

**The Summit Foundation
Financial Statements
Years Ended December 31, 2022 and 2021**

**The Summit Foundation
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Years Ended December 31, 2022 and 2021**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
The Summit Foundation

Opinion

I have audited the accompanying financial statements of The Summit Foundation (the Foundation) (a nonprofit organization) which comprise the statements of assets & net assets - modified cash basis as of December 31, 2022 and 2021, and the related statements of income & expenses - modified cash basis and the related notes to the financial statements.

In my opinion, the accompanying financial statements present fairly, in all material respects, the assets and net assets of the Foundation as of December 31, 2022 and 2021, and its income, expenses and its cash flows for the years then ended in accordance with the modified cash basis of accounting as described in Note 2 to the financial statements.

Basis of Opinion

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

Basis of Accounting

I draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting which is a basis of accounting other than accounting principles generally accepted in the United States of America. My opinion is not modified with respect to that matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the modified cash basis of accounting described in Note 2; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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.

Auditor's Responsibility for the Audit of the Financial Statements

My 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 my 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, I:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement, 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 the 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 my 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.

I am 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 I identified during the audit.

James M. Wood, CPA

September 6, 2023
Hillsborough, NJ

The Summit Foundation
Statements of Assets & Net Assets -
Modified Cash Basis
December 31, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Assets						
Current assets						
Cash & cash equivalents	\$ 68,622	\$ 365,453	\$ 434,075	\$ 383,500	\$ 126,207	\$ 509,707
Investment securities - Glenmede Trust	9,359,846	7,971,605	17,331,451	10,617,307	9,833,413	20,450,720
Mortgage note receivable	51,820	-	51,820	64,077	-	64,077
Accrued interest receivable	13,089	14,633	27,722	11,887	13,269	25,156
	<u>\$ 9,493,377</u>	<u>\$ 8,351,691</u>	<u>\$ 17,845,068</u>	<u>\$ 11,076,771</u>	<u>\$ 9,972,889</u>	<u>\$ 21,049,660</u>
Net Assets						
Without donor restrictions						
Undesignated	\$ 7,571,402	\$ -	\$ 7,571,402	\$ 8,749,847	\$ -	\$ 8,749,847
Designated	1,921,975	-	1,921,975	2,326,924	-	2,326,924
	<u>9,493,377</u>	<u>-</u>	<u>9,493,377</u>	<u>11,076,771</u>	<u>-</u>	<u>11,076,771</u>
With donor restrictions						
	<u>-</u>	<u>8,351,691</u>	<u>8,351,691</u>	<u>-</u>	<u>9,972,889</u>	<u>9,972,889</u>
	<u>\$ 9,493,377</u>	<u>\$ 8,351,691</u>	<u>\$ 17,845,068</u>	<u>\$ 11,076,771</u>	<u>\$ 9,972,889</u>	<u>\$ 21,049,660</u>

See accompanying notes to financial statements.

The Summit Foundation
Statements of Income & Expenses - Modified Cash Basis
Years ended December 31, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Income						
Contributions	\$ 249,747	\$ 313,028	\$ 562,775	\$ 242,409	\$ 423,931	\$ 666,340
Investment income						
Interest & dividends	248,520	218,705	467,225	239,385	218,829	458,214
Realized gains (losses)	27,890	28,615	56,505	184,566	172,051	356,617
Unrealized gains (losses)	(1,647,190)	(1,514,422)	(3,161,612)	1,112,278	1,037,943	2,150,221
Recovery gains	176	79	255	1,704	943	2,647
Investment management fees	(83,543)	-	(83,543)	(87,158)	-	(87,158)
	(1,454,147)	(1,267,023)	(2,721,170)	1,450,775	1,429,766	2,880,541
Other						
Grant recoveries	-	-	-	4,091	-	4,091
Total income	(1,204,400)	(953,995)	(2,158,395)	1,697,275	1,853,697	3,550,972
Expenses						
Program						
Grants & allocations	403,357	346,814	750,171	341,672	314,758	656,430
Scholarships	16,001	77,322	93,323	12,000	42,200	54,200
Donor advised distributions	-	156,488	156,488	-	325,326	325,326
	419,358	580,624	999,982	353,672	682,284	1,035,956
Management & general						
Accounting	8,200	-	8,200	7,950	-	7,950
Bookkeeping	6,275	-	6,275	5,392	-	5,392
Legal fees	-	-	-	8,076	-	8,076
Bank fees	130	-	130	100	-	100
Insurance	1,682	-	1,682	1,639	-	1,639
Postage	861	-	861	819	-	819
Registration	333	-	333	175	-	175
Dues & subscriptions	2,210	-	2,210	3,500	-	3,500
Internal management fees	(86,579)	86,579	-	(95,573)	95,573	-
Computer	2,398	-	2,398	1,508	-	1,508
	(64,490)	86,579	22,089	(66,414)	95,573	29,159
Fund raising						
Processing fees	506	-	506	649	-	649
Computer	-	-	-	3,840	-	3,840
Marketing	23,620	-	23,620	6,718	-	6,718
	24,126	-	24,126	11,207	-	11,207
Total expenses	378,994	667,203	1,046,197	298,465	777,857	1,076,322
Increase (decrease) in net assets	(1,583,394)	(1,621,198)	(3,204,592)	1,398,810	1,075,840	2,474,650
Net assets, beginning of year						
Beginning of year	11,076,771	9,972,889	21,049,660	9,647,577	8,927,433	18,575,010
Reclassifications	-	-	-	30,384	(30,384)	-
End of year	\$ 9,493,377	\$ 8,351,691	\$ 17,845,068	\$ 11,076,771	\$ 9,972,889	\$ 21,049,660

See accompanying notes to financial statements.

The Summit Foundation
Statements of Cash Flows -
Modified Cash Basis
Years ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities		
Increase (decrease) in net assets	\$ (3,204,592)	\$ 2,474,650
Adjustments to reconcile increase (decrease) in net assets to net cash used in operating activities:		
Realized (gains) losses on sales of investment securities	(56,505)	(356,617)
Unrealized (gains) losses on investment securities	3,161,612	(2,150,221)
Contributions of investment securities	(39,975)	(29,319)
(Increase) decrease in accrued interest receivable	<u>(2,566)</u>	<u>(3,859)</u>
Net cash used in operating activities	(142,026)	(65,366)
Cash flows from investing activities		
Proceeds from sale of investment securities	2,640,286	4,655,993
Acquisition of investment securities	(2,586,149)	(4,818,426)
Collection on mortgage note principal	<u>12,257</u>	<u>11,662</u>
Net cash provided by (used in) investing activities	<u>66,394</u>	<u>(150,771)</u>
Net decrease in cash & cash equivalents	(75,632)	(216,137)
Cash & cash equivalents		
Beginning of year	<u>509,707</u>	<u>725,844</u>
End of year	\$ <u><u>434,075</u></u>	\$ <u><u>509,707</u></u>

See accompanying notes to financial statements.

The Summit Foundation
Notes to Financial Statements
Years Ended December 31, 2022 and 2021

(1) Nature of Organization

The Summit Foundation (the Foundation), formerly the Summit Area Public Foundation, is a nonprofit corporation located in Summit, New Jersey. Its purpose is to encourage and promote well-being of mankind and to serve the public educational, charitable or benevolent needs of the inhabitants of the Summit area through the use of its net income. It seeks to invest funds prudently to ensure long-term growth, which supports the philanthropic activities. The mission is fulfilled by awarding grants, through a competitive process, to meet the needs of the community.

(2) Summary of Significant Accounting Policies

Basis of accounting

The Foundation prepares its financial statements on the modified cash basis of accounting where contributions are recognized as revenue when collected, and expenditures are recognized as expenses when disbursed. Income and expenses, including interest earned, may be accrued depending on their nature and relationship to the overall financial statements. This method differs from accounting principles generally accepted in the United States of America which states that income should be recognized when earned, and expenses should be recognized when incurred.

Financial statement presentation

The Foundation reports its statement of assets & net assets - modified cash basis and its statement of income & expenses - modified cash basis according to two classes of net assets:

Without donor restrictions - net assets not subject to donor-imposed restrictions, and therefore expendable for operating purposes.

With donor restrictions - net assets subject to donor-imposed restrictions that will be met by the expenditure of the underlying funds on the intended use, and net assets subject to donor-imposed restrictions requiring they be maintained permanently by the Foundation. Investment income generated by the underlying assets may be expended on donor-specified purposes.

Use of estimates

The preparation of financial statements in accordance with the modified cash basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash & cash equivalents

Demand deposits in financial institutions and money market funds are included in the cash & cash equivalents.

Investment securities

Investment securities are stated at fair value in the statements of assets & net assets - modified cash basis. Investment income is reported as without donor restrictions or with donor restrictions depending on the nature of donor-imposed restrictions.

The Summit Foundation
Notes to Financial Statements
Years Ended December 31, 2022 and 2021

Contributions

Contributions are recognized as income when received and are classified as without donor restrictions or with donor restrictions depending on the existence of donor-imposed restrictions.

Income taxes

The Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state law.

Management is not aware of any violation of tax status or exposure to uncertain tax positions that could cause a future tax assessment or which could affect its liquidity of future cash flows. The Foundation's exempt organization filings for the years ended December 31, 2019 through 2022 are subject to examination by the Internal Revenue Service and the State of New Jersey. Further, the Internal Revenue Service may examine the Foundation's financial activities for income and unrelated business tax for those years.

(3) Investment Securities

As of December 31, 2022 and 2021, investment securities consist of the following:

	<u>Cost</u>	<u>Fair Value</u>
<u>December 31, 2022</u>		
Fixed income securities	\$ 5,256,409	\$ 4,713,631
Equity securities	10,296,240	11,843,301
Alternative investments		
Real estate funds	847,523	774,517
Absolute return funds	-	2
	<u>\$16,400,172</u>	<u>\$17,331,451</u>
<u>December 31, 2021</u>		
Fixed income securities	\$ 5,548,023	\$ 5,448,790
Equity securities	10,005,027	13,989,588
Alternative investments		
Real estate funds	808,686	1,012,340
Absolute return funds	-	2
	<u>\$16,361,736</u>	<u>\$20,450,720</u>

The Summit Foundation
Notes to Financial Statements
Years Ended December 31, 2022 and 2021

(4) Fair Value Measurement

Financial instruments, consisting of investment securities and money market funds, are carried at fair value which is defined as the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Fair value is determined using three levels of inputs:

- Level 1 Valuations based on quoted prices in active markets for identical assets.
- Level 2 Valuations based on one or more quoted price for investments that are not exchange-traded but for which all significant inputs are observable.
- Level 3 Valuations based on inputs that are unobservable and insignificant to the overall fair value measurements.

The following valuation techniques are used for assets measured at fair value:

Money market funds are classified as Level 1 due to their short term nature.

Mutual and exchange-traded funds are measured at fair value using quoted market prices and are classified as Level 1.

Equity securities are measured at fair value using quoted market prices and are classified as Level 1.

Bonds, included in fixed income securities, are traded over-the-counter. Fair value is determined using market prices of comparable issues, and, therefore, is classified as Level 2.

Financial instruments measured at fair value on a recurring basis as of December 31, 2022 and 2021 are summarized as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
<u>December 31, 2022</u>			
Fixed income securities	\$ 1,432,040	\$3,281,591	\$ 4,713,631
Equity securities	11,843,301	-	11,843,301
Alternative investments			
Real estate funds	774,517	-	774,517
Absolute return funds	2	-	2
Money market funds	<u>324,723</u>	<u>-</u>	<u>324,723</u>
	<u>\$14,374,583</u>	<u>\$3,281,591</u>	<u>\$17,656,174</u>
<u>December 31, 2021</u>			
Fixed income securities	\$ 2,277,079	\$3,171,711	\$ 5,448,790
Equity securities	13,989,588	-	13,989,588
Alternative investments			
Real estate funds	1,012,340	-	1,012,340
Absolute return funds	2	-	2
Money market funds	<u>177,847</u>	<u>-</u>	<u>177,847</u>
	<u>\$17,456,856</u>	<u>\$3,171,711</u>	<u>\$20,628,567</u>

The Summit Foundation
Notes to Financial Statements
Years Ended December 31, 2022 and 2021

(5) Mortgage Note Receivable

During the year ended December 31, 2018, the Foundation received a mortgage note receivable as a contribution. The note bears interest at a rate of 5% and matures on September 1, 2026. Future principal collections are contractually scheduled as follows for years ending December 31,

2023	\$12,885
2024	13,544
2025	14,237
2026	<u>11,154</u>
	<u>\$51,820</u>

(6) Endowment Policy

The Foundation's endowment consists of funds without donor restrictions and funds with donor restrictions. Funds with donor restrictions are to be maintained in perpetuity; accumulated earnings on those funds are subject to specified use.

The Board of Trustees has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) to require standard care that is reasonable and prudent over its endowed funds. The Foundation currently classifies net assets with donor restrictions to be maintained in perpetuity at the original value of the gifts. Accumulated investment earnings on those funds are restricted to specified use. Additional endowment funds are received without donor restriction.

The Foundation has an endowment spending policy which appropriates distribution each year of 4% of its endowment funds' fair value based on the 12 month average fair value asset balance of the preceding calendar year.

The Foundation has adopted investment policies that seek long-term capital growth, current income and growth of income, consistent with prudent, conservative and risk-averse investments for its endowment.

To satisfy its long-term objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation and current yield. The Foundation targets a diversified asset allocation to achieve its long-term objectives within prudent risk constraints.

The Summit Foundation
Notes to Financial Statements
Years Ended December 31, 2022 and 2021

Endowment net assets by fund are as follows as of December 31, 2022 and 2021:

	Without Donor Restrictions	Specified Use	With Donor Restrictions Maintained in Perpetuity	Total	Grand Total
December 31, 2020	\$2,001,265	\$6,353,917	\$690,000	\$7,043,917	\$9,045,182
Investment return, net	322,973	1,133,543	-	1,133,543	1,456,516
Distributions & appropriations pursuant to spending policy	(95,603)	(333,140)	-	(333,140)	(428,743)
December 31, 2021	2,228,635	7,154,320	690,000	7,844,320	10,072,955
Investment return, net	(285,843)	(1,001,464)	-	(1,001,464)	(1,287,307)
Distributions & appropriations pursuant to policy	(105,807)	(370,513)	-	(370,513)	(476,320)
December 31, 2022	<u>\$1,836,985</u>	<u>\$5,782,343</u>	<u>\$690,000</u>	<u>\$6,472,343</u>	<u>\$8,309,328</u>

(7) Net Assets

The nature of net assets is as follows as of December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Without donor restriction		
Undesignated - operating fund	\$ 7,571,402	\$ 8,749,847
Designated		
Operating fund	84,990	98,289
Endowment fund	<u>1,836,985</u>	<u>2,228,635</u>
Total designated	<u>1,921,975</u>	<u>2,326,924</u>
Total without donor restriction	9,493,377	11,076,771
With donor restriction		
Operating fund		
Specified use	848,959	964,409
Scholarships	1,030,389	1,164,160
Endowment fund		
Specified use	5,782,343	7,154,320
Maintained in perpetuity	<u>690,000</u>	<u>690,000</u>
Total endowment	<u>6,472,343</u>	<u>7,844,320</u>
Total with donor restrictions	<u>8,351,691</u>	<u>9,972,889</u>
Total net assets	<u>\$17,845,068</u>	<u>\$21,049,660</u>

The Summit Foundation
Notes to Financial Statements
Years Ended December 31, 2022 and 2021

Net assets released from donor restrictions by incurring expenses satisfying the restricted purpose or other events specified by the donors are as follows for the years ended December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Operating fund		
Specified use	\$ 207,239	\$ 384,686
Scholarships	71,587	40,203
Endowment fund		
Specified use	<u>301,798</u>	<u>257,395</u>
	<u>\$ 580,624</u>	<u>\$ 682,284</u>

(8) Liquidity & Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, are comprised of the following as of December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Cash & cash equivalents	\$ 434,075	\$ 509,707
Investment securities	17,331,451	20,450,720
Accrued interest receivable	<u>27,722</u>	<u>25,156</u>
Total financial assets	17,793,248	20,985,583
Less:		
Designated net assets	1,921,975	2,326,924
Net assets with donor restrictions	<u>8,351,691</u>	<u>9,972,889</u>
	<u>\$ 7,519,582</u>	<u>\$ 8,685,770</u>

(9) Subsequent Events

The Foundation has evaluated the need for adjustments resulting from subsequent events through September 6, 2023, the date the financial statements were available to be issued. Based upon this evaluation, no adjustments or additional disclosures were required to the financial statements as of December 31, 2022.