

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

REGISTRATION # CH-14299-00

REPORT ON FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

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

**REGISTRATION # CH-14299-00
FINANCIAL STATEMENTS
JUNE 30, 2023**

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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

Opinion

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, 2023 and the related statement of activities, functional expenses, and cash flows for the year then ended and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Chatham Education Foundation, as of June 30, 2023, and the results of its operations and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Chatham Education Foundation, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Management's Responsibilities for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Chatham Education Foundation's ability to continue as a going concern for the twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

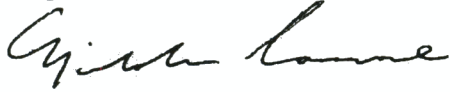
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Chatham Education Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate that raise substantial doubt about Chatham Education Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Respectfully submitted,



Cannone & Company, P.A.
Certified Public Accountants

April 30, 2024

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

**STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED JUNE 30, 2023**

ASSETS

Current Assets - Unrestricted:

Cash and Cash Equivalents	\$ 107,361	
Investment in Marketable Securities	<u>1,512,338</u>	
Total Current Assets		\$ 1,619,699

Other Current Assets:

Accrued Revenue	<u>2,789</u>	
Total Other Current Assets		<u>2,789</u>

Total Assets \$ 1,622,488

LIABILITIES AND NET ASSETS

Current Liabilities:

Accrued Expenses		\$ <u>2,006</u>
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Total Liabilities 2,006

Net Assets:

Without Donor Restrictions	\$ 651,968	
With Donor Restrictions	<u>968,514</u>	

Total Net Assets \$ 1,620,482

Total Liabilities and Net Assets \$ 1,622,488

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, 2023**

	2023
Changes in net assets without donor restrictions:	
Revenue, gains, and other support:	
Special events:	
Fundraising	\$ 56,074
Less: Direct costs of fundraising	(31,271)
Net fundraising	\$ 24,803
Contributions	99,598
Investment return (net)	68,204
Net assets released from restrictions	32,322
Net assets reclassified as restricted	(80,000)
Totals	\$ 144,927
Expenses:	
Program services	\$ 80,564
General and administrative	25,848
Fundraising	14,344
Totals	\$ 120,756
Decrease in net assets without donor restrictions	\$ 24,171
Changes in net assets with donor restrictions:	
Investment return (net)	\$ 118,260
Contributions	66,116
Net assets released from restrictions	(32,322)
Net assets reclassified as restricted	80,000
Increase in restricted net assets with donor restrictions	\$ 232,054
Increase in total net assets	\$ 256,226
Net assets, beginning of year	1,364,256
Net assets, end of year	\$ 1,620,482

**CHATHAM EDUCATION FOUNDATION
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**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2023**

	Program Services	General and Admini- strative	Fund Raising	Total
Postage	\$ -	\$ 302	\$ 1,878	\$ 2,180
Grant and Contract Expenses	80,564	-	-	80,564
Outside Services	-	15,925	-	15,925
Credit Card Fees	-	-	1,924	1,924
Printing	-	768	7,797	8,565
Office Supplies	-	444	-	444
Software & Internet	-	6,589	-	6,589
Insurance Liability	-	1,585	-	1,585
Registration Fees	-	106	-	106
Membership Dues	-	-	-	-
Indirect Fundraising	-	-	2,745	2,745
Miscellaneous	-	129	-	129
Totals	\$ 80,564	\$ 25,848	\$ 14,344	\$ 120,756

See Notes to Financial Statements

**CHATHAM EDUCATION FOUNDATION
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**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2023**

	2023
Operating activities:	
Change in net assets	\$ 256,226
Realized (gain) loss on sale of investments	(9,140)
Unrealized (gain) loss on investments	(150,465)
Changes in operating assets and liabilities:	
Accrued revenue	(19)
Accrued expenses	(540)
Net cash provided by (used in) operating activities	96,062
Investing activities:	
Proceeds from sale of marketable securities	62,967
Purchases of marketable securities	(175,438)
Net cash provided by (used in) investing activities	(112,471)
Financing activities:	
Net cash provided by financing activities	-
Net increase (decrease) in cash and cash equivalents	(16,409)
Cash and cash equivalents, beginning of year	123,770
Cash and cash equivalents, end of year	\$ 107,361

See Notes to Financial Statements

CHATHAM EDUCATION FOUNDATION
(A Non-Profit Organization)
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Notes to Financial Statements
June 30, 2023

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

CHATHAM EDUCATION FOUNDATION
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Notes to Financial Statements
June 30, 2023

Note 2 - Summary of Significant Accounting Policies (continued)

support grants to benefit either the District or other donor-specific uses, and may not be used for Foundation operations. Permanent shares must be in the endowment for at least six months 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, 2023, the Foundation did not report any receivables/pledges.

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Notes to Financial Statements
June 30, 2023

Note 2 - Summary of Significant Accounting Policies (continued)

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 for the year ended June 30, 2023.

Revenue & Revenue Recognition

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.

Fundraising:

On a regular basis the Organization conducts fundraising drives throughout the year. The individuals, families and organizations in the vicinity of the Foundation, primarily in the Township of Chatham and Borough of Chatham, are contacted for charitable donations. The contributions are recognized as revenue when they are received.

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, 2023.

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.

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Notes to Financial Statements
June 30, 2023

Note 5 - Subsequent Events

The Organization evaluated all events and transactions that occurred after June 30, 2023 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.

Note 7 - Investments at Fair Value

As of June 30, 2023, investments at fair value consist of the following:

	<u>2023</u>
Fixed income mutual funds	\$ 357,456
Equity mutual funds & marketable securities	<u>1,154,882</u>
	<u>\$ 1,512,338</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, 2023, all of the Foundation's investments are classified as Level 1 within the fair value hierarchy.

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Notes to Financial Statements
June 30, 2023

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.

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Notes to Financial Statements
June 30, 2023

Note 8 – Endowment (continued)

The fair value of the endowment is \$1,512,338 at June 30, 2023 and consists of the following net asset classes:

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 543,823	\$ -	\$ 543,823
Donor-restricted endowment funds:			
Permanent endowment funds	\$ -	\$ 717,105	\$ 717,105
Term endowment funds	\$ -	\$ 251,410	\$ 251,410
Total Funds	\$ 543,823	\$ 968,515	\$ 1,512,338

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.

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Notes to Financial Statements
June 30, 2023

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, 2023 are classified in the table below according to one of the three categories described above:

	Level 1	Level 2	Level 3	Fair Value
Fixed Income Mutual Funds	\$ 357,456	\$ -	\$ -	\$ 357,456
Equity Mutual Funds	1,154,882	-	-	1,154,882
Total assets at fair value	\$ 1,512,338	\$ -	\$ -	\$ 1,512,338

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.