

**COPY**

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

**REGISTRATION # CH-14299-00**

**REPORT ON FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2022**

**CANNONE AND COMPANY, P.A.**

*Certified Public Accountants*

CHATHAM EDUCATION FOUNDATION  
(A NON-PROFIT ORGANIZATION)

REGISTRATION # CH-14299-00  
FINANCIAL STATEMENTS  
JUNE 30, 2022

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	2-3
Statement of Financial Position	4
Statement of Activities	5
Statement of Functional Expenses	6
Statement of Cash Flows	7
Notes to the Financial Statements	8-14

CANNONE AND COMPANY, P.A.  
*Certified Public Accountants*  
485 Morris Avenue  
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

**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, 2022 and the related statements 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, 2022, 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 24, 2023

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

**STATEMENT OF FINANCIAL POSITION  
FOR THE YEAR ENDED JUNE 30, 2022**

**ASSETS**

**Current Assets - Unrestricted:**

Cash and Cash Equivalents	\$ 123,770	
Investment in Marketable Securities	<u>1,240,262</u>	
Total Current Assets		\$ 1,364,032

**Other Current Assets:**

Accrued Revenue	<u>2,770</u>	
Total Other Current Assets		<u>2,770</u>

<b>Total Assets</b>		<b>\$ <u>1,366,802</u></b>
---------------------	--	----------------------------

**LIABILITIES AND NET ASSETS**

**Current Liabilities:**

Accrued Expenses		\$ <u>2,546</u>
------------------	--	-----------------

<b>Total Liabilities</b>		<b>2,546</b>
--------------------------	--	--------------

**Net Assets:**

Without Donor Restrictions	\$ 627,796	
With Donor Restrictions	<u>736,460</u>	

<b>Total Net Assets</b>		<b>\$ <u>1,364,256</u></b>
-------------------------	--	----------------------------

<b>Total Liabilities and Net Assets</b>		<b>\$ <u>1,366,802</u></b>
---	--	----------------------------

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, 2022**

	<u>2022</u>
Changes in net assets without donor restrictions:	
Revenue, gains, and other support:	
Special events:	
Fundraising	\$ 26,276
Less: Direct costs of fundraising	(1,720)
Net fundraising	\$ 24,556
Contributions	114,663
Investment return (net)	(56,326)
Net assets released from restrictions	-
Net assets reclassified as restricted	(100,000)
Totals	\$ (17,107)
Expenses:	
Program services	\$ 105,389
General and administrative	22,408
Fundraising	15,237
Totals	\$ 143,034
Decrease in net assets without donor restrictions	\$ (160,141)
Changes in net assets with donor restrictions:	
Investment return (net)	\$ (90,897)
Contributions	123,644
Net assets released from restrictions	-
Net assets reclassified as restricted	100,000
Increase in restricted net assets with donor restrictions	\$ 132,747
Decrease in total net assets	\$ (27,394)
Net assets, beginning of year	1,391,650
Net assets, end of year	\$ 1,364,256

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

**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2022**

	<u>Program Services</u>	<u>General and Admini- strative</u>	<u>Fund Raising</u>	<u>Total</u>
Postage	\$ -	\$ 259	\$ 1,707	\$ 1,966
Grant and Contract Expenses	105,389	-	-	105,389
Outside Services	-	13,300	-	13,300
Credit Card Fees	-	-	2,208	2,208
Printing	-	583	5,589	6,172
Office Supplies	-	1,126	-	1,126
Software & Internet	-	5,782	-	5,782
Insurance Liability	-	1,037	-	1,037
Registration Fees	-	150	-	150
Membership Dues	-	74	-	74
Indirect Fundraising	-	-	5,733	5,733
Miscellaneous	-	96	-	96
Totals	\$ <u>105,389</u>	\$ <u>22,408</u>	\$ <u>15,237</u>	\$ <u>143,034</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, 2022**

	<u>2022</u>
Operating activities:	
Change in net assets	\$ (27,394)
Realized (gain) loss on sale of investments	(5,840)
Unrealized (gain) loss on investments	173,783
Changes in operating assets and liabilities:	
Accrued revenue	(1,570)
Accrued expenses	<u>2,104</u>
Net cash provided by (used in) operating activities	<u>141,083</u>
Investing activities:	
Proceeds from sale of marketable securities	19,618
Purchases of marketable securities	<u>(270,636)</u>
Net cash provided by (used in) investing activities	<u>(251,018)</u>
Financing activities:	
Net cash provided by financing activities	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(109,935)
Cash and cash equivalents, beginning of year	<u>233,705</u>
Cash and cash equivalents, end of year	\$ <u><u>123,770</u></u>

See Notes to Financial Statements



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

**Notes to Financial Statements**  
**June 30, 2022**

**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, 2022**

**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 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, 2022, 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, 2022**

**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, 2022.

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 either 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, 2022.

**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.



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

**Notes to Financial Statements**  
**June 30, 2022**

**Note 5 - Subsequent Events**

The Organization evaluated all events and transactions that occurred after June 30, 2022 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:

- In accordance with the Organization's permanent endowment spending policy, the Board approved a motion at its November 30, 2021 Executive Committee meeting to transfer \$10,852.46 from the permanent endowment. These "Net Assets Released from Restrictions" were not transferred as of the report date. These funds are expected to be made available for grants in the spring of 2023.

**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, 2022, investments at fair value consist of the following:

	<u>2022</u>
Fixed income mutual funds	\$ 342,051
Equity mutual funds & marketable securities	<u>898,211</u>
	<u>\$ 1,240,262</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, 2022, all of the Foundation's investments are classified as Level 1 within the fair value hierarchy.

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

**Notes to Financial Statements**  
**June 30, 2022**

**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.

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, 2022**

**Note 8 – Endowment (continued)**

The fair value of the endowment is \$1,240,262 at June 30, 2022 and consists of the following net asset classes:

	<b>2022</b>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Board-designated endowment funds	\$ 503,802	\$ -	\$ 503,802
Donor-restricted endowment funds:			
Permanent endowment funds	\$ -	\$ 551,395	\$ 551,395
Term endowment funds	\$ -	\$ 185,065	\$ 185,065
 Total Funds	 <u>\$ 503,802</u>	 <u>\$ 736,460</u>	 <u>\$ 1,240,262</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**  
**(A Non-Profit Organization)**  
**Registration # CH-14299-00**

**Notes to Financial Statements**  
**June 30, 2022**

**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	\$ 342,051	\$ -	\$ -	\$ 342,051
Equity Mutual Funds	<u>898,211</u>	<u>-</u>	<u>-</u>	<u>898,211</u>
Total assets at fair value	<u>\$ 1,240,262</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,240,262</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.