

**CHAPEL HILL-CARRBORO
PUBLIC SCHOOL FOUNDATION**

AUDITED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2023 AND 2022



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INDEPENDENT AUDITOR'S REPORT

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Board of Directors
Chapel Hill-Carrboro Public School Foundation

Opinion

We have audited the accompanying financial statements of Chapel Hill-Carrboro Public School Foundation (a nonprofit organization), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities and changes in net assets, cash flows, and functional expenses 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 Chapel Hill-Carrboro Public School Foundation as of June 30, 2023 and 2022, 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 Chapel Hill Carrboro Public School Foundation, and to meet our other ethical responsibilities in accordance with the 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 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.

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 Chapel Hill Carrboro Public School Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

BLACKMAN & SLOOP, CPAS, P.A.

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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 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 Chapel Hill Carrboro Public School Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Chapel Hill Carrboro Public School Foundation's ability to continue as a going concern for a reasonable period of time.

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

Blackman & Sloop

Chapel Hill, North Carolina
November 8, 2023

CHAPEL HILL-CARRBORO PUBLIC SCHOOL FOUNDATION

EXHIBIT A

STATEMENTS OF FINANCIAL POSITION

June 30, 2023 and 2022

	<u>ASSETS</u>	
	<u>2023</u>	<u>2022</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 437,985	\$ 737,023
Cash restricted for agency funds	726,352	222,426
Other receivables	3,123	2,442
	<u>1,167,460</u>	<u>961,891</u>
TOTAL CURRENT ASSETS		
OTHER ASSETS:		
Investments	3,292,562	2,291,762
	<u>3,292,562</u>	<u>2,291,762</u>
TOTAL ASSETS	<u>\$ 4,460,022</u>	<u>\$ 3,253,653</u>
	<u>LIABILITIES AND NET ASSETS</u>	
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 5,631	\$ 3,463
Grants payable	113,369	89,062
Scholarships payable	65,500	35,500
Return of funds to donor	-	39,189
Agency funds: pass-thru funds payable	726,352	222,426
	<u>910,852</u>	<u>389,640</u>
TOTAL LIABILITIES		
NET ASSETS:		
Without donor restrictions:		
Board designated	532,403	275,584
Undesignated	576,733	468,483
Total without donor restrictions	<u>1,109,136</u>	<u>744,067</u>
With donor restrictions	2,440,034	2,119,946
	<u>3,549,170</u>	<u>2,864,013</u>
TOTAL NET ASSETS		
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,460,022</u>	<u>\$ 3,253,653</u>

The accompanying Notes to Financial Statements are an integral part of these statements.

CHAPEL HILL-CARRBORO PUBLIC SCHOOL FOUNDATION
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

EXHIBIT B

For the Years Ended June 30, 2023 and 2022

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	2023		
	Without Donor Restrictions	With Donor Restrictions	Totals
SUPPORT AND REVENUE:			
Contributions	\$ 461,553	\$ 679,930	\$ 1,141,483
Special events	54,915	-	54,915
Net investment return	85,627	136,366	221,993
Other income	6,067	-	6,067
Contribution of nonfinancial assets	24,992	-	24,992
	<u>633,154</u>	<u>816,296</u>	<u>1,449,450</u>
Net assets released from restrictions	<u>496,208</u>	<u>(496,208)</u>	<u>-</u>
TOTAL SUPPORT AND REVENUE	<u>1,129,362</u>	<u>320,088</u>	<u>1,449,450</u>
EXPENSES:			
PROGRAM:			
Grants and related expenses	<u>617,006</u>	<u>-</u>	<u>617,006</u>
SUPPORTING SERVICES:			
Management and general	71,634	-	71,634
Fundraising	75,653	-	75,653
Total supporting services	<u>147,287</u>	<u>-</u>	<u>147,287</u>
TOTAL EXPENSES	<u>764,293</u>	<u>-</u>	<u>764,293</u>
CHANGES IN NET ASSETS	365,069	320,088	685,157
NET ASSETS - BEGINNING OF YEAR	<u>744,067</u>	<u>2,119,946</u>	<u>2,864,013</u>
NET ASSETS - END OF YEAR	<u>\$ 1,109,136</u>	<u>\$ 2,440,034</u>	<u>\$ 3,549,170</u>

The accompanying Notes to Financial Statements are an integral part of these statements.

CHAPEL HILL-CARRBORO PUBLIC SCHOOL FOUNDATION
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

EXHIBIT B

For the Years Ended June 30, 2023 and 2022

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	2022		
	Without Donor Restrictions	With Donor Restrictions	Totals
SUPPORT AND REVENUE:			
Contributions	\$ 134,318	\$ 435,181	\$ 569,499
Special events	51,031	-	51,031
Net investment loss	(121,162)	(139,477)	(260,639)
Other income	10,125	-	10,125
Contribution of nonfinancial assets	24,000	-	24,000
	<u>98,312</u>	<u>295,704</u>	<u>394,016</u>
Net assets released from restrictions	<u>320,613</u>	<u>(320,613)</u>	<u>-</u>
TOTAL SUPPORT AND REVENUE	<u>418,925</u>	<u>(24,909)</u>	<u>394,016</u>
EXPENSES:			
PROGRAM:			
Grants and related expenses	<u>428,653</u>	<u>-</u>	<u>428,653</u>
SUPPORTING SERVICES:			
Management and general	61,670	-	61,670
Fundraising	63,334	-	63,334
Total supporting services	<u>125,004</u>	<u>-</u>	<u>125,004</u>
TOTAL EXPENSES	<u>553,657</u>	<u>-</u>	<u>553,657</u>
CHANGES IN NET ASSETS	(134,732)	(24,909)	(159,641)
NET ASSETS - BEGINNING OF YEAR	<u>878,799</u>	<u>2,144,855</u>	<u>3,023,654</u>
NET ASSETS - END OF YEAR	<u>\$ 744,067</u>	<u>\$ 2,119,946</u>	<u>\$ 2,864,013</u>

The accompanying Notes to Financial Statements are an integral part of these statements.

CHAPEL HILL-CARRBORO PUBLIC SCHOOL FOUNDATION

EXHIBIT C

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ 685,157	\$ (159,641)
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Contributions restricted in perpetuity	(41,119)	(87,890)
Net realized (gain) loss on investments	(128,695)	9,841
Net unrealized (gain) loss on investments	(11,821)	344,699
Changes in assets and liabilities:		
Other receivables	(681)	25,795
Accounts payable and accrued expenses	2,168	(12,860)
Grants payable	24,307	(61,620)
Scholarships payable	30,000	15,200
Return of funds to donor	(39,189)	39,189
Agency funds: pass-thru funds payable	503,926	(644,963)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>1,024,053</u>	<u>(532,250)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments	550,416	1,098,535
Purchase of investments	<u>(1,410,700)</u>	<u>(1,114,680)</u>
NET CASH USED BY INVESTING ACTIVITIES	<u>(860,284)</u>	<u>(16,145)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Contributions restricted in perpetuity	<u>41,119</u>	<u>87,890</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	204,888	(460,505)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>959,449</u>	<u>1,419,954</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 1,164,337</u>	<u>\$ 959,449</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS:		
Cash and cash equivalents	\$ 437,985	\$ 737,023
Cash restricted for agency funds	<u>726,352</u>	<u>222,426</u>
TOTAL CASH AND CASH EQUIVALENTS	<u>\$ 1,164,337</u>	<u>\$ 959,449</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Noncash transactions:		
Contribution of nonfinancial assets	<u>\$ 24,992</u>	<u>\$ 24,000</u>

The accompanying Notes to Financial Statements are an integral part of these statements.

CHAPEL HILL-CARRBORO PUBLIC SCHOOL FOUNDATION

EXHIBIT D

STATEMENTS OF FUNCTIONAL EXPENSES

For the Years Ended June 30, 2023 and 2022

	2023			Totals
	Program Services	Management and General	Fundraising	
Grants to schools	\$ 480,594	\$ -	\$ -	\$ 480,594
Salaries and related taxes	133,668	39,758	7,632	181,058
Direct fundraising	-	-	40,230	40,230
Donated facility and materials	-	8,000	16,992	24,992
Professional services	-	14,216	-	14,216
Other expenses	-	6,426	4,937	11,363
Supplies, printing, and postage	1,937	1,937	5,811	9,685
Board expenses	-	1,145	-	1,145
Dues and subscriptions	807	152	51	1,010
Total Expenses	<u>\$ 617,006</u>	<u>\$ 71,634</u>	<u>\$ 75,653</u>	<u>\$ 764,293</u>
	2022			
	Program Services	Management and General	Fundraising	Totals
Grants to schools	\$ 317,180	\$ -	\$ -	\$ 317,180
Salaries and related taxes	108,972	33,992	7,635	150,599
Direct fundraising	-	-	30,437	30,437
Donated facility and materials	-	8,000	16,000	24,000
Professional services	-	10,550	-	10,550
Other expenses	-	6,862	4,696	11,558
Supplies, printing, and postage	1,501	1,501	4,504	7,506
Board expenses	-	577	-	577
Dues and subscriptions	1,000	188	62	1,250
Total Expenses	<u>\$ 428,653</u>	<u>\$ 61,670</u>	<u>\$ 63,334</u>	<u>\$ 553,657</u>

The accompanying Notes to Financial Statements are an integral part of these statements.

CHAPEL HILL-CARRBORO PUBLIC SCHOOL FOUNDATION**NOTES TO FINANCIAL STATEMENTS**

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NATURE OF ACTIVITIES

The Chapel Hill-Carrboro Public School Foundation (“Foundation”) is a nonprofit organization, formed under the laws of the State of North Carolina in 1984, for the principal purpose of providing an organization which would coordinate, encourage, and assist educational functions and activities, and promote scholarships, in the Chapel Hill-Carrboro Public School System, by providing financial support and leadership. Additionally, the Foundation serves as a pass-through for several smaller entities that function within the district.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**A. Basis of Accounting.**

The Foundation’s financial statements are presented on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”). Accordingly, revenues are recognized when earned, and expenses are recognized when the obligation is incurred.

The Foundation reports gifts of cash and other assets as support with donor restrictions if they are received with donor stipulations which limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities and changes in net assets as net assets released from restrictions. Contributed nonfinancial assets are recorded at the fair value of the materials, facilities, or services received.

B. Cash and Cash Equivalents.

Cash and cash equivalents consist of monies on deposit at financial institutions, and other highly liquid investments with original maturities of three months or less. At times, the Foundation places deposits with high-quality financial institutions that may be in excess of federally insured amounts. The Foundation has not experienced any financial loss related to such deposits.

Cash and highly liquid financial instruments restricted to building projects, endowments that are perpetual in nature, or other long-term purposes are excluded from this definition.

C. Investments.

Investments in marketable securities are stated at fair value. Donated securities are recorded at fair value at the date of gift. Net investment return/(loss) is reported in the statements of activities and changes in net assets and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

CHAPEL HILL-CARRBORO PUBLIC SCHOOL FOUNDATION

NOTES TO FINANCIAL STATEMENTS

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Other Receivables.

Other receivables are recorded at net realizable value. The Foundation provides an allowance for doubtful accounts equal to the estimated losses that are expected to be incurred in collection. The allowance is based on historical collection experience, an assessment of economic conditions, and a review by management of the current status of the existing receivables. As of June 30, 2023 and 2022, all receivables were deemed collectible by management.

E. Property and Equipment.

Property and equipment are stated at cost for purchased assets, or at fair value on the date received in the event an item is donated. Property and equipment are capitalized if the life is expected to be greater than one year and if the cost exceeds \$500. Depreciation is calculated on the straight-line method over the estimated useful lives of the assets of three to five years. Upon disposition of the asset, the cost and related accumulated depreciation is removed from the accounts, and any resulting gain or loss is reflected in the statements of activities and changes in net assets.

F. Revenue and Revenue Recognition.

Revenue is recognized when earned. Program service fees and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed, or expenditures are incurred, respectively. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been substantially met. There were conditional contributions of \$268,000 and \$536,000 at June 30, 2023 and 2022, respectively, which will not be recognized as revenue until the conditions on which they are dependent are met.

Revenue from contracts which are deemed to be exchange transactions are recognized as revenue without donor restrictions at the point in time the performance obligation is completed, or over time for those contracts with payments received for multiple periods. Deferred revenue from exchange transactions results when cash received exceeds revenue earned.

G. Advertising Costs.

Advertising costs totaling \$1,531 and \$19 during the years ended June 30, 2023 and 2022, respectively, are expensed as incurred. Advertising costs are included in direct fundraising costs on the statements of functional expenses.

CHAPEL HILL-CARRBORO PUBLIC SCHOOL FOUNDATION

NOTES TO FINANCIAL STATEMENTS

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Net Assets.

Net assets, support and revenue are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

I. Income Tax Status.

The Foundation is an exempt organization under Section 501(c)(3) of the Internal Revenue Code and is classified as other than a private foundation. The Foundation is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS.

J. Estimates.

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, and those differences could be material.

K. New Accounting Pronouncement Implemented.

In February 2016, the Financial Standards Accounting Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-02, *Leases* (Topic 842). The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statements of financial position for all leases with terms longer than twelve months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statements of activities and changes in net assets. The new standard was effective July 1, 2022. The Foundation adopted this ASU using the effective date transition method, and elected the following practical expedients upon transition: 1) no need to reassess whether any expired or existing contracts are or contain leases, 2) no need to reassess the lease classification for any expired or existing leases, and 3) no need to reassess initial direct costs for any existing leases. Implementation of the standard had no impact on the financial statements. As of June 30, 2023 and 2022, the Foundation had no leases.

CHAPEL HILL-CARRBORO PUBLIC SCHOOL FOUNDATION

NOTES TO FINANCIAL STATEMENTS

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Consideration of New Accounting Pronouncement.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses*. The standard requires credit impairment to be recognized as an allowance for credit losses, rather than as a direct write-down of the financial asset. This standard will be effective for the year ending June 30, 2024. The Foundation is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statements of financial position date, comprise the following:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 437,985	\$ 737,023
Investments	3,292,562	2,291,762
Other receivables	3,123	2,442
	<u>3,733,670</u>	<u>3,031,227</u>
Less amounts unavailable for general expenditures within one year, due to:		
Board designated for operating reserve	(178,503)	(178,503)
Board designated for quasi endowment	(353,900)	(97,081)
Restrictions by donor for time or purpose	<u>(2,440,034)</u>	<u>(2,119,946)</u>
	<u>(2,972,437)</u>	<u>(2,395,530)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 761,233</u>	<u>\$ 635,697</u>

The Foundation's endowment funds consist of endowments with donor restrictions. Income from endowments with donor restrictions is restricted for specific purposes. Endowment funds with donor restrictions are not available for general expenditure.

The board has designated funds for an operating reserve. Although management does not intend to spend from these board designated funds, these amounts could be made available if necessary. Additionally, management may invest cash in excess of daily requirements in short-term investments, CDs, and money market funds. As part of management's liquidity plan, financial assets are structured to be available as general expenditures, liabilities, and other obligations become due. The Foundation has contributions, event income, and investment income coming in throughout the year to help fund general operating expenditures.

CHAPEL HILL-CARRBORO PUBLIC SCHOOL FOUNDATION

NOTES TO FINANCIAL STATEMENTS

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FAIR VALUE OF ASSETS

U.S. GAAP defines fair value as the price which would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It also establishes a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Foundation. Unobservable inputs reflect the Foundation's assumptions about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 - Valuations based on unadjusted quoted prices in active markets for identical assets as of the reporting date.

Level 2 - Valuations based on inputs other than quoted prices included, which are either directly or indirectly observable as of the reporting date, are valued at prices for similar assets or liabilities in markets not active, or determined through the use of models or other valuation methodologies.

Level 3 - Pricing inputs are unobservable and include situations where there is little, if any, market activity for the asset. Fair value for these assets is determined using valuation methodologies that consider a range of factors, including but not limited to the price at which the asset was acquired, the nature of the assets, local market conditions, trading values on public exchanges for comparable securities, current and projected operating performance and financing transactions subsequent to the acquisition of the asset. The inputs into the determination of fair value require significant management judgment. Due to the inherent uncertainty of these estimates, these values may differ materially from the values that would have been used had a ready market for these assets existed.

There were no changes during the years ending June 30, 2023 and 2022, to the Foundation's valuation techniques used to measure asset values on a recurring basis.

The following table summarizes the assets of the Foundation for which fair values are determined on a recurring basis as of June 30, 2023. As required by U.S. GAAP, assets are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

	June 30, 2023			
	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 2,143,550	\$ -	\$ -	\$ 2,143,550
Exchange traded funds	440,613	-	-	440,613
Certificates of deposit	199,976	-	-	199,976
Treasury bills	508,423	-	-	508,423
	<u>\$ 3,292,562</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,292,562</u>

CHAPEL HILL-CARRBORO PUBLIC SCHOOL FOUNDATION

NOTES TO FINANCIAL STATEMENTS

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FAIR VALUE OF ASSETS (CONTINUED)

The following table summarizes the assets of the Foundation for which fair values are determined on a recurring basis as of June 30, 2022.

	June 30, 2022			Total
	Level 1	Level 2	Level 3	
Mutual funds	\$ 2,089,599	\$ -	\$ -	\$ 2,089,599
Exchange traded funds	2,845	-	-	2,845
Certificates of deposit	199,318	-	-	199,318
	<u>\$ 2,291,762</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,291,762</u>

CONTRIBUTION OF NONFINANCIAL ASSETS

The Foundation occupies a building owned by Chapel Hill-Carrboro City Schools (“CHCCS”). CHCCS pays all maintenance, insurance, and utility costs associated with this facility. Donated facilities has been recognized in the accompanying financial statements as a contribution of nonfinancial asset and donated facilities management expense at its estimated fair value based on current rates for similar facilities, which amounted to \$8,000, for each year ended June 30, 2023 and 2022. The Foundation also receives food donations to help support the annual Teachers’ Breakfast. The fair value of this support based on the amount the vendor would have charged if not donated is estimated at \$16,992 and \$16,000, for the years ended June 30, 2023 and 2022, respectively, which has been recognized as a contribution of nonfinancial asset and donated materials fundraising expense in the accompanying financial statements. All contributed nonfinancial assets were utilized during the year they were received, and there were no donor-imposed restrictions associated with the contributed nonfinancial assets.

The Foundation recognizes donated services which create or enhance non-financial assets or require specialized skills, and would typically need to be purchased if not provided by donation. No services meeting these requirements for recognition in the financial statements were received during the years ended June 30, 2023 and 2022. In addition, volunteers have donated a significant amount of time and services to the Foundation’s operations. The financial statements do not reflect the value of these contributed services as they do not meet recognition criteria prescribed by U.S. GAAP.

PROPERTY AND EQUIPMENT

There was no property and equipment for the year ended June 30, 2023. Property and equipment for the year ended June 30, 2022, comprise the following:

Computer equipment and software	\$ 14,091
Furniture and fixtures	3,200
	<u>17,291</u>
Less accumulated depreciation	<u>(17,291)</u>
Total property and equipment	<u>\$ -</u>

CHAPEL HILL-CARRBORO PUBLIC SCHOOL FOUNDATION

NOTES TO FINANCIAL STATEMENTS

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NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions at June 30, 2023 and 2022, consist of the following:

	2023	2022
Designated by the Board - Operating Reserves	\$ 178,503	\$ 178,503
Designated by the Board - Quasi Endowment	353,900	97,081
Undesignated	576,733	468,483
	\$ 1,109,136	\$ 744,067

NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of June 30, 2023, are as follows:

	Purpose/Time Restricted	Perpetuity Restricted	Totals
Abigail Rice Instrument Fund	\$ -	\$ 25,000	\$ 25,000
Achiever's Fund	302,121	-	302,121
Anne Craig Barnes	375	31,452	31,827
Annie B. Talbert Fund	11,342	40,500	51,842
Austin Rainey Scholarship	1,550	-	1,550
AVID	10,360	-	10,360
Bernadine Sullivan Teaching Chair	3,589	25,000	28,589
Blue Ribbon Advocate	62,174	-	62,174
Bridge Building Award	9,174	-	9,174
BRMA Brooks Enrichment Fund	5,937	14,383	20,320
BRMA Sponsor A Scholar	92,177	-	92,177
Burton Stuart Teaching Chair	700	30,925	31,625
Chapel Hill Restaurant Group:			
International Teacher Travel Fund	3,899	25,000	28,899
CHHS Class of 1978 Scholarship	3,056	-	3,056
Classroom Student Enrichment Grants	53,106	-	53,106
Cultural Arts Teaching Chair	4,863	16,516	21,379
David J. Thaden Memorial	7,893	-	7,893
Deshera Mack Scholarship	1,602	-	1,602
Dual Language Scholarship	22,500	-	22,500
Elmo's Chair for Excellence in Teaching High School Math or Science	2,135	30,435	32,570

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NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

Continuing net assets with donor restrictions as of June 30, 2023:

	Purpose/Time Restricted	Perpetuity Restricted	Totals
Elmo's Chair - ELL	\$ 1,058	\$ 7,999	\$ 9,057
Elmo's Diner Fund	1,693	-	1,693
Empowerment Fund	11,750	-	11,750
Gardner Fund for Enrichment	1,609	25,000	26,609
GlaxoSmithKline Chair for Excellence in Teaching Middle School Science	3,893	22,924	26,817
Glenwood - Dual Language Program	2,846	-	2,846
Haidt Foundation	436,748	-	436,748
Hana Award for Girls in STEM	3,000	-	3,000
Herbert T. Lawton for Arts	2,795	51,075	53,870
International Trip Fund - BRMA	7,562	-	7,562
Kim Hoke EC Chair	3,477	34,300	37,777
Lillian Lee Scholarship	2,416	-	2,416
Lombardo-Van Bourgondien Scholarship	100	-	100
Lynn Lehmann Memorial Scholarship	23	25,000	25,023
Margaret Kepner Fund for Science Enrichment	27,699	35,645	63,344
Marianna Goodwin Fund	6,969	96,825	103,794
Mariposas Scholarship	17	-	17
Mary Andrews Reading	1,574	26,715	28,289
Mary Roberts Enrichment Opportunity	-	32,000	32,000
Mary Scroggs Support Services Award	-	50,000	50,000
MSAN Student Conference	3,577	-	3,577
Neil Pederson Teaching Chair	3,956	25,500	29,456
New American Scholarship Fund	25,559	-	25,559
Northside Elementary Literacy	16,805	-	16,805
Pat Kelley Scholarship	4,630	49,094	53,724
R.D. Smith Scholarship Fund	887	13,045	13,932
Teachers First	258,167	-	258,167
Tony Yount Memorial Scholarship	865	-	865
Tutoring for Learning	1,211	25,000	26,211
Upper Elementary Chair for Excellence in Teaching Innovation	6,945	24,620	31,565

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NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

Continuing net assets with donor restrictions as of June 30, 2023:

	Purpose/Time Restricted	Perpetuity Restricted	Totals
Sockwell Chair for Excellence in Teaching in the Primary Grades	\$ 14,889	\$ 24,571	\$ 39,460
Sterling Hennis Teaching Chair	1,353	25,000	26,353
Vincent Raney Fund	-	10,000	10,000
Zora Rashkis Chair for Promising New Teacher	-	25,000	25,000
Zora Rashkis Chair for Excellence in Teaching Middle School Language Arts	1,371	25,000	26,371
Zora Rashkis Teaching Chair Support Fund	27,737	14,565	42,302
Zora Rashkis Chair for Excellence in Teaching Physical Education	211	25,000	25,211
Zora Rashkis Chair for Excellence in Teaching World Language	-	25,000	25,000
	<u>\$ 1,481,945</u>	<u>\$ 958,089</u>	<u>\$ 2,440,034</u>

Net assets with donor restrictions as of June 30, 2022, are as follows:

	Purpose/Time Restricted	Perpetuity Restricted	Totals
Abigail Rice Instrument Fund	\$ -	\$ 25,000	\$ 25,000
Achiever's Fund	226,296	-	226,296
Anne Craig Barnes	-	31,452	31,452
Annie B. Talbert Fund	5,682	40,500	46,182
Austin Rainey Scholarship	1,550	-	1,550
AVID	500	-	500
Bernadine Sullivan Teaching Chair	3,331	25,000	28,331
Blue Ribbon Advocate	65,426	-	65,426
Bridge Building Award	9,052	-	9,052
BRMA Brooks Enrichment Fund	4,913	14,383	19,296

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NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

Continuing net assets with donor restrictions as of June 30, 2022:

	Purpose/Time Restricted	Perpetuity Restricted	Totals
BRMA Sponsor A Scholar	\$ 37,976	\$ -	\$ 37,976
Burton Stuart Teaching Chair	25	30,925	30,950
Chapel Hill Restaurant Group:			
International Teacher Travel Fund	3,537	25,000	28,537
Classroom Student Enrichment Grants	51,222	-	51,222
Cultural Arts Teaching Chair	5,071	16,516	21,587
David J. Thaden Memorial	8,528	-	8,528
Deshera Mack Scholarship	2,503	-	2,503
Dual Language Scholarship	15,000	-	15,000
Elmo's Chair for Excellence			
in Teaching High School Math or Science	1,507	30,435	31,942
Elmo's Chair - ELL	1,126	7,999	9,125
Elmo's Diner Fund	1,693	-	1,693
Empowerment Fund	24,250	-	24,250
Gardner Fund for Enrichment	-	17,306	17,306
George Ann McCay Scholarship	-	-	-
GlaxoSmithKline Chair for Excellence			
in Teaching Middle School Science	3,690	22,924	26,614
Glenwood - Dual Language Program	2,846	-	2,846
Haidt Foundation	372,602	-	372,602
Hana Award for Girls in STEM	4,000	-	4,000
Herbert T. Lawton for Arts	-	43,650	43,650
International Trip Fund - BRMA	1,222	-	1,222
Kim Hoke EC Chair	2,619	34,300	36,919
Lillian Lee Scholarship	2,416	-	2,416
Lynn Lehmann Memorial Scholarship	11,052	-	11,052
Margaret Kepner Fund for Science Enrichment	12,073	35,645	47,718
Marianna Goodwin Fund	5,474	96,825	102,299
Mariposas Scholarship	8,464	-	8,464
Mary Andrews Reading	1,027	26,215	27,242
Mary Roberts Enrichment Opportunity	-	32,000	32,000
Mary Scroggs Support Services Award	-	50,000	50,000
MSAN Student Conference	3,577	-	3,577

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NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

Continuing net assets with donor restrictions as of June 30, 2022:

	Purpose/Time Restricted	Perpetuity Restricted	Totals
Neil Pederson Teaching Chair	\$ 3,606	\$ 25,000	\$ 28,606
New American Scholarship Fund	23,853	-	23,853
Northside Elementary Literacy	30,014	-	30,014
Pat Kelley Scholarship	3,899	49,094	52,993
R.D. Smith Scholarship Fund	1,172	13,045	14,217
Reckford Teaching Prize	-	-	-
Teachers First	180,657	-	180,657
Tony Yount Memorial Scholarship	485	-	485
Tutoring for Learning	4,105	25,000	29,105
Upper Elementary Chair for Excellence in Teaching Innovation	6,710	24,620	31,330
Sockwell Chair for Excellence in Teaching in the Primary Grades	14,760	24,571	39,331
Sterling Hennis Teaching Chair	962	25,000	25,962
Vincent Raney Fund	322	10,000	10,322
Zora Rashkis Chair for Promising New Teacher	-	25,000	25,000
Zora Rashkis Chair for Excellence in Teaching Middle School Language Arts	1,045	25,000	26,045
Zora Rashkis Chair for Excellence in Teaching Language Arts & Social Studies	31,136	14,565	45,701
Zora Rashkis Chair for Excellence in Teaching Physical Education	-	25,000	25,000
Zora Rashkis Chair for Excellence in Teaching World Language	-	25,000	25,000
	<u>\$ 1,202,976</u>	<u>\$ 916,970</u>	<u>\$ 2,119,946</u>

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ENDOWMENTS

The Foundation's endowments were established for a variety of purposes. The endowments consist of individual funds established by donors to provide annual funding for specific activities, as well as a quasi endowment with funds designated by the board of directors. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The composition of endowment net assets by type of fund as of June 30, 2023, was as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Totals</u>
Board-designated endowment funds	\$ 353,900	\$ -	\$ 353,900
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	958,089	958,089
Accumulated investment gains	<u>-</u>	<u>77,774</u>	<u>77,774</u>
Endowment net assets, June 30, 2023	<u>\$ 353,900</u>	<u>\$ 1,035,863</u>	<u>\$ 1,389,763</u>

The composition of endowment net assets by type of fund as of June 30, 2022, was as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Totals</u>
Board-designated endowment funds	\$ 97,081	\$ -	\$ 97,081
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	916,970	916,970
Accumulated investment gains	<u>-</u>	<u>51,328</u>	<u>51,328</u>
Endowment net assets, June 30, 2022	<u>\$ 97,081</u>	<u>\$ 968,298</u>	<u>\$ 1,065,379</u>

CHAPEL HILL-CARRBORO PUBLIC SCHOOL FOUNDATION

NOTES TO FINANCIAL STATEMENTS

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ENDOWMENTS (CONTINUED)*Interpretation of Relevant Law.*

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 net assets with donor restrictions in perpetuity (a) the original value of initial and subsequent gifts donated to the endowment and (b) any accumulations to the endowments made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by the Foundation in a manner 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 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, and
7. The investment policies of the Foundation.

Return Objectives and Risk Parameters.

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period(s). The endowments are invested in a manner that is intended to produce a real return, net of inflation and investment management costs, of at least 5% over the long term. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives.

The Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation makes investments in various securities including, but not limited to, mutual funds and exchange traded funds, based on its investment policy.

Funds with Deficiencies.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that SPMIFA requires to retain as a fund of perpetual duration. There were no endowment funds below the required amount as of June 30, 2023 and 2022.

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NOTES TO FINANCIAL STATEMENTS

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ENDOWMENTS (CONTINUED)

The changes in endowment net assets for the year ended June 30, 2023, were as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Totals</u>
Endowment net assets, June 30, 2022	\$ 97,081	\$ 968,298	\$ 1,065,379
Investment return	6,819	37,148	43,967
Appropriation of endowment assets for expenditure	-	(26,432)	(26,432)
Gifts and transfers	250,000	56,849	306,849
Endowment net assets, June 30, 2023	<u>\$ 353,900</u>	<u>\$ 1,035,863</u>	<u>\$ 1,389,763</u>

The changes in endowment net assets for the year ended June 30, 2022, were as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Totals</u>
Endowment net assets, June 30, 2021	\$ 113,920	\$ 989,726	\$ 1,103,646
Investment loss	(16,839)	(53,346)	(70,185)
Appropriation of endowment assets for expenditure	-	(34,315)	(34,315)
Gifts and transfers	-	66,233	66,233
Endowment net assets, June 30, 2022	<u>\$ 97,081</u>	<u>\$ 968,298</u>	<u>\$ 1,065,379</u>

REVENUE FROM CONTRACTS WITH CUSTOMERS

Performance Obligations.

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer and is the unit of account in the revenue standard. The contract transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied. The Foundation's contracts primarily have a single performance obligation, which is fulfilled over time.

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REVENUE FROM CONTRACTS WITH CUSTOMERS (CONTINUED)*Performance Obligations Satisfied Over a Period of Time.*

The Foundation receives a management fee for some of the pass through funding for which they are the administrator, as well as management fees on other funding sources. The management fee is normally calculated based on a flat percentage of expenditures for the fund during the year. Accordingly, the fee is normally charged at the end of the fiscal year for the management services provided during the year, and does not result in any deferred revenue. However, if any funds were ever received for a future period, they would be deferred until the future period in which the fees are earned.

Total revenue recognized for performance obligations completed over a period of time at June 30, 2023 and 2022, totaled \$6,067 and \$9,877, respectively. The amounts consist of management fees on pass through administration services, and management services of other funding sources. There were no receivables or deferred revenue relating to these performance obligations at June 30, 2023 and 2022.

General.

Management fees will vary depending on the activity of the pass through programs, what is allowable for the fee calculation, as well as negotiations of various agreements as to whether a management fee is allowed at all. It is not a significant source of income to the Foundation, so the level earned each year does not have an impact on the Foundation's operations.

FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and changes in net assets and functional expenses. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on management's estimates. The expenses that are allocated include supplies, printing and postage, dues and subscriptions, and other expenses, which are allocated on the basis of estimates from a historical review of the purposes of the expenses, as well as salaries and related taxes, which are allocated on the basis of estimates of time and effort.

RECLASSIFICATIONS

Certain reclassifications have been made to the 2022 financial statements in order to conform to 2023 presentation. Such reclassifications had no effect on net assets.

SUBSEQUENT EVENTS

Management has evaluated subsequent events for recognition or disclosure through November 8, 2023, which is the date that the financial statements were available to be issued, and did not identify any events that occurred subsequent to year-end that require disclosure in the financial statements.