

**CHESTERFIELD EDUCATION
FOUNDATION, INC.**

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2018 AND 2017

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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

Report on the Financial Statements

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, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

The Foundation's 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 audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from 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 Chesterfield Education Foundation, Inc. as of June 30, 2018 and 2017, 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.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The comparative schedule of activities is presented for purposes of additional analysis and is 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 taken as a whole.

Harris, Hardy ; Johnstone, P.C.

Richmond, Virginia
December 4, 2018

CHESTERFIELD EDUCATION FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Contributions receivable	\$ 22,191	\$ 2,000
Investments	741,328	743,067
Cash restricted to satisfy donor restrictions	<u>208,926</u>	<u>78,298</u>
	<u>\$ 972,445</u>	<u>\$ 823,365</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 13,831	\$ 8,379
Due to Mega Mentors	-	35,924
Deferred revenue	<u>27,500</u>	<u>21,000</u>
	<u>41,331</u>	<u>65,303</u>
TOTAL LIABILITIES		
	<u>41,331</u>	<u>65,303</u>
NET ASSETS		
Unrestricted	(72,026)	(118,455)
Temporarily restricted	301,796	281,398
Permanently restricted	<u>701,344</u>	<u>595,119</u>
	<u>931,114</u>	<u>758,062</u>
TOTAL NET ASSETS		
	<u>\$ 972,445</u>	<u>\$ 823,365</u>

See Independent Auditor's Report and Notes to Financial Statements

CHESTERFIELD EDUCATION FOUNDATION, INC.

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2018 AND 2017

	2018			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
REVENUES AND OTHER SUPPORT				
Contributions	\$ 114,739	\$ 233,986	\$ -	\$ 348,725
Special events				
Bravo!	27,300	-	-	27,300
Direct benefit to donors	(18,593)	-	-	(18,593)
Donated facilities	4,644	-	-	4,644
Donated services	7,160	-	-	7,160
Other	22,336	-	-	22,336
Net investment income (loss)	(1,148)	47,846	-	46,698
	<u>156,438</u>	<u>281,832</u>	<u>-</u>	<u>438,270</u>
Net assets released from restrictions	155,209	(155,209)	-	-
TOTAL REVENUES AND OTHER SUPPORT	<u>311,647</u>	<u>126,623</u>	<u>-</u>	<u>438,270</u>
EXPENSES				
Program services	162,998	-	-	162,998
Supporting services				
Management and general	74,163	-	-	74,163
Fundraising	28,057	-	-	28,057
	<u>265,218</u>	<u>-</u>	<u>-</u>	<u>265,218</u>
TOTAL EXPENSES	<u>265,218</u>	<u>-</u>	<u>-</u>	<u>265,218</u>
CHANGE IN NET ASSETS	46,429	126,623	-	173,052
NET ASSETS, beginning of year	(118,455)	281,398	595,119	758,062
Reclassification of temporary endowment funds to permanent	-	(106,225)	106,225	-
Transfer of net assets to Mega Mentors	-	-	-	-
NET ASSETS, end of year	<u>\$ (72,026)</u>	<u>\$ 301,796</u>	<u>\$ 701,344</u>	<u>\$ 931,114</u>

See Independent Auditor's Report and Notes to Financial Statements

2017

Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 62,983	\$ 94,941	\$ -	\$ 157,924
33,450	-	-	33,450
(18,814)	-	-	(18,814)
4,386	-	-	4,386
18,500	-	-	18,500
1,412	-	-	1,412
(7,747)	71,674	-	63,927
<u>94,170</u>	<u>166,615</u>	<u>-</u>	<u>260,785</u>
<u>118,519</u>	<u>(118,519)</u>	<u>-</u>	<u>-</u>
<u>212,689</u>	<u>48,096</u>	<u>-</u>	<u>260,785</u>
162,551	-	-	162,551
37,246	-	-	37,246
<u>15,304</u>	<u>-</u>	<u>-</u>	<u>15,304</u>
<u>215,101</u>	<u>-</u>	<u>-</u>	<u>215,101</u>
(2,412)	48,096	-	45,684
(116,043)	308,883	595,119	787,959
-	-	-	-
<u>-</u>	<u>(75,581)</u>	<u>-</u>	<u>(75,581)</u>
<u><u>\$ (118,455)</u></u>	<u><u>\$ 281,398</u></u>	<u><u>\$ 595,119</u></u>	<u><u>\$ 758,062</u></u>

See Independent Auditor's Report and Notes to Financial Statements

CHESTERFIELD EDUCATION FOUNDATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2018

	Program Services	Supporting Services		Total
		Management and General	Fundraising	
Director salary	\$ 15,411	\$ 11,558	\$ 11,558	\$ 38,527
Administrative salaries	8,224	6,168	6,168	20,560
Payroll taxes	1,808	1,356	1,356	4,520
Total salaries and related costs	25,443	19,082	19,082	63,607
Classroom programs	87,751	-	-	87,751
Scholarships	33,000	-	-	33,000
Outside services	-	25,080	-	25,080
Advertising	-	14,997	-	14,997
Office expense	-	9,909	-	9,909
Fundraising	-	-	8,975	8,975
Donated services	7,160	-	-	7,160
Mentor program	5,000	-	-	5,000
Donated facilities	4,644	-	-	4,644
Insurance	-	3,265	-	3,265
Phone and internet	-	1,459	-	1,459
Postage and delivery	-	371	-	371
	<u>\$ 162,998</u>	<u>\$ 74,163</u>	<u>\$ 28,057</u>	<u>\$ 265,218</u>

See Independent Auditor's Report and Notes to Financial Statements

CHESTERFIELD EDUCATION FOUNDATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2017

	Program Services	Supporting Services		Total
		Management and General	Fundraising	
Director salary	\$ -	\$ -	\$ -	\$ -
Administrative salaries	7,971	5,978	5,978	19,927
Payroll taxes	656	492	492	1,640
Total salaries and related costs	8,627	6,470	6,470	21,567
Classroom programs	86,788	-	-	86,788
Scholarships	44,250	-	-	44,250
Outside services	-	21,750	-	21,750
Donated services	18,500	-	-	18,500
Fundraising	-	-	8,834	8,834
Office expense	-	4,542	-	4,542
Donated facilities	4,386	-	-	4,386
Insurance	-	3,338	-	3,338
Phone and internet	-	878	-	878
Postage and delivery	-	268	-	268
	<u>\$ 162,551</u>	<u>\$ 37,246</u>	<u>\$ 15,304</u>	<u>\$ 215,101</u>

See Independent Auditor's Report and Notes to Financial Statements

CHESTERFIELD EDUCATION FOUNDATION, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 173,052	\$ 45,684
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Net realized and unrealized gain on investments	(29,889)	(48,040)
Dividends reinvested, net of fees	(17,957)	(17,027)
(Increase) decrease in		
Contributions receivable	(20,191)	9,500
Increase (decrease) in		
Accounts payable	5,452	8,326
Due to Mega Mentors	(35,924)	35,924
Deferred revenue	6,500	(18,000)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>81,043</u>	<u>16,367</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from the sale of investments	52,058	64,106
Purchase of investments	(2,473)	(11,250)
Distribution of Mega Mentor cash	-	(75,581)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>49,585</u>	<u>(22,725)</u>
NET INCREASE (DECREASE) IN RESTRICTED CASH	130,628	(6,358)
RESTRICTED CASH, beginning of year	<u>78,298</u>	<u>84,656</u>
RESTRICTED CASH, end of year	<u>\$ 208,926</u>	<u>\$ 78,298</u>

See Independent Auditor's Report and Notes to Financial Statements

CHESTERFIELD EDUCATION FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

NOTE A - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

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

Bravo! Awards - Recognition of the outstanding accomplishments of Chesterfield County Public Schools alumni.

Teacher of the Year - An annual celebration of Chesterfield County Teacher of the Year award winners.

Scholarships - Financial awards to graduating seniors to support their post-graduate education and training.

MCD Program - Grants provided to schools for innovation in education.

Basis of Presentation

The Foundation is required to report information regarding its financial position and activities according to three classes of net assets:

Unrestricted Net Assets - Net assets that are not subject to grantor or donor-imposed stipulations.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Foundation and/or passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently Restricted Net Assets - Net assets subject to grantor or donor-imposed stipulations they be maintained permanently by the Foundation to use all or part of the assets for general or specific purposes.

Fair Value Measurements

The Foundation applies a framework for measuring fair value in accordance with accounting principles generally accepted in the United States of America. The Foundation uses the following prioritized input levels to measure fair value. The input levels used for valuing investments are not necessarily an indication of risk.

- Level 1 - Quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 - Directly or indirectly observable valuations in the marketplace at the measurement date other than Level 1 inputs
- Level 3 - Valuations unobservable in the marketplace at the measurement date

CHESTERFIELD EDUCATION FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS - Continued

JUNE 30, 2018 AND 2017

NOTE A - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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 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 year ended June 30, 2018. The Foundation believes its tax returns are no longer subject to examinations for years prior to 2015.

Reclassifications

Certain amounts in the June 30, 2017 financial statements have been reclassified to conform to the June 30, 2018 presentation with no effect on the previously reported change in net assets.

Cash Equivalents

Cash equivalents include all deposits in banks and highly liquid investments with original maturity dates of less than three months. The carrying value of cash equivalents approximated fair value because of the short maturities of those financial instruments.

The Foundation maintained cash equivalents in the investment account. These cash equivalents are reported as part of investments in marketable securities on the statement of financial position.

Contributions Receivable

Certain one-year pledges and donations are received in cash after the fiscal year to which they apply. The Foundation reviews all contributions receivable for collectability and has determined that no allowance for uncollectible receivables is necessary.

CHESTERFIELD EDUCATION FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS - Continued

JUNE 30, 2018 AND 2017

NOTE A - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -
Continued

Investments

Investments in marketable securities with readily determinable fair values are valued at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

Investment Pools

The Foundation maintains master investment accounts for its donor-restricted and board-designated 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.

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 amount received, prior to year-end, is recorded as deferred revenue.

Contributions

Contributions and special events revenue are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and nature of any donor restrictions.

Contributions that are restricted by the donor are reported as increases in temporarily or permanently restricted net assets, based on the nature of the restrictions. When restrictions expire (that is, when a stipulated time restriction ends, or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying statements of activities as net assets released from restrictions.

Donated Services and Facilities

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Foundation. Donated facilities are recognized at fair rental value.

Functional Expense Allocation

The costs of providing the various programs and supporting activities have been summarized on a functional basis in the accompanying statements of activities and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefitted.

CHESTERFIELD EDUCATION FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS - Continued

JUNE 30, 2018 AND 2017

NOTE B - INVESTMENTS

The cost and fair value of investments as of June 30, 2018 and 2017 were as follows:

	2018		2017	
	Cost	Fair Value	Cost	Fair Value
Invested cash	\$ 43,313	\$ 43,313	\$ 61,461	\$ 61,461
Equities	278,678	531,802	293,860	514,220
Certificates of deposit	15,000	14,957	15,000	15,153
Bonds	103,959	103,991	94,820	99,507
Mutual funds	15,830	14,209	26,998	22,278
Other assets	32,093	33,056	26,270	30,448
	<u>\$ 488,873</u>	<u>\$ 741,328</u>	<u>\$ 518,409</u>	<u>\$ 743,067</u>
			2018	2017
Interest and dividends			\$ 20,650	\$ 20,709
Realized and unrealized gains			29,889	48,040
Investment expenses			(3,841)	(4,822)
			<u>\$ 46,698</u>	<u>\$ 63,927</u>

All investments are considered Level 1 investments for fair value measurement.

NOTE C - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of June 30, 2018 and 2017 are available for the following purposes:

	2018	2017
Awards/Grants	\$ 215,286	\$ 197,643
Scholarships	86,510	83,755
	<u>\$ 301,796</u>	<u>\$ 281,398</u>

NOTE D - ENDOWMENT

The Foundation maintains several donor restricted scholarship endowment funds to support education in the Chesterfield County Public Schools system.

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, 2018 AND 2017

NOTE D - ENDOWMENT - 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.

JAWS Education Scholarship

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

Frederick T. Gray and Evelyn J. Gray Scholarship Fund

The Frederick T. Gray and Evelyn J. Gray Scholarship Fund for the benefit of 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.

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.

Donor-designated Endowments (SPMIFA)

The Foundation's endowment fund includes donor-restricted endowment funds. 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.

The Board of Directors of the Foundation has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by SPMIFA. 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 various funds, (2) the purposes of the donor-restricted endowment funds, (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, and (7) the Foundation's investment policies.

CHESTERFIELD EDUCATION FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS - Continued

JUNE 30, 2018 AND 2017

NOTE D - ENDOWMENT - Continued

From time to time, the fair value of assets associated with individual donor restricted endowment funds may increase or decrease from the level the donor or SPMIFA requires the Foundation to retain as permanently restricted. Fluctuations of this nature result from favorable or unfavorable market conditions and would be included in temporarily restricted net assets depending on the donor's original gift.

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.

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

- MCD Endowment – \$5,000 per proposal, \$25,000 per year
- 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
- MCD²-Endowment – \$10,000

Permanently restricted endowments are restricted for the following purposes as of June 30, 2018 and 2017:

	2018	2017
MCD Endowment	451,250	413,986
Matthew Gwaltney Memorial Scholarship Fund	143,595	131,737
Gray Scholarship	34,723	33,640
JAWS Educational Scholarship	14,724	14,250
MCD ² -Endowment	117,428	1,506
	<u>\$ 761,720</u>	<u>\$ 595,119</u>

CHESTERFIELD EDUCATION FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS - Continued

JUNE 30, 2018 AND 2017

NOTE D - ENDOWMENT - Continued

Changes in the endowment funds for the year ended June 30, 2018 and 2017 were as follows:

	Temporarily Restricted	Permanently Restricted	Total Net Endowment Assets
Endowment net assets, June 30, 2016	\$ 161,090	\$ 595,119	\$ 756,209
Investment income	25,405	-	25,405
Contributions	-	-	-
Distributions	(49,204)	-	(49,204)
Endowment net assets, June 30, 2017	137,291	595,119	732,410
Investment income	40,824	-	40,824
Contributions	-	-	-
Increase in purchasing power due to change in consumer price index	(60,376)	60,376	-
Reclassification of temporary endowment funds to permanent	(106,225)	106,225	-
Distributions	(39,271)	-	(39,271)
Endowment net assets, June 30, 2018	<u>\$ (27,757)</u>	<u>\$ 761,720</u>	<u>\$ 733,963</u>

Adoption of UPMIFA

The Commonwealth of Virginia enacted Uniform Prudent Management of Institutional Funds Act (UPMIFA), effective July 1, 2008, the provisions of which apply to endowment funds existing on or established after that date. The Board of Directors, on the advice of legal counsel, has determined that all of the Foundation's permanently restricted net assets meet the definition of endowment funds under UPMIFA.

NOTE E - MCD ENDOWMENT

In 2017, the Foundation's Board began taking steps to terminate the MCD Endowment Fund, so the funds could be used for operations. When the Board was unable to contact the originator of the Endowment Fund, they began legal proceedings to terminate the Endowment Agreement. The Foundation and the Chesterfield County School system worked throughout the year to find a reasonable way to transition the MCD fund into a new fund that met the requirements of the original agreement with the donor and the current interests of the Foundation and the school system.

Due to the inaccessibility of the donor, the Foundation was not able to develop a common solution that protected the interests of all parties. The Foundation is continuing to work on a method to redirect the MCD fund in a way that complies with the Foundation's mission as well as the original donor's wishes. In the meantime, the MCD fund continued to be managed as in prior years.

CHESTERFIELD EDUCATION FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS - Continued

JUNE 30, 2018 AND 2017

NOTE F - DONATED FACILITIES AND SERVICES

Donated Facilities

The Foundation has an informal agreement with Chesterfield County Public Schools, started August 1, 2015. 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 \$4,644 and \$4,386 for the years ended June 30, 2018 and 2017, respectively.

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, 2018 and 2017 were as follows:

	2018	2017
Advertising for Bravo! Event		
Marketing and promotion	7,160	18,500
	\$ 7,160	\$ 18,500

Numerous volunteers have donated significant amounts of time to the Foundation’s fundraising campaign and program services. The value of these services was not recognized in the financial statements because it did not meet the criteria for recognition.

NOTE G - CONCENTRATIONS

Cash

The Foundation places its cash with a credit worthy, regional financial institution. The checking account is insured to the Federal Deposit Insurance Corporation (FDIC) limits. From time to time during the year, the balance in the bank account may exceed FDIC limits.

Investments

As of June 30, 2018, 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, 2018, the Foundation received major donations from four corporations/foundations that amounted to 58% of its total contribution support. For the year ended June 30, 2017, the Foundation received major donations from three corporations/foundations that amounted to 57% of its total contribution support.

CHESTERFIELD EDUCATION FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS - Continued

JUNE 30, 2018 AND 2017

NOTE H - CONTINGENCIES

The Foundation was in noncompliance with donor restrictions as a result of their failure to maintain an appropriate composition of assets needed to comply with all donor restrictions during both 2018 and 2017. As of June 30, 2018, and 2017, the Foundation had \$53,910 and \$55,152 of net assets restricted in excess of assets available to satisfy those restrictions. The deficit occurred under the previous management of the Foundation. The current management feels confident they will be able to increase the assets available to satisfy restrictions and eliminate the deficit in the next fiscal year.

NOTE I - 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 \$11,332 and \$829 in 2018 and 2017, respectively. In addition, grants and awards were made to individuals and schools within the county.

MEGA Mentors

The Foundation provides program support to MEGA Mentors from time to time which includes participation in governance through common board members and administrative coordination. Expenditures made directly to MEGA Mentors for support of programs totaled \$5,782 in 2018 following the separation of MEGA Mentors financial statement interests during 2017.

NOTE J - SUBSEQUENT EVENTS

In the preparation of its financial statements, the Foundation considered subsequent events through December 4, 2018, the date on which the financial statements were available to be issued.

The Foundation has determined that it cannot meet the terms of the MCD Endowment Agreement as specified by the donor. Management is currently working with Chesterfield County Public Schools to comply with the guidelines, as specified in the Endowment Agreement, for terminating the endowment.

SUPPLEMENTARY INFORMATION

CHESTERFIELD EDUCATION FOUNDATION, INC.

COMPARATIVE SCHEDULES OF ACTIVITIES

YEARS ENDED JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>	<u>Difference</u>
REVENUES AND OTHER SUPPORT			
Contributions	\$ 348,725	\$ 157,924	\$ 190,801
Special events			
Bravo!	27,300	33,450	(6,150)
Direct benefit to donors	(18,593)	(18,814)	221
Donated facilities	4,644	4,386	258
Donated services	7,160	18,500	(11,340)
Other	22,336	1,412	20,924
Net investment income (loss)	46,698	63,927	(17,229)
	<u>438,270</u>	<u>260,785</u>	<u>177,485</u>
Net assets released from restrictions	-	-	-
TOTAL REVENUES AND OTHER SUPPORT	<u>438,270</u>	<u>260,785</u>	<u>177,485</u>
EXPENSES			
Program services	162,998	162,551	447
Supporting services			
Management and general	74,163	37,246	36,917
Fundraising	28,057	15,304	12,753
	<u>265,218</u>	<u>215,101</u>	<u>50,117</u>
TOTAL EXPENSES	<u>265,218</u>	<u>215,101</u>	<u>50,117</u>
CHANGE IN NET ASSETS	<u>\$ 173,052</u>	<u>\$ 45,684</u>	<u>\$ 127,368</u>

See Independent Auditor's Report