

# Endowment Report

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## Introduction

Chatham Education Foundation began receiving philanthropic donations in 1997, and \$1.5M in grants and scholarships have been made to the school district since that time. Annual grant giving to the school district has grown to average about \$100k in recent years. Chatham Education Foundation received its first endowment gift in December, 2011. In years when Chatham Education Foundation income from donations and events exceeds School District of the Chathams (SDOC) grant requests, the Board of Trustees votes to add funds surplus to working capital needs to the Quasi endowment. Distributions from the permanent endowment begin in 2020. The endowment will bring increased stability to grant funding, as well as help SDOC deal with inevitable budget shocks resulting from unpredictable New Jersey state aid. It will also lessen Chatham Education Foundation's dependence on hard-to-staff fundraising events and changes in donation levels due the economic climate. An initial \$4 million endowment target has been set, comprising:

- A \$3 million Permanent Endowment to provide a stable \$150,000/year grant-giving level (estimating that the invested assets would produce income of approximately 5% / yr.)
- A \$1 million Term Endowment to mitigate the impact of school budget shocks.

The target amount was set based on comparisons of peer school districts. Summit Educational Foundation has an endowment equivalent to \$1,308/student. Morris Educational Foundation's endowment is equivalent to \$171/student. Chatham's endowment is equivalent to \$194/student. Chatham Education Foundation has a target of achieving an endowment level at least equal to Summit's foundation. Chatham Education Foundation maintains all three classes of endowment: Quasi, Term, and Permanent. Quasi endowment funds can be added or withdrawn at the discretion of the Board of Trustees. Term and Permanent endowment funds are specified in individual endowment agreements, typically 25% Term and 75% Permanent. The Term endowment can be withdrawn when SDOC experiences a significant budget shortfall, such as when NJ cut state aid by \$2.6M in 2010 on short notice. The Permanent endowment is maintained in perpetuity, as specified by individual endowment agreements and administered according to the Foundation's Investment and Spending Policy. Chatham's endowment crossed the million dollar mark in mid 2020, including invested funds and pledges.

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## Program Description

Chatham Education Foundation supports initiatives that would not otherwise be funded through the traditional SDOC budget. The Foundation structures its grant-making around four principal goals: (1) enhancing student learning; (2) supporting educator growth; (3) fostering student well being; (4) creating innovative learning spaces. Within those broad outlines, the Foundation funds grants that:

- enhance the existing academic program, curriculum, guidance or counseling functions, and staff development of SDOC;
- enrich—not duplicate or replace—the current curriculum and educational structure of SDOC;
- reflect the goals of SDOC, including the Superintendent and Building Principal and Curriculum Supervisors, as well as the Technology Supervisors;
- are innovative and creative in teaching and/or learning;
- implement new and experimental methods of teaching; and
- can be evaluated by some measure of quality and be expanded and replicated if successful.



The most impactful grants have been those that help SDOC be on the leading edge of implementing new educational research and technology. To that end, since its inception, Chatham Education Foundation has granted \$1.5 million to teachers and administrators to support innovative and creative educational programs and special projects to enrich the

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experiences of all 4,000+ students enrolled in the SDOC's six public schools. By way of example, recent grants include the following:

**Enhancing student learning:**

- Virtual Reality goggles for World Languages
- TEDx youth in Chatham
- Providing innovative texts (e.g. graphic novels, big print books)
- K-12 collaborative district art show, which was attended by over 2,000 people from the community
- Inflatable planetarium for K-3 children
- "Future-Focused Education" series
- Reading programs: read & ride classrooms at Chatham Middle School, book nook at Milton Avenue School; reading book challenges
- Classroom libraries
- Mozart Requiem performance at Chatham United Methodist church to a standing room only crowd. The community was presented with a lecture to over 90 members of Chatham High School's choral groups and approximately 30 members of high school orchestra and band.
- "Probe-ware" to support science labs
- Humanoid robot
- Drones and aero robotics

**Fostering student well being:**

- Calm Space at Southern Boulevard School
- Mindful Mondays at Milton Avenue School
- Just Breath space at Chatham Middle School

**Supporting educator growth:**

- Building Voices - a summer experience for Chatham Educators at Chatham High School. Educators completed the courses within the TED Masterclass and had the opportunity to work collaboratively with their colleagues. At the culmination of the summer learning experience, each participant completed their own TED-style talk. Talks were related to educators' thoughts and opinions on education, teaching, and learning.
- STEM training for K-5 teachers



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**Creating innovative learning spaces:**

- Vertical math classroom - vertical non-permanent surfaces around two Honors Algebra 2 classrooms to pilot innovative math teaching methods for 125 students
- Innovative classroom furniture in all six schools to facilitate learning and collaboration

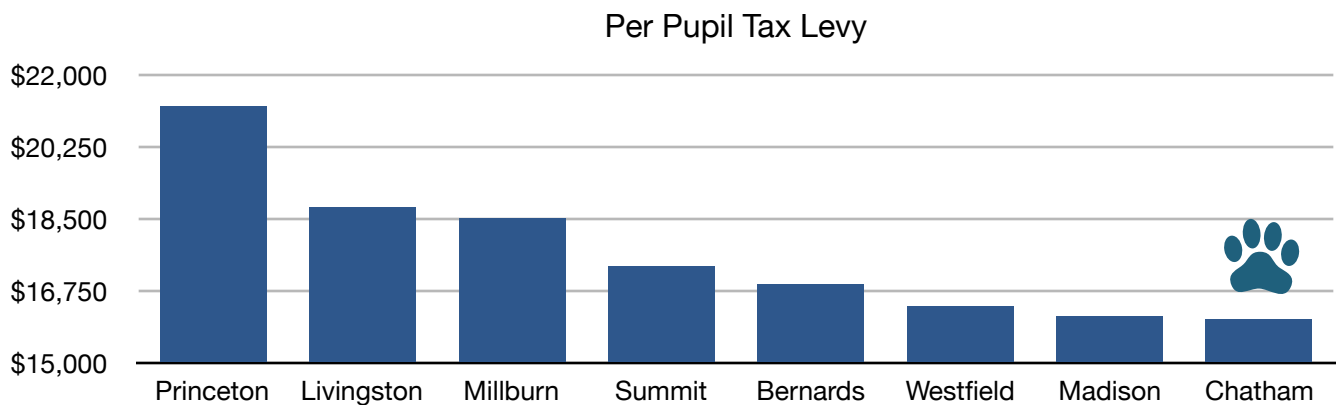
A rigorous process ensures that donor funds are spent wisely: Grants are developed by SDOC teachers and administrators following Chatham Education Foundation guidelines. Once grants are approved by Chatham Education Foundation's Board of Trustees and by the Board of Education, the funds are paid by Chatham Education Foundation to SDOC. SDOC periodically reviews individual grant accounts and returns any unused grant funds to Chatham Education Foundation. All grant recipients are required to submit a final grant report, showing the expenditure of funds and describing the grant project outcomes, including any material improvements in teaching or learning that was gained. SDOC accounts are audited annually by an independent auditor.

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## Need for Support

SDOC's per-pupil budgetary cost is below peer schools and the NJ and the Morris county average.

When the Board of Education annually reviews the school budget, one consistently stated desire is to hire more teachers, fund additional teacher development, and provide new innovative programs to introduce new leading edge technology. However, SDOC is often forced to forgo some of these needs in its budget because it cannot raise enough revenue through local tax levies, and has therefore had to rely on private funding to supplement its stretched budget.

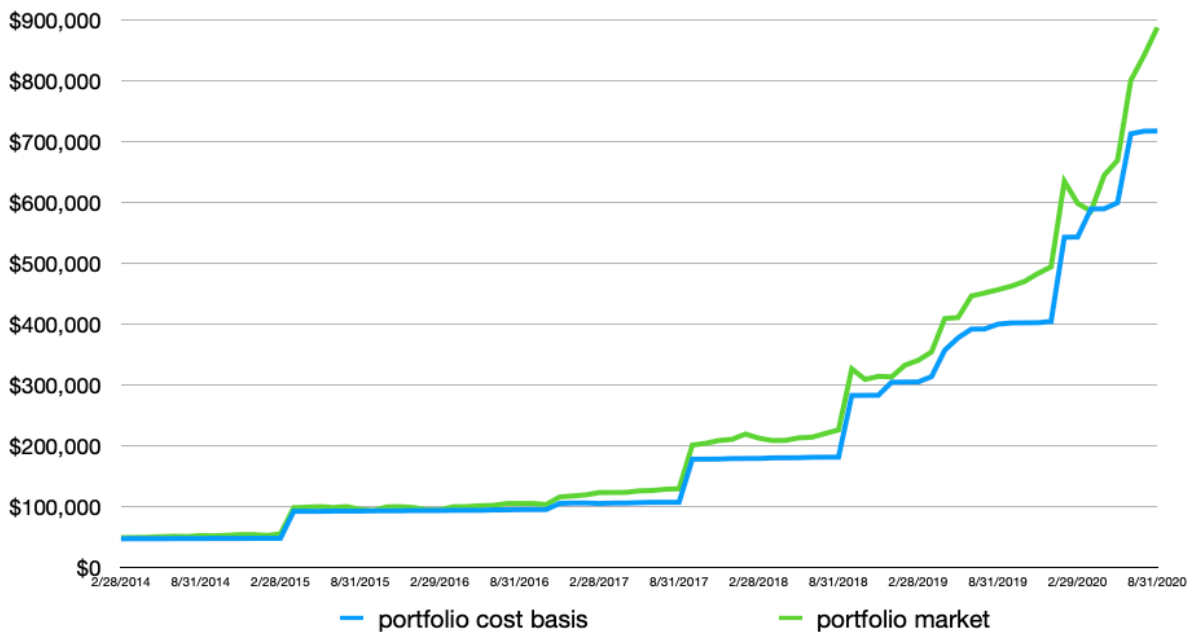


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## Endowment history

The endowment portfolio has grown over the past decade to over \$800k, accelerating in the last 5 years as the quiet phase of the endowment campaign was initiated and fundraising efforts grew more successful.

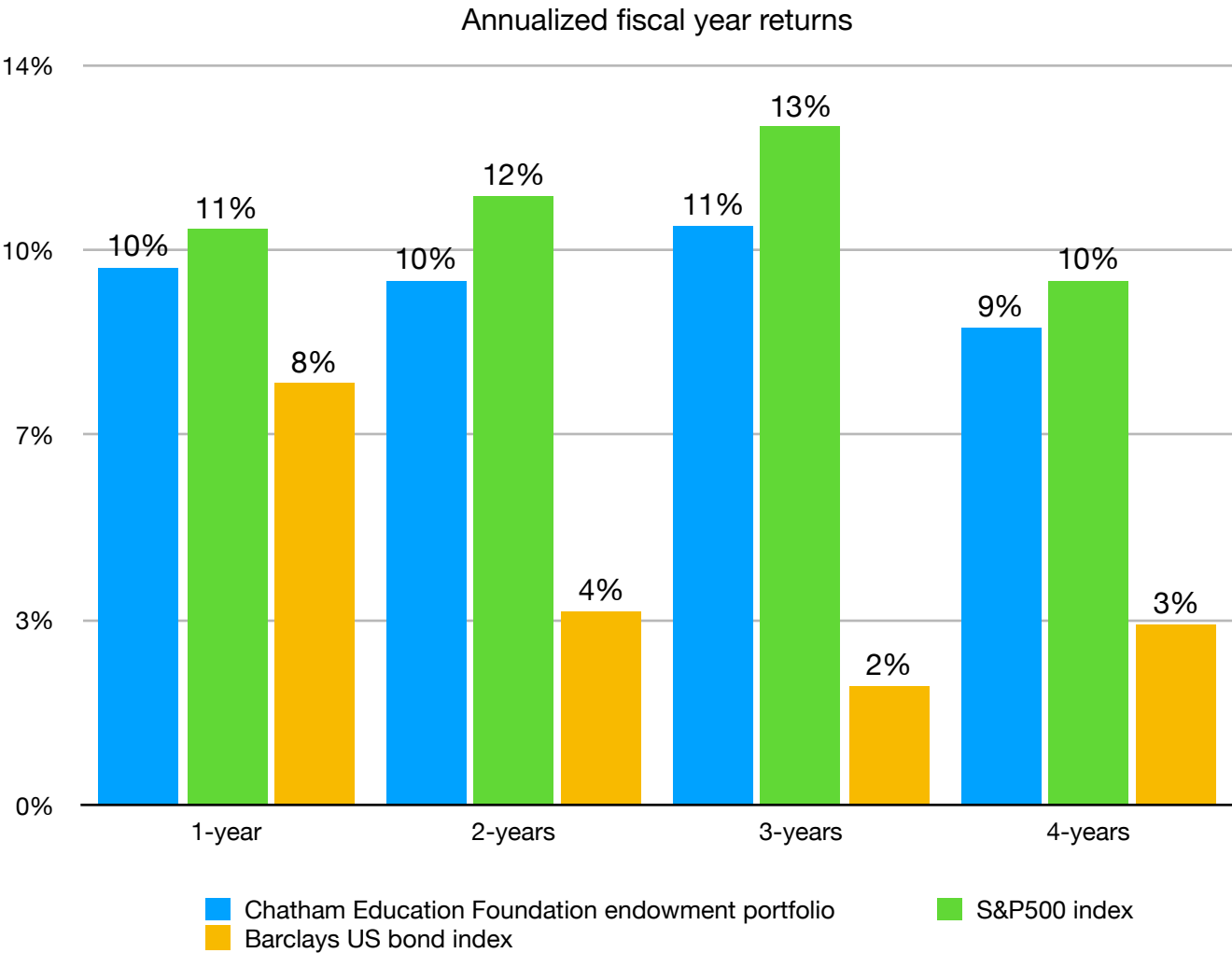
# Endowment Portfolio



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Gifts in the Permanent Endowment are held by Chatham Education Foundation in perpetuity. The initial gift is invested, and a portion of the average annual investment return is spent for the purpose designated by the donor. The remaining income is added to the principal as protection against inflation. Thus a permanent endowment gift today will have relatively the same value for future generations.

Annualized fiscal year returns on the Chatham Education Foundation endowment portfolio have been 9-11% per year over the last four years, reflecting the investment mix of 75% Vanguard S&P500 index fund and 25% Vanguard intermediate term bond index fund.





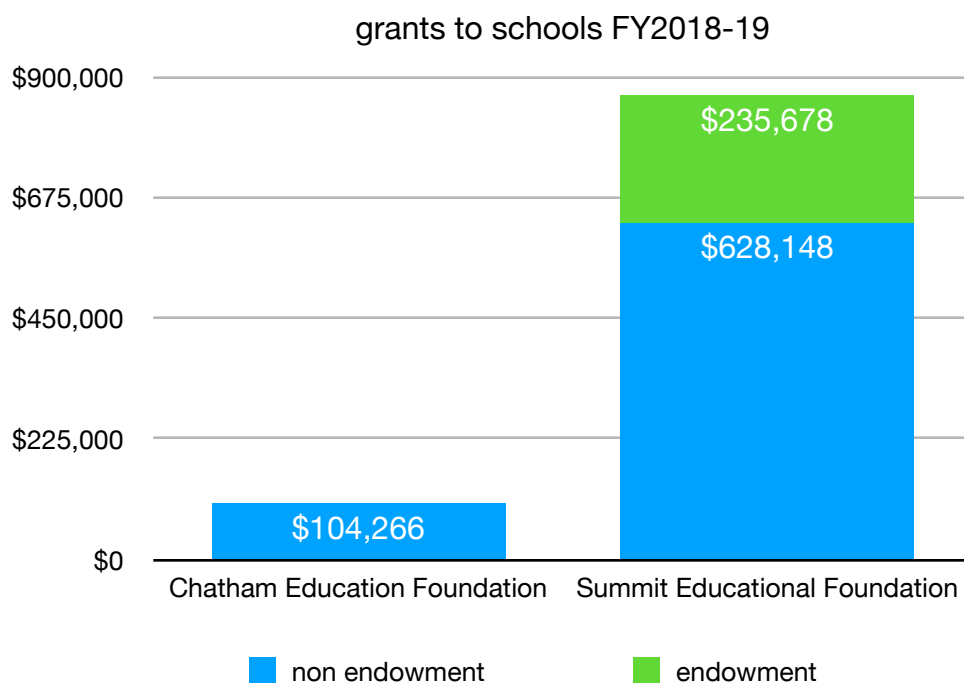
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## Endowment investment and spending

Chatham Education Foundation's commingled long term investment pool includes Quasi, Term, and Permanent endowment funds. The Chatham Education Foundation endowment is broadly diversified, with 75% of the portfolio invested in a low cost Vanguard S&P 500 index mutual fund, and 25% in a low cost Vanguard intermediate-term bond index fund. The spending policy for the permanent endowment, reviewed annually by the Finance Committee, currently specifies that 5% of a 12 quarter rolling average of the endowment will be allocated to endowment spending to support school district grants. Funds must be in the endowment for one full year prior to being subject to the spending policy. Quasi and Term endowments maintain their investments with no allocation to spending.

## Education Foundation gifts to schools

Chatham Education Foundation's goal is to increase support for public schools, in particular with regard to funding from the endowment. In comparison, Summit Educational Foundation gives much more than Chatham Education Foundation to their public schools. Both Summit and Chatham public school systems have about the same number of students.



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## Inaugural Endowment Donors

We are most grateful to our inaugural endowment donors, who have helped the campaign get off to a most successful start:

Abbott family - Endowment Fund for Environmental Sustainability

Allen family - Allen Family Endowment Fund

Dickson family - Dickson Family Endowment Fund

Epstein family - Epstein Family Endowment Fund

Karpowic family - Karpowic Family Endowment Fund

Kuppenheimer family - Kuppenheimer Family Endowment Fund

Metviner family - Ryan T. Ganley Memorial Endowment Fund

Prael family - Prael Family Endowment Fund

Rooney family - Rooney Family Endowment Fund

Routh family - Routh Family Endowment Fund

PTO of the Chathams - PTO Endowment Fund

Chatham Middle School

Lafayette School

Milton Avenue School

Southern Boulevard School

Washington Avenue School

Board designated (Quasi endowment)

The minimum endowment gift is \$20,000, with donations spread over up to five years, including company matches. Endowment donors typically split their gifts 25% for the Term Endowment and 75% for the Permanent Endowment.