

**CHATHAM EDUCATION FOUNDATION**

**REGISTRATION # CH-14299-00**

**FINANCIAL STATEMENTS**

**JUNE 30, 2019**

**CHATHAM EDUCATION FOUNDATION**  
**REGISTRATION # CH-14299-00**  
**FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

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American Society of Certified Public Accountants  
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**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, Registration # CH-14299-00, which comprise the statement of financial position as of June 30, 2019 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

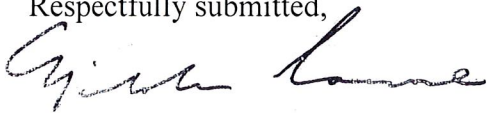
and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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, 2019, 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,

A handwritten signature in dark ink, appearing to read "Gina Lane", is written over the text "Respectfully submitted,".

Cannone & Company, P.A.  
Certified Public Accountants

December 31, 2019

**CHATHAM EDUCATION FOUNDATION**  
**REGISTRATION # CH-14299-00**  
**STATEMENT OF FINANCIAL POSITION**

**ASSETS**

**Current Assets - Unrestricted:**

Cash and Cash Equivalents	\$ 173,917	
Investment in Marketable Securities	<u>450,648</u>	
Total Current Assets		\$ 624,565

**Other Current Assets:**

Accrued Revenue	9,842	
Miscellaneous Receivable	<u>6,662</u>	
Total Other Current Assets		<u>16,504</u>

<b>Total Assets</b>		<b>\$ <u><u>641,068</u></u></b>
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**LIABILITIES AND NET ASSETS**

**Current Liabilities:**

Accrued Expenses		\$ <u>3,824</u>
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<b>Total Liabilities</b>		<b>3,824</b>
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**Net Assets:**

Without Donor Restrictions	\$ 530,544	
With Donor Restrict	<u>106,700</u>	

<b>Total Net Assets</b>		<b>\$ <u>637,244</u></b>
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<b>Total Liabilities and Net Assets</b>		<b>\$ <u><u>641,068</u></u></b>
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See Notes to Financial Statements

**CHATHAM EDUCATION FOUNDATION**  
**REGISTRATION # CH-14299-00**

**Statement of Activities**  
**For the Year Ended June 30, 2019**

	<u>2018</u>
Changes in net assets without donor restrictions:	
Revenue, gains, and other support:	
Special events:	
Fundraising	\$ 140,870
Less: Direct costs of fundraising	(37,997)
Net fundraising	102,873
Contributions	123,954
Investment return (net)	<u>25,251</u>
Totals	<u>252,078</u>
Expenses:	
Program services	103,048
General and administrative	14,446
Fundraising	<u>11,531</u>
Totals	<u>129,025</u>
Increase in net assets without donor restrictions	<u>123,053</u>
Changes in net assets with donor restrictions:	
Investment Return (net)	3,925
Contributions	<u>102,775</u>
Increase in restricted net assets with donor restrictions	<u>106,700</u>
Increase in total net assets	229,753
Net assets, beginning of year	<u>407,491</u>
Net assets, end of year	\$ <u><u>637,244</u></u>



**CHATHAM EDUCATION FOUNDATION**  
**REGISTRATION # CH-14299-00**

**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Program Services</u>	<u>General and Admini- strative</u>	<u>Fund Raising</u>	<u>Total</u>
Postage	\$ -	\$ 136	\$ 1,237	\$ 1,373
Grant and Contract Expenses	103,048			103,048
Outside Services	-	5,760	-	5,760
Credit Card Fees	-	-	779	779
Printing			6,285	6,285
Office Supplies	-	123	-	123
Software & Internet	-	6,622	-	6,622
Insurance Liability	-	1,354	-	1,354
Registration fees	-	250	200	450
Indirect Fundraising			3,030	3,030
Miscellaneous		201		201
Totals	\$ <u>103,048</u>	\$ <u>14,446</u>	\$ <u>11,531</u>	\$ <u>129,025</u>

See Notes to Financial Statements

**CHATHAM EDUCATION FOUNDATION**  
**REGISTRATION # CH-14299-00**

**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	<u>2019</u>
Operating activities:	\$
Change in net assets	229,753
Realized (gain) loss on sale of investments	-
Unrealized (gain) loss on investments	-
Changes in operating assets and liabilities:	
Accounts receivable	(6,662)
Accrued revenue	(9,841)
Prepaid expenses	966
Accrued expenses	3,824
Net cash provided by (used in) operating activities	<u>218,040</u>
Investing activities:	
Proceeds from sale of marketable securities	21,162
Purchases of marketable securities	<u>(235,942)</u>
Net cash provided by (used in) investing activities	<u>(214,780)</u>
Financing activities:	
Net cash provided by financing activities	<u>-</u>
Net increase (decrease) in cash and cash equivalents	3,260
Cash and cash equivalents, beginning of year	<u>191,968</u>
Cash and cash equivalents, end of year	\$ <u><u>195,228</u></u>

See Notes to Financial Statements



# CHATHAM EDUCATION FOUNDATION

Registration # CH-14299-00

## Notes to Financial Statements

June 30, 2019

### 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 grants and donations from members of the community. 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. Temporarily-restricted net assets represent gifts of cash and other assets received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, i.e., when a stipulated time restriction ends or purpose restriction is accomplished, these temporarily-restricted net assets are reported in the statement of activities as "Net Assets Released from Restrictions."

**CHATHAM EDUCATION FOUNDATION**  
**Registration # CH-14299-00**

**Notes to Financial Statements**  
**June 30, 2019**

**Note 2 - Summary of Significant Accounting Policies (continued)**

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, 2019, the Foundation did not report any receivables/pledges.

Pledges Receivable

The Foundation recognizes as revenue the estimated realizable value of all unconditional promises to contribute to its operations when such promises are made.

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.

Advertising and Public Relations

The Foundation expenses the cost of advertising and public relations as incurred. There are no advertising and public relations expenses in 2019.



**CHATHAM EDUCATION FOUNDATION**  
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**Notes to Financial Statements**  
**June 30, 2019**

**Note 2 - Summary of Significant Accounting Policies (continued)**

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, 2019.

**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, 2019 up through the date these financial statements were available for issue. During this period, the organization did not have any material subsequent events.

**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.

**CHATHAM EDUCATION FOUNDATION**  
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**Notes to Financial Statements**  
**June 30, 2019**

**Note 7 - Investments at Fair Value**

As of June 30, 2019, investments at fair value consist of the following:

	<u>2019</u>
Cash and cash equivalents	\$ 173,917
Fixed income mutual funds	114,061
Equity mutual funds & marketable securities	<u>336,587</u>
	<u>\$ 624,565</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, 2019, 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 the existence or absence of donor-imposed restrictions.

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 fund 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.

**CHATHAM EDUCATION FOUNDATION****Registration # CH-14299-00****Notes to Financial Statements****June 30, 2019****Note 8 – Endowment (continued)**

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.

The fair value of the endowment is \$446,588 at June 30, 2019 and consists of the following net asset classes:

	<b>2019</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Board-designated endowment funds	\$ 339,888	\$ -	\$ 339,888
Donor-restricted endowment funds:			
Permanent endowment funds	\$ -	\$ 80,025	\$ 80,025
Term endowment funds	\$ -	\$ 26,675	\$ 26,675
Total Funds	<u>\$ 339,888</u>	<u>\$ 106,700</u>	<u>\$ 446,588</u>



# CHATHAM EDUCATION FOUNDATION

Registration # CH-14299-00

## Notes to Financial Statements

June 30, 2019

### 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.

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, 2019 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>
Cash and Cash Equivalents	173,917	-	-	173,917
Fixed Income Mutual Funds	114,061	-	-	114,061
Equity Mutual Funds	<u>336,587</u>	<u>-</u>	<u>-</u>	<u>336,587</u>
Total assets at fair value	<u><u>624,565</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>624,565</u></u>



**CHATHAM EDUCATION FOUNDATION**  
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**Notes to Financial Statements**  
**June 30, 2019**

**Note 9 – Fair Value Measurements (continued)**

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.