

Financial Statements Together with
Report of Independent Certified Public
Accountants

The Children's Scholarship Fund

For the year ended August 31, 2021
with summarized comparative financial information
for the year ended August 31, 2020

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors of
The Children's Scholarship Fund

Report on the financial statements

We have audited the accompanying financial statements of The Children's Scholarship Fund (the "Fund"), which comprise the statement of financial position as of August 31, 2021, and the related statements of activities, functional expenses, 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 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 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 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 Children's Scholarship Fund as of August 31, 2021 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on 2020 summarized comparative information

We have previously audited the Fund's 2020 financial statements (not presented herein), and we expressed unmodified audit opinion on those audited financial statements in our report dated November 16, 2020. In our opinion, the accompanying summarized comparative information as of and for the year ended August 31, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Grant Thornton LLP

New York, New York
December 9, 2021

The Children's Scholarship Fund

STATEMENT OF FINANCIAL POSITION

As of August 31, 2021

with summarized comparative information as of August 31, 2020

	2021	2020
ASSETS		
Cash and cash equivalents	\$ 24,830,075	\$ 19,764,980
Investments (Note C)	6,586,114	5,582,887
Contributions receivable, net (Note D)	37,918	38,860
Prepaid expenses and other assets	53,971	19,766
Deposits	39,129	39,129
Property and equipment, net (Note E)	54,993	31,172
Total assets	\$ 31,602,200	\$ 25,476,794
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 52,354	\$ 369
Refundable advances	328,293	261,105
Accrued expenses	86,944	96,384
Total liabilities	467,591	357,858
Contingencies		
Net assets		
Without donor restrictions	5,558,531	5,758,378
With donor restrictions (Note F)	25,576,078	19,360,558
	31,134,609	25,118,936
Total liabilities and net assets	\$ 31,602,200	\$ 25,476,794

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

The Children's Scholarship Fund

STATEMENT OF ACTIVITIES

For the year ended August 31, 2021
with summarized financial information for the year end August 31, 2020

	2021			2020 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
Operating revenues and support				
Contributions	\$ 1,312,322	\$ 28,039,447	\$ 29,351,769	\$ 27,239,878
Fundraising events	-	-	-	17,727
Investment and other income	17,566	-	17,566	336,201
Total operating revenues and support	1,329,888	28,039,447	29,369,335	27,593,806
Net assets released from restrictions (Note F)	21,823,927	(21,823,927)	-	-
Total operating revenues, support and net assets released from restrictions	23,153,815	6,215,520	29,369,335	27,593,806
Operating expenses				
Program services:				
Scholarships and grants (Note G)	20,688,185	-	20,688,185	22,172,666
Program management, outreach and support	1,037,314	-	1,037,314	928,908
Total program services	21,725,499	-	21,725,499	23,101,574
Support services:				
Management and general	556,007	-	556,007	469,131
Fundraising	1,072,156	-	1,072,156	939,796
Total support services	1,628,163	-	1,628,163	1,408,927
Total operating expenses	23,353,662	-	23,353,662	24,510,501
CHANGES IN NET ASSETS	(199,847)	6,215,520	6,015,673	3,083,305
Net assets, beginning of year	5,758,378	19,360,558	25,118,936	22,035,631
Net assets, end of year	\$ 5,558,531	\$ 25,576,078	\$ 31,134,609	\$ 25,118,936

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

The Children's Scholarship Fund

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended August 31, 2021
with summarized comparative totals for the year ended August 31, 2020

	Program Services	Support Services		2021 Total Expenses	2020 Total Expenses
		Fundraising	Management and General		
Scholarships and grants	\$ 20,688,185	\$ -	\$ -	\$ 20,688,185	\$ 22,172,666
Salaries	692,529	626,674	347,956	1,667,159	1,513,801
Payroll taxes	47,154	41,857	20,264	109,275	92,403
Employee benefits	95,953	84,827	21,148	201,928	184,567
Occupancy costs	108,989	101,033	21,918	231,940	224,781
Professional fees	21,740	59,560	121,732	203,032	111,901
Donor communication costs	-	89,825	-	89,825	31,652
Event costs	2,085	3,000	-	5,085	19,318
Offices expenses	10,175	10,890	3,407	24,472	28,462
Information technology	28,381	16,979	1,334	46,694	44,503
Travel	1,031	2,693	1,830	5,554	22,782
Depreciation and amortization	13,062	8,757	1,900	23,719	17,829
Insurance	15,400	14,276	3,097	32,773	31,592
Miscellaneous	815	11,785	11,421	24,021	14,244
Total expenses	<u>\$ 21,725,499</u>	<u>\$ 1,072,156</u>	<u>\$ 556,007</u>	<u>\$ 23,353,662</u>	<u>\$ 24,510,501</u>

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

The Children's Scholarship Fund

STATEMENT OF CASH FLOWS

As of August 31, 2021
with summarized comparative information as of August 31, 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities		
Cash received from contributors	\$ 29,419,899	\$ 27,719,834
Investment and other income	17,566	336,201
Scholarships and grants paid	(20,688,185)	(22,172,666)
Cash paid to vendors, suppliers and employees	<u>(2,633,418)</u>	<u>(2,309,922)</u>
Net cash provided by operating activities	<u>6,115,862</u>	<u>3,573,447</u>
Cash flows from investing activities		
Purchases of investments	(13,168,463)	(11,086,164)
Sales of investments	12,165,236	11,038,497
Purchases of property and equipment	<u>(47,540)</u>	<u>(17,942)</u>
Net cash used in investing activities	(1,050,767)	(65,609)
NET INCREASE IN CASH AND CASH EQUIVALENTS	5,065,095	3,507,838
Cash and cash equivalents, beginning of year	<u>19,764,980</u>	<u>16,257,142</u>
Cash and cash equivalents, end of year	<u>\$ 24,830,075</u>	<u>\$ 19,764,980</u>

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

The Children's Scholarship Fund

NOTES TO THE FINANCIAL STATEMENTS

August 31, 2021 and 2020

NOTE A - THE CHILDREN'S SCHOLARSHIP FUND

The Children's Scholarship Fund ("CSF" or the "Fund") is a not-for-profit charitable organization which was formed on April 28, 1998 for the purpose of expanding educational opportunities available to low-income families. CSF provides partial tuition assistance to families in need so children can attend the K-8 schools that best meet their needs, regardless of their ability to pay or where they live. In furtherance of its mission, CSF makes matching grants to other scholarship organizations so they may also provide partial scholarship awards to children from low-income families.

Since CSF's first scholarships were awarded in 1999, nearly 185,000 children from low-income families have received tuition assistance through CSF grants. See Note G for additional information.

The Fund is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the "Code") and has been classified as an organization which is not a private foundation.

In March 2020, the World Health Organization officially declared COVID-19, a disease caused by the novel coronavirus, a pandemic. The outbreak has adversely affected the level of economic activity around the world and disrupted normal business activity in every sector of the economy. Due to the many uncertainties associated with the pandemic, management is unable to determine the impact it may have on the Fund's financial condition and future results, or the implications on the Fund's ability to raise contributions and to continue providing the current level of tuition assistance.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("US GAAP").

The Fund's financial statements distinguish between net assets and changes in net assets without donor restrictions and those with donor restrictions as follows:

Net assets without donor restrictions - consist of all funds which are expendable at the discretion of the Fund's management and Board of Directors for carrying on daily operations. These funds have neither been restricted by donors nor set aside for any specific purpose.

Net assets with donor restrictions - net assets that have been limited by donor-imposed stipulations that either expire with the passage of time or can be fulfilled and removed by the actions of the Fund pursuant to those stipulations. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Certain reclassifications have been made to the prior year financial statements to conform to the current year presentation.

Cash and Cash Equivalents

Cash equivalents include short-term highly liquid investments with original maturities at the time of purchase of three months or less.

The Children's Scholarship Fund

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

August 31, 2021 and 2020

Investments

Investments in Treasury bills are stated at their fair value in the statements of financial position. Net realized and unrealized gains and losses for the period are shown in the statement of activities.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. The capitalization policy requires all assets greater than \$500 with a useful life of greater than one year to be capitalized. Depreciation is computed on the straight-line basis over the estimated useful lives of the related assets as follows:

Equipment and Computer Systems	Three years
Furniture and fixtures	Five years
Leasehold improvements	Useful life of the asset or the life of the lease, whichever is shorter

Contributions

The Fund recognizes revenue from contributions in accordance with guidance that requires the Fund to evaluate whether a transfer of assets is (1) an exchange transaction in which a resource provider is receiving commensurate value in return for the resources transferred or (2) a contribution. If the transfer of assets is determined to be a contribution, the Fund evaluates whether the contribution is conditional based upon whether the agreement includes both (1) one or more barriers that must be overcome before the Fund is entitled to the assets transferred and promised and (2) a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets. The Fund records contributions when an unconditional promise to give is received from a donor. Contributions are recorded at the fair value of the assets received and are classified as either without donor restrictions or with donor restrictions, based on donor-imposed restrictions, if any.

Unconditional promises to give with payments due in future years are reported as contributions with donor restrictions and discounted to present value using a credit adjusted rate of return. An allowance for uncollectible contributions receivable is provided based on management judgment including such factors as prior collection history and type of contribution. Contributions receivable are charged off against the allowance for uncollectible accounts when management determines that recovery is unlikely, and any amounts subsequently collected are recorded as income in the period received. Conditional contributions are recognized as revenue when the conditions on which they depend are substantially met. Conditional contributions received in advance of meeting the associated conditions are recorded as refundable advances on the statement of financial position.

Scholarship Awards

CSF awards partial scholarships so that children from low-income families can attend the private or parochial school of their choice. These scholarships are recorded as an expense at the time they become unconditional, which is usually when the student attends their chosen school.

Functional Expenses

The costs of providing program and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among program services and supporting services benefited. Such allocations are determined by management on an equitable basis based on either financial or non-financial data, such as the number of employees or estimates of time and effort incurred by personnel.

The Children's Scholarship Fund

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

August 31, 2021 and 2020

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. Actual results could differ from those estimates.

Concentrations of Credit Risk

Financial instruments that potentially subject the Fund to concentrations of credit risk consist principally of cash and cash equivalents. The Fund maintains its cash and cash equivalents in various bank accounts that, at times, may exceed federally insured limits. The Fund's cash accounts were placed with high credit quality financial institutions and the Fund has not experienced, nor does it anticipate, any losses in such accounts.

Fair Value of Financial Instruments

The Fund follows guidance which defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The guidance provides a consistent definition of fair value, which focuses on an exit price between market participants in an orderly transaction. The guidance also prioritizes, within the measurement of fair value, the use of market-based information over entity-specific information and establishes a three-level hierarchy for fair value measurements based on the transparency of information used in the valuation of an asset or liability as of the measurement date.

Assets and liabilities, subject to the guidance, measured and reported at fair value are classified and disclosed in one of the following categories:

- Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the measurement date.
- Level 2 - Pricing inputs, including broker quotes, are generally those other than exchange quoted prices in active markets, which are either directly or indirectly observable as of the measurement date, and fair value is determined through the use of models or other valuation methodologies.
- Level 3 - Pricing inputs are unobservable for the asset or liability and include situations where there is little, if any, market activity for the asset or liability. The inputs into the determination of fair value require significant management judgment or estimation.

Fair value estimates are made at a specific point in time, based on available market information and judgments about the financial asset, including estimates of timing, amount of expected future cash flows and the credit standing of the issuer. In some cases, the fair value estimates cannot be substantiated by comparison to independent markets.

Income Taxes

The Fund follows guidance that clarifies the accounting for uncertainty in tax positions taken or expected to be taken in a tax return, including issues relating to financial statement recognition and measurement. This guidance provides that the tax effects from an uncertain tax position can only be recognized in the financial statements if the position is "more-likely-than-not" to be sustained if the position were to be challenged by a taxing authority. The assessment of the tax position is based solely on the technical merits of the position, without regard to the likelihood that the tax position may be challenged.

The Children's Scholarship Fund

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

August 31, 2021 and 2020

The Fund is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code, though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code. The Fund has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations in jurisdictions for which there was nexus; and to identify and evaluate other matters that may be considered tax positions. The Fund has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

Presentation of Certain Prior Year Summarized Information

The accompanying financial statements include prior year summarized comparative information in total but not by net asset classification. Such information does not include sufficient detail to constitute a presentation in conformity with US GAAP. Accordingly, such information should be read in conjunction with the Fund's consolidated financial statements as of and for the year ended August 31, 2020, from which the summarized comparative information was derived.

NOTE C - INVESTMENTS

The composition of the Fund's investments as of August 31, 2021 and 2020 were comprised solely of US Treasury Bills and were classified within Level 1 of the fair value hierarchy.

NOTE D - CONTRIBUTIONS RECEIVABLE, NET

Contributions receivable as of August 31, 2021 and 2020 consist of the following:

	2021	2020
Amounts expected to be collected		
In one year or less	\$ 37,918	\$ 29,525
In greater than one year	-	10,000
	37,918	39,525
Less: Discount to present value (at a discount rate of 3.5% in 2020)	-	(665)
Contributions receivable, net	\$ 37,918	\$ 38,860

At August 31, 2021 and 2020, all of the net receivables are restricted for scholarship awards.

In addition, as of August 31, 2021, CSF has received conditional promises totaling approximately \$21.5 million (\$18.5 million of which are restricted for scholarship awards). These gifts are primarily conditioned on satisfying matching fund requirements by CSF and/or its grantee scholarship organizations and accordingly have not been recognized in the accompanying financial statements.

The Children's Scholarship Fund

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

August 31, 2021 and 2020

NOTE E - PROPERTY AND EQUIPMENT, NET

Property and equipment at August 31, 2021 and 2020 consisted of the following:

	2021	2020
Office and computer equipment and systems	\$ 163,840	\$ 116,300
Furniture and fixtures	5,300	5,300
Leasehold improvements	11,975	11,975
	181,155	133,575
Less: Accumulated depreciation and amortization	(126,122)	(102,403)
Property and equipment, net	\$ 54,993	\$ 31,172

Depreciation expense for the years ended August 31, 2021 and 2020 was approximately \$24,000 and \$18,000, respectively.

NOTE F - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions of approximately \$25,576,000 and \$19,361,000 at August 31, 2021 and 2020, respectively, are primarily available for scholarships and grants.

Net assets were released from donor restrictions by satisfying the restricted purpose as follows:

	2021	2020
Scholarships and grants	\$ 20,688,185	\$ 22,172,666
Expended for operating costs	1,135,742	2,094,063
	\$ 21,823,927	\$ 24,266,729

NOTE G - SCHOLARSHIPS AND GRANTS

CSF awards partial scholarships so that children from low-income families can attend the private or parochial school of their choice. In addition, CSF makes matching grants to other scholarship organizations so they may also provide partial scholarship awards to children from low-income families. During the years ended August 31, 2021 and 2020, the total value of the scholarship payments made by CSF and other grantee scholarship organizations amounted to approximately \$47,832,000 and \$48,936,000, respectively. CSF distributed approximately \$20,688,000 of these awards during fiscal year 2021 and approximately \$22,173,000 of these awards during fiscal year 2020. The remaining \$27,144,000 in 2021 and remaining \$26,763,000 in 2020 was funded by matching contributions provided by the other scholarship organizations.

There were no unconditional scholarships and grants payable as of August 31, 2021 and 2020.

The Children's Scholarship Fund

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

August 31, 2021 and 2020

NOTE H - EMPLOYEE BENEFIT PLAN

CSF has a defined contribution retirement plan which provides for CSF to make matching contributions of up to 5% of the compensation of eligible employees. The plan allows the participants to make voluntary contributions subject to Internal Revenue Service limitations. CSF incurred approximately \$75,000 and \$68,000 in pension expense relating to this plan for the years ended August 31, 2021 and 2020, respectively.

NOTE I - COMMITMENTS AND CONTINGENCIES

CSF leases office space in New York City with a lease term that expires on April 30, 2022. CSF incurred approximately \$216,000 and \$208,000 in rent expense for the years ended August 31, 2021 and 2020, respectively. The minimum annual future rental payments for the Fund's noncancelable operating lease as of August 31, 2021 is \$150,000 and due during Fiscal Year 2022.

As of August 31, 2021, CSF has outstanding conditional grants to other scholarship organizations totaling approximately \$2.6 million for the purpose of awarding scholarships to children from low-income families that are in kindergarten through eighth grade. These grants are subject to the satisfaction of stipulated conditions, including the achievement of matching fund requirements. If these conditions are satisfied, expenditures are recognized and payments will be made during the year ending August 31, 2022.

NOTE J - AVAILABLE RESOURCES AND LIQUIDITY

The Fund considers contributions without donor restrictions and investment income without donor restrictions to be available to meet cash needs for general expenditures. General expenditures include management and general expenses, fundraising expenses and program management, outreach and support expenses.

In addition, the Fund receives significant contributions with donor restrictions that are used to fund scholarships and matching grants to other scholarship organizations. During fiscal year 2021, the Fund received donor restricted contributions for scholarships and matching grants of approximately \$26,904,000.

The Fund manages its financial assets to meet general expenditures, liabilities and scholarship and matching grant obligations as they come due. The Fund invests cash in excess of its near term requirements in various short-term investments including money market funds, US Treasury Bills and certificates of deposit.

The table below presents financial assets available for general expenditures within one year at August 31, 2021:

Cash and cash equivalents	\$ 24,830,075
Investments	6,586,114
Contributions receivable	<u>37,918</u>
Total financial assets	<u>31,454,107</u>
Less amounts not available to be used within one year:	
Donor contributions restricted for scholarships and grants	<u>(25,576,078)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 5,878,029</u>

The Children's Scholarship Fund

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

August 31, 2021 and 2020

NOTE K - SUBSEQUENT EVENTS

CSF evaluated its August 31, 2021 financial statements for subsequent events through December 9, 2021, the date the financial statements were available to be issued. CSF is not aware of any subsequent events that would require recognition or disclosure in the financial statements.