

TRI-COUNTY SCHOLARSHIP FUND

FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017



SOBEL & CO. LLC

CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

TRI-COUNTY SCHOLARSHIP FUND

DECEMBER 31, 2018 AND 2017

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Tri-County Scholarship Fund
Parsippany, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of Tri-County Scholarship Fund ("Fund"), a New Jersey nonprofit corporation, which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these 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 financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Fund's preparation and fair presentation of the 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 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 financial statements referred to above present fairly, in all material respects, the financial position of Tri-County Scholarship Fund as of December 31, 2018 and 2017, 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.

Emphasis of Matter

The Fund adopted Financial Accounting Standards Board, *Presentation of Financial Statements of Not-for-Profit Entities*, as described in Note 2. Our opinion is not modified with respect to this matter.

Sobel & Co, LLC

Certified Public Accountants

Livingston, New Jersey
June 12, 2019

TRI-COUNTY SCHOLARSHIP FUND **STATEMENTS OF FINANCIAL POSITION**

	December 31,	
	2018	2017
ASSETS		
Cash and cash equivalents	\$ 1,693,753	\$ 575,330
Due from affiliate	1,250	-
Pledges receivable, net	372,008	458,439
Investments	2,217,168	2,162,788
Prepaid expenses	5,995	10,526
Office equipment and software, net	14,503	20,947
Total Assets	\$ 4,304,677	\$ 3,228,030
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accrued payroll	\$ 36,535	\$ 20,418
Scholarships payable	668,975	517,250
Total Liabilities	705,510	537,668
COMMITMENTS AND CONTINGENCIES		
NET ASSETS:		
Without Donor Restrictions:		
Undesignated	967,837	159,190
Board-designated for endowment	743,714	587,854
Total Net Assets Without Donor Restrictions	1,711,551	747,044
With Donor Restrictions:		
Restricted in perpetuity - endowments	1,106,924	1,106,924
Restricted for specified purpose	780,692	836,394
Total Net Assets With Donor Restrictions	1,887,616	1,943,318
Total Liabilities and Net Assets	\$ 4,304,677	\$ 3,228,030

TRI-COUNTY SCHOLARSHIP FUND

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

	Year Ended December 31, 2018			Year Ended December 31, 2017		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE:						
Fundraising events, net						
Annual dinner	\$ 1,057,716	\$ -	\$ 1,057,716	\$ 1,018,338	\$ -	\$ 1,018,338
Less: Cost of event	73,615	-	73,615	69,782	-	69,782
	984,101	-	984,101	948,556	-	948,556
Golf tournament	125,070	-	125,070	150,455	-	150,455
Less: Cost of event	49,491	-	49,491	52,133	-	52,133
	75,579	-	75,579	98,322	-	98,322
Other fundraising events	467,583	-	467,583	120,353	-	120,353
Less: Cost of events	98,847	-	98,847	21,255	-	21,255
	368,736	-	368,736	99,098	-	99,098
Fundraising Events, Net	1,428,416	-	1,428,416	1,145,976	-	1,145,976
Individual donations	1,235,199	55,000	1,290,199	209,657	-	209,657
Grants and corporate foundations	71,200	128,640	199,840	139,600	295,709	435,309
Other income	-	-	-	16,135	-	16,135
Interest and dividends	31,855	52,288	84,143	16,829	36,945	53,774
Realized and unrealized (losses) gains on investments, net	(57,279)	(153,766)	(211,045)	52,674	145,549	198,223
	2,709,391	82,162	2,791,553	1,580,871	478,203	2,059,074
Satisfaction of time and expense restrictions	137,864	(137,864)	-	163,145	(163,145)	-
Total Support and Revenue	2,847,255	(55,702)	2,791,553	1,744,016	315,058	2,059,074
EXPENSES:						
Program:						
Scholarship and leadership	1,577,265	-	1,577,265	1,266,067	-	1,266,067
Support:						
General and administrative	147,021	-	147,021	124,441	-	124,441
Fundraising	158,462	-	158,462	124,306	-	124,306
Total Support	305,483	-	305,483	248,747	-	248,747
Total Expenses	1,882,748	-	1,882,748	1,514,814	-	1,514,814
CHANGES IN NET ASSETS	964,507	(55,702)	908,805	229,202	315,058	544,260
NET ASSETS, Beginning of year	747,044	1,943,318	2,690,362	517,842	1,628,260	2,146,102
NET ASSETS, End of year	\$ 1,711,551	\$ 1,887,616	\$ 3,599,167	\$ 747,044	\$ 1,943,318	\$ 2,690,362

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

TRI-COUNTY SCHOLARSHIP FUND
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2018

		Supporting Services		
	Program	Management		
	Services	and	Fundraising	Total
		General		
Payroll and payroll taxes	\$ 195,073	\$ 22,493	\$ 69,051	\$ 286,617
Employee benefits	32,257	3,719	11,418	47,394
General award	1,335,450	-	-	1,335,450
Education sponsors	12,816	-	-	12,816
Professional services	1,669	20,289	-	21,958
Bad debt	-	5,225	-	5,225
Bank fees	-	12,526	-	12,526
Depreciation	-	6,444	-	6,444
Equipment leases	-	2,940	-	2,940
General fundraising	-	-	12,453	12,453
Insurance	-	4,279	-	4,279
Meals and entertainment	-	-	6,206	6,206
Miscellaneous	-	1,344	5,945	7,289
Phone	-	3,284	-	3,284
Printing and postage	-	2,007	18,954	20,961
Prospect research	-	-	34,293	34,293
Rent	-	26,956	-	26,956
Repairs and maintenance	-	15,321	-	15,321
Software	-	11,841	-	11,841
Supplies	-	1,278	-	1,278
Travel and cultivation	-	5,196	142	5,338
Utilities	-	1,879	-	1,879
Total Expenses	\$ 1,577,265	\$ 147,021	\$ 158,462	\$ 1,882,748

TRI-COUNTY SCHOLARSHIP FUND
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2017

	Program Services	Supporting Services		Total
		Management and General	Fundraising	
Payroll and payroll taxes	\$ 170,249	\$ 19,870	\$ 60,992	\$ 251,111
Employee benefits	44,888	5,239	16,081	66,208
General award	1,034,500	-	-	1,034,500
Education sponsors	16,430	-	-	16,430
Professional services	-	20,019	-	20,019
Bad debt	-	7,500	-	7,500
Bank fees	-	9,247	-	9,247
Depreciation	-	5,040	-	5,040
Equipment leases	-	4,200	-	4,200
General fundraising	-	-	1,643	1,643
Insurance	-	3,228	-	3,228
Meals and entertainment	-	-	936	936
Miscellaneous	-	3,444	1,810	5,254
Phone	-	4,488	-	4,488
Printing and postage	-	1,038	12,406	13,444
Consulting fees	-	-	30,438	30,438
Rent	-	25,208	-	25,208
Repairs and maintenance	-	138	-	138
Software	-	10,172	-	10,172
Supplies	-	1,025	-	1,025
Travel and cultivation	-	2,182	-	2,182
Utilities	-	2,403	-	2,403
Total Expenses	\$ 1,266,067	\$ 124,441	\$ 124,306	\$ 1,514,814

TRI-COUNTY SCHOLARSHIP FUND

STATEMENTS OF CASH FLOWS

	Year Ended December 31,	
	2018	2017
CASH FLOWS PROVIDED BY:		
<u>OPERATING ACTIVITIES:</u>		
Changes in net assets	\$ 908,805	\$ 544,260
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Allowance for uncollectible pledges	(1,000)	(1,450)
Discount on pledges receivable	1,010	(3,542)
Donated equipment	-	(9,835)
Depreciation	6,444	5,040
Realized and unrealized losses (gains) on investment, net	211,045	(198,223)
Changes in certain assets and liabilities:		
Due from affiliate	(1,250)	-
Pledges receivable	86,421	47,650
Prepaid expenses	4,531	(7,134)
Accrued payroll	16,117	1,421
Scholarships payable	151,725	(42,750)
Net Cash Provided by Operating Activities	<u>1,383,848</u>	<u>335,437</u>
<u>INVESTING ACTIVITIES:</u>		
Purchase of office equipment	-	(7,186)
Proceeds from sales of investments	251,489	1,910,416
Purchases of investments	(516,914)	(1,916,331)
Net Cash Used for Investing Activities	<u>(265,425)</u>	<u>(13,101)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,118,423	322,336
CASH AND CASH EQUIVALENTS:		
Beginning of year	<u>575,330</u>	<u>252,994</u>
End of year	<u>\$ 1,693,753</u>	<u>\$ 575,330</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION:		
Noncash activities:		
Donated equipment	<u>\$ -</u>	<u>\$ 9,835</u>

TRI-COUNTY SCHOLARSHIP FUND
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 1 - NATURE OF ACTIVITIES:

Tri-County Scholarship Fund (“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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Accounting:

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

Presentation of Financial Statements of Not-for-Profit Entities:

The Fund adopted the Financial Accounting Standards Board (“FASB”), *Presentation of Financial Statements of Not-for-Profit Entities*, in 2018. This guidance is intended to improve the net asset classification requirements and the information presented in the financial statements and notes about a not-for-profit entity’s liquidity, financial performance, and cash flows. Main provisions of this guidance include: presentation of two classes of net assets versus the previously required three; recognition of capital gifts for construction as a net asset without donor restrictions when the associated long-lived asset is placed in service; and recognition of underwater endowment funds as a reduction in net assets with donor restrictions. The guidance also enhances disclosures for Board-designated amounts, composition of net assets without donor restrictions, liquidity, and expenses by both their natural and functional classifications.

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 statements of activities and changes in net assets as net assets released from restrictions.

TRI-COUNTY SCHOLARSHIP FUND
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

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

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 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.

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.

TRI-COUNTY SCHOLARSHIP FUND
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

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

Office Equipment and Software:

Equipment and software is recorded at cost. 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 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. Donated property and services are recorded at their estimated fair value at date of donation.

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 financial statements.

Donated Stock:

Donated stock, which is immediately sold upon donation, is recorded as a contribution at its estimated fair value at the date of donation. Donated stock for the year ended December 31, 2017, amounted to \$7,473. No donated stock was received during the year ended December 31, 2018.

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. 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.

Functional Expenses:

Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services based on time and effort studies. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Fund. The expenses that are allocated include payroll and payroll taxes and employee benefits, which are allocated on the basis of time and effort.

TRI-COUNTY SCHOLARSHIP FUND
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

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

Income Taxes:

The 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, accordingly, is 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 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, 2018 and 2017. At December 31, 2018 and 2017, there are no significant income tax uncertainties.

Use of Estimates:

In preparing 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 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:

The FASB issued an accounting pronouncement, *Leases*, which requires lessees to recognize a right-of-use asset and lease liability on the statement of financial position for all leases with a term longer than 12 months. Under this new pronouncement, a modified retrospective transition approach is required, and the new standard is applied to all leases existing at the date of initial application. The pronouncement is effective for annual periods beginning after December 15, 2019. It will be effective for the Fund for the year ended December 31, 2020. The Fund is currently evaluating the effect the new pronouncement will have on its financial statements.

The FASB issued an accounting pronouncement, *Revenue from Contracts with Customers*, which is a comprehensive, new, revenue recognition standard. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The pronouncement is effective for annual periods beginning after December 15, 2018. It will be effective for the Fund for the year ended December 31, 2019. The Fund is currently evaluating the effect the new pronouncement will have on its financial statements.

TRI-COUNTY SCHOLARSHIP FUND
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

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

Reclassifications:

Certain amounts have been reclassified in the 2017 financial statements to conform to the 2018 presentation.

NOTE 3 - PLEDGES RECEIVABLE:

Pledges receivable are as follows:

	December 31,	
	2018	2017
Gross pledges receivable	\$ 383,327	\$ 468,898
Less: Allowance	(6,000)	(7,000)
Less: Discount	(5,319)	(3,459)
Net Pledges Receivable	<u>\$ 372,008</u>	<u>\$ 458,439</u>
	December 31,	
	2018	2017
Amounts due in:		
Less than one year	\$ 250,754	\$ 268,925
One to five years	<u>132,573</u>	<u>199,973</u>
	<u>\$ 383,327</u>	<u>\$ 468,898</u>

Pledges receivable due in more than one year were discounted using applicable long-term Treasury rates. The applicable rates range from 1.76% to 2.48%.

NOTE 4 - CONDITIONAL PLEDGE:

During the year ended December 31, 2017, a donor agreed to donate \$10,000 per year through 2019 for scholarship support for students in Morris County provided that the Fund raise \$10,000 in additional matching funds from new or increased nongovernmental sources by April 30th in each year of the two-year conditional pledge. As of December 31, 2018, the Fund had met the requirements of the pledge and the amount was received and recorded in individual donations in the statements of activities and changes in net assets.

TRI-COUNTY SCHOLARSHIP FUND
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 5 - INVESTMENTS:

Investments are summarized as follows:

FAIR VALUE MEASUREMENTS				
AS OF DECEMBER 31, 2018				
	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Cash	\$ 75,806	\$ -	\$ -	\$ 75,806
Mutual funds	2,141,362	-	-	2,141,362
	<u>\$ 2,217,168</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,217,168</u>

FAIR VALUE MEASUREMENTS				
AS OF DECEMBER 31, 2017				
	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Cash	\$ 67,347	\$ -	\$ -	\$ 67,347
Mutual funds	2,095,441	-	-	2,095,441
	<u>\$ 2,162,788</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,162,788</u>

The following schedule summarizes the mutual funds by strategy:

	December 31,	
	2018	2017
Real estate	1%	1%
Small blend, growth, and value	4%	4%
Long/short equity	1%	1%
Large growth	14%	16%
Large value	15%	15%
Foreign large blend	5%	4%
Foreign large growth	3%	2%
Diversified emerging markets	1%	1%
Bonds	36%	30%
Equity energy	-	1%
Consumer/cyclical	3%	4%
Financial, health, communication	5%	6%
Industrial, natural resource, technology	6%	9%
Managed futures	1%	2%
Multi-alternative	4%	3%
Japan stock	1%	1%
Total	<u>100%</u>	<u>100%</u>

TRI-COUNTY SCHOLARSHIP FUND
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 5 - INVESTMENTS: (Continued)

Investment (loss) income from these investments is summarized as follows:

	Year Ended December 31,	
	2018	2017
Interest and dividend income	\$ 84,143	\$ 53,774
Realized gain on investments	52,269	263,629
Unrealized loss on investments	(241,119)	(44,759)
Investment fees	(22,195)	(20,647)
Total Investment (Loss) Income	<u>\$ (126,902)</u>	<u>\$ 251,997</u>

NOTE 6 - OFFICE EQUIPMENT AND SOFTWARE:

Office equipment and software is comprised as follows:

		December 31,	
	Useful Life	2018	2017
Office equipment	5-7 Years	\$ 48,017	\$ 48,017
Computer software	3-5 Years	16,979	16,979
Total Fixed Assets		64,996	64,996
Less: Accumulated depreciation		50,493	44,049
Office Equipment, Net		<u>\$ 14,503</u>	<u>\$ 20,947</u>

NOTE 7 - LEASING ARRANGEMENTS:

The Fund conducts all of its operations from a leased facility under an operating lease that expires April 30, 2020. The Fund is also responsible for its pro rata share of real estate taxes and operating expenses. Rent expense was \$26,956 and \$25,208 for years ended December 31, 2018 and 2017, respectively. These amounts are recorded as rent on the statements of functional expenses.

The Fund rents office equipment under an operating lease that expires in March 2023. Equipment rental expense was \$2,940 and \$4,200 for years ended December 31, 2018 and 2017, respectively. These amounts are recorded as equipment leases on the statements of functional expenses.

TRI-COUNTY SCHOLARSHIP FUND
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 7 - LEASING ARRANGEMENTS: (Continued)

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

Year Ending December 31,	Amount
2019	\$ 35,441
2020	13,591
2021	2,520
2022	2,520
2023	630
Total	<u>\$ 54,702</u>

NOTE 8 - CONCENTRATIONS OF RISK:

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

The Fund's investments are concentrated with mutual funds. 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 statements of financial position.

The Fund raised approximately 35% and 47% of its total support and revenue during the years ended December 31, 2018 and 2017, respectively, from its annual dinner.

In 2018, the Fund received a \$1,000,000 contribution from one donor, which constitutes approximately 33% of its total support and revenue for the year ended December 31, 2018. There were no donor concentrations for the year ended December 31, 2017.

TRI-COUNTY SCHOLARSHIP FUND
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

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

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

	December 31,	
	2018	2017
Scholarships	\$ 109,108	\$ 29,058
Equipment	2,814	2,814
Capital campaign	171,500	160,000
For use in future periods	130,740	176,514
Investment income	366,530	468,008
	<u>\$ 780,692</u>	<u>\$ 836,394</u>

NOTE 10 - ENDOWMENT FUNDS:

The endowment consists of approximately 9 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, 2018 and 2017, 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.

TRI-COUNTY SCHOLARSHIP FUND
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 10 - ENDOWMENT FUNDS: (Continued)

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.

The funds: may be held in individual securities or 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 2018 was \$108,139 and the distribution was \$0-.

Endowment net asset composition by type of fund at December 31, 2018, is as follows:

	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	\$ -	\$ 1,106,924	\$ 1,106,924
Accumulated investment gains	-	366,530	366,530
Board-designated endowment funds	743,714	-	743,714
	<u>\$ 743,714</u>	<u>\$ 1,473,454</u>	<u>\$ 2,217,168</u>

TRI-COUNTY SCHOLARSHIP FUND
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 10 - ENDOWMENT FUNDS: (Continued)

Changes in endowment net assets, including Board-designated funds, for the year ended December 31, 2018, are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets, Beginning of year	\$ 587,856	\$ 1,574,932	\$ 2,162,788
Investment return, net	(37,892)	(101,478)	(139,370)
Contributions	193,750	-	193,750
Appropriation for expenditure	-	-	-
Endowment Net Assets, End of year	\$ 743,714	\$ 1,473,454	\$ 2,217,168

Endowment net asset composition by type of fund at December 31, 2017, is as follows:

	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	\$ -	\$ 1,106,924	\$ 1,106,924
Accumulated investment gains	-	468,008	468,008
Board-designated endowment funds	587,856	-	587,856
	\$ 587,856	\$ 1,574,932	\$ 2,162,788

TRI-COUNTY SCHOLARSHIP FUND
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 10 - ENDOWMENT FUNDS: (Continued)

Changes in endowment net assets, including Board-designated funds, for the year ended December 31, 2017, are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets, Beginning of year	\$ 634,304	\$ 1,392,438	\$ 2,026,742
Investment return, net	81,016	182,494	263,510
Contributions	122,536	-	122,536
Appropriation for expenditure	(250,000)	-	(250,000)
Endowment Net Assets, End of year	\$ 587,856	\$ 1,574,932	\$ 2,162,788

NOTE 11 - LIQUIDITY AND AVAILABILITY:

The following represents Tri-County Scholarship Fund's financial assets at December 31, 2018, reduced by amounts not available for general use within one year of the 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 that could be drawn upon if the Board of Trustees approves that action.

	2018
Cash and cash equivalents	\$ 1,693,753
Pledges receivable, net	372,008
Investments	2,217,168
Prepaid expenses	5,995
Total financial assets	4,288,924

TRI-COUNTY SCHOLARSHIP FUND
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 11 - LIQUIDITY AND AVAILABILITY: (Continued)

Less amounts not available to be used within one year:	
Pledges receivable due in more than one year	(127,281)
Net assets with donor restrictions	(1,887,616)
Board-designated net assets	<u>(743,714)</u>
	<u>(2,758,611)</u>
Financial assets available to meet general expenditures over the next 12 months	<u>\$ 1,530,313</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, the Fund has board-designated endowment funds of \$743,714 as of December 31, 2018. Board-designated endowment funds may be made available through Board resolution if necessary.

NOTE 12 - SUBSEQUENT EVENT:

The Fund has evaluated its subsequent events and transactions occurring after December 31, 2018 to June 12, 2019, the date that the financial statements were available to be issued.

In January 2019, a limited liability company wholly-owned by the Fund was formed for the purpose of holding real estate contributed by a donor in 2019 for use by the Fund. At December 31, 2018, the Fund was due \$1,250, which is included in due from affiliate on the statements of financial position, from the company for reimbursement of document filing fees.