

Chatham Education Foundation

P.O. Box 81
Chatham, NJ 07928

March 8, 2022

Cannone & Company, P.A.
Certified Public Accountants
485 Morris Avenue
Springfield, New Jersey 07081

This representation letter is provided in connection with your audit of the financial statements of the Chatham Education Foundation, which comprise the statements of financial position as of June 30, 2021, and other related statements and supplementary schedules for the year then ended, and the related notes to the financial statements, for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of June 30, 2021, the following representations made to you during your audit.

Financial Statements

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated October 20, 2021, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP.
- 2) The financial statements referred to above are fairly presented in conformity with U.S. GAAP.
- 3) We acknowledge our responsibility 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.
- 4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.

- 5) Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
- 6) Related-party relationships and transactions have been appropriately accounted for and disclosed in accordance with U.S. GAAP.
- 7) All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
- 8) The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole. A list of the uncorrected misstatements is attached to the representation letter. N/A
- 9) The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
- 10) Material concentrations have been appropriately disclosed in accordance with U.S. GAAP.
- 11) Guarantees, whether written or oral, under which the Organization is contingently liable, have been properly recorded or disclosed in accordance with U.S. GAAP.

Information Provided

- 12) We have provided you with:
 - a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.
 - b) Additional information that you have requested from us for the purpose of the audit.
 - c) Unrestricted access to persons within the Organization from whom you determined it necessary to obtain audit evidence.
 - d) Minutes of the meetings of the governing board or summaries of actions of recent meetings for which minutes have not yet been prepared.
- 13) All material transactions have been recorded in the accounting records and are reflected in the financial statements.
- 14) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- 15) We have no knowledge of any fraud or suspected fraud that affects the Organization and involves:
 - a) Management,
 - b) Employees who have significant roles in internal control, or
 - c) Others where the fraud could have a material effect on the financial statements.

- 16) We have no knowledge of any allegations of fraud or suspected fraud affecting the Organization's financial statements communicated by employees, former employees, grantors, regulators, or others.
- 17) We have no knowledge of any instances of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements.
- 18) We have disclosed to you all known actual or possible litigation, claims, and assessment whose effects should be considered when preparing the financial statements.
- 19) We have disclosed to you the identity of the Organization's related parties and all the related-party relationships and transactions of which we are aware.
- 20) The Organization has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- 21) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us.
- 22) The Chatham Education Foundation is a tax-exempt organization. Any activities of which we are aware that would jeopardize the Organization's tax-exempt status, and all activities subject to tax on unrelated business income or excise or other tax, have been disclosed to you. All required filings with tax authorities are up-to-date.
- 23) We acknowledge our responsibility for presenting the supplementary information in accordance with U.S. GAAP, and we believe the supplementary information, including its form and content, is fairly presented in accordance with U.S. GAAP. The methods of measurement and presentation of the supplementary information have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.

Elissa DiMeo

CANNONE AND COMPANY, P.A.

Certified Public Accountants

485 Morris Avenue, Ste 101
Springfield, New Jersey 07081
(973) 379-6868
FAX (973) 379-6278

MEMBER:

American Society of Certified Public Accountants
New Jersey Society of Certified Public Accountants

March 8, 2022

Ms. Elissa DiMeo
Treasurer
Chatham Education Foundation
PO Box 81
Chatham NJ 07928

Dear Ms. DiMeo:

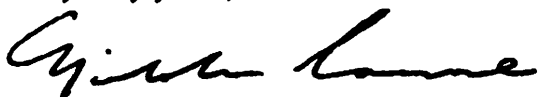
In planning and performing our audit of the financial statements of Chatham Education Foundation as of and for the year ended June 30, 2021, in accordance with auditing standards generally accepted in the United States of America, we considered Chatham Education Foundation's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, of a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Organization's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This communication is intended solely for the information and use of management, the Board of Trustees, and others within the Organization, and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,



Nicholas A. Cannone, CPA

CANNONE AND COMPANY, P.A.

Certified Public Accountants

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Springfield, New Jersey 07081
(973) 379-6868
FAX (973) 379-6278
www.cannonecpa.com

MEMBER:

American Society of Certified Public Accountants
New Jersey Society of Certified Public Accountants

March 8, 2022

Ms. Elissa DiMeo
Treasurer
Chatham Education Foundation
PO Box 81
Chatham NJ 07928

We have audited the accompanying financial statements of Chatham Education Foundation as of and for the fiscal year ended 06/30/21, and the related notes to the financial statements, which collectively comprise the organization's basic financial statements as listed in the table of contents.

Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated 10/20/21. Professional standards also require that we communicate to you the following information related to our audit.

SIGNIFICANT AUDIT FINDINGS

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Organization are described in Note 1 to the financial statements.

We noted no transactions entered in by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 8, 2022.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves an application of an accounting principle to the organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

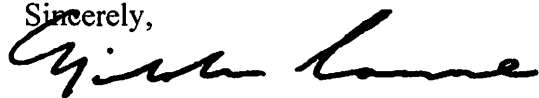
Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards with management each year, prior to retention as the organization's auditors. However, these discussions occurred in the normal course of our professional relationship, and our responses were not a condition to our retention.

Restrictions on Use

This information is intended solely for the use of the management, the governing board and any other members of the organization and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,



Nicholas Cannone, CPA, MBA
Cannone & Company, P.A.
Springfield, New Jersey

CHATHAM EDUCATION FOUNDATION
(A NON-PROFIT ORGANIZATION)

REGISTRATION # CH-14299-00

REPORT ON FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

**CHATHAM EDUCATION FOUNDATION
(A NON-PROFIT ORGANIZATION)**

**REGISTRATION # CH-14299-00
FINANCIAL STATEMENTS
JUNE 30, 2021**

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CANNONE AND COMPANY, P.A.
Certified Public Accountants
485 Morris Avenue
Springfield, New Jersey 07081
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FAX (973) 379-6278

MEMBER:
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New Jersey Society of Certified Public Accountants

Independent Auditor's Report

To the Board of Trustees
Chatham Education Foundation
P.O. Box 81
Chatham, NJ 07928

Report on the Financial Statements

We have audited the accompanying financial statements of Chatham Education Foundation (a non-profit organization), Registration # CH-14299-00, which comprise the statement of financial position as of June 30, 2021 and the related statement 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. 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 of 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

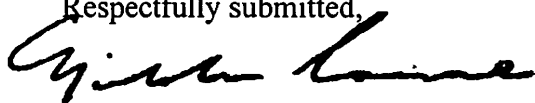
and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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 Chatham Education Foundation at 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.

Respectfully submitted,



Cannone & Company, P.A.
Certified Public Accountants

March 8, 2022

**CHATHAM EDUCATION FOUNDATION
(A NON-PROFIT ORGANIZATION)
REGISTRATION # CH-14299-00**

**STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED JUNE 30, 2021**

ASSETS

Current Assets - Unrestricted:

Cash and Cash Equivalents	\$ 233,705	
Investment in Marketable Securities	<u>1,157,187</u>	
Total Current Assets		\$ 1,390,892

Other Current Assets:

Accrued Revenue	<u>1,200</u>	
Total Other Current Assets		<u>1,200</u>

Total Assets		\$ <u>1,392,092</u>
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LIABILITIES AND NET ASSETS

Current Liabilities:

Accrued Expenses		\$ <u>442</u>
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Total Liabilities		442
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Net Assets:

Without Donor Restrictions	\$ 787,892	
With Donor Restrictions	<u>603,758</u>	

Total Net Assets		\$ <u>1,391,650</u>
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Total Liabilities and Net Assets		\$ <u>1,392,092</u>
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See Notes to Financial Statements

CHATHAM EDUCATION FOUNDATION
(A NON-PROFIT ORGANIZATION)
REGISTRATION # CH-14299-00

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

	<u>2021</u>
Changes in net assets without donor restrictions:	
Revenue, gains, and other support:	
Special events:	
Fundraising	\$ 5,984
Less: Direct costs of fundraising	<u>(1,016)</u>
Net fundraising	4,968
Contributions	143,776
Investment return (net)	151,027
Net assets released from restrictions	3,729
Net assets reclassified as restricted	<u>-</u>
Totals	<u>303,500</u>
Expenses:	
Program services	48,620
General and administrative	19,023
Fundraising	<u>16,698</u>
Totals	<u>84,341</u>
Increase in net assets without donor restrictions	<u>219,159</u>
Changes in net assets with donor restrictions:	
Investment return (net)	96,919
Contributions	215,494
Net assets released from restrictions	(3,729)
Net assets reclassified as restrictions	<u>-</u>
Increase in restricted net assets with donor restrictions	<u>308,684</u>
Increase in total net assets	527,843
Net assets, beginning of year	<u>863,807</u>
Net assets, end of year	\$ <u><u>1,391,650</u></u>

**CHATHAM EDUCATION FOUNDATION
(A NON-PROFIT ORGANIZATION)
REGISTRATION # CH-14299-00**

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Program Services</u>	<u>General and Admini- strative</u>	<u>Fund Raising</u>	<u>Total</u>
Postage	\$ -	\$ -	\$ 1,608	\$ 1,608
Grant and Contract Expenses	48,620			48,620
Outside Services	-	10,775		10,775
Credit Card Fees	-	-	2,526	2,526
Printing		427	5,367	5,794
Office Supplies		58		58
Software & Internet	-	6,012	-	6,012
Insurance Liability	-	1,278	-	1,278
Registration fees	-	150	100	250
Membership Dues		200		200
Indirect Fundraising			7,059	7,059
Miscellaneous		123	38	161
Totals	<u>\$ 48,620</u>	<u>\$ 19,023</u>	<u>\$ 16,698</u>	<u>\$ 84,341</u>

See Notes to Financial Statements

CHATHAM EDUCATION FOUNDATION
(A NON-PROFIT ORGANIZATION)
REGISTRATION # CH-14299-00

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021

	<u>2021</u>
Operating activities:	
Change in net assets	\$ 527,843
Realized (gain) loss on sale of investments	(11,672)
Unrealized (gain) loss on investments	(220,363)
Changes in operating assets and liabilities:	
Accounts receivable	-
Accrued revenue	2,500
Accrued expenses	(520)
Net cash provided by (used in) operating activities	<u>297,788</u>
Investing activities:	
Proceeds from sale of marketable securities	45,375
Purchases of marketable securities	(169,512)
Net cash provided by (used in) investing activities	<u>(124,137)</u>
Financing activities:	
Net cash provided by financing activities	<u>-</u>
Net increase (decrease) in cash and cash equivalents	173,651
Cash and cash equivalents, beginning of year	<u>60,054</u>
Cash and cash equivalents, end of year	\$ <u><u>233,705</u></u>

See Notes to Financial Statements

CHATHAM EDUCATION FOUNDATION
(A Non-Profit Organization)
Registration # CH-14299-00

Notes to Financial Statements
June 30, 2021

Note 1 - Organization

The Chatham Education Foundation (the "Foundation") is an organization formed in the State of New Jersey as a Not-For-Profit Corporation on March 11, 1994. The purpose of the Foundation is to promote educational excellence in the School District of the Chathams. The Foundation pursues its purpose by soliciting donations from members of the community and through fundraising events. The funds are disbursed to the District in the form of grants.

Note 2 - Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

Cash and Cash Equivalents

The Organization considers investments with a maturity of less than three months to be cash and cash equivalents.

Investments

Investments in marketable securities (with readily determinable fair values) are presented at their fair values in the statement of financial position. Interest, dividends, realized and unrealized gains and losses are included in the statement of activities.

Basis of Presentation

The Foundation reports its net assets and changes therein in the following categories:

A. Net Assets Without Donor Restrictions

Net assets without donor restrictions represent resources that are not subject to donor-imposed stipulations and thus are generally available for support of the Foundation's activities with certain limitations.

B. Net Assets With Donor Restrictions

Net assets with donor restrictions consist of either permanently restricted or temporarily restricted net assets.

Permanently restricted net assets represent net assets which are subject to donor-imposed restrictions which will not expire by the passage of time, nor can they be fulfilled or otherwise resolved by actions of the Organization. The Foundation has a spending policy relating to the permanent endowment. Spending can only be used to support grants to benefit either the District or other donor-specific uses, and may not be used

CHATHAM EDUCATION FOUNDATION
(A Non-Profit Organization)
Registration # CH-14299-00

Notes to Financial Statements
June 30, 2021

Note 2 - Summary of Significant Accounting Policies (continued)

for Foundation operations. Permanent shares must be in the endowment for at least one calendar year prior to being subject to the spending policy.

Temporarily-restricted net assets represent gifts of cash and other assets received with donor stipulations that limit the use of the donated assets.

When either an amount is determined under the spending policy or a donor restriction expires, i.e., when a stipulated time restriction ends or purpose restriction is accomplished, these restricted net assets are reported in the statement of activities as "Net Assets Released from Restrictions."

Use of Estimates

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

Income Taxes

The Foundation is exempt from Federal income taxes under Section 501(c) (3) of the Internal Revenue Code and is also exempt from New Jersey State income taxes under present income tax laws. For reporting purposes, the organization annually files Form 990 with the IRS and Form CRI-300R with the State of New Jersey.

Concentrations of Credit Risk

The financial instruments that potentially subject the Foundation to concentrations of credit risk consist principally of cash and cash equivalents. At times during the year, the Foundation's cash balances may exceed the limits of the Federal Deposit Insurance Corporation (FDIC) insurance coverage. The Foundation monitors its financial institutions and the concentration of credit risk on a regular basis and does not anticipate non-performance by its financial institutions.

Accounts receivable and pledges receivable credit risk is limited due to the nature of the contributions and pledges. The Foundation regularly monitors its accounts receivable and pledges receivable by investigating delayed payments, payment experience and payment history with the contributors. As of June 30, 2021, the Foundation did not report any receivables/pledges.

Investments in Marketable Securities

Investments in marketable debt and equity securities are recorded at fair market value. Donated securities and other investments are recorded at fair value at the date of donation.

CHATHAM EDUCATION FOUNDATION
(A Non-Profit Organization)
Registration # CH-14299-00

Notes to Financial Statements
June 30, 2021

Note 2 - Summary of Significant Accounting Policies (continued)

Advertising and Public Relations

The Foundation expenses the cost of advertising and public relations as incurred. There are no advertising and public relations expenses for the year ended June 30, 2021.

Contributions

Contributions received are recorded as either with restrictions or without restrictions depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized.

All other donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (i.e., when a stipulated time restriction ends or purpose restriction is accomplished), net assets with restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Property and Equipment

Property and equipment is carried at acquisition cost or, if donated, at estimated fair value at the date of donation, less accumulated depreciation. Depreciation is computed using the straight-line method over the five year estimated useful life of the asset. The Foundation does not possess any property and equipment as of June 30, 2021.

Note 3 - Operating Leases

The Organization has no outstanding operating leases.

Note 4 - Functional Expenses

The costs of providing the various programs and activities have been summarized by management on a functional basis in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services as appropriate.

Note 5 - Subsequent Events

The Organization evaluated all events and transactions that occurred after June 30, 2021 up through the date these financial statements were available for issue. During this period, the Organization did not have any material subsequent events except for the following:

CHATHAM EDUCATION FOUNDATION
(A Non-Profit Organization)
Registration # CH-14299-00

Notes to Financial Statements
June 30, 2021

Note 5 - Subsequent Events (Continued)

- The Covid-19 Corona Virus has created economic uncertainties which may negatively impact operational results, and the potential impact is difficult to evaluate and quantify.

Note 6 - Donated Services

A number of volunteers have donated significant amounts of their time to the organization's program services and administrative operations. These donated services are not reflected in the financial statements since none are specialized and, therefore, these services do not meet the criteria for recognition as contributed services.

Note 7 - Investments at Fair Value

As of June 30, 2021, investments at fair value consist of the following:

	<u>2021</u>
Fixed income mutual funds	\$ 276,224
Equity mutual funds & marketable securities	<u>880,963</u>
	<u>\$ 1,157,187</u>

Investment securities are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the fair values of investment securities could occur in the near term and such changes could materially affect the amounts reported in the accompanying financial statements.

At June 30, 2021, all of the Foundation's investments are classified as Level 1 within the fair value hierarchy.

Note 8 - Endowment

The Foundation's endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on either the existence or absence of donor-imposed restrictions.

CHATHAM EDUCATION FOUNDATION
(A Non-Profit Organization)
Registration # CH-14299-00

Notes to Financial Statements
June 30, 2021

Note 8 – Endowment (continued)

Interpretation of Relevant Law

The Foundation has interpreted the Uniform Prudent Management of Institutional Fund Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of respective donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as net assets with restrictions: (a) the original value of gifts donated to its endowment; (b) the original value of subsequent gifts to its restricted endowment; and (c) accumulations of income to its restricted endowment made in accordance with the direction of the applicable donor gift instrument. Therefore, restricted endowment net assets represent the original corpus of gifts given to the Foundation for which the gift instruments stipulate that the principal be invested and only income can be used for donor intended purposes.

Net appreciation earned on the corpus of restricted endowment net assets, under UPMIFA, is classified as restricted. On a related note, donor instructions override guidelines dictated by UPMIFA. Accordingly, if the donor dictates specific spending and/or investment guidelines, then those guidelines overrule the principles promulgated by UPMIFA.

The Foundation's primary objective of its investment policy is to provide long-term growth of principal and income without undue exposure to risk to enable the Foundation to make grants on a continuing and reasonably consistent basis. Therefore, the focus is on consistent long-term capital appreciation, with income generation as a secondary consideration. More specifically, the Foundation seeks returns during a full market cycle that are large enough to preserve and enhance the real, inflation-adjusted purchasing power of its assets, while also considering the current spending requirements. In pursuing this objective, the Foundation endeavors to achieve total returns that, over time, are equal to or better than the relevant market averages. The Organization does not expect that in each and every year the investment objective referred to above will necessarily be achieved.

CHATHAM EDUCATION FOUNDATION
(A Non-Profit Organization)
Registration # CH-14299-00

Notes to Financial Statements
June 30, 2021

Note 8 – Endowment (continued)

The fair value of the endowment is \$1,263,924 at June 30, 2021 and consists of the following net asset classes:

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 660,167	\$ -	\$ 660,167
Donor-restricted endowment funds:			
Permanent endowment funds	\$ -	\$ 451,758	\$ 451,758
Term endowment funds	\$ -	\$ 152,000	\$ 152,000
Total Funds	<u>\$ 660,167</u>	<u>\$ 603,758</u>	<u>\$ 1,263,925</u>

Note 9 – Fair Value Measurements

FASB ASC 820, Fair Value Measurements, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Fair value is based on the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy was established that prioritizes observable and unobservable inputs used to measure fair value into three broad levels which are described below:

- Level 1: Quoted prices (unadjusted) in active markets that are accessible at the Measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.
- Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model- derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.
- Level 3: Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

CHATHAM EDUCATION FOUNDATION
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Registration # CH-14299-00

Notes to Financial Statements
June 30, 2021

Note 9 – Fair Value Measurements (continued)

In determining fair value, the Foundation utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. Counterparty credit risk is also considered in an assessment of fair value.

Assets and liabilities carried at fair value at June 30, 2021 are classified in the table below according to one of the three categories described above:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Fixed Income Mutual Funds	\$ 276,224	\$ -	\$ -	\$ 276,224
Equity Mutual Funds	<u>880,963</u>	<u>-</u>	<u>-</u>	<u>880,963</u>
Total assets at fair value	<u>\$ 1,157,187</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,157,187</u>

Investments in equity securities are designated as Level 1 instruments and are valued using market prices on active markets. Valuations are obtained from real-time quotes for transactions in active exchange markets involving identical assets.

Investment securities are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the fair values of investment securities could occur in the near term and such changes could materially affect the amount reported in the accompanying financial statements.