

**TRI-COUNTY SCHOLARSHIP FUND
AND SUBSIDIARY**

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019



SOBEL & CO. LLC

CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

TRI-COUNTY SCHOLARSHIP FUND AND SUBSIDIARY

DECEMBER 31, 2020 AND 2019

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Tri-County Scholarship Fund and Subsidiary
Mendham, New Jersey

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Tri-County Scholarship Fund (a New Jersey nonprofit corporation) and TCSF Holdings, LLC (collectively, "Fund"), which comprise the consolidated statements of financial position as of December 31, 2020 and 2019, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatements, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Fund's preparation and fair presentation of the consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Tri-County Scholarship Fund and Subsidiary as of December 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Livingston, New Jersey
June 16, 2021

Sobel & Co, LLC
Certified Public Accountants

TRI-COUNTY SCHOLARSHIP FUND AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31,	
	2020	2019
ASSETS		
Cash and cash equivalents	\$ 2,291,394	\$ 1,305,159
Pledges receivable, net	231,563	335,214
Rent receivable	1,350	-
Investments	4,244,107	3,482,321
Prepaid expenses	4,475	15,326
Property and equipment, net	690,562	694,925
	<hr/>	<hr/>
Total Assets	\$ 7,463,451	\$ 5,832,945
	<hr/> <hr/>	<hr/> <hr/>
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accrued payroll and other accrued expenses	\$ 100,469	\$ 46,617
Scholarships payable	1,052,042	781,175
Security deposit	2,051	2,051
	<hr/>	<hr/>
Total Liabilities	1,154,562	829,843
	<hr/> <hr/>	<hr/> <hr/>
COMMITMENTS AND CONTINGENCIES		
NET ASSETS:		
Without Donor Restrictions:		
Undesignated	1,807,719	1,217,020
Board-designated for endowment	1,990,024	1,779,725
	<hr/>	<hr/>
Total Net Assets Without Donor Restrictions	3,797,743	2,996,745
	<hr/> <hr/>	<hr/> <hr/>
With Donor Restrictions:		
Restricted in perpetuity - endowments	1,692,433	1,157,545
Restricted for specified purpose or time	818,713	848,812
	<hr/>	<hr/>
Total Net Assets With Donor Restrictions	2,511,146	2,006,357
	<hr/> <hr/>	<hr/> <hr/>
Total Liabilities and Net Assets	\$ 7,463,451	\$ 5,832,945
	<hr/> <hr/>	<hr/> <hr/>

TRI-COUNTY SCHOLARSHIP FUND AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

	Year Ended December 31, 2020			Year Ended December 31, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE:						
Fundraising events, net:						
Annual dinner	\$ 2,061,899	\$ -	\$ 2,061,899	\$ 1,316,206	\$ -	\$ 1,316,206
Golf tournament	131,754	-	131,754	141,600	-	141,600
Other fundraising events	95,929	-	95,929	387,198	-	387,198
	<u>2,289,582</u>	<u>-</u>	<u>2,289,582</u>	<u>1,845,004</u>	<u>-</u>	<u>1,845,004</u>
Less: Costs of direct benefits to donors	168,910	-	168,910	193,352	-	193,352
Total Fundraising Events, net	<u>2,120,672</u>	<u>-</u>	<u>2,120,672</u>	<u>1,651,652</u>	<u>-</u>	<u>1,651,652</u>
Individual donations	812,564	604,888	1,417,452	579,986	135,621	715,607
Grants and corporate foundations	117,500	77,632	195,132	86,307	209,750	296,057
Government contributions	60,000	-	60,000	-	-	-
In-kind donation of building	-	-	-	560,000	-	560,000
Rental income	16,200	-	16,200	14,850	-	14,850
Interest and dividends	48,646	44,273	92,919	45,135	54,711	99,846
Realized and unrealized gains on investments, net	113,978	107,280	221,258	125,304	248,206	373,510
	<u>3,289,560</u>	<u>834,073</u>	<u>4,123,633</u>	<u>3,063,234</u>	<u>648,288</u>	<u>3,711,522</u>
Satisfaction of time and expense restrictions	329,284	(329,284)	-	529,547	(529,547)	-
Total Support and Revenue	<u>3,618,844</u>	<u>504,789</u>	<u>4,123,633</u>	<u>3,592,781</u>	<u>118,741</u>	<u>3,711,522</u>
EXPENSES:						
Program:						
Scholarship and leadership	2,440,158	-	2,440,158	1,856,593	-	1,856,593
Support:						
General and administrative	199,724	-	199,724	299,242	-	299,242
Fundraising	177,964	-	177,964	151,762	-	151,762
Total Support	<u>377,688</u>	<u>-</u>	<u>377,688</u>	<u>451,004</u>	<u>-</u>	<u>451,004</u>
Total Expenses	<u>2,817,846</u>	<u>-</u>	<u>2,817,846</u>	<u>2,307,597</u>	<u>-</u>	<u>2,307,597</u>
CHANGES IN NET ASSETS	800,998	504,789	1,305,787	1,285,184	118,741	1,403,925
NET ASSETS, Beginning of year	2,996,745	2,006,357	5,003,102	1,711,561	1,887,616	3,599,177
NET ASSETS, End of year	<u>\$ 3,797,743</u>	<u>\$ 2,511,146</u>	<u>\$ 6,308,889</u>	<u>\$ 2,996,745</u>	<u>\$ 2,006,357</u>	<u>\$ 5,003,102</u>

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

TRI-COUNTY SCHOLARSHIP FUND AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

	Year Ended December 31, 2020				Year Ended December 31, 2019			
	Program Services	Supporting Services		Total	Program Services	Supporting Services		Total
		Management and General	Fundraising			Management and General	Fundraising	
Payroll and payroll taxes	\$ 297,969	\$ 63,567	\$ 35,756	\$ 397,292	\$ 237,425	\$ 50,651	\$ 28,491	\$ 316,567
Employee benefits	43,002	9,174	5,160	57,336	38,596	8,234	4,631	51,461
General award	2,099,085	-	-	2,099,085	1,559,951	-	-	1,559,951
Education sponsors	-	-	-	-	16,213	-	-	16,213
Professional services	-	21,574	-	21,574	3,333	25,123	-	28,456
Bad debt	-	2,987	-	2,987	-	1,855	-	1,855
Bank fees	-	15,771	-	15,771	-	19,473	-	19,473
Depreciation	-	11,210	-	11,210	-	12,725	-	12,725
Equipment leases	-	2,520	-	2,520	-	2,583	-	2,583
General fundraising	-	-	3,335	3,335	-	-	5,550	5,550
Indirect costs of fundraising events	-	-	51,907	51,907	-	-	21,001	21,001
Insurance	-	9,301	-	9,301	-	8,374	-	8,374
Meals and entertainment	-	-	8,554	8,554	-	-	16,560	16,560
Miscellaneous	102	2,895	1,654	4,651	300	8,625	2,902	11,827
Occupancy	-	18,970	-	18,970	-	42,043	-	42,043
Office expenses	-	14,648	12,236	26,884	-	14,000	18,816	32,816
Prospect research	-	-	59,362	59,362	-	-	53,811	53,811
Real estate taxes and fees	-	3,042	-	3,042	-	16,453	-	16,453
Repairs and maintenance	-	7,341	-	7,341	-	63,582	-	63,582
Software	-	15,588	-	15,588	-	14,555	-	14,555
Travel and cultivation	-	1,136	-	1,136	775	10,966	-	11,741
Total Expenses	\$ 2,440,158	\$ 199,724	\$ 177,964	\$ 2,817,846	\$1,856,593	\$ 299,242	\$ 151,762	\$ 2,307,597

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

TRI-COUNTY SCHOLARSHIP FUND AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31,	
	2020	2019
CASH FLOWS PROVIDED BY (USED FOR):		
<u>OPERATING ACTIVITIES:</u>		
Change in net assets	\$ 1,305,787	\$ 1,403,925
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Discount on pledges receivable	(2,632)	(1,250)
Depreciation	11,210	12,725
Realized and unrealized gains on investment, net	(221,258)	(373,510)
In-kind donation of building	-	(560,000)
Donated stock	(22,383)	(62,947)
Changes in certain assets and liabilities:		
Pledges receivable	104,933	39,294
Prepaid expenses	10,851	(9,331)
Accrued payroll	53,852	10,082
Scholarships payable	270,867	112,200
Security deposit	-	2,051
Net Cash Provided by Operating Activities	1,511,227	573,239
<u>INVESTING ACTIVITIES:</u>		
Purchase of property and equipment	(6,847)	(133,147)
Proceeds from sales of investments	2,889,387	2,374,036
Purchases of investments	(3,407,532)	(3,202,732)
Net Cash Used for Investing Activities	(524,992)	(961,843)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	986,235	(388,604)
CASH AND CASH EQUIVALENTS:		
Beginning of year	1,305,159	1,693,763
End of year	\$ 2,291,394	\$ 1,305,159
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Noncash investing activities:		
In-kind donation of building	\$ -	\$ 560,000
Donated stock	\$ 22,383	\$ 62,947

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

TRI-COUNTY SCHOLARSHIP FUND AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 1 - NATURE OF ACTIVITIES:

Tri-County Scholarship Fund is a New Jersey not-for-profit corporation formed to provide quality education through financial support of deserving and economically disadvantaged children, regardless of race, religion, or national origin. The Fund raises money for these scholarships and its other programs through subscriptions, donations, gifts and special events.

TCSF Holdings, LLC is a New Jersey real estate holdings company wholly owned by the Fund that was formed for the purpose of holding title to property for the benefit of the Fund.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Accounting:

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

Principles of Consolidation:

The consolidated financial statements include the accounts of Tri-County Scholarship Fund and its wholly owned subsidiary, TCSF Holdings, LLC (collectively, "Fund"). All significant intercompany balances and transactions have been eliminated in consolidation.

Consolidated Financial Statement Presentation:

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

Net Assets without Donor Restrictions - Net assets not subject to donor-imposed stipulations.

Net Assets with Donor Restrictions - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Fund and/or the passage of time, and other net assets subject to donor-imposed stipulations that they be maintained permanently by the Fund. Generally, the donors of these assets permit the Fund to use all or part of the income earned on any related investments for general or specific purposes. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities and changes in net assets as net assets released from restrictions.

Cash and Cash Equivalents:

Cash and cash equivalents consist of cash in bank accounts, as well as money market funds.

TRI-COUNTY SCHOLARSHIP FUND AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Pledges Receivable:

The Fund recognizes contributions into revenue when received, including those received in the form of unconditional promises to give (“pledges”). Pledges receivable are reported in the consolidated statements of financial position net of any necessary allowance of uncollectible amounts and unamortized discounts related to multiyear pledges.

Pledges Receivable Allowance:

The Fund utilizes the reserve method of accounting for uncollectible pledges. The reserve is based on historical experience and management evaluation of outstanding pledges receivable at the end of each year. An allowance of \$6,000 was deemed required at December 31, 2020 and 2019.

Fair Value Measurements:

Fair value measurements are defined as the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. There are three defined hierarchical levels based on the quality of inputs used that directly relate to the amount of subjectivity associated with the determination of fair value.

The fair value hierarchy defines the three levels as follows:

- Level 1:** Valuations based on quoted prices (unadjusted) in an active market that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.
- Level 2:** Valuations based on observable inputs other than Level 1 prices, such as: quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from, or corroborated by, observable market data.
- Level 3:** Valuations based on unobservable inputs that are used when little or no market is available. The fair value hierarchy gives lowest priority to Level 3 inputs.

The fair value of investments are as follows:

Mutual Funds – Valued at the net asset value of shares held by the Fund at year-end.

Fixed Income – Valued at quoted market prices of valuations provided by commercial pricing services or the mean of bid and ask prices provided by investment brokers.

Equity Securities – Shares in companies traded on national securities exchanges are valued at the closing price reported in the active market in which the individual securities are traded.

TRI-COUNTY SCHOLARSHIP FUND AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Property and Equipment:

Property and equipment are recorded at cost, when purchased, or at the fair market value on the date of the donation, when received by donation. Depreciation is recorded using the straight-line method over the estimated useful life of the asset.

Scholarships:

Scholarships are paid in two equal installments. The first installment is paid during the year and the second installment is made in the subsequent period. A payable is set up for the second payment.

In-kind Contributions:

Amounts are reported in the consolidated financial statements for voluntary donations of property and services when those property and services create or enhance nonfinancial assets or require specialized skills provided by individuals possessing those skills and which would typically be purchased if not provided by donation. During the year ended December 31, 2019, the Fund received a donated building with a fair value of \$560,000. During the years ended December 31, 2020 and 2019, the Fund received donated services, materials and supplies for program events in the amount of \$5,762 and \$24,345, respectively, which is recorded with individual contributions.

The Fund also regularly receives services from volunteers who are not acting in a professional capacity. Such volunteer services do not meet the criteria for financial statement recognition and are not recognized in the consolidated financial statements.

Donated Stock:

Donated stock, which the Fund typically immediately sells upon donation unless otherwise specified by the donor, is recorded as a contribution at its estimated fair value at the date of donation. Donated stock for the years ended December 31, 2020 and 2019, amounted to \$22,383 and \$62,947, respectively.

Contributions:

Contributions, including unconditional pledges, are recorded as made. All contributions are available for unrestricted use unless specifically restricted by the donor or explicitly waived. Pledges are recognized when the conditions on which they depend are substantially met. Gifts of cash and other assets are reported as increases in net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets.

Revenue from government grants is considered a conditional contribution and is not recognized until the conditions related to this revenue are substantially met or explicitly waived.

TRI-COUNTY SCHOLARSHIP FUND AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Income Taxes:

Tri-County Scholarship Fund is a not-for-profit organization exempt from federal income tax under Section 501(c)(3) of the U.S. Internal Revenue Code, and its wholly owned subsidiary, TCSF Holdings, LLC, is treated as a disregarded entity for federal income tax purposes. Accordingly, Tri-County Scholarship Fund and its subsidiary are not liable for federal and state income taxes.

The Fund follows accounting standards that provide clarification on accounting for uncertainty in income taxes recognized in the Fund's consolidated financial statements. The guidance prescribes a recognition threshold and measurement attribute for the recognition and measurement of a tax position taken, or expected to be taken, in a tax return, and also provides guidance on derecognition, classification, interest and penalties, disclosure and transition. The Fund's policy is to recognize interest and penalties on unrecognized tax benefits in income tax expense. No interest and penalties were recorded during the years ended December 31, 2020 and 2019. At December 31, 2020 and 2019, there are no significant income tax uncertainties.

Use of Estimates:

In preparing consolidated financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. These estimates and assumptions are based on management's best estimates and judgment. Actual results could differ from those estimates.

Reclassifications:

Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

Recent Accounting Pronouncements:

In February 2016, the Financial Accounting Standards Board ("FASB") issued an accounting pronouncement, *Leases*, which requires lessees to recognize a right-of-use asset and lease liability on the consolidated statements of financial position for all leases with a term longer than 12 months. Under this new pronouncement, a modified retrospective transition approach or a cumulative-effect adjustment transition approach may be used, and the new standard is applied to all leases existing at the date of initial application. An entity may choose to use either (1) its effective date, or (2) the beginning of the earliest comparative period presented in the consolidated financial statements as its date of initial application. The pronouncement is effective for annual periods beginning after December 15, 2021. Earlier adoption is permitted subject to certain limitations. The Fund is currently evaluating the effect the new pronouncement will have on its consolidated financial statements.

TRI-COUNTY SCHOLARSHIP FUND AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Subsequent Events:

The Fund has evaluated its subsequent events and transactions occurring after December 31, 2020 to June 16, 2021, the date that the financial statements were available to be issued.

NOTE 3 - PLEDGES RECEIVABLE:

Pledges receivable are summarized as follows:

	December 31,	
	2020	2019
Gross pledges receivable	\$ 239,000	\$ 345,283
Less: Allowance	(6,000)	(6,000)
Less: Discount	(1,437)	(4,069)
Net Pledges Receivable	<u>\$ 231,563</u>	<u>\$ 335,214</u>
Amounts due in:		
Less than one year	\$ 162,000	\$ 252,283
One to five years	77,000	93,000
	<u>\$ 239,000</u>	<u>\$ 345,283</u>

Pledges receivable due in more than one year were discounted using applicable long-term Treasury rates. The applicable rates range from 0.17% to 2.48%.

NOTE 4 - CONDITIONAL PLEDGE:

During the year ended December 31, 2019, a donor agreed to donate \$25,000 per year through 2021 for scholarship support for students in Morris County provided that the Fund raise \$25,000 in additional matching funds from new or increased nongovernmental sources by May 31st in each year of the two-year conditional pledge. As of December 31, 2020 and 2019, the Fund had met the requirements of the pledge for both years, and the amounts were received and recorded in individual donations in the consolidated statements of activities and changes in net assets.

TRI-COUNTY SCHOLARSHIP FUND AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 5 - INVESTMENTS:

Investments are summarized as follows:

FAIR VALUE MEASUREMENTS
AS OF DECEMBER 31, 2020

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Cash	\$ 131,255	\$ -	\$ -	\$ 131,255
Fixed income securities	-	936,855	-	936,855
Equity securities	1,879,564	-	-	1,879,564
Mutual funds	1,296,433	-	-	1,296,433
	<u>\$ 3,307,252</u>	<u>\$ 936,855</u>	<u>\$ -</u>	<u>\$ 4,244,107</u>

FAIR VALUE MEASUREMENTS
AS OF DECEMBER 31, 2019

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Cash	\$ 81,745	\$ -	\$ -	\$ 81,745
Fixed income securities	-	857,660	-	857,660
Equity securities	1,177,983	-	-	1,177,983
Mutual funds	1,364,933	-	-	1,364,933
	<u>\$ 2,624,661</u>	<u>\$ 857,660</u>	<u>\$ -</u>	<u>\$ 3,482,321</u>

Investment income from these investments are summarized as follows:

	Year Ended December 31,	
	2020	2019
Interest and dividend income	\$ 88,927	\$ 82,095
Realized gain on investments	11,408	22,112
Unrealized gain on investments	241,676	377,778
Investment fees	(31,826)	(26,380)
	<u>\$ 310,185</u>	<u>\$ 455,605</u>

The Fund also received interest income from money market accounts amounting to \$3,992 and \$17,751 for the years ended December 31, 2020 and 2019, respectively.

TRI-COUNTY SCHOLARSHIP FUND AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 6 - PROPERTY AND EQUIPMENT:

	Useful Life	December 31,	
		2020	2019
Land	N/A	\$ 395,972	\$ 395,972
Building	35 Years	170,640	170,640
Building improvements	35 Years	126,535	126,535
Office equipment	5-7 Years	16,682	9,835
Computer software	3-5 Years	7,186	7,186
Total Fixed Assets		717,015	710,168
Less: Accumulated depreciation		26,453	15,243
Property and Equipment, Net		<u>\$ 690,562</u>	<u>\$ 694,925</u>

NOTE 7 - LEASING ARRANGEMENTS:

Operating Leases for Office Space and Equipment:

The Fund leased office space under an operating lease that expired April 30, 2020. In February 2019, a building was donated to the Fund, and the Fund moved all of its operations to this donated building. The Fund continued to pay rent expenses, including its pro rata share of real estate taxes and operating expenses, for the leased facility for the remainder of the lease. Rent expense for the years ended December 31, 2020 and 2019, was \$9,373 and \$27,966, respectively, and is included in occupancy expense on the consolidated statements of functional expenses.

The Fund rents office equipment under an operating lease that expires in March 2023. Equipment rental expense for the years ended December 31, 2020 and 2019, was \$2,520 and \$2,583, respectively, and is reported as equipment leases on the consolidated statements of functional expenses.

Future minimum rental payments under the office and equipment leases are as follows:

Year Ending December 31,	Amount
2021	\$ 2,520
2022	2,520
2023	630
Total	<u>\$ 5,670</u>

Rental Income:

The Fund leases a portion of its building to an unrelated party on a month-to-month basis. Rental income under this leasing arrangement was \$16,200 and \$14,850 for the years ended December 31, 2020 and 2019, respectively.

TRI-COUNTY SCHOLARSHIP FUND AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 8 - CONCENTRATIONS OF RISK:

Financial instruments that expose the Fund to concentrations of credit risk consist primarily of cash and cash equivalents and investments. The Fund maintains its cash and cash equivalents in accounts with federally insured institutions. At times, the balances in these accounts may exceed federally insured limits.

Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the value of investment securities will occur in the near term and those changes could materially affect the amounts reported in the consolidated statements of financial position.

During the years ended December 31, 2020 and 2019, the Fund raised approximately 48% and 34%, respectively, of its total support and revenue from its annual dinner.

During the year ended December 31, 2020, the Fund received \$525,000 of contributions from one donor, which constitutes approximately 12% of its total support and revenue for the year. During the year ended December 31, 2019, the Fund received \$860,000 of contributions, including a donated building, from one donor, which constitutes approximately 22% of its total support and revenue for the year.

NOTE 9 - NET ASSETS WITH DONOR-IMPOSED PURPOSE AND TIME RESTRICTIONS:

Net assets with donor-imposed purpose and time restrictions consist of the following:

	December 31,	
	2020	2019
Scholarships	\$ -	\$ 30,325
Building renovations and equipment	-	8,005
Capital campaign	181,500	176,500
For use in future periods	75,563	88,931
Investment income	561,650	545,051
	<u>\$ 818,713</u>	<u>\$ 848,812</u>

TRI-COUNTY SCHOLARSHIP FUND AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 10 - ENDOWMENT FUNDS:

The endowment consists of 10 individual funds established by donors to provide annual funding for specific activities and general operations. The endowment also includes certain net assets without donor restrictions that have been designated for endowment by the Board of Trustees.

The Fund follows accounting standards that provide clarification on accounting for donor-restricted endowment funds. The guidance prescribes that the portion of donor-restricted endowment funds that are classified as net assets with donor restrictions should not be reduced by losses on the investment of the fund or the Fund's appropriations from the fund.

The Fund's Board of Trustees has interpreted the state of New Jersey Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. As of December 31, 2020 and 2019, there were no such donor stipulations. As a result of this interpretation, the Fund retains in perpetuity (a) the original value of initial and subsequent gift amounts (including promises to give net of discount and allowance for doubtful accounts) donated to the endowment, and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added.

Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by the Fund in a manner consistent with the standard of prudence prescribed by UPMIFA.

The Fund considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the Fund
- (2) The purposes of the Fund and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Fund
- (7) The investment policies of the Fund

The Board of Trustees' primary objective, in this regard, is to add value and minimize risk in managing the assets of the Fund while providing a hedge against inflation into the future. It is the intent of the Board of Trustees to grow the endowment and utilize the total return (income plus capital change) to further the mission of the Fund. In recognition of the prudence required of fiduciaries, reasonable diversification of quality investment securities will be sought where possible, knowing that fluctuating rates of return are a characteristic of the investment market and performance cycles cannot be accurately predicted.

TRI-COUNTY SCHOLARSHIP FUND AND SUBSIDIARY
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NOTE 10 - ENDOWMENT FUNDS: (Continued)

The funds may be held in equity securities, fixed income securities, and mutual funds; may be comprised of domestic and international securities; and will be further diversified into asset classes by their market capitalization. The Fund may distribute the calendar-year income (without regard to unrealized gains or losses) generated from the endowment funds in the subsequent year, but in no event can the distribution exceed 5% of the fund balance at the end of the previous year. Income is defined as dividends, interest, and net realized gains. Based on the spending policy the maximum distribution allowed for the years ended December 31, 2020 and 2019, was \$174,116 and \$110,858, respectively. However, no distribution was made.

Endowment net asset composition by type of fund are as follows:

	December 31, 2020		
	Without Donor Restriction	With Donor Restriction	Total
Donor restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ -	\$ 1,692,433	\$ 1,692,433
Accumulated investment gains	-	561,650	561,650
Board-designated endowment funds	1,990,024	-	1,990,024
December 31, 2020, net endowment assets	<u>\$ 1,990,024</u>	<u>\$ 2,254,083</u>	<u>\$ 4,244,107</u>
	December 31, 2019		
	Without Donor Restriction	With Donor Restriction	Total
Donor restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ -	\$ 1,157,545	\$ 1,157,545
Accumulated investment gains	-	545,051	545,051
Board-designated endowment funds	1,779,725	-	1,779,725
December 31, 2019, net endowment assets	<u>\$ 1,779,725</u>	<u>\$ 1,702,596</u>	<u>\$ 3,482,321</u>

TRI-COUNTY SCHOLARSHIP FUND AND SUBSIDIARY
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NOTE 10 - ENDOWMENT FUNDS: (Continued)

Changes in endowment net assets, including Board-designated funds are as follows:

	For the Year Ended December 31, 2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets,			
Endowment net assets, December 31, 2019	\$1,779,725	\$ 1,702,596	\$ 3,482,321
Investment return, net	158,632	151,553	310,185
Contributions	101,601	500,000	601,601
Withdrawal	(150,000)	-	(150,000)
Transfer	100,066	(100,066)	-
Endowment net assets, December 31, 2020	\$1,990,024	\$ 2,254,083	\$ 4,244,107
	For the Year Ended December 31, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets,			
Endowment net assets, December 31, 2018	\$ 743,714	\$ 1,473,454	\$ 2,217,168
Investment return, net	152,688	302,917	455,605
Contributions	758,927	50,621	809,548
Transfer	124,396	(124,396)	-
Endowment net assets, December 31, 2019	\$ 1,779,725	\$ 1,702,596	\$ 3,482,321

During the year ended December, 31, 2020, \$150,000 was withdrawn from the endowment without donor restrictions per Board designation.

TRI-COUNTY SCHOLARSHIP FUND AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 11 - FUNDRAISING EVENTS:

Fundraising event revenues and expenses were as follows:

	December 31, 2020			
	Annual Dinner	Golf Tournament	Other Events	Total
Revenue	\$ 2,061,899	\$ 131,754	\$ 95,929	\$ 2,289,582
Less: Cost of direct benefit to donors	73,954	43,782	51,174	168,910
Less: Indirect cost of fundraising events	47,565	1,135	3,207	51,907
Net Event Income	\$ 1,940,380	\$ 86,837	\$ 41,548	\$ 2,068,765

	December 31, 2019			
	Annual Dinner	Golf Tournament	Other Events	Total
Revenue	\$ 1,316,206	\$ 141,600	\$ 387,198	\$ 1,845,004
Less: Cost of direct benefit to donors	65,373	46,308	81,671	193,352
Less: Indirect cost of fundraising events	9,160	2,594	9,247	21,001
Net Event Income	\$ 1,241,673	\$ 92,698	\$ 296,280	\$ 1,630,651

NOTE 12 - FUNCTIONAL EXPENSES:

The consolidated financial statements contain certain categories of expense that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries, payroll tax, and related employee benefits, which are allocated based on employee time spent in each program or department. All other expenses are charged directly to the function served.

TRI-COUNTY SCHOLARSHIP FUND AND SUBSIDIARY
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NOTE 13 - LIQUIDITY AND AVAILABILITY: (Continued)

The following represents the Fund's financial assets reduced by amounts not available for general use within one year of the consolidated statement of financial position date because of contractual or donor-imposed restrictions or internal designations. Amounts available include donor-restricted amounts that are available for general expenditure in the following year. Amounts not available include amounts set aside by the Board of Trustees that could be drawn upon if the Board approves that action.

	December 31,	
	2020	2019
Cash and cash equivalents	\$ 2,291,394	\$ 1,305,159
Pledges receivable, net	231,563	335,214
Rent receivable	1,350	-
Investments	4,244,107	3,482,321
Total financial assets	<u>6,768,414</u>	<u>5,122,694</u>
Less amounts not available to be used within one year:		
Pledges receivable due in more than one year, net	(75,563)	(88,931)
Net assets with donor restrictions	(2,435,583)	(1,917,426)
Board-designated net assets	(1,990,024)	(1,779,725)
	<u>(4,501,170)</u>	<u>(3,786,082)</u>
Financial assets available to meet general expenditures over the next 12 months	<u>\$ 2,267,244</u>	<u>\$ 1,336,612</u>

The Fund has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. As part of its liquidity plan, excess cash is invested in short-term investments, such as money market accounts, to maximize earned interest opportunities. Additionally, as of December 31, 2020 and 2019, the Fund has Board-designated endowment funds of \$1,990,024 and \$1,779,725, respectively. Board-designated endowment funds may be made available through Board resolution, if necessary.

NOTE 14 - RISKS AND UNCERTAINTIES:

The Fund is actively monitoring the recent COVID-19 outbreak and its potential impact on the employees, volunteers, donors, and operations. It is not known at this time how much effect the virus will have on operations and/or financial results. The potential impact of COVID-19 is not foreseeable due to various uncertainties, including the severity of the disease, the duration of the outbreak, and actions that may be taken by governmental authorities.

TRI-COUNTY SCHOLARSHIP FUND AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 15 - PAYCHECK PROTECTION PROGRAM LOAN:

The Fund obtained a Paycheck Protection Program (“PPP”) loan under the CARES Act in May 2020 for \$60,000. The loan is to provide the Fund with working capital for the purposes of maintaining employment levels and paying occupancy costs during a stay-at-home period ordered by the governor of New Jersey. Paycheck Protection Program loans may be forgiven in part or in whole if the borrower maintains its employee count, as well as salary levels, during a specified period.

The Fund recorded the PPP funds received as a conditional government grant and recognized revenue as expenses were incurred that satisfied the conditions for forgiveness set forth by the U.S. Small Business Administration. As of December 31, 2020, all amounts received under the PPP were expended and recognized as revenue from contract services on the consolidated statements of activities and changes in net assets. The Fund received full forgiveness of the PPP funds in April 2021.