

**CHESTERFIELD EDUCATION
FOUNDATION, INC.**

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

YEARS ENDED JUNE 30, 2022 AND 2021

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HARRIS, HARDY & JOHNSTONE, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Chesterfield Education Foundation, Inc.
Richmond, Virginia

Opinion

We have audited the accompanying financial statements of Chesterfield Education Foundation, Inc. (the "Foundation") (a nonprofit organization), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Chesterfield Education Foundation, Inc. as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 Chesterfield Education Foundation, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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 Chesterfield Education Foundation, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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 generally accepted auditing standards 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, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, 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 Chesterfield Education Foundation, Inc.'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 Chesterfield Education Foundation, Inc.'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.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The comparative schedules of activities are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Harris, Hardy & Johnstone, P.C.

Richmond, Virginia
October 31, 2022

CHESTERFIELD EDUCATION FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Cash	\$ 992,200	\$ 969,490
Contributions receivable	13,500	1,450
Due from Mega Mentors	11,902	11,274
Prepaid expenses	-	6,681
Investments, long-term and endowment	<u>875,099</u>	<u>932,426</u>
	<u>\$ 1,892,701</u>	<u>\$ 1,921,321</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 78,236	\$ 21,308
Deferred revenue	<u>24,000</u>	<u>26,500</u>
TOTAL LIABILITIES	<u>102,236</u>	<u>47,808</u>
NET ASSETS		
Without donor restrictions	74,485	119,031
With donor restrictions	<u>1,715,980</u>	<u>1,754,482</u>
TOTAL NET ASSETS	<u>1,790,465</u>	<u>1,873,513</u>
	<u>\$ 1,892,701</u>	<u>\$ 1,921,321</u>

See Independent Auditor's Report and Notes to Financial Statements

CHESTERFIELD EDUCATION FOUNDATION, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS, AND OTHER SUPPORT			
Support, Other Than Special Events			
Contributions			
Individuals	\$ 51,740	\$ 176,090	\$ 227,830
Corporations	82,550	167,470	250,020
Foundations	64,052	250,252	314,304
In-kind	16,500	-	16,500
State agencies	1,289	5,000	6,289
Total Support, Other Than Special Events	216,131	598,812	814,943
Special Events			
Special event revenue	35,400	-	35,400
Direct benefits to donors	(21,480)	-	(21,480)
Net Support from Special Events	13,920	-	13,920
Other Revenues, Gains, and (Losses)			
Investment return, net	(410)	(56,917)	(57,327)
PPP loan proceeds	-	-	-
Other revenue	21,219	-	21,219
Total Other Revenues, Gains, and (Losses)	20,809	(56,917)	(36,108)
Net Assets Released from Restrictions			
Satisfaction of program restrictions	616,014	(616,014)	-
TOTAL REVENUES, GAINS, AND OTHER SUPPORT	866,874	(74,119)	792,755
EXPENSES			
Educational Support Programs	580,020	-	580,020
Management and General	210,460	-	210,460
Fundraising	85,323	-	85,323
TOTAL EXPENSES	875,803	-	875,803
CHANGE IN NET ASSETS	(8,929)	(74,119)	(83,048)
NET ASSETS, beginning of year	119,031	1,754,482	1,873,513
Transfers from unrestricted	(35,617)	35,617	-
NET ASSETS, end of year	\$ 74,485	\$ 1,715,980	\$ 1,790,465

See Independent Auditor's Report and Notes to Financial Statements

CHESTERFIELD EDUCATION FOUNDATION, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS, AND OTHER SUPPORT			
Support, Other Than Special Events			
Contributions			
Individuals	\$ 8,445	\$ 36,933	\$ 45,378
Corporations	149,610	114,353	263,963
Foundations	44,002	371,474	415,476
In-kind	20,600	-	20,600
State agencies	-	4,700	4,700
Total Support, Other Than Special Events	222,657	527,460	750,117
Special Events			
Special event revenue	19,725	-	19,725
Direct benefits to donors	(10,180)	-	(10,180)
Net Support from Special Events	9,545	-	9,545
Other Revenues, Gains, and (Losses)			
Investment return, net	752	195,920	196,672
PPP loan proceeds	43,538	-	43,538
Other revenue	39,772	-	39,772
Total Other Revenues, Gains, and (Losses)	84,062	195,920	279,982
Net Assets Released from Restrictions			
Satisfaction of program restrictions	298,711	(298,711)	-
TOTAL REVENUES, GAINS, AND OTHER SUPPORT	614,975	424,669	1,039,644
EXPENSES			
Educational Support Programs	280,873	-	280,873
Management and General	169,155	-	169,155
Fundraising	78,893	-	78,893
TOTAL EXPENSES	528,921	-	528,921
CHANGE IN NET ASSETS	86,054	424,669	510,723
NET ASSETS, beginning of year	48,571	1,314,219	1,362,790
Transfers from unrestricted	(15,594)	15,594	-
NET ASSETS, end of year	\$ 119,031	\$ 1,754,482	\$ 1,873,513

See Independent Auditor's Report and Notes to Financial Statements

CHESTERFIELD EDUCATION FOUNDATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2022

	Educational Support Programs	Management and General	Fundraising	Total
Salaries and wages	\$ 70,861	\$ 88,577	\$ 62,004	\$ 221,442
Payroll taxes	5,442	6,803	4,762	17,007
Employee benefits	1,755	2,194	1,536	5,485
	<u>78,058</u>	<u>97,574</u>	<u>68,302</u>	<u>243,934</u>
Classroom programs	386,680	8,633	-	395,313
Emergency response fund	64,918	-	-	64,918
Advertising	477	32,239	-	32,716
Scholarships	31,596	-	-	31,596
Outside services	-	31,069	-	31,069
Office	1,791	28,527	-	30,318
Bravo! Venue	-	-	21,480	21,480
Bravo!	-	-	17,021	17,021
Donated services	16,500	-	-	16,500
Travel	-	6,606	-	6,606
Insurance	-	4,653	-	4,653
Phone and internet	-	1,105	-	1,105
Postage and delivery	-	54	-	54
	<u>-</u>	<u>54</u>	<u>-</u>	<u>54</u>
TOTAL EXPENSES	580,020	210,460	106,803	897,283
Direct benefits to donors	-	-	(21,480)	(21,480)
PER STATEMENT OF ACTIVITIES	<u>\$ 580,020</u>	<u>\$ 210,460</u>	<u>\$ 85,323</u>	<u>\$ 875,803</u>

See Independent Auditor's Report and Notes to Financial Statements

CHESTERFIELD EDUCATION FOUNDATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2021

	Educational Support Programs	Management and General	Fundraising	Total
Salaries and wages	\$ 65,315	\$ 81,644	\$ 57,151	\$ 204,110
Payroll taxes	4,995	6,246	4,372	15,613
Employee benefits	1,840	2,299	1,610	5,749
	<u>72,150</u>	<u>90,189</u>	<u>63,133</u>	<u>225,472</u>
Emergency response fund	104,574	-	-	104,574
Classroom programs	79,249	-	-	79,249
Advertising	-	26,751	-	26,751
Office	150	24,831	-	24,981
Outside services	-	23,130	-	23,130
Donated services	19,000	-	-	19,000
Bravo!	-	-	15,760	15,760
Bravo! Venue	-	-	10,180	10,180
Scholarships	5,750	-	-	5,750
Insurance	-	1,888	-	1,888
Phone and internet	-	1,797	-	1,797
Postage and delivery	-	569	-	569
	<u>280,873</u>	<u>169,155</u>	<u>89,073</u>	<u>539,101</u>
TOTAL EXPENSES	280,873	169,155	89,073	539,101
Direct benefits to donors	-	-	(10,180)	(10,180)
	<u>-</u>	<u>-</u>	<u>(10,180)</u>	<u>(10,180)</u>
PER STATEMENT OF ACTIVITIES	<u>\$ 280,873</u>	<u>\$ 169,155</u>	<u>\$ 78,893</u>	<u>\$ 528,921</u>

See Independent Auditor's Report and Notes to Financial Statements

CHESTERFIELD EDUCATION FOUNDATION, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (83,048)	\$ 510,723
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Net realized and unrealized (gain) loss on investments	73,455	(161,629)
Reinvested dividends and interest, net of fees	(15,128)	(26,310)
(Increase) decrease in		
Contributions receivable	(12,050)	9,300
Due from Mega Mentors	(628)	(423)
Prepaid expenses	6,681	(6,681)
Increase (decrease) in		
Accounts payable	56,928	17,752
Deferred revenue	<u>(2,500)</u>	<u>6,000</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>23,710</u>	<u>348,732</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Withdrawal of investments	-	48,078
Contributions to investments	<u>(1,000)</u>	<u>(1,938)</u>
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>(1,000)</u>	<u>46,140</u>
NET INCREASE IN CASH	22,710	394,872
CASH, beginning of year	<u>969,490</u>	<u>574,618</u>
CASH, end of year	<u><u>\$ 992,200</u></u>	<u><u>\$ 969,490</u></u>

See Independent Auditor's Report and Notes to Financial Statements

CHESTERFIELD EDUCATION FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Chesterfield Education Foundation, Inc. ("CEF") (the "Foundation") is an independent, nonprofit, community-based organization providing Chesterfield County Public Schools ("CCPS") with additional education programs, financial resources, and support to increase student achievement and create innovation in the classroom. The Foundation is funded by foundation and corporate grants and individual donations.

Program Descriptions

Educational Support Programs - The Foundation provides support to CCPS through staff and teacher development, emergency response, scholarships, and other programs that support the mission of the Foundation, which is to provide equitable educational opportunities and increase classroom innovation for CCPS students.

Summary of Significant Accounting Policies

The Foundation prepares its financial statements in accordance with accounting principles generally accepted in the United States of America for nonprofit entities. The significant accounting and reporting policies used by the Foundation are described subsequently to enhance the usefulness and understandability of the financial statements.

Fair Value Measurements

The Foundation reports fair value measures of its assets and liabilities using a three-level hierarchy that prioritizes the inputs used to measure fair value. This hierarchy, established by accounting principles generally accepted in the United States of America, requires that entities maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The asset or liability's measurement within the fair value hierarchy is based on the lowest level of input that is significant to the measurement. As of June 30, 2022 and 2021, all investments were measured at level 1 inputs.

The three levels of inputs used to measure fair value are as follows:

- *Level 1.* Quoted prices for identical assets or liabilities in active markets to which the Foundation has access at the measurement date.
- *Level 2.* Inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include
 - quoted prices for similar assets or liabilities in active markets;
 - quoted prices for identical or similar assets in markets that are not active;
 - observable inputs other than quoted prices for the asset or liability (for example, interest rates and yield curves); and
 - inputs derived principally from, or corroborated by, observable market data by correlation or by other means.
- *Level 3.* Unobservable inputs for the asset or liability. Unobservable inputs should be used to measure the fair value if observable inputs are not available.

The primary use of fair value measures in the Foundation's financial statements is the recurring measurement of long-term and endowment investments (Note D).

CHESTERFIELD EDUCATION FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS - Continued

JUNE 30, 2022 AND 2021

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Fair Value Measurements - Continued

The Foundation uses the following ways to determine the fair value of its investments:

Money market funds: Determined by the published NAV per unit at the end of the last trading day of the fiscal year, which is the basis for transactions at that date.

Equity securities traded on national securities exchanges: Determined by the closing price on the last business day of the fiscal year.

Open-end mutual funds: Determined by the published NAV per unit at the end of the last trading day of the fiscal year, which is the basis for transactions at that date.

Exchange-traded funds, fixed income securities, and other assets: Determined by the published closing price on the last business day of the fiscal year.

Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period and the reported amounts of assets and liabilities as of the date of the financial statements. On an ongoing basis, the Foundation's management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. The Foundation's management believes that the estimates and assumptions are reasonable in the circumstances; however, the actual results could differ from those estimates.

Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements, with no effect on previously reported change in net assets.

Income Taxes

The Foundation is exempt from federal income taxes as defined under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Foundation's tax-exempt purpose could be subject to taxation as unrelated business taxable income. In addition, the Foundation qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

Uncertain Tax Positions

The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, the Foundation may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Foundation and various positions related to the potential sources of unrelated business taxable income (UBTI). The Foundation has recognized no uncertain tax positions for the years ended June 30, 2022 and 2021.

CHESTERFIELD EDUCATION FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS - Continued

JUNE 30, 2022 AND 2021

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Investment Pools

The Foundation maintains master investment accounts for its donor-restricted endowments. Pooling endowment funds for investment purposes has many benefits, including but not limited to spreading the total risk for each endowment fund and making the risk equal for all funds invested in the master investment accounts, enhancing the investment performance relative to that of an individual fund, and reducing management fees. Realized and unrealized gains and losses from securities in the master investment accounts are allocated monthly to the individual endowments based on the relationship of the fair value of each endowment to the total fair value of the master investment accounts, as adjusted for additions to or deductions from those accounts.

Classification of Transactions

All revenues and net gains are reported as increases in net assets without donor restrictions in the statement of activities unless the donor specified the use of the related resources for a particular purpose or in a future period. All expenses and net losses other than losses on endowment investments are reported as decreases in net assets without donor restrictions. Net gains on endowment investments increase net assets with donor restrictions, and net losses on endowment investments reduce that net asset class.

Cash Equivalents

Cash equivalents are short-term, interest bearing, highly liquid investments with original maturities of three months or less, unless the investments are held for meeting restrictions of a long-term or endowment nature.

Contributions Receivable/Allowance

Contributions receivable are unconditional promises to give that are recognized as contributions when the promise is received. Contributions receivable that are expected to be collected in less than one year are reported at net realizable value. Contributions receivable that are expected to be collected in more than one year are recorded at fair value as of the date of promise. That fair value is computed using a present value technique applied to anticipated cash flows. Amortization of the resulting discount is recognized as additional contribution revenue. The allowance for uncollectible contributions receivable is determined based on management's evaluation of the collectability of individual promises. Management believes that all outstanding contributions receivable are collectible in full, therefore no allowance for uncollectible receivables has been provided.

Endowment and Long-Term Investments

Endowment investments consist of investments purchased with donor-restricted perpetual endowments, which are contributions restricted by donors to investment in perpetuity with only investment income and appreciation being used to support the Foundation's activities.

Endowment investments also include investments purchased with unspent investment income and net gains on these resources.

Endowment investments are reported at fair value with changes to fair value reported as investment return in the statement of activities. Purchases and sales of investments are reported on the trade date.

The investment and spending policies for the Endowment Fund are discussed in Note E.

CHESTERFIELD EDUCATION FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS - Continued

JUNE 30, 2022 AND 2021

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Endowment and Long-Term Investments - Continued

The Foundation is subject to the State Prudent Management of Institutional Funds Act (SPMIFA) and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the Board appropriates such amounts for expenditure. Most of those net assets also are subject to purpose restrictions that must be met before reclassifying them to net assets without donor restrictions. The Board of Chesterfield Education Foundation, Inc. has interpreted SPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Foundation considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Foundation has interpreted SPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. Additionally, in accordance with SPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the Foundation and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Foundation
7. The investment policies of Chesterfield Education Foundation.

Deferred Revenue

The Foundation has an annual fundraising event. The Foundation begins collecting revenue related to the special event prior to its fiscal year-end. Any amounts received prior to year-end is recorded as deferred revenue.

Net Assets

The financial statements report net assets and changes in net assets in two classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

Net Assets Without Donor Restrictions

Net assets without donor restrictions are resources available to support operations. The only limits on the use of these net assets are the broad limits resulting for the nature of the Foundation, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

CHESTERFIELD EDUCATION FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS - Continued

JUNE 30, 2022 AND 2021

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Net Assets with Donor Restrictions

Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature; the Foundation must continue to use the resources in accordance with the donor's instructions.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions. Net assets restricted for acquisition of buildings or equipment (or less commonly, the contribution of those assets directly) are reported as net assets with donor restrictions until the specified asset is placed in service by the Foundation, unless the donor provides more specific directions about the period of its use.

Contributions

Contributions, including unconditional promises to give, are recognized when received. All contributions are reported as increases in net assets without donor restrictions unless use of the contributed assets is specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in net assets with donor restrictions. Unconditional promises with payments due in future years have an implied restriction to be used in the year the payment is due, and therefore are reported as restricted until the payment is due, unless the contribution is clearly intended to support activities of the current fiscal year. Conditional promises, such as matching grants, are not recognized until they become unconditional, that is, until all conditions on which they depend are substantially met.

Gifts-in-Kind Contributions

The Foundation receives contributions in a form other than cash or investments. Most are donated supplies, which are recorded as contributions as of the date of gift and as expenses when the donated items are placed into service or distributed. If the Foundation receives a contribution of land, buildings, or equipment, the contributed asset is recognized as an asset at its estimated fair value as of the date of gift, provided that the value of the asset and its estimated useful life meets the Foundation's capitalization policy. If the Foundation has donated use of facilities, they are reported as contributions and as expenses at the estimated fair value of similar space for rent under similar conditions. If the use of the space is promised unconditionally for a period greater than one year, the contribution is reported as a contribution and an unconditional promise to give at the date of gift, and the expense is reported over the term of use.

The Foundation benefits from personal services provided by a substantial number of volunteers. Those volunteers have donated significant amounts of time and services in the Foundation's program operations and in its fundraising campaigns. However, the majority of the contributed services do not meet the criteria for recognition in financial statements. Accounting principles generally accepted in the United States of America allow recognition of contributed services only if (a) the services create or enhance nonfinancial assets or (b) the services would have been purchased if not provided by contribution, require specialized skills, and are provided by individuals possessing those skills.

CHESTERFIELD EDUCATION FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS - Continued

JUNE 30, 2022 AND 2021

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Special Events

The Foundation engages in several events during the year that meet the criteria of special events according to accounting principles generally accepted in the United States of America. Special events revenue is calculated by multiplying the cost of the ticket by the number of tickets sold. Any amount received above the ticket price is considered a contribution and is included in contributions on the statement of activities. Direct benefit to donors includes all costs that directly relate to the specific event. These costs can consist of facility rental, food, entertainment, prizes, etc. All expenses incurred that do not have a direct benefit to donors are recorded as fundraising expenses on the statements of activities and functional expenses. See Note K.

Expense Recognition and Allocation

The cost of providing the Foundation's programs and other activities is summarized on a functional basis in the statement of activities and statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited, using a reasonable allocation method that is consistently applied. Salaries and wages, benefits, and payroll taxes are allocated based on management's estimate of time spent on each program by key personnel.

General and administrative expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the Foundation.

Fundraising costs are expensed as incurred, even though they may result in contributions received in future years. The Foundation generally does not conduct its fundraising activities in conjunction with its other activities. In the few cases in which it does, such as when the annual report or donor acknowledgements contain requests for contributions, joint costs have been allocated between fundraising and general and administrative expenses in accordance with standards for accounting for costs of activities that include fundraising. Additionally, advertising costs are expensed as incurred.

NOTE B - LIQUIDITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of June 30, 2022 are:

Financial assets:	
Cash	\$ 992,200
Contributions receivable, net	13,500
Investments, long-term and endowment	875,099
Total financial assets	<u>1,880,799</u>
Less financial assets held to meet donor- imposed restrictions:	
Purpose restricted net assets (Note H)	826,275
Donor-restricted endowment funds (Note E)	<u>889,705</u>
Total financial assets available for general expenditures within one year	<u>\$ 164,819</u>

CHESTERFIELD EDUCATION FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS - Continued

JUNE 30, 2022 AND 2021

NOTE C - CASH

As of June 30, 2022 and 2021, cash balances consisted of the following:

	2022	2021
Unrestricted cash	\$ 145,484	\$ 27,082
Restricted cash	846,716	942,408
	<u>\$ 992,200</u>	<u>\$ 969,490</u>

NOTE D - INVESTMENTS

Investments were held in the following types of securities as of June 30, 2022 and 2021:

	2022	2021
Invested cash	\$ 43,372	\$ 4,848
Equities	670,034	725,350
Fixed income	112,246	141,151
Exchange traded funds	17,429	20,729
Mutual funds	13,153	17,883
Other assets	18,865	22,465
	<u>\$ 875,099</u>	<u>\$ 932,426</u>

The Foundation had no investments measured at fair value using level 2 or 3 inputs.

NOTE E - ENDOWMENTS

The Foundation endowments consist of seven individual funds established by donors (referred to as donor-restricted endowment funds). Donor-restricted endowment funds are to provide a perpetual source of support (referred to as perpetual endowments) for the Foundation's activities by providing grants and scholarships to support education in the Chesterfield County Public School system. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

MCD Innovation Grant Program

The MCD Innovation Grant Program encourages and supports the employees of Chesterfield County Public Schools in pioneering new instructional and operational strategies that provide students with learning opportunities beyond their normal classroom experience.

CHESTERFIELD EDUCATION FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS - Continued

JUNE 30, 2022 AND 2021

NOTE E - ENDOWMENTS - Continued

MCD² Innovation Grant Program

The MCD² Innovation Grant Program supports the replication of Chesterfield County Public Schools projects initially funded by the MCD Innovative Grant Program, or to maximize the potential of good projects originally started with an MCD Innovation Grant in hopes of germinating more ideas and having successful projects replicated in other schools or classrooms.

Matthew G. Gwaltney Memorial Scholarship Fund

The Matthew G. Gwaltney Memorial Scholarship Fund supports a scholarship for a student graduating from Thomas Dale High School who will be attending a four-year college or university to study engineering, science, math, or journalism. The student must have a cumulative grade point average of at least 3.2 and be in good academic standing.

Frederick T. Gray and Evelyn J. Gray Scholarship Fund

The Frederick T. Gray and Evelyn J. Gray Scholarship Fund benefits students at Thomas Dale High School who are enrolled in pre-med courses in college or medical or nursing schools, with weight being given to volunteers who have worked with a local rescue squad, fire department, or hospital/nursing home.

JAWS Education Scholarship

The JAWS Education Scholarship recognizes and rewards a senior at Thomas Dale High School who has a financial need and wants to pursue a teaching career.

Emily Cashion Hughes Scholarship Fund

The Emily Cashion Hughes Scholarship Fund is a countywide scholarship for any graduating high school senior for technical school tuition, skills trade training for HVAC repair, or any skilled trade or technical education.

Denise Geiszler Memorial Scholarship Fund

The Denise Geiszler Memorial Scholarship Fund is a scholarship for post-secondary education for graduating high school seniors from Midlothian High School who participated in girls or boys swimming.

Investment Return Objectives, Risk Parameters and Strategies

The Foundation has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. The investment guidelines are based on an investment horizon of greater than five years and seek a long-term rate of return on assets that is at least the change in the Consumer Price Index plus 5.0%. Short-term liquidity requirements are deemed to be non-existent. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in marketable securities.

CHESTERFIELD EDUCATION FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS - Continued

JUNE 30, 2022 AND 2021

NOTE E - ENDOWMENTS - Continued

Spending Policy

The spending policy is to award scholarships or grants in May of each year, as follows:

- MCD Endowment - \$5,000 per proposal, \$25,000 per year
- MCD² Endowment - \$10,000
- Matthew Gwaltney Memorial Scholarship Fund - \$5,000 per year
- Gray Scholarship - \$2,500 per year
- JAWS Educational Scholarship - Varying by year based upon donor instruction
- Emily Cashion Hughes Scholarship - Range of \$1,000 to \$4,000 per year based on earnings of the fund
- Denise Geiszler Memorial Scholarship - Single or multiple awards annually of at least \$500

Endowment Management Fee

The Foundation charges a management fee of 5.0% on the total investment income in restricted endowment funds.

Donor designated perpetual endowments are restricted for the following purposes as of June 30, 2022 and 2021:

	2022	2021
MCD Endowment	\$ 503,399	\$ 549,575
MCD ² Endowment	140,171	50,092
Matthew Gwaltney Memorial Scholarship Fund	172,663	188,098
Gray Scholarship	46,270	148,364
JAWS Educational Scholarship	17,700	21,103
Emily Cashion Hughes Scholarship Fund	3,625	2,625
Denise Geiszler Memorial Scholarship Fund	5,877	-
	<u>\$ 889,705</u>	<u>\$ 959,857</u>

Changes in the endowment net assets with donor restrictions for the years ended June 30, 2022 and 2021 are as follows:

Endowment net assets, June 30, 2020	\$ 791,818
Investment return	171,414
Contributions	2,625
Distributions	(6,000)
Endowment net assets, June 30, 2021	<u>\$ 959,857</u>
Investment return	(50,897)
Contributions	15,577
Distributions	(34,832)
Endowment net assets, June 30, 2022	<u>\$ 889,705</u>

CHESTERFIELD EDUCATION FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS - Continued

JUNE 30, 2022 AND 2021

NOTE F - PAYCHECK PROTECTION PROGRAM (PPP) FORGIVABLE LOAN

During the year ended June 30, 2021, the Foundation received loan proceeds in the amount of \$43,538 under the Paycheck Protection Program (PPP). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), provided for loans to qualifying organizations for amounts up to 2.5 times its average monthly payroll expenses. The loans and accrued interest are forgivable after eight weeks, or an optional twenty-four weeks, as long as the borrower used the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness is reduced, if the borrower terminated employees or reduced salaries during the eight or twenty-four week period.

The Foundation used 100% of the loan proceeds for qualifying expenses and met all conditions required to obtain forgiveness. The Foundation applied for and received full forgiveness from the Small Business Administration for loans received during the year ended June 30, 2021, and therefore recognized the entire loans as other revenue in the accompanying statement of activities.

NOTE G - NET ASSETS WITHOUT DONOR RESTRICTIONS

The Board of Directors of the Foundation has designated unrestricted net assets for the following purposes as of June 30, 2022 and 2021:

	2022	2021
Undesignated	\$ 12,198	\$ 13,408
Board designated		
Bravo! Event	62,287	105,623
	<u>\$ 74,485</u>	<u>\$ 119,031</u>

CHESTERFIELD EDUCATION FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS - Continued

JUNE 30, 2022 AND 2021

NOTE H - NET ASSETS WITH DONOR RESTRICTIONS

As of June 30, 2022 and 2021, net assets with donor restrictions are available for the following purposes or periods:

	2022	2021
Purpose restrictions, available for spending:		
Awards and grants	\$ 587,290	\$ 501,653
Emergency response fund	152,960	200,141
Scholarships	86,025	92,831
Total purpose-restricted net assets	<u>826,275</u>	<u>794,625</u>
Endowment funds, donor restricted for the following purposes:		
MCD Innovation Grant Program (original gift \$419,000)	503,399	549,575
MCD ² Innovation Grant Program (original gift \$240,000)	140,171	148,364
Matthew G. Gwaltney Memorial Scholarship Fund (original gift \$68,000)	172,663	188,098
Frederick T. Gray and Evelyn J. Gray Scholarship Fund (original gift \$33,640)	46,270	50,092
JAWS Educational Scholarship (original gift \$14,250)	17,700	21,103
Emily Cashion Hughes Scholarship fund (original gift \$2,625)	3,625	2,625
Denise Geiszler Memorial Scholarship fund (original gift \$5,877)	5,877	-
Total endowment funds managed by the Foundation	<u>889,705</u>	<u>959,857</u>
Total net assets with donor restrictions	<u>\$ 1,715,980</u>	<u>\$ 1,754,482</u>

NOTE I - CONTRIBUTED FACILITIES AND SERVICES

Donated Facilities

Starting in August 2015, the Foundation entered into an informal agreement with Chesterfield County Public Schools. The Foundation is provided office space, utilities, and other office services at no cost, on a month-to-month lease. The fair value of the donated facilities was \$6,600 for both years ended June 30, 2022 and 2021.

Donated Services

The fair value of donated services included as contributions in the financial statements and the corresponding program expenses for the years ended June 30, 2022 and 2021 were as follows:

	2022	2021
Advertising for Bravo! Event		
Marketing and promotion	<u>\$ 16,500</u>	<u>\$ 19,000</u>

CHESTERFIELD EDUCATION FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS - Continued

JUNE 30, 2022 AND 2021

NOTE J - CONCENTRATIONS

Cash

The Foundation maintains cash on deposit with financial institutions located in the United States of America. The Federal Deposit Insurance Corporation (FDIC) provides insurance coverage for up to \$250,000 of cash held in each separate FDIC insured bank and savings institution. The Foundation had aggregate balances exceeding the FDIC insured amount by \$493,519 and \$429,037 as of June 30, 2022 and 2021, respectively.

Investments

As of June 30, 2022 and 2021, the investment portfolios are maintained at one national brokerage firm. The brokerage firm is a member of the Securities Investors Protection Corporation (SIPC) that provides insurance up to \$500,000 per member firm.

Major Donors

For the year ended June 30, 2022, the Foundation received major donations from four corporations/foundations that amounted to 52% of its total contribution support. For the year ended June 30, 2021, the Foundation received major donations from two corporations/foundations that amounted to 40% of its total contribution support.

NOTE K - SPECIAL EVENTS

Income from special events, including sponsorships, for the years ended June 30, 2022 and 2021 was as follows:

	2022	2021
Ticket sales	\$ 35,400	\$ 19,725
Contributions	71,041	68,650
Direct benefit to donors	(21,480)	(10,180)
	<u>\$ 84,961</u>	<u>\$ 78,195</u>

NOTE L - RELATED PARTY TRANSACTIONS

Chesterfield County Public Schools

The Foundation provides program support for students, families and educators associated with Chesterfield County Public Schools which includes participation in governance and administrative coordination. Additionally, Chesterfield County Public Schools provides office space to the Foundation. Expenditures made directly to Chesterfield County Public Schools for support of certain programs totaled \$48,981 and \$66,801 in 2022 and 2021, respectively. In addition, grants and awards were made to individuals and schools within the county.

MEGA Mentors

The Foundation shares office space and administrative employees with MEGA Mentors, an organization that was previously part of the Foundation until 2016. Amounts due from MEGA Mentors were \$11,902 and \$11,274 as of June 30, 2022, and 2021, respectively.

CHESTERFIELD EDUCATION FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS - Continued

JUNE 30, 2022 AND 2021

NOTE M - COVID-19

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the “COVID-19 outbreak”) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2021, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Foundation’s financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the ongoing evolution of the COVID-19 outbreak and the global responses to curb its spread, the Foundation is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for future years.

NOTE N - SUBSEQUENT EVENTS

In the preparation of its financial statements, the Chesterfield Education Foundation, Inc. considered subsequent events through October 31, 2022, the date on which the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

CHESTERFIELD EDUCATION FOUNDATION, INC.

COMPARATIVE SCHEDULES OF ACTIVITIES

YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021	Increase (Decrease)
REVENUES, GAINS, AND OTHER SUPPORT			
Support, Other Than Special Events			
Contributions			
Individuals	\$ 227,830	\$ 45,378	\$ 182,452
Corporations	250,020	263,963	(13,943)
Foundations	314,304	415,476	(101,172)
In-kind	16,500	20,600	(4,100)
State agencies	6,289	4,700	1,589
Special Events			
Special event revenue	35,400	19,725	15,675
Direct benefits to donors	(21,480)	(10,180)	11,300
Other Revenues and Gains			
Investment return, net	(57,327)	196,672	(253,999)
PPP and EIDL grants	-	43,538	(43,538)
Other revenue	21,219	39,772	(18,553)
TOTAL REVENUES, GAINS, AND OTHER SUPPORT	<u>792,755</u>	<u>1,039,644</u>	<u>(246,889)</u>
EXPENSES			
Educational Support Programs	580,020	280,873	299,147
Management and general	210,460	169,155	41,305
Fundraising	85,323	78,893	6,430
TOTAL EXPENSES	<u>875,803</u>	<u>528,921</u>	<u>346,882</u>
CHANGE IN NET ASSETS	<u>\$ (83,048)</u>	<u>\$ 510,723</u>	<u>\$ (593,771)</u>

See Independent Auditor's Report