

Financial Statements and Report of
Independent Certified Public
Accountants

The Scholarship Fund for Inner-City Children

June 30, 2019 and 2018

Contents

	Page
Report of Independent Certified Public Accountants	3
Financial Statements	
Statements of financial position as of June 30, 2019 and 2018	5
Statement of activities for the year ended June 30, 2019	6
Statement of activities for the year ended June 30, 2018	7
Statements of cash flows for the years ended June 30, 2019 and 2018	8
Statement of functional expenses for the year ended June 30, 2019, with comparative totals for 2018	9
Notes to financial statements	10

GRANT THORNTON LLP

1000 Wilson Boulevard
Suite 1400
Arlington, VA 22209

D +1 703 847 7500

F +1 703 848 9580

S [linkd.in/grantthorntonus](https://www.linkedin.com/company/grantthorntonus)
twitter.com/grantthorntonus

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Trustees of
The Scholarship Fund for Inner-City Children:

Report on the financial statements

We have audited the accompanying financial statements of The Scholarship Fund for Inner-City Children (the "Fund"), which comprise the statements of financial position as of June 30, 2019 and 2018, the related statements of activities and cash flows for the years then ended, and the statement of functional expenses for the year ended June 30, 2019, with comparative totals for 2018, and the related notes to the financial statements.

Management's responsibility 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.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Fund's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Scholarship Fund for Inner-City Children as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Grant Thornton LLP

Arlington, Virginia
January 8, 2020

The Scholarship Fund for Inner-City Children

STATEMENTS OF FINANCIAL POSITION

June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Cash and cash equivalents	\$ 834,920	\$ 1,198,324
Contributions receivable, net (Note C)	795,132	695,127
Investments, at fair value (Note D)	3,487,705	3,624,079
Other assets	7,260	-
	<u>5,125,017</u>	<u>5,517,529</u>
Total assets	<u>\$ 5,125,017</u>	<u>\$ 5,517,529</u>
LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	\$ 333,085	\$ 101,752
Net assets (Notes B and E):		
Without donor restrictions	447,968	806,792
With donor restrictions	4,343,964	4,608,985
Total net assets	<u>4,791,932</u>	<u>5,415,777</u>
	<u>\$ 5,125,017</u>	<u>\$ 5,517,529</u>
Total liabilities and net assets	<u>\$ 5,125,017</u>	<u>\$ 5,517,529</u>

The accompanying notes are an integral part of these financial statements.

The Scholarship Fund for Inner-City Children

STATEMENT OF ACTIVITIES

For the year ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and support			
Contributions:			
Unrestricted	\$ 1,041,190	\$ -	\$ 1,041,190
Restricted:			
Jean M. Boyle Memorial Scholarship	-	1,500	1,500
Children's Scholarship Fund	-	328,307	328,307
Frazza Family Scholarship Fund	-	237,778	237,778
St. Catherine of Siena Scholarship Fund	-	20,555	20,555
U.S. Space Camp Scholarship	-	11,368	11,368
O'Toole Family Scholarship Fund	-	30,500	30,500
Richard A. and Jeanne B. Shiels Scholarship	-	2,745	2,745
Michael and Julie O'Brien Scholarship Fund	-	24,000	24,000
Lablanc	-	5,000	5,000
Temporarily restricted donations for scholarships	-	75,737	75,737
Award dinner, net of direct expenses of \$80,006	256,691	-	256,691
Basketball fundraising, net of direct expenses of \$11,312	16,889	-	16,889
Application fees	59,700	-	59,700
Investment income	15,094	116,913	132,007
Net realized and unrealized appreciation of investments	4,929	146,255	151,184
Net assets released from restrictions (Note G)	1,265,679	(1,265,679)	-
Total support and revenues	<u>2,660,172</u>	<u>(265,021)</u>	<u>2,395,151</u>
Expenses			
Scholarship awards:			
Fund scholarships	796,999	-	796,999
Jean M. Boyle Memorial Scholarship	1,500	-	1,500
Union Foundation Scholarship Fund	12,000	-	12,000
Cunningham Scholarship	24,000	-	24,000
Robert M. Kossick Scholarship	8,000	-	8,000
Rohwetter Scholarship	8,000	-	8,000
Robert E. Rossel Scholarship	12,000	-	12,000
William Randolph Hearst Foundation Scholarship	20,000	-	20,000
Children's Scholarship Fund	581,418	-	581,418
Anne E. Whittington Memorial Scholarship	5,000	-	5,000
Frazza Family Scholarship Fund	300,000	-	300,000
Jeanne-Marie La Blanc Scholarship	60,000	-	60,000
John F. Taranta, Jr. Memorial Scholarship Fund	160,000	-	160,000
Michael and Julie O'Brien Family Scholarship Fund	17,500	-	17,500
O'Toole Family Scholarship Fund	28,750	-	28,750
Albert and Bertha Gamper Scholarship	96,000	-	96,000
St. Catherine of Siena Scholarship	90,000	-	90,000
U.S. Space Camp Scholarship	11,361	-	11,361
Temporarily restricted gifts - various	106,150	-	106,150
Total scholarship awards	<u>2,338,678</u>	<u>-</u>	<u>2,338,678</u>
Fundraising	217,655	-	217,655
General and administrative	462,663	-	462,663
Total expenses	<u>3,018,996</u>	<u>-</u>	<u>3,018,996</u>
Changes in net assets	(358,824)	(265,021)	(623,846)
Net assets, beginning of year	<u>806,792</u>	<u>4,608,985</u>	<u>5,415,777</u>
Net assets, end of year	<u>\$ 447,968</u>	<u>\$ 4,343,964</u>	<u>\$ 4,791,932</u>

The accompanying notes are an integral part of this financial statement.

The Scholarship Fund for Inner-City Children

STATEMENT OF ACTIVITIES

For the year ended June 30, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and support			
Contributions:			
Unrestricted	\$ 1,184,779	\$ -	\$ 1,184,779
Restricted:			
Jean M. Boyle Memorial Scholarship	-	2,000	2,000
Children's Scholarship Fund	-	349,681	349,681
Frazza Family Scholarship Fund	-	241,743	241,743
St. Catherine of Siena Scholarship Fund	-	15,954	15,954
U.S. Space Camp Scholarship	-	3,250	3,250
O'Toole Family Scholarship Fund	-	30,000	30,000
Richard A. and Jeanne B. Shiels Scholarship	-	100	100
Michael and Julie O'Brien Scholarship Fund	-	40,000	40,000
Temporarily restricted donations for scholarships	-	108,499	108,499
Award dinner, net of direct expenses of \$57,314	398,623	-	398,623
Basketball fundraising, net of direct expenses of \$12,173	5,182	-	5,182
Application fees	64,564	-	64,564
Investment income	16,130	107,692	123,822
Net realized and unrealized (depreciation) appreciation of investments	(4,194)	127,890	123,696
Net assets released from restrictions (Note G)	1,184,180	(1,184,180)	-
Total support and revenues	<u>2,849,264</u>	<u>(157,371)</u>	<u>2,691,893</u>
Expenses			
Scholarship awards:			
Fund scholarships	780,000	-	780,000
Grassman Trust Endowment Fund	15,000	-	15,000
Union Foundation Scholarship Fund	10,000	-	10,000
Cunningham Scholarship	8,000	-	8,000
Robert M. Kossick Scholarship	4,000	-	4,000
Rohwetter Scholarship	4,000	-	4,000
Robert E. Rossel Scholarship	7,500	-	7,500
Theodore Cardinal McCarrick Scholarship Fund	80,000	-	80,000
William Randolph Hearst Foundation Scholarship	16,000	-	16,000
Children's Scholarship Fund	489,265	-	489,265
Frazza Family Scholarship Fund	300,000	-	300,000
Jeanne-Marie La Blanc Scholarship	70,000	-	70,000
John F. Taranta, Jr. Memorial Scholarship Fund	96,000	-	96,000
Michael and Julie O'Brien Family Scholarship Fund	15,500	-	15,500
O'Toole Family Scholarship Fund	30,000	-	30,000
St. Catherine of Siena Scholarship	64,000	-	64,000
U.S. Space Camp Scholarship	11,561	-	11,561
Anne E. Whittington Memorial Scholarship	4,000	-	4,000
Temporarily restricted gifts - various	101,250	-	101,250
Total scholarship awards	<u>2,106,076</u>	<u>-</u>	<u>2,106,076</u>
Fundraising	299,463	-	299,463
General and administrative	519,987	-	519,987
Total expenses	<u>2,925,526</u>	<u>-</u>	<u>2,925,526</u>
Changes in net assets	(76,262)	(157,371)	(233,633)
Net assets, beginning of year	<u>883,054</u>	<u>4,766,356</u>	<u>5,649,410</u>
Net assets, end of year	<u>\$ 806,792</u>	<u>\$ 4,608,985</u>	<u>\$ 5,415,777</u>

The accompanying notes are an integral part of this financial statement.

The Scholarship Fund for Inner-City Children

STATEMENTS OF CASH FLOWS

For the years ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities		
Changes in net assets	\$ (623,846)	\$ (233,633)
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Change in provision for discount allowance on contributions receivable	(20,668)	(16,788)
Net realized and unrealized appreciation of investments	(151,184)	(123,696)
Contributions restricted for endowments	(1,500)	(2,000)
Changes in assets and liabilities:		
(Increase) decrease in contributions and pledges receivable	(79,337)	181,187
Increase in other assets	(7,260)	-
Increase in accounts payable and accrued expenses	231,333	49,011
Net cash used in operating activities	<u>(652,462)</u>	<u>(145,919)</u>
Cash flows from investing activities		
Proceeds from sales of investments	384,860	361,000
Purchases of investments	<u>(97,302)</u>	<u>(226,359)</u>
Net cash provided by investing activities	<u>287,558</u>	<u>134,641</u>
Cash flows from financing activities		
Contributions restricted for endowments	<u>1,500</u>	<u>2,000</u>
Net decrease in cash and cash equivalents	(363,404)	(9,278)
Cash and cash equivalents, beginning of year	<u>1,198,324</u>	<u>1,207,602</u>
Cash and cash equivalents, end of year	<u>\$ 834,920</u>	<u>\$ 1,198,324</u>

The accompanying notes are an integral part of these financial statements.

The Scholarship Fund for Inner-City Children

Statement of Functional Expenses

For the year ended June 30, 2019, with comparative totals for 2018

	<u>Program Services</u>	<u>Supporting Services</u>			<u>Total Expenses</u>	<u>2018</u>
		<u>Administrative</u>	<u>Fundraising</u>	<u>Total</u>		
Scholarship awards	\$ 2,338,678	\$ -	\$ -	\$ -	\$ 2,338,678	\$ 2,106,076
Payroll	-	229,276	112,927	342,203	342,203	478,564
Benefits and fringes	-	70,124	34,539	104,663	104,663	132,234
Travel	-	1,150	566	1,716	1,716	1,021
Professional fees	-	127,369	-	127,369	127,369	77,394
Postage and printing	-	4,156	2,047	6,202	6,202	8,596
Telephone	-	3,113	1,533	4,646	4,646	3,616
Insurance	-	8,861	4,365	13,226	13,226	7,687
Rent	-	9,608	4,732	14,340	14,340	14,340
Computer	-	957	471	1,429	1,429	798
Meetings and meals	-	2,801	1,380	4,181	4,181	5,803
Office supplies	-	4,832	2,380	7,211	7,211	7,729
Fundraising	-	-	52,510	52,510	52,510	81,525
Miscellaneous	-	416	205	621	621	144
	<u>\$ 2,338,678</u>	<u>\$ 462,663</u>	<u>\$ 217,655</u>	<u>\$ 680,318</u>	<u>\$ 3,018,996</u>	<u>\$ 2,925,526</u>

The accompanying notes are an integral part of this financial statement.

The Scholarship Fund for Inner-City Children

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019 and 2018

NOTE A - THE SCHOLARSHIP FUND FOR INNER-CITY CHILDREN

Nature of the Entity

The Scholarship Fund for Inner-City Children (the "Fund") is a not-for-profit corporation organized under the laws of the State of New Jersey. The principal purpose of the Fund is to solicit donations and provide Catholic and other private school scholarships for needy elementary and high school students within the geographical boundaries of the Roman Catholic Archdiocese of Newark and to support private education with donor-restricted gifts to individual school programs and for faculty development purposes.

Transactions with the Roman Catholic Archdiocese of Newark

The Chancery Office of the Roman Catholic Archdiocese of Newark ("Chancery Office") has the responsibility for maintaining separate financial records and managing certain activities of the Fund. This responsibility includes financial accountability for contributions, program expenses, fundraising/development costs, general and administrative costs of the Fund and participation in the Archdiocese of Newark Investment Management Program ("IMP"). The Board of Trustees and management of the Fund are responsible for the administration of the Fund's activities.

The IMP is administered by the Chancery Office. This program enables entities and affiliates of the Roman Catholic Archdiocese of Newark to join together in employing a flexible and unified investment strategy. The Fund's deposits in this program total \$824,102 and \$1,197,832 at June 30, 2019 and 2018, respectively, and are guaranteed by the Chancery Office and accrue interest at a rate of 2.00% for both years ended June 30, 2019 and 2018, on a quarterly basis. The Fund's deposits in the IMP are reflected in cash and cash equivalents in the accompanying statements of financial position.

Tax Status

The Fund is a not-for-profit entity organized under the laws of the State of New Jersey and is exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as described under Section 501(c)(3).

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("US GAAP"), using the accrual basis of accounting. The following are the more significant accounting policies consistently applied in the preparation of the accompanying financial statements.

In August 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* ("ASU 2016-14"). The ASU amends the current reporting model for not-for-profit organizations and requires certain additional disclosures. The significant changes include:

- Requiring the presentation of two net asset classes classified as "net assets without donor restrictions" and "net assets with donor restrictions;"
- Modifying the presentation of underwater endowment Charter Schools and related disclosures;

The Scholarship Fund for Inner-City Children

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

June 30, 2019 and 2018

- Requiring the use of the placed-in-service approach to recognize the satisfaction of restrictions on gifts used to acquire or construct long-lived assets, absent explicit donor stipulations otherwise;
- Requiring that all not-for-profits present an analysis of expenses by function and nature in a separate statement or in the notes to the financial statements;
- Requiring disclosure of quantitative and qualitative information on liquidity;
- Presenting investment return net of external and direct internal investment expenses; and
- Modifying other financial statement reporting requirements and disclosures intended to increase the usefulness to the reader.

As required by the standard, the Fund adopted ASU No. 2016-14 as of and for the year ended June 30, 2019 and has applied the amendments retrospectively as required by the standard. As a result, certain amounts presented in the prior year have been reclassified to conform to the new presentation. All amounts previously reported as “Unrestricted net assets” have been reclassified to be presented as “Net assets without donor restrictions.” Similarly, all amounts previously reported as “Temporarily restricted net assets” and “Permanently restricted net assets” have been reclassified to be presented as “Net assets with donor restrictions.” The changes in net assets have similarly been reclassified. There was no change in total net assets or total change in net assets as result of the adoption of ASU 2014-16 during 2019.

Net Assets Classifications	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
As previously presented:			
Unrestricted	\$ 806,792	\$ -	\$ 806,792
Temporarily restricted	-	3,025,542	3,025,542
Permanently restricted	-	1,583,443	1,583,443
Total net assets	\$ 806,792	\$ 4,608,985	\$ 5,145,777

Net Assets

The Fund’s net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Fund and changes therein are classified and reported as follows:

Net assets without donor restriction:

Consist of all funds which are expendable at the discretion of the Fund for carrying on daily operations. These funds have neither been restricted by donors nor set aside for any specific purpose by the Fund’s Board of Trustees.

Net assets with donor restriction:

Time and purpose restricted - resources that have been limited by donor-imposed stipulations that either expire with the passage of time or can be fulfilled and removed by actions of the Fund pursuant to those stipulations.

Donor restricted in perpetuity - include funds whereby the donors have stipulated that the principal contributed be invested and maintained in perpetuity. Income earned from these investments is available for expenditure in accordance with donor-imposed restrictions, if any.

The Scholarship Fund for Inner-City Children

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

June 30, 2019 and 2018

Revenues are reported as increases in net assets without donor restrictions unless their use is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or by law. Expirations of restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Income and realized and unrealized gains on investments restricted in perpetuity are reported as follows:

- as increases in the donor restricted in perpetuity class within net assets with donor restrictions if the terms of the gift require that they be added to the principal of a permanent endowment fund, or
- as increases in time and purpose restricted class within net assets with donor restrictions until appropriated for expenditure by the Fund's Board of Trustees or upon satisfaction of the stated donor-imposed restrictions.

At June 30, 2019 and 2018, net assets with and without donor restrictions consist of the following:

2019	Without Donor Restrictions	Time and Purpose Restricted	Donor Restricted in Perpetuity	Total
General Fund	\$ 447,968	\$ -	\$ -	\$ 447,968
Scholarship Funds:				
Grassman Trust Endowment Fund	-	76,775	165,000	241,775
Jean M. Boyle Memorial Scholarship	-	13,486	28,590	42,076
Union Foundation Scholarship Fund	-	33,722	95,000	128,722
Cunningham Scholarship	-	57,551	159,463	217,014
Robert M. Kossick Scholarship	-	29,700	65,000	94,700
Rohwetter Scholarship	-	29,809	58,038	87,847
Robert E. Rossel Scholarship	-	39,353	90,000	129,353
Albert and Bertha Gamper Fund	-	299,088	812,688	1,111,776
William Randolph Hearst Foundation Scholarship	-	77,213	111,164	188,377
Anne E. Whittington Memorial Scholarship	-	213,005	-	213,005
Frazza Family Scholarship Fund	-	(4,498)	-	(4,498)
Children's Scholarship Fund	-	2,881	-	2,881
Jeanne-Marie La Blanc Scholarship	-	101,639	-	101,639
John F. Taranta, Jr. Memorial Scholarship Fund	-	749,962	-	749,962
Michael and Julie O'Brien Family Scholarship Fund	-	173,171	-	173,171
O'Toole Family Scholarship Fund	-	3,144	-	3,144
Richard A. and Jeanne B. Shiels Scholarship	-	3,351	-	3,351
Richard J. Morgan Scholarship Fund	-	11,356	-	11,356
St. Catherine of Siena Scholarship Fund	-	585,461	-	585,461
U.S. Space Camp Scholarship	-	7,231	-	7,231
Temporarily Restricted Gifts - various	-	255,621	-	255,621
	<u>\$ 447,968</u>	<u>\$ 2,759,021</u>	<u>\$ 1,584,943</u>	<u>\$ 4,791,932</u>

The Scholarship Fund for Inner-City Children

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

June 30, 2019 and 2018

2018	Without Donor Restrictions	Time and Purpose Restricted	Donor Restricted in Perpetuity	Total
General Fund	\$ 806,792	\$ -	\$ -	\$ 806,792
Scholarship Funds:				
Grassman Trust Endowment Fund	-	59,988	165,000	224,988
Jean M. Boyle Memorial Scholarship	-	12,556	27,090	39,646
Union Foundation Scholarship Fund	-	36,062	95,000	131,062
Cunningham Scholarship	-	65,143	159,463	224,606
Robert M. Kossick Scholarship	-	30,877	65,000	95,877
Rohwetter Scholarship	-	31,206	58,038	89,244
Robert E. Rossel Scholarship	-	38,978	90,000	128,978
Albert and Bertha Gamper Fund	-	311,849	812,688	1,124,537
William Randolph Hearst Foundation Scholarship	-	82,561	111,164	193,725
Anne E. Whittington Memorial Scholarship	-	202,520	-	202,520
Frazza Family Scholarship Fund	-	37,574	-	37,574
Children's Scholarship Fund	-	2,873	-	2,873
Jeanne-Marie La Blanc Scholarship	-	145,561	-	145,561
John F. Taranta, Jr. Memorial Scholarship Fund	-	851,253	-	851,253
Michael and Julie O'Brien Family Scholarship Fund	-	163,527	-	163,527
O'Toole Family Scholarship Fund	-	1,353	-	1,353
Richard A. and Jeanne B. Shiels Scholarship	-	587	-	587
Richard J. Morgan Scholarship Fund	-	11,152	-	11,152
St. Catherine of Siena Scholarship Fund	-	653,097	-	653,097
U.S. Space Camp Scholarship	-	7,115	-	7,115
Temporarily Restricted Gifts - various	-	279,710	-	279,710
	<u>\$ 806,792</u>	<u>\$ 3,025,542</u>	<u>\$ 1,583,443</u>	<u>\$ 5,415,777</u>

Investments

Investments in equity and debt securities are reported at fair value determined on the basis of quoted market values as of the reporting date with gains and losses (if any) presented in the statements of activities. Purchases and sales of securities are reflected on a trade-date basis. Gains and losses on sales of securities are determined based on average cost method and are recorded in the statements of activities in the period in which the securities are sold. Dividends and interest are recognized as earned.

Fair Value Measurements

The FASB Topic 820, under the FASB Accounting Standards Codification ("ASC") defines fair value, establishes a framework for measuring fair value, and expends disclosures about fair value measurements. This standard provides a consistent definition of fair value, which focuses on an exit price between market participants in an orderly transaction. The standard also prioritizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that observable inputs be used when available.

Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from independent sources. Unobservable inputs reflect assumptions that market participants would use in pricing the asset or liability based on the best information available in the circumstances.

The hierarchy is broken down into three levels based on the transparency of inputs as follows:

Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the measurement date. A quoted price for an identical asset or liability in an active market provides the most reliable fair value measurement because it is directly observable to the market.

The Scholarship Fund for Inner-City Children

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

June 30, 2019 and 2018

- Level 2 - Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the measurement date. The nature of these securities include investments for which quoted prices are available but traded less frequently and investments that are fair valued using other securities, the parameters of which can be directly observed.
- Level 3 - Securities that have little to no pricing observability as of the measurement date. These securities are measured using management's best estimate of fair value, where the inputs into the determination of fair value are not observable and require significant management judgment or estimation.

To the extent applicable, the Fund measures certain investments using a net asset value ("NAV") per share and, as permitted, the Fund adopted a practical expedient that exempts investments measured using NAV from categorization within the fair value hierarchy and related disclosures. Instead, as required by the practical expedient, the Fund separately discloses the information required for assets measured at NAV and shows the carrying amount of investments at NAV as a reconciling item between the total amount of investments categorized within the fair value hierarchy and total investments measured at fair value on the face of the financial statements. Adoption of this practical expedient did not have any impact on the accompanying financial statements, as the Fund did not hold investments measured at NAV in either fiscal 2019 or 2018.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes "observable" requires significant judgment by an entity. The Fund considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

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 Fund's perceived risk of that instrument.

Valuation of Investments

Investments whose values are based on quoted market prices in active markets as of the reporting date, and are, therefore, classified within Level 1, include active listed equities, certain U.S. government and sovereign obligations, and certain money market securities held in the name of the Fund.

Investments that trade in markets that are not considered to be active, but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within Level 2. These include certain U.S. government and sovereign obligations not classified as Level 1, most government agency securities, investment-grade corporate bonds, certain mortgage products, certain bank loans and bridge loans, less liquid listed equities, state, municipal and provincial obligations, most physical commodities and certain loan commitments. As Level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information.

Investments classified within Level 3 have significant unobservable inputs, as they trade infrequently or not at all. Level 3 instruments include private equity and real estate investments, certain bank loans and bridge loans, less liquid corporate debt securities (including distressed debt instruments), collateralized debt obligations, and less liquid mortgage securities (backed by either commercial or residential real estate). The Fund did not have any Level 2 or Level 3 investments as of June 30, 2019 and 2018.

The Scholarship Fund for Inner-City Children
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
June 30, 2019 and 2018

Cash and Cash Equivalents

Cash and cash equivalents are defined as cash balances held in bank accounts (including deposits in the IMP) and short-term investments held by the Fund for operating use with original maturities of three months or less from the date of purchase, except for those cash equivalents which are included in the Fund's investment portfolio which are held for long-term investment purposes.

Concentration of Market and Credit Risks

Cash, cash equivalents and investments are exposed to interest rate, market, and credit risks. To minimize risk, the Fund's cash accounts are deposited within the IMP administered and guaranteed by the Chancery Office. The Fund's investment portfolio is diversified with several investment managers in a variety of asset classes. The Fund regularly evaluates its depository arrangements and investments, including performance thereof.

Contributions

Contributions and unconditional promises to give are recorded as revenue when received. Conditional contributions and promises to give are recorded as revenue when the conditions on which they depend have been substantially met. Donor pledges are recorded at present value using an appropriate discount rate, net of estimated uncollectible amounts. Amortization of the discount on contribution receivables is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any. Other unrestricted revenues, support and gains are recorded as income when earned or realized.

Contributions that are restricted by a donor for a specific purpose or specified time period are recorded upon receipt as net assets with donor restrictions and reclassified to net assets without donor restrictions upon expenditure of the funds based on the restricted purpose and/or the lapsing of the specified time period.

Contributions that are restricted in perpetuity by donors for use as endowments are invested in perpetuity. The income is used for operating purposes or when expenditures satisfy the donors' restrictions and such amounts are appropriated for expenditure by the Fund's Board of Trustees in accordance with the provisions of New Jersey Uniform Prudent Management of Institutional Funds Act ("UPMIFA") (see also Note 5). Income amounts that exceed related expenditures and appropriations during a fiscal period remain as part of net assets with donor restrictions.

Contributed Space

Annually, the Chancery Office provides office space to the Fund for the conduct of its program activities and supporting service functions. Support arising from contributed space of \$14,340 has been recognized in the accompanying financial statements as part of contribution revenues and fundraising, general and administrative expenses for each of the years ended June 30, 2019 and 2018.

Special Events, Net

Revenues and expenses incurred relating to special events are recognized upon occurrence of the respective event.

Scholarships

Scholarships are recognized as expenses in the fiscal year in which the Fund approves them for payment. Scholarships committed but unpaid as of June 30, of each year are expensed and recognized as part of accounts payable and accrued expenses in the statements of financial position.

The Scholarship Fund for Inner-City Children

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

June 30, 2019 and 2018

Fair Value of Financial Instruments

At June 30, 2019 and 2018, the carrying value of cash and cash equivalents and accounts payable and accrued expenses represent a reasonable estimate of their fair value due to their short-term nature or relative market liquidity. The carrying amounts of the Fund's investments approximate fair value. The carrying value of contributions receivable is estimated based on the present value of expected future cash flows, and thus approximates fair value.

Income Taxes

The Fund follows guidance that establishes criterion that an individual tax position must meet for some or all of the benefits of that position to be recognized in an entity's financial statements. This standard requires the Fund to determine whether a tax position is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The Fund has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; determine its filing and tax obligations in jurisdictions for which it has nexus; and to review other matters that may be considered tax positions. As of June 30, 2019 and 2018, management does not believe the Fund has any uncertain tax positions.

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period; the most significant of which relate to the discount to present value calculated for contributions receivable that will be collected by the Fund over a period of years. Actual results could differ from those estimates.

Subsequent Events

The Fund evaluated its June 30, 2019 financial statements for subsequent events through January 8, 2020, the date the financial statements were available to be issued. The Fund is not aware of any material subsequent events which would require recognition or disclosure in the accompanying financial statements.

NOTE C - CONTRIBUTIONS RECEIVABLE, NET

At June 30, 2019 and 2018, contributions receivable, net, which include commitments from various foundations and individuals, are expected to be collected as follows:

	2019	2018
Contributions and pledges due:		
In less than one year	\$ 355,728	\$ 184,391
In one to five years	322,000	325,000
Over five years	175,000	264,000
Gross contributions and pledges due	<u>852,728</u>	<u>773,391</u>
Less: Discount to present value	<u>(57,596)</u>	<u>(78,264)</u>
Total contributions receivable, net	<u>\$ 795,132</u>	<u>\$ 695,127</u>

The Scholarship Fund for Inner-City Children

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

June 30, 2019 and 2018

A discount for contributions to be received over periods longer than one year from date of contribution is provided using an appropriate discount rate assigned in the year the respective pledge originates. The discount rates used for all contributions ranged from approximately 2.6% to 2.9% at June 30, 2019 and 2018. Certain contributions received by the Fund are from members of management and the Board of Trustees.

NOTE D - INVESTMENTS, AT FAIR VALUE

As of June 30, 2019 and 2018, investments, at fair value, consist of the following:

	2019	2018
Cash and cash equivalents	\$ 152	\$ 13,152
Fixed income mutual funds	1258,705	1,286,520
Equity mutual funds	2,228,848	2,324,407
	<u>\$ 3,487,705</u>	<u>\$ 3,624,079</u>

Investment securities are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the fair values of investment securities could occur in the near term and such changes could materially affect the amounts reported in the accompanying financial statements.

At June 30, 2019 and 2018, all of the Fund's investments are classified as Level 1 within the fair value hierarchy.

NOTE E - ENDOWMENT

The Fund's donor-restricted (gifted) endowment consists of nine individual funds established to provide scholarship awards. The Fund's endowment includes only donor-restricted endowment funds. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Fund has interpreted the UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the respective donor-restricted endowment fund absent explicit donor stipulations to the contrary. As a result of this interpretation, the Fund classifies as net assets restricted in perpetuity within net assets with donor restrictions: (a) the original value of gifts donated to its permanent endowment; (b) the original value of subsequent gifts to its permanent endowment; and (c) accumulations of income to its permanent endowment made in accordance with the direction of the applicable donor gift instrument. Therefore, endowment net assets restricted in perpetuity represent the original corpus of gifts given to the Fund for which the gift instruments stipulate that the principal be invested in perpetuity and only income be used for donor intended purposes, if any.

Net appreciation earned on the corpus of endowment net assets restricted in perpetuity, under UPMIFA, is spendable. Accordingly, the Fund classifies the appreciation as time and purpose restricted within net assets with donor restrictions, pending appropriation for expenditure by the Fund's Board of Trustees.

The Scholarship Fund for Inner-City Children

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

June 30, 2019 and 2018

The fair value of the endowment is \$2,240,640 and \$2,251,663 at June 30, 2019 and 2018, respectively, and consists of the following net asset classes:

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor restricted endowment funds	\$ -	\$ 2,240,640	\$ 2,240,640
	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor restricted endowment funds	\$ -	\$ 2,251,663	\$ 2,251,663

The Fund's individual endowment funds are managed separately for investment purposes. The investment portfolio is managed to achieve a prudent long-term total return. The Fund 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 Fund targets a diversified asset allocation that places a greater emphasis on fixed income investments to achieve its long-term return objectives within prudent risk constraints.

The following tables summarize the Fund's total return on endowment investments and the changes in endowment net assets for the years ended June 30, 2019 and 2018:

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ -	\$ 2,251,663	\$ 2,251,663
Dividends and interest on endowment investments	-	68,901	68,901
Net realized and unrealized appreciation in fair value of endowment investments	-	97,076	97,076
New gifts	-	1,500	1,500
Endowment return appropriated for operations	-	(178,500)	(178,500)
Endowment net assets, end of year	\$ -	\$ 2,240,640	\$ 2,240,640
	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ -	\$ 2,251,416	\$ 2,251,416
Dividends and interest on endowment investments	-	62,726	62,726
Net realized and unrealized appreciation in fair value of endowment investments	-	80,021	80,021
New gifts	-	2,000	2,000
Endowment return appropriated for operations	-	(144,500)	(144,500)
Endowment net assets, end of year	\$ -	\$ 2,251,663	\$ 2,251,663

The Scholarship Fund for Inner-City Children
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

June 30, 2019 and 2018

NOTE F - DESCRIPTION OF NET ASSETS BASED ON DONOR-IMPOSED RESTRICTIONS

Grassman Trust Endowment Fund

An endowment established by the E.J. Grassman Trust that provides funds for special projects within the Catholic schools of Union County. This fund was established in 1989.

Jean M. Boyle Memorial Scholarship

This fund was established in memory of Jean M. Boyle by her children, awarded to a student who attends St. Genevieve School in Elizabeth.

Union Foundation Scholarship Fund

This fund was established in 1990 as an endowment fund, with the income to be used to provide partial scholarships for children attending Catholic schools within Union County.

Cunningham Scholarship

An endowment established by James and Lorraine Cunningham to fund scholarships. This fund was established in 1994.

Robert M. Kossick Scholarship

An endowed four-year high school scholarship for a student athlete presented in memory of Robert M. Kossick, a loyal trustee of the Scholarship Fund for Inner-City Children. The endowment was established by Sherry O'Hearn.

Rohwetter Scholarship

A trust established by the late Dorris Rohwetter that endows a scholarship. This fund was established in 1998.

Robert E. Rossel Scholarship

An endowment established by Robert and Mary Bowlin, in honor of Robert E. Rossel, to provide high school scholarships to needy students.

Albert and Bertha Gamper Fund

This fund was established in 2002 in honor of Albert and Bertha Gamper, to provide financial assistance to children coming from Catholic grammar schools and desiring entrance into Catholic high schools, with greater focus placed on the growing Latino population.

William Randolph Hearst Foundation Scholarship

An endowed fund that provides scholarships for needy children who attend Catholic schools in Essex, Hudson, Bergen, and Union Counties. This fund was established in 2001.

Anne E. Whittington Memorial Scholarship

This fund was established in 1990 to provide college scholarships that are given to African-American high school graduates. The scholarships are based on academic performance.

The Scholarship Fund for Inner-City Children
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
June 30, 2019 and 2018

Frazza Family Scholarship Fund

This program will distribute over 100 scholarships each year to elementary school students beginning in the 2008-2009 school year and will follow the students through the eighth grade.

Children's Scholarship Fund

This fund, established by The Scholarship Fund for Inner-City Children, provides scholarship funds to needy children from Newark, Jersey City, and Elizabeth. Under the program, children receive up to 75% of their private school tuition up to \$2,500 per year for four years. Recipients are selected by lottery. This fund was established in 2000.

Jeanne-Marie La Blanc Scholarship

This endowment was established by Robert and Betty La Blanc, in memory of their daughter, Jeanne-Marie. It provides scholarships to inner-city high school students within the Roman Catholic Archdiocese of Newark. This fund was established in 1998.

John F. Taranta, Jr. Memorial Scholarship Fund

Established by Br. Ralph Darmento, F.S.C., this scholarship provides four years of tuition assistance to high school students attending Immaculate Conception in Montclair, Marist High School in Bayonne, Benedictine Academy in Elizabeth and St. Mary of the Assumption High School in Elizabeth.

Michael and Julie O'Brien Family Scholarship Fund

Established in 2010, this scholarship provides tuition assistance to students who reside in Jersey City.

O'Toole Family Scholarship Fund

This fund was established by Paula and Terence O'Toole to provide four years of tuition assistance to high school students.

PSE&G Scholarship Fund

This fund was established in 1988 for the purpose of underwriting grants and scholarships to inner-city students attending Catholic schools within the Roman Catholic Archdiocese of Newark.

Richard A. and Jeanne B. Shiels Scholarship

This fund was established in 2001 to provide financial aid to students attending St. Genevieve's School in Elizabeth, New Jersey.

Richard J. Morgan Scholarship Fund

This fund was established in 2010 to provide 25 students with a \$1,250 scholarship per year for an eight-year period to attend a Catholic elementary school in the Roman Catholic Archdiocese of Newark.

St. Catherine of Siena Scholarship Fund

This fund was established in 2007 to provide ten incoming high school freshmen with four-year scholarships.

The Scholarship Fund for Inner-City Children

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

June 30, 2019 and 2018

U.S. Space Camp Scholarship

A fund established by Mark K. Walchak to send talented high school students to Space Camp in Huntsville, Alabama, and Sea Camp in Big Pine Key, Florida. This fund was established in 1995.

NOTE G - NET ASSETS RELEASED FROM RESTRICTIONS FOR TIME AND PURPOSE

	2019	2018
Grassman Trust Endowment Fund	\$ -	\$ 15,000
Jean M. Boyle Memorial Scholarship	1,500	-
Union Foundation Scholarship Fund	12,000	10,000
Cunningham Scholarship	24,000	8,000
Robert M. Kossick Scholarship	8,000	4,000
Rohwetter Scholarship	8,000	4,000
Robert E. Rossel Scholarship	9,000	7,500
Albert and Bertha Gamper Fund	96,000	80,000
William Randolph Hearst Foundation Scholarship	20,000	16,000
Anne E. Whittington Memorial Scholarship	5,000	4,000
Children's Scholarship Fund	328,418	347,265
Frazza Family Scholarship Fund	280,000	300,000
Michael and Julie O'Brien Family Scholarship Fund	17,500	15,500
Jeanne-Marie La Blanc Scholarship	60,000	70,000
John F. Taranta, Jr. Memorial Scholarship Fund	160,000	96,000
O'Toole Family Scholarship Fund	28,750	30,000
St. Catherine of Siena Scholarship Fund	90,000	64,000
U.S. Space Camp Scholarship	11,361	11,561
PSE&G Scholarship Fund	-	104
Temporary Restricted Gifts - various	106,150	101,250
	\$ 1,265,679	\$ 1,184,180
Total net assets released from restrictions		

NOTE H - PENSION PLAN

The Fund provides its employees with the option to enroll in a defined contribution plan. Plan contributions by participants are made on a tax-deferred basis under an agreement for salary reduction in accordance with Section 403(b) of the Internal Revenue Code (a tax-sheltered annuity). The Fund will match employee contributions up to \$1,000 in a calendar year. Total pension expense under this 403(b) plan for fiscal years 2019 and 2018 totaled approximately \$1,500 and \$1,800, respectively. Participants are immediately vested in their account balance, including the employer's contribution portion and all earnings thereon.

The Scholarship Fund for Inner-City Children
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
June 30, 2019 and 2018

NOTE I - LIQUIDITY

The Fund is primarily supported by contributions (both with and without donor restrictions). Because donor restrictions require resources to be used in a particular manner or in a future period, the Fund maintains sufficient resources to meet those responsibilities to its donors. Thus, certain financial assets may not be available for general expenditures within one year. As part of the Fund's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Fund invests its financial assets within the Archdiocese of Newark's Investment Management Program which has immediate liquidity availability. The Fund also invests in mutual funds, which have a liquidity window of between 30 days and 90 days depending upon the amount of shares being requested to be liquidated. At least annually, the Fund performs review of projected obligations to determine the appropriate level of liquidity and resulting rebalancing of assets.

The Fund's financial assets available within one year of the statement of financial position date for general expenditures are as follows:

Financial Assets as of June 30, 2019	
Cash and cash equivalents	\$ 834,920
Contributions receivable within one year	355,728
Investments, fair value	3,487,705
Total financial assets available within one year	4,678,353
Less:	
Contractual, legal or donor-imposed restrictions:	
Amounts subject to expenditure for specified purposes	2,103,324
Amounts relating to endowment funds with donor restrictions	2,240,640
Total amounts unavailable for general expenditures within one year	4,343,964
Total financial assets available within one year	\$ 334,389