

Financial Statements Together with
Report of Independent Certified Public
Accountants

The Children's Scholarship Fund

For the year ended August 31, 2024
with summarized comparative financial information
for the year ended August 31, 2023

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
The Children's Scholarship Fund

Report on the financial statements**Opinion**

We have audited the financial statements of The Children's Scholarship Fund ("CSF"), which comprise the statement of financial position as of August 31, 2024, and the related statements of activities, functional expenses, 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 CSF as of August 31, 2024, 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.

Basis for opinion

We conducted our audit of the financial statements in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of CSF 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 accounting principles generally accepted in the United States of America, 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 CSF's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditor's 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 auditor's 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 US 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 US 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 CSF'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 CSF'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 2023 summarized comparative information

We have previously audited CSF's 2023 financial statements (not presented herein), and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 21, 2023. In our opinion, the accompanying summarized comparative information as of and for the year ended August 31, 2023 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Grant Thornton LLP

New York, New York
November 25, 2024

The Children's Scholarship Fund

STATEMENT OF FINANCIAL POSITION

As of August 31, 2024
with comparative totals as of August 31, 2023

	2024	2023
ASSETS		
Cash and cash equivalents	\$ 13,331,571	\$ 7,764,037
Investments (Note C)	33,672,279	28,124,984
Prepaid expenses and other assets	121,460	64,868
Deposits	23,346	23,346
New Hampshire Education Freedom Accounts (Note J)	8,394,450	4,671,165
Operating lease right-of-use assets (Note I)	153,969	230,009
Property and equipment, net (Note E)	11,965	34,062
Total assets	\$ 55,709,040	\$ 40,912,471
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 17,327	\$ 22,313
Due to State of New Hampshire (Note J)	9,393,689	5,378,521
Refundable advances	5,386,340	55,243
Deferred program service revenue (Note J)	276,807	-
Operating lease liabilities (Note I)	168,248	248,552
Accrued expenses and other liabilities	165,418	165,509
Total liabilities	15,407,829	5,870,138
Commitments (Note K)		
Net assets		
Without donor restrictions	15,688,383	9,954,492
With donor restrictions (Note F)	24,612,828	25,087,841
	40,301,211	35,042,333
Total liabilities and net assets	\$ 55,709,040	\$ 40,912,471

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, 2024
with comparative totals for the year ended August 31, 2023

	2024			2023 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
Operating revenues and support				
Contributions	\$ 6,862,971	\$ 19,139,014	\$ 26,001,985	\$ 22,891,826
Fundraising events (net of costs of direct benefits to donors of \$2,880)	-	2,877	2,877	2,494
Program service revenue (Note J)	1,580,082	-	1,580,082	1,138,185
Investment income	2,286,256	-	2,286,256	1,309,290
Total operating revenues and support	10,729,309	19,141,891	29,871,200	25,341,795
Net assets released from restrictions (Note F)	19,616,904	(19,616,904)	-	-
Total operating revenues, support and net assets released from restrictions	30,346,213	(475,013)	29,871,200	25,341,795
Operating expenses				
Program services				
Scholarships and grants (Note G)	20,165,309	-	20,165,309	19,227,637
Program management, outreach and support	2,602,339	-	2,602,339	1,888,331
Total program services	22,767,648	-	22,767,648	21,115,968
Support services				
Management and general	504,757	-	504,757	502,138
Fundraising	1,339,917	-	1,339,917	1,260,000
Total support services	1,844,674	-	1,844,674	1,762,138
Total operating expenses	24,612,322	-	24,612,322	22,878,106
CHANGES IN NET ASSETS	5,733,891	(475,013)	5,258,878	2,463,689
Net assets, beginning of year	9,954,492	25,087,841	35,042,333	32,578,644
Net assets, end of year	\$ 15,688,383	\$ 24,612,828	\$ 40,301,211	\$ 35,042,333

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, 2024
with comparative totals for the year ended August 31, 2023**

	Program Services	Support Services		2024 Total Expenses	2023 Total Expenses
		Fundraising	Management and General		
Scholarships and grants	\$ 20,165,309	\$ -	\$ -	\$ 20,165,309	\$ 19,227,637
Salaries	1,474,534	788,147	247,724	2,510,405	2,201,587
Payroll taxes	111,865	57,136	14,160	183,161	150,929
Employee benefits	261,539	96,982	27,310	385,831	333,533
Public awareness and outreach	238,500	-	-	238,500	-
Occupancy costs	56,059	54,659	9,072	119,790	112,710
Professional fees	44,367	120,046	147,055	311,468	266,040
Donor communication costs	-	115,339	-	115,339	84,960
Event costs	-	3,657	-	3,657	2,038
Offices expenses	25,974	12,547	3,049	41,570	36,837
Information technology	290,704	31,076	1,963	323,743	272,444
Travel	54,268	33,392	43,797	131,457	102,706
Depreciation and amortization	15,263	5,866	968	22,097	28,074
Insurance	28,666	9,070	1,487	39,223	39,765
Miscellaneous	600	12,000	8,172	20,772	18,846
Total expenses	\$ 22,767,648	\$ 1,339,917	\$ 504,757	\$ 24,612,322	\$ 22,878,106

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

The Children's Scholarship Fund

STATEMENT OF CASH FLOWS

**For the year ended August 31, 2024
with comparative totals for the year ended August 31, 2023**

	2024	2023
Cash flows from operating activities:		
Cash received from contributors	\$ 29,685,129	\$ 24,075,670
Cash received from State of New Hampshire EFA, net of returned funds	23,759,935	15,242,920
Investment and other income	541,665	1,275,229
Scholarships and grants paid	(20,143,234)	(19,227,637)
Cash paid to vendors, suppliers and employees	(4,428,406)	(3,566,178)
Cash paid to vendor to fund State of New Hampshire EFA accounts	(21,640,976)	(13,689,066)
Net cash provided by operating activities	7,774,113	4,110,938
Cash flows from investing activities:		
Purchases of investments	(50,888,111)	(34,544,079)
Sales of investments	48,681,532	16,780,578
Purchases of property and equipment	-	(9,341)
Net cash used in investing activities	(2,206,579)	(17,772,842)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	5,567,534	(13,661,904)
Cash and cash equivalents, beginning of year	7,764,037	21,425,941
Cash and cash equivalents, end of year	\$ 13,331,571	\$ 7,764,037

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

The Children's Scholarship Fund
NOTES TO FINANCIAL STATEMENTS
August 31, 2024 and 2023

NOTE A - THE CHILDREN'S SCHOLARSHIP FUND

The Children's Scholarship Fund ("CSF") 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 empowers families by providing children in need with scholarships, and by supporting expanded educational opportunities for all children. To that end, CSF provides partial scholarships to low-income families, makes matching grants to other scholarship organizations so they may also provide partial scholarship awards to children from low-income families, and administers state programs that empower children to reach their full potential.

Since CSF's first scholarships were awarded in 1999, more than 209,730 children from low-income families have received tuition assistance through CSF grants. See Note G for additional information.

CSF 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.

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 ("U.S. GAAP").

CSF'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 CSF'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 CSF 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.

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.

Investments

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

The Children's Scholarship Fund

NOTES TO FINANCIAL STATEMENTS - CONTINUED

August 31, 2024 and 2023

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and amortization. Depreciation or amortization is computed on a straight-line basis over the estimated useful lives of the related assets as follows:

Office and computer equipment and systems	Three years
Furniture and fixtures	Five years
Leasehold improvements	Useful life of the asset or the term of the lease, whichever is shorter

Contributions

CSF recognizes revenue from contributions in accordance with guidance that requires CSF 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, CSF evaluates whether the contribution is conditional based upon whether the agreement includes both (1) one or more barriers that must be overcome before CSF 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. CSF 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.

Program Service Revenue

In accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 606, *Revenue from Contracts with Customers* ("ASC 606"), CSF recognizes revenue when control of the promised goods or services are transferred to the customers in an amount that reflects the consideration CSF expects to be entitled to in exchange for those goods or services. The standard outlines a five-step model whereby revenue is recognized as performance obligations within a contract are satisfied.

ASC 606 also requires disclosures regarding revenue recognition to ensure an understanding as to the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. CSF has identified program service revenue to be subject to ASC 606. CSF recognizes revenue from contracts with customers, as goods or services are transferred or provided in accordance with ASC 606.

In connection with its agreement with the State of New Hampshire, CSF acts as an administrative agent for funds to be disbursed to qualified students for educational expenses. In return for these administrative services, CSF retains no more than 10% of the funds received annually as a recovery for administrative costs incurred. ASC 606 allows as a practical expedient, for an entity that has a right to consideration from a customer in an amount that corresponds directly with the value to the customer of the entity's performance completed to date, the entity may recognize revenue in the amount to which the entity has a right to invoice.

The Children's Scholarship Fund

NOTES TO FINANCIAL STATEMENTS - CONTINUED

August 31, 2024 and 2023

This administrative fee is recognized as program service revenue over time as CSF performs these administrative services, based on direct and allocated costs incurred, which corresponds with the fulfillment of CSF's performance obligations under the contract.

As the amounts and the students that will receive funding under the program is determined by the State of New Hampshire, CSF has accounted for the student funds as an agency transaction whereby revenue is recognized as the net fee earned. The administrative costs incurred related to the transaction are recorded as revenue within program service revenue and as an expense within operating expenses in the statement of activities. Accordingly, CSF has recognized the upfront payment to be distributed to students as a liability within Due to State of New Hampshire on the statement of financial position, which is reduced as funds are subsequently approved for qualified educational expenses or returned to the State of New Hampshire. CSF has engaged Class Wallet to facilitate the distribution of funds to students and as such has recorded the amounts held by Class Wallet as New Hampshire Education Freedom Accounts on the statement of financial position. Amounts not utilized under the program will be returned to the State of New Hampshire.

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.

Leases

CSF determines if an arrangement contains a lease at inception based on whether there is an identified asset and whether CSF controls the use of the identified asset throughout the period of use. CSF classifies leases as either finance or operating. CSF does not have any finance leases as of August 31, 2024. Right-of-use ("ROU") assets are recognized at the lease commencement date and represent CSF's right to use an underlying asset for the lease term and lease liabilities represent CSF's obligation to make lease payments arising from the lease. Lease liabilities are recognized at the lease commencement date based on the present value of future lease payments over the remaining lease term. Present value of lease payments is discounted based on CSF's incremental borrowing rate.

CSF's operating lease ROU assets are measured based on the corresponding operating lease liability adjusted for (i) payments made to the lessor at or before the commencement date, (ii) initial direct costs incurred and (iii) lease incentives under the lease. Options to renew or terminate the lease are recognized as part of our ROU assets and lease liabilities when it is reasonably certain the options will be exercised. ROU assets are also assessed for impairments consistent with the long-lived asset guidance.

CSF does not allocate consideration between lease and non-lease components, such as operating costs, as CSF has elected to not separate lease and non-lease components for any leases within its existing classes of assets. Operating lease expense for fixed lease payments is recognized on a straight-line basis over the lease term. Variable lease payments for usage-based fees are not included in the measurement of the ROU assets or lease liabilities and are expensed as incurred.

Operating leases are presented separately as operating lease right-of-use assets and operating lease liabilities in the accompanying statement of financial position.

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

The Children's Scholarship Fund

NOTES TO FINANCIAL STATEMENTS - CONTINUED

August 31, 2024 and 2023

based on either financial or non-financial data, such as the number of employees or estimates of time and effort incurred by personnel.

Use of Estimates

The preparation of financial statements in conformity with U.S. 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 CSF to concentrations of credit risk consist principally of cash and cash equivalents. CSF maintains its cash and cash equivalents in various bank accounts that, at times, may exceed federally insured limits. CSF's cash accounts were placed with high credit quality financial institutions and CSF has not experienced, nor does it anticipate, any losses in such accounts.

Fair Value of Financial Instruments

CSF 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.

Advertising Expense

CSF expenses advertising costs as incurred except to the extent of any direct response marketing costs that qualify for capitalization. For the year ended August 31, 2024, advertising expenses totaled \$225,000, and no costs were capitalized.

The Children's Scholarship Fund

NOTES TO FINANCIAL STATEMENTS - CONTINUED

August 31, 2024 and 2023

Income Taxes

CSF 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.

CSF is exempt from federal income tax under Section 501(c)(3) of the Code, though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code. CSF 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. CSF 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 U.S. GAAP. Accordingly, such information should be read in conjunction with CSF's consolidated financial statements as of and for the year ended August 31, 2023, from which the summarized comparative information was derived.

NOTE C - INVESTMENTS

The composition of CSF's investments as of August 31, 2024 and 2023 were comprised solely of U.S. Treasury bills and were classified within Level 1 of the fair value hierarchy.

NOTE D - CONDITIONAL CONTRIBUTIONS

As of August 31, 2024, CSF has received conditional promises totaling approximately \$19.2 million (\$14.5 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 contain a right to revoke clause in the grant agreement and accordingly have not been recognized in the accompanying financial statements.

The Children's Scholarship Fund
NOTES TO FINANCIAL STATEMENTS - CONTINUED
August 31, 2024 and 2023

NOTE E - PROPERTY AND EQUIPMENT, NET

Property and equipment at August 31, 2024 and 2023 consisted of the following:

	2024	2023
Office and computer equipment and systems	\$ 170,655	\$ 170,655
Furniture and fixtures	9,210	9,210
	179,865	179,865
Less: accumulated depreciation and amortization	(167,900)	(145,803)
Property and equipment, net	\$ 11,965	\$ 34,062

Depreciation and amortization expense for the years ended August 31, 2024 and 2023 was approximately \$22,000 and \$28,000, respectively.

NOTE F - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions of approximately \$24,613,000 and \$25,088,000 at August 31, 2024 and 2023, respectively, were primarily available for scholarships and grants.

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

	2024	2023
Scholarships and grants	\$ 18,358,018	\$ 17,627,637
Expended for operating costs	1,258,886	1,416,305
	\$ 19,616,904	\$ 19,043,942

NOTE G - SCHOLARSHIPS AND GRANTS

During the years ended August 31, 2024 and 2023, the total value of the scholarship payments made by CSF and other grantee scholarship organizations amounted to approximately \$81,906,000 and \$54,455,000, respectively. CSF distributed approximately \$20,165,000 and \$19,228,000 of these awards during fiscal years 2024 and 2023, respectively. The remaining \$61,741,000 in 2024 and \$35,227,000 in 2023 was funded by matching contributions provided by the other scholarship organizations.

There were no unconditional scholarships and grants payable as of August 31, 2024 or 2023.

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 \$119,000 and \$104,000 in pension expense relating to this plan for the years ended August 31, 2024 and 2023, respectively.

The Children's Scholarship Fund

NOTES TO FINANCIAL STATEMENTS - CONTINUED

August 31, 2024 and 2023

NOTE I - LEASES

CSF leases office space in New York City and New Hampshire with lease terms that expire on July 31, 2026 and April 30, 2025, respectively. Additionally, the terms of New York City lease agreement include escalating payments over the term of the lease. CSF has elected the following practical expedients related to the recognition of its leases:

- Package of practical expedients which eliminates the need to reassess (1) whether any expired or existing contracts are or contain leases; (2) the lease classification for any expired or existing leases; and (3) the initial direct costs for any existing leases.
- The practical expedient whereby the lease and non-lease components will not be separated for all classes of assets.
- Not to recognize ROU assets and corresponding lease liabilities with a lease term of 12 months or less from the lease commencement date.
- CSF uses the risk-free rate as the discount rate in order to determine present value of the lease liabilities.

The components of lease cost for operating leases does not include any short-term or variable lease costs as of August 31, 2024. Lease costs of approximately \$83,000 are disclosed on the statement of functional expenses in occupancy costs. Supplemental cash flow information related to leases was as follows during 2024:

Cash paid for amounts included in the measurement of		
Operating cash flows used in operating leases	\$	87,438

The following table represents the weighted-average remaining lease term and discount rate as of August 31, 2024:

Operating leases:	
Weighted average remaining lease term (years)	2
Weighted average discount rate	3.465%

Future undiscounted lease payments for CSF's operating lease liabilities as of August 31, 2024:

		Amount
2025	\$	89,624
2026		84,084
Total future lease payments		173,708
Less: imputed interest		(5,460)
Present value of lease liabilities	\$	168,248

The Children’s Scholarship Fund

NOTES TO FINANCIAL STATEMENTS - CONTINUED

August 31, 2024 and 2023

NOTE J - NEW HAMPSHIRE EDUCATION FREEDOM ACCOUNTS

In accordance with CSF’s agreement with the State of New Hampshire, CSF must provide details of annual administrative expenses, that comply with Chapter 194-F of the New Hampshire Revised Statutes, associated with operating the Education Freedom Account program. For the year ended August 31, 2024, CSF received \$24,467,290 from the State of New Hampshire for the Education Freedom Account (“EFA”) program. As of August 31, 2024, \$969,425 of the fiscal 2024 funds received were due to be returned to the State of New Hampshire, due to certain students exiting the program or being determined to be ineligible, and this amount is included in Due to State of New Hampshire on the accompanying statement of financial position. The net amount received totaled \$23,497,865 for the 2023-2024 school year EFA grants and fiscal year ended August 31, 2024. As of August 31, 2024, unspent New Hampshire EFA program account balances totaled \$8,394,450 and is included on the accompanying statement of financial position.

Per Chapter 194-F, Section 4V., for the year ended August 31, 2024, CSF withheld \$1,856,889 from the fiscal 2024 EFA funds received, to cover the costs of administering the EFA program, which amounts to an administrative rate of 7.90%. \$1,580,082 of this amount withheld has been recognized as program service revenue in the accompanying statement of activities for the year ended August 31, 2024, and the remaining \$276,807 has been deferred as the cost to administer the unspent funds as of August 31, 2024, and is recognized as deferred program service revenue on the accompanying statement of financial position. CSF received approximately \$137,000 in fiscal 2024 private contributions that were restricted and used for certain fiscal 2024 EFA administrative expenses, which contributed to lowering the administrative rate.

The 2023-24 EFA program funding and administrative expenses as of and for the year ended August 31, 2024 were as follows:

Total funds received from the State of New Hampshire	\$ 24,467,290
Less: funds due to the State of New Hampshire	<u>(969,425)</u>
Net funds received for New Hampshire EFA	23,497,865
Less: funds retained by CSF for administrative costs	<u>(1,856,889)</u>
Funded Education Freedom Accounts	21,640,976
Funds spent on approved educational expenses	(17,917,691)
New Hampshire EFA balance - September 1, 2023	<u>4,671,165</u>
New Hampshire EFA balance - August 31, 2024	<u><u>\$ 8,394,450</u></u>

The Children’s Scholarship Fund

NOTES TO FINANCIAL STATEMENTS - CONTINUED

August 31, 2024 and 2023

The following table includes the EFA administrative expenses for the year ended August 31, 2024. Such expenses are also included within the accompanying statement of functional expenses.

Personnel costs related (salaries, payroll taxes & benefits)	\$ 1,148,875
Public awareness and outreach	225,000
Information technology (database fees)	241,285
Technology - hardware	7,773
Technology - software	4,333
Professional fees	25,788
Occupancy costs	17,877
Insurance	17,223
Depreciation and amortization costs	11,249
Telecommunications	9,656
Office supplies (including printing and postage)	4,372
Travel and meeting expenses	3,395
Dues and subscriptions	600
Total current administrative expenses	1,717,426
Expected cost to administer EFA balances if program ended on August 31, 2024 (Deferred program service revenue)	276,807
Total administrative expenses	1,994,233
Less: private contributions received	(137,344)
Net funds retained by CSF for administrative costs	\$ 1,856,889

NOTE K - COMMITMENTS AND CONTINGENCIES

As of August 31, 2024, CSF has outstanding conditional grants to other scholarship organizations totaling approximately \$5.8 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 will be recognized and payments will be made during the year ending August 31, 2025 and August 31, 2026.

NOTE L - AVAILABLE RESOURCES AND LIQUIDITY

CSF 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, CSF receives significant contributions with donor restrictions that are used to fund scholarships and matching grants to other scholarship organizations. During fiscal year 2024, CSF received donor restricted contributions for scholarships and matching grants of approximately \$17,516,000.

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

The Children's Scholarship Fund
NOTES TO FINANCIAL STATEMENTS - CONTINUED
August 31, 2024 and 2023

The table below presents financial assets available for general expenditures within one year at August 31, 2024:

Cash and cash equivalents	\$ 13,331,571
Investments	<u>33,672,279</u>
Total financial assets	<u>47,003,850</u>
Less amounts not available to be used within one year:	
Donor contributions restricted for scholarships and grants	(24,612,828)
Refundable grant advances	<u>(5,386,340)</u>
Financial assets not available to be used within one year	<u>(29,999,168)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 17,004,682</u>

NOTE M - SUBSEQUENT EVENTS

CSF evaluated its August 31, 2024 financial statements for subsequent events through November 25, 2024, 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.