,771
Other liabilities	2,159	(315)
	<u>(88,898)</u>	<u>994,416</u>
Net cash provided by (used for) operating activities		
Cash flows from investing activities		
Proceeds from sales of investments	4,795,774	4,114,466
Purchase of investments	(4,656,589)	(7,105,198)
	<u>139,185</u>	<u>(2,990,732)</u>
Net cash provided by (used for) investing activities		
Net increase (decrease) in cash and cash equivalents	50,287	(1,996,316)
Cash and cash equivalents, beginning of year	<u>1,851,170</u>	<u>3,847,486</u>
Cash and cash equivalents, end of year	<u>\$ 1,901,457</u>	<u>\$ 1,851,170</u>
Supplemental disclosures		
Noncash investing activities		
Recognition of long-term operating lease and right-of-use asset	<u>\$ 45,794</u>	<u>\$ -</u>

See accompanying notes to financial statements

PIEDMONT EDUCATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

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, 2023

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, 2023, the Foundation received in-kind donations totaling \$84,503. Donations were various items including gift certificates and entertainment packages. These items were auctioned during special events to provide support for related school programs. The Foundation used the auction proceeds as the fair values for donated items. 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, 2023, 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.

PIEDMONT EDUCATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 distributed \$120 on behalf of Wall of Honor during the year ended June 30, 2023. 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, 2023. 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 \$14,835 and distributed \$57,002 on behalf of Piedmont Art Fund during the year ended June 30, 2023. 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 \$81,250 and distributed \$89,251 on behalf of Wellness Center Support Committee during the year ended June 30, 2023. 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 Piedmont Advanced Learners Program Support, an organization that raises money to support PUSD. The Foundation raised \$6,535 on behalf of Piedmont Advanced Learners Program Support during the year ended June 30, 2023. See Note 5 for the remaining balance to be distributed to Piedmont Advanced Learners Program Support.

The Foundation entered into a memorandum of understanding to become a fiscal sponsor for Piedmont Parents Network, an organization that raises money to support PUSD. The Foundation raised \$9,000 and distributed \$13,593 on behalf of Piedmont Parents Network during the year ended June 30, 2023. See Note 5 for the remaining balance to be distributed to Piedmont Parents Network.

The Foundation entered into a memorandum of understanding to become a fiscal sponsor for Title IX 50th Anniversary Celebration Committee, an organization that fulfills the expressed mission of celebrating the 50th anniversary of the passage of Title IX and further the community's understanding of the mental, physical, and academic benefits of sports participation for girls and women. The Foundation raised \$4,755 and distributed \$5,412 on behalf of Title IX 50th Anniversary Celebration Committee during the year ended June 30, 2023. See Note 5 for the remaining balance to be distributed to Title IX 50th Anniversary Celebration Committee.

PIEDMONT EDUCATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fiscal Sponsor (Continued) - The Foundation entered into a memorandum of understanding to become a fiscal sponsor for DEI, an organization that raises money to support PUSD. The Foundation raised \$525 and distributed \$566 on behalf of DEI during the year ended June 30, 2023.

The Foundation entered into a memorandum of understanding to become a fiscal sponsor for Special Education, an organization that raises money to support PUSD. The Foundation raised \$1,943 and distributed \$1,943 on behalf of Special Education during the year ended June 30, 2023.

The Foundation entered into a memorandum of understanding to become a fiscal sponsor for Witter Field Update, an organization that raises money to support PUSD. The Foundation raised \$187,450 on behalf of Witter Field Update during the year ended June 30, 2023.

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, 2022, from which the summarized information was obtained.

New Accounting Pronouncement - In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, Leases (Topic 842). The new guidance requires lessees to recognize right-of-use 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.

The Foundation adopted this new accounting guidance in June 2023 and recognized and measured leases existing at June 30, 2023, though a cumulative effect adjustment with certain practical expedients available. As a result of the adoption of the new lease accounting guidance, the Foundation recognized on June 30, 2023 a lease liability of \$45,794, which represents the present value of the remaining operating lease payments of \$53,856, discounted using the risk-free borrowing rate of 6.5%, and a right-of-use asset of \$45,794.

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

At June 30, 2023, 11% of pledges receivable was from one donor.

Subsequent Events - Subsequent events were evaluated through March 8, 2024, the date the financial statements were available to be issued.

PIEDMONT EDUCATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

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.

	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 3,765,259	\$ -	\$ -	\$ 3,765,259
Exchange traded funds	721,500	-	-	721,500
Equities	2,428,356	-	-	2,428,356
Asset backed securities	399,422	-	-	399,422
Corporate bonds	-	593,071	-	593,071
US treasury securities	-	333,868	-	333,868
Certificate of deposit	3,200,000	-	-	3,200,000
	<u>\$ 10,514,537</u>	<u>\$ 926,939</u>	<u>\$ -</u>	<u>\$ 11,441,476</u>

PIEDMONT EDUCATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 2 - INVESTMENTS (Continued)

Net investment return consisted of the following for the year ended June 30, 2023:

Net realized and unrealized investment losses	\$ 567,113
Less investment fees	<u>(27,733)</u>
	<u><u>\$ 539,380</u></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	\$ 1,901,457
Investments, less net assets with donor restrictions	
of \$512,388	10,929,088
Pledges receivable	24,068
Other receivable	<u>71,958</u>
	<u><u>\$ 12,926,571</u></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.

PIEDMONT EDUCATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 4 - BOARD DESIGNATED ENDOWMENT

The components of net assets without donor restrictions at June 30, 2023 are as follows:

Board designated endowment fund	\$ 10,808,633
Undesignated	<u>2,137,562</u>
	<u><u>\$ 12,946,195</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, 2023:

Board-designated endowment, beginning of the year	\$ 10,343,651
Investment income, net	840,358
Endowment contributions	42,810
Distribution for PUSD grant	<u>(418,186)</u>
	<u><u>\$ 10,808,633</u></u>

PIEDMONT EDUCATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 5 - NET ASSETS WITH DONOR RESTRICTIONS

At June 30, 2023, the Foundation's net assets with donor restrictions consisted of the following:

Wall of Honor	\$ 8,876
Piedmont Arts Fund	71,614
Hall of Fame	159
Other school programs	270,972
Wellness Center Support Committee	75,209
Piedmont Advanced Learners Program Support	20,291
Piedmont Parents Network	13,927
Title IX 50th Anniversary Celebration Committee	537
Robert Dean Faberman Memorial Fund	23,010
Stanley Price Memorial Endowment Fund	27,793
	<hr/>
	\$ 512,388
	<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.

PIEDMONT EDUCATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 5 - NET ASSETS WITH DONOR RESTRICTIONS (Continued)

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, 2023, the endowment fund is composed of:

Amounts required to be held in perpetuity	\$ 20,000
Investment income available for expenditure	<u>30,803</u>
	<u><u>\$ 50,803</u></u>

The following summarizes the activity in the donor restricted endowment fund for the year ended June 30, 2023:

Endowment fund, beginning of year	\$ 48,203
Distribution	(1,100)
Investment loss	<u>3,700</u>
Endowment fund, end of year	<u><u>\$ 50,803</u></u>

NOTE 6 - LEASES COMMITMENTS

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 2025. Total rent expense for facilities was \$20,484 for the year ended June 30, 2023.

The Foundation recognized a right-of-use asset and an operating lease liability. The balance of both the right-of-use asset and operating lease liability as of June 30, 2023 was \$45,794.

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NOTE 6 - LEASES COMMITMENTS (Continued)

Future minimum lease payments required under the operating lease for the years ending June 30, 2023 are as follows:

2024	\$	21,096
2025		21,732
2026		<u>11,028</u>
Total payments		53,856
Less present value discount		<u>(8,062)</u>
Present value of minimum lease payments		45,794
Less current portion		<u>(19,725)</u>
Non-current operating lease liabilities	\$	<u><u>26,069</u></u>

NOTE 7 - RELATED PARTY TRANSACTIONS

Donations from Foundation board members totaled \$218,590 for the year ended June 30, 2023.