

**The Summit Foundation
Financial Statements
Years Ended December 31, 2021 and 2020**

The Summit Foundation
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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, 2021 and 2020, 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, 2021 and 2020, 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.

Jamie M. Wood, CPA

September 13, 2022
Hillsborough, NJ

The Summit Foundation
Statements of Assets & Net Assets -
Modified Cash Basis
December 31, 2021 and 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Assets						
Current assets						
Cash & cash equivalents						
Checking - Haven Savings Bank	\$ 291,178	\$ 40,682	\$ 331,860	\$ 167,006	\$ 52,023	\$ 219,029
Money market - Glenmede Trust	92,322	85,525	177,847	260,747	246,068	506,815
	<u>383,500</u>	<u>126,207</u>	<u>509,707</u>	<u>427,753</u>	<u>298,091</u>	<u>725,844</u>
Investment securities - Glenmede Trust	10,617,307	9,833,413	20,450,720	9,134,151	8,617,979	17,752,130
Mortgage note receivable	64,077	-	64,077	75,739	-	75,739
Accrued interest receivable	11,887	13,269	25,156	9,934	11,363	21,297
	<u>11,076,771</u>	<u>9,972,889</u>	<u>21,049,660</u>	<u>9,647,577</u>	<u>8,927,433</u>	<u>18,575,010</u>
Net Assets						
Without donor restrictions						
Undesignated	\$ 8,749,847	\$ -	\$ 8,749,847	\$ 7,558,741	\$ -	\$ 7,558,741
Designated	2,326,924	-	2,326,924	2,088,836	-	2,088,836
	<u>11,076,771</u>	<u>-</u>	<u>11,076,771</u>	<u>9,647,577</u>	<u>-</u>	<u>9,647,577</u>
With donor restrictions						
	<u>-</u>	<u>9,972,889</u>	<u>9,972,889</u>	<u>-</u>	<u>8,927,433</u>	<u>8,927,433</u>
	<u>11,076,771</u>	<u>9,972,889</u>	<u>21,049,660</u>	<u>9,647,577</u>	<u>8,927,433</u>	<u>18,575,010</u>

See accompanying notes to financial statements.

The Summit Foundation
Statements of Income & Expenses - Modified Cash Basis
Years ended December 31, 2021 and 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Income						
Contributions	\$ 242,409	\$ 423,931	\$ 666,340	\$ 126,587	\$ 253,298	\$ 379,885
Investment income						
Interest & dividends	239,385	218,829	458,214	201,789	187,142	388,931
Realized gains (losses)	184,566	172,051	356,617	314	(12,208)	(11,894)
Unrealized gains (losses)	1,112,278	1,037,943	2,150,221	451,032	394,288	845,320
Recovery gains	1,704	943	2,647	147	-	147
Investment management fees	(87,158)	-	(87,158)	(74,932)	-	(74,932)
	1,450,775	1,429,766	2,880,541	578,350	569,222	1,147,572
Other						
Grant recoveries	4,091	-	4,091	1,000	-	1,000
	1,697,275	1,853,697	3,550,972	705,937	822,520	1,528,457
Expenses						
Program						
Grants & allocations	341,672	314,758	656,430	462,786	564,243	1,027,029
Scholarships	12,000	42,200	54,200	12,000	50,450	62,450
Donor advised distributions	-	325,326	325,326	-	119,959	119,959
	353,672	682,284	1,035,956	474,786	734,652	1,209,438
Management & general						
Accounting	7,950	-	7,950	14,488	-	14,488
Bookkeeping	5,392	-	5,392	6,802	-	6,802
Legal fees	8,076	-	8,076	-	-	-
Bank fees	100	-	100	324	-	324
Insurance	1,639	-	1,639	1,629	-	1,629
Postage	819	-	819	376	-	376
Registration	175	-	175	175	-	175
Dues & subscriptions	3,500	-	3,500	160	-	160
Internal management fees	(95,573)	95,573	-	(79,251)	79,251	-
Computer	1,508	-	1,508	1,835	-	1,835
	(66,414)	95,573	29,159	(53,462)	79,251	25,789
Fund raising						
Processing fees	649	-	649	460	-	460
Computer	3,840	-	3,840	1,311	-	1,311
Marketing	6,718	-	6,718	6,897	-	6,897
	11,207	-	11,207	8,668	-	8,668
	298,465	777,857	1,076,322	429,992	813,903	1,243,895
Increase in net assets	1,398,810	1,075,840	2,474,650	275,945	8,617	284,562
Net assets, beginning of year						
Beginning of year	9,647,577	8,927,433	18,575,010	9,371,632	8,918,816	18,290,448
Reclassifications	30,384	(30,384)	-	-	-	-
End of year	\$ 11,076,771	\$ 9,972,889	\$ 21,049,660	\$ 9,647,577	\$ 8,927,433	\$ 18,575,010

See accompanying notes to financial statements.

The Summit Foundation
Statements of Cash Flows -
Modified Cash Basis
Years ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities		
Increase in net assets	\$ 2,474,650	\$ 284,562
Adjustments to reconcile increase in net assets to net cash used in operating activities:		
Realized (gains) losses on sales of investment securities	(356,617)	11,894
Unrealized gains on investment securities	(2,150,221)	(845,320)
Contributions of investment securities	(29,319)	(152,509)
(Increase) decrease in accrued interest receivable	<u>(3,859)</u>	<u>13,499</u>
Net cash used in operating activities	(65,366)	(687,874)
Cash flows from investing activities		
Proceeds from sale of investment securities	4,655,993	15,148,932
Acquisition of investment securities	(4,818,426)	(14,176,199)
Collection on mortgage note principal	<u>11,662</u>	<u>11,093</u>
Net cash provided by (used in) investing activities	<u>(150,771)</u>	<u>983,826</u>
Net increase (decrease) in cash & cash equivalents	(216,137)	295,952
Cash & cash equivalents		
Beginning of year	<u>725,844</u>	<u>429,892</u>
End of year	\$ <u><u>509,707</u></u>	\$ <u><u>725,844</u></u>

See accompanying notes to financial statements.

The Summit Foundation
Notes to Financial Statements
Years Ended December 31, 2021 and 2020

(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, 2021 and 2020

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, 2018 through 2021 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, 2021 and 2020, investment securities consist of the following:

	<u>Cost</u>	<u>Fair Value</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	<u>-</u>	<u>2</u>
	<u>\$16,361,736</u>	<u>\$20,450,720</u>
 <u>December 31, 2020</u>		
Fixed income securities	\$ 4,847,422	\$ 4,817,332
Equity securities	8,848,422	10,754,353
Alternative investments		
Real estate funds	892,406	923,471
Absolute return funds	872,735	884,226
Commodity fund	<u>365,718</u>	<u>372,748</u>
	<u>\$15,826,703</u>	<u>\$17,752,130</u>

The Summit Foundation
Notes to Financial Statements
Years Ended December 31, 2021 and 2020

(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:

<u>Level 1</u>	Valuations based on quoted prices in active markets for identical assets.
<u>Level 2</u>	Valuations based on one or more quoted price for investments that are not exchange-traded but for which all significant inputs are observable.
<u>Level 3</u>	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, 2021 and 2020 are summarized as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</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>
 <u>December 31, 2020</u>			
Fixed income securities	\$ 2,059,640	\$2,757,692	\$ 4,817,332
Equity securities	10,754,353	-	10,754,353
Alternative investments			
Real estate funds	923,471	-	923,471
Absolute return funds	884,226	-	884,226
Commodity funds	372,748	-	372,748
Money market funds	<u>506,815</u>	<u>-</u>	<u>506,815</u>
	<u>\$15,501,253</u>	<u>\$2,757,692</u>	<u>\$18,258,945</u>

The Summit Foundation
Notes to Financial Statements
Years Ended December 31, 2021 and 2020

(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,

2022	\$12,258
2023	12,885
2024	13,544
2025	14,237
2026	<u>11,153</u>
	<u>\$64,077</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, 2021 and 2020

Endowment net assets by fund are as follows as of December 31, 2021 and 2020:

	Without Donor Restrictions	With Donor Restrictions		Grand Total
		Specified Use	Maintained in Perpetuity	
December 31, 2019	\$2,000,696	\$6,249,273	\$ 690,000	\$ 8,939,969
Investment return, net	133,618	471,583	-	605,201
Distributions & appropriations pursuant to spending policy	(133,049)	(366,939)	-	(499,988)
Endowment net assets, December 31, 2020	2,001,265	6,353,917	690,000	9,045,182
Investment return, net	322,973	1,133,543	-	1,456,516
Distributions & appropriations pursuant to spending policy	(95,603)	(333,140)	-	(428,743)
December 31, 2021	<u>\$2,228,635</u>	<u>\$7,154,320</u>	<u>\$ 690,000</u>	<u>\$10,072,955</u>

(7) Net Assets

The nature of net assets is as follows as of December 31, 2021 and 2020:

	2021	2020
Without donor restriction		
Undesignated - operating fund	\$ 8,749,847	\$ 7,558,741
Designated		
Operating fund	98,289	87,571
Endowment fund	<u>2,228,635</u>	<u>2,001,265</u>
Total designated	<u>2,326,924</u>	<u>2,088,836</u>
Total without donor restriction	11,076,771	9,647,577
With donor restriction		
Operating fund		
Specified use	964,409	891,149
Scholarships	1,164,160	992,367
Endowment fund		
Specified use	7,154,320	6,353,917
Maintained in perpetuity	<u>690,000</u>	<u>690,000</u>
Total endowment	<u>7,844,320</u>	<u>7,043,917</u>
Total with donor restrictions	<u>9,972,889</u>	<u>8,927,433</u>
Total net assets	<u>\$21,049,660</u>	<u>\$18,575,010</u>

The Summit Foundation
Notes to Financial Statements
Years Ended December 31, 2021 and 2020

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, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Operating fund		
Specified use	\$ 384,686	\$ 389,703
Scholarships	40,203	40,450
Endowment fund		
Specified use	<u>257,395</u>	<u>304,499</u>
	<u>\$ 682,284</u>	<u>\$ 734,652</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, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Cash & cash equivalents	\$ 509,707	\$ 725,844
Investment securities	20,450,720	17,752,130
Accrued interest receivable	<u>25,156</u>	<u>21,297</u>
Total financial assets	20,985,583	18,499,271
Less:		
Designated net assets	2,326,924	2,088,836
Net assets with donor restrictions	<u>9,972,889</u>	<u>8,927,433</u>
	<u>\$ 8,685,770</u>	<u>\$ 7,483,002</u>

(9) Risks & Uncertainties

Coronavirus

The COVID-19 pandemic has created and may continue to create significant uncertainty in the United States and global economies which, in addition to other unforeseen effects of this pandemic, may adversely impact the Foundation's operations.

(10) Subsequent Events

The Foundation has evaluated the need for adjustments resulting from subsequent events through September 13, 2022 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, 2021.