



INNER-CITY SCHOLARSHIP FUND, INC.

Financial Statements

August 31, 2023

(With summarized comparative financial information
as of and for the year ended August 31, 2022)

(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.:

Opinion

We have audited the financial statements of Inner-City Scholarship Fund, Inc. (the the Organization), which comprise the balance sheet as of August 31, 2023, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the the Organization as of August 31, 2023, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the the Organization's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.



- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the the Organization's 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 27, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

KPMG LLP

New York, New York
March 20, 2024

INNER-CITY SCHOLARSHIP FUND, INC.

Balance Sheet

August 31, 2023

(With comparative financial information as of August 31, 2022)

Assets	2023	2022
Cash and cash equivalents	\$ 13,221,526	9,668,629
Contributions receivable, net (note 4)	18,155,741	19,403,597
Investments (note 3)	73,227,979	70,763,405
Other assets (notes 5)	2,539,130	2,520,430
Fixed assets, net of accumulated depreciation of \$218,930 and \$198,660 in 2023 and 2022, respectively	<u>50,676</u>	<u>70,946</u>
Total assets	<u>\$ 107,195,052</u>	<u>102,427,007</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 124,447	382,906
Grants payable	1,900	333,890
Payable to the Archdiocese of New York (note 5)	357,275	294,192
Deferred income	<u>243,200</u>	<u>111,065</u>
Total liabilities	<u>726,822</u>	<u>1,122,053</u>
Net assets (note 7):		
Net assets without donor restrictions	8,908,201	6,974,379
Net assets with donor restrictions:		
Purpose restricted	14,745,938	13,252,856
Endowment fund	<u>82,814,091</u>	<u>81,077,719</u>
Total net assets with donor restrictions	<u>97,560,029</u>	<u>94,330,575</u>
Total net assets	<u>106,468,230</u>	<u>101,304,954</u>
Total liabilities and net assets	<u>\$ 107,195,052</u>	<u>102,427,007</u>

See accompanying notes to financial statements.

INNER-CITY SCHOLARSHIP FUND, INC.

Statement of Activities

Year ended August 31, 2023

(With summarized financial information for the year ended August 31, 2022)

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>2023 Total</u>	<u>2022 Total</u>
Operating revenues and other support:				
Contributions and bequests (notes 4 and 5)	\$ 10,305,105	4,783,055	15,088,160	13,553,574
Special events, net of direct donor benefits of \$737,653 and \$658,901 in 2023 and 2022, respectively (note 9)	2,424,638	—	2,424,638	3,341,952
Change in value of gift annuities	—	271,386	271,386	765,480
Net investment return appropriated for spending (note 7)	312,731	3,567,810	3,880,541	2,874,905
Other	146,936	—	146,936	(14,995)
Net assets released from restrictions	7,129,169	(7,129,169)	—	—
Total operating revenues and other support:	<u>20,318,579</u>	<u>1,493,082</u>	<u>21,811,661</u>	<u>20,520,916</u>
Operating expenses (notes 5 and 9):				
Program services:				
Grants and scholarships:				
Internally managed scholarships	7,575,326	—	7,575,326	6,808,340
Externally managed scholarships (primarily administered by Children's Scholarship Fund)	8,165,474	—	8,165,474	7,511,038
Grants to others	655,987	—	655,987	1,224,494
Total grants and scholarships	<u>16,396,787</u>	<u>—</u>	<u>16,396,787</u>	<u>15,543,872</u>
Program administration expenses:				
Scholarship programs	450,854	—	450,854	458,269
Other programs	121,599	—	121,599	65,217
Total program administration expenses	<u>572,453</u>	<u>—</u>	<u>572,453</u>	<u>523,486</u>
Total program services	<u>16,969,240</u>	<u>—</u>	<u>16,969,240</u>	<u>16,067,358</u>
Supporting services:				
General and administrative	1,003,048	—	1,003,048	876,190
Development:				
Donor relations	1,139,405	—	1,139,405	1,138,195
Advertising and communications	857,832	—	857,832	1,086,169
Special events supporting services	89,713	—	89,713	125,601
Total development	<u>2,086,950</u>	<u>—</u>	<u>2,086,950</u>	<u>2,349,965</u>
Total supporting services	<u>3,089,998</u>	<u>—</u>	<u>3,089,998</u>	<u>3,226,155</u>
Total operating expenses	<u>20,059,238</u>	<u>—</u>	<u>20,059,238</u>	<u>19,293,513</u>
Change in net assets from operating activities	259,341	1,493,082	1,752,423	1,227,403
Nonoperating activities:				
Forgiveness of Paycheck Protection Program loan	—	—	—	403,417
Endowment contributions (notes 4 and 7)	1,428,770	304,134	1,732,904	1,261,591
Net investment return in excess of spending rate (note 7)	245,711	1,432,238	1,677,949	(15,243,723)
Increase (decrease) in net assets	<u>1,933,822</u>	<u>3,229,454</u>	<u>5,163,276</u>	<u>(12,351,312)</u>
Net assets at beginning of year	<u>6,974,379</u>	<u>94,330,575</u>	<u>101,304,954</u>	<u>113,656,266</u>
Net assets at end of year	\$ <u>8,908,201</u>	<u>97,560,029</u>	<u>106,468,230</u>	<u>101,304,954</u>

See accompanying notes to financial statements.

INNER-CITY SCHOLARSHIP FUND, INC.

Statement of Cash Flows

Year ended August 31, 2023

(With comparative financial information for the year ended August 31, 2022)

	2023	2022
Cash flows from operating activities:		
Increase (Decrease) in net assets	\$ 5,163,276	(12,351,312)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Net (gain) loss on investments	(5,630,776)	12,368,818
Depreciation	20,270	20,271
Forgiveness of Paycheck Protection Program loan	—	(403,417)
Contributions for endowment	(1,732,904)	(1,261,591)
Change in value of gift annuities	271,386	765,480
Changes in operating assets and liabilities:		
Contributions receivable	2,682,285	2,500,360
Other assets	(290,086)	81,994
Accounts payable and accrued expenses	(258,459)	342,315
Grants payable	(331,990)	328,890
Payable to the Archdiocese of New York	63,083	139,209
Deferred income	132,135	(1,458,635)
Net cash provided by operating activities	88,220	1,072,382
Cash flows from investing activities:		
Purchase of investments	(786,625)	(1,559,706)
Proceeds from sale of investments	3,952,827	2,874,905
Net cash provided by investing activities	3,166,202	1,315,199
Cash flows from financing activities:		
Contributions received for endowment	298,475	10,500
Net cash provided by financing activities	298,475	10,500
Net increase in cash and cash equivalents	3,552,897	2,398,081
Cash and cash equivalents at beginning of year	9,668,629	7,270,548
Cash and cash equivalents at end of year	\$ 13,221,526	9,668,629

See accompanying notes to financial statements.

INNER-CITY SCHOLARSHIP FUND, INC.

Notes to Financial Statements

August 31, 2023

(With summarized comparative financial information
as of and for the year ended August 31, 2022)

(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 \$3.2 million for the 2022–2023 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.

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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. During fiscal year 2022, Inner-City adopted a simultaneous release policy for donor-restricted contributions that are recognized and used within the same reporting period. Such contributions are reported as net assets without donor 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 3). 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 or published 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.

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(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.

(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) Comparative Financial Information

The accompanying statement of activities is presented with 2022 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 2022 financial statements, from which the summarized information was derived.

(k) Implications of COVID-19 on Operations

Inner-City applied and received a second Paycheck Protection Program (PPP) loan in the amount of \$403,417 in July 2021. The term of the second loan was two years with a 1% interest rate. Inner-City applied for forgiveness in accordance with the provisions for loan forgiveness and the application for forgiveness was approved in February 2022. The forgiveness was recorded as non-operating revenue on the statement of activities.

(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

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Notes to Financial Statements

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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, 2023 and 2022 consist of the following:

	2023	2022
Ascension Alpha Fund	\$ 73,227,979	70,763,405

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, 2023 and 2022:

	2023	2022
Ascension Alpha Fund asset allocation:		
U.S. equity	35 %	36 %
International equity	20	17
Emerging markets equity	7	6
Hedged equity	5	6
Inflation Protection Financial instruments	5	5
Liquid real assets	5	5
Core fixed income	18	18
Opportunistic credit	4	4
Cash plus	1	3
	100 %	100 %

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(4) Contributions Receivable

Contributions receivable consist of the following at August 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Amounts expected to be collected in:		
Less than one year	\$ 1,660,073	3,115,259
One to five years	<u>20,803,251</u>	<u>20,758,251</u>
	22,463,324	23,873,510
Less discount at rates ranging from 3.2% to 3.5%	<u>(4,307,583)</u>	<u>(4,469,913)</u>
	<u>\$ 18,155,741</u>	<u>19,403,597</u>

At August 31, 2023, contributions from three donors, and in 2022, contributions from two donors, represent 97% and 94%, respectively, of the gross receivable balance.

(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 \$2,343,192 and \$2,320,527 in 2023 and 2022, respectively. The payable outstanding at August 31, 2023 and 2022 is \$357,275 and \$294,192, 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, 2023 and 2022 is \$2,539,130 and \$2,267,744, respectively, and is included in other assets in the accompanying balance sheet.

During 2023, contribution revenue included related party contributions of approximately \$1,920,482 from Alfred E. Smith Foundation and New York Catholic Foundation. During 2022, contribution revenue included related party contributions of approximately \$1,090,384 from Alfred E. Smith Foundation and 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 \$110,116 and \$71,982 in 2023 and 2022, 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.

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The following table discloses the name and funded status of the plans as of December 31, 2021 and 2020 (the dates of the last actuarial valuation):

<u>Legal name and plan number</u>	<u>EIN</u>	<u>2021</u>		<u>2020</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	\$ 1,667,081,619	1,287,178,261	1,666,634,609	1,209,781,470
The Archdiocesan Supplemental Qualified Pension Plan for the Archdiocese of New York	25-1926855	\$ 9,663,652	10,599,754	8,396,470	8,807,592

(7) Net Assets

Net assets with donor restrictions at August 31, 2023 and 2022 are available for the following purposes:

	<u>2023</u>	<u>2022</u>
Subject to expenditure for specified purpose or periods:		
Scholarships and financial aid	\$ 12,206,808	10,985,112
Gift annuities held by Archdiocese of New York for the benefit of Inner-City	2,539,130	2,267,744
Donor restricted endowments subject to Inner-City spending policy:		
Investment in perpetuity – original corpus amount of \$78,757,780 in 2023 and \$78,453,646 in 2022	82,814,091	81,077,719
Total net assets with donor restrictions	<u>\$ 97,560,029</u>	<u>94,330,575</u>

INNER-CITY SCHOLARSHIP FUND, INC.

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(With summarized comparative financial information
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Inner-City's endowment by net asset category as of August 31, 2023 and 2022 is as follows:

	<u>2023</u>		
	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Donor restricted	\$ —	82,814,091	82,814,091
Board designated	8,264,171	—	8,264,171
	<u>\$ 8,264,171</u>	<u>82,814,091</u>	<u>91,078,262</u>
	 <u>2022</u> 		
	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Donor restricted	\$ —	81,077,719	81,077,719
Board designated	6,589,690	—	6,589,690
	<u>\$ 6,589,690</u>	<u>81,077,719</u>	<u>87,667,409</u>

Changes in endowment net assets for the years ended August 31, 2023 and 2022 are as follows:

	<u>2023</u>		
	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Endowment net assets, August 31, 2022	\$ 6,589,690	81,077,719	87,667,409
Contributions	1,428,770	304,134	1,732,904
Investment return, net	558,442	5,000,048	5,558,490
Appropriation for expenditure	(312,731)	(3,567,810)	(3,880,541)
Endowment net assets, August 31, 2023	<u>\$ 8,264,171</u>	<u>82,814,091</u>	<u>91,078,262</u>

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	2022		
	Without donor restrictions	With donor restrictions	Total
Endowment net assets, August 31, 2021	\$ 7,679,965	93,969,576	101,649,541
Contributions	292,529	969,062	1,261,591
Investment return, net	(1,116,561)	(11,252,257)	(12,368,818)
Appropriation for expenditure	(266,243)	(2,608,662)	(2,874,905)
Endowment net assets, August 31, 2022	<u>\$ 6,589,690</u>	<u>81,077,719</u>	<u>87,667,409</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. As of August 31, 2023, there were two endowment funds with a total endowment corpus of approximately \$163,000 and a total market value of approximately \$104,000. Inner City has a policy that permits spending on the underwater funds in accordance with the prudent measures required under the law and as permitted by the donors. As of August 31, 2022, there were seven endowment funds with a total endowment corpus of approximately \$1,462,000 and a total market value of approximately \$1,367,000.

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

Annually, the Board of Trustees approves an appropriation of available endowment funds for the next fiscal year that is based on the average available fund balance. For appropriations approved after August 31, 2022, the average of the balance at the end of the past three fiscal years is used. The spending rate applied to the average is consistent with Inner-City's objective to grow the endowment while preserving the purchasing power of the fund. For the 2023 and 2022 fiscal years, the Board of Trustees approved a maximum spending rate of 4.5% and 5%, respectively.

(8) Liquidity and Availability

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

	2023	2022
Cash and cash equivalents	\$ 13,221,526	9,668,629
Endowment appropriation	3,210,971	3,880,541
Contributions receivable	1,660,073	3,115,259
	<u>\$ 18,092,570</u>	<u>16,664,429</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.

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In effort to help manage unanticipated liquidity needs, Inner-City has board-designated endowment of \$8,264,171 and \$6,589,690 as of August 31, 2023 and 2022, 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 and other</u>	<u>2023 Total</u>	<u>2022 Total</u>
Grants and scholarships	\$ 16,396,787	—	—	—	16,396,787	15,543,872
Program administration	—	473,525	—	98,928	572,453	523,486
General and administrative	—	422,035	300,766	280,247	1,003,048	876,190
Direct donor benefits	—	—	—	737,653	737,653	658,901
Development	—	982,165	—	1,104,785	2,086,950	2,349,965
	<u>\$ 16,396,787</u>	<u>1,877,725</u>	<u>300,766</u>	<u>2,221,613</u>	<u>20,796,891</u>	<u>19,952,414</u>

(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, 2023 through March 20, 2024, which was the date the financial statements were available to be issued, and has concluded that there are no subsequent events for disclosure.