

**CHESTERFIELD EDUCATION  
FOUNDATION, INC.**

**FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION**

**YEARS ENDED JUNE 30, 2019 AND 2018**

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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, 2019 and 2018, 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, 2019 and 2018, 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  
October 8, 2019

CHESTERFIELD EDUCATION FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Cash	\$ 324,298	\$ 208,926
Contributions receivable	4,000	22,191
Investments, long-term and endowment	<u>814,299</u>	<u>741,328</u>
	<u>\$ 1,142,597</u>	<u>\$ 972,445</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 34,930	\$ 13,831
Deferred revenue	<u>27,600</u>	<u>27,500</u>
	<u>62,530</u>	<u>41,331</u>
TOTAL LIABILITIES	<u>62,530</u>	<u>41,331</u>
NET ASSETS (DEFICIT)		
Without donor restrictions	(15,545)	(72,026)
With donor restrictions	<u>1,095,612</u>	<u>1,003,140</u>
	<u>1,080,067</u>	<u>931,114</u>
TOTAL NET ASSETS (DEFICIT)	<u>\$ 1,142,597</u>	<u>\$ 972,445</u>

See Independent Auditor's Report and Notes to Financial Statements

CHESTERFIELD EDUCATION FOUNDATION, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUES, GAINS, AND OTHER SUPPORT</b>			
Support, Other Than Special Events			
Contributions			
Individuals	\$ 24,354	\$ 13,664	\$ 38,018
Corporations	136,017	63,082	199,099
Foundations	26,407	148,328	174,735
In-kind	26,616	-	26,616
State agencies	1,009	-	1,009
Total Support, Other Than Special Events	<u>214,403</u>	<u>225,074</u>	<u>439,477</u>
Special Events			
Special event revenue	21,875	-	21,875
Less: Direct benefits to donors	16,215	-	16,215
Net Support from Special Events	<u>5,660</u>	<u>-</u>	<u>5,660</u>
Other Revenues and Gains			
Investment return, net	29	95,207	95,236
Other revenue	12,726	-	12,726
Total Other Revenues and Gains	<u>12,755</u>	<u>95,207</u>	<u>107,962</u>
Net Assets Released from Restrictions			
Satisfaction of program restrictions	227,809	(227,809)	-
Total Net Assets Released from Restrictions	<u>227,809</u>	<u>(227,809)</u>	<u>-</u>
<b>TOTAL REVENUES, GAINS AND OTHER SUPPORT</b>	<u>460,627</u>	<u>92,472</u>	<u>553,099</u>
<b>EXPENSES</b>			
Program Services			
Staff and teacher development	17,606	-	17,606
Scholarships	19,600	-	19,600
CCPS Steam	46,481	-	46,481
Tower garden	38,258	-	38,258
Other	103,965	-	103,965
Total Program Services	<u>225,910</u>	<u>-</u>	<u>225,910</u>
Management and General	125,792	-	125,792
Fundraising	52,444	-	52,444
<b>TOTAL EXPENSES</b>	<u>404,146</u>	<u>-</u>	<u>404,146</u>
CHANGE IN NET ASSETS (DEFICIT)	56,481	92,472	148,953
NET ASSETS (DEFICIT), beginning of year	(72,026)	1,003,140	931,114
NET ASSETS (DEFICIT), end of year	<u>\$ (15,545)</u>	<u>\$ 1,095,612</u>	<u>\$ 1,080,067</u>

See Independent Auditor's Report and Notes to Financial Statements

CHESTERFIELD EDUCATION FOUNDATION, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUES, GAINS, AND OTHER SUPPORT</b>			
Support, Other Than Special Events			
Contributions			
Individuals	\$ 34,742	\$ 2,754	\$ 37,496
Corporations	76,507	104,000	180,507
Foundations	2,600	126,500	129,100
In-kind	11,804	-	11,804
State agencies	770	732	1,502
Total Support, Other Than Special Events	<u>126,423</u>	<u>233,986</u>	<u>360,409</u>
Special Events			
Special event revenue	27,300	-	27,300
Less: Direct benefits to donors	<u>18,593</u>	<u>-</u>	<u>18,593</u>
Net Support from Special Events	<u>8,707</u>	<u>-</u>	<u>8,707</u>
Other Revenues, Gains and (Losses)			
Investment return, net	(1,220)	47,846	46,626
Other revenue	<u>22,528</u>	<u>-</u>	<u>22,528</u>
Total Other Revenues, Gains and (Losses)	<u>21,308</u>	<u>47,846</u>	<u>69,154</u>
Net Assets Released from Restrictions			
Satisfaction of program restrictions	<u>155,209</u>	<u>(155,209)</u>	<u>-</u>
Total Net Assets Released from Restrictions	<u>155,209</u>	<u>(155,209)</u>	<u>-</u>
<b>TOTAL REVENUES, GAINS AND OTHER SUPPORT</b>	<u>311,647</u>	<u>126,623</u>	<u>438,270</u>
<b>EXPENSES</b>			
Program Services			
Staff and teacher development	11,054	-	11,054
Scholarships	108,755	-	108,755
Other	<u>43,188</u>	<u>-</u>	<u>43,188</u>
Total Program Services	<u>162,997</u>	<u>-</u>	<u>162,997</u>
Management and General	74,164	-	74,164
Fundraising	<u>28,057</u>	<u>-</u>	<u>28,057</u>
<b>TOTAL EXPENSES</b>	<u>265,218</u>	<u>-</u>	<u>265,218</u>
<b>CHANGE IN NET ASSETS</b>	<u>46,429</u>	<u>126,623</u>	<u>173,052</u>
NET ASSETS, (DEFICIT) beginning of year	<u>(118,455)</u>	<u>876,517</u>	<u>758,062</u>
NET ASSETS (DEFICIT), end of year	<u>\$ (72,026)</u>	<u>\$ 1,003,140</u>	<u>\$ 931,114</u>

See Independent Auditor's Report and Notes to Financial Statements

CHESTERFIELD EDUCATION FOUNDATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2019

	Program Services					Total Program Services	Management and General	Fundraising	Total
	Staff and Teacher Development	Scholarships	CCPS Steam	Tower Garden	Other Programs				
Salaries and wages	\$ 8,671	\$ 8,671	\$ 8,671	\$ 8,671	\$ 8,671	\$ 43,355	\$ 54,196	\$ 37,937	\$ 135,488
Payroll taxes	679	679	679	679	679	3,395	4,245	2,972	10,612
	9,350	9,350	9,350	9,350	9,350	46,750	58,441	40,909	146,100
Classroom programs	8,256	-	37,131	28,908	94,615	168,910	-	-	168,910
Scholarships	-	10,250	-	-	-	10,250	-	-	10,250
Outside services	-	-	-	-	-	-	24,541	-	24,541
Advertising	-	-	-	-	-	-	6,510	-	6,510
Office	-	-	-	-	-	-	4,756	-	4,756
Fundraising	-	-	-	-	-	-	-	27,750	27,750
Donated facilities	-	-	-	-	-	-	6,606	-	6,606
Donated services	-	-	-	-	-	-	20,010	-	20,010
Insurance	-	-	-	-	-	-	3,131	-	3,131
Phone and internet	-	-	-	-	-	-	1,293	-	1,293
Postage and delivery	-	-	-	-	-	-	504	-	504
<b>TOTAL EXPENSES</b>	<b>\$ 17,606</b>	<b>\$ 19,600</b>	<b>\$ 46,481</b>	<b>\$ 38,258</b>	<b>\$ 103,965</b>	<b>\$ 225,910</b>	<b>\$ 125,792</b>	<b>\$ 68,659</b>	<b>\$ 420,361</b>

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			Total Program Services	Management and General	Fundraising	Total
	Staff and Teacher Development	Scholarships	Other Programs				
Salaries and wages	\$ 7,878	\$ 7,878	\$ 7,878	\$ 23,634	\$ 11,558	\$ 11,558	\$ 46,750
Payroll taxes	603	603	603	1,809	6,168	6,168	14,145
Employee benefits	-	-	-	-	1,356	1,356	2,712
	8,481	8,481	8,481	25,443	19,082	19,082	63,607
Classroom programs	2,573	-	22,903	25,476	-	-	25,476
Scholarships	-	100,274	-	100,274	-	-	100,274
Outside services	-	-	-	-	25,080	-	25,080
Advertising	-	-	-	-	14,998	-	14,998
Office	-	-	-	-	10,280	-	10,280
Fundraising	-	-	-	-	-	27,568	27,568
Donated services	-	-	7,160	7,160	-	-	7,160
Donated facilities	-	-	4,644	4,644	-	-	4,644
Insurance	-	-	-	-	3,265	-	3,265
Phone and internet	-	-	-	-	1,459	-	1,459
<b>TOTAL EXPENSES</b>	<b>\$ 11,054</b>	<b>\$ 108,755</b>	<b>\$ 43,188</b>	<b>\$162,997</b>	<b>\$ 74,164</b>	<b>\$ 46,650</b>	<b>\$ 283,811</b>

See Independent Auditor's Report and Notes to Financial Statements

CHESTERFIELD EDUCATION FOUNDATION, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets (deficit)	\$ 148,953	\$ 173,052
Adjustments to reconcile change in net assets (deficit) to net cash provided by operating activities		
Net realized and unrealized gain on investments	(80,660)	(29,889)
Restricted contributions to endowments	(19,000)	-
(Increase) decrease in		
Contributions receivable	18,191	(20,191)
Increase (decrease) in		
Accounts payable	21,099	5,452
Due to Mega Mentors	-	(35,924)
Deferred revenue	100	6,500
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>88,683</u>	<u>99,000</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Contributions to investments	(4,750)	(2,473)
Withdrawals from investments	27,113	52,058
Dividends reinvested, net of fees	(14,674)	(17,957)
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>7,689</u>	<u>31,628</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Restricted contributions to endowments	19,000	-
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>19,000</u>	<u>-</u>
NET INCREASE IN CASH	115,372	130,628
CASH, beginning of year	<u>208,926</u>	<u>78,298</u>
CASH, end of year	<u>\$ 324,298</u>	<u>\$ 208,926</u>

See Independent Auditor's Report and Notes to Financial Statements

# CHESTERFIELD EDUCATION FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

### 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

*Staff and Teacher Development* - This program provides professional development support directly to teachers and staff of Chesterfield County Public Schools.

*Scholarships* - Scholarships for graduating seniors are awarded annually to graduating students. These scholarships are funded through endowments, as well as annual contributions by businesses and individuals in the community.

*CCPS Steam* - This district-wide initiative supports the building and enhancement of STEAM (Science, Technology, Engineering, Art, and Math) labs in all Chesterfield County Elementary Schools.

*Tower Garden* - This initiative supports any Chesterfield County Public School that would like to participate in the Tower Garden program. A Tower Garden is described as a vertical, aeroponic growing system, which is used indoors or out.

*Other Programs* - Chesterfield Education Foundation initiates many additional programs that support the mission of the Foundation, which is to provide equitable educational opportunities and increase classroom innovation for Chesterfield County Public Schools’ 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 not-for-profit 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 December 31, 2018 and 2017, all investments are measured at level 1 inputs.

CHESTERFIELD EDUCATION FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS - Continued

JUNE 30, 2019 AND 2018

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

Fair Value Measurements - Continued

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 are:

- recurring measurement of short-term investments (Note D).

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 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:* Determined by the published closing price on the last business day of the fiscal year.

*Fixed income securities:* 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 at 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.

# CHESTERFIELD EDUCATION FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS - Continued

JUNE 30, 2019 AND 2018

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

#### Reclassifications

Certain amounts in the prior-year financial statements have been reclassified to conform to the current-year presentation with no effect on the 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, 2019 and 2018. The Foundation believes its tax returns are no longer subject to examinations for years prior to 2016.

#### 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.

#### 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.

CHESTERFIELD EDUCATION FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS - Continued

JUNE 30, 2019 AND 2018

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

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

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.

Endowment and Long-Term Investments

Endowment investments consist of investments purchased with the following resources:

- 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 F.

# CHESTERFIELD EDUCATION FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS - Continued

JUNE 30, 2019 AND 2018

### 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 those net assets 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 of 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 amount 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, 2019 AND 2018

### 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 at 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, 2019 AND 2018

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

#### 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, as follows:

- 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 - CHANGE IN ACCOUNTING PRINCIPLE

The Foundation implemented FASB ASU No. 2016-14 in the current year, applying the changes retrospectively. The new standards change the following aspects of the financial statements:

- The temporarily restricted and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions.
- The unrestricted net asset class has been renamed net assets without donor restrictions.
- The financial statements include a disclosure about liquidity and availability of resources

The changes have the following effect on net assets as of June 30, 2018:

Net Asset Class	As Originally Presented	After Adoption of ASU 2016-14
Unrestricted net assets	\$ (72,026)	
Temporarily restricted net assets	301,796	
Permanently restricted net assets	701,344	
Net assets without donor restrictions		\$ (72,026)
Net assets with donor restrictions		1,003,140
Total net assets	<u>\$ 931,114</u>	<u>\$ 931,114</u>

CHESTERFIELD EDUCATION FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS - Continued

JUNE 30, 2019 AND 2018

NOTE C - LIQUIDITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of June 30, 2019 are:

	<u>2019</u>
Financial assets:	
Cash	\$ 324,298
Contributions receivable, net	4,000
Endowment and long-term investments	<u>814,299</u>
Total financial assets	1,142,597
Less financial assets held to meet donor-imposed restrictions:	
Donor-restricted endowment funds (Note F)	<u>834,103</u>
Total financial assets available for general expenditures within one year	<u>\$ 308,494</u>

NOTE D - CASH

As of June 30, 2019 and 2018, cash balances consisted of the following:

	<u>2019</u>	<u>2018</u>
Unrestricted cash	\$ 43,969	\$ (53,910)
Restricted cash	<u>280,329</u>	<u>262,836</u>
	<u>\$ 324,298</u>	<u>\$ 208,926</u>

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 donor restrictions during 2018. As of June 30, 2019, the Foundation is back in compliance with donor restrictions.

CHESTERFIELD EDUCATION FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS - Continued

JUNE 30, 2019 AND 2018

NOTE E - INVESTMENTS

Investments are held in the following types of securities as of June 30, 2019 and 2018:

	2019		2018	
	Cost	Fair Value	Cost	Fair Value
Invested cash	\$ 23,654	\$ 23,654	\$ 43,313	\$ 43,313
Equities	260,926	580,242	278,678	531,802
Certificates of deposit	15,000	15,007	15,000	14,957
Bonds	143,375	147,705	103,959	103,991
ETFs	15,631	17,012	-	-
Mutual funds	17,144	14,084	15,830	14,209
Other assets	14,112	16,595	32,093	33,056
	<u>\$ 489,842</u>	<u>\$ 814,299</u>	<u>\$ 488,873</u>	<u>\$ 741,328</u>

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

NOTE F - 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.

MCD<sup>2</sup> Innovation Grant Program

The MCD<sup>2</sup> 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.

CHESTERFIELD EDUCATION FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS - Continued

JUNE 30, 2019 AND 2018

NOTE F - ENDOWMENT - Continued

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.

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
- MCD<sup>2</sup>-Endowment - \$10,000

*Endowment Management Fee.* The Foundation charges a management fee of 5.0% on the total investment income in permanently restricted endowment funds.

CHESTERFIELD EDUCATION FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS - Continued

JUNE 30, 2019 AND 2018

NOTE F - ENDOWMENT - Continued

Donor designated perpetual endowments are restricted for the following purposes as of June 30, 2019 and 2018:

	2019	2018
MCD Endowment	\$ 477,792	\$ 411,118
Matthew Gwaltney Memorial Scholarship Fund	165,930	151,317
Gray Scholarship	43,475	38,959
JAWS Educational Scholarship	17,948	16,372
MCD <sup>2</sup> Endowment	128,958	116,197
	<u>\$ 834,103</u>	<u>\$ 733,963</u>

Changes in the endowment net assets with donor restrictions for the years ended June 30, 2019 and 2018 were as follows:

Endowment net assets, June 30, 2017	\$ 732,410
Investment income	40,824
Contributions	-
Distributions	(39,271)
Endowment net assets, June 30, 2018	<u>733,963</u>
Investment income	83,640
Contributions	19,000
Distributions	(2,500)
Endowment net assets, June 30, 2019	<u>\$ 834,103</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.

CHESTERFIELD EDUCATION FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS - Continued

JUNE 30, 2019 AND 2018

NOTE G - NET ASSETS WITH DONOR RESTRICTIONS

As of June 30, 2019 and 2018, net assets with donor restrictions are available for the following purposes or periods:

	<u>2019</u>	<u>2018</u>
Purpose restrictions, available for spending:		
Awards and grants	\$ 180,114	\$ 202,247
Scholarships	81,395	66,930
Total purpose-restricted net assets	<u>261,509</u>	<u>269,177</u>
Endowment funds, donor restricted for the following purposes:		
MCD Innovation Grant Program (original gift \$419,000)	477,792	411,118
MCD <sup>2</sup> Innovation Grant Program (original gift \$240,000)	128,958	116,197
JAWS Educational Scholarship (original gift \$14,250)	17,948	16,372
Frederick T. Gray and Evelyn J. Gray Scholarship Fund (original gift \$33,640)	43,475	38,959
Matthew G. Gwaltney Memorial Scholarship Fund (original gift \$14,250)	165,930	151,317
Total Endowment Funds managed by the Foundation	<u>834,103</u>	<u>733,963</u>
Total net assets with donor restrictions	<u>\$ 1,095,612</u>	<u>\$ 1,003,140</u>

NOTE H - CONTRIBUTED 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 \$6,606 and \$4,644 for the years ended June 30, 2019 and 2018, 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, 2019 and 2018 were as follows:

	<u>2019</u>	<u>2018</u>
Advertising for Bravo! Event		
Marketing and promotion	20,010	7,160
	<u>\$ 20,010</u>	<u>\$ 7,160</u>

CHESTERFIELD EDUCATION FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS - Continued

JUNE 30, 2019 AND 2018

NOTE I - 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, 2019 and 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, 2019, the Foundation received major donations from five corporations/foundations that amounted to 51% of its total contribution support. 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.

NOTE J - SPECIAL EVENTS

Income from special events, including sponsorships, for the years ended June 30, 2019 and 2018 is as follows:

	<u>2019</u>	<u>2018</u>
Ticket sales	52,625	27,300
Less: direct benefit to donors	(16,215)	(18,593)
	<u>\$ 36,410</u>	<u>\$ 8,707</u>

NOTE K - RECONCILIATION OF FUNCTIONAL EXPENSES

The costs that are a direct benefit to donors for special events are included in fundraising expenses on the statement of functional expenses, but are included in revenues, gains, and other support on the statement of activities.

The table below reconciles the difference in fundraising expenses per the statement of functional expenses and statement of activities for the years ended June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Per statement of functional expenses	\$ 68,659	\$ 46,650
Less: direct benefit to donors	(16,215)	(18,593)
Per statement of activities	<u>\$ 52,444</u>	<u>\$ 28,057</u>

CHESTERFIELD EDUCATION FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS - Continued

JUNE 30, 2019 AND 2018

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 \$8,632 and \$11,332 in 2019 and 2018, respectively. In addition, grants and awards were made to individuals and schools within the county.

NOTE M - SUBSEQUENT EVENTS

In the preparation of its financial statements, the Chesterfield Education Foundation, Inc. considered subsequent events through October 8, 2019, 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, 2019 AND 2018

	<u>2019</u>	<u>2018</u>	<u>Difference</u>
REVENUES, GAINS AND OTHER SUPPORT			
Support, Other Than Special Events			
Contributions			
Individuals	\$ 38,018	\$ 37,496	\$ 522
Corporations	199,099	180,507	18,592
Foundations	174,735	129,100	45,635
In-kind	26,616	11,804	14,812
State agencies	1,009	1,502	(493)
Special Events			
Special event revenue	21,875	27,300	(5,425)
Less: Direct benefits to donors	16,215	18,593	(2,378)
Other Revenues and Gains			
Investment return, net	95,236	46,626	48,610
Other revenue	12,726	22,528	(9,802)
TOTAL REVENUES, GAINS AND OTHER SUPPORT	<u>553,099</u>	<u>438,270</u>	<u>114,829</u>
EXPENSES			
Program services	225,910	162,997	62,913
Supporting services			
Management and general	125,792	74,164	51,628
Fundraising	52,444	28,057	24,387
TOTAL EXPENSES	<u>404,146</u>	<u>265,218</u>	<u>138,928</u>
CHANGE IN NET ASSETS (DEFICIT)	<u>\$ 148,953</u>	<u>\$ 173,052</u>	<u>\$ (24,099)</u>

See Independent Auditor's Report