

**THE SCHOLARSHIP FUND FOR
INNER-CITY CHILDREN**

FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019



SOBEL & CO. LLC

CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

THE SCHOLARSHIP FUND FOR INNER-CITY CHILDREN

JUNE 30, 2020 AND 2019

CONTENTS

	<u>Page</u>
Independent Auditors' Report	1-2
Financial Statements:	
Statements of Financial Position.....	3
Statements of Activities and Changes in Net Assets	4-5
Statements of Functional Expenses	6
Statements of Cash Flows	7
Notes to Financial Statements	8-22

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
The Scholarship Fund for Inner-City Children
Newark, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of The Scholarship Fund for Inner-City Children ("Fund"), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, 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 misstatements, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 of 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 auditors' 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 auditors consider internal control relevant to The Scholarship for Inner-City Children'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 Scholarship for Inner-City Children'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, 2020, 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.

Prior-period Financial Statements

The financial statements of The Scholarship Fund for Inner-City Children for the year ended June 30, 2019, were audited by other auditors, whose report, dated January 8, 2020, expressed an unmodified opinion on those statements.

Sobel & Co, LLC

Certified Public Accountants

Livingston, New Jersey
May 17, 2022

THE SCHOLARSHIP FUND FOR INNER-CITY CHILDREN
STATEMENTS OF FINANCIAL POSITION

	June 30,	
	2020	2019
ASSETS		
Cash and cash equivalents	\$ 1,162,150	\$ 834,920
Contributions receivable, net	708,620	795,132
Investments	3,180,111	3,487,705
Other assets	40,345	7,260
	<hr/>	<hr/>
Total Assets	\$ 5,091,226	\$ 5,125,017
	<hr/>	<hr/>
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable and accrued expenses	\$ 81,758	\$ 333,085
Deferred revenue	91,900	-
Refundable advance	87,500	-
Other long-term liabilities	26,828	-
	<hr/>	<hr/>
Total Liabilities	287,986	333,085
	<hr/>	<hr/>
COMMITMENTS AND CONTINGENCIES		
NET ASSETS:		
Without donor restrictions	898,182	447,967
With donor restrictions	3,905,058	4,343,965
	<hr/>	<hr/>
Total Net Assets	4,803,240	4,791,932
	<hr/>	<hr/>
Total Liabilities and Net Assets	\$ 5,091,226	\$ 5,125,017
	<hr/>	<hr/>

THE SCHOLARSHIP FUND FOR INNER-CITY CHILDREN
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

	Year Ended June 30, 2020		
	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND SUPPORT:			
Contributions:			
Unrestricted	\$ 2,026,630	\$ -	\$ 2,026,630
Restricted:			
Frazza Family Scholarship Fund	-	253,990	253,990
Children's Scholarship Fund	-	267,065	267,065
Jeanne-Marie La Blanc Scholarship	-	5,000	5,000
John F. Taranta, Jr. Memorial Scholarship Fund	-	25,000	25,000
Michael and Julie O'Brien Scholarship Fund	-	20,000	20,000
O'Toole Family Scholarship Fund	-	15,000	15,000
St. Catherine of Siena Scholarship Fund	-	12,600	12,600
Richard A. and Jeanne B. Shiels Scholarship	-	205	205
Restricted donations for scholarships	-	151,805	151,805
Award dinner, net of direct expenses	84,750	-	84,750
Basketball fundraising, net of direct expenses	76,525	-	76,525
Application fees	51,060	-	51,060
Investment income	14,159	115,974	130,133
Net realized and unrealized gain (loss) on investments	4,666	(167,662)	(162,996)
Net assets released from restrictions	1,137,884	(1,137,884)	-
Total Support and Revenue	<u>3,395,674</u>	<u>(438,907)</u>	<u>2,956,767</u>
EXPENSES:			
Scholarship awards:			
Fund scholarships	690,841	-	690,841
Jean M. Boyle Memorial Scholarship	3,000	-	3,000
Union Foundation Scholarship Fund	10,000	-	10,000
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
Albert and Bertha Gamper Scholarship	95,000	-	95,000
William Randolph Hearst Foundation Scholarship	19,000	-	19,000
Anne E. Whittington Memorial Scholarship	5,000	-	5,000
Frazza Family Scholarship Fund	300,000	-	300,000
Children's Scholarship Fund	450,443	-	450,443
Jeanne-Marie La Blanc Scholarship	50,000	-	50,000
John F. Taranta, Jr. Memorial Scholarship Fund	142,000	-	142,000
Michael and Julie O'Brien Family Scholarship Fund	18,000	-	18,000
O'Toole Family Scholarship Fund	30,000	-	30,000
St. Catherine of Siena Scholarship	92,000	-	92,000
U.S. Space Camp Scholarship	150	-	150
Restricted gifts - various	98,050	-	98,050
Total Scholarship Awards	<u>2,055,484</u>	<u>-</u>	<u>2,055,484</u>
General and administrative	564,635	-	564,635
Fundraising	325,340	-	325,340
Total Expenses	<u>2,945,459</u>	<u>-</u>	<u>2,945,459</u>
CHANGES IN NET ASSETS	450,215	(438,907)	11,308
NET ASSETS, beginning of year	<u>447,967</u>	<u>4,343,965</u>	<u>4,791,932</u>
NET ASSETS, end of year	<u>\$ 898,182</u>	<u>\$ 3,905,058</u>	<u>\$ 4,803,240</u>

THE SCHOLARSHIP FUND FOR INNER-CITY CHILDREN
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

	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
Frazza Family Scholarship Fund	-	237,778	237,778
Children's Scholarship Fund	-	328,308	328,308
Jeanne-Marie La Blanc Scholarship	-	5,000	5,000
Michael and Julie O'Brien Scholarship Fund	-	24,000	24,000
O'Toole Family Scholarship Fund	-	30,500	30,500
St. Catherine of Siena Scholarship Fund	-	20,555	20,555
U.S. Space Camp Scholarship	-	11,368	11,368
Richard A. and Jeanne B. Shiels Scholarship	-	2,745	2,745
Restricted donations for scholarships	-	75,737	75,737
Award dinner, net of direct expenses	256,691	-	256,691
Basketball fundraising, net of direct expenses	16,889	-	16,889
Application fees	59,700	-	59,700
Investment income	15,094	116,913	132,007
Net realized and unrealized gain on investments	4,929	146,255	151,184
Net assets released from restrictions	1,265,679	(1,265,679)	-
Total Support and Revenue	2,660,172	(265,020)	2,395,152
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
Albert and Bertha Gamper Scholarship	96,000	-	96,000
William Randolph Hearst Foundation Scholarship	20,000	-	20,000
Anne E. Whittington Memorial Scholarship	5,000	-	5,000
Frazza Family Scholarship Fund	300,000	-	300,000
Children's Scholarship Fund	581,418	-	581,418
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
St. Catherine of Siena Scholarship	90,000	-	90,000
U.S. Space Camp Scholarship	11,361	-	11,361
Restricted gifts - various	106,150	-	106,150
Total Scholarship Awards	2,338,678	-	2,338,678
General and administrative	462,663	-	462,663
Fundraising	217,656	-	217,656
Total Expenses	3,018,997	-	3,018,997
CHANGES IN NET ASSETS	(358,825)	(265,020)	(623,845)
NET ASSETS, beginning of year	806,792	4,608,985	5,415,777
NET ASSETS, end of year	\$ 447,967	\$ 4,343,965	\$ 4,791,932

THE SCHOLARSHIP FUND FOR INNER-CITY CHILDREN
STATEMENTS OF FUNCTIONAL EXPENSES

	Year Ended June 30, 2020				Year Ended June 30, 2019			
	Supporting Services				Supporting Services			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Scholarship awards	\$ 2,055,484	\$ -	\$ -	\$ 2,055,484	\$ 2,338,678	\$ -	\$ -	\$ 2,338,678
Payroll and payroll taxes	-	339,083	167,011	506,094	-	229,276	112,927	342,203
Employee benefits	-	109,171	53,771	162,942	-	70,124	34,539	104,663
Travel	-	4,597	2,264	6,861	-	1,150	566	1,716
Professional fees	-	66,503	-	66,503	-	127,369	-	127,369
Postage and printing	-	5,583	2,750	8,333	-	4,156	2,047	6,203
Telephone	-	4,204	2,071	6,275	-	3,113	1,533	4,646
Insurance	-	5,154	2,539	7,693	-	8,861	4,365	13,226
Rent	-	9,608	4,732	14,340	-	9,608	4,732	14,340
Computer	-	4,677	2,303	6,980	-	957	471	1,428
Meetings and meals	-	4,196	2,066	6,262	-	2,801	1,380	4,181
Office supplies	-	5,402	2,661	8,063	-	4,832	2,380	7,212
Fundraising	-	-	79,990	79,990	-	-	52,510	52,510
Miscellaneous	-	6,457	3,182	9,639	-	416	206	622
Total Expenses	\$ 2,055,484	\$ 564,635	\$ 325,340	\$ 2,945,459	\$ 2,338,678	\$ 462,663	\$ 217,656	\$ 3,018,997

THE SCHOLARSHIP FUND FOR INNER-CITY CHILDREN
STATEMENTS OF CASH FLOWS

	Years Ended June 30,	
	2020	2019
CASH FLOWS PROVIDED BY (USED FOR):		
<u>OPERATING ACTIVITIES:</u>		
Change in net assets	\$ 11,308	\$ (623,845)
Adjustments to reconcile changes in net assets to net cash provided by (used for) operating activities:		
Change in provision for discount on contributions receivable	(12,626)	(20,668)
Net realized and unrealized loss (gain) on investments	162,996	(151,184)
Contributions restricted for endowments	-	(1,500)
Changes in certain assets and liabilities:		
Contributions receivable	99,138	(79,337)
Other assets	(33,085)	(7,261)
Accounts payable and accrued expenses	(251,327)	-
Deferred revenue	91,900	231,333
Refundable advance	87,500	-
Other liabilities	26,828	-
Net Cash Provided by (Used for) Operating Activities	<u>182,632</u>	<u>(652,462)</u>
<u>INVESTING ACTIVITIES:</u>		
Proceeds from sales of investments	320,598	384,860
Purchases of investments	(176,000)	(97,302)
Net Cash Provided by Investing Activities	<u>144,598</u>	<u>287,558</u>
<u>FINANCING ACTIVITIES:</u>		
Contributions restricted for endowments	-	1,500
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	327,230	(363,404)
CASH AND CASH EQUIVALENTS:		
Beginning of year	834,920	1,198,324
End of year	<u>\$ 1,162,150</u>	<u>\$ 834,920</u>

THE SCHOLARSHIP FUND FOR INNER-CITY CHILDREN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

NOTE 1 - NATURE OF ACTIVITIES:

The Scholarship Fund for Inner-City Children (“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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Accounting:

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Financial Statement Presentation:

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

Net Assets without Donor Restrictions - Net assets not subject to donor-imposed stipulations.

Net Assets with Donor Restrictions - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Fund and/or the passage of time, and other net assets subject to donor-imposed stipulations that they be maintained permanently by the Fund. Generally, the donors of these assets permit the Fund to use all or part of the income earned on any related investments for general or specific purposes. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities and changes in net assets as net assets released from restrictions.

Cash and Cash Equivalents:

Cash and cash equivalents are defined as cash balances held in bank accounts (including deposits in the Archdiocese of Newark Investment Management Program (“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.

Contributions Receivable:

The Fund recognizes contributions into revenue when received, including those received in the form of unconditional promises to give (“pledges”). Contributions receivable are reported in the statements of financial position net of any necessary allowance of uncollectible amounts and unamortized discounts related to multiyear pledges. The Fund utilizes the reserve method of accounting for uncollectible pledges. The reserve is based on historical experience and management’s evaluation of outstanding contributions receivable at the end of each year. At June 30, 2020 and 2019, management determined an allowance was not necessary.

THE SCHOLARSHIP FUND FOR INNER-CITY CHILDREN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Investments:

Investments in equity and debt securities are reported at fair value based on quoted market values as of the reporting date with gains and losses (if any) presented in the statements of activities and changes in net assets. 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. 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.

Fair Value Measurements:

Fair value measurements are defined as the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. There are three defined hierarchical levels based on the quality of inputs used that directly relate to the amount of subjectivity associated with the determination of fair value.

The fair value hierarchy defines the three levels as follows:

Level 1: Valuations based on quoted prices (unadjusted) in an active market that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2: Valuations based on observable inputs other than Level 1 prices, such as: quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from, or corroborated by, observable market data.

Level 3: Valuations based on unobservable inputs that are used when little or no market is available. The fair value hierarchy gives lowest priority to Level 3 inputs.

The fair value of investments are as follows:

Fixed Income Mutual Funds – Valued at quoted market prices of valuations provided by commercial pricing services or the mean of bid and ask prices provided by investment brokers.

Equity Securities Mutual Funds – Shares in companies traded on national securities exchanges are valued at the closing price reported in the active market in which the individual securities are traded.

Deferred Revenue:

The Fund records amounts received from funding sources in advance of performing the required services as deferred revenue.

THE SCHOLARSHIP FUND FOR INNER-CITY CHILDREN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Contributions:

Contributions, including unconditional pledges, are recorded as made. All contributions are available for unrestricted use unless specifically restricted by the donor or explicitly waived. Pledges are recognized when the conditions on which they depend are substantially met. Contributions are reported as increases in net assets without donor restrictions unless their use is limited by donor-imposed restrictions. 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.

Revenue from government grants is considered a conditional contribution and is not recognized until the conditions related to this revenue are substantially met or explicitly waived.

In-kind Contributions:

Amounts are reported in the financial statements for voluntary donations of property and services when those properties and services create or enhance nonfinancial assets or require specialized skills provided by individuals possessing those skills and which would typically be purchased if not provided by donation. Annually, the Chancery Office of the Roman Catholic Archdiocese of Newark 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, 2020 and 2019.

The Fund also regularly receives services from volunteers who are not acting in a professional capacity. Such volunteer services do not meet the criteria for financial statement recognition and are not recognized in the financial statements.

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.

Income Taxes:

The Scholarship Fund for Inner-City Children is a not-for-profit organization exempt from federal income tax under Section 501(c)(3) of the U.S. Internal Revenue Code. Accordingly, the Fund is not liable for federal and state income taxes.

The Fund follows accounting standards that provide clarification on accounting for uncertainty in income taxes recognized in the Fund's financial statements. The guidance prescribes a recognition threshold and measurement attribute for the recognition and measurement of a tax position taken, or expected to be taken, in a tax return, and also provides guidance on derecognition, classification, interest and penalties, disclosure and transition. The Fund's policy is to recognize interest and penalties on unrecognized tax benefits in income tax expense. No interest and penalties were recorded during the years ended June 30, 2020 and 2019. At June 30, 2020 and 2019, there are no significant income tax uncertainties.

THE SCHOLARSHIP FUND FOR INNER-CITY CHILDREN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Use of Estimates:

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the 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. These estimates and assumptions are based on management's best estimates and judgment. Actual results could differ from those estimates.

Recent Accounting Pronouncements:

In February 2016, the Financial Accounting Standards Board ("FASB") issued an accounting pronouncement, *Leases*, which requires lessees to recognize a right-of-use asset and lease liability on the statements of financial position for all leases with a term longer than 12 months. Under this new pronouncement, a modified retrospective transition approach or a cumulative-effect adjustment transition approach may be used, and the new standard is applied to all leases existing at the date of initial application. An entity may choose to use either (1) its effective date, or (2) the beginning of the earliest comparative period presented in the financial statements as its date of initial application. The pronouncement is effective for annual periods beginning after December 15, 2021. Earlier adoption is permitted subject to certain limitations. The Fund is currently evaluating the effect the new pronouncement will have on its financial statements.

Subsequent Events:

The Fund has evaluated its subsequent events and transactions occurring after June 30, 2020, to May 17, 2022, the date that the financial statements were available to be issued.

NOTE 3 - 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 in employing a flexible and unified investment strategy. The Fund's deposits in this program totaled \$1,134,443 and \$824,102 at June 30, 2020 and 2019, respectively, and are guaranteed by the Chancery Office and accrue interest at a rate of 2% for both years ended June 30, 2020 and 2019, 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.

THE SCHOLARSHIP FUND FOR INNER-CITY CHILDREN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 4 - CONTRIBUTIONS RECEIVABLE:

Contributions receivable consist of the following:

	June 30,	
	2020	2019
Gross contributions receivable	\$ 753,590	\$ 852,728
Less: Discount	(44,970)	(57,596)
Contributions receivable, net	<u>\$ 708,620</u>	<u>\$ 795,132</u>
Amounts due in:		
Less than one year	\$ 642,590	\$ 677,728
One to five years	111,000	175,000
	<u>\$ 753,590</u>	<u>\$ 852,728</u>

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, 2020 and 2019. Certain contributions received by the Fund are from members of management and the Board of Trustees.

NOTE 5 - INVESTMENTS:

Investments are summarized as follows:

FAIR VALUE MEASUREMENTS
AS OF JUNE 30, 2020

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Cash and cash equivalents	\$ 129,662	\$ -	\$ -	\$ 129,662
Fixed income mutual funds	1,233,028	-	-	1,233,028
Equity mutual funds	1,817,421	-	-	1,817,421
	<u>\$ 3,180,111</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,180,111</u>

FAIR VALUE MEASUREMENTS
AS OF JUNE 30, 2019

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Cash and cash equivalents	\$ 152	\$ -	\$ -	\$ 152
Fixed income mutual funds	1,258,705	-	-	1,258,705
Equity mutual funds	2,228,848	-	-	2,228,848
	<u>\$ 3,487,705</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,487,705</u>

THE SCHOLARSHIP FUND FOR INNER-CITY CHILDREN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 6 - PAYCHECK PROTECTION PROGRAM LOAN:

The Fund obtained a Paycheck Protection Program (“PPP”) loan under the CARES Act in May 2020 for \$87,500. The loan is to provide the Fund with working capital for the purpose of maintaining employment levels and paying occupancy costs during a stay-at-home period ordered by the governor of New Jersey. Paycheck Protection Program loans may be forgiven in part or in whole if the borrower maintains its employee count, as well as salary levels, during a specified period.

Any portion of the loan that is not forgiven must be repaid. Loan payments, if any, are deferred under the PPP Flexibility Act, which extends the deferral period until the date the lender receives the applicable forgiven amount from the Small Business Administration, which is not to exceed 10 months after the covered period, and are payable with interest at 1%, through 2025. The loan is uncollateralized and guaranteed by the Small Business Administration (“SBA”). The Fund recorded the PPP loan as a refundable advance and will record the forgiveness when received. The Fund received forgiveness in April 2021.

The SBA reserves the right to audit loan forgiveness for six years from the date forgiveness was awarded.

THE SCHOLARSHIP FUND FOR INNER-CITY CHILDREN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 7 - NET ASSETS WITH DONOR RESTRICTIONS:

Restricted net assets consist of the following:

	June 30, 2020		
	Time and Purpose Restricted	Donor Restricted in Perpetuity	Total
Scholarship Funds:			
Grassman Trust Endowment Fund	\$ 69,657	\$ 165,000	\$ 234,657
Jean M. Boyle Memorial Scholarship	9,778	28,590	38,368
Union Foundation Scholarship Fund	20,598	95,000	115,598
Cunningham Scholarship	29,101	159,463	188,564
Robert M. Kossick Scholarship	19,159	65,000	84,159
Rohwetter Scholarship	20,047	58,038	78,085
Robert E. Rossel Scholarship	24,218	90,000	114,218
Albert and Bertha Gamper Fund	177,338	812,688	990,026
William Randolph Hearst Foundation Scholarship	54,394	111,164	165,558
Anne E. Whittington Memorial Scholarship	201,842	-	201,842
Children's Scholarship Fund	266	-	266
Jeanne-Marie La Blanc Scholarship	56,881	-	56,881
John F. Taranta, Jr. Memorial Scholarship Fund	627,155	-	627,155
Michael and Julie O'Brien Family Scholarship Fund	178,774	-	178,774
O'Toole Family Scholarship Fund	3,466	-	3,466
St. Catherine of Siena Scholarship Fund	507,756	-	507,756
U.S. Space Camp Scholarship	7,210	-	7,210
Richard A. and Jeanne B. Shiels Scholarship	3,614	-	3,614
Richard J. Morgan Scholarship Fund	11,585	-	11,585
Total scholarship funds	2,022,839	1,584,943	3,607,782
Restricted Gifts - various	297,276	-	297,276
	\$ 2,320,115	\$ 1,584,943	\$ 3,905,058

THE SCHOLARSHIP FUND FOR INNER-CITY CHILDREN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 7 - NET ASSETS WITH DONOR RESTRICTIONS: (Continued)

	June 30, 2019		
	Time and Purpose Restricted	Donor Restricted in Perpetuity	Total
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
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
St. Catherine of Siena Scholarship Fund	585,461	-	585,461
U.S. Space Camp Scholarship	7,231	-	7,231
Richard A. and Jeanne B. Shiels Scholarship	3,351	-	3,351
Richard J. Morgan Scholarship Fund	11,356	-	11,356
Total scholarship funds	2,507,898	1,584,943	4,092,841
Restricted Gifts - various	251,124	-	251,124
	<u>\$ 2,759,022</u>	<u>\$ 1,584,943</u>	<u>\$ 4,343,965</u>

Donor-imposed endowed net assets are described as follows:

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.

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.

THE SCHOLARSHIP FUND FOR INNER-CITY CHILDREN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 7 - NET ASSETS WITH DONOR RESTRICTIONS: (Continued)

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.

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.

THE SCHOLARSHIP FUND FOR INNER-CITY CHILDREN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS: (Continued)

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.

St. Catherine of Siena Scholarship Fund - This fund was established in 2007 to provide 10 incoming high school freshmen with four-year scholarships.

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.

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 - The 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.

THE SCHOLARSHIP FUND FOR INNER-CITY CHILDREN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 8 - NET ASSETS RELEASED FROM RESTRICTION:

Net assets released from restriction consist of the following:

	Year Ended June 30,	
	2020	2019
Scholarship Funds:		
Jean M. Boyle Memorial Scholarship	\$ 3,000	\$ 1,500
Union Foundation Scholarship Fund	10,000	12,000
Cunningham Scholarship	23,800	24,000
Robert M. Kossick Scholarship	8,000	8,000
Rohwetter Scholarship	8,000	8,000
Robert E. Rossel Scholarship	12,000	9,000
Albert and Bertha Gamper Fund	95,000	96,000
William Randolph Hearst Foundation Scholarship	19,000	20,000
Anne E. Whittington Memorial Scholarship	5,000	5,000
Frazza Family Scholarship Fund	267,000	280,000
Children's Scholarship Fund	270,443	328,418
Jeanne-Marie La Blanc Scholarship	50,000	60,000
John F. Taranta, Jr. Memorial Scholarship Fund	142,000	160,000
Michael and Julie O'Brien Family Scholarship Fund	18,000	17,500
O'Toole Family Scholarship Fund	15,000	28,750
St. Catherine of Siena Scholarship Fund	92,000	90,000
U.S. Space Camp Scholarship	150	11,361
Total scholarship funds	<u>1,038,393</u>	<u>1,159,529</u>
Restricted Gifts - various	99,491	106,150
	<u>\$ 1,137,884</u>	<u>\$ 1,265,679</u>

THE SCHOLARSHIP FUND FOR INNER-CITY CHILDREN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

NOTE 9 - ENDOWMENT FUNDS:

The Fund's endowment consists of nine individual funds established by donors to provide scholarship awards. The Fund's endowment includes only donor-restricted endowment funds.

The Fund follows accounting standards that provide clarification on accounting for donor-restricted endowment funds. The guidance prescribes that the portion of donor-restricted endowment funds that are classified as net assets with donor restrictions should not be reduced by losses on the investment of the fund or the Fund's appropriations from the fund.

The Fund has interpreted the Uniform Prudent Management of Institutional Funds Act ("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 the UMPIFA, 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 Fund considers the following factors in deciding to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the Fund
- (2) The purposes of the Fund and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Fund
- (7) The investment policies of the Fund

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 SCHOLARSHIP FUND FOR INNER-CITY CHILDREN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 9 - ENDOWMENT FUNDS: (Continued)

Endowment net asset composition by type of fund are as follows:

	June 30, 2020		
	Without Donor Restriction	With Donor Restriction	Total
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ -	\$ 1,584,943	\$ 1,584,943
Accumulated investment gains	-	424,290	424,290
June 30, 2020, net endowment assets	<u>\$ -</u>	<u>\$ 2,009,233</u>	<u>\$ 2,009,233</u>

	June 30, 2019		
	Without Donor Restriction	With Donor Restriction	Total
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ -	\$ 1,584,943	\$ 1,584,943
Accumulated investment gains	-	656,697	656,697
June 30, 2019, net endowment assets	<u>\$ -</u>	<u>\$ 2,241,640</u>	<u>\$ 2,241,640</u>

Changes in endowment net assets are as follows:

	For the Year Ended June 30, 2020		
	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, June 30, 2019	\$ -	\$ 2,241,640	\$ 2,241,640
Investment return, net	-	(53,407)	(53,407)
Withdrawal	-	(179,000)	(179,000)
Endowment net assets, June 30, 2020	<u>\$ -</u>	<u>\$ 2,009,233</u>	<u>\$ 2,009,233</u>

THE SCHOLARSHIP FUND FOR INNER-CITY CHILDREN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 9 - ENDOWMENT FUNDS: (Continued)

Changes in endowment net assets are as follows:

	For the Year Ended June 30, 2019		
	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, June 30, 2018	\$ -	\$ 2,251,683	\$ 2,251,683
Investment return, net	-	166,957	166,957
Contributions	-	1,500	1,500
Withdrawal	-	(178,500)	(178,500)
Endowment net assets, June 30, 2019	<u>\$ -</u>	<u>\$ 2,241,640</u>	<u>\$ 2,241,640</u>

NOTE 10 - 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. The Fund will match employee contributions up to \$1,000 in a calendar year. Total pension expense under the 403(b) plan for the years ended June 30, 2020 and 2019, totaled approximately \$13,500 and \$1,500, respectively. Participants are immediately vested in their account balance, including the employer's contribution portion and all earnings thereon.

NOTE 11 - FUNCTIONAL EXPENSES:

The financial statements contain certain categories of expense that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Scholarship awards and fundraising expenses are direct costs. All other expenses are allocated based on employee time spent in each program or department.

NOTE 12 - CONCENTRATIONS OF RISK:

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.

THE SCHOLARSHIP FUND FOR INNER-CITY CHILDREN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 12 - CONCENTRATIONS OF RISK: (Continued)

The Fund is actively monitoring the recent COVID-19 outbreak and its potential impact on the employees, volunteers, donors, and operations. It is not known at this time how much effect the virus will have on operations and/or financial results. The potential impact of COVID-19 is not foreseeable due to various uncertainties, including the severity of the disease, the duration of the outbreak, and actions that may be taken by governmental authorities.

During the year ended June 30, 2019, the Fund received 14% of its support and revenue of contributions from one donor. There were no such concentrations during the year ended June 30, 2020.

NOTE 13 - LIQUIDITY AND AVAILABILITY:

The following represents the Fund's financial assets reduced by amounts not available for general use within one year of the statement of financial position date because of contractual or donor-imposed restrictions or internal designations. Amounts available include donor-restricted amounts that are available for general expenditure in the following year.

	June 30,	
	2020	2019
Cash and cash equivalents	\$ 1,162,150	\$ 834,920
Contributions receivable, net	708,620	795,132
Investments	3,180,111	3,487,705
	<u>5,050,881</u>	<u>5,117,757</u>
Less:		
Net assets held in perpetuity	(1,584,943)	(1,584,943)
Net assets restricted for time and purpose	(2,320,115)	(2,759,022)
Contributions receivable not due within one year	(111,000)	(175,000)
	<u>(4,016,058)</u>	<u>(4,518,965)</u>
Plus: amounts expected to released from restriction	160,000	160,000
	<u>\$ 1,194,823</u>	<u>\$ 758,792</u>

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 number 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.