

KIDS' SCHOLARSHIP FUND, INC.

Independent Auditors' Report
Financial Statements

June 30, 2025 and 2024



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Kids' Scholarship Fund, Inc.

Opinion

We have audited the accompanying financial statements of Kids' Scholarship Fund, Inc. (the "Organization") (a nonprofit organization), which comprise the statements of financial position as of June 30, 2025 and 2024, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2025 and 2024, 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 Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 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 financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

A handwritten signature in cursive script that reads "Whittlesey PC".

Hartford, Connecticut
October 14, 2025

KIDS' SCHOLARSHIP FUND, INC.

Statements of Financial Position

June 30, 2025 and 2024

	2025	2024
Assets		
Cash	\$ 104,615	\$ 135,527
Contributions receivable	12,333	4,200
Marketable securities	13,300,441	12,774,597
Total assets	<u>\$ 13,417,389</u>	<u>\$ 12,914,324</u>
Net Assets		
Without donor restrictions	\$ 5,370,358	\$ 4,989,625
With donor restrictions	8,047,031	7,924,699
Total net assets	<u>\$ 13,417,389</u>	<u>\$ 12,914,324</u>

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

KIDS' SCHOLARSHIP FUND, INC.

Statements of Activities

For the years ended June 30, 2025 and 2024

	2025	2024
Changes in Net Assets Without Donor Restrictions:		
Revenue and support:		
Contributions	\$ 202,315	\$ 145,127
Investment income, net	519,228	508,795
Net assets released from restrictions	726,084	721,868
Total revenue and support	<u>1,447,627</u>	<u>1,375,790</u>
Expenses:		
Program	854,133	785,787
General and administrative	70,136	66,931
Development	142,625	129,566
Total expenses	<u>1,066,894</u>	<u>982,284</u>
Change in net assets without donor restrictions	<u>380,733</u>	<u>393,506</u>
Changes in Net Assets With Donor Restrictions:		
Investment income, net	848,416	894,998
Net assets released from restrictions	<u>(726,084)</u>	<u>(721,868)</u>
Change in net assets with donor restrictions	<u>122,332</u>	<u>173,130</u>
Change in net assets	503,065	566,636
Net assets, beginning of year	<u>12,914,324</u>	<u>12,347,688</u>
Net assets, end of year	<u>\$ 13,417,389</u>	<u>\$ 12,914,324</u>

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

KIDS' SCHOLARSHIP FUND, INC.

Statements of Functional Expenses

For the years ended June 30, 2025 and 2024

2025				
	Program	General and Administrative	Development	Total
Scholarships	\$ 785,931	\$ -	\$ -	\$ 785,931
Salaries, taxes, and benefits	59,640	36,274	108,821	204,735
Professional services	-	28,308	17,143	45,451
Office	8,562	5,554	16,661	30,777
	<u>\$ 854,133</u>	<u>\$ 70,136</u>	<u>\$ 142,625</u>	<u>\$ 1,066,894</u>
2024				
	Program	General and Administrative	Development	Total
Scholarships	\$ 721,868	\$ -	\$ -	\$ 721,868
Salaries, taxes, and benefits	59,333	33,723	101,167	194,223
Professional services	-	30,283	19,623	49,906
Office	4,586	2,925	8,776	16,287
	<u>\$ 785,787</u>	<u>\$ 66,931</u>	<u>\$ 129,566</u>	<u>\$ 982,284</u>

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

KIDS' SCHOLARSHIP FUND, INC.

Statements of Cash Flows

For the years ended June 30, 2025 and 2024

	2025	2024
Cash flows from operating activities:		
Change in net assets	\$ 503,065	\$ 566,636
Adjustments to reconcile change in net assets to net change in cash from operating activities:		
Realized gains	(198,414)	(88,000)
Unrealized gains	(861,752)	(1,002,505)
(Increase)/decrease in assets:		
Contributions receivable	(8,133)	5,800
Net change in cash from operating activities	<u>(565,234)</u>	<u>(518,069)</u>
Cash flows from investing activities:		
Purchase of investments	(315,678)	(450,888)
Proceeds from sale of investments	850,000	925,030
Net change in cash from investing activities	<u>534,322</u>	<u>474,142</u>
Net change in cash	(30,912)	(43,927)
Cash, beginning of year	<u>135,527</u>	<u>179,454</u>
Cash, end of year	<u>\$ 104,615</u>	<u>\$ 135,527</u>

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

KIDS' SCHOLARSHIP FUND, INC.

Notes to Financial Statements

June 30, 2025 and 2024

NOTE 1 – ORGANIZATION

Kids' Scholarship Fund, Inc. (the "Organization") was established in 1998 to provide tuition assistance to enable low income, inner city elementary school-age students to attend the private school of their choice. Scholarships are awarded to qualifying children on a first-come, first-served basis and those qualifying children not selected are put on a waiting list. The Organization serves the cities of Bridgeport, East Hartford, Hartford, New Haven and Waterbury. The Organization is supported through donor contributions and endowment earnings.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Presentation – To ensure observance of limitations and restrictions placed on the use of resources available to the Organization, the accounts of the Organization are maintained according to the following net asset categories:

Without donor restrictions – net assets not subject to donor-imposed stipulations.

With donor restrictions – net assets subject to donor-imposed stipulations that may or will be met by actions of the Organization and/or passage of time.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the financial statement date and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Investment Policy – The investment policy of the Organization diversifies the portfolio in order to reduce risk, achieves investment results long-term, maintains sufficient liquidity to meet obligations and aligns with any other objectives of the Organization. Investments are composed of cash, sweeps, bond funds, and equity funds.

Fair Value Measurements – The Organization follows the *Fair Value Measurements* topic of the FASB Codification. The *Fair Value Measurements* topic of the FASB Codification defines fair value as the exchange price that would be received upon sale of an asset or paid upon transfer of a liability in an orderly transaction between market participants at the measurement date and in the principal or most advantageous market for that asset or liability. The fair value should be calculated based on assumptions that market participants would use in pricing the asset or liability, not on assumptions specific to the entity. In addition, the fair value of liabilities should include consideration of non-performance risk including the Organization's own credit risk.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In addition to defining fair value, the topic expands the disclosure requirements around fair value and establishes a fair value hierarchy for valuation inputs. The hierarchy prioritizes the inputs into three levels based on the extent to which inputs used in measuring fair value are observable in the market. These levels are:

Level 1 – inputs are based upon unadjusted quoted prices for identical instruments traded in active markets.

Level 2 – inputs are based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – inputs are generally unobservable and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability. The fair values are therefore determined using model-based techniques that include option pricing models, discounted cash flow models, and similar techniques.

Valuation techniques based on unobservable inputs are highly subjective and require judgments regarding significant matters such as the amount and timing of future cash flows and the selection of discount rates that may appropriately reflect market and credit risks. Changes in these judgments often have a material impact on the fair value estimates. In addition, since these estimates are as of a specific point in time, they are susceptible to material near-term changes. The following is a description of the valuation methodology used for assets measured at fair value:

Money Market Accounts and Equity Funds: Valued at the daily closing price as reported by the fund. Money market accounts and equity funds held by the Organization are open-end funds that are registered with the SEC. These funds are required to publish their daily net asset value ("NAV") and to transact at that price. The money market accounts and equity funds held by the Organization are deemed to be actively traded.

There were no changes in valuation methodologies for the years ended June 30, 2025 and 2024.

Contributions – Contributions, including unconditional promises to give, are considered to be available for unrestricted use unless specifically restricted by the donor. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met. Contributions received that are designated for future periods or restricted by the donor for specific purposes are reported as support within the net asset class of those with donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions assets and reported in the statements of activities as net assets released from restrictions.

Expense Allocation – The Organization's expenses have been summarized on a functional basis. Salaries, taxes, and related benefits are allocated based on percentage of time, office expenses are allocated based on purpose and all other expenses are direct costs.

Federal Income Taxes – The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and has been classified by the Internal Revenue Service as a public charity in accordance with Section 509(a)(1).

Subsequent Events – The Organization monitored and evaluated any subsequent events for footnote disclosures or adjustments required in its financial statements for year ended June 30, 2025 through October 14, 2025, the date on which financial statements were available to be issued.

NOTE 3 – LIQUIDITY AND AVAILABILITY

The Organization's financial assets available to meet general expenditures over the next twelve months are as follows at June 30,:

	2025	2024
Financial assets at year-end:		
Cash	\$ 104,615	\$ 135,527
Contributions receivable	12,333	4,200
Marketable securities	13,300,441	12,774,597
Total financial assets	<u>13,417,389</u>	<u>12,914,324</u>
Less amounts not available to be used within twelve months:		
Board designated endowment	(4,539,868)	(4,147,486)
Donor restricted endowment	(5,686,000)	(5,722,622)
Purpose restricted net assets	(2,361,031)	(2,202,077)
Total amounts not available to be used within twelve months	<u>(12,586,899)</u>	<u>(12,072,185)</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 830,490</u>	<u>\$ 842,139</u>

The Organization has a policy to structure its financial assets to be available as its general expenditures and other obligations come due. Should additional funds be required for general expenditures, the Board may release funds from the board designated endowment for utilization.

NOTE 4 – MARKETABLE SECURITIES

Marketable securities, valued using level 1 inputs, consist of the following as of June 30,:

	2025	2024
Money market accounts	\$ 293,921	\$ 416,895
Equity funds	<u>13,006,520</u>	<u>12,357,702</u>
Total marketable securities	<u>\$ 13,300,441</u>	<u>\$ 12,774,597</u>

Marketable securities are comprised of the following at June 30,:

	2025	2024
Undesignated	\$ 713,542	\$ 702,412
Purpose restricted - Hartford scholarships	2,361,031	2,202,077
Endowment		
Board Designated	4,539,868	4,147,486
Held in Perpetuity	5,686,000	5,686,000
Earnings on Perpetual Gift	-	36,622
Total endowment	<u>10,225,868</u>	<u>9,870,108</u>
Total marketable securities	<u>\$ 13,300,441</u>	<u>\$ 12,774,597</u>

NOTE 5 – ENDOWMENT

The Organization complies with *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds* topic of the FASB Codification. This topic provides guidance on the net asset classification of donor-restricted endowment funds for not-for-profit organizations that are subject to the Uniform Prudent Management of Institutional Funds Act of 2006 (“UPMIFA”) as enacted by the State of Connecticut. This topic also improves disclosures about an organization’s endowment funds.

The Organization’s investment objective is the preservation of its endowed funds, while providing a continuing and stable funding source to support the Organization’s mission and programs. To achieve this objective, the Organization seeks to generate a total return that will exceed not only operating expenses but also the effects of inflation. Total return above and beyond the amount approved for expenditure or distribution will be reinvested.

The spending policy for using the endowment funds is determined based on the needs of the Organization. Annually, the Board of Directors approves a budget for the Organization that determines the amount appropriated from investments.

The Organization’s endowment is held both without donor restrictions and with donor restrictions. The changes in the Organization’s endowment are as follows for the years ended June 30,:

	Board Designated	With Donor Restrictions		Total
		Purpose Restricted	Held in Perpetuity	
Endowment as of July 1, 2023	\$ 3,594,826	\$ -	\$ 5,686,000	\$ 9,280,826
Realized and unrealized gains, net	322,430	509,993	-	832,423
Interest and dividends, net	92,630	146,514	-	239,144
Contributions and grants	137,600	-	-	137,600
Appropriations for expenditures	-	(619,885)	-	(619,885)
Endowment as of June 30, 2024	4,147,486	36,622	5,686,000	9,870,108
Realized and unrealized gains, net	344,201	474,921	-	819,122
Interest and dividends, net	99,828	137,741	-	237,569
Contributions and grants	8,200	-	-	8,200
Appropriations for expenditures	(59,847)	(649,284)	-	(709,131)
Endowment as of June 30, 2025	<u>\$ 4,539,868</u>	<u>\$ -</u>	<u>\$ 5,686,000</u>	<u>\$ 10,225,868</u>

NOTE 6 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are as follows at June 30,:

	2025	2024
Purpose restricted - Hartford scholarships	\$ 2,361,031	\$ 2,202,077
Earnings on endowment	-	36,622
Held in perpetuity	<u>5,686,000</u>	<u>5,686,000</u>
Total	<u>\$ 8,047,031</u>	<u>\$ 7,924,699</u>

NOTE 6 – NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

Net assets with donor restrictions were released for the use of scholarships from the following at June 30,:

	<u>2025</u>	<u>2024</u>
Purpose restricted - Hartford scholarships	\$ 76,800	\$ 101,983
Earnings on endowment	<u>649,284</u>	<u>619,885</u>
	<u>\$ 726,084</u>	<u>\$ 721,868</u>

NOTE 7 – COMMITMENTS

The Organization had committed \$784,321 towards scholarships for the 2025 - 2026 school year.

NOTE 8 – CONCENTRATIONS

Contributions – The Organization had four major donors whose contributions accounted for approximately 59% of total contributions for the year ended June 30, 2025, and three major donors whose contributions accounted for approximately 63% of total contributions for the year ended June 30, 2024.

Cash – The Organization places its cash deposits with high credit quality institutions that are insured by the Federal Deposit Insurance Corporation. At times throughout the year, the Organization maintains cash balances over this limit. The Organization has not experienced any losses in this area and management believes its cash deposits are not subject to significant credit risk.

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