

Chemical Educational Foundation

Financial Statements
and Independent Auditor's Report

June 30, 2022 and 2021

DRAFT 10.19.22

Chemical Educational Foundation

Financial Statements
June 30, 2022 and 2021

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
Chemical Educational Foundation

Opinion

We have audited the accompanying financial statements of Chemical Educational Foundation ("the Foundation"), which comprise the statements of financial position as of June 30, 2022 and 2021; the related statements of activities, functional expenses, and cash flows for the years then ended; and the related notes to the financial statements.

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

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Responsibilities of Management for the Financial Statements (continued)

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 the Foundation's ability to continue as a going concern for a reasonable period of time.

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

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.

DRAFT

Vienna, Virginia
[Date of Report]

Chemical Educational Foundation

Statements of Financial Position June 30, 2022 and 2021

| | 2022 | 2021 |
|---------------------------------------|---------------------|---------------------|
| Assets | | |
| Cash and cash equivalents | \$ 516,445 | \$ 608,505 |
| Investments | 1,131,526 | 1,300,598 |
| Contributions receivable | 70,353 | - |
| Prepaid and other assets | 736 | - |
| Total assets | <u>\$ 1,719,060</u> | <u>\$ 1,909,103</u> |
| Liabilities and Net Assets | | |
| Liabilities | | |
| Accounts payable and accrued expenses | \$ 52,476 | \$ 47,055 |
| Scholarships payable | 101,000 | 98,500 |
| Due to the Association | 34,871 | 35,576 |
| Deferred conditional contributions | 75,000 | - |
| Total liabilities | <u>263,347</u> | <u>181,131</u> |
| Net Assets | | |
| Without donor restrictions | <u>1,455,713</u> | <u>1,727,972</u> |
| Total net assets | <u>1,455,713</u> | <u>1,727,972</u> |
| Total liabilities and net assets | <u>\$ 1,719,060</u> | <u>\$ 1,909,103</u> |

See accompanying notes.

Chemical Educational Foundation

Statement of Activities For the Years Ended June 30, 2022 and 2021

| | 2022 | 2021 |
|---|---------------------|---------------------|
| Operating Revenue and Support | | |
| Contributions | \$ 609,932 | \$ 1,055,729 |
| In-kind contributions | 5,201 | - |
| Challenge sponsorships | 537,498 | 194,150 |
| Investment return, net | (170,252) | 187,995 |
| | <hr/> | <hr/> |
| Total operating revenue and support | 982,379 | 1,437,874 |
| | <hr/> | <hr/> |
| Expenses | | |
| Program services: | | |
| Program and outreach | 848,814 | 711,402 |
| Communications | 93,866 | 98,376 |
| | <hr/> | <hr/> |
| Total program services | 942,680 | 809,778 |
| | <hr/> | <hr/> |
| Supporting services: | | |
| Governance | 41,474 | 43,942 |
| Operating and general | 200,331 | 223,296 |
| Fundraising | 70,153 | 54,843 |
| | <hr/> | <hr/> |
| Total supporting services | 311,958 | 322,081 |
| | <hr/> | <hr/> |
| Total expenses | 1,254,638 | 1,131,859 |
| | <hr/> | <hr/> |
| Change in Net Assets from Operations | (272,259) | 306,015 |
| | <hr/> | <hr/> |
| Non-Operating Activity | | |
| Gain on extinguishment of debt | - | 148,874 |
| | <hr/> | <hr/> |
| Total non-operating activity | - | 148,874 |
| | <hr/> | <hr/> |
| Change in Net Assets | (272,259) | 454,889 |
| | <hr/> | <hr/> |
| Net Assets, beginning of year | 1,727,972 | 1,273,083 |
| | <hr/> | <hr/> |
| Net Assets, end of year | <u>\$ 1,455,713</u> | <u>\$ 1,727,972</u> |

See accompanying notes.

Chemical Educational Foundation

Statement of Functional Expenses
For the Year Ended June 30, 2022

| | Program Services | | | Supporting Services | | | | Total |
|--|-------------------------|---------------------|------------------------------|---------------------|--------------------------|------------------|---------------------------------|---------------------|
| | Program and Outreach | Communi- cations | Total Program Services | Governance | Operating and General | Fundraising | Total Supporting Services | |
| Salaries | \$ 403,920 | \$ 57,703 | \$ 461,623 | \$ 28,851 | \$ 57,703 | \$ 28,851 | \$ 115,405 | \$ 577,028 |
| Employee benefits and payroll taxes | 92,092 | 13,156 | 105,248 | 6,578 | 13,156 | 6,578 | 26,312 | 131,560 |
| Challenge content development | 3,029 | - | 3,029 | - | - | - | - | 3,029 |
| Essential Elements program | 1,504 | - | 1,504 | - | - | - | - | 1,504 |
| Professional fees | 21,000 | 3,000 | 24,000 | 1,500 | 55,820 | 1,500 | 58,820 | 82,820 |
| Marketing and promotion | 23,310 | 1,993 | 25,303 | - | - | - | - | 25,303 |
| Volunteer management | 5,984 | - | 5,984 | - | - | - | - | 5,984 |
| Bank fees | - | - | - | - | 4,270 | - | 4,270 | 4,270 |
| Conferences, conventions, and meetings | 226,514 | - | 226,514 | - | - | 7,419 | 7,419 | 233,933 |
| Dues and subscriptions | - | - | - | - | 2,330 | 8,842 | 11,172 | 11,172 |
| Information technology | 6,714 | 5,309 | 12,023 | 480 | 24,233 | 480 | 25,193 | 37,216 |
| Travel | 7,215 | - | 7,215 | - | - | 12,418 | 12,418 | 19,633 |
| Office expenses | - | - | - | - | 17,890 | - | 17,890 | 17,890 |
| Postage, shipping, and handling | - | - | - | - | 1,529 | - | 1,529 | 1,529 |
| Printing and publishing | - | 4,577 | 4,577 | - | 3,735 | - | 3,735 | 8,312 |
| Personal property taxes | - | - | - | - | 1,255 | - | 1,255 | 1,255 |
| Insurance | - | - | - | - | 9,026 | - | 9,026 | 9,026 |
| Depreciation and amortization, allocated | 18,168 | 2,505 | 20,673 | 1,253 | 1,875 | 1,253 | 4,381 | 25,054 |
| Occupancy | 39,364 | 5,623 | 44,987 | 2,812 | 7,509 | 2,812 | 13,133 | 58,120 |
| Total Expenses | \$ 848,814 | \$ 93,866 | \$ 942,680 | \$ 41,474 | \$ 200,331 | \$ 70,153 | \$ 311,958 | \$ 1,254,638 |

See accompanying notes

Chemical Educational Foundation

Statement of Functional Expenses
For the Year Ended June 30, 2021

| | Program Services | | | Supporting Services | | | | |
|--|-------------------------|---------------------|------------------------------|---------------------|--------------------------|------------------|---------------------------------|---------------------|
| | Program and Outreach | Communi- cations | Total Program Services | Governance | Operating and General | Fundraising | Total Supporting Services | Total |
| Salaries | \$ 394,261 | \$ 56,323 | \$ 450,584 | \$ 28,162 | \$ 56,323 | \$ 28,162 | \$ 112,647 | \$ 563,231 |
| Employee benefits and payroll taxes | 91,950 | 13,135 | 105,085 | 6,941 | 13,136 | 6,195 | 26,272 | 131,357 |
| Challenge content development | 11,174 | - | 11,174 | - | - | - | - | 11,174 |
| Essential Elements program | 5,600 | - | 5,600 | - | - | - | - | 5,600 |
| Professional fees | - | - | - | - | 39,838 | - | 39,838 | 39,838 |
| Marketing and promotion | 6,210 | 2,093 | 8,303 | - | - | - | - | 8,303 |
| Volunteer management | 6,102 | - | 6,102 | - | - | - | - | 6,102 |
| Bank fees | - | - | - | - | 3,664 | - | 3,664 | 3,664 |
| Conferences, conventions, and meetings | 71,172 | - | 71,172 | - | - | - | - | 71,172 |
| Dues and subscriptions | - | - | - | - | 1,091 | 9,731 | 10,822 | 10,822 |
| Information technology | 9,412 | 7,282 | 16,694 | 669 | 45,163 | 669 | 46,501 | 63,195 |
| Travel | 1,128 | - | 1,128 | - | - | 1,915 | 1,915 | 3,043 |
| Office expenses | - | - | - | - | 16,764 | - | 16,764 | 16,764 |
| Postage, shipping, and handling | - | - | - | - | 1,501 | - | 1,501 | 1,501 |
| Printing and publishing | - | 3,201 | 3,201 | - | 392 | - | 392 | 3,593 |
| Personal property taxes | - | - | - | - | 1,880 | - | 1,880 | 1,880 |
| Insurance | - | - | - | - | 22,208 | - | 22,208 | 22,208 |
| Depreciation and amortization netted with allocation | 36,718 | 5,245 | 41,963 | 1,225 | 5,245 | 4,019 | 10,489 | 52,452 |
| Occupancy | 58,121 | 8,303 | 66,424 | 4,151 | 13,297 | 4,152 | 21,600 | 88,024 |
| Loss on fixed assets disposal | 19,554 | 2,794 | 22,348 | 2,794 | 2,794 | - | 5,588 | 27,936 |
| Total Expenses | \$ 711,402 | \$ 98,376 | \$ 809,778 | \$ 43,942 | \$ 223,296 | \$ 54,843 | \$ 322,081 | \$ 1,131,859 |

See accompanying notes

Chemical Educational Foundation

Statements of Cash Flows For the Years Ended June 30, 2022 and 2021

| | 2022 | 2021 |
|---|--------------------------|--------------------------|
| Cash Flows from Operating Activities | | |
| Change in net assets | \$ (272,259) | \$ 454,889 |
| Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities: | | |
| Depreciation and amortization | - | 28,266 |
| Realized and unrealized loss (gain) on investments | 199,466 | (159,489) |
| Loss on disposal of fixed assets | - | 27,936 |
| Gain on extinguishment of debt | - | (148,874) |
| Change in operating assets and liabilities: | | |
| (Increase) decrease in: | | |
| Contributions receivable | (70,353) | 11,337 |
| Prepaid and other assets | (736) | 19,644 |
| Increase (decrease) in: | | |
| Accounts payable and accrued expenses | 5,421 | (26,068) |
| Scholarships payable | 2,500 | (3,000) |
| Due to the Association | (705) | (38,602) |
| Deferred conditional contributions | 75,000 | (224) |
| Net cash (used in) provided by operating activities | <u>(61,666)</u> | <u>165,815</u> |
| Cash Flows from Investing Activities | | |
| Proceeds from sales of investments | 93,948 | 533,528 |
| Purchases of investments | <u>(124,342)</u> | <u>(560,093)</u> |
| Net cash used in investing activities | <u>(30,394)</u> | <u>(26,565)</u> |
| Net (Decrease) Increase in Cash and Cash Equivalents | (92,060) | 139,250 |
| Cash and Cash Equivalents, beginning of year | <u>608,505</u> | <u>469,255</u> |
| Cash and Cash Equivalents, end of year | <u><u>\$ 516,445</u></u> | <u><u>\$ 608,505</u></u> |

See accompanying notes.

Chemical Educational Foundation

Notes to Financial Statements June 30, 2022 and 2021

1. Nature of Operations

The Chemical Educational Foundation (“the Foundation”) is a not-for-profit entity incorporated under the laws of the District of Columbia. The Foundation is dedicated to building the excitement and value of chemistry and STEM careers with K-8 students through accessible science programs and hands-on experiences.

2. Summary of Significant Accounting Policies

Basis of Accounting and Presentation

The Foundation’s financial statements are prepared on the accrual basis of accounting. Net assets are reported based on the presence or absence of donor-imposed restrictions, as follows:

- *Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.
- *Net Assets With Donor Restrictions* – Net assets subject to donor- (or certain grantor-) 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. There were no net assets with donor restrictions at June 30, 2022 and 2021.

Cash Equivalents

Cash and cash equivalents consist of operating cash and money market accounts. For the purpose of the statements of cash flows, the Foundation considers as cash equivalents all highly liquid investments, including money market funds, which can be converted into known amounts of cash and have a maturity period of 90 days or less at the time of purchase.

Chemical Educational Foundation

Notes to Financial Statements June 30, 2022 and 2021

2. Summary of Significant Accounting Policies (continued)

Investments

Investments are recorded at fair value based on quoted market prices. Interest and dividends, realized and unrealized gains and losses, and investment management fees are reported as a component of net investment return in the accompanying statements of activities.

Contributions Receivable

Contributions receivable represent unconditional amounts committed to the Foundation, and are reflected at their net realizable value. Contributions receivable due in more than one year are discounted to present value based on management's estimate of the risk adjusted rate of return. There was no present value discount at June 30, 2022, as all contributions receivable were due within one year. Management determines the allowance for doubtful accounts based upon review of outstanding receivables, historical collection information, and existing economic conditions. Management believes that all contributions receivable are collectible at June 30, 2022, and accordingly, no allowance for uncollectible accounts has been established. Contributions receivable was \$70,353 at June 30, 2022. There was no contributions receivable recorded at June 30, 2021.

Property and Equipment

Property and equipment purchases with a cost of \$1,000 or more with projected useful lives exceeding one year are capitalized and recorded at cost. Depreciation and amortization is computed using the straight-line method over the estimated useful lives of the related assets of three years. Costs for repairs and maintenance are expensed as incurred.

Scholarships Payable

Scholarships awarded by the Foundation are recorded in the accompanying statements of financial position as scholarships payable and as an expense in the year they are awarded. The liability is paid to the awardee when the written application for payment is received from the awardee after they are accepted to a college or university.

Chemical Educational Foundation

Notes to Financial Statements June 30, 2022 and 2021

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition

Unconditional contributions are recognized as revenue when received or promised and are reported as restricted support if they are received with donor stipulations that 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 as net assets released from restrictions.

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. Funds received in advance of the period in which they will be recognized are reported as deferred conditional contributions in the accompanying statements of financial position. Refundable advance totaled \$50,000 at June 30, 2022. There was no refundable advance at June 30, 2021.

Sponsorships that are nonreciprocal are recognized as contributions. Typically, sponsorship agreements contain a right of return or right of release from obligation, should the sponsored event not take place. As such, the Foundation recognizes revenue for these conditional contributions when the related event is conducted. Payments received in advance of the period in which they will be recognized are reported as deferred conditional contributions in the accompanying statements of financial position. Deferred sponsorship revenue totaled \$25,000 at June 30, 2022. There was no deferred sponsorship revenue at June 30, 2021.

In-Kind Contributions

Donated goods and services are recorded as in-kind contributions in the accompanying statements of activities, at their estimated fair value at the date of receipt. Donated services are only recognized to the extent they create or enhance nonfinancial assets or require specialized skills that the Foundation would otherwise purchase from qualified individuals. Donated goods and services received for the year ended June 30, 2022 totaled \$5,201. There was no donated goods or services received for the year ended June 30, 2021.

The Foundation's volunteers have made significant contributions of their time, principally in serving as trustees and officers of the Foundation and in committee participation. The value of this contributed time is not reflected in these financial statements.

Chemical Educational Foundation

Notes to Financial Statements June 30, 2022 and 2021

2. Summary of Significant Accounting Policies (continued)

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Measure of Operations

Gain on extinguishment of debt is considered a non-operating activity. The Foundation does not consider this item to be part of normal operating activities and, accordingly, separately identifies it in the accompanying statements of activities.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Recently Issued Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases*. The update requires a lessee to recognize a right-of-use asset and lease liability, initially measured at the present value of the lease payments, in its statements of financial position. The guidance also expands the required quantitative and qualitative lease disclosures. The guidance is effective beginning in the Foundation's fiscal year 2023.

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities* (Topic 958): *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This guidance is intended to increase transparency of contributed nonfinancial assets for nonprofit entities through enhancements in presentation and disclosure requirements. Nonprofit entities will be required to present contributed nonfinancial assets as a separate line item in the statements of activities, apart from contributions of cash and other financial contributions. Nonprofit entities will also be required to disclose various information related to contributed nonfinancial assets. This ASU will be effective for the Foundation beginning in fiscal year 2023.

Chemical Educational Foundation

Notes to Financial Statements June 30, 2022 and 2021

2. Summary of Significant Accounting Policies (continued)

Reclassifications

Certain amounts in the 2021 financial statements have been reclassified to conform to the 2022 presentation. These reclassifications have no effect on the change in net assets previously reported.

Subsequent Events

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through [Date of Report], the date the financial statements were available to be issued.

3. Liquidity and Availability

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the statements of financial position date, comprise the following at June 30:

| | 2022 | 2021 |
|--|---------------------|---------------------|
| Cash and cash equivalents | \$ 516,445 | \$ 608,505 |
| Investments | 1,131,526 | 1,300,598 |
| Contributions receivable | 70,353 | - |
| Total available for general expenditures | <u>\$ 1,718,324</u> | <u>\$ 1,909,103</u> |

The Foundation monitors the balance of its cash and cash equivalents on hand, with a goal to maintain balances at levels sufficient to meet at least 90 days of normal operating expenses. The Foundation structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Foundation considers net assets with donor restrictions for use in current programs that are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. In addition, as part of its liquidity management, the Foundation invests the excess of its short-term operating needs in money market and mutual funds.

Chemical Educational Foundation

Notes to Financial Statements June 30, 2022 and 2021

4. Concentrations of Risk

Credit Risk

Financial instruments that potentially subject the Foundation to significant concentrations of credit risk consist of cash and cash equivalents, and investments. The Foundation maintains cash deposit and transaction accounts, along with investments, with various financial institutions and these values, from time to time, exceed insurable limits under the Federal Deposit Insurance Corporation (FDIC) and Securities Investor Protection Corporation (SIPC). The Foundation has not experienced any credit losses on its cash and cash equivalents, and investments to date as it relates to FDIC and SIPC insurance limits. Management periodically assesses the financial condition of these financial institutions and believes that the risk of any credit loss is minimal.

Revenue Risk

Approximately \$668,905 (58%) and \$813,000 (65%) of the Foundation's contributions and support were made by eight and seven major contributors during the years ended June 30, 2022 and 2021, respectively. The remaining contributions and support were provided by 72 companies and 38 individuals during the year ended June 30, 2022, and 85 companies and 53 individuals during the year ended June 30, 2021.

5. Investments and Fair Value Measurements

Net investment return consists of the following for the years ended June 30:

| | 2022 | 2021 |
|-------------------------------------|---------------------|-------------------|
| Interest and dividends | \$ 37,113 | \$ 35,949 |
| Realized and unrealized (loss) gain | (199,466) | 159,489 |
| Investment management fees | (7,899) | (7,443) |
| Total investment return, net | <u>\$ (170,252)</u> | <u>\$ 187,995</u> |

The Foundation follows FASB Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures*, for its financial assets. This standard establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Fair value measurement standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or other valuation techniques) to determine fair value.

Chemical Educational Foundation

Notes to Financial Statements June 30, 2022 and 2021

5. Investments and Fair Value Measurements (continued)

The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the entity's perceived risk of that instrument.

The inputs used in measuring fair value are categorized into three levels. Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and liabilities and have the highest priority. Level 2 is based upon observable inputs other than quoted market prices, and Level 3 is based on unobservable inputs. Transfers between levels in the fair value hierarchy are recognized at the end of the reporting period.

In general, and where applicable, the Foundation uses quoted prices in active markets for identical assets to determine fair value. This pricing methodology applies to Level 1 investments.

The following table presents the Foundation's fair value hierarchy for those investments measured on a recurring basis at June 30, 2022:

| | Total fair value | Level 1 | Level 2 | Level 3 |
|------------------------------|---------------------|---------------------|-------------|-------------|
| Mutual funds: | | | | |
| Diversified emerging markets | \$ 73,419 | \$ 73,419 | \$ - | \$ - |
| Foreign large growth | 50,868 | 50,868 | - | - |
| Foreign large value | 53,726 | 53,726 | - | - |
| High yield bond | 28,293 | 28,293 | - | - |
| Intermediate-term bond | 244,096 | 244,096 | - | - |
| Nontraditional bond fund | 148,673 | 148,673 | - | - |
| Small cap value fund | 37,530 | 37,530 | - | - |
| Small growth | 34,597 | 34,597 | - | - |
| Real estate mid growth | 37,268 | 37,268 | - | - |
| World allocation | 57,463 | 57,463 | - | - |
| World bond | 36,898 | 36,898 | - | - |
| Exchange-traded funds: | | | | |
| Developed markets index | 66,246 | 66,246 | - | - |
| Large blend | 262,449 | 262,449 | - | - |
| Total investments | <u>\$ 1,131,526</u> | <u>\$ 1,131,526</u> | <u>\$ -</u> | <u>\$ -</u> |

Chemical Educational Foundation

Notes to Financial Statements

June 30, 2022 and 2021

5. Investments and Fair Value Measurements (continued)

The following table presents the Foundation's fair value hierarchy for those investments measured on a recurring basis at June 30, 2021:

| | Total fair value | Level 1 | Level 2 | Level 3 |
|-------------------------------|---------------------|---------------------|-------------|-------------|
| Mutual funds: | | | | |
| Diversified emerging markets | \$ 93,159 | \$ 93,159 | \$ - | \$ - |
| Foreign large growth | 65,718 | 65,718 | - | - |
| Foreign large value | 62,560 | 62,560 | - | - |
| High yield bond | 31,223 | 31,223 | - | - |
| Intermediate-term bond | 298,725 | 298,725 | - | - |
| Nontraditional bond fund | 124,634 | 124,634 | - | - |
| Small cap value fund | 43,152 | 43,152 | - | - |
| Small growth | 44,626 | 44,626 | - | - |
| World allocation | 44,580 | 44,580 | - | - |
| World bond | 47,343 | 47,343 | - | - |
| Exchange-traded funds: | | | | |
| Developed markets index | 80,919 | 80,919 | - | - |
| Real estate | 70,173 | 70,173 | - | - |
| Large blend | 293,786 | 293,786 | - | - |
| Total investments | \$ 1,300,598 | \$ 1,300,598 | \$ - | \$ - |

6. Scholarships Payable

Scholarships payable are represented by individual awards payable to the awardees of the annual Chemical Educational Foundation's *You Be The Chemist* Challenge, which is an interactive academic competition that engages grade 5-8 students in learning about chemistry concepts and their real-world applications. Scholarships awarded by the Foundation are recorded in the accompanying statements of financial position as scholarships payable, and an expense in the year they are awarded. Scholarship awardees apply for payment of their award when they have been accepted to a college or university; therefore, no discount on the present value of future minimum payments is recorded in the accompanying statements of financial position. When the written application for payment is received from the awardee by the Foundation, the scholarship is paid to the awardee.

Chemical Educational Foundation

Notes to Financial Statements June 30, 2022 and 2021

6. Scholarships Payable (continued)

Scholarships payable are due as follows at June 30:

| | 2022 | 2021 |
|-------------------------------|-------------------|------------------|
| Payable in less than one year | \$ 47,500 | \$ 41,500 |
| Payable in one to five years | 53,500 | 57,000 |
| Total scholarships payable | <u>\$ 101,000</u> | <u>\$ 98,500</u> |

7. Related Party Transactions

The Foundation was initially established by the National Association of Chemical Distributors (“the Association”). The Foundation is separately governed and is not controlled by the Association. Members of the Association’s Executive Committee sit on the Foundation’s Board of Trustees, but do not constitute a majority of the Trustees.

The Association allocates certain indirect expenses to the Foundation, which are reimbursed on a monthly basis. Direct costs of the Foundation may also be paid by the Association and reimbursed by the Foundation. The Association and the Foundation have been allocating certain costs (such as occupancy, telephone, and depreciation and amortization) between the two entities on a percentage method allocation basis. Unpaid amounts totaling \$34,871 and \$35,576 are included as due to the Association as of June 30, 2022 and 2021, respectively.

8. Loan Payable – Paycheck Protection Program

In May 2020, the Foundation obtained a loan totaling \$148,874, pursuant to the Paycheck Protection Program (PPP) of the Coronavirus Aid, Relief and Economic Security Act (CARES Act). The loan and related accrued interest are forgivable after 24 weeks if the Foundation uses the loan proceeds for eligible purposes. The Foundation has chosen to account for the loan in accordance with ASC 470 and recorded a gain on extinguishment of debt in the period when official notification of forgiveness was received. On April 1, 2021, the Foundation received notification that the PPP loan, and all accrued interest, was forgiven in full. The Foundation recognized gain on extinguishment of debt in the accompanying statement of activities for the year ended June 30, 2021.

Chemical Educational Foundation

Notes to Financial Statements June 30, 2022 and 2021

9. Commitments and Contingencies

Operating Lease

The Foundation shares office space with the Association. On September 10, 2013, the Association entered into an operating lease for office space that was set to expire on December 31, 2025. The lease provided for a 2.75% annual escalation in rent. Rent was recognized on a straight-line basis over the term of the lease. The Association allocated a percentage of rent expense to the Foundation. On December 15, 2020, the Association exercised the tenant's option to terminate the above lease with the intent to vacate on December 31, 2021.

On February 19, 2021, the Association entered into a new operating lease that commenced on January 1, 2022 and expires on December 31, 2033. The Foundation continues to share a portion of the leased office space with the Association.

The Association allocates a percentage of rent expense to the Foundation. The Foundation's occupancy expense for the years ended June 30, 2022 and 2021 was \$58,120 and \$88,024, respectively.

Employment Contract

The Foundation has an employment agreement with an Executive Director expiring on June 30, 2023. The Foundation could terminate this agreement for convenience upon 90 days' written notice. If the Executive Director was terminated for any reason other than cause, as defined in the agreement, the Foundation must continue to pay salary and benefits for a period of time as described in the contract.

Service Organization

On January 1, 2021, the Foundation contracted with Insperity, Inc. ("Insperity") as their professional employer organization. As such, Insperity is the employer of record for tax, benefits, and insurance purposes of the Foundation's employees. This co-employment relationship allows the Foundation to maintain direct control of the day-to-day activities of employees, while Insperity assumes the administrative functions of human resources and absorbs many employer-related liabilities.

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10. Employee Benefit Plans

Foundation maintains a 401(k) savings plan through Insperity. Employees 21 years of age and older are eligible to make salary deferrals to the plan upon date of hire. The plan includes an employer match of up to 6% of the participant's annual contribution. Employees are eligible for this matching contribution after completing six months of employment. For the years ended June 30, 2022 and 2021, the Foundation made contributions of \$25,678 and \$25,986, respectively, on behalf of its eligible employees.

11. Functionalized Expenses

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Where feasible, the Foundation allocates its expenses directly to specific functions. The expenses that are allocated indirectly include salaries, payroll taxes, and employee benefits, which are allocated on the basis of estimates of time and effort. Additionally, expenses such as depreciation and amortization, office expenses, website maintenance, staff support, and occupancy are allocated utilizing an overhead cost allocation methodology based on estimated staff time and effort spent on the specific function.

12. Income Taxes

The Foundation is recognized as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code (IRC) and is exempt from income taxes except for taxes on unrelated business activities. No tax expense is recorded in the accompanying financial statements as there was no significant net unrelated business taxable income. Contributions to the Foundation are deductible as provided in IRC Section 170(b)(1)(A)(vi). Management evaluated the Foundation's tax positions and concluded that the Foundation's financial statements do not include any uncertain tax positions.