

# Endowment Report – 2020

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## Introduction

Chatham Education Foundation (the “Foundation”) began soliciting philanthropic donations in 1997, and since that time the Foundation has funded \$1.5 million in grants and scholarships to the School District of the Chathams (“SDOC”). Over the years, through fundraising events and appeals, the Foundation’s annual grant giving to the school district has grown to average approximately \$100k.

The Foundation received its first endowment gift in December 2011. Since then, Chatham Education Foundation has grown its endowment through additional endowment gifts and pledges as well as Board-designated funds to over \$1 million. Distributions from the Permanent Endowment begin in 2020. The endowment brings increased stability to grant funding, as well as helping SDOC deal with inevitable budget shocks resulting from unpredictable New Jersey state aid. The endowment also reduces the Foundation’s dependence on fundraising events and mitigates fluctuations in annual donations.

The Foundation has established an initial endowment target of \$4 million, comprising:

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

This endowment target amount was based on comparisons to peer school districts:

- Summit Educational Foundation has an endowment equivalent to ~\$1,308/student.
- Morris Educational Foundation has an endowment equivalent to ~\$171/student.
- Chatham Education Foundation’s endowment is equivalent to ~\$194/student.

Chatham Education Foundation has a target of achieving an endowment level at least equal to Summit Educational Foundation.

Chatham Education Foundation maintains 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 Quasi endowment funds can be added or withdrawn at the discretion of the Board of Trustees.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. Term endowment funds can be withdrawn when SDOC experiences a significant budget shortfall, such as when NJ cut state aid to SDOC by \$2.6M in 2010 on short notice. Permanent endowment funds are maintained in perpetuity, as specified by individual endowment agreements and administered according to the Foundation’s Investment and Spending Policy.

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## Grant Program Description

Chatham Education Foundation supports educational excellence in the Chatham schools by funding initiatives that would not otherwise be funded through the traditional budget. The Foundation structures its grant support around four principal goals:

- (1) enhancing student learning;
- (2) supporting educator growth;
- (3) fostering student well-being; and
- (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, school administrators and curriculum/technology supervisors;
- are innovative and creative in teaching and/or learning;
- implement new and experimental methods of teaching; and
- can be measured/evaluated and, if successful, expanded and/or replicated.

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 experiences of all 4,000+ students enrolled in the SDOC's six public schools.





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Selected recent grants include:

**Enhancing student learning:**

- Virtual Reality goggles for World Languages classrooms
- TEDx youth in Chatham
- K-12 collaborative district art show, which was attended by over 2,000 people from the community
- Inflatable planetarium for K-3 children
- Reading programs: read & ride classrooms at Chatham Middle School, book nook at Milton Avenue School; reading book challenges
- Enhanced classroom libraries
- Mozart Requiem performance and lecture to Chatham High School's choral groups, 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 educators at Chatham High School, including coursework with the TED Masterclass and preparation for introducing TEDx youth to SDOC
- STEM training for K-5 teachers

**Creating innovative learning spaces:**

- Vertical math classrooms at Chatham High School - - pilot innovative math teaching methods
- Innovative classroom furniture in all six schools to facilitate learning and collaboration



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A rigorous grant review process ensures that donor funds are spent wisely:

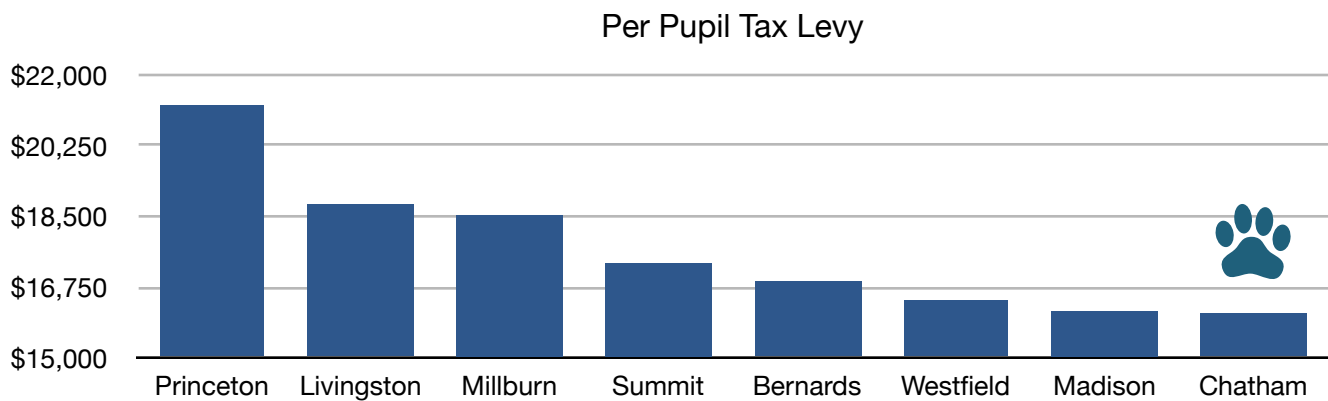
- Grant proposals are developed by SDOC teachers and administrators following Chatham Education Foundation guidelines.
- Grant proposals are reviewed and approved by Chatham Education Foundation's Board of Trustees and the Board of Education.
- Following grant approval, funds are paid by Chatham Education Foundation to SDOC.
- SDOC periodically reviews individual grant accounts and returns unused grant funds to Chatham Education Foundation.
- All grant recipients are required to submit a final grant report, which includes the expenditure of funds, and a description of the grant project outcomes, including improvements in teaching or learning.
- 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 averages.

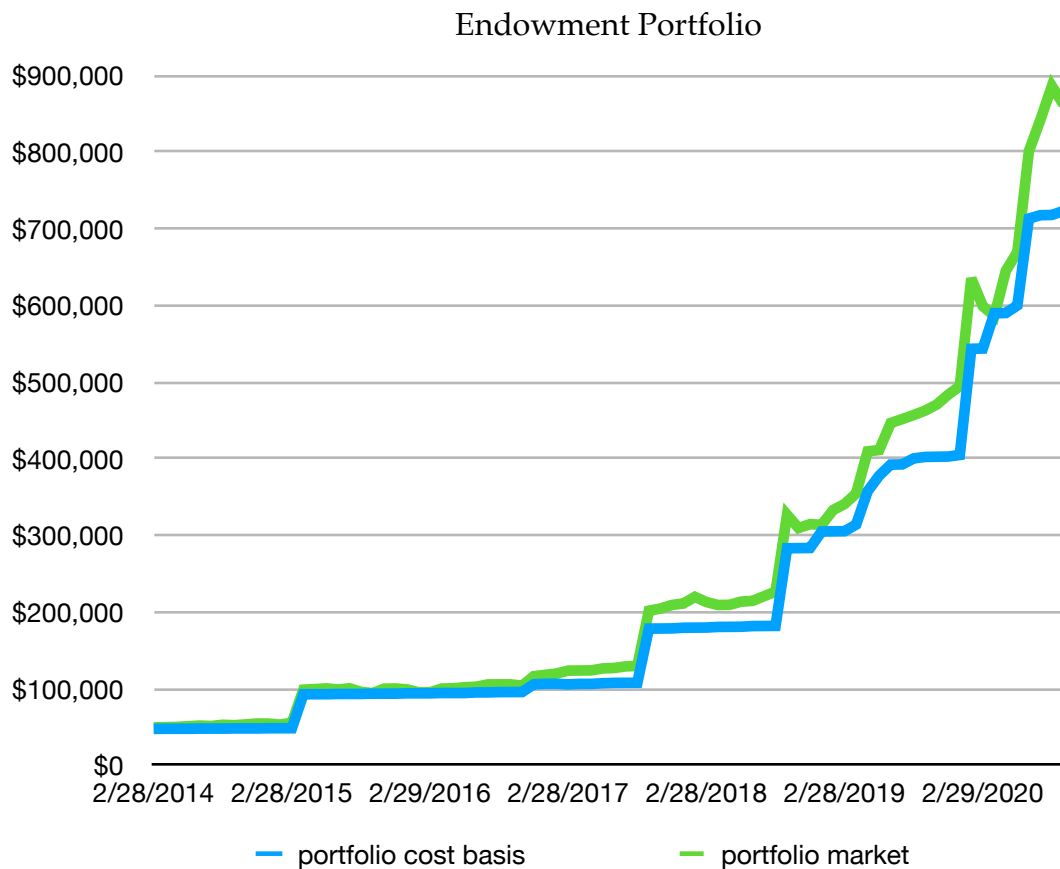
When the Board of Education annually reviews the school budget, one consistently stated desire is to hire more teachers, fund additional teacher development, and provide new innovative programs to introduce new leading-edge technology. However, SDOC is often forced to forgo some of these needs in its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



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## Endowment History

Chatham Education Foundation's endowment portfolio has grown over the past decade to nearly \$900k, accelerating in the last 5 years as the quiet phase of the endowment campaign was initiated and fundraising efforts grew more successful.

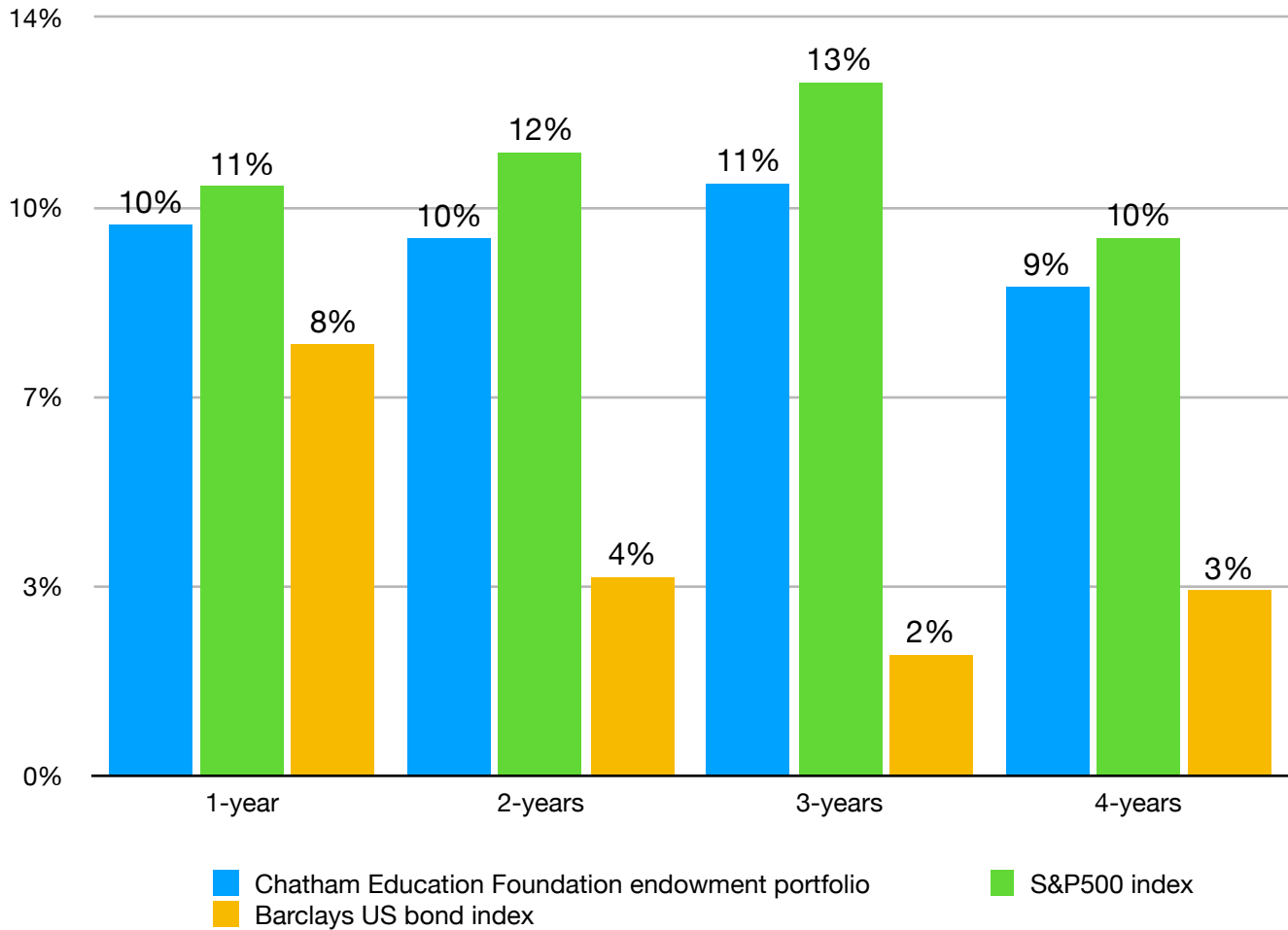


Gifts in the Permanent Endowment are held by Chatham Education Foundation in perpetuity. The initial gift is invested, and a portion of the average annual investment return is spent for the purpose designated by the donor. The remaining income is added to the principal as protection against inflation.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

Annualized fiscal year returns on the Foundation's endowment portfolio have been 9-11% per year over the last four years, reflecting the endowment's investment mix of 75% Vanguard S&P 500 Index Fund and 25% Vanguard Intermediate-Term Bond Index Fund.

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## Annualized fiscal year returns



## Endowment Investment and Spending

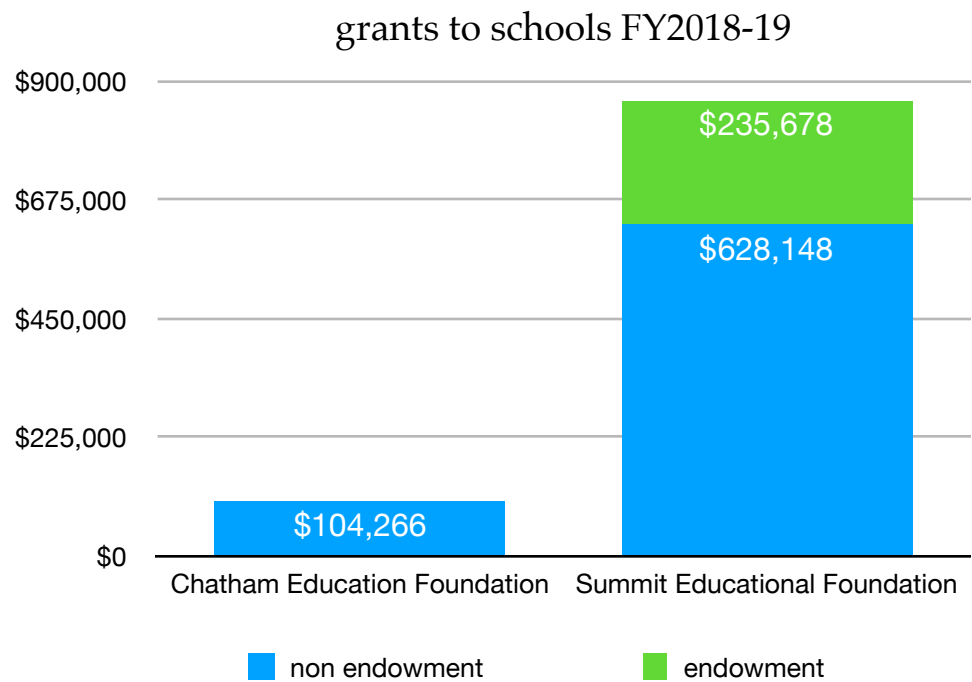
Chatham Education Foundation's commingled long-term investment pool includes Quasi, Term, and Permanent endowment funds. The Chatham Education Foundation endowment is broadly diversified, with 75% of the portfolio invested in a low-cost Vanguard S&P 500 index mutual fund, and 25% in a low-cost Vanguard 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 Permanent endowment will be allocated to endowment spending to support grants. Permanent endowment 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.



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# Gifts To Schools

Chatham Education Foundation's goal is to increase its support for SDOC schools, in particular with regard to ongoing funding from the endowment. In comparison, Summit Educational Foundation gives much more than Chatham Education Foundation to its public schools. Summit's and Chatham's public school systems have approximately 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 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.