

# Endowment Annual Report

---



---

## Introduction

Chatham Education Foundation received its first endowment gift in December, 2011, and has built the endowment to \$447k as of June 30, 2019. The endowment will bring increased stability to grant funding, as well as help the School District of the Chathams (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% per year)
- 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 a \$4 million endowment equivalent to \$1,050/student. Morris Educational Foundation's \$876k endowment is equivalent to \$164/student. Chatham's \$447k endowment is equivalent to \$106/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 Quasi endowment funds can be added or withdrawn at the discretion of the Board of Trustees.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 The Term endowment can be withdrawn when SDOC experiences a significant budget shortfall, such as when NJ cut state aid by \$2.6M in 2010 on short notice.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.

---

## 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 over \$1.3 million to teachers and administrators to support innovative and creative educational programs and special projects to enrich the

---

experiences of all 4,200 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 - performed 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.
- Wireless networking and laptop computers in "cyber-café" in Chatham High School
- Smart boards and laptop computers in all schools
- "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 at Chatham High School
- STEM training for K-5 teachers
- Support for the Orton-Gillingham program, a 30 hour training course to assist students with learning difficulties with reading, spelling, and writing, and language intervention for students with delayed or non-existent reading skills

**Creating innovative learning spaces:**



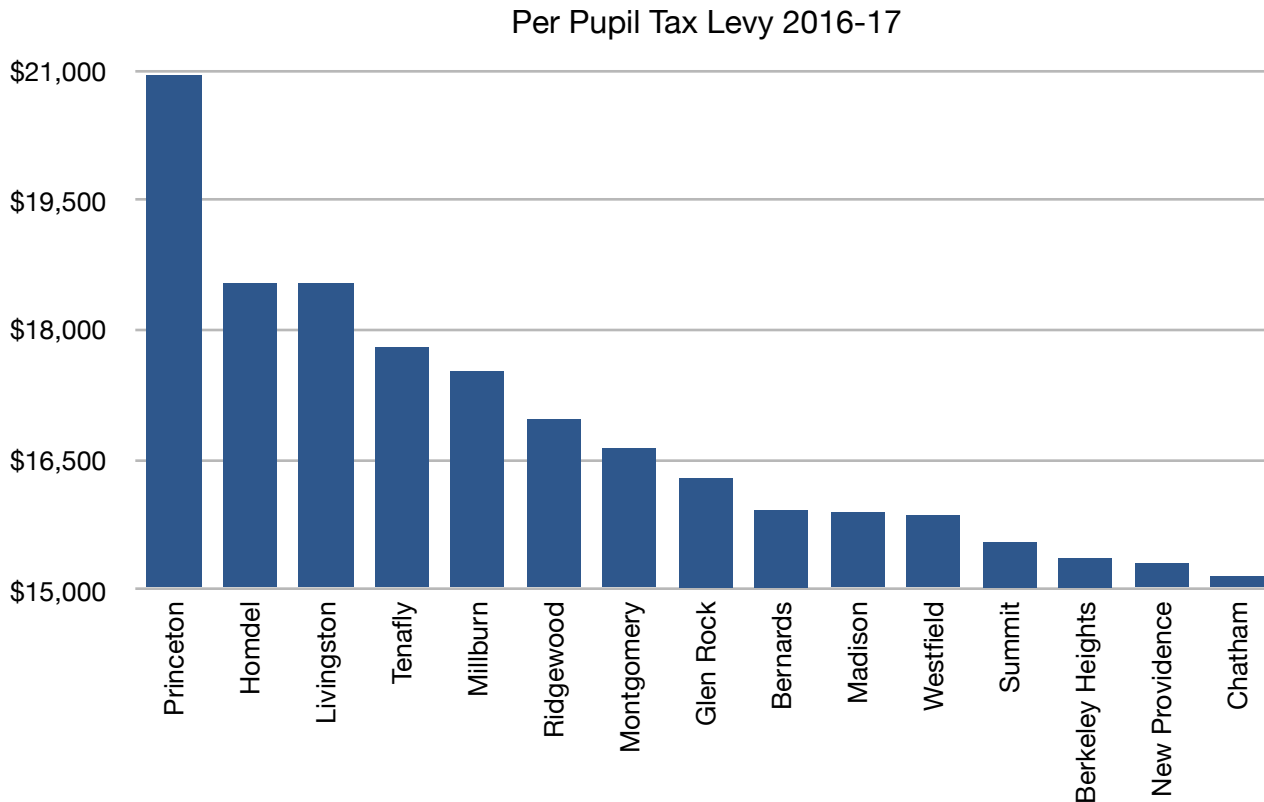
- 
- Vertical math classroom - vertical non-permanent surfaces around two Honors Algebra 2 classrooms room and a defronting of the classrooms to pilot innovative math teaching methods for 125 students
  - Innovative classroom furniture in all six schools to facilitate learning and collaboration

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.

---

## Need for Support

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

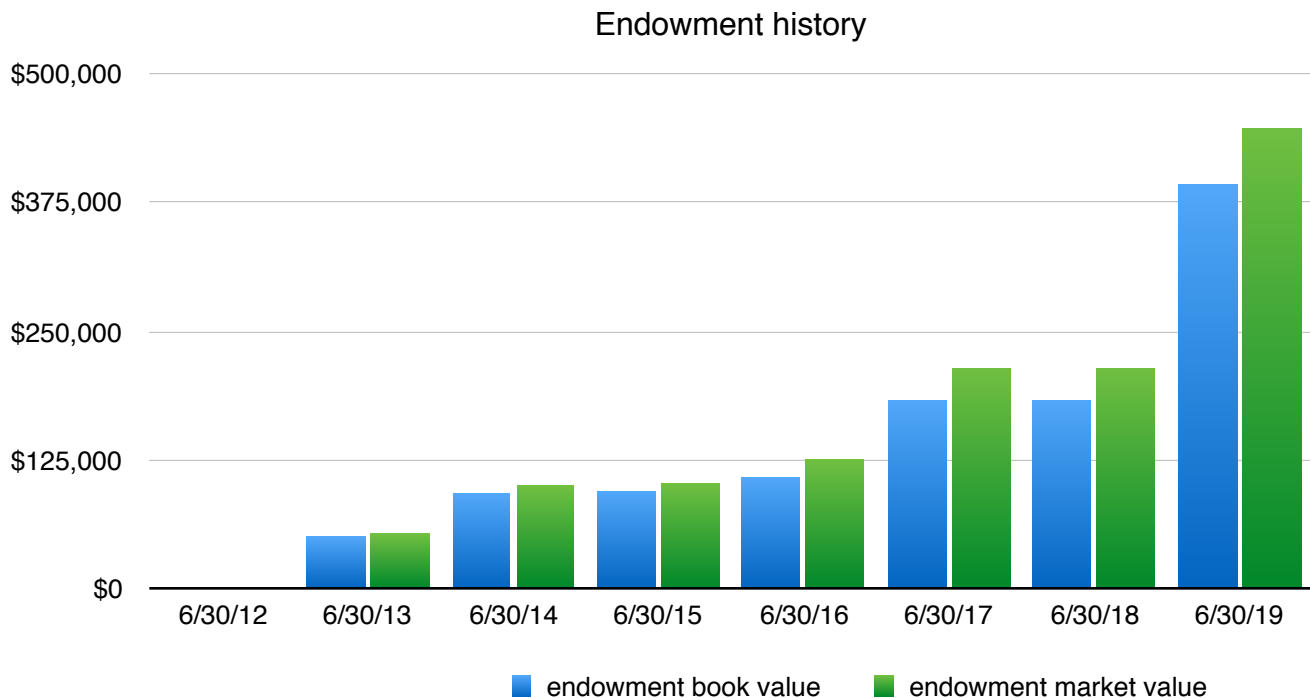


When the Board of Education annually reviews the school budget, one consistently stated desire is to hire more teachers, fund additional teacher development, and provide new innovative programs to introduce new leading edge technology. However, SDOC is often forced to forgo some of these needs in its 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.

---

## Endowment history

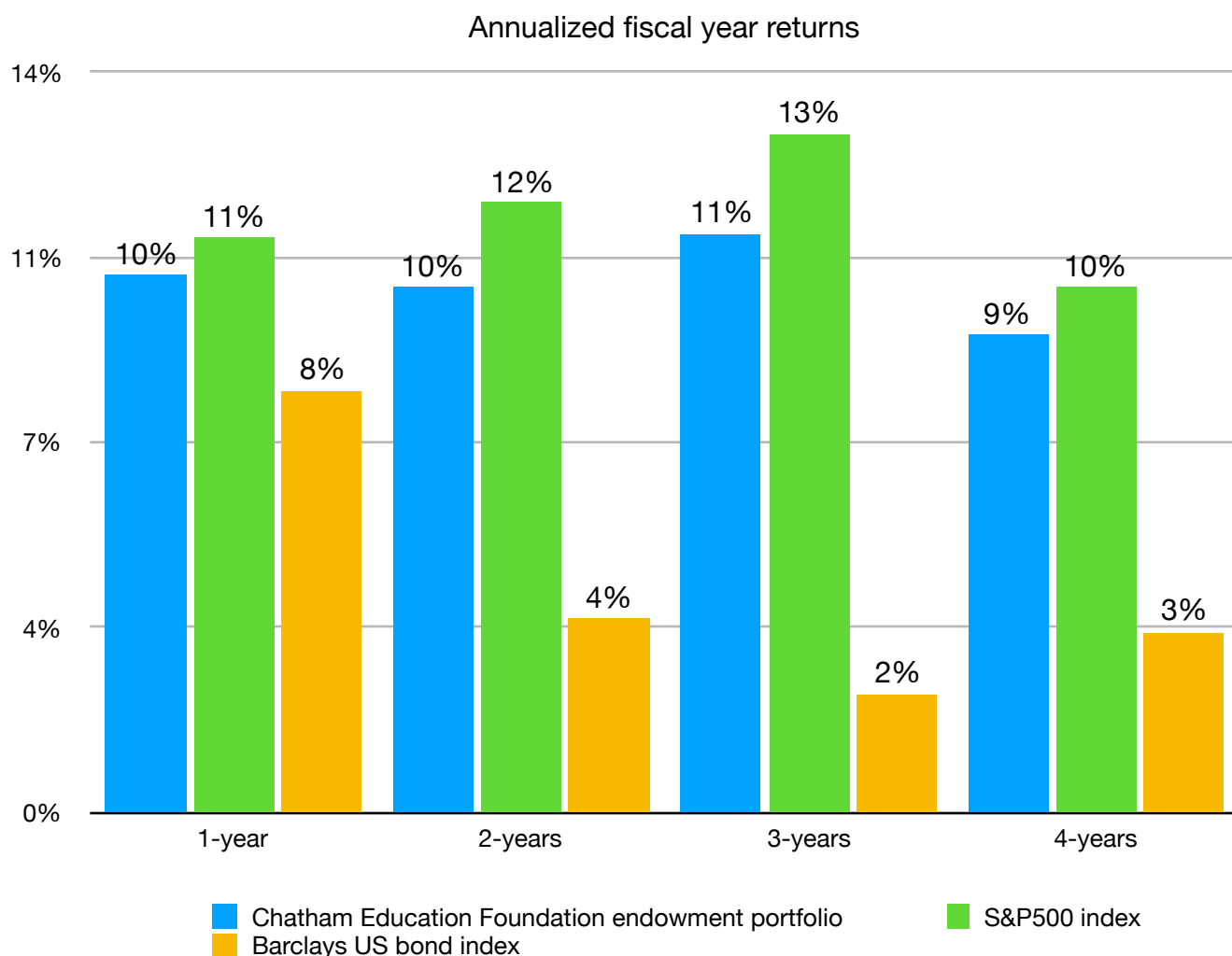
Beginning July, 2018, Chatham Education Foundation embarked on the “quiet phase” of its first endowment campaign. In the first fiscal year of the campaign, \$170k was pledged and \$102k was donated to the endowment, of which 75% was to the Permanent Endowment and 25% to the Term endowment. In years when Chatham Education Foundation income from donations and events exceeds SDOC grant requests, the Board of Trustees votes to add



funds surplus to working capital needs to the Quasi endowment. Quasi endowment additions total \$270k to-date. Chatham Education Foundation has \$54k of unrealized capital gains in the endowment.

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.

## 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 mutual fund, and 25% in a low cost Vanguard intermediate-term bond 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 teacher grants. Funds must be in the endowment for one full fiscal year prior to being subject to the spending policy. Quasi and Term endowments maintain their investments with no allocation to spending.

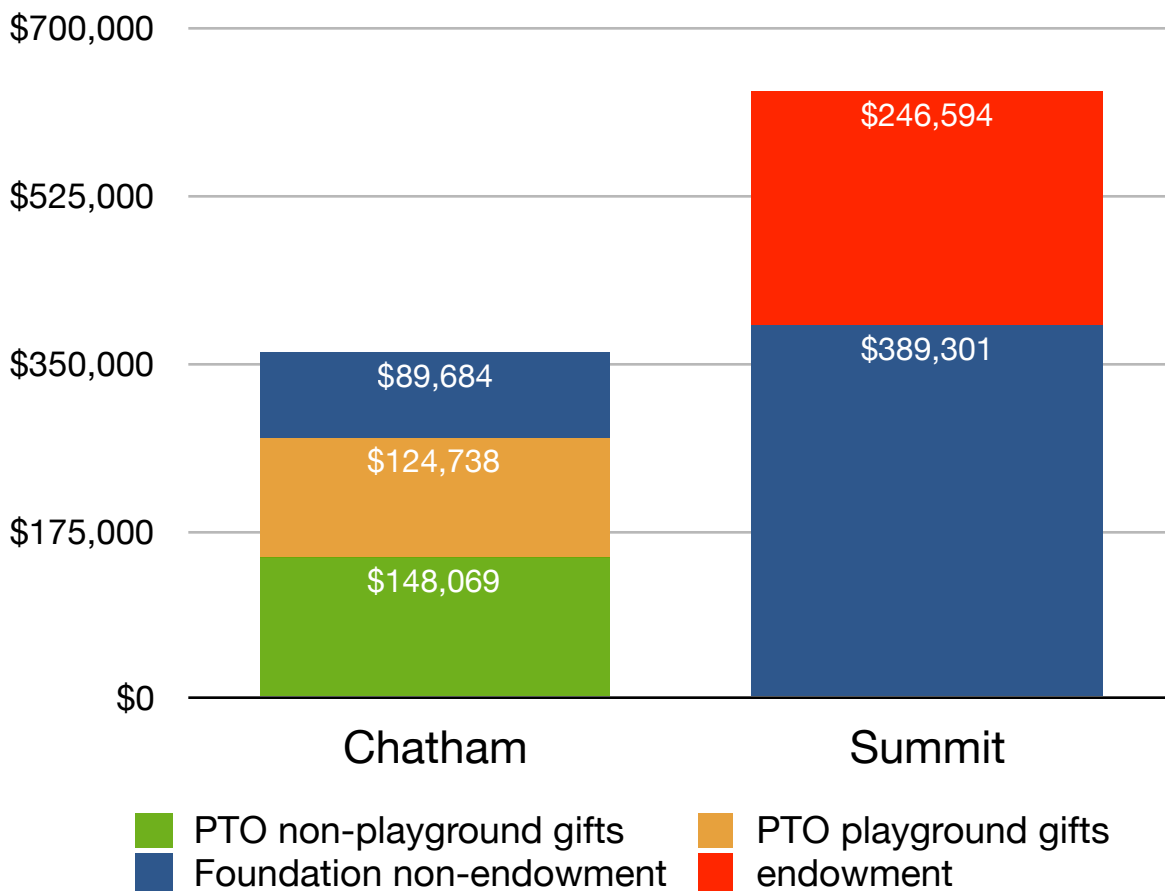


---

## PTO and Education Foundation gifts to schools

Both the PTO of the Chathams and Chatham Education Foundation make gifts to Chatham public schools. On a comparable basis, Summit Educational Foundation gives much more to their public schools. Both Summit and Chatham public school systems have about the same number of students; Summit has a higher per pupil tax levy than Chatham. The main difference between what Chatham and Summit PTO and Education Foundations give to public schools is attributed to the \$4M+ endowment which Summit has raised. Chatham's goal is to raise an endowment comparable to that in Summit in order to substantially increase support. The PTO of the Chathams donated \$12.5k to the Chatham Education Foundation endowment in FY2018-19, with an additional \$7.5k donated in August, 2019.

### Grants/gifts to schools FY 2016-17



---

## Inaugural Endowment Donors

The following donors signed endowment agreements and made donations in FY 2018-19, the first year of the endowment campaign:

The Abbott family - Endowment Fund for Environmental Sustainability

The Karpowic family - Karpowic Family Endowment Fund

The Rooney family - Rooney Family Endowment Fund

The Routh family - Routh Family Endowment Fund

PTO of the Chathams - PTO Endowment Fund

Chatham Middle School

Lafayette School

Milton Avenue School

Washington Avenue School (August, 2019)

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