Gorfine Schiller Gardyn
Certified Public Accountants and Consultants

GSG

Central Scholarship
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THE CENTRAL SCHOLARSHIP BUREAU, INC.

FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
The Central Scholarship Bureau, Inc.
Owings Mills, Maryland

We have audited the accompanying statements of financial position of The Central Scholarship Bureau, Inc. as of June 30, 2019 and 2018, and the related statements of activities, 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 misstatement, 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 from 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 auditor's 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 auditor considers internal control relevant to the entity'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 entity'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 qualified audit opinion.

Basis for Qualified Opinion

As discussed in Note H to the financial statements, The Central Scholarship Bureau, Inc. reports its investment in Laydon Park, Inc., a majority owned subsidiary, on the equity method of accounting. In our opinion, accounting principles generally accepted in the United States of America require all majority owned subsidiaries to be accounted for as consolidated subsidiaries. If the financial statements of The Central Scholarship Bureau, Inc. had been consolidated with those of Laydon Park, Inc., total assets and net assets would be increased by approximately $382,000 and $382,000 as of June 30, 2019 and 2018, respectively, and changes in net assets would be increased by approximately $26,000 and $25,000, for the years ended June 30, 2019 and 2018, respectively.

Qualified Opinion

In our opinion, except for the effects on the financial statements of not consolidating all majority owned subsidiaries as described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of The Central Scholarship Bureau, Inc. as of June 30, 2019 and 2018, 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.

Gorfine, Schiller + Gardyn, P.A.

March 4, 2020
Owings Mills, Maryland

FINANCIAL STATEMENTS

THE CENTRAL SCHOLARSHIP BUREAU, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2019 and 2018

ASSETS

	2019			2018		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**	**Without Donor Restrictions**	**With Donor Restrictions**	**Total**
ASSETS						
Cash and cash equivalents	$ 792,034	$ -	$ 792,034	$ 1,289,224	$ -	$ 1,289,224
Loans receivable, net of allowance	2,293,784	-	2,293,784	2,480,474	-	2,480,474
Contributions receivable, net of discount	168,888	661,969	830,857	464,819	604,395	1,069,214
Investments, at fair value	1,338,680	6,166,589	7,505,269	582,422	6,026,258	6,608,680
Property and equipment, net of accumulated depreciation	7,394	-	7,394	17,062	-	17,062
Investment in LLC	-	500,000	500,000	-	500,000	500,000
Investment in Laydon Park, Inc.	892,233	-	892,233	891,979	-	891,979
Other assets	16,445	-	16,445	19,357	-	19,357
TOTAL ASSETS	$ 5,509,458	$ 7,328,558	$ 12,838,016	$ 5,745,337	$ 7,130,653	$ 12,875,990

LIABILITIES AND NET ASSETS

	2019			2018		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**	**Without Donor Restrictions**	**With Donor Restrictions**	**Total**
LIABILITIES						
Accounts payable	$ 32,095	$ -	$ 32,095	$ 8,546	$ -	$ 8,546
Accrued expenses	84,548	-	84,548	220	-	220
Scholarship commitments	32,675	-	32,675	25,181	-	25,181
Total liabilities	149,318	-	149,318	33,947	-	33,947
NET ASSETS	5,360,140	7,328,558	12,688,698	5,711,390	7,130,653	12,842,043
TOTAL LIABILITIES AND NET ASSETS	$ 5,509,458	$ 7,328,558	$ 12,838,016	$ 5,745,337	$ 7,130,653	$ 12,875,990

See accompanying notes to financial statements.

THE CENTRAL SCHOLARSHIP BUREAU, INC.
STATEMENTS OF ACTIVITIES
For the Years Ended June 30, 2019 and 2018

	2019			2018		
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
PUBLIC SUPPORT						
Contributions	$ 612,062	$ 960,235	$ 1,572,297	$ 922,622	$ 1,811,697	$ 2,734,319
REVENUE						
Program service fees	16,863	-	16,863	16,135	-	16,135
RECLASSIFICATIONS						
Net assets released from restrictions	762,330	(762,330)	-	826,839	(826,839)	-
Total public support, revenue and reclassifications	1,391,255	197,905	1,589,160	1,765,596	984,858	2,750,454
EXPENSES						
Program						
Student services - loans and grants	1,774,556	-	1,774,556	1,784,579	-	1,784,579
Supporting services						
Management and general	182,258	-	182,258	129,531	-	129,531
Fundraising	210,802	-	210,802	136,127	-	136,127
Total supporting services	393,060	-	393,060	265,658	-	265,658
Total expenses	2,167,616	-	2,167,616	2,050,237	-	2,050,237
OPERATING (LOSS) INCOME	(776,361)	197,905	(578,456)	(284,641)	984,858	700,217
OTHER INCOME						
Net investment income	374,355	-	374,355	481,746	-	481,746
Income from investment in Laydon Park, Inc.	55,894	-	55,894	55,353	-	55,353
Miscellaneous income	1,289	-	1,289	3,858	-	3,858
Income tax expense	(4,109)	-	(4,109)	(713)	-	(713)
Loss on disposal of property and equipment	(2,318)	-	(2,318)	-	-	-
Total other income	425,111	-	425,111	540,244	-	540,244
CHANGES IN NET ASSETS	(351,250)	197,905	(153,345)	255,603	984,858	1,240,461
NET ASSETS - Beginning of year	5,711,390	7,130,653	12,842,043	5,455,787	6,145,795	11,601,582
NET ASSETS - End of year	$ 5,360,140	$ 7,328,558	$ 12,688,698	$ 5,711,390	$ 7,130,653	$ 12,842,043

See accompanying notes to financial statements.

THE CENTRAL SCHOLARSHIP BUREAU, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended June 30, 2019 and 2018

	2019				2018			
	Student Services - Loans and Grants	**Management and General**	**Fundraising**	**Total**	**Student Services - Loans and Grants**	**Management and General**	**Fundraising**	**Total**
PERSONNEL COSTS								
Salaries	$ 552,364	$ 64,287	$ 170,355	$ 787,006	$ 478,169	$ 53,306	$ 104,407	$ 635,882
Payroll taxes and benefits	101,612	11,827	31,338	144,777	101,987	11,370	22,268	135,625
Total personnel costs	653,976	76,114	201,693	931,783	580,156	64,676	126,675	771,507
GRANTS	886,089	-	-	886,089	944,527	-	-	944,527
OTHER EXPENSES								
Bad debt (recovered) expense	(4,498)	15,000	-	10,502	10,441	16,000	-	26,441
Bank service charge	4,383	792	106	5,281	3,701	668	90	4,459
Board and staff development	609	1,706	122	2,437	1,240	3,473	248	4,961
Collection costs	(218)	-	-	(218)	-	-	-	-
Computer and website expenses	45,825	8,282	1,104	55,211	46,510	4,565	609	51,684
Consulting	22,664	-	-	22,664	31,530	-	-	31,530
Credit reports	182	33	4	219	347	63	8	418
Depreciation expense	6,101	1,102	147	7,350	8,881	1,605	214	10,700
Events and publications	-	-	2,829	2,829	-	-	3,773	3,773
Insurance	6,441	2,842	189	9,472	5,726	2,526	168	8,420
Maintenance contracts	4,022	727	97	4,846	9,220	1,886	146	11,252
Meetings	598	436	54	1,088	1,736	1,263	158	3,157
Membership and publication	-	17,431	-	17,431	-	6,000	-	6,000
Office	4,843	1,291	323	6,457	2,697	718	180	3,595
Other program expenses	50,757	-	-	50,757	46,084	-	-	46,084
Postage	3,996	922	1,230	6,148	3,153	728	970	4,851
Professional fees	17,679	39,039	380	57,098	15,450	8,310	372	24,132
Publicity	475	-	25	500	111	-	6	117
Rent expense	48,216	12,363	1,236	61,815	49,227	12,622	1,262	63,111
Stationery and printing	9,266	1,738	579	11,583	11,306	2,120	707	14,133
Telephone and utilities	9,545	1,789	597	11,931	11,062	2,042	505	13,609
Travel	3,605	651	87	4,343	1,474	266	36	1,776
Total other expenses	234,491	106,144	9,109	349,744	259,896	64,855	9,452	334,203
TOTAL EXPENSES	$ 1,774,556	$ 182,258	$ 210,802	$ 2,167,616	$ 1,784,579	$ 129,531	$ 136,127	$ 2,050,237

See accompanying notes to financial statements.

THE CENTRAL SCHOLARSHIP BUREAU, INC.
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2019 and 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	$ (153,345)	$ 1,240,461
Adjustments to reconcile changes in net assets to net cash and cash equivalents provided by operating activities:		
Depreciation	7,350	10,700
Bad debt expense	10,502	26,441
Loss on disposal of property and equipment	2,318	-
Net gains on investing activities	(245,739)	(356,553)
Net consolidated investment fund income	(31,171)	(19,448)
Stock contributions	(53,943)	(18,958)
Equity method income from Laydon Park, Inc.	(55,894)	(55,353)
Changes in operating assets and liabilities:		
Loans receivable	176,188	103,612
Contributions receivable	238,357	(225,405)
Other assets	2,912	1,017
Accounts payable	23,549	4,613
Accrued expenses	84,328	(17,162)
Scholarship commitments	7,494	12,856
Net cash provided by operating activities	12,906	706,821
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments	58,694	13,707
Purchases of investments	(1,491,964)	(526,030)
Dividends from Laydon Park, Inc.	55,640	56,398
Distributions from consolidated investment fund	867,534	375,213
Net cash used in investing activities	(510,096)	(80,712)
NET CHANGES IN CASH AND CASH EQUIVALENTS	(497,190)	626,109
CASH AND CASH EQUIVALENTS - Beginning of year	1,289,224	663,115
CASH AND CASH EQUIVALENTS - End of year	$ 792,034	$ 1,289,224

See accompanying notes to financial statements.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Nature of Operations

The Central Scholarship Bureau, Inc. (Organization) is a Maryland non-stock not-for-profit organization that helps Marylanders fulfill their dreams of pursuing higher education by making higher education more affordable. The Organization awards need-based scholarships and interest-free loans to high-performing students throughout Maryland, offers College Cash® financial education seminars to students and parents to help them become more informed higher education consumers, and advocates for legislation that makes higher education more affordable for all Marylanders.

2. Basis of Accounting and Financial Statement Presentation

The financial statements have been prepared on the accrual basis of accounting, except for not consolidating a majority owned subsidiary, in accordance with the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) 958, *Not-for-Profit Entities* (FASB ASC 958). Under FASB ASC 958, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net assets with donor restrictions includes all gifts from donors that are restricted in some manner to their use (for a specified purpose) and/or the passage of time. The primary restrictions on these net assets are for the awarding of scholarships and interest-free loans.

Net assets with donor restrictions also include those not subject to appropriation or expenditure. This includes the principal amount of all gifts designated by the donors to be invested in perpetuity. The income from this fund is utilized for operating expenses or loans and grants to students.

3. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America (U.S. GAAP) 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 date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

4. Revenue Recognition

Contribution revenue is recognized when received, or, if a promise to give, when the promise is received. Revenues are reported as increases in net assets without donor restrictions unless use of the related asset is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor-stipulation or by law. Contributions with donor-imposed restrictions (for a specific purpose or related to the passage of time) are reported as increases in net assets with donor restrictions. Expirations of donor-imposed restrictions are reported as releases of restrictions between the applicable classes of net assets.

5. Fair Value Measurements

The Organization determines the fair value of certain assets and liabilities through the application of FASB ASC 820, *Fair Value Measurements and Disclosures* (FASB ASC 820). The standard clarifies that fair value is the amount that would be exchanged to sell an asset or transfer a liability in an orderly transaction between market participants at the measurement date.

6. Cash and Cash Equivalents

Cash and cash equivalents include all highly liquid investments with an original maturity of three months or less.

The Organization maintains cash balances in excess of amounts insured by the Federal Deposit Insurance Corporation (FDIC). The Organization also maintains cash and cash equivalents with security brokers, which are not subject to FDIC insurance. The Organization has not experienced any losses and believes it is not exposed to any significant credit risk as a result of these deposits.

7. Loans Receivable

The Organization's loans to students are non-interest bearing and are repaid over the loan term agreed upon with the student, generally ten years. Student repayments commence within six months after graduation from the post-secondary institution. Based on experience with collections from students, the Organization has established an allowance for doubtful accounts representing the Organization's estimate of uncollectible loans.

8. Investments

The Organization invests in marketable securities classified as available-for-sale, which are carried at fair value. Unrealized gains and losses are reported in the statements of activities as a part of other income. Non-cash contributions of securities received by the Organization are recorded at fair value as of the date of the contribution.

9. Property and Equipment

Property and equipment with a cost in excess of $1,000 is capitalized and depreciated over its estimated useful life. Property and equipment is stated at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the useful lives of the assets. All property and equipment has an estimated useful life of between three and ten years.

10. Investment in LLC

Given the lack of significant influence exhorted over the investee, the Organization elects to record the investment in LLC using the cost method of accounting for investments under U.S. GAAP, whereby the Organization recognizes the investment asset at its historical cost, only adjusted should the fair market value of the investment fall below this amount. Income is recorded for any dividends provided to the Organization by the investee.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

11. Investment in Laydon Park, Inc.

Given the significant influence exhorted by the Organization over the investee, the Organization records the investment using the equity method of accounting for investments under U.S. GAAP, whereby the Organization recognizes its share of the earnings or losses of the investee, both as income or expense in the statements of activities, as well as an adjustment to the original investment asset in the statement of financial position.

12. Functional Expense Allocations

Expenses are charged directly to program and support services, if possible. Salaries expense allocated to program and support services is done so based upon an estimate of each employee's time spent on programmatic and support service activities in relation to total time and effort. Personnel related costs are allocated to program and support services based upon the ratio of program and support services payroll to total payroll. Facilities and other office expenses allocated to program and support services are done so based upon the square footage of office space dedicated to program and support service functions.

13. Income Tax Status

The Organization is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code (the Code) and comparable state law, and contributions to it are tax deductible within the limitations prescribed by the Code. The Organization has been classified as a publicly-supported organization, which is not a private foundation under Section 509(a) of the Code.

FASB ASC 740, *Accounting for Income Taxes,* requires the Organization to recognize or disclose any tax positions that would result in unrecognized tax benefits. The Organization has no positions that would require disclosure or recognition under the topic.

14. Change in Accounting Principle

In August 2016, FASB issued ASU 2016-14, *Not-for-Profit Entities,* which contains significant changes to the financial statements requirements under the *Not-for-Profit Entities* topic of the ASC. The new standard is effective for the fiscal year ending June 30, 2019 and is to be retroactively applied. Upon adoption of this new standard, the Organization updated the wording used to describe its net assets without and with donor restrictions and added the Liquidity and Availability of Resource footnote (see Note L).

15. Recent Accounting Pronouncements

In June 2018, FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made,* which clarifies whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions, and whether a contribution is conditional. The new standard is effective for the fiscal year ending June 30, 2020. The Organization will evaluate the effect that the new ASU will have on its financial statements.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

16. Reclassifications

Certain 2018 amounts have been reclassified to conform to the 2019 presentation. These classifications had no effect on previously reported changes in net assets.

17. Subsequent Events

The Organization has evaluated subsequent events through March 4, 2020, which is the date the financial statements were available to be issued. See Note H.

NOTE B – LOANS RECEIVABLE

Loan activity for the Organization's interest free loans is summarized as follows for the years ended June 30, 2019 and 2018:

	2019	2018
Loans receivable - beginning of year	$ 2,664,233	$ 2,794,286
Loans to students	189,126	246,500
Loans receivable written off	-	(10,441)
Collections	(375,816)	(366,112)
Loans receivable - end of year	2,477,543	2,664,233
Less: allowance for doubtful accounts	183,759	183,759
Net loans receivable	$ 2,293,784	$ 2,480,474

NOTE C – CONTRIBUTIONS RECEIVABLE

Contributions to the Organization have been unconditionally promised to give as follows at June 30, 2019 and 2018:

	2019	2018
Within one year	$ 444,239	$ 689,718
Two to five years	402,500	405,548
Over five years	15,000	4,000
Total	861,739	1,099,266
Less: present value component	30,882	30,052
Net contributions receivable	$ 830,857	$ 1,069,214

Contributions have been discounted using the Applicable Federal Rates that were in effect at the time of the pledge.

NOTE D – FAIR VALUE MEASUREMENTS

FASB ASC 820 requires financial assets and liabilities to be valued and disclosed based on the following structure:

> Level I – Investments included in this designation are valued based on quoted prices for identical assets in active markets as of the reporting date.
>
> Level II – Investments included in this designation are valued based on observable market based inputs for the same asset in an inactive market or a similar asset in an active market.
>
> Level III – Investments included in this designation are valued based on unobservable inputs that are significant to the valuation of a particular investment. The inputs into the determination of fair value in this level require significant management judgment or estimates and is done by management.

In determining the appropriate levels for each valuation, management performs a detailed analysis of the assets that are subject to FASB ASC 820. In some instances, an asset may be valued using a combination of inputs. In such instances, the asset is to be classified based on the lowest significant level used in the valuation. Managements' assessment of the significance of a particular input in the fair value measurement of an investment requires judgment and considers factors specific to the asset.

NOTE E – INVESTMENTS

The following table summarizes the Organization's investments by level within the fair value hierarchy, as described in Note D, as of June 30, 2019:

	Fair Market Value				
Description	**Level 1**	**Level 2**	**Level 3**	**Total**	**Cost**
Mutual fund	$ 2,991,738	$ -	$ -	$ 2,991,738	$ 2,714,499
Consolidated investment fund	-	3,546,981	-	3,546,981	2,519,988
Hedge fund	-	966,550	-	966,550	897,000
	$ 2,991,738	$ 4,513,531	$ -	$ 7,505,269	$ 6,131,487

The following table summarizes the Organization's investments by level within the fair value hierarchy, as described in Note D, as of June 30, 2018:

	Fair Market Value				
Description	**Level 1**	**Level 2**	**Level 3**	**Total**	**Cost**
Mutual fund	$ 2,804,729	$ -	$ -	$ 2,804,729	$ 2,649,630
Common stock	4,738	-	-	4,738	5,142
Consolidated investment fund	-	3,360,342	-	3,360,342	2,350,501
Hedge fund	-	438,871	-	438,871	455,000
	$ 2,809,467	$ 3,799,213	$ -	$ 6,608,680	$ 5,460,273

NOTE E – INVESTMENTS – Continued

A member of the Organization's board of directors is also a member of management in a company that manages the Organization's hedge fund investments shown above and its investment in LLC asset (see Note G). Expenses incurred in connection with management of these investments are included by the related company in determining the net income or loss of the investment vehicle and there were no additional fees paid to the related company during the years ended June 30, 2019 and 2018.

NOTE F – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of June 30, 2019 and 2018:

	2019	2018
Office furniture and equipment	$ 82,952	$ 116,251
Less: accumulated depreciation	75,558	99,189
Net property and equipment	$ 7,394	$ 17,062

NOTE G – INVESTMENT IN LLC

On December 31, 2016, the Organization received separate contributions of membership interest in a Limited Liability Company (LLC) from two different owners of the LLC, collectively receiving a 3.21% interest in the LLC. The Organization valued the contributed member interests at $500,000, representing the Organization's share of the net assets of the LLC as of the date of the award. The contributed membership interests are recorded as an investment in LLC asset and net assets with donor restrictions in the accompanying statement of financial position as of June 30, 2019 and 2018. The investment in LLC asset is available for the general use of the Organization, but under the terms of the contribution, the Organization is unable to liquidate the investment without approval of other members of the LLC (prompting classification within net assets with donor restrictions).

The Organization records dividend income from the investment in LLC asset in other income in the accompanying statement of activities. During the years ended June 30, 2019 and 2018 $40,000 of dividend income was generated from the investment in LLC asset.

The Organization believes that the recorded value of the contributed membership interests as of June 30, 2019 and 2018 does not materially differ from the fair value of the contributed LLC membership interests on the date of award.

NOTE H – INVESTMENT IN LAYDON PARK, INC.

On January 1, 2011, the Organization, as a part of a liquidation of an interest in a trust, received 70% of the common stock of Laydon Park, Inc., a corporation established to operate a land rental in Cecil County, Maryland. The land is currently leased to a commercial tenant operating a convenience store. During the years ended June 30, 2019 and 2018, the Organization recorded income from this investment of $55,894 and $55,353, respectively, which is included in the statements of activities.

NOTE H – INVESTMENT IN LAYDON PARK, INC. – Continued

If the financial statements had been consolidated, as required by U.S. GAAP, the following increases (decreases) would have been made to the following financial statement line items as of and for the years ended June 30, 2019 and 2018:

	2019	2018
Cash	$ 9,618	$ 7,448
Investment in Laydon Park, Inc.	(892,233)	(891,979)
Land	1,265,000	1,265,000
Other assets	-	1,794
Total assets	$ 382,385	$ 382,263
Net assets without donor restrictions	$ -	$ -
Non-controlling net assets without donor restrictions	382,385	382,263
Total net assets	$ 382,385	$ 382,263
Revenue	$ 58,010	$ 58,551
Expenses	32,248	33,358
Changes in net assets	$ 25,762	$ 25,193
Income attributable to non-controlling interest	$ (25,762)	$ (25,193)

Subsequent to the year ended June 30, 2019, management became aware of a lawsuit that was filed against Laydon Park, Inc. related to a matter prior to the Organization taking ownership. The lawsuit is currently in the discovery stages. Management believes the ultimate outcome of the lawsuit will not have a material adverse effect on the Organization's financial position.

NOTE I – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions includes amounts designated by donors to named restricted funds for scholarships and interest-free loans as well as amounts restricted for the passage of time.

Net assets with donor restrictions subject to a specified purpose and/or passage of time consisted of the following as of June 30, 2019 and 2018**:**

	2019	2018
Contributions restricted for loans and grants	$ 640,095	$ 553,474
Time restriction in investment of LLC	500,000	500,000
	$ 1,140,095	$ 1,053,474

Net assets totaling $762,330 and $826,839 were released from restriction for new student grants for the years ended June 30, 2019 and 2018, respectively.

As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

NOTE I – NET ASSETS WITH DONOR RESTRICTIONS – Continued

Activity relating to endowment funds containing donor restrictions was as follows for the years ended June 30, 2019 and 2018:

	2019	2018
Donor restricted endowment net assets, beginning of year	$ 6,077,179	$ 4,797,181
Contributions	111,284	1,279,998
Donor restricted endowment net assets, end of year	$ 6,188,463	$ 6,077,179

The Organization has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, Management classifies those assets not subject to appropriation or expenditure as (a) the original value of gifts donated to the endowment fund, (b) the original value of subsequent gifts to the endowment fund, and (c) accumulations to the endowment fund made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund is classified as net assets with donor restrictions in perpetuity until amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (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 Organization, and (7) the Organization's investment policies.

The Organization has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk.

Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of amounts sufficient to fund the activities to which the gift relates, while growing the funds if possible.

Therefore, the Organization expects its endowment assets, over time, to produce an average rate of return based upon the custom index designed by the manager of the consolidated investment fund. A market cycle is viewed as three to five years. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

NOTE J – COMMITMENT

For the year ended June 30, 2018, the Organization had a lease for office space with an aggregate monthly rental cost of $5,224. During the year ended June 30, 2019, the lease agreement was extended through September 2028. The lease contains a one-time option to terminate the lease agreement effective September 30, 2023. Monthly rental cost is $4,790, increasing annually. Total rent expense for the fiscal years ended June 30, 2019 and 2018 was $65,924 and $63,824, respectively.

Future minimum rental commitments for the next five years are as follows for the years ending June 30:

2020	$ 58,338
2021	59,505
2022	60,695
2023	61,909
2024	63,147

NOTE K – RETIREMENT PLAN

The Organization has a 401(k) plan for all eligible employees. Under the plan, employees can defer their salary up to the limits established by the Internal Revenue Service. The Organization may match the employee's contribution in a discretionary amount. The Organization's matching contributions were $36,857 and $30,014 for the years ended June 30, 2019 and 2018, respectively.

NOTE L – LIQUIDITY AND AVAILABILITY OF RESOURCES

The following reflects the Organization's financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual, time, or donor-imposed restrictions within one year of the balance sheet date. The Organization's financial assets available within one year of the statement of financial position date for general expenditures at June 30, 2019, are as follows:

Cash	$ 792,034
Loans receivable	356,209
Contributions receivable	152,989
Investments	1,338,680
Financial assets and liquidity resources available for general expenditures within one year	$ 2,639,912

Management is focused on sustaining the financial liquidity of the Organization throughout the year. This is done through monitoring and reviewing the Organization's cash flow needs on a weekly basis. As a result, management is aware of the cyclical nature of the Organization's cash flow related to the Organization's various funding sources and is therefore able to ensure that there is cash available to meet current liquidity needs. Certain portions of the Organization's endowment funds generate earnings that may be transferred, at the Organization's discretion, into its general operating funds, and, depending on any restrictions on the endowment earnings, may be used to support scholarship grants and interest-free loans or the Organization's general expenditures. The Organization has cash, loans receivable, contributions receivable and investments, which are available for general expenditures, liabilities and other obligations as they come due to cover at least one year of expenses, as represented in the accompanying statements of activities.