

**CHILDREN'S SCHOLARSHIP FUND  
PHILADELPHIA**

**FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED  
DECEMBER 31, 2021 AND 2020**

**CHILDREN'S SCHOLARSHIP FUND PHILADELPHIA  
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# LIMOR GOODMAN PC

CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

## 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, 2021 and 2020, and the related statements of activities, cash flows and, functional expenses for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

### **Basis for Opinion**

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

### **Responsibilities of Management for the Financial Statements**

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

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

### **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 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, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism through the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Children's Scholarship Fund Philadelphia'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.

A handwritten signature in black ink that reads "Linda Goodman, PC". The signature is written in a cursive, slightly slanted style.

October 6, 2022

**CHILDREN'S SCHOLARSHIP FUND PHILADELPHIA  
STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2021 AND 2020**

ASSETS	2021	2020
Cash and cash equivalents - Without donor restrictions	\$ 1,665,023	\$ 1,925,858
Cash and cash equivalents - With donor restrictions	14,343,011	13,591,346
Pledges receivable, net collectible - With donor restrictions	997,463	1,643,546
Accounts Receivable - Without donor restrictions	352,636	-
Investments - With donor restrictions	7,445,570	6,198,333
Prepaid expenses	11,212	607
Security deposits	2,775	2,775
Total Assets	\$ 24,817,690	\$ 23,362,465
LIABILITIES AND NET ASSETS		
Liabilities:		
Accrued expenses - Without donor restrictions	\$ 11,755	\$ 33,653
Accrued expenses - With donor restrictions	537,038	1,097,643
Loan payable - Payroll Protection Program	-	178,000
Payroll liabilities	962	4,393
Deferred revenue	110,000	
Total Liabilities	659,755	1,313,689
Net Assets:		
Without donor restrictions	1,908,929	1,713,194
With donor restrictions	22,249,006	20,335,582
Total Net Assets	24,157,935	22,048,776
Total Liabilities and Net Assets	\$ 24,817,690	\$ 23,362,465

See accompanying notes to financial statements

**CHILDREN'S SCHOLARSHIP FUND PHILADELPHIA  
STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Operating revenues and support:						
Individual contributions	\$ 514,835	\$ 979,672	\$ 1,494,507	\$ 274,061	\$ 3,496,772	\$ 3,770,833
Foundation and corporate contributions	399,385	10,462,947	10,862,332	823,318	5,750,309	6,573,627
Children's Scholarship Fund National contributions	-	300,216	300,216	-	543,000	543,000
Administrative Income	98,447	-	98,447	61,432	-	61,432
Investment income, net	(470)	1,192,029	1,191,559	(882)	818,284	817,402
PPP forgiveness	346,428	-	346,428	-	-	-
<b>Total operating revenues and support</b>	<b>1,358,625</b>	<b>12,934,864</b>	<b>14,293,489</b>	<b>1,157,929</b>	<b>10,608,365</b>	<b>11,766,294</b>
Net assets released from restrictions	11,021,039	(11,021,039)	-	12,179,294	(12,179,294)	-
<b>Total operating revenues, support and net assets released from restrictions</b>	<b>12,379,664</b>	<b>1,913,825</b>	<b>14,293,489</b>	<b>13,337,223</b>	<b>(1,570,929)</b>	<b>11,766,294</b>
Operating expenses:						
Program services						
Scholarships and grants	10,433,356	-	10,433,356	11,033,919	-	11,033,919
Program expenses	976,275	-	976,275	913,816	-	913,816
<b>Total program services</b>	<b>11,409,631</b>	<b>-</b>	<b>11,409,631</b>	<b>11,947,735</b>	<b>-</b>	<b>11,947,735</b>
Support services						
Management and general expenses	277,577	401	277,978	265,754	856	266,610
Fundraising	496,721	-	496,721	385,602	-	385,602
<b>Total support services</b>	<b>774,298</b>	<b>401</b>	<b>774,699</b>	<b>651,356</b>	<b>856</b>	<b>652,212</b>
<b>Total operating expenses</b>	<b>12,183,929</b>	<b>401</b>	<b>12,184,330</b>	<b>12,599,091</b>	<b>856</b>	<b>12,599,947</b>
Increase (Decrease) in Net Assets	195,735	1,913,424	2,109,159	738,132	(1,571,785)	(833,653)
Net Assets - Beginning of Year	1,713,194	20,335,582	22,048,776	975,062	21,907,367	22,882,429
<b>Net Assets - End of Year</b>	<b>\$ 1,908,929</b>	<b>\$ 22,249,006</b>	<b>\$ 24,157,935</b>	<b>\$ 1,713,194</b>	<b>\$ 20,335,582</b>	<b>\$ 22,048,776</b>

See accompanying notes to financial statements

**CHILDREN'S SCHOLARSHIP FUND PHILADELPHIA  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

	2021	2020
Cash Flows From Operating Activities:		
Increase in net assets	\$ 2,109,159	\$ (833,653)
Adjustments to reconcile change in net assets to net cash provided by (used by) operating activities:		
Unrealized and realized (gain) loss on investments	(1,112,240)	(725,208)
Forgiveness of PPP loan	(346,428)	-
Stock donations included in contributions	(51,180)	(71,901)
(Increase) decrease in assets		
Pledges receivable	646,083	633,249
Accounts receivable	(352,636)	-
Other assets	(10,605)	327
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	(582,503)	662,835
Deferred revenue	110,000	-
Payroll liabilities	(3,431)	786
Net Cash Provided (Used) By Operating Activities	406,219	(333,565)
Cash Flows From Investing Activities:		
Net (purchases) sales of investments	(83,817)	(32,638)
Net Cash (Used By) Provided By Investing Activities	(83,817)	(32,638)
Cash Flows From Financing Activities:		
Proceeds from PPP Loan	168,428	178,000
Net Cash Provided By Investing Activities	168,428	178,000
Net (Decrease) In Cash	490,830	(188,203)
Cash and Cash Equivalents - Beginning of Year	15,517,204	15,705,407
Cash and Cash Equivalents - End of Year	\$ 16,008,034	\$ 15,517,204
Cash and cash equivalents - Without donor restrictions	\$ 1,665,023	\$ 1,925,858
Cash and cash equivalents - With donor restrictions	14,343,011	13,591,346
	\$ 16,008,034	\$ 15,517,204

See accompanying notes to financial statements

**CHILDREN'S SCHOLARSHIP FUND PHILADELPHIA  
STATEMENTS OF FUNCTIONAL EXPENSES  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

	2021				2020			
	Management and General Expenses	Program Expenses	Fundraising	Totals	Management and General Expenses	Program Expenses	Fundraising Expenses	Totals
Compensation expenses								
Payroll	\$ 156,881	\$ 670,556	\$ 361,635	\$ 1,189,072	\$ 125,142	\$ 557,008	\$ 270,110	\$ 952,260
Payroll taxes	7,077	30,633	16,319	54,029	10,301	45,850	22,234	78,385
Employee benefits	6,655	28,809	15,348	50,812	9,357	41,647	20,196	71,200
	<u>170,613</u>	<u>729,998</u>	<u>393,302</u>	<u>1,293,913</u>	<u>144,801</u>	<u>644,505</u>	<u>312,540</u>	<u>1,101,845</u>
Advertising	-	38,698	4,300	42,998	-	33,413	3,713	37,126
Computer expense	11,293	-	3,764	15,057	11,783	-	3,928	15,711
Contributions	-	-	-	-	500	-	-	500
Dues and subscriptions	7,872	-	-	7,872	3,282	-	-	3,282
Events and partnerships	-	-	50,446	50,446	-	-	9,125	9,125
Insurance expense	9,550	-	-	9,550	7,099	-	-	7,099
Marketing	-	27,326	3,036	30,362	-	6,465	718	7,183
Office expense	7,904	7,903	-	15,807	19,265	19,264	-	38,529
Outside services	26,049	83,221	26,050	135,320	36,364	109,091	39,364	184,819
Postage and delivery	676	1,523	1,185	3,384	694	1,563	1,216	3,473
Printing and reproduction	2,623	5,904	4,592	13,119	4,433	9,976	7,759	22,168
Program evaluation	-	1,000	-	1,000	-	16,871	-	16,871
Rent	32,434	48,651	-	81,085	31,676	47,513	-	79,189
Scholarship program expenses	-	19,761	-	19,761	-	16,038	-	16,038
Telephone	8,406	11,208	8,407	28,021	6,444	8,592	6,445	21,481
Travel and entertainment	558	1,082	1,640	3,280	270	525	795	1,590
	<u>277,978</u>	<u>976,275</u>	<u>496,721</u>	<u>1,750,975</u>	<u>266,611</u>	<u>913,816</u>	<u>385,603</u>	<u>1,566,029</u>
Total Expenses	\$ 277,978	\$ 976,275	\$ 496,721	\$ 1,750,975	\$ 266,611	\$ 913,816	\$ 385,603	\$ 1,566,029

See accompanying notes to financial statements



**CHILDREN'S SCHOLARSHIP FUND PHILADELPHIA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021 AND 2020**

**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 2021, 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, 2021 AND 2020**

**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, 2021 and 2020.

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, 2021 AND 2020**

**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, 2021 and 2020 by \$15,159,384 and \$14,564,562, respectively. The Organization had pledges receivable from one source totaling \$1,000,000 at December 31, 2021. This pledge comprised 100% of the gross pledges receivable at December 31, 2021. The Organization had pledges receivable from one source totaling \$1,500,000 at December 31, 2020. These pledges comprised 91% of the gross pledges receivable at December 31, 2020.

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, 2021 and 2020, 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, 2021 AND 2020**

**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 2019, 2020, and 2021 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, 2021 and 2020, Children's Scholarship Fund National (CSF) contributed funding for scholarships of \$543,000 and \$300,000, 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>2021</u>	<u>2020</u>
Financial assets, at year-end		
Cash	\$ 16,008,034	\$ 15,517,204
Investments	7,445,570	6,198,333
Pledge receivable	997,463	1,643,546
Less those unavailable for general expenditures within one year due to: Contractual or donor restriction:		
Restricted by donors	<u>(22,249,006)</u>	<u>(20,335,582)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,202,061</u>	<u>\$ 3,023,501</u>

**CHILDREN'S SCHOLARSHIP FUND PHILADELPHIA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021 AND 2020**

**NOTE 3 – INVESTMENTS**

Investments in securities are summarized as follows at December 31, 2021 and 2020:

	2021		2020	
	Cost	Fair Value	Cost	Fair Value
Mutual Funds	\$ 5,406,884	\$ 7,445,570	\$ 5,064,570	\$ 6,198,333

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, 2021, were as follows:

Receivable in less than one year	\$ 500,000
Receivable in one to three years	500,000
Total unconditional pledges receivable	1,000,000
Less discounts to net present value	(2,537)
Net unconditional pledges receivable	\$ 997,463

**NOTE 5 – 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 \$23,100 and \$23,054, respectively, for the years ended December 31, 2021 and 2020, which is reflected within employee benefits in the statements of functional expenses.

**CHILDREN'S SCHOLARSHIP FUND PHILADELPHIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 AND 2020**

**NOTE 6 – FUNCTIONAL EXPENSES**

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.

**NOTE 7 – 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:	
2022	73,052
2023	18,459
	<u>\$ 91,511</u>

Rent expense for the years ending December 31, 2021 and 2020, was \$81,085 and \$79,189, respectively.

**CHILDREN'S SCHOLARSHIP FUND PHILADELPHIA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021 AND 2020**

**NOTE 8 – 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 9 – PAYCHECK PROTECTION PROGRAM LOAN**

During, 2020 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. After meeting certain requirements, the loan was forgiven in full during 2021 and included in income.

Additionally, during 2021, the Organization received a PPP loan of \$168,428, as part of a second round of the program. That balance was also forgiven during 2021 and is included in income.

**NOTE 10 – SUBSEQUENT EVENTS**

Subsequent events were evaluated by management through October 6, 2022, the date the financial statements were available to be issued.