



INNER-CITY SCHOLARSHIP FUND, INC.

Financial Statements

August 31, 2020

(With summarized comparative financial information
as of and for the year ended August 31, 2019)

(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, 2020, 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, 2020, 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.



Report on Summarized Comparative Information

We have previously audited Inner-City Scholarship Fund, Inc.'s 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 30, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

KPMG LLP

April 28, 2021

INNER-CITY SCHOLARSHIP FUND, INC.

Balance Sheet

August 31, 2020

(With comparative financial information as of August 31, 2019)

Assets	2020	2019
Cash and cash equivalents	\$ 2,422,350	3,046,654
Contributions receivable, net (note 4)	27,017,761	25,561,031
Investments (note 3)	65,922,923	58,044,721
Other assets (note 5 and 8)	2,270,951	1,880,107
Fixed assets, net of accumulated depreciation of \$152,678 and \$121,523 in 2020 and 2019, respectively	<u>116,929</u>	<u>148,084</u>
Total assets	<u>\$ 97,750,914</u>	<u>88,680,597</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 495,811	207,891
Grants payable	4,031	—
Payable to the Archdiocese of New York (note 5)	236,762	205,137
Deferred income (note 4)	7,500	230,854
Paycheck Protection Program loan (note 1)	<u>403,418</u>	<u>—</u>
Total liabilities	<u>1,147,522</u>	<u>643,882</u>
Net assets (note 7):		
Net assets without donor restrictions	6,424,876	5,961,275
Net assets with donor restrictions:		
Purpose restricted	7,996,462	6,776,488
Endowment fund	<u>82,182,054</u>	<u>75,298,952</u>
Total net assets with donor restrictions	<u>90,178,516</u>	<u>82,075,440</u>
Total net assets	<u>96,603,392</u>	<u>88,036,715</u>
Total liabilities and net assets	<u>\$ 97,750,914</u>	<u>88,680,597</u>

See accompanying notes to financial statements.

INNER-CITY SCHOLARSHIP FUND, INC.

Statement of Activities

Year ended August 31, 2020

(With summarized financial information for the year ended August 31, 2019)

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>2020 Total</u>	<u>2019 Total</u>
Operating revenues and other support:				
Contributions and bequests (notes 4 and 5)	\$ 8,896,073	6,979,616	15,875,689	13,019,745
Special events, net of direct donor benefits of \$454,114 and \$572,205 in 2020 and 2019, respectively (note 9)	2,843,345	—	2,843,345	2,525,855
Change in value of gift annuities	—	422,390	422,390	(33,575)
Net investment return appropriated for spending (note 7)	267,480	1,322,778	1,590,258	1,521,406
Other	7,909	(248)	7,661	18,222
Net assets released from restrictions	<u>7,504,562</u>	<u>(7,504,562)</u>	<u>—</u>	<u>—</u>
Total operating revenues and other support:	<u>19,519,369</u>	<u>1,219,974</u>	<u>20,739,343</u>	<u>17,051,653</u>
Operating expenses (notes 5 and 9):				
Program services:				
Grants and scholarships:				
Internally managed scholarships	10,744,313	—	10,744,313	7,677,719
Externally managed scholarships (primarily administered by Children's Scholarship Fund)	4,764,852	—	4,764,852	5,645,659
Grants to related parties	123,512	—	123,512	275,000
Other grants	<u>—</u>	<u>—</u>	<u>—</u>	<u>80,755</u>
Total grants and scholarships	<u>15,632,677</u>	<u>—</u>	<u>15,632,677</u>	<u>13,679,133</u>
Program administration expenses:				
Scholarship programs	384,226	—	384,226	366,231
Other programs	<u>66,393</u>	<u>—</u>	<u>66,393</u>	<u>100,995</u>
Total program administration expenses	<u>450,619</u>	<u>—</u>	<u>450,619</u>	<u>467,226</u>
Total program services	<u>16,083,296</u>	<u>—</u>	<u>16,083,296</u>	<u>14,146,359</u>
Supporting services:				
General and administrative	1,102,779	—	1,102,779	958,605
Development:				
Donor relations	1,035,600	—	1,035,600	1,131,815
Advertising and communications	963,515	—	963,515	995,080
Special events supporting services	<u>147,013</u>	<u>—</u>	<u>147,013</u>	<u>266,094</u>
Total development	<u>2,146,128</u>	<u>—</u>	<u>2,146,128</u>	<u>2,392,989</u>
Total supporting services	<u>3,248,907</u>	<u>—</u>	<u>3,248,907</u>	<u>3,351,594</u>
Total operating expenses	<u>19,332,203</u>	<u>—</u>	<u>19,332,203</u>	<u>17,497,953</u>
Change in net assets from operating activities	187,166	1,219,974	1,407,140	(446,300)
Nonoperating activities:				
Capital campaign endowment contributions (not es 4 and 7)	—	3,075,612	3,075,612	34,602,489
Net investment income (loss) in excess of spending rate (note 7)	<u>276,435</u>	<u>3,807,490</u>	<u>4,083,925</u>	<u>(1,439,487)</u>
Increase in net assets	463,601	8,103,076	8,566,677	32,716,702
Net assets at beginning of year	<u>5,961,275</u>	<u>82,075,440</u>	<u>88,036,715</u>	<u>55,320,013</u>
Net assets at end of year	<u>\$ 6,424,876</u>	<u>90,178,516</u>	<u>96,603,392</u>	<u>88,036,715</u>

See accompanying notes to financial statements.

INNER-CITY SCHOLARSHIP FUND, INC.

Statement of Cash Flows

Year ended August 31, 2020

(With comparative financial information for the year ended August 31, 2019)

	2020	2019
Cash flows from operating activities:		
Increase in net assets	\$ 8,566,677	32,716,702
Adjustments to reconcile increase in net assets to net cash used in operating activities:		
Net gain on investments	(5,742,421)	(81,919)
Depreciation	31,155	33,235
Contributions for endowment	(3,075,612)	(34,602,489)
Change in value of gift annuities	(422,390)	—
Changes in operating assets and liabilities:		
Contributions receivable	(1,497,976)	165,618
Other assets	31,546	133,163
Accounts payable and accrued expenses	287,920	24,922
Grants payable	4,031	(7,409)
Payable to the Archdiocese of New York	31,625	47,283
Deferred income	(223,354)	—
Net cash used in operating activities	(2,008,799)	(1,570,894)
Cash flows from investing activities:		
Purchase of investments	(3,395,509)	(4,483,340)
Proceeds from sale of investments	1,259,728	1,588,983
Net cash used in investing activities	(2,135,781)	(2,894,357)
Cash flows from financing activities:		
Repayments from Parish Assistance Corporation	—	1,656,505
Contributions received for endowment	3,116,858	22,729,102
Deferred grant income	—	(17,589,380)
Proceeds from Paycheck Protection Program loan	403,418	—
Net cash provided by financing activities	3,520,276	6,796,227
Net (decrease) increase in cash and cash equivalents	(624,304)	2,330,976
Cash and cash equivalents at beginning of year	3,046,654	715,678
Cash and cash equivalents at end of year	\$ 2,422,350	3,046,654

See accompanying notes to financial statements.

INNER-CITY SCHOLARSHIP FUND, INC.

Notes to Financial Statements

August 31, 2020

(With summarized comparative financial information
as of and for the year ended August 31, 2019)

(1) Organization

Inner-City Scholarship Fund, Inc. (Inner-City) is a not for profit organization exempt from Federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code. Inner-City 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. Inner-City 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. Inner-City is currently conducting a capital campaign called Kids Are Our Capital to raise funds towards its endowment.

Inner-City'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, Inner-City 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 Inner-City's commitment to share in the ongoing cost associated with children who continue to qualify for the scholarship in the future. Inner-City has conditionally committed approximately \$4.6 million for the 2020–2021 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

Inner-City's net assets and revenues, gains, and losses are classified based on the existence or absence of donor imposed restrictions. Accordingly, net assets of Inner-City 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 Inner-City to use all or part of the income earned on related investments for certain general or specific purposes.

INNER-CITY SCHOLARSHIP FUND, INC.

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as of and for the year ended August 31, 2019)

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

Inner-City 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. Contributions are conditional if the agreement includes both a barrier that must be overcome for the recipient to be entitled to the assets transferred and a right of return for the transferred assets or a right of release of the promisor's obligation to transfer assets. Conditional contributions are recognized as revenue when the barriers on which they depend are met.

(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 Inner-City 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.

Notes to Financial Statements

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as of and for the year ended August 31, 2019)

(g) Operating Activities

Operating activities in the statement of activities include all revenues and all expenses incurred by Inner-City, 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

Inner-City presents expenses by function on the statement of activities and by natural classification in note 9. Expenses directly attributable to a specific functional area of Inner-City 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 Pronouncements

In 2020, Inner-City adopted FASB ASU No. 2018-08, *Not-for-Profit Entities Clarifying the Scope of the Accounting Guidance for Contributions Received and Contributions Made*. This update helps an entity evaluate whether it should account for a grant (or similar transaction) as a contribution or as an exchange transaction. The update also clarifies and expands the criteria for determining whether a contribution is conditional, which may delay recognition of contribution revenue (recipient) or expenses (resource provider). The adoption did not have a material impact on the financial statements.

In 2020, Inner-City adopted ASU 2016-18, *Restricted Cash*. This update requires additional disclosure and that the statement of cash flow explain the change during the period in the total cash, cash equivalents and amounts generally described as restricted cash. Therefore, amounts generally described as restricted cash should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the consolidated statements of cash flows. The guidance requires retrospective presentation to each period presented. The adoption of ASU 2016-18 did not have an impact on the balance sheet or the statements of activities, and did not result in revisions to the statement of cash flows.

INNER-CITY SCHOLARSHIP FUND, INC.

Notes to Financial Statements

August 31, 2020

(With summarized comparative financial information
as of and for the year ended August 31, 2019)

(k) Comparative Financial Information

The accompanying statement of activities is presented with 2019 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 Inner-City's 2019 financial statements, from which the summarized information was derived.

(l) Implications of COVID-19 on Operations

The spread of coronavirus (COVID-19) around the world in 2020 has caused significant volatility in the U.S. and international markets. There is significant continued uncertainty around the breadth and duration of business disruptions related to COVID-19, as well as its impact on the U.S. and international economies.

Inner-City applied for and received a Paycheck Protection Program (PPP) Loan in April 2020 in the amount of \$403,418 which were used for payroll expenses. The term of the loan is two years with a 1% interest rate. Under the terms of the PPP loan it can be forgiven if certain conditions are met. Inner-City intends to apply for forgiveness in accordance with the provisions for loan forgiveness.

Inner-City invests in Ascension Alpha Fund (Ascension) and relies on fundraising to support its operations. The investment in Ascension is exposed to various risks such as interest rate, market, and credit risks. Inner-City is unable to determine if COVID-19 will have a material impact to its financial position and changes in net assets in the future.

(m) Reclassifications

Certain reclassifications of 2019 amounts have been made to conform to the 2020 presentation.

(3) Investments

Investments are reported at fair value. As a practical expedient, the investment in 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, 2020 and 2019 consist of the following:

	<u>2020</u>	<u>2019</u>
Ascension Alpha Fund	\$ 65,922,923	58,044,721

INNER-CITY SCHOLARSHIP FUND, INC.

Notes to Financial Statements

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Inner-City 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. Inner-City has the following allocation within Ascension as of August 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Ascension Alpha Fund asset allocation:		
U.S. equity	31 %	30 %
International equity	20	20
Emerging markets equity	7	8
Hedged equity	5	6
Directional hedge funds	1	1
High yield	3	4
Liquid real assets	4	5
Core real estate	5	5
Core fixed income	18	6
Opportunistic credit	5	5
Absolute return hedge funds	—	10
Cash Plus	1	—
	<u>100 %</u>	<u>100 %</u>

(4) Contributions Receivable

Contributions receivable consist of the following at August 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Amounts expected to be collected in:		
Less than one year	\$ 4,967,557	2,506,934
One to five years	<u>27,959,733</u>	<u>30,360,139</u>
	32,927,290	32,867,073
Less discount at rates ranging from 2.72% to 4.24%	<u>(5,909,529)</u>	<u>(7,306,042)</u>
	<u>\$ 27,017,761</u>	<u>25,561,031</u>

INNER-CITY SCHOLARSHIP FUND, INC.

Notes to Financial Statements

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(With summarized comparative financial information
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At August 31, 2020, contributions from three donors, and in 2019, contributions from two donors, represent 86% and 76%, respectively, of the gross receivable balance.

During 2016, Inner-City entered into a \$40 million conditional agreement with a donor and Archdiocese of New York to establish an endowment fund. Amounts received under the agreement in previous years were recorded as deferred grant income because the conditions were not satisfied. This tri-party pledge agreement was contingent upon Inner-City having a legally binding pledge in the amount of \$40 million from the Archdiocese of New York and upon Inner-City raising an additional \$40 million of qualifying funds. In 2019, the agreement was amended with the matching requirement satisfied by a scholarship fund that was established by The Trustees of the Church of St. Vincent de Paul in the City of New York. As all of the conditions had been satisfied in 2019, Inner-City recognized contribution revenue of approximately \$34,491,000 in 2019.

(5) 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 items were \$2,336,761 and \$2,206,107 in 2020 and 2019, respectively. The payable outstanding at August 31, 2020 and 2019 is \$236,762 and \$205,137, respectively.

The Archdiocese of New York holds split interest agreements for the benefit of Inner-City. The value of Inner-City's interest in such agreements at August 31, 2020 and 2019 is \$2,230,782 and \$1,808,392, respectively, and is included in other assets in the accompanying balance sheet.

During 2020, contribution revenue included related party contributions of approximately \$3,237,000 from Alfred E. Smith Foundation and New York Catholic Foundation. During 2019, contribution revenue included related party contributions of approximately \$543,000 from New York Catholic Foundation.

(6) Pension Plan

Inner-City 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 \$88,963 and \$90,201 in 2020 and 2019, 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 Inner-City employees, is not readily available.

INNER-CITY SCHOLARSHIP FUND, INC.

Notes to Financial Statements

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The following table discloses the name and funded status of the plans as of December 31, 2019 and 2018 (the dates of the last actuarial valuation):

<u>Legal name and plan number</u>	<u>EIN</u>	<u>2019</u>		<u>2018</u>	
		<u>Accumulated benefit obligation</u>	<u>Fair value plan assets</u>	<u>Accumulated benefit obligation</u>	<u>Fair value plan assets</u>
The Archdiocesan Pension Plan for the Archdiocese of New York	25-1926855	\$ 1,657,633,422	1,185,839,824	1,646,776,430	1,100,895,159
The Archdiocesan Supplemental Qualified Pension Plan for the Archdiocese of New York	25-1926855	\$ 7,534,475	7,151,797	6,517,819	5,249,651

(7) Net Assets

Net assets with donor restrictions at August 31, 2020 and 2019 are available for the following purposes:

	<u>2020</u>	<u>2019</u>
Subject to expenditure for specified purpose or periods:		
Scholarships and financial aid	\$ 5,765,680	4,968,096
Gift annuities held by Archdiocese of New York for the benefit of Inner-City	2,230,782	1,808,392
Donor restricted endowments subject to Inner-City spending policy:		
Investment in perpetuity – original corpus amount of \$75,787,307 in 2020 and \$72,711,695 in 2019	<u>82,182,054</u>	<u>75,298,952</u>
Total net assets with donor restrictions	<u>\$ 90,178,516</u>	<u>82,075,440</u>

Inner-City's endowment by net asset category as of August 31, 2020 and 2019 is as follows:

	<u>2020</u>		
	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Donor restricted	\$ —	82,182,054	82,182,054
Board designated	<u>6,087,336</u>	<u>—</u>	<u>6,087,336</u>
	<u>\$ 6,087,336</u>	<u>82,182,054</u>	<u>88,269,390</u>

INNER-CITY SCHOLARSHIP FUND, INC.

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	2019		
	Without donor restrictions	With donor restrictions	Total
Donor restricted	\$ —	75,298,952	75,298,952
Board designated	5,810,901	—	5,810,901
	<u>\$ 5,810,901</u>	<u>75,298,952</u>	<u>81,109,853</u>

Changes in endowment net assets for the years ended August 31, 2020 and 2019 are as follows:

	2020		
	Without donor restrictions	With donor restrictions	Total
Endowment net assets, August 31, 2019	\$ 5,810,901	75,298,952	81,109,853
Contributions	—	3,075,612	3,075,612
Investment return, net	543,915	5,130,268	5,674,183
Appropriation for expenditure	(267,480)	(1,322,778)	(1,590,258)
Endowment net assets, August 31, 2020	<u>\$ 6,087,336</u>	<u>82,182,054</u>	<u>88,269,390</u>

	2019		
	Without donor restrictions	With donor restrictions	Total
Endowment net assets, August 31, 2018	\$ 6,104,792	41,842,059	47,946,851
Contributions	—	34,602,489	34,602,489
Investment return, net	(31,718)	113,637	81,919
Appropriation for expenditure	(262,173)	(1,259,233)	(1,521,406)
Endowment net assets, August 31, 2019	<u>\$ 5,810,901</u>	<u>75,298,952</u>	<u>81,109,853</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, 2020 or 2019.

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

INNER-CITY SCHOLARSHIP FUND, INC.

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Annually, the Board of Trustees approves a spending rate on the liquid and available endowment funds, which is applied to each fund's average value for the past six trailing quarters. The spending rate is consistent with Inner-City's priority of growing the endowment (preserve of purchasing power). For 2020 and 2019, the Board of Trustees approved spending a maximum spending rate of 4.5%.

(8) Liquidity and Availability

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

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 2,422,350	3,046,654
Endowment appropriation	3,252,172	1,544,523
Contributions receivable	931,029	—
	<u>\$ 6,605,551</u>	<u>4,591,177</u>

Inner-City 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, Inner-City invests cash in excess of monthly requirements in short-term investments or fixed income securities.

In effort to help manage unanticipated liquidity needs, Inner-City has board-designated endowment of \$6,087,336 and \$5,810,901 as of August 31, 2020 and 2019, respectively. Although Inner-City 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.

(9) Functional Allocation of Expense

The composition of expenses for the years ended August 31 is as follows:

	<u>Grants</u>	<u>Salaries and related benefits</u>	<u>Occupancy</u>	<u>Professional service & other</u>	<u>2020 Total</u>	<u>2019 Total</u>
Grants and scholarships	\$ 15,632,677	—	—	—	15,632,677	13,679,133
Program administration	—	434,687	9,161	6,771	450,619	467,226
General and administrative	—	325,764	319,545	457,470	1,102,779	958,605
Direct donor benefits	—	—	—	454,114	454,114	572,205
Development	—	1,094,673	—	1,051,455	2,146,128	2,392,989
	<u>\$ 15,632,677</u>	<u>1,855,124</u>	<u>328,706</u>	<u>1,969,810</u>	<u>19,786,317</u>	<u>18,070,158</u>

INNER-CITY SCHOLARSHIP FUND, INC.

Notes to Financial Statements

August 31, 2020

(With summarized comparative financial information
as of and for the year ended August 31, 2019)

(10) Subsequent Events

In connection with the preparation of the financial statements, Inner-City evaluated subsequent events after the balance sheet date of August 31, 2020 through April 28, 2021 which was the date the financial statements were available to be issued, and has concluded that there are no additional subsequent events for disclosure.