

**TRI-COUNTY SCHOLARSHIP FUND  
AND SUBSIDIARY**

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020



**SOBEL & CO. LLC**

CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

# **TRI-COUNTY SCHOLARSHIP FUND AND SUBSIDIARY**

**DECEMBER 31, 2021 AND 2020**

## **CONTENTS**

	<b><u>Page</u></b>
Independent Auditors' Report.....	1-2
Consolidated Financial Statements:	
Consolidated Statements of Financial Position.....	3
Consolidated Statements of Activities and Changes in Net Assets.....	4
Consolidated Statements of Functional Expenses .....	5
Consolidated Statements of Cash Flows .....	6
Notes to Consolidated Financial Statements.....	7-20

## **INDEPENDENT AUDITORS' REPORT**

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

### ***Opinion***

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, 2021 and 2020, 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.

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, 2021 and 2020, 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.

### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Fund 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 Consolidated Financial Statements***

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

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

### ***Auditors' Responsibilities for the Audit of the Consolidated Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 generally accepted auditing standards 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 consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 Fund'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Fund'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.

*Sobel & Co., LLC*

Certified Public Accountants

Livingston, New Jersey  
May 25, 2022

# TRI-COUNTY SCHOLARSHIP FUND AND SUBSIDIARY

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

---

	December 31,	
	2021	2020
<b>ASSETS</b>		
Cash and cash equivalents	\$ 3,106,532	\$ 2,291,394
Pledges receivable, net	218,618	231,563
Rent receivable	1,350	1,350
Investments	4,733,900	4,244,107
Prepaid expenses	10,434	4,475
Property and equipment, net	687,691	690,562
Total Assets	\$ 8,758,525	\$ 7,463,451
 <b>LIABILITIES AND NET ASSETS</b>		
LIABILITIES:		
Accrued payroll and other accrued expenses	\$ 95,461	\$ 100,469
Scholarships payable	1,102,637	1,052,042
Security deposit	2,051	2,051
Total Liabilities	1,200,149	1,154,562
NET ASSETS:		
Without Donor Restrictions:		
Undesignated	2,468,970	1,807,719
Board-designated for endowment	2,324,936	1,990,024
Total Net Assets Without Donor Restrictions	4,793,906	3,797,743
With Donor Restrictions:		
Restricted in perpetuity - endowments	1,692,433	1,692,433
Restricted for specified purpose or time	1,072,037	818,713
Total Net Assets With Donor Restrictions	2,764,470	2,511,146
Total Net Assets	7,558,376	6,308,889
Total Liabilities and Net Assets	\$ 8,758,525	\$ 7,463,451

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

	Year Ended December 31, 2021			Year Ended December 31, 2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT AND REVENUE:</b>						
Fundraising events, net:						
Annual dinner	\$ 2,265,567	\$ -	\$ 2,265,567	\$ 2,061,899	\$ -	\$ 2,061,899
Golf tournament	169,415	-	169,415	131,754	-	131,754
Other fundraising events	336,939	-	336,939	95,929	-	95,929
	2,771,921	-	2,771,921	2,289,582	-	2,289,582
Less: Costs of direct benefits to donors	201,110	-	201,110	168,910	-	168,910
Total Fundraising Events, net	2,570,811	-	2,570,811	2,120,672	-	2,120,672
Individual donations	709,532	-	709,532	812,564	604,888	1,417,452
Grants and corporate foundations	33,500	484,931	518,431	117,500	77,632	195,132
Government contributions	-	-	-	60,000	-	60,000
Rental income	16,200	-	16,200	16,200	-	16,200
Interest and dividends	67,599	75,348	142,947	48,646	44,273	92,919
Realized and unrealized gains on investments, net	162,634	183,794	346,428	113,978	107,280	221,258
	3,560,276	744,073	4,304,349	3,289,560	834,073	4,123,633
Satisfaction of time and expense restrictions	490,749	(490,749)	-	329,284	(329,284)	-
Total Support and Revenue	4,051,025	253,324	4,304,349	3,618,844	504,789	4,123,633
<b>EXPENSES:</b>						
Program:						
Scholarship and leadership	2,575,755	-	2,575,755	2,440,158	-	2,440,158
Support:						
General and administrative	224,426	-	224,426	199,724	-	199,724
Fundraising	254,681	-	254,681	177,964	-	177,964
Total Support	479,107	-	479,107	377,688	-	377,688
Total Expenses	3,054,862	-	3,054,862	2,817,846	-	2,817,846
CHANGES IN NET ASSETS	996,163	253,324	1,249,487	800,998	504,789	1,305,787
NET ASSETS, Beginning of year	3,797,743	2,511,146	6,308,889	2,996,745	2,006,357	5,003,102
NET ASSETS, End of year	\$ 4,793,906	\$ 2,764,470	\$ 7,558,376	\$ 3,797,743	\$ 2,511,146	\$ 6,308,889

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

	Year Ended December 31, 2021				Year Ended December 31, 2020			
	Supporting Services				Supporting Services			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Payroll and payroll taxes	\$ 311,309	\$ 66,413	\$ 37,357	\$ 415,079	\$ 297,969	\$ 63,567	\$ 35,756	\$ 397,292
Employee benefits	52,210	11,139	6,265	69,614	43,002	9,174	5,160	57,336
General award	2,212,200	-	-	2,212,200	2,099,085	-	-	2,099,085
Conferences and seminars	-	-	12,450	12,450	-	-	-	-
Professional services	-	22,735	-	22,735	-	21,574	-	21,574
Bad debt	-	500	-	500	-	2,987	-	2,987
Bank fees	-	21,561	-	21,561	-	15,771	-	15,771
Depreciation	-	12,035	-	12,035	-	11,210	-	11,210
Equipment leases	-	2,541	-	2,541	-	2,520	-	2,520
General fundraising	-	-	32,600	32,600	-	-	3,335	3,335
Indirect costs of fundraising events	-	-	47,214	47,214	-	-	51,907	51,907
Insurance	-	5,470	-	5,470	-	9,301	-	9,301
Meals and entertainment	-	-	8,002	8,002	-	-	8,554	8,554
Miscellaneous	36	4,242	6,009	10,287	102	2,895	1,654	4,651
Occupancy	-	16,572	-	16,572	-	18,970	-	18,970
Office expenses	-	12,179	39,836	52,015	-	14,648	12,236	26,884
Prospect research	-	-	64,948	64,948	-	-	59,362	59,362
Real estate taxes and fees	-	6,294	-	6,294	-	3,042	-	3,042
Repairs and maintenance	-	19,173	-	19,173	-	7,341	-	7,341
Software	-	12,679	-	12,679	-	15,588	-	15,588
Travel and cultivation	-	10,893	-	10,893	-	1,136	-	1,136
<b>Total Expenses</b>	<b>\$ 2,575,755</b>	<b>\$ 224,426</b>	<b>\$ 254,681</b>	<b>\$ 3,054,862</b>	<b>\$ 2,440,158</b>	<b>\$ 199,724</b>	<b>\$ 177,964</b>	<b>\$ 2,817,846</b>

# TRI-COUNTY SCHOLARSHIP FUND AND SUBSIDIARY

## CONSOLIDATED STATEMENTS OF CASH FLOWS

---

	<b>Years Ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
<b>CASH FLOWS PROVIDED BY:</b>		
<u>OPERATING ACTIVITIES:</u>		
Change in net assets	\$ 1,249,487	\$ 1,305,787
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Discount on pledges receivable	(931)	(2,632)
Depreciation	12,035	11,210
Realized and unrealized gains on investment, net	(346,428)	(221,258)
Donated stock	(12,605)	(22,383)
Changes in certain assets and liabilities:		
Pledges receivable	13,876	104,933
Prepaid expenses	(5,959)	10,851
Accrued payroll and other accrued expenses	(5,008)	53,852
Scholarships payable	50,595	270,867
Net Cash Provided by Operating Activities	955,062	1,511,227
<u>INVESTING ACTIVITIES:</u>		
Purchase of property and equipment	(9,164)	(6,847)
Proceeds from sales of investments	1,953,140	2,889,387
Purchases of investments	(2,083,900)	(3,407,532)
Net Cash Used for Investing Activities	(139,924)	(524,992)
 NET INCREASE IN CASH AND CASH EQUIVALENTS	 815,138	 986,235
 CASH AND CASH EQUIVALENTS:		
Beginning of year	2,291,394	1,305,159
End of year	\$ 3,106,532	\$ 2,291,394
 SUPPLEMENTAL DISCLOSURE OF CASH-FLOW INFORMATION:		
Noncash activities:		
Donated stock	\$ 12,605	\$ 22,383
Forgiveness of Paycheck Protection Program loan	\$ -	\$ 60,000



# TRI-COUNTY SCHOLARSHIP FUND AND SUBSIDIARY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### DECEMBER 31, 2021 AND 2020

---

---

#### 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, 2021 AND 2020**

---

**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 necessary at December 31, 2021 and 2020.

***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:

***Fixed Income Securities*** – 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.

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

**TRI-COUNTY SCHOLARSHIP FUND AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 AND 2020**

---

---

**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.

***Contributions:***

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

***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 years ended December 31, 2021 and 2020, the Fund received donated services, materials and supplies for program events in the amount of \$3,847 and \$5,762, 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, 2021 and 2020, amounted to \$12,605 and \$22,383, respectively.

***Rental income:***

A tenant of the building held by TCSF Holdings, LLC has a month-to-month agreement with the Fund to pay \$1,350 for each month that the tenant occupies the building. Rental income for both of the years ended December 31, 2021 and 2020, amounted to \$16,200 and is included on the consolidated statements of activities and changes in net assets.

# TRI-COUNTY SCHOLARSHIP FUND AND SUBSIDIARY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### DECEMBER 31, 2021 AND 2020

---

---

#### 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, 2021 and 2020. At December 31, 2021 and 2020, 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.

##### ***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.

##### ***Subsequent Events:***

The Fund has evaluated its subsequent events and transactions occurring after December 31, 2021 to May 25, 2022, the date that the consolidated financial statements were available to be issued.

**TRI-COUNTY SCHOLARSHIP FUND AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 AND 2020**

---

**NOTE 3 - PLEDGES RECEIVABLE:**

---

Pledges receivable are summarized as follows:

	<b>December 31,</b>	
	<b>2021</b>	<b>2020</b>
Gross pledges receivable	\$ 225,124	\$ 239,000
Less: Allowance	(6,000)	(6,000)
Less: Discount	(506)	(1,437)
Pledges Receivable, net	<u>\$ 218,618</u>	<u>\$ 231,563</u>
Amounts due in:		
Less than one year	\$ 209,124	\$ 162,000
One to five years	16,000	77,000
	<u>\$ 225,124</u>	<u>\$ 239,000</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 1.62%.

**NOTE 4 - CONDITIONAL PLEDGE:**

---

In 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 31 in each year of the two-year conditional pledge. As of December 31, 2021 and 2020, 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.

During the year ended December 31, 2021, a donor agreed to donate \$100,000 for scholarship support for students in Morris County provided that the Fund raise \$100,000 in additional matching funds from new or increased nongovernmental sources between October 21, 2021 through June 30, 2023. As of December 31, 2021, no amounts have been recorded related to this conditional pledge.

**TRI-COUNTY SCHOLARSHIP FUND AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 AND 2020**

---

**NOTE 5 - INVESTMENTS:**

---

Investments are summarized as follows:

**FAIR VALUE MEASUREMENTS**  
**AS OF DECEMBER 31, 2021**

---

	<b>LEVEL 1</b>	<b>LEVEL 2</b>	<b>LEVEL 3</b>	<b>TOTAL</b>
Money market	\$ 155,793	\$ -	\$ -	\$ 155,793
Fixed income securities	-	905,704	-	905,704
Equity securities	2,110,330	-	-	2,110,330
Mutual funds	1,562,073	-	-	1,562,073
	<b>\$ 3,828,196</b>	<b>\$ 905,704</b>	<b>\$ -</b>	<b>\$ 4,733,900</b>

**FAIR VALUE MEASUREMENTS**  
**AS OF DECEMBER 31, 2020**

---

	<b>LEVEL 1</b>	<b>LEVEL 2</b>	<b>LEVEL 3</b>	<b>TOTAL</b>
Money market	\$ 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
	<b>\$ 3,307,252</b>	<b>\$ 936,855</b>	<b>\$ -</b>	<b>\$ 4,244,107</b>

Investment income from these investments are summarized as follows:

	<b>Year Ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
Interest and dividend income	\$ 141,506	\$ 88,927
Realized gain on investments	272,718	11,408
Unrealized gain on investments	113,574	241,676
Investment fees	(39,864)	(31,826)
	<b>\$ 487,934</b>	<b>\$ 310,185</b>

The Fund also received interest income from money market accounts amounting to \$1,441 and \$3,992 for the years ended December 31, 2021 and 2020, respectively.

**TRI-COUNTY SCHOLARSHIP FUND AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 AND 2020**

---

**NOTE 6 - PROPERTY AND EQUIPMENT:**

---

	<b>Useful Life</b>	<b>December 31,</b>	
		<b>2021</b>	<b>2020</b>
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	16,682
Computer software	3-5 Years	16,350	7,186
Total Fixed Assets		726,179	717,015
Less: Accumulated depreciation		38,488	26,453
Property and Equipment, Net		<u>\$ 687,691</u>	<u>\$ 690,562</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 until the lease expiration date of April 30, 2020. Rent expense for the year ended December 31, 2020, was \$9,373, 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, 2021 and 2020, was \$2,541 and \$2,520, 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:

<b>Year Ending December 31,</b>	<b>Amount</b>
2022	\$ 2,520
2023	630
Total	<u>\$ 3,150</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 for both of the years ended December 31, 2021 and 2020.

**TRI-COUNTY SCHOLARSHIP FUND AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 AND 2020**

---

---

**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, 2021 and 2020, the Fund raised approximately 53% and 48%, 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.

---

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

---

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

	<b>December 31,</b>	
	<b>2021</b>	<b>2020</b>
Scholarships	\$ 158,512	\$ -
Capital campaign	181,500	181,500
Timing, pledges	15,494	75,563
Investment income	716,531	561,650
	<u>\$ 1,072,037</u>	<u>\$ 818,713</u>



# TRI-COUNTY SCHOLARSHIP FUND AND SUBSIDIARY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### DECEMBER 31, 2021 AND 2020

---

---

#### 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, 2021 and 2020, 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**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 AND 2020**

**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, 2021 and 2020, was \$212,205 and \$174,116, respectively. However, no distribution was made.

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

	<b>December 31, 2021</b>		
	<b>Without Donor Restriction</b>	<b>With Donor Restriction</b>	<b>Total</b>
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	-	716,531	716,531
Board-designated endowment funds	2,324,936	-	2,324,936
December 31, 2021, net endowment assets	<u>\$ 2,324,936</u>	<u>\$ 2,408,964</u>	<u>\$ 4,733,900</u>

	<b>December 31, 2020</b>		
	<b>Without Donor Restriction</b>	<b>With Donor Restriction</b>	<b>Total</b>
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>

**TRI-COUNTY SCHOLARSHIP FUND AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 AND 2020**

---

**NOTE 10 - ENDOWMENT FUNDS: (Continued)**

---

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

	<b>For the Year Ended December 31, 2021</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Endowment net assets, December 31, 2020	\$1,990,024	\$ 2,254,083	\$ 4,244,107
Investment return, net	228,792	259,142	487,934
Contributions	1,859	-	1,859
Transfer	104,261	(104,261)	-
Endowment net assets, December 31, 2021	<u>\$2,324,936</u>	<u>\$ 2,408,964</u>	<u>\$ 4,733,900</u>
	<b>For the Year Ended December 31, 2020</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
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	<u>\$1,990,024</u>	<u>\$ 2,254,083</u>	<u>\$ 4,244,107</u>

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, 2021 AND 2020**

---

**NOTE 11 - FUNDRAISING EVENTS:**

---

Fundraising event revenues and expenses were as follows:

	<b>Year Ended December 31, 2021</b>			
	<b>Golf</b>			
	<b>Annual Dinner</b>	<b>Tournament</b>	<b>Other Events</b>	<b>Total</b>
Revenue	\$ 2,265,567	\$ 169,415	\$ 336,939	\$ 2,771,921
Less: Cost of direct benefit to donors	85,721	56,101	59,288	201,110
Less: Indirect cost of fundraising events	29,084	2,309	15,821	47,214
Net Event Income	<u>\$ 2,150,762</u>	<u>\$ 111,005</u>	<u>\$ 261,830</u>	<u>\$ 2,523,597</u>

	<b>Year Ended December 31, 2020</b>			
	<b>Golf</b>			
	<b>Annual Dinner</b>	<b>Tournament</b>	<b>Other Events</b>	<b>Total</b>
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	<u>\$ 1,940,380</u>	<u>\$ 86,837</u>	<u>\$ 41,548</u>	<u>\$ 2,068,765</u>

**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**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 AND 2020**

---

**NOTE 13 - LIQUIDITY AND AVAILABILITY:**

---

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.

	<b>December 31,</b>	
	<b>2021</b>	<b>2020</b>
Cash and cash equivalents	\$ 3,106,532	\$ 2,291,394
Pledges receivable, net	218,618	231,563
Rent receivable	1,350	1,350
Investments	4,733,900	4,244,107
Total financial assets	<u>8,060,400</u>	<u>6,768,414</u>
Less amounts not available to be used within one year:		
Pledges receivable due in more than one year	(15,494)	(75,563)
Net assets with donor restrictions excluding pledges receivable due in more than one year	(2,748,976)	(2,435,583)
Board-designated net assets	<u>(2,324,936)</u>	<u>(1,990,024)</u>
	<u>(5,089,406)</u>	<u>(4,501,170)</u>
Financial assets available to meet general expenditures over the next 12 months	<u>\$ 2,970,994</u>	<u>\$ 2,267,244</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, 2021 and 2020, the Fund has Board-designated endowment funds of \$2,324,936 and \$1,990,024, 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**  
**DECEMBER 31, 2021 AND 2020**

---

---

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

The SBA reserves the right to audit loan forgiveness for six years from the date that forgiveness was awarded.