



INNER-CITY SCHOLARSHIP FUND, INC.

Financial Statements

August 31, 2018

(with summarized comparative financial information
as of and for the year ended August 31, 2017)

(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 financial statements of Inner-City Scholarship Fund, Inc., which comprise the balance sheet as of August 31, 2018, and the related statements of activities, 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 U.S. generally accepted accounting principles; 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.

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 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 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 auditor considers internal control relevant to the organization'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 organization'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 Inner-City Scholarship Fund, Inc. as of August 31, 2018, and the changes in its net assets and its cash flows for the year then ended, in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

As discussed in Note 2(j) to the financial statements, Inner-City Scholarship Fund, Inc. adopted Accounting Standards Update 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of*



Not-for-Profit Entities, during the year ended August 31, 2018. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited Inner-City Scholarship Fund, Inc.'s 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 27, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived before the adjustments to adopt ASU 2016-14. As part of our audit of the 2018 financial statements, we also audited the adjustments described in Note 2(j) that were applied to adopt ASU 2016-14 retrospectively in the 2017 financial statements. In our opinion, such adjustments are appropriate and have been properly applied.

KPMG LLP

May 7, 2019

INNER-CITY SCHOLARSHIP FUND, INC.

Balance Sheet

August 31, 2018

(with comparative financial information as of August 31, 2017)

Assets	2018	2017
Cash and cash equivalents	\$ 715,678	1,364,766
Loans to Parish Assistance Corporation (note 3)	1,656,505	1,656,505
Contributions receivable, net (note 5)	13,853,262	17,914,449
Investments (note 4)	55,068,445	36,738,759
Other assets (note 6)	2,013,270	1,589,282
Fixed assets, net of accumulated depreciation of \$88,288 and \$52,973 in 2018 and 2017, respectively	<u>181,319</u>	<u>216,634</u>
Total assets	<u>\$ 73,488,479</u>	<u>59,480,395</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 182,969	268,137
Grants payable	7,409	56,190
Payable to the Archdiocese of New York (note 6)	157,854	131,410
Deferred grant income (note 5)	17,820,234	8,693,829
Due to the Global Regional School System	<u>—</u>	<u>74,758</u>
Total liabilities	<u>18,168,466</u>	<u>9,224,324</u>
Net assets (note 8):		
Net assets without donor restrictions	6,104,792	6,393,053
Net assets with donor restrictions:		
Purpose restricted	7,373,162	7,328,804
Endowment fund	<u>41,842,059</u>	<u>36,534,214</u>
Total net assets with donor restrictions	<u>49,215,221</u>	<u>43,863,018</u>
Total net assets	<u>55,320,013</u>	<u>50,256,071</u>
Total liabilities and net assets	<u>\$ 73,488,479</u>	<u>59,480,395</u>

See accompanying notes to financial statements.

INNER-CITY SCHOLARSHIP FUND, INC.

Statement of Activities

Year ended August 31, 2018

(with summarized financial information for the year ended August 31, 2017)

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>2018 Total</u>	<u>2017 Total</u>
Operating revenues and other support:				
Contributions and bequests (notes 5 and 6)	\$ 6,678,631	5,157,883	11,836,514	11,059,441
Special events, net of direct donor benefits of \$516,135 and \$482,611 in 2018 and 2017, respectively (note 10)	2,945,092	—	2,945,092	2,744,787
Change in value of gift annuity	—	349,936	349,936	364,318
Net investment return appropriated for spending	213,633	857,174	1,070,807	635,503
Other investment return (notes 3 and 4)	27,978	—	27,978	30,659
Net assets released from restrictions	6,320,635	(6,320,635)	—	—
Total operating revenues and other support:	<u>16,185,969</u>	<u>44,358</u>	<u>16,230,327</u>	<u>14,834,708</u>
Operating expenses (notes 6 and 10):				
Program services:				
Grants and scholarship:				
Externally managed scholarships (primarily administered by Children's Scholarship Fund)	4,409,620	—	4,409,620	6,221,769
Internally managed scholarships	8,388,850	—	8,388,850	6,886,783
Financial aid grants	91,695	—	91,695	79,667
Young Executive Supporting Schools (YESS) grants	—	—	—	254,651
Grants to related parties	264,785	—	264,785	445,000
Other grants	70,190	—	70,190	71,251
Total grants and scholarship	<u>13,225,140</u>	<u>—</u>	<u>13,225,140</u>	<u>13,959,121</u>
Program administration expenses:				
Scholarship programs	355,514	—	355,514	304,994
Other programs	104,789	—	104,789	87,155
Total program administration expenses	<u>460,303</u>	<u>—</u>	<u>460,303</u>	<u>392,149</u>
Total program services	<u>13,685,443</u>	<u>—</u>	<u>13,685,443</u>	<u>14,351,270</u>
Supporting services:				
General and administrative	825,326	—	825,326	728,220
Development:				
Donor relations	1,062,044	—	1,062,044	966,585
Advertising and communications	855,221	—	855,221	1,026,470
Special events supporting services	218,396	—	218,396	183,625
Total development	<u>2,135,661</u>	<u>—</u>	<u>2,135,661</u>	<u>2,176,680</u>
Total supporting services	<u>2,960,987</u>	<u>—</u>	<u>2,960,987</u>	<u>2,904,900</u>
Total expenses	<u>16,646,430</u>	<u>—</u>	<u>16,646,430</u>	<u>17,256,170</u>
Change in net assets from operating activities	(460,461)	44,358	(416,103)	(2,421,462)
Nonoperating activities:				
Capital campaign endowment contributions (note 8)	—	4,594,739	4,594,739	19,186,062
Net investment return in excess of spending rate (notes 3, 4 and 8)	172,200	713,106	885,306	2,191,487
(Decrease) increase in net assets	<u>(288,261)</u>	<u>5,352,203</u>	<u>5,063,942</u>	<u>18,956,087</u>
Net assets at beginning of year	<u>6,393,053</u>	<u>43,863,018</u>	<u>50,256,071</u>	<u>31,299,984</u>
Net assets at end of year	<u>\$ 6,104,792</u>	<u>49,215,221</u>	<u>55,320,013</u>	<u>50,256,071</u>

See accompanying notes to financial statements.

INNER-CITY SCHOLARSHIP FUND, INC.

Statement of Cash Flows

Year ended August 31, 2018

(with comparative financial information for the year ended August 31, 2017)

	2018	2017
Cash flows from operating activities:		
Increase in net assets	\$ 5,063,942	18,956,087
Adjustments to reconcile increase in net assets to net cash used in operating activities:		
Net gain on investments	(2,812,690)	(3,611,925)
Depreciation	35,315	35,315
Contributions for endowment	(4,594,739)	(19,186,062)
Changes in operating assets and liabilities:		
Contributions receivable	249,836	(711,183)
Other assets	(423,988)	(263,014)
Accounts payable and accrued expenses	(85,168)	15,572
Grants payable	(48,781)	22,067
Payable to the Archdiocese of New York	26,444	(383,494)
Due to the Global Regional School System	(74,758)	74,758
Net cash used in operating activities	(2,664,587)	(5,051,879)
Cash flows from investing activities:		
Decrease in loans to Parish Assistance Corporation	—	500,000
Purchase of investments	(16,488,904)	(16,306,915)
Proceeds from sale of investments	971,908	1,237,046
Net cash used in investing activities	(15,516,996)	(14,569,869)
Cash flows from financing activities:		
Contributions for endowment	8,406,090	6,410,470
Deferred grant income	9,126,405	8,693,829
Net cash provided by financing activities	17,532,495	15,104,299
Net decrease in cash and cash equivalents	(649,088)	(4,517,449)
Cash and cash equivalents at beginning of year	1,364,766	5,882,215
Cash and cash equivalents at end of year	\$ 715,678	1,364,766

See accompanying notes to financial statements.

INNER-CITY SCHOLARSHIP FUND, INC.

Notes to Financial Statements

August 31, 2018

(with summarized comparative financial information
as of and for the year ended August 31, 2017)

(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 provides families with demonstrable financial need the opportunity to give their children a values based K–12 Catholic education within the Archdiocese of New York. ICSF exists to ensure that the gift of a Catholic school education continues to be a viable option for current and future generations of students of all faiths. ICSF is currently conducting a capital campaign called Kids Are Our Capital to raise funds towards its endowment.

ICSF's scholarship programs are all need based. The Be A Student's Friend (BASF) program matches a willing sponsor with a low income student. BASF supporters can opt to be anonymous and receive periodic reports on a student's progress or they can choose to get to know the student personally.

In addition, ICSF uses a portion of the funds raised to help underwrite a scholarship program administered by the Children's Scholarship Fund, an unaffiliated not-for-profit organization that was established to address the decline in enrollment at Catholic schools by providing scholarships to students who transfer into an Archdiocese of New York inner city school from a public school.

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 ongoing cost associated with children who continue to qualify for the scholarship in the future. ICSF has conditionally committed approximately \$4.9 million for the 2018–2019 academic year.

(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:

Without donor restrictions – Net assets that are free of donor-imposed restrictions. All revenues, gains, and losses that are not restricted by donors are included in this classification. All expenses are reported as decreases in net assets without donor restrictions.

With donor restrictions – Net assets that are subject to donor-imposed restrictions. These net assets include donor restricted contributions that are subject to time or purpose restrictions and donor restricted endowments. Generally, the donors' imposed restrictions on the endowment fund permit ICSF to use all or part of the income earned on related investments for certain general or specific purposes.

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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 assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation. Expirations of donor restrictions on net assets (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 investment portfolio (note 4). Cash consists of amounts held in operating bank accounts at a financial institution which, at times exceed the federally insured limits.

(d) Contributions

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

(e) Fair Value Measurements

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. Inputs to the valuation techniques used to measure fair value are prioritized 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).

The three levels of the fair value hierarchy are as follows:

- *Level 1* – valuation inputs are unadjusted quoted or published prices 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.

(f) Fixed Assets

Fixed asset acquisitions are capitalized at cost, when purchased, or at fair value at date of gift, when donated. Fixed assets are depreciated using the straight-line method over estimated remaining useful lives ranging from 3 to 10 years (or life of lease, if shorter) for equipment and leasehold improvements.

INNER-CITY SCHOLARSHIP FUND, INC.

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(g) Operating Activities

Operating activities in the statement of activities include all revenue and all expenses incurred by ICSF, except for capital campaign contributions, investment return in excess of spending rate on the endowment and amounts designated by the board for the endowment fund.

(h) 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.

(i) Functional Allocation of Expenses

ICSF presents expenses by function on the statement of activities and by natural classification in note 10. Expenses directly attributable to a specific functional area of ICSF are reported as expenses of those functional areas. If expenses benefit multiple functional areas they have been allocated using cost allocation techniques such as square footage and time and effort. Natural expenses are accounted for on a direct cost basis to the program or function upon which the expense is incurred.

(j) New Accounting Pronouncement

During 2018, ICSF adopted ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* (ASU 2016-14). ASU 2016-14 reduces the number of net assets from three to two: net assets without donor restrictions, previously reported as unrestricted net assets, and net assets with donor restrictions, previously reported as temporarily restricted net assets of \$10,348,551 and permanently restricted net assets of \$33,514,467 in 2017. Additionally, it expands the quantitative and qualitative disclosures regarding liquidity and availability of resources and requires expenses to be reported by both their natural and functional classification in one location. ICSF applied the changes retrospectively.

(k) Comparative Financial Information

The accompanying statements of activities is presented with 2017 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 2017 financial statements, from which the summarized information was derived.

(l) Reclassifications

Certain amounts in 2017 were reclassified to conform to 2018 presentation.

INNER-CITY SCHOLARSHIP FUND, INC.

Notes to Financial Statements

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(3) Loans to Parish Assistance Corporation

Amounts loaned to Parish Assistance Corporation earned interest at a rate of 1.5% during fiscal years 2018 and 2017 and are payable on demand. Interest income was \$24,847 and \$30,306 in 2018 and 2017, respectively, and is included in investment return in the accompanying statement of activities.

(4) Investments

Investments are reported at fair value. As a practical expedient, the investment in Ascension Alpha Fund (Ascension) is reflected at the net asset value (NAV) provided by the fund manager. The NAV is reviewed and evaluated by management for reasonableness. The reported value may differ significantly from the value that would have been used had a ready market for these investments existed.

Investments at August 31, 2018 and 2017 consist of the following:

	<u>2018</u>	<u>2017</u>
Ascension Alpha Fund	\$ 55,068,445	36,738,759

ICSF has the right to redeem all or a portion of its shares in Ascension on a daily basis with one trading day prior written notice. Ascension's goal is to allow its investors to achieve risk adjusted returns while attempting to preserve capital in adverse market conditions through the implementation of diversified investment strategies. Ascension offers its investors the ability to invest only in those strategies/asset classes selected. In addition, the investments selected within each strategy conform to socially responsible investment guidelines that promote Catholic Values. The investment strategies are classified into three categories: growth, inflation, and deflation/recession achieved through investments in equity and fixed income securities and alternative investment vehicles. ICSF has the following allocation within Ascension as of August 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Ascension Alpha Fund asset allocation:		
U.S. equity	32 %	30 %
International equity	18	18
Emerging markets equity	7	6
Global equity	3	—
Hedged equity	6	—
Directional hedge funds	5	10
High yield	3	8
Commodity related	2	—
Liquid real assets	4	—
Core real estate	5	—

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	<u>2018</u>	<u>2017</u>
Core fixed income	4	15
Opportunistic credit	3	12
Absolute return hedge funds	8	—
Cash plus	—	1
	<u>100 %</u>	<u>100 %</u>

(5) Contributions Receivable

Contributions receivable consist of the following at August 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Amounts expected to be collected in:		
Less than one year	\$ 6,809,975	6,743,512
One to five years	7,405,290	11,894,464
	14,215,265	18,637,976
Less discount at 4.24% to 3.20%	<u>(362,003)</u>	<u>(723,527)</u>
	<u>\$ 13,853,262</u>	<u>17,914,449</u>

At August 31, 2018, contributions from three donors, and in 2017 contributions from two donors, represent 38% and 32%, respectively, of the gross receivable balance.

During 2007, ICSF received a grant not to exceed \$22.5 million through August 31, 2013, to provide funding for scholarships to students demonstrating financial need in accordance with the guidelines of the Cardinal's Scholarship Program. ICSF recognized all of this revenue in previous periods as the conditions were met. In fiscal year 2013, ICSF received an additional commitment from this funder to provide another \$11.7 million through fiscal year 2019 as follows: \$2.5 million in fiscal year 2013, \$2.6 million in fiscal year 2014, \$2.3 million in fiscal year 2015, \$1.9 million in fiscal year 2016, \$1.3 million in fiscal year 2017, \$800,000 in fiscal year 2018, and \$300,000 in fiscal year 2019. As the receipt of future amounts is conditional, revenue is recognized as conditions are met. ICSF recognized approximately \$800,000 and \$1.3 million in fiscal year 2018 and 2017, respectively, under these grant agreements.

During 2016, ICSF received a \$40 million conditional pledge to establish an endowment fund. The pledge is contingent upon ICSF having a legally binding pledge in the amount of \$40 million from the Archdiocese of New York and upon ICSF raising an additional \$40 million of qualifying funds. As the conditions have not been met, amounts received under the agreement are recorded as deferred grant income in the accompanying balance sheets.

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(6) Related Parties

The payable to the Archdiocese of New York represents amounts due for items such as salaries, benefits, rent, data services, and other allocated services. The amounts charged for such services were \$1,768,440 and \$1,703,368 in 2018 and 2017, respectively. The payable outstanding at August 31, 2018 and 2017 is \$157,854 and \$131,410, respectively.

The Archdiocese of New York holds split interest agreements for the benefit of ICSF. The value of ICSF's interest in such agreements at August 31, 2018 and 2017 is \$1,841,966 and \$1,492,030, respectively, and are included in other assets in the accompanying balance sheets.

During 2018, contribution revenue received from two related parties was approximately \$459,000. During 2017, contribution revenue received from three related parties was approximately \$1.5 million. During 2015, ICSF recognized a grant of \$3.5 million from the Alfred E. Smith Memorial Foundation payable through August 31, 2019 to provide funding for scholarships to allow 405 students to remain in Catholic school from Universal Pre-K to Kindergarten. In fiscal years 2018 and 2017, ICSF received payments of \$625,000. The remaining receivable of \$625,000 is scheduled to be paid in fiscal year 2019. ICSF will administer the scholarship and provide annual reporting on the progress of the program.

(7) Pension Plan

ICSF employees who satisfy age and service requirements participate in the noncontributory defined benefit Archdiocesan Pension Plan and the Archdiocesan Supplemental Qualified Pension Plan. Total pension expense was \$58,188 and \$44,819 in 2018 and 2017, respectively. Because these plans operate as multiemployer plans, information as to vested and nonvested earned benefits as well as plan assets, as they relate to ICSF employees, is not readily available.

The following table discloses the name and funded status of the plans as of December 31, 2017 and 2016 (the dates of the last actuarial valuation):

Legal name and plan number	EIN	2017		2016	
		Accumulated benefit obligation	Fair value plan assets	Accumulated benefit obligation	Fair value plan assets
The Archdiocesan Pension Plan for the Archdiocese of New York	25-1926855	\$ 1,634,800,864	1,231,638,667	1,505,687,168	1,161,627,605
The Archdiocesan Supplemental Qualified Pension Plan for the Archdiocese of New York	25-1926855	\$ 5,711,479	4,673,508	4,697,334	3,620,346

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(8) Net Assets

Net assets with donor restrictions at August 31, 2018 and 2017 are available for the following purposes:

	<u>2018</u>	<u>2017</u>
Subject to expenditure for specified purpose or periods:		
Scholarships and financial aid	\$ 5,531,196	5,836,774
Gift annuities held by Archdiocese of New York for the benefit of ICSF	1,841,966	1,492,030
Donor restricted endowments subject to ICSF spending policy:		
Investment in perpetuity - original corpus amount of \$38,109,206 in 2018 and \$33,514,467 in 2017	<u>41,842,059</u>	<u>36,534,214</u>
Total net assets with donor restrictions	<u>\$ 49,215,221</u>	<u>43,863,018</u>

ICSF's endowment by net asset category as of August 31, 2018 and 2017 is as follows:

		<u>2018</u>		
		<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Donor restricted	\$	—	41,336,586	41,336,586
Board designated		<u>6,104,792</u>	<u>505,473</u>	<u>6,610,265</u>
	\$	<u>6,104,792</u>	<u>41,842,059</u>	<u>47,946,851</u>
		<u>2017</u>		
		<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Donor restricted	\$	—	36,025,124	36,025,124
Board designated		<u>5,998,058</u>	<u>509,090</u>	<u>6,507,148</u>
	\$	<u>5,998,058</u>	<u>36,534,214</u>	<u>42,532,272</u>

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Changes in endowment net assets for the years ended August 31, 2018 and 2017 are as follows:

	2018		
	Without donor restrictions	With donor restrictions	Total
Endowment net assets, August 31, 2017	\$ 5,998,058	36,534,214	42,532,272
Contributions	—	4,594,739	4,594,739
Investment return, net	385,833	1,570,280	1,956,113
Appropriation for expenditure	(213,633)	(857,174)	(1,070,807)
Board transfer	(65,466)	—	(65,466)
Endowment net assets, August 31, 2018	<u>\$ 6,104,792</u>	<u>41,842,059</u>	<u>47,946,851</u>

	2017		
	Without donor restrictions	With donor restrictions	Total
Endowment net assets, August 31, 2016	\$ 5,583,887	15,570,639	21,154,526
Contributions	197	19,186,062	19,186,259
Investment return, net	630,567	2,196,423	2,826,990
Appropriation for expenditure	(216,593)	(418,910)	(635,503)
Endowment net assets, August 31, 2017	<u>\$ 5,998,058</u>	<u>36,534,214</u>	<u>42,532,272</u>

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. There were no deficiencies of this nature as of August 31, 2018 or 2017.

The endowment portfolio seeks maximum real return, consistent with preservation of real capital.

Annually, the Board of Trustees approves a spending rate on the endowment funds, which is applied to each fund's average value for the past six trailing quarters. The spending rate is consistent with ICSF's priority of growing the endowment (preserve of purchasing power). For 2018 and 2017, the Board of Trustees approved spending a rate of 4% and 5%, respectively.

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(9) Liquidity and Availability

Financial assets available for general expenditure within one year of August 31 are as follows:

	2018	2017
Cash and cash equivalents	\$ 715,678	1,364,766
Loans to Parish Assistance Corporation	1,656,505	1,656,505
Contributions receivable	3,107,330	3,013,310
Investments	908,758	1,132,910
Endowment payout	1,502,406	1,070,807
	\$ 7,890,677	8,238,298

ICSF maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due. General expenditures include grants and supporting expenses exclusive of endowment related amounts. In addition, ICSF invests cash in excess of monthly requirements in short-term investments or fixed income securities.

In effort to help manage unanticipated liquidity needs, ICSF has a loan receivable from Parish Assistant Corporation totaling \$1,656,505 as of August 31, 2018, which is payable on demand. Additionally, ICSF has board-designated endowments of \$6,104,792 as of August 31, 2018. Although ICSF does not intend to spend from its board-designated endowment funds, other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation process, amounts from its board-designated endowment funds could be made available if necessary.

(10) Functional Allocation of Expense

The composition of expenses for the year ended August 31, 2018 is as follows:

	Grants	Salaries and related benefits	Professional services	Occupancy	Other	2018 Total	2017 Total
Grants and scholarship	\$ 13,225,140	—	—	—	—	13,225,140	13,959,121
Program administration	—	408,862	22,680	—	28,761	460,303	392,149
General and administrative	—	285,724	166,481	264,236	108,885	825,326	728,220
Direct donor benefits	—	—	—	—	516,135	516,135	482,611
Development	—	1,073,854	888,084	—	173,723	2,135,661	2,176,680
	\$ 13,225,140	1,768,440	1,077,245	264,236	827,504	17,162,565	17,738,781

(11) Subsequent Events

In connection with the preparation of the financial statements, ICSF evaluated subsequent events after the balance sheet date of August 31, 2018 through May 7, 2019, which was the date the financial statements were available to be issued, and has concluded that there are no subsequent events for disclosure.