



INNER-CITY SCHOLARSHIP FUND, INC.

Financial Statements and Schedules

August 31, 2009

(With Independent Auditors' Report Thereon)



KPMG LLP
345 Park Avenue
New York, NY 10154-0102

Independent Auditors' Report

The Board of Trustees
Inner-City Scholarship Fund, Inc.:

We have audited the accompanying balance sheet of Inner-City Scholarship Fund, Inc. (ICSF) as of August 31, 2009, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of ICSF's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from ICSF's 2008 financial statements and, in our report dated January 16, 2009, we expressed an unqualified opinion on those financial statements.

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 includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of ICSF's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Inner-City Scholarship Fund, Inc. as of August 31, 2009, and the changes in its net assets and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

As discussed in note 2 to the financial statements, the Inner-city Scholarship Fund adopted the provisions of Statement of Financial Accounting Standards No. 157, *Fair Value Measurements*, as amended, and Financial Accounting Standards Board Staff Position FAS 117-1, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds*, in 2009.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information included in schedules 1 and 2 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

KPMG LLP

February 24, 2010

INNER-CITY SCHOLARSHIP FUND, INC.

Balance Sheet

August 31, 2009

(With comparative financial information as of August 31, 2008)

| Assets | 2009 | 2008 |
|---|---------------|-------------|
| Cash and cash equivalents | \$ 1,340,959 | 3,777,401 |
| Deposits with the Parish Assistance Corporation | 4,855,838 | 2,298,132 |
| Accrued interest receivable | 38,379 | 38,379 |
| Contributions receivable, net (note 4) | 5,133,879 | 6,259,687 |
| Prepaid expenses | 27,110 | 115,950 |
| Investment in Archdiocesan Common Investment Fund, at fair value (note 3) | 1,071,613 | 1,149,041 |
| Gift annuity held by the Archdiocese of New York, net | 130,858 | 167,643 |
| Total assets | \$ 12,598,636 | 13,806,233 |
| Liabilities and Net Assets | | |
| Liabilities: | | |
| Accounts payable and accrued expenses | \$ 176,562 | 95,023 |
| Deferred revenue | 34,700 | — |
| Payable to the Archdiocese of New York (note 5) | 234,872 | 194,122 |
| Grants payable: | | |
| Pathways to Excellence Strategic Planning grant due to the Archdiocese of New York | 100,000 | — |
| Early Childhood Literacy grant due to the Archdiocese of New York | — | 190,000 |
| Financial aid grants due to individual schools | 73,104 | 136,030 |
| Total liabilities | 619,238 | 615,175 |
| Net assets: | | |
| Unrestricted | 3,346,959 | 2,126,667 |
| Temporarily restricted (note 7) | 3,050,439 | 5,482,391 |
| Permanently restricted (note 7) | 5,582,000 | 5,582,000 |
| Total net assets | 11,979,398 | 13,191,058 |
| Total liabilities and net assets | \$ 12,598,636 | 13,806,233 |

See accompanying notes to financial statements.

INNER-CITY SCHOLARSHIP FUND, INC.

Statement of Activities

Year ended August 31, 2009

(With summarized financial information for the year ended August 31, 2008)

| | <u>Unrestricted</u> | <u>Temporarily restricted</u> | <u>Permanently restricted</u> | <u>2009 total</u> | <u>2008 total</u> |
|---|---------------------|-----------------------------------|-----------------------------------|-----------------------|-----------------------|
| Revenues: | | | | | |
| Contributions and bequests (note 4) | \$ 1,657,922 | 9,695,483 | — | 11,353,405 | 16,494,002 |
| Special events, net of direct donor benefits of \$455,004 and \$567,049 in 2009 and 2008, respectively | 2,548,892 | — | — | 2,548,892 | 3,180,805 |
| Interest income | 88,469 | 109,719 | — | 198,188 | 232,655 |
| Net loss on investments | (93,350) | (44,206) | — | (137,556) | (97,751) |
| Net assets released from restrictions | 12,192,948 | (12,192,948) | — | — | — |
| Total revenues | <u>16,394,881</u> | <u>(2,431,952)</u> | <u>—</u> | <u>13,962,929</u> | <u>19,809,711</u> |
| Expenses: | | | | | |
| Program services: | | | | | |
| Grants and allocations: | | | | | |
| Financial aid grants | 1,734,402 | — | — | 1,734,402 | 3,030,351 |
| Be A Student's Friend grants | 4,136,700 | — | — | 4,136,700 | 3,881,600 |
| Cardinal's Scholarship Program administered by the Children's Scholarship Fund | 6,614,033 | — | — | 6,614,033 | 5,688,178 |
| Library Connections program administered by the Archdiocese of New York | 348,493 | — | — | 348,493 | 735,315 |
| Pathways to Excellence Strategic Planning administered by the Archdiocese of New York | 125,000 | — | — | 125,000 | — |
| Early Childhood Literacy program administered by the Archdiocese of New York | 15,000 | — | — | 15,000 | — |
| Teacher Resource Center administered by the Archdiocese of New York | 15,000 | — | — | 15,000 | 25,000 |
| Enrichment program | — | — | — | — | 15,000 |
| Program administration: | | | | | |
| Be A Student's Friend program | 311,521 | — | — | 311,521 | 298,387 |
| Enrichment program | 68,039 | — | — | 68,039 | 51,205 |
| Total program services | <u>13,368,188</u> | <u>—</u> | <u>—</u> | <u>13,368,188</u> | <u>13,725,036</u> |
| Supporting services: | | | | | |
| General and administrative | 658,578 | — | — | 658,578 | 620,863 |
| Development | 1,147,823 | — | — | 1,147,823 | 1,048,363 |
| Total supporting services | <u>1,806,401</u> | <u>—</u> | <u>—</u> | <u>1,806,401</u> | <u>1,669,226</u> |
| Total expenses | <u>15,174,589</u> | <u>—</u> | <u>—</u> | <u>15,174,589</u> | <u>15,394,262</u> |
| Increase (decrease) in net assets | 1,220,292 | (2,431,952) | — | (1,211,660) | 4,415,449 |
| Net assets at beginning of year | 2,126,667 | 5,482,391 | 5,582,000 | 13,191,058 | 8,775,609 |
| Net assets at end of year | \$ <u>3,346,959</u> | <u>3,050,439</u> | <u>5,582,000</u> | <u>11,979,398</u> | <u>13,191,058</u> |

See accompanying notes to financial statements.

INNER-CITY SCHOLARSHIP FUND, INC.

Statement of Cash Flows

Year ended August 31, 2009

(With comparative financial information for the year ended August 31, 2008)

| | <u>2009</u> | <u>2008</u> |
|--|---------------------|------------------|
| Cash flows from operating activities: | | |
| (Decrease) increase in net assets | \$ (1,211,660) | 4,415,449 |
| Adjustments to reconcile (decrease) increase in net assets to net cash (used in) provided by operating activities: | | |
| Net loss on investments | 137,556 | 97,751 |
| Contribution restricted for endowment | — | (5,000,000) |
| Changes in operating assets and liabilities: | | |
| Accrued interest receivable | — | 16,373 |
| Contributions receivable | 297,967 | 1,323,800 |
| Prepaid expenses | 88,840 | (72,435) |
| Gift annuity held by the Archdiocese of New York | 36,785 | 10,451 |
| Accounts payable and accrued expenses | 81,539 | (21,626) |
| Deferred revenue | 34,700 | (224,606) |
| Payable to the Archdiocese of New York | 40,750 | 19,668 |
| Grants payable | (152,926) | (168,421) |
| Net cash (used in) provided by operating activities | <u>(646,449)</u> | <u>396,404</u> |
| Cash flows from investing activities: | | |
| Increase in deposits with the Parish Assistance Corporation | (2,557,706) | — |
| Dividend and interest income reinvested in Archdiocesan Common Investment Fund | (35,128) | (35,514) |
| Investment in the Archdiocesan Common Investment Fund | (75,000) | (15,550) |
| Withdrawal from the Archdiocesan Common Investment Fund | 50,000 | 10,470 |
| Net cash used in investing activities | <u>(2,617,834)</u> | <u>(40,594)</u> |
| Cash flows from financing activities: | | |
| Contribution restricted for endowment | — | 5,000,000 |
| Decrease (increase) in contributions receivable restricted for endowment | 827,841 | (2,545,794) |
| Net cash provided by financing activities | <u>827,841</u> | <u>2,454,206</u> |
| Net (decrease) increase in cash and cash equivalents | (2,436,442) | 2,810,016 |
| Cash and cash equivalents at beginning of year | <u>3,777,401</u> | <u>967,385</u> |
| Cash and cash equivalents at end of year | <u>\$ 1,340,959</u> | <u>3,777,401</u> |

See accompanying notes to financial statements.

INNER-CITY SCHOLARSHIP FUND, INC.

Notes to Financial Statements

August 31, 2009

(With comparative financial information
as of and for the year ended August 31, 2008)

(1) Organization

Inner-City Scholarship Fund, Inc. (ICSF) is a not-for-profit organization exempt from Federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code. ICSF's objective is to obtain funds for the benefit of students in attendance at Catholic schools serving certain low-income areas within the Archdiocese of New York. Financial aid grants to schools are made based on enrollment and donor designations. In addition, schools receive scholarship funds through ICSF's Be A Student's Friend sponsorship. ICSF also provides support for Library Connections, Patrons Program, Early Childhood Literacy, and other enrichment programs.

Effective with the 2005 – 2006 academic year, ICSF, along with the Endowment for Inner-City Education, has participated in the Cardinal's Scholarship Program. Administered by the Children's Scholarship Fund, an unaffiliated not-for-profit organization, the program was established to address the decline in enrollment. The program has each of the three organizations sharing equally in the cost of scholarships awarded to public school students who transfer to one of 85 Catholic inner-city elementary schools. As each family awarded a scholarship must qualify for continued support annually, no liability has been reflected in the financial statements for ICSF's commitment to share in the on-going cost associated with children who continue to qualify for the scholarship in the future.

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables and payables. Other significant accounting policies are set forth below.

(b) Basis of Presentation

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

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that will be met either by actions of ICSF or by the passage of time.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by ICSF. Generally, the donors of these assets permit ICSF to use all or part of the income earned on related investments to support financial aid grants.

Revenues are reported as increases in unrestricted net assets unless their use is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation. Expirations of temporary restrictions on net assets

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as of and for the year ended August 31, 2008)

(i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

(c) Cash and Cash Equivalents

ICSF considers all highly liquid debt instruments purchased with original maturities of three months or less to be cash equivalents except for those short-term instruments, if any, maintained in the Archdiocesan Common Investment Fund (see note 3).

(d) Deposits with the Parish Assistance Corporation

Prior to fiscal 2009, amounts deposited with the Parish Assistance Corporation (formerly known as the Deposit & Loan Fund of the Archdiocese of New York) earned interest at a rate that was the lower of the overnight money market rate average for the 30 business days prior to the beginning of the interest period or the six-month certificate of deposit rate at the beginning of the interest period. During fiscal year 2009, management of the Parish Assistance Corporation maintained the interest rate at the August 31, 2008 level, 3.34 percent.

(e) Contributions

Contributions, including unconditional promises to give, are recognized when received. Unconditional promises are recorded net of an allowance for amounts deemed uncollectible and a present value discount.

(f) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and judgments that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(g) Comparative Financial Information

The accompanying statement of activities is presented with 2008 comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with ICSF's 2008 financial statements, from which the summarized information was derived.

(h) Reclassifications

Certain 2008 amounts have been reclassified to conform to the 2009 presentation.

(i) Adoption of New Accounting Pronouncements

Effective September 1, 2008, ICSF adopted Financial Accounting Standards Board (FASB) Statement No. 157, *Fair Value Measurements* (SFAS 157). SFAS 157 defines fair value, and

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August 31, 2009

(With comparative financial information
as of and for the year ended August 31, 2008)

establishes a three-level hierarchy for fair value measurements based on the observable inputs to the valuation of an asset or liability at the measurement date. Fair value is defined as the price 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. It prioritizes the inputs to the valuation techniques used to measure fair value by giving the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements) (note 3).

Under SFAS 157, the three levels of the fair value hierarchy are as follows:

Level 1 – valuation inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that ICSF has the ability to access at measurement date.

Level 2 – valuation inputs are inputs other than quoted prices included in Level 1 that are either directly or indirectly observable for the assets or liabilities.

Level 3 – valuation inputs are unobservable inputs for the assets or liabilities.

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

In connection with the adoption of SFAS 157, ICSF elected to early adopt the measurement provisions of Accounting Standards Update No. 2009-12, *Fair Value Measurements and Disclosures – Investments in Certain Entities That Calculate Net Asset Value per Share (or its Equivalent)* with respect to certain investments in funds that do not have readily determinable fair values. This guidance amends SFAS 157 and allows, as a practical expedient, for the estimation of the fair value of investments within its scope using net asset value per share or its equivalent as provided by the investment manager.

Effective September 1, 2008, ICSF adopted the provisions of FASB Staff Position FAS No. 117-1, *Endowments of Not-for Profit Organizations, Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for all Endowment Funds* (FSP 117-1). FSP 117-1 provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA), and requires disclosures about endowment funds. As of August 31, 2009, New York State had not enacted the provisions of UPMIFA and, accordingly, the impact of FSP 117-1 has been limited to additional disclosures regarding ICSF's endowment funds.

Effective August 31, 2009, ICSF adopted FASB Statement No. 165, *Subsequent Events* (Statement 165). Statement 165 establishes principles and requirements for subsequent events and applies to accounting for and disclosure of subsequent events not addressed in other applicable generally accepted accounting principles. ICSF evaluated events subsequent to August 31, 2009 and through February 24, 2010, the date on which the financial statements were available to be issued.

INNER-CITY SCHOLARSHIP FUND, INC.

Notes to Financial Statements

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(With comparative financial information
as of and for the year ended August 31, 2008)

(3) Investment in Archdiocesan Common Investment Fund

ICSF participates with other Archdiocesan entities in the Archdiocesan Common Investment Fund (the Fund), which allows for additions and redemptions monthly. The Fund is invested in equity (S&P 500 Index) and fixed income (Barclays Aggregate Bond Index) index funds managed by the Bank of New York Mellon (formerly the Bank of New York), of which the underlying investments are screened for the Archdiocesan Socially Responsible Investing Policy, and valued by the Fund based on the value of its underlying investments. Investment income and net gains (losses) on sales of securities and unrealized appreciation (depreciation) in fair value of investments are credited monthly to ICSF's account based on its pro rata participation in the Fund. The total investments of the Fund at August 31, 2009 are summarized in the following table by their classification in the fair value hierarchy:

| | <u>Total</u> | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> |
|-------------------------|-----------------------|--------------------|----------------|----------------|
| Cash equivalents | \$ 10,645,490 | 10,645,490 | — | — |
| Fixed-income securities | 52,178,649 | 52,178,649 | — | — |
| Equity securities | 54,806,457 | 54,806,457 | — | — |
| | <u>\$ 117,630,596</u> | <u>117,630,596</u> | <u>—</u> | <u>—</u> |

At August 31, 2009 and 2008, ICSF's investment in the Fund was allocated as follows:

| | <u>2009</u> | <u>2008</u> |
|---|---------------------|------------------|
| Equity – S&P 500 Index Fund | \$ 581,840 | 714,772 |
| Fixed Income – Barclays Aggregate Bond Index Fund | 424,139 | 434,269 |
| Money Market – Dreyfus Reserve Funds | 65,634 | — |
| | <u>\$ 1,071,613</u> | <u>1,149,041</u> |

(4) Contributions Receivable

Contributions receivable consist of the following at August 31, 2009 and 2008:

| | <u>2009</u> | <u>2008</u> |
|--|---------------------|------------------|
| Amounts expected to be collected in: | | |
| Less than one year | \$ 1,795,825 | 3,521,808 |
| One to five years | 2,956,326 | 1,980,400 |
| More than five years | 1,000,000 | 1,500,000 |
| | 5,752,151 | 7,002,208 |
| Less allowance for uncollectible amounts | (22,205) | (16,029) |
| Less discount at rates ranging from 5.00% to 5.75% | (596,067) | (726,492) |
| | <u>\$ 5,133,879</u> | <u>6,259,687</u> |

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as of and for the year ended August 31, 2008)

At August 31, 2009 and 2008, the amounts receivable from two donors represent approximately 91% and 93% of the gross receivable, respectively.

During 2007, ICSF received a grant not to exceed \$22,500,000, which is providing funding for scholarships to students demonstrating financial need in accordance with the guidelines of the Cardinal's Scholarship Program. The grant is expected to be received through August 31, 2013. As the receipt of future amounts is conditional, revenue is recognized as cash is collected. Through August 31, 2009, approximately \$8.3 million has been received and recognized as revenue, including approximately \$4.7 million and \$3.6 million in fiscal 2009 and 2008, respectively.

(5) Payable to the Archdiocese of New York

The payable to the Archdiocese of New York represents amounts due for items such as rent, data services, and other allocated services. The amounts charged for such services approximated \$1,165,000 and \$1,082,000 in 2009 and 2008, respectively.

(6) Pension Plan

ICSF employees who satisfy age and service requirements participate in a noncontributory defined benefit Archdiocesan Pension Plan. Total pension expense was \$21,811 and \$12,173 in 2009 and 2008, respectively. Because this is a multiemployer plan, information as to vested and nonvested earned benefits, as well as plan assets, as they relate to ICSF employees, is not readily available. It is ICSF's policy to provide for all pension costs currently.

(7) Net Assets

Temporarily restricted net assets at August 31, 2009 and 2008 are available for the following purposes or periods:

| | <u>2009</u> | <u>2008</u> |
|--|---------------------|------------------|
| Purpose restrictions: | | |
| Financial aid for schools | \$ 1,403,818 | 3,237,026 |
| Library Connections program | 22,118 | 370,494 |
| Be A Student's Friend grants and program | 1,341,365 | 1,504,948 |
| Other enrichment programs | <u>152,280</u> | <u>152,280</u> |
| | 2,919,581 | 5,264,748 |
| Time restrictions: | | |
| For subsequent years | — | 50,000 |
| Gift annuity held by Archdiocese of New York for the benefit of ICSF | <u>130,858</u> | <u>167,643</u> |
| | <u>\$ 3,050,439</u> | <u>5,482,391</u> |

INNER-CITY SCHOLARSHIP FUND, INC.

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August 31, 2009

(With comparative financial information
as of and for the year ended August 31, 2008)

Permanently restricted net assets at August 31, 2009 and 2008 are restricted as follows:

| | | |
|--|----|-------------------------|
| Be A Student's Friend grants and program | \$ | 5,211,000 |
| Financial aid for schools | | <u>371,000</u> |
| | \$ | <u><u>5,582,000</u></u> |

(8) Endowment

ICSF's endowment consists of eight donor-restricted funds and two board-designated funds, and its composition by net asset category as of August 31, 2009 and 2008, exclusive of contributions receivable, is as follows:

| | 2009 | | | |
|------------------|---------------------|-----------------------------------|-----------------------------------|------------------|
| | <u>Unrestricted</u> | <u>Temporarily restricted</u> | <u>Permanently restricted</u> | <u>Total</u> |
| Donor-restricted | \$ 233,312 | — | 3,864,047 | 4,097,359 |
| Board-designated | — | 341,424 | — | 341,424 |
| | <u>\$ 233,312</u> | <u>341,424</u> | <u>3,864,047</u> | <u>4,438,783</u> |

| | 2008 | | | |
|------------------|---------------------|-----------------------------------|-----------------------------------|------------------|
| | <u>Unrestricted</u> | <u>Temporarily restricted</u> | <u>Permanently restricted</u> | <u>Total</u> |
| Donor-restricted | \$ 223,472 | — | 3,036,206 | 3,259,678 |
| Board-designated | — | 367,406 | — | 367,406 |
| | <u>\$ 223,472</u> | <u>367,406</u> | <u>3,036,206</u> | <u>3,627,084</u> |

Changes in endowment net assets for the year ended August 31, 2009 are as follows:

| | 2009 | | | |
|---|---------------------|-----------------------------------|-----------------------------------|------------------|
| | <u>Unrestricted</u> | <u>Temporarily restricted</u> | <u>Permanently restricted</u> | <u>Total</u> |
| Endowment net assets, August 31, 2008 | \$ 223,472 | 367,406 | 3,036,206 | 3,627,084 |
| Contributions and pledge collections | — | 6,650 | 827,841 | 834,491 |
| Interest income | 9,091 | 105,673 | — | 114,764 |
| Net loss on investments | (93,350) | (44,206) | — | (137,556) |
| Net assets released from restriction | 94,099 | (94,099) | — | — |
| Endowment net assets, August 31, 2009 | <u>\$ 233,312</u> | <u>341,424</u> | <u>3,864,047</u> | <u>4,438,783</u> |

INNER-CITY SCHOLARSHIP FUND, INC.

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ICSF has interpreted New York's Uniform Management of Institutional Funds Act as requiring the original value of donor-restricted endowment gifts (historic dollar value) to be recorded as permanently restricted net assets. The remaining portion is classified as either unrestricted or temporarily restricted depending upon donor intent.

From time to time, the fair value of assets associated with an individual donor-restricted endowment fund may fall below the fund's historic dollar value. Deficiencies of this nature are reported in unrestricted net assets and totaled \$7,720 as of August 31, 2009.

The endowment portfolio seeks a balance of income and growth to support ICSF programs. The investment strategy is to emphasize long-term appreciation and consistency of total portfolio returns. Investments are expected to comply with socially responsible investment policies set forth by the United States Catholic Conference of Bishops.

Generally, spending should not exceed 5% of a fund's value at the beginning of the fiscal year. Each year, ICSF will determine whether this guideline requires adjustment, recognizing that growing the endowment (preservation of purchasing power) is an ICSF priority.

INNER-CITY SCHOLARSHIP FUND, INC.

Schedule of Financial Aid and Be A Student's Friend Grants

Year ended August 31, 2009

| | <u>Total</u> | <u>Financial aid grants</u> | <u>Be A Student's Friend grants</u> |
|--------------------------------------|------------------|---------------------------------|---|
| Manhattan Elementary Grants: | | | |
| All Saints | \$ 23,400 | 11,400 | 12,000 |
| Annunciation | 28,836 | 4,836 | 24,000 |
| Ascension | 56,021 | 11,021 | 45,000 |
| Blessed Sacrament | 30,914 | 2,914 | 28,000 |
| Corpus Christi | 48,975 | 21,975 | 27,000 |
| Good Shepherd | 18,945 | 2,945 | 16,000 |
| Guardian Angel | 63,614 | 23,614 | 40,000 |
| Holy Cross | 26,934 | 6,934 | 20,000 |
| Holy Name of Jesus | 37,674 | 11,674 | 26,000 |
| Mt. Carmel/Holy Rosary | 46,500 | 2,500 | 44,000 |
| Immaculate Conception | 58,582 | 19,582 | 39,000 |
| Incarnation | 74,901 | 12,901 | 62,000 |
| Our Lady of Lourdes | 32,000 | — | 32,000 |
| Our Lady of Pompeii | 15,219 | 4,219 | 11,000 |
| Our Lady of Sorrows | 28,000 | — | 28,000 |
| Our Lady Queen of Angels | 91,900 | 67,900 | 24,000 |
| Our Lady Queen of Martyrs | 38,462 | 6,462 | 32,000 |
| Sacred Heart of Jesus | 33,022 | 3,522 | 29,500 |
| St. Aloysius | 34,990 | 5,990 | 29,000 |
| St. Ann | 57,535 | 6,535 | 51,000 |
| St. Brigid | 33,845 | 11,845 | 22,000 |
| St. Charles Borromeo | 28,797 | 8,797 | 20,000 |
| St. Elizabeth | 51,081 | 9,081 | 42,000 |
| St. Gregory the Great | 31,000 | — | 31,000 |
| St. James | 75,126 | 58,126 | 17,000 |
| St. Joseph – 87th St. | 20,208 | 4,208 | 16,000 |
| St. Joseph – Monroe | 25,575 | 4,575 | 21,000 |
| St. Joseph – Morningside | 20,070 | 5,070 | 15,000 |
| St. Jude | 42,145 | 7,145 | 35,000 |
| St. Mark the Evangelist | 25,400 | 5,400 | 20,000 |
| St. Patrick | 15,000 | — | 15,000 |
| St. Paul – 118th Street | 36,841 | 6,841 | 30,000 |
| St. Rose of Lima | 35,980 | 8,980 | 27,000 |
| St. Stephen of Hungary | 24,086 | 6,086 | 18,000 |
| Transfiguration | 23,116 | 3,116 | 20,000 |
| Total Manhattan Elementary Grants | <u>1,334,694</u> | <u>366,194</u> | <u>968,500</u> |
| Bronx Elementary Grants: | | | |
| Blessed Sacrament | 24,463 | 4,463 | 20,000 |
| Christ the King | 73,898 | 21,898 | 52,000 |
| Holy Cross | 39,501 | 7,501 | 32,000 |
| Holy Family | 27,690 | 12,690 | 15,000 |
| Holy Rosary | 20,697 | 11,697 | 9,000 |
| Holy Spirit | 47,080 | 8,080 | 39,000 |
| Immaculate Conception – 151st Street | 73,241 | 33,241 | 40,000 |
| Immaculate Conception – Gunhill | 42,224 | 14,224 | 28,000 |
| Nativity of Our Blessed Lady | 12,379 | 4,379 | 8,000 |
| Our Lady of Angels | 15,570 | 7,570 | 8,000 |

INNER-CITY SCHOLARSHIP FUND, INC.

Schedule of Financial Aid and Be A Student's Friend Grants

Year ended August 31, 2009

| | Total | Financial aid grants | Be A Student's Friend grants |
|--|------------------|-------------------------|------------------------------------|
| Our Lady of Grace | \$ 35,444 | 8,444 | 27,000 |
| Our Lady of Mercy | 46,207 | 8,207 | 38,000 |
| Our Lady of Mt. Carmel | 20,228 | 6,228 | 14,000 |
| Our Lady of Refuge | 23,155 | 6,155 | 17,000 |
| Sacred Heart | 65,997 | 17,997 | 48,000 |
| St. Angela Merici | 60,775 | 23,775 | 37,000 |
| St. Ann | 18,564 | 4,564 | 14,000 |
| St. Anselm | 56,252 | 32,252 | 24,000 |
| St. Anthony – Mansion St. | 7,212 | 5,212 | 2,000 |
| St. Athanasius | 61,944 | 30,944 | 31,000 |
| St. Augustine | 17,200 | 5,200 | 12,000 |
| St. Brendan | 30,173 | 9,173 | 21,000 |
| St. Dominic | 22,165 | 5,165 | 17,000 |
| St. Anthony/St. Francis of Rome | 12,620 | 6,620 | 6,000 |
| St. Francis Xavier School | 20,000 | 20,000 | — |
| St. Helena | 47,429 | 13,429 | 34,000 |
| St. Jerome | 69,673 | 27,673 | 42,000 |
| St. John | 21,296 | 3,296 | 18,000 |
| St. John Chrysostom | 76,957 | 32,957 | 44,000 |
| St. John Vianney | 21,462 | 6,462 | 15,000 |
| St. Joseph | 37,422 | 10,922 | 26,500 |
| St. Lucy | 20,713 | 12,713 | 8,000 |
| St. Luke | 55,116 | 28,616 | 26,500 |
| St. Margaret of Cortona | 14,400 | 14,400 | — |
| St. Margaret Mary | 29,666 | 7,666 | 22,000 |
| St. Martin of Tours | 16,410 | 4,410 | 12,000 |
| St. Mary | 22,135 | 10,135 | 12,000 |
| St. Mary Star of the Sea | 23,075 | 3,075 | 20,000 |
| St. Nicholas of Tolentine | 39,893 | 8,893 | 31,000 |
| Sts. Peter and Paul | 161,391 | 110,391 | 51,000 |
| Sts. Philip and James | 29,462 | 6,462 | 23,000 |
| St. Philip Neri | 20,538 | 6,538 | 14,000 |
| St. Raymond | 42,821 | 7,821 | 35,000 |
| St. Simon Stock | 58,019 | 8,019 | 50,000 |
| St. Thomas Aquinas | 21,558 | 6,558 | 15,000 |
| Santa Maria | 23,645 | 3,645 | 20,000 |
| St. Francis of Assisi School | 24,216 | 4,216 | 20,000 |
| Visitation School | 32,801 | 4,801 | 28,000 |
| Total Bronx Elementary Grants | 1,784,777 | 658,777 | 1,126,000 |
| Staten Island Elementary Grants: | | | |
| Blessed Sacrament | 14,495 | 14,495 | — |
| Immaculate Conception | 26,550 | 2,550 | 24,000 |
| Our Lady of Mt. Carmel/St. Benedicta | 26,687 | 11,687 | 15,000 |
| St. Mary | 10,154 | 10,154 | — |
| St. Peter's | 28,203 | 11,203 | 17,000 |
| St. Sylvester | 37,308 | 19,308 | 18,000 |
| Total Staten Island Elementary Grants | 143,397 | 69,397 | 74,000 |

INNER-CITY SCHOLARSHIP FUND, INC.
 Schedule of Financial Aid and Be A Student's Friend Grants
 Year ended August 31, 2009

| | <u>Total</u> | <u>Financial aid grants</u> | <u>Be A Student's Friend grants</u> |
|--|------------------|---------------------------------|---|
| Duchess County Elementary Grants: | | | |
| St. Joseph | \$ 16,873 | 16,873 | — |
| Total Duchess County Elementary Grants | <u>16,873</u> | <u>16,873</u> | <u>—</u> |
| Rockland County Elementary Grants: | | | |
| St. Peter's | 2,000 | 2,000 | — |
| Total Rockland County Elementary Grants | <u>2,000</u> | <u>2,000</u> | <u>—</u> |
| Westchester County Elementary Grants: | | | |
| Corpus Christi/Holy Rosary – Portchester | 66,500 | 66,500 | — |
| Holy Name of Jesus – New Rochlle | 1,000 | 1,000 | — |
| Our Lady of the Assumption | 16,500 | 16,500 | — |
| Our Lady of Victory | 18,500 | 18,500 | — |
| Sacred Heart School for the Arts | 18,500 | 16,500 | 2,000 |
| St. Ann | 21,100 | 21,100 | — |
| St. Casimir | 31,500 | 31,500 | — |
| St. Paul the Apostle | 2,000 | — | 2,000 |
| St. Peter's School | 20,500 | 18,500 | 2,000 |
| St. Mary's School | 17,500 | 17,500 | — |
| Total Westchester County Elementary Grants | <u>213,600</u> | <u>207,600</u> | <u>6,000</u> |
| Total Elementary Grants | <u>3,495,341</u> | <u>1,320,841</u> | <u>2,174,500</u> |
| Manhattan Secondary Grants: | | | |
| Cathedral High School | 260,033 | 78,783 | 181,250 |
| Mother Cabrini | 95,542 | 11,792 | 83,750 |
| Notre Dame | 154,506 | 8,256 | 146,250 |
| Rice High School | 40,942 | 15,942 | 25,000 |
| St. Agnes Boys High School | 105,935 | 23,585 | 82,350 |
| St. Jean Baptiste | 99,292 | 11,792 | 87,500 |
| La Salle Academy | 64,292 | 11,792 | 52,500 |
| St. Michael's Academy | 65,292 | 12,792 | 52,500 |
| St. Vicent Ferrer High School | 7,500 | — | 7,500 |
| Xavier High School | 2,600 | — | 2,600 |
| Total Manhattan Secondary Grants | <u>895,934</u> | <u>174,734</u> | <u>721,200</u> |

INNER-CITY SCHOLARSHIP FUND, INC.
 Schedule of Financial Aid and Be A Student's Friend Grants
 Year ended August 31, 2009

| | <u>Total</u> | <u>Financial aid grants</u> | <u>Be A Student's Friend grants</u> |
|--|---------------------|---------------------------------|---|
| Staten Island Secondary Grants: | | | |
| St. Peter's High School for Boys | \$ 17,500 | — | 17,500 |
| St. Peter's High School for Girls | 20,000 | — | 20,000 |
| Total Staten Island Secondary Grants | <u>37,500</u> | <u>—</u> | <u>37,500</u> |
| Bronx Secondary Grants: | | | |
| Academy of Mount St. Ursula | 90,542 | 11,792 | 78,750 |
| All Hallows | 131,787 | 18,037 | 113,750 |
| Aquinas High School | 213,748 | 35,248 | 178,500 |
| Cardinal Hayes High School | 179,285 | 29,285 | 150,000 |
| Cardinal Spellman High School | 174,835 | 23,585 | 151,250 |
| Monsignor Scanlan | 125,542 | 11,792 | 113,750 |
| Mt. St. Michael Academy | 73,042 | 11,792 | 61,250 |
| Preston High School | 41,792 | 11,792 | 30,000 |
| St. Catharine Academy | 119,292 | 11,792 | 107,500 |
| St. Barnabas | 44,292 | 11,792 | 32,500 |
| St. Raymond Girls Academy | 79,506 | 8,256 | 71,250 |
| St. Raymond | 93,042 | 11,792 | 81,250 |
| St. Pius V High School | 47,487 | 13,737 | 33,750 |
| Total Bronx Secondary Grants | <u>1,414,192</u> | <u>210,692</u> | <u>1,203,500</u> |
| Westchester Secondary Grants: | | | |
| Blessed Sacrament – St. Gabriel School | 12,135 | 12,135 | — |
| Academy of Our Lady of Good Counsel | 2,500 | 2,500 | — |
| Maria Regina | 4,500 | 4,500 | — |
| Sacred Heart High School | 9,000 | 9,000 | — |
| Total Westchester Secondary Grants | <u>28,135</u> | <u>28,135</u> | <u>—</u> |
| Total Secondary Grants | <u>2,375,761</u> | <u>413,561</u> | <u>1,962,200</u> |
| Total Elementary and Secondary Grants | <u>\$ 5,871,102</u> | <u>1,734,402</u> | <u>4,136,700</u> |

See accompanying independent auditors' report.

INNER-CITY SCHOLARSHIP FUND, INC.

Schedule of Special Events Revenue, Program Administration Expenses,
General and Administrative Expenses, and Development Expenses

Year ended August 31, 2009

| | |
|---|----------------------------|
| Special events revenue: | |
| Proceeds from the December 2008 Annual Dinner | \$ 1,483,000 |
| Proceeds from the 2009 Spring Gala | 950,592 |
| Proceeds from the Lawyers' Lunch | 413,285 |
| Proceeds from the Westchester Annual Event | 137,175 |
| Proceeds from the Junior Committee | 19,844 |
| | <u>3,003,896</u> |
| Less direct donor benefits: | |
| Annual Dinner | 150,734 |
| Spring Gala | 176,806 |
| Lawyers' Lunch | 101,401 |
| Westchester Annual Event | 4,515 |
| Junior Committee | 21,548 |
| | <u>455,004</u> |
| Net special events revenue | \$ <u><u>2,548,892</u></u> |
| Program administration expenses: | |
| Be A Student's Friend program: | |
| Salaries and fringe benefits | \$ 170,939 |
| Professional fees | 114,262 |
| Facilities rental | 5,445 |
| Stationary and printing | 497 |
| Supplies | 9,152 |
| Postage and shipping | 5,645 |
| Other | 5,581 |
| Total Be A Student's Friend program administration expenses | \$ <u><u>311,521</u></u> |
| Enrichment program: | |
| Professional fees | \$ 18,355 |
| Temporary help | 41,281 |
| Transportation | 8,384 |
| Other | 19 |
| Total enrichment program expenses | \$ <u><u>68,039</u></u> |
| General and administrative expenses: | |
| Salaries and fringe benefits | \$ 236,082 |
| Computer processing costs | 51,280 |
| Professional fees | 95,105 |
| Postage and shipping | 13,041 |
| Stationary and printing | 4,647 |
| Occupancy costs | 63,960 |
| Supplies | 6,554 |
| Telephone | 16,362 |
| Other | 171,547 |
| Total general and administrative expenses | \$ <u><u>658,578</u></u> |

INNER-CITY SCHOLARSHIP FUND, INC.Schedule of Special Events Revenue, Program Administration Expenses,
General and Administrative Expenses, and Development Expenses

Year ended August 31, 2009

| | |
|------------------------------|---------------------|
| Development expenses: | |
| Salaries and fringe benefits | \$ 550,858 |
| Advertising campaign expense | 204,383 |
| Direct mail campaign expense | 291,800 |
| Other | <u>100,782</u> |
| Total development expenses | <u>\$ 1,147,823</u> |

See accompanying independent auditors' report.