

HISPANIC SCHOLARSHIP FUND

**Consolidated Financial Statements and
Independent Auditor's Report**

March 31, 2021 and 2020

Hispanic Scholarship Fund
Consolidated Financial Statements and
Independent Auditor's Report

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Financial Statements

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Independent Auditor's Report

To the Board of Directors of
Hispanic Scholarship Fund

We have audited the accompanying consolidated financial statements of Hispanic Scholarship Fund (the Fund), which comprise the consolidated statements of financial position as of March 31, 2021 and 2020, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Hispanic Scholarship Fund as of March 31, 2021 and 2020, and the changes in its consolidated net assets and its consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Fund's 2020 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated July 24, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended March 31, 2020, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

JLK Rosenberger, LLP

Irvine, California
July 14, 2021

Hispanic Scholarship Fund

Consolidated Statements of Financial Position

| <i>March 31,</i> | 2021 | 2020 |
|---|-----------------------|----------------------|
| Assets: | | |
| Cash and cash equivalents | \$ 35,204,550 | \$ 35,521,534 |
| Investments | 88,962,130 | 15,931,010 |
| Contributions receivable, net | 4,706,678 | 26,477,650 |
| Property and equipment, net | 10,962,106 | 1,683,675 |
| Prepaid expenses and other assets | 1,526,589 | 1,661,575 |
| Total assets | \$ 141,362,053 | \$ 81,275,444 |
| Liabilities and Net Assets | | |
| Liabilities: | | |
| Scholarships payable | \$ 413,082 | \$ 251,953 |
| Accounts payable and accrued expenses | 1,144,144 | 852,317 |
| Contract liability | 21,729,523 | - |
| Deferred rent | 402,320 | 454,849 |
| Total liabilities | 23,689,069 | 1,559,119 |
| Net Assets: | | |
| Without donor restrictions | 59,730,336 | 1,390,926 |
| With donor restrictions: | | |
| Perpetual in nature | 13,489,203 | 13,473,971 |
| Purpose restricted | 20,957,139 | 38,602,413 |
| Time-restricted for future periods | 23,496,306 | 26,249,015 |
| Total net assets | 117,672,984 | 79,716,325 |
| Total liabilities and net assets | \$ 141,362,053 | \$ 81,275,444 |

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

Hispanic Scholarship Fund

Consolidated Statements of Activities

Year Ended March 31, 2021 (with comparative totals for 2020)

| | 2021 | | | 2020 Total |
|--|-------------------------------|----------------------------|-----------------------|----------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | |
| Support and Revenues: | | | | |
| Support: | | | | |
| Grants and contributions | \$ 51,159,012 | \$ 4,890,592 | \$ 56,049,604 | \$ 53,708,267 |
| Special events (net of direct expenses of \$77,712 for 2021) | 22,288 | | 22,288 | 334,877 |
| Investment income (loss), net | 4,564,674 | 4,315,732 | 8,880,406 | (934,130) |
| In-kind contributions | 2,787,117 | 8,263,613 | 11,050,730 | 2,557,414 |
| Paycheck Protection Program contribution | 1,081,192 | - | 1,081,192 | - |
| Other revenue | | | - | 9,316 |
| Net assets released from restrictions: | | | | |
| Satisfaction of program restrictions | 37,457,058 | (37,457,058) | - | - |
| Satisfaction of special event restrictions | 395,630 | (395,630) | - | - |
| Total support and revenues | 97,466,971 | (20,382,751) | 77,084,220 | 55,675,744 |
| Expenses: | | | | |
| Program services: | | | | |
| Scholarships | 30,828,737 | | 30,828,737 | 36,386,348 |
| Support services | 6,380,009 | | 6,380,009 | 7,150,126 |
| Total program services | 37,208,746 | - | 37,208,746 | 43,536,474 |
| Operations: | | | | |
| Administration | 1,665,392 | | 1,665,392 | 2,929,317 |
| Fund raising | 253,423 | | 253,423 | 779,535 |
| Total operations | 1,918,815 | - | 1,918,815 | 3,708,852 |
| Total expenses | 39,127,561 | - | 39,127,561 | 47,245,326 |
| Change in Net Assets | 58,339,410 | (20,382,751) | 37,956,659 | 8,430,418 |
| Net Assets, beginning of year | 1,390,926 | 78,325,399 | 79,716,325 | 71,285,907 |
| Net Assets, end of year | \$ 59,730,336 | \$ 57,942,648 | \$ 117,672,984 | \$ 79,716,325 |

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

Hispanic Scholarship Fund

Consolidated Statements of Functional Expenses

Year Ended March 31, 2021 (with comparative totals for 2020)

| | 2021 | | | | | | 2020 Total |
|------------------------------------|----------------------|---------------------|----------------------|-------------------|----------------------|----------------------|---------------|
| | Program Activities | | Operating Activities | | | Total | |
| | Scholarship | Support Services | Administration | Fund Raising | | | |
| Program Distributions: | | | | | | | |
| Scholarships awarded | \$ 25,048,207 | \$ - | \$ - | \$ - | \$ 25,048,207 | \$ 30,908,117 | |
| Total program distributions | 25,048,207 | - | - | - | 25,048,207 | 30,908,117 | |
| Personnel Expenses: | | | | | | | |
| Salaries | 2,044,038 | 2,345,895 | 840,385 | 326,440 | 5,556,758 | 4,870,562 | |
| Payroll taxes | 140,428 | 159,038 | 59,206 | 18,982 | 377,654 | 363,869 | |
| Employee benefits | 317,327 | 380,021 | 162,783 | 33,098 | 893,229 | 699,834 | |
| Recruiting and temporary workers | 276 | 51 | 10,311 | 290 | 10,928 | 78,786 | |
| Total personnel expenses | 2,502,069 | 2,885,005 | 1,072,685 | 378,810 | 6,838,569 | 6,013,051 | |
| Other Expenses: | | | | | | | |
| Professional fees | 41,910 | 1,021,528 | 319,625 | 20,266 | 1,403,329 | 1,180,840 | |
| Occupancy | 143,527 | 16,748 | 537,510 | 69 | 697,854 | 676,504 | |
| Dues and subscriptions | 1,707 | - | 34,129 | 4,311 | 40,147 | 38,860 | |
| Interest, fees and taxes | 58,462 | 9,457 | 44,543 | 2,152 | 114,614 | 63,382 | |
| Newsletters, printing and postage | 20,333 | 4,621 | 3,096 | 17 | 28,067 | 91,626 | |
| Office expense and equipment | 250,502 | 170,461 | 507,013 | 23,604 | 951,580 | 997,208 | |
| Telephone | 36,202 | 44,021 | 60,942 | 3,085 | 144,250 | 114,459 | |
| Insurance | - | - | 72,620 | - | 72,620 | 71,392 | |
| Equipment rental and maintenance | 2,576 | - | 23,896 | - | 26,472 | 43,289 | |
| Travel and conferences | 8,245 | 18,456 | 4,412 | - | 31,113 | 1,423,679 | |
| Outreach events | - | 750 | 30 | 3,650 | 4,430 | 1,690,209 | |
| Marketing | 33,344 | 114,203 | 95,674 | 7,626 | 250,847 | 491,544 | |
| Legal | 23,265 | - | 17,552 | - | 40,817 | 26,700 | |
| In-kind goods & services | 1,482,712 | 980,681 | 323,724 | - | 2,787,117 | 2,556,428 | |
| Depreciation | 327,496 | - | 320,033 | - | 647,529 | 858,038 | |
| Total other expenses | 2,430,281 | 2,380,926 | 2,364,799 | 64,780 | 7,240,786 | 10,324,158 | |
| Overhead allocation | 848,180 | 1,114,078 | (1,772,092) | (190,167) | - | - | |
| Total Expenses | \$ 30,828,737 | \$ 6,380,009 | \$ 1,665,392 | \$ 253,423 | \$ 39,127,562 | \$ 47,245,326 | |
| Expense Allocation | 79% | 16% | 4% | 1% | 100% | 100% | |

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

Hispanic Scholarship Fund

Consolidated Statements of Cash Flows

| <i>Year Ended March 31,</i> | 2021 | 2020 |
|--|----------------------|----------------------|
| Operating Activities: | | |
| Change in net assets | \$ 37,956,659 | \$ 8,430,418 |
| Adjustments to reconcile net change to net cash from operating activities: | | |
| Depreciation | 647,529 | 858,039 |
| Realized and unrealized (gain) loss on investments | (7,550,609) | 1,402,698 |
| Donated assets | (9,919,922) | - |
| Changes in assets and liabilities: | | |
| Contributions receivable | 21,770,972 | (5,659,591) |
| Prepaid expenses and other assets | 134,986 | 44,738 |
| Scholarships payable | 161,129 | 105,160 |
| Accounts payable and accrued expenses | 291,827 | (124,122) |
| Contract liability | 21,729,523 | - |
| Deferred rent | (52,529) | (19,099) |
| Net cash flows from operating activities | 65,169,565 | 5,038,241 |
| Investing Activities: | | |
| Purchase of investments | (96,290,078) | (473,710) |
| Proceeds from sale of investments | 30,809,567 | 824,128 |
| Purchase of property and equipment | (6,038) | (723,742) |
| Net cash flows from investing activities | (65,486,549) | (373,324) |
| Financing Activities: | | |
| Net advances on line of credit | - | (3,470,000) |
| Net cash used by financing activities | - | (3,470,000) |
| (Decrease) Increase in Cash | (316,984) | 1,194,917 |
| Cash and Cash Equivalents, beginning of year | 35,521,534 | 34,326,617 |
| Cash and Cash Equivalents, end of year | \$ 35,204,550 | \$ 35,521,534 |
| Supplemental Cash Flow Information: | | |
| In-kind contributions | \$ 11,050,730 | \$ 2,557,414 |

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

Hispanic Scholarship Fund

Notes to the Consolidated Financial Statements

Note 1 - Organization:

The Hispanic Scholarship Fund (the “Fund” or “HSF”) is a nonprofit, tax-exempt 501(c)(3) corporation founded in 1975. The Hispanic Scholarship Fund empowers students and parents with the knowledge and resources to successfully complete a higher education, while providing scholarships and support services to as many exceptional students, HSF scholars, and Alumni as possible. HSF strives to make college education a top priority for every family across the nation, mobilizing communities to proactively advance that goal—each individual, over a lifetime, in every way they can. HSF also seeks to give its Scholars all the tools they need to do well in their course work, graduate, enter, and excel in a profession, help lead our nation going forward, and mentor the generations to come. As one of the nation’s largest nonprofit organizations supporting higher education, HSF has awarded over \$675 million in scholarships and provides a broad range of programs and support services for students, parents, HSF Scholars, and HSF Alumni. For more information about HSF, please visit HSF.net.

The Fund is headquartered in Gardena, California and has a regional presence in Washington DC. The majority of the Fund’s revenue comes from donations by foundations, corporations, and individuals.

The Fund’s activities fall into two major categories—scholarships and support services:

Scholarships – The Fund administers scholarships funded by donations from foundations, corporations, and individuals.

Support Services – The Fund provides free, bilingual, two hour and half-day, college preparation programs held in various cities across the country, designed to help middle and high school students and their parents prepare, plan, and pay for college. Additional multi-day programs for selected HSF Scholars provide leadership training, networking, professional development and opportunities to interview for internships and full-time employment positions. In addition, through its online portal, HSF provides free information and resources to visitors, including potential scholarship applicants and their parents, current Scholars, and Alumni, on a range of topics related to college and the transition from college to profession.

Hispanic Scholarship Fund

Notes to the Consolidated Financial Statements

Note 1 - Organization (continued):

The Fund's current significant programs are as follows:

The Gates Scholarship Program

During fiscal year ending March 31, 2016, HSF received a \$417 million grant from the Bill & Melinda Gates Foundation to develop and implement a new scholarship program—The Gates Scholarship® (“TGS”). The Gates Foundation named HSF as the program's sole administrator. Funded by the Bill & Melinda Gates Foundation and launched in 2018, this program covers the cost of an undergraduate education for 300 Pell-eligible minority students per year, over a 10-year period, with the intent of promoting their academic excellence, through college graduation.

Gates Millennium Scholars Program

During fiscal year ending March 31, 2020, HSF again received a sub award of approximately \$21.5 million from the Bill & Melinda Gates Foundation by way of the United Negro College Fund for the Gates Millennium Scholarship (“GMS”) Program. This program was established in 1999 to provide outstanding minority students with an opportunity to complete an undergraduate college education in any discipline area of interest. This program is funded by a historic grant of more than 1 billion dollars to the United Negro College Fund (“UNCF”) as the program's administrator and HSF is named as one of the sub awardees, responsible for selecting the Hispanic students for the program. There are 1000 awards each year with 350 allocated to HSF, and each individual award is to support for cost of education by covering unmet need and self-help aid, including graduate school funding for continuing scholars.

Wells Fargo Academic Leaders Fellowship Program

During fiscal year ending March 31, 2018, HSF received a \$4 million grant from the Wells Fargo Foundation named The Wells Fargo Academic Leaders Fellowship Program (“WFALFP”). This is a highly selective, full scholarship for Pell-eligible high school seniors. Fellowships were awarded to 20 student leaders in 2018, with the intent of promoting their academic excellence and leadership development, through college graduation. Selected Fellows are eligible for up to five years of funding to complete their bachelor's programs. Fellows receive funding for the full cost of attendance not already covered by other financial aid, as determined by the Free Application for Federal Student Aid (FAFSA).

Hispanic Scholarship Fund

Notes to the Consolidated Financial Statements

Note 1 - Organization (continued):

Hispanic Career Pathways Initiative Program

During fiscal year ending March 31, 2019, HSF received a \$25 million grant from the Lilly Endowment Inc. to create the Hispanic Career Pathways Initiative (“HCPI” or “the Initiative”). HCPI looks to improve the education to employment pathway for thousands of Hispanic students at colleges and universities across the United States. This program seeks to improve career pathways and employment success for Hispanic students by focusing on the following key areas: (i) career planning and preparation, (ii) career discernment, exploration and guidance, and (iii) the transition from college to a quality job. HSF will work with its higher education, employer and community partners as well as its large network of advisers and alumni to build a best in class program that supports Hispanic students at each stage of the journey from college to career.

Note 2 - Summary of Significant Accounting Policies:

a. Principles of Consolidation

The consolidated financial statements include the Fund and its wholly owned subsidiary HSFI. All inter-entity transactions have been eliminated upon consolidation.

b. Basis of Presentation and Description of Net Assets

On April 1, 2018, the Fund adopted Accounting Standards Codification (“ASC”) 2016-14, *Not-for-Profit Entities (Topic 958)* issued by the Financial Accounting Standards Board (“FASB”). This update was effective for annual financial statements issued for fiscal years beginning after December 15, 2017.

On the Statement of Financial Position, the existing three-classification net asset reporting was replaced with two classes of net assets. The consolidated financial statements continue to be prepared on the accrual basis of accounting and in conformity with accounting principles generally accepted in the United States of America applicable to not-for-profit organizations.

Net Assets without Donor Restrictions – The portion of net assets that are not subject to donor imposed restriction or the donor imposed restriction has expired.

Net Assets with Donor Restrictions – The portion of net assets that are subject to donor-imposed restrictions. Restrictions may include donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Fund or may be restricted by the donor in perpetuity for a specific purpose. When donor restrictions expire, that is, when a stipulated time restriction ends or a purpose restriction is fulfilled, net assets are reclassified from Net Assets with Donor Restrictions to Net Assets without Donor Restrictions and reported in the statement of activities as net assets released from restrictions.

Hispanic Scholarship Fund

Notes to the Consolidated Financial Statements

Note 2 - Summary of Significant Accounting Policies (continued):

Expiration of Capital Restrictions – A change was made in fiscal year end March 31, 2019 to comply with ASC 2016-14, *Not-for-Profit Entities (Topic 958)*. Restrictions on long-lived assets, if any, or cash to acquire or construct long-lived assets are considered to have expired when the assets are placed in service as opposed to over their estimated useful life.

c. Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include the Fund's operating and checking accounts, exclusive of cash and cash equivalents held as part of the Fund's investments.

d. Contributions Receivables

Contributions are recognized as revenue when received or unconditionally promised. Contributions of assets other than cash are recorded at their estimated fair value. Restricted contributions and grants are reported as increases in Net Assets with Donor Restrictions depending on the nature of the restrictions.

Long term contributions receivable are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using market interest rates applicable in the years in which those promises are received. Amortization of the discounts is included in contributed income.

The Fund reviews the individual receivable balances at year end to evaluate the appropriate allowance for uncollectible contributions. Contributions receivable are written off when deemed uncollectable. At March 31, 2021 and 2020, the allowance was \$73,725 and \$91,400, respectively.

e. Investments

Investments in debt and equity securities are carried at fair value based upon quoted market prices, with changes in unrealized gain and losses reflected in the consolidated statement of activities.

Realized gains and losses resulting from sales of securities are calculated on an adjusted cost based on the trade date for publicly traded investments or upon closing of the transaction for private investments. Dividends and interest income are accrued when earned.

Hispanic Scholarship Fund

Notes to the Consolidated Financial Statements

Note 2 - Summary of Significant Accounting Policies (continued):

f. Fair Value Measurements

The Fund carries certain assets and liabilities at fair value. Fair value is defined as the price 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. The Fund classifies its financial assets and liabilities according to three levels and maximizes the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value.

Level 1 - Quoted market prices (unadjusted) in active markets for identical assets or liabilities that the entity has the ability to access at the measurement date.

Level 2 - Observable inputs other than quoted prices included within Level 1 such as quoted prices for similar securities or quoted prices in inactive markets.

Level 3 - Unobservable inputs for the asset or liability that are not corroborated by market data.

g. Property and Equipment

Furniture and equipment are recorded at cost. Depreciation is computed on a straight-line basis over the useful lives of the assets, ranging from three to seven years. The Fund capitalizes property and equipment with cost or donated fair value over \$5,000.

h. Capitalized Software

Certain development costs associated with software to be used internally are capitalized during the application development stage or upon installation. Internally developed software costs are amortized using the straight-line method over the estimated useful life of the software. Capitalized software at March 31, 2021 and 2020 is included in the property and equipment in the accompanying consolidated statements of financial position.

i. Scholarships Payable

The Fund reports scholarship awards payable at the total value of the awards granted to the identified scholars. The Fund records the payable based on the value of the award that is due in the current year to be paid in the subsequent year.

Hispanic Scholarship Fund

Notes to the Consolidated Financial Statements

Note 2 - Summary of Significant Accounting Policies (continued):

j. Endowment Funds

The Fund follows the guidance of the FASB ASC Topic 958-205 “Endowments of Not-for-Profit Organizations – Net Assets Classification of Funds Subject to Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds.” The State of California adopted a version of the Uniform Prudent Management of Institutional Funds Act as its State Prudent Management of Institutional Funds Act (“SPMIFA”).

Underwater Endowment Funds – If a donor-restricted endowment fund is an underwater endowment fund, the accumulated losses shall be included together with that fund in net assets with donor restrictions. A not-for-profit (“NFP”) shall disclose the required information. The HSF Endowment was not underwater as of the years ended March 31, 2021 and 2020 and is therefore, not applicable.

Board-Designated Net Assets – Net assets without donor restrictions subject to self-imposed limits by action of the governing board. Net assets may be earmarked for future programs, investment, contingencies, purchase of construction of fixed assets, or other uses. These assets may be invested to provide income for generally a long but not necessarily specified period. In rare circumstances, funds functioning as endowment also can include a portion of net assets with donor restrictions. For example, if an NFP is unable to spend donor-restricted contributions in the near term, the board sometimes considers the long-term investment of these funds. (Sometimes referred to as a quasi-endowment or board-designated endowment fund.) The governing board has the right to decide at any time to expend such funds, contingent upon any donor restrictions. The Fund’s governing board has not earmarked any portion of its net assets as a Board-Designated Endowment Fund as of the fiscal years ended March 31, 2021 and 2020.

Interpretation of Relevant Law

The Board of Directors of the Funds, with the advice of legal counsel, has determined it holds net assets that meet the definition of endowment funds under SPMIFA. As a result of this interpretation, the Fund classifies as permanently restricted net assets both the original value of the gifts donated plus all subsequent gifts to the donor restricted endowment funds. Appropriation for expenditure for endowed funds is made in a manner consistent with the standards of prudence prescribed by SPMIFA, which include: (1) The duration and preservation of the fund, (2) The purposes of the organization 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 investment, (6) Other resources of the Fund, (7) The investment policies of the Fund.

Hispanic Scholarship Fund

Notes to the Consolidated Financial Statements

Note 2 - Summary of Significant Accounting Policies (continued):

From time to time, the fair value of the assets associated with individual donor restricted net endowment funds may fall below the level classified as permanently restricted net assets.

Investment and Spending Policies

The Fund has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported while seeking to maintain the purchasing power of the endowment assets. The Fund's spending and investment policies work together to achieve this objective. The investment policy establishes an achievable return objective through diversification of asset classes. The current return objective is to return a percentage in excess of the annual rate of inflation, net of investment fees. Actual returns in any given year may vary from this amount. To satisfy its long-term return objective, the Fund relies on a total return strategy, in which investment returns are achieved through both capital appreciation of equity securities (realized and unrealized) and current yield (dividends and interest). The Fund uses a diversified asset allocation to support the long-term return objective within prudent risk parameters.

The spending policy calculates the amount of money annually distributed from the Fund's endowed funds for scholarships and administration. The current scholarship spending policy is to distribute an amount equal to 5% of the average of the closing market value of the preceding twelve quarters, provided that accumulated total returns are sufficient to allow expenditures without drawing upon the principal of the original contributions, including any matching funds. This is consistent with the Fund's objective of maintaining purchasing power of endowed assets as well as to provide additional real growth through new gifts and investment returns.

k. Functional Allocation of Expenses

The Fund's Consolidated Statement of Functional Expenses reports expenses by nature and by function. Expenses are disaggregated into program and supporting activities as well as by functional area such as salaries, rent, electricity, etc. Investment and fundraising event expenses are not included in the functional expense schedule, as they have been presented on a net basis in the Consolidated Statement of Activities.

The Fund's expense allocations are based on the amount of unfunded activities (development, operations, etc.) and pooled occupancy related costs less all revenues that cover these activities (interest, unrestricted funds, etc.). The remaining balance is called "unfunded overhead". This "unfunded overhead" is allocated across all funded employees (scholarships, programs, etc.) in order to allocate the overhead of supporting these funded employees. Certain costs have been allocated among programs on a direct cost basis specified by donors.

Hispanic Scholarship Fund

Notes to the Consolidated Financial Statements

Note 2 - Summary of Significant Accounting Policies (continued):

l. Estimates

The preparation of consolidated 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 and disclosures. Actual results may differ from those estimates.

m. Donated Goods and Services

Contributions of donated noncash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

During the years ended March 31, 2021 and 2020, the Fund recorded in-kind donations, consisting primarily of software development, legal and consulting services. These contributions are reflected in the consolidated financial statements as both in-kind donations and expenses or contributed assets, as applicable.

n. Comparative Information and Reclassifications

The consolidated financial statements include certain comparative information for which the prior year information is summarized in total but not by net asset class. Accordingly, such information should be read in conjunction with the Fund's consolidated financial statements for the year ended March 31, 2020, from which the summarized information is derived.

o. Income Taxes

The Fund and Institute are tax-exempt organizations under the Internal Revenue Code, Section 501(c) (3).

The Fund follows the guidance on accounting for uncertainty in income taxes issued by FASB ASC Topic 740. As of March 31, 2021, management evaluated the Fund's tax positions and concluded that the Fund had maintained its tax-exempt status and had taken no uncertain tax positions that require adjustment to the consolidated financial statements. Therefore, no provision or liability for income taxes has been included in the consolidated financial statements.

Hispanic Scholarship Fund

Notes to the Consolidated Financial Statements

Note 2 - Summary of Significant Accounting Policies (continued):

p. Subsequent Events

Management of the Fund has evaluated subsequent events for the period of time from its fiscal year ended March 31, 2021 through July 14, 2021, the date the consolidated financial statements were available to be issued. There were no material subsequent events that required recognition in these consolidated financial statements.

q. Recently Issued Applicable Accounting Pronouncements

In June 2020, FASB issued Accounting Standard Update (“ASU”) 2020-05, covering Revenue from Contracts with Customers, (Topic 606) and Leases (Topic 842). This standard defers the effective date of ASU 2014-09, Revenue from Contracts with Customers for privately owned companies and nonprofits that had not yet adopted the standard and ASU 2016-02, Leases for all private companies, private not-for-profit organizations, and public not-for-profits that had not yet adopted the standard.

Under the deferral, not-for-profit organizations that qualify could choose to apply revenue recognition rules to annual reporting periods beginning after December 15, 2019, and interim reporting period within annual reporting periods after December 15, 2020.

For leases private not-for-profit organizations can apply the standard to fiscal years beginning after December 15, 2021, and to interim periods within fiscal years beginning after December 15, 2022. Public not-for-profit organizations that had not yet issued (or made available to issue) financial statements reflecting the adoption of the leases guidance could apply the standard to fiscal years beginning after December 15, 2019, including periods within those fiscal years.

ASU 2014-09, Revenue from Contracts with Customers, provides a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. ASU 2014-09 requires entities to recognize revenue when it transfers 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. This update creates a five-step model that requires entities to exercise judgment when considering the terms of the contract(s) which include (i) identifying the contract(s) with the customer, (ii) identifying the separate performance obligations in the contract, (iii) determining the transaction price, (iv) allocating the transaction price to the separate performance obligations, and (v) recognizing revenue when each performance obligation is satisfied. The Fund adopted this ASU on April 1, 2020. The adoption of ASC 606 did not have a material impact on the Fund’s financial position, results of operations or cash flows. As such, the Fund did not make any adjustments to its financial position upon adoption.

Hispanic Scholarship Fund

Notes to the Consolidated Financial Statements

Note 2 - Summary of Significant Accounting Policies (continued):

ASU 2016-02, Leases, requires entities to recognize right-of-use assets and lease liabilities on its balance sheet and disclose key information about leasing arrangements. ASU 2016-02 offers specific accounting guidance for a lessee, a lessor and sale and leaseback transactions. Lessees and lessors are required to disclose qualitative and quantitative information about leasing arrangements to enable a user of the financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. As noted above, the required adoption date for this standard has been delayed to fiscal years beginning after December 31, 2021. The Fund is evaluating the potential impact to the consolidated financial statements of adopting this standard.

r. Revenue and Revenue Recognition

In accordance with ASU 2018-08, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made, contributions received by the Fund are not considered an exchange transaction as no commensurate value is exchanged. The Fund receives unconditional contributions without donor restrictions and unconditional contributions with donor restrictions. The Fund may also receive contributions with donor restrictions which are considered conditional contributions. The Fund recognizes contributions when cash, other assets, and an unconditional promise to give is received. 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 substantially met.

Consequently, at March 31, 2021, contributions approximating \$394 million from the Bill & Melinda Gates Foundation and \$5 million from Lilly Endowment, Inc. have not been recognized in the accompanying consolidated statement of activities because the condition(s) on which they depend has not yet been met. Of the total conditional contributions, \$5 million depend on raising additional contributions before December 31, 2022 that will be matched dollar-for-dollar. The remaining \$394 million of contributions depend on successful completion of the applicable targets, milestones and reporting deliverables for the program.

Hispanic Scholarship Fund

Notes to the Consolidated Financial Statements

Note 3 - Investments and Fair Value Measurements:

Investments:

Investments are summarized below as of March 31, 2021:

| | Cost | Fair Value | Unrealized Gain (Loss) |
|--------------------------|---------------|---------------|---------------------------|
| Money market accounts | \$ 177,177 | \$ 177,186 | \$ 9 |
| Fixed income | 57,922,650 | 57,386,052 | (536,598) |
| U.S. equity ETFs | 10,719,670 | 12,953,558 | 2,233,888 |
| Alternative ETFs | 496,045 | 462,353 | (33,692) |
| Alternative Mutual Funds | 2,774,269 | 3,059,440 | 285,171 |
| U.S. equity Mutual Funds | 13,599,152 | 14,923,541 | 1,324,389 |
| | \$ 85,688,963 | \$ 88,962,130 | \$ 3,273,167 |

Investments are summarized below as of March 31, 2020:

| | Cost | Fair Value | Unrealized Gain (Loss) |
|---------------------------|---------------|---------------|---------------------------|
| Money market accounts | \$ 133,868 | \$ 133,868 | \$ - |
| Fixed income ETFs | 4,320,965 | 4,392,093 | 71,128 |
| U.S. equity ETFs | 6,184,572 | 8,612,531 | 2,427,959 |
| International equity ETFs | 3,357,678 | 2,792,518 | (565,160) |
| | \$ 13,997,083 | \$ 15,931,010 | \$ 1,933,927 |

Net investment income (loss) consists of the following at March 31, 2021 and 2020:

| | 2021 | 2020 |
|------------------------|--------------|--------------|
| Interest and dividends | \$ 1,481,409 | \$ 541,086 |
| Realized gain | 6,211,377 | 414,747 |
| Unrealized gain (loss) | 1,339,232 | (1,817,445) |
| Less: investment fees | (151,612) | (72,518) |
| | \$ 8,880,406 | \$ (934,130) |

Hispanic Scholarship Fund

Notes to the Consolidated Financial Statements

Note 3 - Investments and Fair Value Measurements (continued):

Fair Value Measurements:

The table below presents investments measured at fair value on a recurring basis at March 31, 2021.

| | Total | Level 1 | Level 2 | Level 3 |
|------------------------------|---------------|---------------|---------------|---------|
| Money market accounts | \$ 177,186 | \$ 177,186 | \$ - | \$ - |
| Exchange Trade Funds: | | | | |
| U.S. equity ETFs | 12,953,558 | 8,602,598 | 4,350,960 | |
| U.S. fixed income ETFs | 57,386,052 | 47,282,537 | 10,103,515 | |
| International equity ETFs | 462,353 | | 462,353 | |
| Mutual Funds | 17,982,981 | 7,057,537 | 10,925,444 | |
| | \$ 88,962,130 | \$ 63,119,858 | \$ 25,842,272 | \$ - |

The table below presents investments measured at fair value on a recurring basis at March 31, 2020.

| | Total | Level 1 | Level 2 | Level 3 |
|------------------------------|---------------|---------------|---------|---------|
| Money market accounts | \$ 133,868 | \$ 133,868 | \$ - | \$ - |
| Exchange Trade Funds: | | | | |
| U.S. equity ETFs | 8,612,531 | 8,612,531 | | |
| U.S. fixed income ETFs | 4,392,093 | 4,392,093 | | |
| International equity ETFs | 2,792,518 | 2,792,518 | | |
| | \$ 15,931,010 | \$ 15,931,010 | \$ - | \$ - |

Hispanic Scholarship Fund

Notes to the Consolidated Financial Statements

Note 4 - Contributions Receivable:

Contributions receivable consisted primarily of commitments made by corporations and foundations. Contributions receivable are due as follows at March 31, 2021 and 2020:

| | 2021 | 2020 |
|---------------------------------------|---------------------|----------------------|
| Receivable in less than one year | \$ 3,275,192 | \$ 23,438,176 |
| Receivable in more than one year | 1,874,567 | 3,636,567 |
| Less discounts to net present value | (369,356) | (505,693) |
| Allowance for doubtful accounts | (73,725) | (91,400) |
| Total Contributions Receivable | \$ 4,706,678 | \$ 26,477,650 |

The present value of estimated future cash flows on unconditional promises to give was determined using a discount rate of 3.4% for the year ended March 31, 2021 and 3.2% for the year ended March 31, 2020.

Note 5 - Property and Equipment:

Property and equipment consist of the following at March 31, 2021 and 2020:

| | 2021 | 2020 |
|---|----------------------|---------------------|
| Equipment and furniture | \$ 783,679 | \$ 783,679 |
| Software | 13,212,316 | 3,292,394 |
| Leasehold improvement | 365,791 | 359,753 |
| Subtotal | 14,361,786 | 4,435,826 |
| Less: accumulated depreciation and amortization | (3,399,680) | (2,752,151) |
| Total Property and Equipment | \$ 10,962,106 | \$ 1,683,675 |

Depreciation and amortization expense was \$647,529 and \$858,039 for the years ended March 31, 2021 and 2020, respectively.

Note 6 - Contract Liability:

Contract liability consists of deferred revenue for payments received by the Fund for services that have not yet been performed. As of March 31, 2021, deferred revenue of \$21,729,523 consisted of approximately \$19,676,914 and \$2,052,609 in funding for The Gates Scholarship and Gates Millennium Scholars Program, respectively.

Hispanic Scholarship Fund

Notes to the Consolidated Financial Statements

Note 7 - The Gates Scholarship:

During fiscal year ending March 31, 2016, HSF received a \$417 million grant from the Bill & Melinda Gates Foundation to develop and implement a new scholarship program—The Gates Scholarship®. The Gates Foundation named HSF as the program’s sole administrator. Funded by the Bill & Melinda Gates Foundation and launched in 2018, this program covers the cost of an undergraduate education for 300 Pell-eligible minority students per year, over a 10-year period, with the intent of promoting their academic excellence, through college graduation, and providing them the opportunity to reach their full potential. The grant is conditioned on the Fund’s successful annual administration of the Program as determined by the administration agreement with the Foundation.

The Program funds are invested and held in a separate account by the Fund and all investment interest earned is restricted to the purpose of the grant. Returns on the Program investments are recognized as revenue and an increase in net assets with donor restrictions in the period such returns are generated by the underlying investments.

In accordance with FASB ASC Topic 958-605 as amended by ASU 2018-08, revenue recognition is based on the unconditional/conditional promise to give. The grant agreement requires the Fund to abide by specific performance targets, milestones, and/or reporting deliverables. If the requirements are not met, the grant agreement may be terminated, and any unspent funds, including the accumulated returns on invested assets, will be returned to the Foundation. Cumulative revenue of approximately \$25 million of this conditional grant has been recognized as of March 31, 2021 and 2020. The remaining portion of approximately \$392 million will be recognized in future years upon certain conditions being met.

Note 8 - Gates Millennium Scholars Program:

During fiscal year ending March 31, 2020, HSF again received a sub award of approximately \$21.5 million from the Bill & Melinda Gates Foundation by way of the United Negro College Fund for the Gates Millennium Scholarship (“GMS”) Program. This program was established in 1999 to provide outstanding minority students with an opportunity to complete an undergraduate college education in any discipline area of interest. This program is funded by a historic grant of more than 1 billion dollars to the United Negro College Fund (“UNCF”) as the program’s administrator and HSF is named as one of the sub awardees. There are 1000 awards each year with 350 allocated to HSF, and each individual award is to support for cost of education by covering unmet need and self-help aid, including graduate school funding for continuing scholars. Continuing Gates Millennium Scholars may request funding in any of the following discipline areas: computer science, education, engineering, library science, mathematics, public health or science.

Hispanic Scholarship Fund

Notes to the Consolidated Financial Statements

Note 8 - Gates Millennium Scholars Program (continued):

In accordance with FASB ASC Topic 958-605 as amended by ASU 2018-08, revenue for this sub-grant was recognized in fiscal year ended March 31, 2020. The sub-grant agreement requires the Fund to abide by specific performance targets, milestones, and/or reporting deliverables. At the end of the grant period, grant funds not expended or dedicated as required in the sub-grant agreement are to be reported to the grantee and applied to the subsequent grant disbursement including all interest earned on the aforementioned funds. During the year ended March 31, 2021, the Fund received approximately \$16.9 million of this conditional award, of which approximately \$14.9 million was recognized in contributions with donor restrictions and the remaining portion of approximately \$2 million will be recognized in future years upon certain conditions being met.

Note 9 - Wells Fargo Academic Leaders Fellowship Program:

During fiscal year ending March 31, 2018, HSF received a \$4 million grant from the Wells Fargo Foundation named The Wells Fargo Academic Leaders Fellowship Program (“WFALFP”). This is a highly selective, full scholarship for Pell-eligible high school seniors. Fellowships were awarded to 20 student leaders in 2018, with the intent of promoting their academic excellence and leadership development, through college graduation. Selected Fellows are eligible for up to five years of funding to complete their bachelor’s programs. Fellows receive funding for the full cost of attendance not already covered by other financial aid, as determined by the Free Application for Federal Student Aid (FAFSA).

In accordance with FASB ASC Topic 958-605 as amended by ASU 2018-08, revenue recognition is based on the unconditional/conditional promise to give. The grant agreement requires the Fund to abide by specific performance targets, milestones, and/or reporting deliverables. At the end of the grant period, grant funds not expended or dedicated as required in the grant agreement cannot be repurposed for other educational activities. The \$4 million grant was recognized in fiscal year ended March 31, 2018.

Note 10 - Hispanic Career Pathways Initiative:

During fiscal year ending March 31, 2019, HSF received a \$25 million grant from Lilly Endowment Inc. to create the Hispanic Career Pathways Initiative (“HCPI” or “the Initiative”). HCPI will improve the education to employment pathway for thousands of Hispanic students at colleges and universities across the United States. Since Hispanic graduates will account for a significant majority of employment growth over the coming decade, it is essential that these graduates are equipped with the knowledge and skills to find and succeed in high quality jobs. This proposal seeks to improve career pathways and employment success for Hispanic students by focusing on the following key areas: (i) career planning and preparation, (ii) career discernment, exploration and guidance, and (iii) the transition from college to a quality job. HSF will work with its higher education, employer and community partners as well as its large network of advisers and alumni to build a best-in-class program that supports Hispanic students at each stage of the journey from college to career.

Hispanic Scholarship Fund

Notes to the Consolidated Financial Statements

Note 10 - Hispanic Career Pathways Initiative (continued):

In accordance with FASB ASC Topic 958-605 as amended by ASU 2018-08, revenue for this multi-year grant was recognized in fiscal year ended March 31, 2019. The grant agreement requires the Fund to abide by specific performance targets, milestones, and/or reporting deliverables. At the end of the grant period, grant funds not expended or dedicated as required in the grant agreement are subject to reversion unless the Endowment has extended the grant period in writing. Under no circumstances may grant funds be expended, borrowed (inter-fund), pledged or transferred for reasons unassociated with the stated purpose of the grant.

The Lilly Endowment Inc. has also promised to give an additional \$5 million in matching funds conditioned upon the Fund's procurement of additional promised donations up to \$5 million by January 31, 2022. These promises to give will be matched by the Lilly Endowment Inc. on a \$1(grantor)-for-\$1(grantee) basis. The purpose of the additional amount is to establish an endowment to sustain the Hispanic Career Pathways Initiative. Qualifying matching funds must be paid to the Fund no later than December 31, 2022. During the year ended March 31, 2020, the Fund received promises to give of \$25,000 and \$25,000 was recognized as matched by Lilly Endowment Inc.

Note 11 - Endowments:

Changes in Endowment Net Asset for the years ended March 31, 2021 and 2020 are as follows:

| | 2021 | 2020 |
|--|---------------|---------------|
| Endowment Net Assets, beginning of year | \$ 16,758,938 | \$ 18,586,589 |
| Investment return: | | |
| Income | 406,692 | 469,465 |
| Investment fees | (58,977) | (72,518) |
| Realized and unrealized gain (loss) on investments | 3,763,232 | (1,402,698) |
| Total investment return (loss) | 4,110,947 | (1,005,751) |
| Contributions | 3,000 | (4,500) |
| NPV adjustment | 3,680 | (70,034) |
| Transfer to release donor endowment | (872,185) | (747,366) |
| Change in endowment net assets | (865,505) | (821,900) |
| Endowment Net Assets, end of year | \$ 20,004,380 | \$ 16,758,938 |

Hispanic Scholarship Fund

Notes to the Consolidated Financial Statements

Note 12 - Net Assets with Donor Restrictions:

Donor restricted net assets are available for the following specified purposes as of March 31, 2021 and 2020:

| | 2021 | 2020 |
|------------------------------------|---------------|---------------|
| TGS | \$ - | \$ 27,316,769 |
| GMS | - | 1,082,155 |
| WFALFP | 2,342,280 | 2,712,553 |
| HCPI | 19,161,281 | 22,411,158 |
| HSF In-Kind Contributions | 8,252,368 | - |
| HSF Scholarships | 3,707,000 | 7,490,936 |
| HSF Programs and Other | 10,990,516 | 3,837,857 |
| | <hr/> | <hr/> |
| Net Assets with donor restrictions | \$ 44,453,445 | \$ 64,851,428 |

Net assets were released in accordance with the donors' intent by incurring expenses satisfying the restricted purposes; the releases were as follows in 2021 and 2020:

| | 2021 | 2020 |
|---|---------------|---------------|
| TGS | \$ 7,763,457 | \$ 7,774,782 |
| GMS | 16,027,299 | 22,180,493 |
| WFALFP | 370,273 | 524,208 |
| HCPI | 3,251,180 | 2,468,313 |
| HSF Scholarships | 4,314,000 | 4,517,500 |
| HSF Programs and Other | 6,126,479 | 6,462,906 |
| | <hr/> | <hr/> |
| Net Assets released from donor restricted | \$ 37,852,688 | \$ 43,928,202 |

Donor restricted net assets of \$13,489,203 and \$13,473,971 are restricted to investment in perpetuity, the income from which supports scholarships of the Fund as of March 31, 2021 and 2020, respectively.

Hispanic Scholarship Fund

Notes to the Consolidated Financial Statements

Note 13 - Liquidity and Availability:

| | 2021 | 2020 |
|--|---------------|---------------|
| Current Assets: | | |
| Cash and cash equivalents | \$ 35,204,552 | \$ 35,521,533 |
| Contributions receivable | 1,139,894 | 23,795,621 |
| Prepaid and inventory | 3,608,329 | 1,249,305 |
| Investments | 88,960,837 | 15,931,010 |
| Less: | | |
| L/T assets restricted for scholarships | - | (4,772,143) |
| L/T assets restricted for major grants programs | (15,114,579) | (15,204,241) |
| L/T assets timing restricted for events sponsorship | (4,112,615) | (3,208,887) |
| L/T endowment restricted in perpetuity | (13,489,203) | (13,473,967) |
| Total current available assets | 96,197,215 | 39,838,231 |
| Short-Term Liabilities: | | |
| Accounts payable and other accrued expenses | 1,546,283 | 1,104,271 |
| Contract liability | 21,729,523 | - |
| Scholarship disbursements projected for 2021 | 4,159,540 | 25,807,731 |
| Major grant program expenses projected for 2021 | 5,090,261 | 8,179,291 |
| Event expenses projected for 2021 | 4,080,589 | 1,025,172 |
| Total short-term liabilities and commitments | 36,606,196 | 36,116,465 |
| Financial assets available to meet cash needs for general operating expenses within one year | \$ 59,591,019 | \$ 3,721,766 |

HSF's goal is to maintain financial assets which consist of cash and short-term investments on hand to meet two months of normal operating expenses which are, on average, approximately \$588,000 a month excluding event expenses which are paid for with timing restricted funds.

HSF expects to meet cash flow needs in fiscal year 2022 by raising and recognizing \$57 million in revenue. HSF established new practices to optimize the delivery of all programs to minimize both personnel and event expenses. Also, existing foundation grants will continue to fund a growing portion of HSF's staffing, programmatic, and technology infrastructure needs. In July of 2020, HSF received a \$50 million unrestricted gift. As an additional resource, HSF maintains a \$4 million line of credit.

Hispanic Scholarship Fund

Notes to the Consolidated Financial Statements

Note 13 - Liquidity and Availability (continued):

Funds for The Gates Millennium Scholarship and The Gates Scholarship are held in separate bank accounts and fund programmatic expenses specific to each program. Also, funding for the Hispanic Career Pathways Initiative provided by the Lilly Endowment, Inc. is restricted and used to fund associated program expenses.

Efforts to optimize the organization's personnel structure and operating expense model, as well as funding from foundation grants, has resulted in a year over year improvement in HSF's liquidity position.

Note 14 - Commitments:Office Agreement and Equipment Leases

The Fund maintains lease agreements for office space, copiers and office equipment. Future aggregate lease payments are as follows:

| Fiscal Year Ending | Operating Leases |
|--|---------------------|
| 2022 | \$ 695,175 |
| 2023 | 701,497 |
| 2024 | 719,025 |
| 2025 | 645,236 |
| Thereafter | - |
| <hr/> | |
| Total future minimum lease commitments | \$ 2,760,933 |

The Fund has a ten-year lease with a third party. Over the term of the lease, monthly payments range between \$40,107 and \$53,818.

Note 15 - Line of Credit:

In December 2020, the Fund renewed the revolving line of credit with a bank. The line allows for maximum borrowings up to \$4,000,000 with interest at the Prime Rate (the Prime Rate was 3.25% on March 31, 2021). The Fund had no balance outstanding under this line of credit as of March 31, 2021. The line of credit expires on January 1, 2022.

Hispanic Scholarship Fund

Notes to the Consolidated Financial Statements

Note 16 - Retirement Plan:

The employees of the Fund participate in a simplified Employee Pension Plan established under the Section 401(k) of the Internal Revenue Code. The contributions made by the Fund are matched to a maximum of 4% of the annual salary. For the years ended March 31, 2021 and 2020, the Fund's contribution to the plan totaled \$150,507 and \$106,253, respectively.

Note 17 - Contingencies:

The Fund is involved from time to time in routine matters of litigation or other claims. Management does not believe there are any such matters that could materially affect its financial position.

Note 18 - Concentrations of Risk:

The Fund has defined its financial instruments which are potentially subject to risk as cash, contributions receivable, and investments.

In order to mitigate credit and market risk, the Fund maintains a formal investment policy that sets out performance criteria, investment guidelines and requires review of the individual investment manager's performance. The investment custodian is Morgan Stanley.

One donor comprised approximately 73% and three donors comprised approximately 43% of the contribution revenue for the years ended March 31, 2021 and 2020, respectively. One and two donors comprised approximately 20% and 82% of the contributions receivable as of March 31, 2021 and 2020, respectively.

The Fund may be adversely affected by health epidemics including the recent coronavirus outbreak. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, several states in the U.S., including California, where the Fund is headquartered, have declared a state of emergency.

During the year ended March 31, 2021, the Fund was impacted by certain disruptions and restrictions on their employees' ability to work due to certain work from home and shelter in place orders imposed by local and state governments. This included work travel restrictions imposed by governments and the inability to access the office and training facilities. Management has been able to adapt the Fund's operations for the impacts of the pandemic. However, the pandemic could continue to adversely affect the economies and financial health of many federal, state, and local governments resulting in an economic downturn that could affect demand for HSF's services. Any of the foregoing could harm the Fund and management cannot anticipate all of the ways in which health epidemics such as COVID-19 could adversely impact the Fund. Although management is continuing to monitor and assess the effects of the pandemic on the Fund, the ultimate impact of the outbreak or a similar health epidemic is highly uncertain and subject to change.

Hispanic Scholarship Fund

Notes to the Consolidated Financial Statements

Note 19 - Related Parties:

Certain board members and their employers made contributions on an individual basis as well as through corporations by whom they are employed. For the years ended March 31, 2021 and 2020, such total contributions were approximately \$16,128,272 and \$9,079,319, respectively. Included in the years ended March 31, 2021 and 2020 is approximately \$9,209,046 and \$1,215,585 of in-kind donations, respectively.

Note 20 - Paycheck Protection Program Contribution:

On April 10, 2020, the Fund obtained a Paycheck Protection Program (PPP) loan with its bank through the Small Business Administration in the amount of approximately \$1,071,000 with an annual fixed interest rate of 1% due in 24 months. If the Fund utilized the loan in accordance with certain criteria established by the CARES Act, a portion or all of the loan would be forgiven. The Fund accounted for this loan using the conditional contribution model under ASC 958-605, as amended by ASU 2018-08. On March 2, 2021, this loan was forgiven in full, and the conditional contribution became recognized as a contribution in the accompanying consolidated statements of activities for the year ended March 31, 2021.