

**CHILDREN'S SCHOLARSHIP FUND
PHILADELPHIA**

FINANCIAL STATEMENTS

**FOR THE YEARS ENDED
DECEMBER 31, 2020 AND 2019**

**CHILDREN'S SCHOLARSHIP FUND PHILADELPHIA
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Children's Scholarship Fund Philadelphia
Philadelphia, Pennsylvania

We have audited the accompanying financial statements of Children's Scholarship Fund Philadelphia (a Pennsylvania nonprofit organization), which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, cash flows and, functional expenses 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 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 entity's preparation and fair presentation of the financial statement 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 entity'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.

MEMBER

- American Institute of Certified Public Accountants
- Pennsylvania Institute of Certified Public Accountants

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 Philadelphia as of December 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Linda Goodman, PC

September 27, 2021

CHILDREN'S SCHOLARSHIP FUND PHILADELPHIA
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2020 AND 2019

ASSETS	2020	2019
Cash and cash equivalents - Without donor restrictions	\$ 1,925,858	\$ 983,181
Cash and cash equivalents - With donor restrictions	13,591,346	14,722,226
Pledges receivable, net collectible - With donor restrictions	1,643,546	2,276,795
Investments - Without donor restrictions	-	-
Investments - With donor restrictions	6,198,333	5,368,587
Prepaid expenses	607	934
Property and equipment, net	-	-
Security deposits	2,775	2,775
	2,775	2,775
Total Assets	\$ 23,362,465	\$ 23,354,498
LIABILITIES AND NET ASSETS		
Liabilities:		
Accrued expenses - Without donor restrictions	\$ 33,653	\$ 11,215
Accrued expenses - With donor restrictions	1,097,643	457,247
Loan payable - Payroll Protection Program	178,000	-
Payroll liabilities	4,393	3,607
	4,393	3,607
Total Liabilities	1,313,689	472,069
Net Assets:		
Without donor restrictions	1,713,194	975,062
With donor restrictions	20,335,582	21,907,367
	20,335,582	21,907,367
Total Net Assets	22,048,776	22,882,429
Total Liabilities and Net Assets	\$ 23,362,465	\$ 23,354,498

See accompanying notes to financial statements

**CHILDREN'S SCHOLARSHIP FUND PHILADELPHIA
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Operating revenues and support:						
Individual contributions	\$ 274,061	\$ 3,496,772	\$ 3,770,833	\$ 295,181	\$ 4,419,577	\$ 4,714,758
Foundation and corporate contributions	823,318	5,750,309	6,573,627	784,700	9,214,084	9,998,784
Children's Scholarship Fund National contributions	-	543,000	543,000	-	692,000	692,000
Administrative Income	61,432	-	61,432	104,464	-	104,464
Investment income	(882)	818,284	817,402	2,015	881,457	883,472
Total operating revenues and support	1,157,929	10,608,365	11,766,294	1,186,360	15,207,118	16,393,478
Net assets released from restrictions	12,179,294	(12,179,294)	-	10,991,205	(10,991,205)	-
Total operating revenues, support and net assets released from restrictions	13,337,223	(1,570,929)	11,766,294	12,177,565	4,215,913	16,393,478
Operating expenses:						
Program services						
Scholarships and grants	11,033,919	-	11,033,919	9,887,905	-	9,887,905
Program expenses	913,816	-	913,816	1,075,915	-	1,075,915
Total program services	11,947,735	-	11,947,735	10,963,820	-	10,963,820
Support services						
Management and general expenses	265,754	856	266,610	268,565	393	268,958
Fundraising	385,602	-	385,602	340,114	-	340,114
Total support services	651,356	856	652,212	608,679	393	609,072
Total operating expenses	12,599,091	856	12,599,947	11,572,499	393	11,572,892
Increase (Decrease) in Net Assets	738,132	(1,571,785)	(833,653)	605,066	4,215,520	4,820,586
Net Assets - Beginning of Year	975,062	21,907,367	22,882,429	369,996	17,691,847	18,061,843
Net Assets - End of Year	\$ 1,713,194	\$ 20,335,582	\$ 22,048,776	\$ 975,062	\$ 21,907,367	\$ 22,882,429

See accompanying notes to financial statements

**CHILDREN'S SCHOLARSHIP FUND PHILADELPHIA
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
Cash Flows From Operating Activities:		
Increase in net assets	\$ (833,653)	\$ 4,820,586
Adjustments to reconcile change in net assets to net cash provided by (used by) operating activities:		
Depreciation	-	415
Unrealized and realized (gain) loss on investments	(725,208)	(1,966)
Stock donations included in contributions	(71,901)	(123,961)
(Increase) decrease in assets		
Pledges receivable	633,249	(2,023,645)
Other assets	327	13,465
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	662,835	(130,749)
Payroll liabilities	786	198
Net Cash Provided (Used) By Operating Activities	<u>(333,566)</u>	<u>2,554,343</u>
Cash Flows From Investing Activities:		
Proceeds redeemed from certificates of deposit	-	250,751
Net (purchases) sales of investments	<u>(32,637)</u>	<u>(2,833,981)</u>
Net Cash (Used By) Provided By Investing Activities	<u>(32,637)</u>	<u>(2,583,230)</u>
Cash Flows From Financing Activities:		
Proceeds from PPP Loan	<u>178,000</u>	<u>-</u>
Net Cash Provided By Investing Activities	<u>178,000</u>	<u>-</u>
Net (Decrease) In Cash	(188,203)	(28,887)
Cash and Cash Equivalents - Beginning of Year	<u>15,705,407</u>	<u>15,734,294</u>
Cash and Cash Equivalents - End of Year	<u>\$ 15,517,204</u>	<u>\$ 15,705,407</u>
Cash and cash equivalents - Without donor restrictions	\$ 1,925,858	\$ 983,181
Cash and cash equivalents - With donor restrictions	<u>13,591,346</u>	<u>14,722,226</u>
	<u>\$ 15,517,204</u>	<u>\$ 15,705,407</u>

See accompanying notes to financial statements

**CHILDREN'S SCHOLARSHIP FUND PHILADELPHIA
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

	2020				2019		
	Management and General Expenses	Program Expenses	Fundraising	Totals	Management and General Expenses	Program Expenses	Fundraising Expenses
Compensation expenses							
Payroll	\$ 125,142	\$ 557,008	\$ 270,110	\$ 952,260	\$ 131,494	\$ 558,983	\$ 216,492
Payroll taxes	10,301	45,850	22,234	78,385	11,157	47,430	18,370
Employee benefits	9,357	41,647	20,196	71,200	10,939	46,506	18,012
	<u>144,800</u>	<u>644,505</u>	<u>312,540</u>	<u>1,101,845</u>	<u>153,591</u>	<u>652,919</u>	<u>252,874</u>
Advertising	-	33,413	3,713	37,126	-	16,525	1,836
Computer expense	11,783	-	3,928	15,711	3,928	-	1,309
Contributions	500	-	-	500	-	-	-
Depreciation	-	-	-	-	415	-	-
Dues and subscriptions	3,282	-	-	3,282	4,325	-	-
Events and partnerships	-	-	9,125	9,125	-	44,438	16,094
Insurance expense	7,099	-	-	7,099	7,289	-	-
Marketing	-	6,465	718	7,183	-	31,796	3,533
Office expense	19,265	19,264	-	38,529	15,113	15,113	-
Outside services	36,364	109,091	39,364	184,819	40,698	126,679	42,735
Postage and delivery	694	1,563	1,216	3,473	2,797	6,293	4,895
Printing and reproduction	4,433	9,976	7,759	22,168	4,212	9,477	7,371
Program evaluation	-	16,871	-	16,871	-	25,838	-
Rent	31,676	47,513	-	79,189	30,948	46,421	-
Scholarship program expenses	-	16,038	-	16,038	-	91,696	-
Telephone	6,444	8,592	6,445	21,481	3,672	4,896	3,672
Travel and entertainment	270	525	795	1,590	1,970	3,824	5,795
	<u>\$ 266,610</u>	<u>\$ 913,816</u>	<u>\$ 385,602</u>	<u>\$ 1,566,029</u>	<u>\$ 268,958</u>	<u>\$ 1,075,915</u>	<u>\$ 340,114</u>
Total Expenses	<u>\$ 266,610</u>	<u>\$ 913,816</u>	<u>\$ 385,602</u>	<u>\$ 1,566,029</u>	<u>\$ 268,958</u>	<u>\$ 1,075,915</u>	<u>\$ 340,114</u>

See accompanying notes to financial statements

**CHILDREN'S SCHOLARSHIP FUND PHILADELPHIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

**NOTE 1 – NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING
POLICIES**

Organization

The Children's Scholarship Fund Philadelphia (the Organization) is a not-for-profit charitable organization whose mission is to provide low-income Philadelphia children with financial access to safe, quality, kindergarten through eighth grade tuition-based schools. All scholarships are need-based, four years in length and issued by random lottery.

Since 2001, the Organization has awarded 28,500 students new four-year scholarships and, in 2020, served approximately 5,000 under-resourced Philadelphia children attending over 160 schools.

The Organization receives corporate contributions under two Pennsylvania tax credit programs, the Educational Improvement Tax Credit (EITC) and Opportunity Scholarship Tax Credit (OSTC), which require corporations to receive approval from the state in order to make the contribution.

COVID-19

In March 2020, the World Health Organization declared the outbreak COVID-19 to be a pandemic. To protect the health and well-being of employees, modifications were made to office policies including closures while operations continued without interruption.

The extent to which the COVID-19 pandemic impacts the Organization's operations going forward depends on numerous factors, including duration of the pandemic and governmental responses.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Cash Equivalents

Cash and cash equivalents include cash in the bank and certificates of deposit that have a maturity date of less than 90 days from the original date of inception. The Organization maintains accounts at several financial institutions.

**CHILDREN'S SCHOLARSHIP FUND PHILADELPHIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

**NOTE 1 – NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING
POLICIES (Continued)**

Investments

Investments are comprised of marketable mutual funds and equity securities with readily determinable fair values. All investments are carried at fair value in the statement of financial position at December 31, 2020 and 2019.

Pledges Receivable

Unconditional pledge receivables are recognized as revenues and assets in the period in which the promise to give is received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. Pledges receivable are reported at the net present value of the future expected cash flows.

Fixed Assets

Fixed assets acquired by the Organization are stated at cost. The Organization follows the practice of capitalizing all expenditures for equipment in excess of \$1,000. Depreciation is provided using the straight-line method over the estimated useful lives of the related assets ranging from 5 to 7 years.

Cash and Scholarship Awards

The Organization awards partial scholarships so that children from low-income families can attend the tuition-based school of their choice. These scholarships are recorded as an expense at the time they become unconditional.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

**CHILDREN'S SCHOLARSHIP FUND PHILADELPHIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

**NOTE 1 – NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING
POLICIES (Continued)**

Concentration of Credit Risk

During the year, the Organization had balances with major financial institutions and brokerages, which exceeded Federal Depository Insurance (FDIC) and Securities Investor Protection Corporation (SIPC) limits. Accounts at each institution and brokerage are insured by the FDIC and SIPC up to \$250,000. Cash and Certificate of Deposit balances exceeded the insurance limits at December 31, 2020 and 2019 by \$14,564,562 and \$15,041,385, respectively. The Organization had pledges receivable from one source totaling \$1,500,000 at December 31, 2020. This pledge comprised 91% of the net pledges receivable at December 31, 2020. The Organization had pledges receivable from one source totaling \$2,000,000 at December 31, 2019. These pledges comprised 87% of the net pledges receivable at December 31, 2019.

Contributions

The Organization recognizes unconditional promises to give as revenue in the period received. Contributions with associated conditions are recorded as revenue when conditions are met. Contributions, net assets, and changes therein are classified and reported based on the existence or absence of donor imposed restrictions. As of December 31, 2020 and 2019, certain Organization's net assets are classified as "with donor restrictions." These amounts represent contributions that are limited in use in with donor restriction stipulations.

Donated Services

A substantial number of volunteers have contributed significant amounts of time to the Organization. The value of these donated services has not been included in the financial statements since no objective basis is available to measure the value of such services.

In-Kind Contributions

Revenue is recognized when control of the promised services is transferred to customers in an amount that reflects the consideration the Organization expects to be entitled to in exchange for those services.

Taxes

The Organization was incorporated as a not-for-profit corporation under the laws of the State of Pennsylvania and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Therefore, there is no provision for income taxes.

**CHILDREN'S SCHOLARSHIP FUND PHILADELPHIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

**NOTE 1 – NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING
POLICIES (Continued)**

Taxes (Continued)

The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

The Organization files federal and Pennsylvania annual income tax returns that are subject to audit by the appropriate taxing authority. The Organization's federal and Pennsylvania income tax returns for tax years 2018, 2019, and 2020 remain open to examination by taxing authorities.

NOTE 2 – LIQUIDITY AND AVAILABILITY OF RESOURCES

The restrictions on net assets are related to funds raised by the Organization for the purpose of funding scholarship awards to children of low-income families in Philadelphia. Each student selected will receive on average \$1,925 per year for four years.

For the years ended December 31, 2019 and 2018, Children's Scholarship Fund National (CSF) contributed funding for scholarships of \$692,000 and \$1,200,000, respectively, to the Organization which are considered restricted funds as well.

The following reflects the Organization's financial assets of the balance sheet date, reduced by the amounts not available for general use within one year of the balance sheet date because of contractual or donor-imposed restrictions or internal designations. Also, amounts not available include amounts set aside for operating purposes.

	<u>2020</u>	<u>2019</u>
Financial assets, at year-end		
Cash	\$ 15,517,204	\$ 15,705,407
Investments	6,198,333	5,368,587
Pledge receivable	1,643,546	2,276,795
Less those unavailable for general expenditures within one year due to: Contractual or donor restriction:		
Restricted by donors	<u>(20,335,582)</u>	<u>(21,910,361)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 3,023,501</u>	<u>\$ 1,440,428</u>

**CHILDREN'S SCHOLARSHIP FUND PHILADELPHIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

NOTE 3 – INVESTMENTS

Investments in securities are summarized as follows at December 31, 2020 and 2019:

	2020		2019	
	Cost	Fair Value	Cost	Fair Value
Mutual Funds	\$ 5,064,570	\$ 6,198,333	\$ 5,104,668	\$ 5,368,587

Generally accepted accounting principles require that assets carried at fair value be classified and disclosed as belonging to one of three categories within the fair value hierarchy (Level 1, 2, or 3). Level 1 measurements should be used unless unavailable, followed by Level 2 and 3. The investments above fall into Level 1, which means fair values are determined by quoted market prices in active markets for identical assets or liabilities. The Organization is not required to use Level 2 or Level 3 for any of their assets.

NOTE 4 – PLEDGES RECEIVABLE

Unconditional pledges receivable at December 31, 2020, were as follows:

Receivable in less than one year	\$ 650,000
Receivable in one to three years	1,000,000
Total unconditional pledges receivable	1,650,000
Less discounts to net present value	(6,454)
Net unconditional pledges receivable	\$ 1,643,546

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2020 and 2019 consisted of the following:

	2020	2019
Computer Equipment	\$ 12,793	\$ 12,793
Office Equipment	8,532	8,532
Furniture	2,866	2,866
	24,191	24,191
Less: Accumulated Depreciation	(24,191)	(24,191)
Property and Equipment, net	\$ -	\$ -

**CHILDREN'S SCHOLARSHIP FUND PHILADELPHIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

NOTE 5 – PROPERTY AND EQUIPMENT (Continued)

Depreciation expense for the years ended December 31, 2020 and 2019 was \$0 and \$415, respectively.

NOTE 6 – PENSION PLAN

The Organization sponsors a defined contribution pension plan in the form of a 401k plan. The organization matched up to 4% of each employee's contribution. Pension expense was \$23,054 and \$29,856, respectively, for the years ended December 31, 2020 and 2019, which is reflected within employee benefits in the statements of functional expenses.

NOTE 7 – FUNCTIONAL EXPENSES

Accordingly, ASU 2016-14 expands the requirement to present an analysis of expenses by functional and natural expense classifications. Further, a description of the allocation methods and bases used in classifying expenses among the functional expense categories must be disclosed. The Organization has included a Statement of Functional Expenses in these financial statements. See Page 6. The allocation methods used are as follows:

1. Time spent allocation method is used for payroll, payroll tax expense and employee benefit costs. This method is a direct method where each employee is assigned to a function.
2. Direct allocation method is used by assigning each expense (i.e., invoice, line item on an invoice, individual employee) to a functional category based on direct usage. This is utilized for scholarship program expense.
3. Indirect allocation is used based on historical and objective basis to allocate expenses based on financial or nonfinancial data to the functional expense categories. This is utilized for occupancy expenses including rent and utilities. Also, it includes, support services, office expenses and advertising expenses.

**CHILDREN'S SCHOLARSHIP FUND PHILADELPHIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

NOTE 8 – COMMITMENTS

The Organization leases its office under an operating lease expiring March 31, 2023. Monthly payments are scheduled to escalate over the term of the lease and range from \$4,799 to \$6,153. Also, the Organization leases a copier under an operating lease expiring January 31, 2022 with monthly payments of \$139. Minimum future rental payments under these non-cancelable operating leases are as follows:

Year Ending December 31:	
2021	\$ 73,149
2022	73,052
2023	18,459
	<u>\$ 164,660</u>

Rent expense for the years ending December 31, 2020 and 2019, was \$79,189 and \$77,369, respectively.

NOTE 9 – COLLABORATIVE ARRANGEMENTS

In 2016, the Organization, the Connelly Foundation, and the Philadelphia Police Foundation collaborated to form a scholarship program called the Children of Police Scholarship (COPS) Fund. The program provides scholarships that cover the costs of religious or private schools from kindergarten to eighth grade for the children of officers killed or permanently disabled in the line of duty. The program, which provides four-year scholarships to schools in the city, was launched with \$300,000 in seed money from the Connelly Foundation. The (COPS) Fund's activity was included on the statements of financial position with (COPS) Fund assets recorded in cash (separate account) and scholarship obligations and its net assets included in a liability account. All (COPS) Fund transactions and accounts are considered and classified as "With donor restrictions."

NOTE 10 – PAYCHECK PROTECTION PROGRAM LOAN

The Organization received a loan from a bank for \$178,000 under the Paycheck Protection Program ("PPP") established by the Coronavirus Aid, Relief, and Economic Security ("CARES") Act. The loan is subject to a note May 5, 2020, and may be forgiven to the extent proceeds of the loan are used for eligible expenditures such as payroll and other expenses described in the CARES Act. The loan was forgiven in full during 2021 and will be recognized as income at that point.

**CHILDREN'S SCHOLARSHIP FUND PHILADELPHIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

NOTE 11 – SUBSEQUENT EVENTS

As explained in Note 10, the Organization's PPP Loan was forgiven on August 25, 2021.

In February 2021 to mitigate the adverse impact of the pandemic, the Organization applied and received a second PPP Loan for \$168,428.

On April 29, 2021, the Organization, received a grant from Connelly Foundation for \$1,168,000 payable over a three-year period with the initial payment of \$100,000 restricted for the administration fee.

Subsequent events were evaluated by management through September 27, 2021, the date the financial statements were available to be issued.