

Financial Statements Together with  
Report of Independent Certified Public Accountants

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

June 30, 2016 and 2015

# THE SCHOLARSHIP FUND FOR INNER-CITY CHILDREN

## TABLE OF CONTENTS

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	<b>Page</b>
Report of Independent Certified Public Accountants	1 - 2
Financial Statements	
Statements of Financial Position as of June 30, 2016 and 2015	3
Statement of Activities for the year ended June 30, 2016	4
Statement of Activities for the year ended June 30, 2015	5
Statements of Cash Flows for the years ended June 30, 2016 and 2015	6
Notes to Financial Statements	7 - 21

## REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Trustees of  
**The Scholarship Fund for Inner-City Children:**

We have audited the accompanying financial statements of The Scholarship Fund for Inner-City Children (the “Fund”), which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

### **Management’s responsibility for the financial statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor’s responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 auditor’s 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 Fund’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 Fund’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Scholarship Fund for Inner-City Children as of June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Grant Thornton LLP*

Iselin, New Jersey  
November 17, 2016

**THE SCHOLARSHIP FUND FOR INNER-CITY CHILDREN**  
**Statements of Financial Position**  
**As of June 30, 2016 and 2015**

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	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 921,087	\$ 1,066,625
Contributions receivable, net (Note 3)	918,782	1,105,801
Investments, at fair value (Note 4)	<u>3,510,376</u>	<u>3,585,012</u>
Total assets	<u>\$ 5,350,245</u>	<u>\$ 5,757,438</u>
<b>LIABILITIES AND NET ASSETS</b>		
Accounts payable and accrued expenses	<u>\$ 59,065</u>	<u>\$ 47,161</u>
Net assets (Notes 2 and 5):		
Unrestricted	409,215	643,837
Temporarily restricted	3,301,522	3,486,997
Permanently restricted	<u>1,580,443</u>	<u>1,579,443</u>
Total net assets	<u>5,291,180</u>	<u>5,710,277</u>
Total liabilities and net assets	<u>\$ 5,350,245</u>	<u>\$ 5,757,438</u>

*The accompanying notes are an integral part of these financial statements.*

**THE SCHOLARSHIP FUND FOR INNER-CITY CHILDREN**  
**Statement of Activities**  
**For the year ended June 30, 2016**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>REVENUES AND SUPPORT</b>				
Contributions:				
Unrestricted	\$ 965,273	\$ -	\$ -	\$ 965,273
Restricted:				
Jean M. Boyle Memorial Scholarship	-	-	1,000	1,000
Children's Scholarship Fund	-	462,749	-	462,749
Frazza Family Scholarship Fund	-	251,685	-	251,685
Jeanne-Marie La Blanc Scholarship	-	1,180	-	1,180
St. Catherine of Siena Scholarship Fund	-	18,607	-	18,607
U.S. Space Camp Scholarship	-	4,000	-	4,000
O'Toole Family Scholarship Fund	-	30,000	-	30,000
Richard A. and Jeanne B. Shiels Scholarship	-	120	-	120
Temporarily restricted donations for scholarships	-	101,753	-	101,753
Award dinner, net of direct expenses of \$50,499	230,690	-	-	230,690
Basketball fundraising, net of direct expenses of \$20,260	23,709	-	-	23,709
Investment income	13,587	110,413	-	124,000
Net realized and unrealized (depreciation) appreciation of investments	(76)	126,774	-	126,698
Net assets released from restrictions (Note 7)	1,292,756	(1,292,756)	-	-
Total support and revenues	<u>2,525,939</u>	<u>(185,475)</u>	<u>1,000</u>	<u>2,341,464</u>
<b>EXPENSES</b>				
Scholarship awards:				
Fund scholarships	825,500	-	-	825,500
Grassman Trust Endowment Fund	10,000	-	-	10,000
Jean M. Boyle Memorial Scholarship	1,000	-	-	1,000
Union Foundation Scholarship Fund	6,000	-	-	6,000
Cunningham Scholarship	8,000	-	-	8,000
Robert M. Kossick Scholarship	2,000	-	-	2,000
Rohwetter Scholarship	4,000	-	-	4,000
Robert E. Rossel Scholarship	4,500	-	-	4,500
Theodore Cardinal McCarrick Scholarship Fund	48,000	-	-	48,000
William Randolph Hearst Foundation Scholarship	8,000	-	-	8,000
Children's Scholarship Fund	463,577	-	-	463,577
Frazza Family Scholarship Fund	298,000	-	-	298,000
Jeanne-Marie La Blanc Scholarship	82,500	-	-	82,500
John F. Taranta, Jr. Memorial Scholarship Fund	76,800	-	-	76,800
Michael and Julie O'Brien Family Scholarship Fund	15,500	-	-	15,500
O'Toole Family Scholarship Fund	30,000	-	-	30,000
Richard J. Morgan Scholarship Fund	31,250	-	-	31,250
St. Catherine of Siena Scholarship	64,000	-	-	64,000
U.S. Space Camp Scholarship	15,435	-	-	15,435
Anne E. Whittington Memorial Scholarship	4,000	-	-	4,000
Temporarily restricted gifts - various	120,500	-	-	120,500
Total scholarship awards	<u>2,118,562</u>	<u>-</u>	<u>-</u>	<u>2,118,562</u>
Fundraising, general and administrative (Note 8)	641,999	-	-	641,999
Total expenses	<u>2,760,561</u>	<u>-</u>	<u>-</u>	<u>2,760,561</u>
Changes in net assets	(234,622)	(185,475)	1,000	(419,097)
Net assets, beginning of year	<u>643,837</u>	<u>3,486,997</u>	<u>1,579,443</u>	<u>5,710,277</u>
Net assets, end of year	<u>\$ 409,215</u>	<u>\$ 3,301,522</u>	<u>\$ 1,580,443</u>	<u>\$ 5,291,180</u>

*The accompanying notes are an integral part of this financial statement.*

**THE SCHOLARSHIP FUND FOR INNER-CITY CHILDREN**  
**Statement of Activities**  
**For the year ended June 30, 2015**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>REVENUES AND SUPPORT</b>				
Contributions:				
Unrestricted	\$ 1,001,806	\$ -	\$ -	\$ 1,001,806
Restricted:				
Jean M. Boyle Memorial Scholarship	-	-	1,000	1,000
Children's Scholarship Fund	-	482,510	-	482,510
Frazza Family Scholarship Fund	-	40,903	-	40,903
Jeanne-Marie La Blanc Scholarship	-	11,475	-	11,475
Michael and Julie O'Brien Family Scholarship Fund	-	30,000	-	30,000
St. Catherine of Siena Scholarship Fund	-	19,877	-	19,877
U.S. Space Camp Scholarship	-	8,718	-	8,718
O'Toole Family Scholarship Fund	-	12,000	-	12,000
Temporarily restricted donations for scholarships	-	171,127	-	171,127
Award dinner, net of direct expenses of \$69,782	403,605	-	-	403,605
Basketball fundraising, net of direct expenses of \$20,386	16,624	-	-	16,624
Investment income	16,807	143,957	-	160,764
Net realized and unrealized (depreciation) appreciation of investments	(6,610)	2,573	-	(4,037)
Net assets released from restrictions (Note 7)	1,375,546	(1,375,546)	-	-
Total support and revenues	<u>2,807,778</u>	<u>(452,406)</u>	<u>1,000</u>	<u>2,356,372</u>
<b>EXPENSES</b>				
Scholarship awards:				
Fund scholarships	748,500	-	-	748,500
Grassman Trust Endowment Fund	15,000	-	-	15,000
Jean M. Boyle Memorial Scholarship	1,000	-	-	1,000
Union Foundation Scholarship Fund	6,000	-	-	6,000
Cunningham Scholarship	6,000	-	-	6,000
Robert M. Kossick Scholarship	2,000	-	-	2,000
Rohwetter Scholarship	4,000	-	-	4,000
Robert E. Rossel Scholarship	4,500	-	-	4,500
Theodore Cardinal McCarrick Scholarship Fund	48,000	-	-	48,000
William Randolph Hearst Foundation Scholarship	7,000	-	-	7,000
Children's Scholarship Fund	533,151	-	-	533,151
Frazza Family Scholarship Fund	300,000	-	-	300,000
Jeanne-Marie La Blanc Scholarship	81,250	-	-	81,250
John F. Taranta, Jr. Memorial Scholarship Fund	76,800	-	-	76,800
Michael and Julie O'Brien Family Scholarship Fund	10,000	-	-	10,000
O'Toole Family Scholarship Fund	30,000	-	-	30,000
Richard J. Morgan Scholarship Fund	30,625	-	-	30,625
Speedwell Foundation Scholarship Fund	18,000	-	-	18,000
St. Catherine of Siena Scholarship	48,000	-	-	48,000
U.S. Space Camp Scholarship	9,617	-	-	9,617
Anne E. Whittington Memorial Scholarship	4,000	-	-	4,000
Temporarily restricted gifts - various	162,250	-	-	162,250
Total scholarship awards	<u>2,145,693</u>	<u>-</u>	<u>-</u>	<u>2,145,693</u>
Fundraising, general and administrative (Note 8)	528,885	-	-	528,885
Total expenses	<u>2,674,578</u>	<u>-</u>	<u>-</u>	<u>2,674,578</u>
Changes in net assets	133,200	(452,406)	1,000	(318,206)
Net assets, beginning of year	<u>510,637</u>	<u>3,939,403</u>	<u>1,578,443</u>	<u>6,028,483</u>
Net assets, end of year	<u>\$ 643,837</u>	<u>\$ 3,486,997</u>	<u>\$ 1,579,443</u>	<u>\$ 5,710,277</u>

*The accompanying notes are an integral part of this financial statement.*

**THE SCHOLARSHIP FUND FOR INNER-CITY CHILDREN**  
**Statements of Cash Flows**  
**For the years ended June 30, 2016 and 2015**

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	<u>2016</u>	<u>2015</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in net assets	\$ (419,097)	\$ (318,206)
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Change in provision for discount allowance on contributions receivable	(19,936)	(27,407)
Net realized and unrealized (appreciation) depreciation of investments	(126,698)	4,037
Donated stock	(231,772)	(42,500)
Proceeds from sale of donated stock	231,772	42,171
Contributions restricted for endowments	(1,000)	(1,000)
Changes in assets and liabilities:		
Decrease in contributions and pledges receivable	206,955	153,134
Increase in accounts payable and accrued expenses	<u>11,904</u>	<u>24,665</u>
Net cash used in operating activities	<u>(347,872)</u>	<u>(165,106)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sales of investments	1,881,225	137,466
Purchases of investments	<u>(1,679,891)</u>	<u>(68,730)</u>
Net cash provided by investing activities	<u>201,334</u>	<u>68,736</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Contributions restricted for endowments	<u>1,000</u>	<u>1,000</u>
Net decrease in cash and cash equivalents	(145,538)	(95,370)
Cash and cash equivalents, beginning of year	<u>1,066,625</u>	<u>1,161,995</u>
Cash and cash equivalents, end of year	<u>\$ 921,087</u>	<u>\$ 1,066,625</u>

*The accompanying notes are an integral part of these financial statements.*

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

## **Notes to Financial Statements**

**June 30, 2016 and 2015**

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### **1. THE SCHOLARSHIP FUND FOR INNER-CITY CHILDREN**

#### **Nature of the Entity**

The Scholarship Fund for Inner-City Children (the “Fund”) is a not-for-profit corporation organized under the laws of the State of New Jersey. The principal purpose of the Fund is to solicit donations and provide Catholic and other private school scholarships for needy elementary and high school students within the geographical boundaries of the Roman Catholic Archdiocese of Newark and to support private education with donor-restricted gifts to individual school programs and for faculty development purposes.

#### **Transactions with the Roman Catholic Archdiocese of Newark**

The Chancery Office of the Roman Catholic Archdiocese of Newark (“Chancery Office”) has the responsibility for maintaining separate financial records and managing certain activities of the Fund. This responsibility includes financial accountability for contributions, program expenses, fundraising/development costs, general and administrative costs of the Fund and participation in the Archdiocese of Newark Investment Management Program (“IMP”). The Board of Trustees and management of the Fund are responsible for the administration of the Fund’s activities.

The Archdiocese of Newark IMP is administered by the Chancery Office. This program enables entities and affiliates of the Roman Catholic Archdiocese of Newark to join together in employing a flexible and unified investment strategy. The Fund’s deposits in this program total \$915,536 and \$1,064,637 at June 30, 2016 and 2015, respectively, and are guaranteed by the Chancery Office and accrue interest at a rate of 1.75% on a quarterly basis. The Fund’s deposits in the IMP are reflected in cash and cash equivalents in the accompanying statements of financial position.

#### **Tax Status**

The Fund is a not-for-profit entity organized under the laws of the State of New Jersey and is exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as described under Section 501(c)(3).

### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **Basis of Accounting**

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (“US GAAP”), using the accrual basis of accounting. The following are the more significant accounting policies consistently applied in the preparation of the accompanying financial statements.

# THE SCHOLARSHIP FUND FOR INNER-CITY CHILDREN

## Notes to Financial Statements

June 30, 2016 and 2015

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### **Unrestricted, Temporarily Restricted, and Permanently Restricted Net Assets**

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

Unrestricted Net Assets - consist of all funds which are expendable at the discretion of the Fund for carrying on daily operations. These funds have neither been restricted by donors nor set aside for any specific purpose by the Fund's Board of Trustees.

Temporarily Restricted Net Assets - resources that have been limited by donor-imposed stipulations that either expire with the passage of time or can be fulfilled and removed by actions of the Fund pursuant to those stipulations.

Permanently Restricted Net Assets - include funds whereby the donors have stipulated that the principal contributed be invested and maintained in perpetuity. Income earned from these investments is available for expenditure in accordance with donor-imposed restrictions, if any.

Revenues are reported as increases in unrestricted net assets unless their use is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulations or by law. Expirations of restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Income and realized and unrealized gains on investments of permanently restricted net assets are reported as follows:

- as increases in permanently restricted net assets if the terms of the gift require that they be added to the principal of a permanent endowment fund, or
- as increases in temporarily restricted net assets until appropriated for expenditure by the Fund's Board of Trustees or upon satisfaction of the stated donor-imposed restrictions.

**THE SCHOLARSHIP FUND FOR INNER-CITY CHILDREN**  
**Notes to Financial Statements**  
**June 30, 2016 and 2015**

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At June 30, 2016 and 2015, unrestricted, temporarily restricted, and permanently restricted net assets consist of the following:

<u>2016</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
General Fund	\$ 409,215	\$ -	\$ -	\$ 409,215
Scholarship Funds:				
Grassman Trust Endowment Fund	-	56,855	165,000	221,855
Jean M. Boyle Memorial Scholarship	-	8,179	24,090	32,269
Union Foundation Scholarship Fund	-	32,975	95,000	127,975
Cunningham Scholarship	-	49,284	159,463	208,747
Robert M. Kossick Scholarship	-	23,736	65,000	88,736
Rohwetter Scholarship	-	26,652	58,038	84,690
Robert E. Rossel Scholarship	-	32,828	90,000	122,828
Theodore Cardinal McCarrick Scholarship Fund	-	308,462	812,688	1,121,150
William Randolph Hearst Foundation Scholarship	-	77,039	111,164	188,203
Anne E. Whittington Memorial Scholarship	-	182,322	-	182,322
Frazza Family Scholarship Fund	-	140,039	-	140,039
J.C. Kellogg Scholarship Fund	-	130	-	130
Jeanne-Marie La Blanc Scholarship	-	250,072	-	250,072
John F. Taranta, Jr. Memorial Scholarship Fund	-	913,191	-	913,191
Michael and Julie O'Brien Family Scholarship Fund	-	149,335	-	149,335
O'Toole Family Scholarship Fund	-	872	-	872
PSE&G Scholarship Fund	-	1,591	-	1,591
Richard A. and Jeanne B. Shiels Scholarship	-	101	-	101
Richard J. Morgan Scholarship Fund	-	41,585	-	41,585
Speedwell Foundation Scholarship Fund	-	1,199	-	1,199
St. Catherine of Siena Scholarship Fund	-	744,869	-	744,869
U.S. Space Camp Scholarship	-	16,811	-	16,811
Temporarily Restricted Gifts - various	-	243,395	-	243,395
	<u>\$ 409,215</u>	<u>\$ 3,301,522</u>	<u>\$ 1,580,443</u>	<u>\$ 5,291,180</u>

**THE SCHOLARSHIP FUND FOR INNER-CITY CHILDREN**  
**Notes to Financial Statements**  
**June 30, 2016 and 2015**

<u>2015</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
General Fund	\$ 643,837	\$ -	\$ -	\$ 643,837
Scholarship Funds:				
Grassman Trust Endowment Fund	-	52,351	165,000	217,351
Jean M. Boyle Memorial Scholarship	-	7,278	23,090	30,368
Union Foundation Scholarship Fund	-	30,634	95,000	125,634
Cunningham Scholarship	-	43,417	159,463	202,880
Robert M. Kossick Scholarship	-	20,037	65,000	85,037
Rohwetter Scholarship	-	25,231	58,038	83,269
Robert E. Rossel Scholarship	-	29,414	90,000	119,414
Theodore Cardinal McCarrick Scholarship Fund	-	284,702	812,688	1,097,390
William Randolph Hearst Foundation Scholarship	-	72,686	111,164	183,850
Anne E. Whittington Memorial Scholarship	-	174,151	-	174,151
Frazza Family Scholarship Fund	-	185,741	-	185,741
J.C. Kellogg Scholarship Fund	-	128	-	128
Jeanne-Marie La Blanc Scholarship	-	314,298	-	314,298
John F. Taranta, Jr. Memorial Scholarship Fund	-	934,041	-	934,041
Michael and Julie O'Brien Family Scholarship Fund	-	162,030	-	162,030
O'Toole Family Scholarship Fund	-	694	-	694
PSE&G Scholarship Fund	-	1,565	-	1,565
Richard A. and Jeanne B. Shiels Scholarship	-	101	-	101
Richard J. Morgan Scholarship Fund	-	71,678	-	71,678
Speedwell Foundation Scholarship Fund	-	1,178	-	1,178
St. Catherine of Siena Scholarship Fund	-	788,789	-	788,789
U.S. Space Camp Scholarship	-	27,838	-	27,838
Temporarily Restricted Gifts - various	-	259,015	-	259,015
	<u>\$ 643,837</u>	<u>\$ 3,486,997</u>	<u>\$ 1,579,443</u>	<u>\$ 5,710,277</u>

**Investments**

Investments in equity and debt securities are reported at fair value determined on the basis of quoted market values as of the reporting date with gains and losses (if any) presented in the statement of activities.

Purchases and sales of securities are reflected on a trade-date basis. Gains and losses on sales of securities are determined based on average cost method and are recorded in the statement of activities in the period in which the securities are sold. Dividends and interest are recognized as earned.

**Fair Value Measurements**

The Financial Accounting Standards Board ("FASB") Topic 820, under the FASB Accounting Standards Codification ("ASC") defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. This standard provides a consistent definition of fair value, which focuses on an exit price between market participants in an orderly transaction. The standard also prioritizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that observable inputs be used when available.

# THE SCHOLARSHIP FUND FOR INNER-CITY CHILDREN

## Notes to Financial Statements

June 30, 2016 and 2015

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Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from independent sources. Unobservable inputs reflect assumptions that market participants would use in pricing the asset or liability based on the best information available in the circumstances.

The hierarchy is broken down into three levels based on the transparency of inputs as follows:

- Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the measurement date. A quoted price for an identical asset or liability in an active market provides the most reliable fair value measurement because it is directly observable to the market.
- Level 2 - Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the measurement date. The nature of these securities include investments for which quoted prices are available but traded less frequently and investments that are fair valued using other securities, the parameters of which can be directly observed.
- Level 3 - Securities that have little to no pricing observability as of the measurement date. These securities are measured using management's best estimate of fair value, where the inputs into the determination of fair value are not observable and require significant management judgment or estimation.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes "observable" requires significant judgment by an entity. The Fund considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the Fund's perceived risk of that instrument.

### **Valuation of Investments**

Investments whose values are based on quoted market prices in active markets as of the reporting date, and are therefore classified within Level 1, include active listed equities, certain U.S. government and sovereign obligations, and certain money market securities held in the name of the Fund.

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

## **Notes to Financial Statements**

### **June 30, 2016 and 2015**

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Investments that trade in markets that are not considered to be active, but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within Level 2. These include certain U.S. government and sovereign obligations not classified as Level 1, most government agency securities, investment-grade corporate bonds, certain mortgage products, certain bank loans and bridge loans, less liquid listed equities, state, municipal and provincial obligations, most physical commodities and certain loan commitments. As Level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information.

Investments classified within Level 3 have significant unobservable inputs, as they trade infrequently or not at all. Level 3 instruments include private equity and real estate investments, certain bank loans and bridge loans, less liquid corporate debt securities (including distressed debt instruments), collateralized debt obligations, and less liquid mortgage securities (backed by either commercial or residential real estate). The Fund did not have any Level 2 or Level 3 investments as of June 30, 2016 and 2015.

#### **Cash and Cash Equivalents**

Cash and cash equivalents are defined as cash balances held in bank accounts (including deposits in the Roman Catholic Archdiocese of Newark Investment Management Program) and short-term investments held by the Fund for operating use with original maturities of three months or less from the date of purchase, except for those cash equivalents which are included in the Fund's investment portfolio which are held for long-term investment purposes.

#### **Concentration of Market and Credit Risks**

Cash, cash equivalents and investments are exposed to interest rate, market, and credit risks. To minimize risk, the Fund's cash accounts are deposited within the Roman Catholic Archdiocese of Newark Investment Management Program administered and guaranteed by the Chancery Office. The Fund's investment portfolio is diversified with several investment managers in a variety of asset classes. The Fund regularly evaluates its depository arrangements and investments, including performance thereof.

#### **Contributions**

Contributions and unconditional promises to give are recorded as revenue when received. Conditional contributions and promises to give are recorded as revenue when the conditions on which they depend have been substantially met. Donor pledges are recorded at present value using an appropriate discount rate, net of estimated uncollectible amounts. Amortization of the discount on contribution receivables is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any. Other unrestricted revenues, support and gains are recorded as income when earned or realized.

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

## **Notes to Financial Statements**

### **June 30, 2016 and 2015**

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Contributions that are restricted by a donor for a specific purpose or specified time period are recorded upon receipt as temporarily restricted net assets and reclassified to unrestricted net assets upon expenditure of the funds based on the restricted purpose and/or the lapsing of the specified time period.

Contributions that are permanently restricted by donors for use as endowments are invested in perpetuity. The income is used for operating purposes or when expenditures satisfy the donors' restrictions and such amounts are appropriated for expenditure by the Fund's Board of Trustees in accordance with the provisions of New Jersey UPMIFA (see also Note 5). Income amounts that exceed related expenditures and appropriations during a fiscal period remain as part of temporarily restricted net assets.

#### **Contributed Space**

Annually, the Chancery Office provides office space to the Fund for the conduct of its program activities and supporting service functions. Support arising from contributed space of \$14,340 has been recognized in the accompanying financial statements as part of contribution revenues and fundraising, general and administrative expenses for each of the years ended June 30, 2016 and 2015.

#### **Special Events**

Revenues and expenses incurred relating to special events are recognized upon occurrence of the respective event.

#### **Scholarships**

Scholarships are recognized as expenses in the fiscal year in which the Fund approves them for payment. Scholarships committed but unpaid as of June 30<sup>th</sup> of each year are expensed and recognized as part of accounts payable and accrued expenses in the statement of financial position.

#### **Fair Value of Financial Instruments**

At June 30, 2016 and 2015, the carrying value of cash and cash equivalents and accounts payable and accrued expenses represent a reasonable estimate of their fair value due to their short-term nature or relative market liquidity. The carrying amounts of the Fund's investments approximate fair value. The carrying value of contributions receivable is estimated based on the present value of expected future cash flows, and thus approximates fair value.

#### **Income Taxes**

The Fund follows guidance that establishes criterion that an individual tax position must meet for some or all of the benefits of that position to be recognized in an entity's financial statements. This standard requires the Fund to determine whether a tax position is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The Fund has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; determine its filing and tax obligations in jurisdictions for which it has nexus; and, to review other matters that may be considered tax positions. The tax years ended June 30, 2013, 2014, 2015 and 2016 are still open to audit for both federal and state purposes. As of June 30, 2016, management does not believe the Fund has any uncertain tax positions.

**THE SCHOLARSHIP FUND FOR INNER-CITY CHILDREN**  
**Notes to Financial Statements**  
**June 30, 2016 and 2015**

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**Use of Estimates**

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period; the most significant of which relate to the discount to present value calculated for contributions receivable that will be collected by the Fund over a period of years. Actual results could differ from those estimates.

**Subsequent Events**

The Fund evaluated its June 30, 2016 financial statements for subsequent events through November 17, 2016, the date the financial statements were available to be issued. The Fund is not aware of any material subsequent events which would require recognition or disclosure in the accompanying financial statements.

**3. CONTRIBUTIONS RECEIVABLE, NET**

At June 30, 2016 and 2015, contributions receivable, net, which include commitments from various foundations and individuals, are expected to be collected as follows:

	<u>2016</u>	<u>2015</u>
Contributions and pledges due:		
In less than one year	\$ 239,566	\$ 306,271
In one to five years	400,500	459,500
Over five years	<u>392,000</u>	<u>473,250</u>
Gross contributions receivable	1,032,066	1,239,021
Less: Discount to present value	<u>(113,284)</u>	<u>(133,220)</u>
Total contributions receivable, net	<u>\$ 918,782</u>	<u>\$ 1,105,801</u>

A discount for contributions to be received over periods longer than one year from date of contribution is provided using an appropriate discount rate assigned in the year the respective pledge originates. The discount rates used for all contributions ranged from approximately 1.2% to 2.9% at June 30, 2016 and 2015, respectively. Certain contributions received by the Fund are from members of management and the Board of Trustees.

During fiscal 2013, the Fund received a conditional promise to give not to exceed \$400,000 from a private foundation, which was contingent upon the Fund raising matching contributions. The Fund will receive \$1 for every \$1 raised in connection with the matching gift. The funds will be used to create a scholarship fund that will provide fifty (50) students with a partial tuition scholarship to attend a Catholic school within the Roman Catholic Archdiocese of Newark. As of June 30, 2016 and 2015, the Fund had received gifts and pledges from donors totaling \$400,000 and \$296,750, respectively, which satisfied the conditions of the match. Accordingly, the Fund recorded a corresponding contribution receivable reflecting the unconditional pledge from the private foundation. All amounts pledged to the Fund for this scholarship fund have been reported as an increase in temporarily restricted net assets since the conditional pledge originated.

**THE SCHOLARSHIP FUND FOR INNER-CITY CHILDREN**  
**Notes to Financial Statements**  
**June 30, 2016 and 2015**

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**4. INVESTMENTS, AT FAIR VALUE**

As of June 30, 2016 and 2015, investments, at fair value, consist of the following:

	<u>2016</u>	<u>2015</u>
Cash and cash equivalents	\$ 10,136	\$ -
Fixed income mutual funds	1,382,664	973,709
Equity mutual funds	<u>2,117,576</u>	<u>2,611,303</u>
	<u>\$ 3,510,376</u>	<u>\$ 3,585,012</u>

Investment securities are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the fair values of investment securities could occur in the near term and such changes could materially affect the amounts reported in the accompanying financial statements.

At June 30, 2016 and 2015, all of the Fund's investments are classified as Level 1 within the fair value hierarchy.

**5. ENDOWMENT**

The Fund's donor-restricted (gifted) endowment consists of nine individual funds established to provide scholarship awards. The Fund's endowment includes only donor-restricted endowment funds. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

**Interpretation of Relevant Law**

The Fund has interpreted the New Jersey Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the respective donor-restricted endowment fund absent explicit donor stipulations to the contrary. As a result of this interpretation, the Fund classifies as permanently restricted net assets: (a) the original value of gifts donated to its permanent endowment; (b) the original value of subsequent gifts to its permanent endowment; and, (c) accumulations of income to its permanent endowment made in accordance with the direction of the applicable donor gift instrument. Therefore, permanently restricted endowment net assets represent the original corpus of gifts given to the Fund for which the gift instruments stipulate that the principal be invested in perpetuity and only income be used for donor intended purposes, if any.

Net appreciation earned on the corpus of permanently restricted endowment net assets, under UPMIFA, is spendable. Accordingly, the Fund classifies the appreciation as temporarily restricted net assets, pending appropriation for expenditure by the Fund's Board of Trustees.

**THE SCHOLARSHIP FUND FOR INNER-CITY CHILDREN**  
**Notes to Financial Statements**  
**June 30, 2016 and 2015**

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The fair value of the endowment is \$2,195,453 and \$2,144,193 at June 30, 2016 and 2015, respectively, and consists of the following net asset classes:

	<u>2016</u>			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor restricted endowment funds	<u>\$ -</u>	<u>\$ 615,010</u>	<u>\$ 1,580,443</u>	<u>\$ 2,195,453</u>

  

	<u>2015</u>			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor restricted endowment funds	<u>\$ -</u>	<u>\$ 564,750</u>	<u>\$ 1,579,443</u>	<u>\$ 2,144,193</u>

The Fund's individual endowment funds are managed separately for investment purposes. The investment portfolio is managed to achieve a prudent long-term total return. The Fund relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Fund targets a diversified asset allocation that places a greater emphasis on fixed income investments to achieve its long-term return objectives within prudent risk constraints.

The following tables summarize the Fund's total return on endowment investments and the changes in endowment net assets for the years ended June 30, 2016 and 2015:

	<u>2016</u>			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Endowment net assets, beginning of year</b>	\$ -	\$ 564,750	\$ 1,579,443	\$ 2,144,193
Dividends and interest on endowment investments	-	62,704	-	62,704
Net realized and unrealized appreciation in fair value of endowment investments	-	79,056	-	79,056
New gifts	-	-	1,000	1,000
Endowment return appropriated for operations	<u>-</u>	<u>(91,500)</u>	<u>-</u>	<u>(91,500)</u>
<b>Endowment net assets, end of year</b>	<u>\$ -</u>	<u>\$ 615,010</u>	<u>\$ 1,580,443</u>	<u>\$ 2,195,453</u>

**THE SCHOLARSHIP FUND FOR INNER-CITY CHILDREN**  
**Notes to Financial Statements**  
**June 30, 2016 and 2015**

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	2015			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
<b>Endowment net assets, beginning of year</b>	\$ -	\$ 585,143	\$ 1,578,443	\$ 2,163,586
Dividends and interest on endowment investments	-	80,920	-	80,920
Net realized and unrealized depreciation in fair value of endowment investments	-	(7,813)	-	(7,813)
New gifts	-	-	1,000	1,000
Endowment return appropriated for operations	-	(93,500)	-	(93,500)
<b>Endowment net assets, end of year</b>	<u>\$ -</u>	<u>\$ 564,750</u>	<u>\$ 1,579,443</u>	<u>\$ 2,144,193</u>

**6. DESCRIPTION OF NET ASSETS BASED ON DONOR-IMPOSED RESTRICTIONS**

**Grassman Trust Endowment Fund**

An endowment established by the E.J. Grassman Trust that provides funds for special projects within the Catholic schools of Union County. This fund was established in 1989.

**Jean M. Boyle Memorial Scholarship**

This fund was established in memory of Jean M. Boyle by her children, awarded to a student who attends St. Genevieve School in Elizabeth.

**Union Foundation Scholarship Fund**

This fund was established in 1990 as an endowment fund, with the income to be used to provide partial scholarships for children attending Catholic schools within Union County.

**Cunningham Scholarship**

An endowment established by James and Lorraine Cunningham to fund scholarships. This fund was established in 1994.

**Robert M. Kossick Scholarship**

An endowed four-year high school scholarship for a student athlete presented in memory of Robert M. Kossick, a loyal trustee of the Scholarship Fund for Inner-City Children. The endowment was established by Sherry O'Hearn.

**Rohwetter Scholarship**

A trust established by the late Dorris Rohwetter that endows a scholarship. This fund was established in 1998.

**Robert E. Rossel Scholarship**

An endowment established by Robert and Mary Bowlin, in honor of Robert E. Rossel, to provide high school scholarships to needy students.

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

## **Notes to Financial Statements**

**June 30, 2016 and 2015**

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### **Theodore Cardinal McCarrick Scholarship Fund**

This fund was established in 2002 in honor of Theodore Cardinal McCarrick, to provide financial assistance to children coming from Catholic grammar schools and desiring entrance into Catholic high schools, with greater focus placed on the growing Latino population.

### **William Randolph Hearst Foundation Scholarship**

An endowed fund that provides scholarships for needy children who attend Catholic schools in Essex, Hudson, Bergen, and Union Counties. This fund was established in 2001.

### **Anne E. Whittington Memorial Scholarship**

This fund was established in 1990 to provide college scholarships that are given to African-American high school graduates. The scholarships are based on academic performance.

### **Children's Scholarship Fund**

This fund, established by The Scholarship Fund for Inner-City Children, provides scholarship funds to needy children from Newark, Jersey City, and Elizabeth. Under the program, children receive up to 75% of their private school tuition up to \$2,500 per year for four years. Recipients are selected by lottery. This fund was established in 2000.

### **Frazza Family Scholarship Fund**

This program will distribute over 100 scholarships each year to elementary school students beginning in the 2008-2009 school year and will follow the students through the eighth grade.

### **J.C. Kellogg Scholarship Fund**

A fund that provides multiyear private school scholarships to needy children from Elizabeth, New Jersey. The scholarships are funded by the J.C. Kellogg Foundation. This fund was established in 1997.

### **Jeanne-Marie La Blanc Scholarship**

This endowment was established by Robert and Betty La Blanc, in memory of their daughter, Jeanne-Marie. It provides scholarships to inner-city high school students within the Roman Catholic Archdiocese of Newark. This fund was established in 1998.

### **John F. Taranta, Jr. Memorial Scholarship Fund**

Established by Br. Ralph Darmento, F.S.C., this scholarship provides four years of tuition assistance to high school students attending Immaculate Conception in Montclair, Marist High School in Bayonne, Benedictine Academy in Elizabeth and St. Mary of the Assumption High School in Elizabeth.

### **Michael and Julie O'Brien Family Scholarship Fund**

Established in 2010, this scholarship provides tuition assistance to students who reside in Jersey City.

### **O'Toole Family Scholarship Fund**

This fund was established by Paula and Terence O'Toole to provide four years of tuition assistance to high school students.

**THE SCHOLARSHIP FUND FOR INNER-CITY CHILDREN**  
**Notes to Financial Statements**  
**June 30, 2016 and 2015**

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**PSE&G Scholarship Fund**

This fund was established in 1988 for the purpose of underwriting grants and scholarships to inner-city students attending Catholic schools within the Roman Catholic Archdiocese of Newark.

**Richard A. and Jeanne B. Shiels Scholarship**

This fund was established in 2001 to provide financial aid to students attending St. Genevieve's School in Elizabeth, New Jersey.

**Richard J. Morgan Scholarship Fund**

This fund was established in 2010 to provide 25 students with a \$1,250 scholarship per year for an eight-year period to attend a Catholic elementary school in the Roman Catholic Archdiocese of Newark.

**Speedwell Foundation Scholarship Fund**

This fund was established in 2008 to provide scholarships to children attending St. Joseph Elementary School and Our Lady Help of Christians School in East Orange, and St. Mary of the Assumption School in Elizabeth. Each school will receive a grant of \$75,000 per year for five years.

**St. Catherine of Siena Scholarship Fund**

This fund was established in 2007 to provide ten incoming high school freshmen with four-year scholarships.

**U.S. Space Camp Scholarship**

A fund established by Mark K. Walchak to send talented high school students to Space Camp in Huntsville, Alabama, and Sea Camp in Big Pine Key, Florida. This fund was established in 1995.

**THE SCHOLARSHIP FUND FOR INNER-CITY CHILDREN**  
**Notes to Financial Statements**  
**June 30, 2016 and 2015**

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**7. NET ASSETS RELEASED FROM RESTRICTIONS**

	<u>2016</u>	<u>2015</u>
Grassman Trust Endowment Fund	\$ 10,000	\$ 15,000
Jean M. Boyle Memorial Scholarship	1,000	1,000
Union Foundation Scholarship Fund	6,000	6,000
Cunningham Scholarship	8,000	6,000
Robert M. Kossick Scholarship	2,000	2,000
Rohwetter Scholarship	4,000	4,000
Robert E. Rossel Scholarship	4,500	4,500
Theodore Cardinal McCarrick Scholarship Fund	48,000	48,000
William Randolph Hearst Foundation Scholarship	8,000	7,000
Anne E. Whittington Memorial Scholarship	4,000	4,000
Children's Scholarship Fund	463,271	511,504
Frazza Family Scholarship Fund	298,000	300,000
Michael and Julie O'Brien Family Scholarship Fund	15,500	10,000
Jeanne-Marie La Blanc Scholarship	82,500	81,250
John F. Taranta, Jr. Memorial Scholarship Fund	76,800	76,800
O'Toole Family Scholarship Fund	30,000	30,000
Richard J. Morgan Scholarship Fund	31,250	30,625
Speedwell Foundation Scholarship Fund	-	18,000
St. Catherine of Siena Scholarship Fund	64,000	48,000
U.S. Space Camp Scholarship	15,435	9,617
Temporary Restricted Gifts - various	<u>120,500</u>	<u>162,250</u>
Total net assets released from restrictions	<u>\$ 1,292,756</u>	<u>\$ 1,375,546</u>

**THE SCHOLARSHIP FUND FOR INNER-CITY CHILDREN**  
**Notes to Financial Statements**  
**June 30, 2016 and 2015**

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**8. FUNDRAISING, GENERAL AND ADMINISTRATIVE**

For the years ended June 30, 2016 and 2015, fundraising, general and administrative expenses consist of the following:

	<u>Fundraising</u>	<u>General and Administrative</u>	<u>Total</u>
<b><u>2016</u></b>			
Payroll	\$ 154,367	\$ 225,564	\$ 379,931
Fringe	34,191	69,417	103,608
Other	61,849	96,611	158,460
	<u>\$ 250,407</u>	<u>\$ 391,592</u>	<u>\$ 641,999</u>
<b><u>2015</u></b>			
Payroll	\$ 97,230	\$ 197,409	\$ 294,639
Fringe	31,759	64,482	96,241
Other	40,701	97,304	138,005
	<u>\$ 169,690</u>	<u>\$ 359,195</u>	<u>\$ 528,885</u>

**9. PENSION PLAN**

The Fund provides its employees with the option to enroll in a defined contribution plan. Plan contributions by participants are made on a tax-deferred basis under an agreement for salary reduction in accordance with Section 403(b) of the Internal Revenue Code (a tax-sheltered annuity). The Fund will match employee contributions up to \$1,000 in a calendar year. Total pension expense under this 403(b) plan for both fiscal years 2016 and 2015 totaled approximately \$1,800. Participants are immediately vested in their account balance, including the employer's contribution portion and all earnings thereon.