

**TRI-COUNTY SCHOLARSHIP FUND
AND SUBSIDIARY**

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022



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YEARS ENDED DECEMBER 31, 2023 AND 2022**

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INDEPENDENT AUDITORS' REPORT

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, 2023 and 2022, 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, 2023 and 2022, 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.

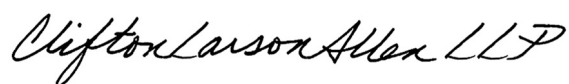
Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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.



CliftonLarsonAllen LLP

Livingston, New Jersey
June 26, 2024

**TRI-COUNTY SCHOLARSHIP FUND AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2023 AND 2022**

	2023	2022
ASSETS		
Cash and Cash Equivalents	\$ 4,563,838	\$ 4,181,013
Pledges Receivable, Net	52,586	115,586
Investments	4,973,889	4,224,843
Prepaid Expenses	28,342	5,035
Property and Equipment, Net	659,051	673,371
Total Assets	\$ 10,277,706	\$ 9,199,848
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accrued Payroll and Other Accrued Expenses	\$ 156,373	\$ 98,995
Scholarships Payable	1,315,050	1,189,312
Security Deposit	3,000	-
Total Liabilities	1,474,423	1,288,307
NET ASSETS		
Without Donor Restrictions:		
Undesignated	3,464,394	3,217,140
Board-Designated for Endowment	2,650,501	1,957,789
Total Net Assets Without Donor Restrictions	6,114,895	5,174,929
With Donor Restrictions:		
Restricted in Perpetuity - Endowments	1,692,433	1,692,433
Restricted for Specified Purpose or Time	995,955	1,044,179
Total Net Assets With Donor Restrictions	2,688,388	2,736,612
Total Net Assets	8,803,283	7,911,541
Total Liabilities and Net Assets	\$ 10,277,706	\$ 9,199,848

See accompanying Notes to Consolidated Financial Statements.

TRI-COUNTY SCHOLARSHIP FUND AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2023 AND 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE						
Fundraising Events:						
Annual Dinner	\$ 2,273,643	\$ -	\$ 2,273,643	\$ 2,430,429	\$ -	\$ 2,430,429
Golf Tournament	197,495	-	197,495	195,777	-	195,777
Other Fundraising Events	455,872	-	455,872	427,834	-	427,834
Total Fundraising Events	<u>2,927,010</u>	<u>-</u>	<u>2,927,010</u>	<u>3,054,040</u>	<u>-</u>	<u>3,054,040</u>
Individual Donations	518,531	440,000	958,531	536,895	985,000	1,521,895
Grants and Corporate Foundations	80,600	60,000	140,600	51,500	180,506	232,006
In-Kind Contributions	32,045	-	32,045	2,642	-	2,642
Rental Income	24,000	-	24,000	7,400	-	7,400
Interest and Dividends	137,417	144,486	281,903	94,199	57,518	151,717
Realized and Unrealized Gains on Investments, Net	285,305	285,595	570,900	(432,064)	(443,120)	(875,184)
Total	<u>4,004,908</u>	<u>930,081</u>	<u>4,934,989</u>	<u>3,314,612</u>	<u>779,904</u>	<u>4,094,516</u>
Satisfaction of Time and Purpose Restrictions	<u>978,305</u>	<u>(978,305)</u>	<u>-</u>	<u>807,762</u>	<u>(807,762)</u>	<u>-</u>
Total Support and Revenue	4,983,213	(48,224)	4,934,989	4,122,374	(27,858)	4,094,516
EXPENSES						
Program:						
Scholarship and Leadership	3,466,925	-	3,466,925	3,209,278	-	3,209,278
Support:						
General and Administrative	190,607	-	190,607	240,176	-	240,176
Fundraising	385,715	-	385,715	291,897	-	291,897
Total Support	<u>576,322</u>	<u>-</u>	<u>576,322</u>	<u>532,073</u>	<u>-</u>	<u>532,073</u>
Total Expenses	<u>4,043,247</u>	<u>-</u>	<u>4,043,247</u>	<u>3,741,351</u>	<u>-</u>	<u>3,741,351</u>
CHANGES IN NET ASSETS	939,966	(48,224)	891,742	381,023	(27,858)	353,165
Net Assets - Beginning of Year	<u>5,174,929</u>	<u>2,736,612</u>	<u>7,911,541</u>	<u>4,793,906</u>	<u>2,764,470</u>	<u>7,558,376</u>
NET ASSETS - END OF YEAR	<u>\$ 6,114,895</u>	<u>\$ 2,688,388</u>	<u>\$ 8,803,283</u>	<u>\$ 5,174,929</u>	<u>\$ 2,736,612</u>	<u>\$ 7,911,541</u>

See accompanying Notes to Consolidated Financial Statements.

**TRI-COUNTY SCHOLARSHIP FUND AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED DECEMBER 31, 2023 AND 2022**

	2023				2022			
	Supporting Services				Supporting Services			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Payroll and Payroll Taxes	\$ 428,236	\$ 22,246	\$ 105,669	\$ 556,151	\$ 381,708	\$ 32,584	\$ 51,205	\$ 465,497
Employee Benefits	71,930	3,737	17,748	93,415	74,855	6,390	10,042	91,287
General Award	2,680,117	-	-	2,680,117	2,453,500	-	-	2,453,500
Conferences and Seminars	-	-	240	240	-	-	922	922
Professional Services	40	25,240	-	25,280	-	24,019	-	24,019
Bank Fees	-	26,352	-	26,352	-	28,272	-	28,272
Depreciation	-	14,320	-	14,320	-	14,320	-	14,320
Equipment Leases	-	2,401	-	2,401	-	2,520	-	2,520
Food and Venue Costs for Fundraising Events	284,491	-	-	284,491	299,215	-	-	299,215
General Fundraising	-	-	2,611	2,611	-	-	2,141	2,141
Indirect Costs of Fundraising Events	-	-	154,303	154,303	-	-	131,648	131,648
Insurance	-	6,682	-	6,682	-	5,958	-	5,958
Meals and Entertainment	-	-	4,390	4,390	-	-	3,344	3,344
Miscellaneous	2,111	2,046	10,606	14,763	-	4,207	6,536	10,743
Occupancy	-	3,985	-	3,985	-	6,369	-	6,369
Office Expenses	-	14,524	13,794	28,318	-	22,670	21,218	43,888
Prospect Research	-	-	76,354	76,354	-	-	64,841	64,841
Real Estate Taxes and Fees	-	710	-	710	-	6,972	-	6,972
Repairs and Maintenance	-	34,403	-	34,403	-	64,663	-	64,663
Software	-	23,734	-	23,734	-	14,405	-	14,405
Travel and Cultivation	-	10,227	-	10,227	-	6,827	-	6,827
Total Expenses	\$ 3,466,925	\$ 190,607	\$ 385,715	\$ 4,043,247	\$ 3,209,278	\$ 240,176	\$ 291,897	\$ 3,741,351

See accompanying Notes to Consolidated Financial Statements.

**TRI-COUNTY SCHOLARSHIP FUND AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2023 AND 2022**

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 891,742	\$ 353,165
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	14,320	14,320
Realized and Unrealized (Gains) Losses on Investment, Net	(570,900)	875,184
Donated Stock	(189,249)	(44,729)
Changes In Certain Assets And Liabilities:		
Pledges Receivable	63,000	103,032
Rent Receivable	-	1,350
Prepaid Expenses	(23,307)	5,399
Accrued Payroll And Other Accrued Expenses	57,378	3,534
Scholarships Payable	125,738	86,675
Security Deposit	3,000	(2,051)
Net Cash Provided by Operating Activities	371,722	1,395,879
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sales of Investments	2,701,520	2,014,652
Purchases of Investments	(2,690,417)	(2,336,050)
Net Cash Provided (Used) by Investing Activities	11,103	(321,398)
NET INCREASE IN CASH AND CASH EQUIVALENTS	382,825	1,074,481
Cash and Cash Equivalents - Beginning of Year	4,181,013	3,106,532
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 4,563,838	\$ 4,181,013
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Noncash Activities:		
Donated Stock	\$ 189,249	\$ 44,729

See accompanying Notes to Consolidated Financial Statements.

**TRI-COUNTY SCHOLARSHIP FUND AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 1 NATURE OF ACTIVITIES

Tri-County Scholarship Fund is a New Jersey nonprofit 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 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.

Adoption of New Accounting Standard

The Fund has adopted the current expected credit losses (CECL) methodology for estimating credit losses on financial assets, effective January 1, 2023, utilizing the modified retrospective transition method. The adoption of CECL resulted in changes to the Fund's accounting policies, including the recognition of credit losses based on expected future credit losses rather than incurred credit losses. The Fund also updated its accounting policies for determining the recoverability of trade receivables, loans, and other financial assets. The adoption of this Standard did not have a material impact on the Fund's consolidated financial statements but did change how the allowance for credit losses is determined.

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.

**TRI-COUNTY SCHOLARSHIP FUND AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Consolidated Financial Statement Presentation (Continued)

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.

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, 2023 and 2022.

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.

**TRI-COUNTY SCHOLARSHIP FUND AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements (Continued)

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.

Alternative Investments – Private equity or real estate investments valued at net asset value used as a practical expedient to estimate fair value.

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.

**TRI-COUNTY SCHOLARSHIP FUND AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In-Kind Contributions

In-kind contributions are recorded at fair value and recognized as revenues and expenses in the period received if they meet the requirements for recognition under accounting principles generally accepted in the United States of America. All gifts in-kind received by the organization for the years ended December 31, 2023 and 2022, were considered without donor restrictions and able to be used by the organization as determined by management.

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, 2023 and 2022, the Fund received donated services, materials, and supplies for program events in the amount of \$32,045 and \$2,642, 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, 2023 and 2022, amounted to \$189,249 and \$44,729, respectively.

Rental income

A tenant of the building held by TCSF Holdings, LLC had an agreement through June 2022 with the Fund to pay \$1,350 for each month that the tenant occupies the building. A new tenant has an 18-month agreement with the Fund to pay \$2,000 per month through June 2024. Rental income for the years ended December 31, 2023 and 2022, amounted to \$24,000 and \$7,400, respectively, and is included on the consolidated statements of activities and changes in net assets.

Operating Leases

The Fund leases office equipment. The Fund determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use (ROU) assets and operating leases payable, current and long term, on the consolidated statements of financial position.

**TRI-COUNTY SCHOLARSHIP FUND AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Operating Leases (Continued)

ROU assets represent the Fund's right to use an underlying asset for the lease term, and lease liabilities represent the Fund's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. As most leases do not provide an implicit rate, the Fund uses a risk-free rate based on the information available at the commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Fund will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The Fund has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred, and these leases are not included as lease liabilities or right of use assets on the consolidated statements of financial position.

The Fund has elected not to separate nonlease components from lease components and instead accounts for each separate lease component and the nonlease component as a single lease component. The Fund's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

In evaluating contracts to determine if they qualify as a lease, the Fund considers factors such as if the Fund has obtained substantially all of the rights to the underlying asset through exclusivity, if the Fund can direct the use of the asset by making decisions about how and for what purpose the asset will be used, and if the lessor has substantive substitution rights. This evaluation may require significant judgment.

The Fund's office equipment leases were not material to the consolidated financial statements.

Income Taxes

Tri-County Scholarship Fund is a nonprofit 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, 2023 and 2022. At December 31, 2023 and 2022, there are no significant income tax uncertainties.

**TRI-COUNTY SCHOLARSHIP FUND AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 consolidated financial statements have been reclassified for comparative purposes to conform with the presentation in the current year consolidated financial statements.

Subsequent Events

The Fund has evaluated its subsequent events and transactions occurring after December 31, 2023 to June 26, 2024, the date that the consolidated financial statements were available to be issued.

NOTE 3 PLEDGES RECEIVABLE

Pledges receivable are summarized as follows:

	2023	2022
Gross Pledges Receivable	\$ 58,586	\$ 121,586
Less: Allowance	(6,000)	(6,000)
Pledges Receivable, Net	\$ 52,586	\$ 115,586
Amounts Due in:		
Less than One Year	\$ 58,586	\$ 121,586
Total	\$ 58,586	\$ 121,586

NOTE 4 CONDITIONAL PLEDGE

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, 2022, the Fund had met the requirements of the pledge, and the amounts were received and recorded in Grants and Corporate Foundations in the consolidated statements of activities and changes in net assets.

**TRI-COUNTY SCHOLARSHIP FUND AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 4 CONDITIONAL PLEDGE (CONTINUED)

During the year ended December 31, 2022, a donor agreed to donate \$30,000 for scholarship support for low-income kindergarten through eighth-grade students in Morris, Passaic, and Sussex Counties, provided that the Fund determine the income eligibility of its recipients and that the students awarded, or their siblings, are able to continue receiving scholarships in the 2023-2024 school year. The Fund was required to send proof of other donations and proof of which students the funds will be intended for prior to the donor remitting the funds as pledged. As of December 31, 2023, the Fund had met the requirements of the pledge, and the amounts were received and recorded in grants and corporate foundations in the consolidated statements of activities and changes in net assets.

NOTE 5 INVESTMENTS

Investments are summarized as follows:

	Fair Value Measurements at December 31, 2023			
	Level 1	Level 2	Level 3	Total
Fixed Income Securities	\$ -	\$ 1,055,844	\$ -	1,055,844
Equity Securities	3,229,266	-	-	3,229,266
Mutual Funds	455,329	-	-	455,329
Alternative Investments (a)	-	-	-	233,450
Total	\$ 3,684,595	\$ 1,055,844	\$ -	\$ 4,973,889

	Fair Value Measurements at December 31, 2022			
	Level 1	Level 2	Level 3	Total
Money Market	\$ 94,565	\$ -	\$ -	\$ 94,565
Fixed Income Securities	-	573,482	-	573,482
Equity Securities	1,382,697	-	-	1,382,697
Mutual Funds	1,938,494	-	-	1,938,494
Alternative Investments (a)	-	-	-	235,605
Total	\$ 3,415,756	\$ 573,482	\$ -	\$ 4,224,843

(a) Certain investments that were measured at net asset value per share have not been classified in the fair value hierarchy. The fair value amounts presented in these tables are intended to permit reconciliation of the fair value hierarchy to the line items presented in the consolidated statements of financial position.

Investment income from these investments is summarized as follows:

	2023	2022
Interest and Dividend Income	\$ 275,325	\$ 117,440
Realized Gain on Investments	16,729	9,850
Unrealized Gain (Loss) on Investments	592,774	(848,442)
Investment Fees	(38,603)	(36,592)
Total	\$ 846,225	\$ (757,744)

The Fund also received interest income from money market accounts amounting to \$6,578 and \$34,277 for the years ended December 31, 2023 and 2022, respectively.

**TRI-COUNTY SCHOLARSHIP FUND AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 5 INVESTMENTS (CONTINUED)

The following table summarizes investments measured at fair value based on NAV per share as of December 31, 2023 and 2022, respectively.

<u>December 31, 2023</u>	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (if Currently Eligible)</u>	<u>Redemption Notice Period</u>
Private Equity Fund (1)	\$ 117,531	\$ -	Quarterly	By the second-to-last business day of the applicable month
Real Estate Income Trust (1)	115,919	-	Quarterly	By the second-to-last business day of the applicable month

<u>December 31, 2022</u>	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (if Currently Eligible)</u>	<u>Redemption Notice Period</u>
Private Equity Fund (1)	\$ 115,202	\$ -	Quarterly	By the second-to-last business day of the applicable month
Real Estate Income Trust (1)	120,403	-	Quarterly	By the second-to-last business day of the applicable month

(1) The fair value of the investment has been estimated using the NAV of the Fund's ownership interest in the fund. NAV is calculated on a monthly recurring basis. Distributions received are reinvested in the funds.

NOTE 6 PROPERTY AND EQUIPMENT

	<u>Useful Life</u>	<u>2023</u>	<u>2022</u>
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 to 7 Years	16,682	16,682
Computer Software	3 to 5 Years	16,350	16,350
Total Fixed Assets		<u>726,179</u>	<u>726,179</u>
Less: Accumulated Depreciation		<u>(67,128)</u>	<u>(52,808)</u>
Property and Equipment, Net		<u>\$ 659,051</u>	<u>\$ 673,371</u>

NOTE 7 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.

**TRI-COUNTY SCHOLARSHIP FUND AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 7 CONCENTRATIONS OF RISK (CONTINUED)

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.

Sources of Revenue

During the years ended December 31, 2023 and 2022, the Fund raised approximately 50% and 65%, respectively, of its total support and revenue from its annual dinner, which includes reservations, sponsorships, and other corporate or individual donations. This annual dinner is the Fund's largest special event at which the Fund encourages donor contributions and other opportunities for donor engagement throughout the year. During the year ended December 31, 2023, one individual donor contributed approximately 10% of the Fund's total support and revenue as part of the Fund's ongoing efforts to receive major gifts. During the year ended December 31, 2022, two individual donors contributed approximately 35% of the Fund's total support and revenue as part of the Fund's ongoing efforts to receive major gifts.

NOTE 8 NET ASSETS WITH DONOR-IMPOSED PURPOSE AND TIME RESTRICTIONS

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

	<u>2023</u>	<u>2022</u>
Scholarships	\$ -	\$ 23,995
Capital Campaign	-	181,500
St. Gerard's School	365,000	507,750
Investment Income	<u>630,955</u>	<u>330,934</u>
Total	<u>\$ 995,955</u>	<u>\$ 1,044,179</u>

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

	<u>2023</u>	<u>2022</u>
Scholarships	\$ 531,745	\$ 791,762
Timing	-	16,000
St. Gerard's School	135,000	-
Capital Campaign	181,500	-
Transfer of Endowment Funds	<u>130,060</u>	<u>-</u>
Total	<u>\$ 978,305</u>	<u>\$ 807,762</u>

**TRI-COUNTY SCHOLARSHIP FUND AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 9 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, 2023 and 2022, 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, 2023 AND 2022**

NOTE 9 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, 2023 and 2022, was \$199,058 and \$236,695, respectively. However, no distribution was made.

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

December 31, 2023	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets - December 31, 2022	\$ 1,957,789	\$ 2,023,367	\$ 3,981,156
Investment Return, Net	416,144	430,081	846,225
Contributions	146,508	-	146,508
Endowment Appropriation	130,060	(130,060)	-
Endowment Net Assets - December 31, 2023	<u>\$ 2,650,501</u>	<u>\$ 2,323,388</u>	<u>\$ 4,973,889</u>
December 31, 2022	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets - December 31, 2021	\$ 2,324,936	\$ 2,408,964	\$ 4,733,900
Investment Return, Net	(372,147)	(385,597)	(757,744)
Contributions	5,000	-	5,000
Endowment Net Assets - December 31, 2022	<u>\$ 1,957,789</u>	<u>\$ 2,023,367</u>	<u>\$ 3,981,156</u>

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

December 31, 2023	Without Donor Restrictions	With Donor Restrictions	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	-	630,955	630,955
Board-Designated Endowment Fund	2,650,501	-	2,650,501
Total	<u>\$ 2,650,501</u>	<u>\$ 2,323,388</u>	<u>\$ 4,973,889</u>
December 31, 2022	Without Donor Restrictions	With Donor Restrictions	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	-	330,934	330,934
Board-Designated Endowment Fund	1,957,789	-	1,957,789
Total	<u>\$ 1,957,789</u>	<u>\$ 2,023,367</u>	<u>\$ 3,981,156</u>

**TRI-COUNTY SCHOLARSHIP FUND AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 9 ENDOWMENT FUNDS (CONTINUED)

Funds with Deficiencies

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The Fund has interpreted the Uniform Prudent Management of Institutional Funds Act to permit spending from underwater endowments in accordance with prudent measures required under law.

At December 31, 2023 and 2022, there were no funds with deficiencies.

NOTE 10 FUNDRAISING EVENTS

Fundraising event revenues and expenses were as follows:

	Year Ended December 31, 2023			
	Annual Dinner	Golf Tournament	Other Events	Total
Revenue	\$ 2,273,643	\$ 197,495	\$ 455,872	\$ 2,927,010
Less: Cost of Direct Benefit to Donors	147,462	36,485	100,544	284,491
Less: Indirect Cost of Fundraising Events	80,868	55,532	17,903	154,303
Net Event Income	<u>\$ 2,045,313</u>	<u>\$ 105,478</u>	<u>\$ 337,425</u>	<u>\$ 2,488,216</u>
	Year Ended December 31, 2022			
	Annual Dinner	Golf Tournament	Other Events	Total
Revenue	\$ 2,430,429	\$ 195,777	\$ 427,834	\$ 3,054,040
Less: Cost of Direct Benefit to Donors	145,442	59,305	94,468	299,215
Less: Indirect Cost of Fundraising Events	65,823	18,821	47,004	131,648
Net Event Income	<u>\$ 2,219,164</u>	<u>\$ 117,651</u>	<u>\$ 286,362</u>	<u>\$ 2,623,177</u>

NOTE 11 CONTRIBUTED GOODS AND SERVICES

Contributed goods and services are recorded at fair value and recognized as revenues and expenses in the period received if they meet the requirements for recognition under accounting principles generally accepted in the United States of America. All gifts in-kind received by the Organization for the years ended December 31, 2023 and 2022, were considered without donor restrictions and able to be used by the organization as determined by management. These contributions are recorded as In-Kind Contributions in the statements of activities and changes in net assets and are classified as follows in the statements of functional expenses.

**TRI-COUNTY SCHOLARSHIP FUND AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 11 CONTRIBUTED GOODS AND SERVICES (CONTINUED)

In-kind donations received during the years ended December 31 consisted of the following:

	2023			Total
	Program Expenses	Fundraising	General and Administrative	
Fundraising Event Costs	\$ 32,045	\$ -	\$ -	\$ 32,045
Total	\$ 32,045	\$ -	\$ -	\$ 32,045

	2022			Total
	Program Expenses	Fundraising	General and Administrative	
Fundraising Event Costs	\$ 2,642	\$ -	\$ -	\$ 2,642
Total	\$ 2,642	\$ -	\$ -	\$ 2,642

Contributed Nonfinancial Asset	Valuation Techniques and Inputs
Fundraising Event Costs	Estimated Based on Estimates of Retail Values for Similar Products

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.

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.

**TRI-COUNTY SCHOLARSHIP FUND AND SUBSIDIARY
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NOTE 13 LIQUIDITY AND AVAILABILITY (CONTINUED)

	2023	2022
Cash and Cash Equivalents	\$ 4,563,838	\$ 4,181,013
Pledges Receivable, Net	52,586	115,586
Investments	4,973,889	4,224,843
Total Financial Assets	9,590,313	8,521,442
Less: Amounts not Available to be Used Within One Year:		
Net Assets With Donor Restrictions	(2,688,388)	(2,736,612)
Board-Designated Net Assets	(2,650,501)	(1,957,789)
Total	(5,338,889)	(4,694,401)
Financial Assets Available to Meet General Expenditures Over the Next 12 Months	\$ 4,251,424	\$ 3,827,041

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, 2023 and 2022, the Fund has board-designated endowment funds of \$2,650,501 and \$1,957,789, respectively. Board-designated endowment funds may be made available through board resolution, if necessary.



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