

Fellowship of Christians in Universities and Schools, Inc.

**Financial Statements with Independent Auditor's Report**

Years Ended May 31, 2019 and 2018

Fellowship of Christians in Universities and Schools, Inc.

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## **Independent Auditor's Report**

To the Board of Trustees  
Fellowship of Christians in Universities and Schools, Inc.

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Fellowship of Christians in Universities and Schools, Inc. (a Connecticut nonprofit corporation), which comprise the statement of financial position as of May 31, 2019, and the related statements of activities, functional expenses, and cash flows for the year 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.

### ***Auditor's Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 the 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 audit opinion.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Fellowship of Christians in Universities and Schools, Inc. as of May 31, 2019, and the changes in its net assets and its cash flows, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### ***Change in Accounting Principle***

As discussed in Note 2, during the year ended May 31, 2019, Fellowship of Christians in Universities and Schools, Inc. adopted Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

### ***Other Matters***

We have previously audited Fellowship of Christians in Universities and Schools, Inc.'s 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 7, 2018. In our opinion, the summarized comparative information presented herein and as of and for the year ended May 31, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

***Nanavaty, Nanavaty & Davenport, LLP***

September 16, 2019

**Statements of Financial Position**

As of May 31

	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 2,793,131	\$ 3,701,232
Pledges receivable, net	1,357,119	1,287,327
Prepaid and other assets	112,735	102,825
Investments in securities	3,533,297	1,844,219
Investments in real estate	1,695,000	1,695,000
Property, furniture and equipment	2,153,228	2,176,107
<b>Total Assets</b>	<u><u>\$ 11,644,510</u></u>	<u><u>\$ 10,806,710</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities:</b>		
Accounts payable and accrued expenses	\$ 106,669	\$ 69,240
Deferred revenue	452,001	622,711
Total Liabilities	<u>558,670</u>	<u>691,951</u>
<b>Net Assets:</b>		
Without donor restrictions	8,845,643	7,761,893
With donor restrictions:	2,240,197	2,352,866
Total Net Assets	<u>11,085,840</u>	<u>10,114,759</u>
<b>Total Liabilities and Net Assets</b>	<u><u>\$ 11,644,510</u></u>	<u><u>\$ 10,806,710</u></u>

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

Fellowship of Christians in Universities and Schools, Inc.

**Statements of Activities**

Years Ended May 31

	<u>2019</u>	<u>2018</u>
<b>Changes in Net Assets Without Restrictions</b>		
Support and Revenue:		
Contributions	\$ 1,802,764	\$ 2,270,130
Program revenue	589,344	564,758
Other income	126,159	83,430
Rental income	38,200	34,200
Investment return, net	99,862	266,469
Total support and revenue	<u>2,656,329</u>	<u>3,218,987</u>
Net assets released from restrictions	2,452,208	2,282,736
Expenses:		
Program expenses	3,170,046	2,803,982
Management and general	420,288	388,266
Fundraising	434,453	370,952
Total expenses	<u>4,024,787</u>	<u>3,563,200</u>
Change in net assets without restrictions	<u>1,083,750</u>	<u>1,938,523</u>
<b>Changes in Net Assets With Restrictions:</b>		
Contributions	2,339,539	2,532,945
Net assets released from restrictions	(2,452,208)	(2,282,736)
Change in net assets with restrictions	<u>(112,669)</u>	<u>250,209</u>
<b>Change in Net Assets</b>	971,081	2,188,732
<b>Net Assets - beginning of year</b>	10,114,759	7,926,027
<b>Net Assets - end of year</b>	<u>\$ 11,085,840</u>	<u>\$ 10,114,759</u>

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

**Statements of Cash Flows**

Years Ended May 31

	<u>2019</u>	<u>2018</u>
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ 971,081	\$ 2,188,732
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	93,025	91,214
In-kind donations of securities	(433,878)	(506,805)
Discount on pledges receivable	688	8,281
Net realized and unrealized gains on investments	38,577	(153,340)
(Increase) decrease in operating assets:		
Pledges receivable	(70,480)	(762,122)
Prepaid and other current assets	(9,910)	7,758
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	37,429	(496)
Deferred revenue	(170,710)	171,437
Net cash provided by operating activities	<u>455,822</u>	<u>1,044,659</u>
<b>Cash Flows from Investing Activities</b>		
Proceeds from sale of property, furniture and equipment		-
Proceeds from sale of investments	435,883	508,180
Purchase of investments	(1,729,660)	(251,082)
Purchases of property, furniture and equipment	(70,146)	(41,436)
Net cash (used in) provided by investing activities	<u>(1,363,923)</u>	<u>215,662</u>
<b>Net (Decrease) Increase in Cash and Cash Equivalents</b>	(908,101)	1,260,321
<b>Cash and Cash Equivalents - beginning of year</b>	3,701,232	2,440,911
<b>Cash and Cash Equivalents - end of year</b>	<u>\$ 2,793,131</u>	<u>\$ 3,701,232</u>

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

## Statements of Functional Expenses

Years Ended May 31

	2019				2018			
	Program Services	General	Development	Total	Program Services	General	Development	Total
		and Administrative	and Fundraising			and Administrative	and Fundraising	
<b>Personnel:</b>								
Salaries and wages	1,385,010	210,548	183,195	\$ 1,778,753	\$ 1,201,910	\$ 191,567	\$ 167,046	\$1,560,523
Payroll taxes	133,419	18,009	16,194	167,622	115,844	17,574	14,341	147,759
Other employee benefits	417,941	58,752	75,384	552,077	362,551	52,319	72,779	487,649
Pension	41,314	9,209	7,591	58,114	38,177	8,715	6,784	53,676
Staff development	27,655	3,175	1,686	32,516	25,117	2,727	1,101	28,945
Total Personnel Expenses	<u>2,005,339</u>	<u>299,693</u>	<u>284,050</u>	<u>2,589,082</u>	<u>1,743,599</u>	<u>272,902</u>	<u>262,051</u>	<u>2,278,552</u>
<b>Area and Programs:</b>								
Camps and conferences	280,434	-	52,731	333,165	295,058	-	683	295,741
Travel	181,020	6,252	10,420	197,692	140,479	6,518	8,401	155,398
Meals	141,246	678	853	142,777	106,989	699	823	108,511
Scholarships	64,151	-	-	64,151	43,139	-	-	43,139
Total Area and Program Expenses	<u>666,851</u>	<u>6,930</u>	<u>64,004</u>	<u>737,785</u>	<u>585,665</u>	<u>7,217</u>	<u>9,907</u>	<u>602,789</u>
<b>Operations:</b>								
Occupancy	176,734	33,045	-	209,779	180,057	32,002	-	212,059
Professional fees	19,665	59,373	30,248	109,286	21,835	59,031	41,807	122,673
Depreciation	93,025	-	-	93,025	91,214	-	-	91,214
Bank charges and service fees	28,667	920	21,913	51,500	24,841	1,426	19,729	45,996
Insurance	39,917	-	401	40,318	40,626	3,098	511	44,235
Equipment rental and maintenance	43,823	154	3,721	47,698	35,787	650	2,825	39,262
Fundraising	-	-	23,693	23,693	-	-	31,097	31,097
Conferences and meetings	27,005	2,617	1,198	30,820	24,807	3,161	683	28,651
Supplies	32,536	3,692	3,667	39,895	17,173	2,205	321	19,699
Printing and copying	11,394	5,478	424	17,296	14,080	951	1,228	16,259
Postage and mailing	5,430	2,734	481	8,645	5,139	2,897	140	8,176
Telephone and internet	19,211	2,427	653	22,291	19,159	2,591	653	22,403
Miscellaneous	449	3,225	-	3,674	-	135	-	135
Total Operations Expense	<u>497,856</u>	<u>113,665</u>	<u>86,399</u>	<u>697,920</u>	<u>474,718</u>	<u>108,147</u>	<u>98,994</u>	<u>681,859</u>
<b>Total Expenses</b>	<u><u>\$3,170,046</u></u>	<u><u>\$ 420,288</u></u>	<u><u>\$ 434,453</u></u>	<u><u>\$ 4,024,787</u></u>	<u><u>\$ 2,803,982</u></u>	<u><u>\$ 388,266</u></u>	<u><u>\$ 370,952</u></u>	<u><u>\$3,563,200</u></u>

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

## Notes to the Financial Statements

### NOTE 1 - ORGANIZATION

Fellowship of Christians in Universities and Schools, Inc. (FOCUS) is a Connecticut nonstock, nonprofit corporation. FOCUS is a diverse community of students, alumni, parents, faculty, clergy and professionals from a variety of Christian denominations drawn together by a common faith for the purpose of conveying the traditional Christian message to students in universities and independent schools throughout the United States.

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Change in Accounting Principle** – In August 2016, the Financial Accounting Standards Board discussed Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The amendment changes the previous reporting model for nonprofit organizations and enhances the disclosure requirements. The major changes include: (a) requiring the presentation of only two classes of net assets rather than three, (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct internal investment expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. This ASU is effective for annual periods beginning after December 15, 2017. Management has adopted ASU 2016-14 for the year ended May 31, 2019. The amendments have been retrospectively applied, with the exception of the disclosures on liquidity and availability of resources for the year ended May 31, 2018.

**Basis of Accounting and Presentation** - FOCUS prepares its financial statements on the accrual basis in accordance with accounting principles generally accepted in the United States of America. Accordingly, the accounts of FOCUS are reported in the following net asset categories:

**Net Assets Without Donor Restrictions** - Net assets without restrictions represent available resources other than donor-restricted contributions. These resources may be expended at the discretion of the Board of Trustees. Undesignated net assets represent the portion of expendable funds that is available for support of operations. Designated net assets represent reserves or special designations established by the Board of Trustees. FOCUS has identified three categories of designated net assets without donor-imposed restrictions: funds functioning as endowment for the amounts accumulated as board-designated endowment funds of \$4,372,476, funds accumulated for an operating reserve of \$650,000, and FOCUS' investment in property, furniture and equipment of \$2,153,228.

**Notes to the Financial Statements (continued)**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Net Assets With Donor Restrictions** - Net assets with donor restrictions represent contributions that are restricted by the donor as to purpose or time of expenditure. FOCUS has different categories of net assets with donor restrictions including: funds functioning as endowment, which included accumulated investment income and gains on donor-restricted endowment assets that have not been appropriated for expenditure, and donor contributions with purpose or time restrictions. Net assets with donor restrictions also represent resources that have donor-imposed restrictions that require that the principal be maintained in perpetuity but permit FOCUS to expend the income and market appreciation earned.

**Use of Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures in the financial statements. Actual results could differ from those estimates. Significant estimates include those used in determining the fair value of investments in real estate and the allowance for uncollectible pledges receivable.

**Cash and Cash Equivalents** - Cash and cash equivalents are defined as highly liquid investments with original maturities of up to 90 days. Cash and cash equivalents include money market deposits maintained in the brokerage accounts.

**Investment Valuation and Income Recognition** - Investments are reported at fair value. Fair value is 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. See Note 5 for a discussion of fair value measurements.

Purchases and sales of securities are recorded on the trade date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Realized and unrealized gains include FOCUS' gains and losses on investments bought and sold as well as held during the year.

The Board of Trustees finance committee determines FOCUS' valuation policies and procedures utilizing information provided by asset custodians, fund managers and real estate professionals.

**Property, Furniture and Equipment** - Property, furniture and equipment acquisitions and improvements thereon that exceed \$5,000 are capitalized at cost and depreciated on a straight-line basis over their estimated useful lives of 5 to 40 years. Repairs and maintenance are charged to expense as incurred.

**Notes to the Financial Statements (continued)**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Contributions** - Unconditional contributions are recognized when pledged or received, as applicable, and are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions receivable that are expected to be collected in more than one year are discounted to their present value and are recorded net of an allowance for any uncollectible amounts. Contributions of cash and other assets are reported as restricted support if they are received with donor stipulations that limit their use. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with restrictions are released from restrictions and reclassified to net assets without restriction. Contributions received whose restrictions are met in the same period are recognized with net assets without restriction. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Conditional gifts received are recognized when the conditions on which they depend on are substantially met.

**Donated Property and Services** - Donated property and the use of equipment and facilities are recorded as support and expenses at fair market value when determinable, otherwise at values indicated by the donor. Donated services are recognized as contributions if the services create or enhance nonfinancial assets or require specialized skills, are performed by people with those skills and would otherwise be purchased by FOCUS.

While many individuals volunteer their time, and perform a variety of tasks that assist FOCUS, no amounts have been recognized in the accompanying financial statements for such services because the criteria for recognition of such volunteer efforts have not been met.

**Program Revenue** - FOCUS recognizes program revenue in the year the program takes place. Any revenue received during the fiscal year for a program that has not taken place is considered deferred revenue.

**Rental Income** - FOCUS recognizes rental income in the month that it is earned. Any rent received in advance of the month that it is earned is considered deferred revenue.

**Income Taxes** - FOCUS is a nonprofit organization and is exempt from federal and state income taxes as a public charity under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements. FOCUS recognizes the benefits of income tax positions only if those positions are more likely than not of being sustained. FOCUS is subject to routine audits by the Internal Revenue Service. There are currently no audits for any tax periods in progress and FOCUS believes that it is no longer subject to audits for years prior to 2015.

**Cost Allocation** - The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include personnel expenses, area and program expenses, and operations expenses. These expenses are allocated on the basis of time and effort spent in the applicable functions and are determined by FOCUS management.

**Notes to the Financial Statements (continued)**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Subsequent Events** - In preparing these financial statements, management has evaluated subsequent events through September 16, 2019, which represents the date the financial statements were available to be issued.

**NOTE 3 - CONCENTRATION**

FOCUS' financial instruments that are exposed to a concentration of credit risk consist of cash and cash equivalents, and investments.

**Cash and cash equivalents** - FOCUS places its cash deposits with high credit-quality institutions. Such deposits may exceed federal depository insurance limits at times during the year. However, management believes that these deposits are not subject to significant credit risk. The money market funds held in brokerage accounts is not protected by federal depository insurance.

**Investments** - FOCUS' investments are comprised of various common stocks, mutual funds, and investments in real estate. The value of these investments is subject to fluctuations due to general market conditions and interest rates.

**NOTE 4 - PLEDGES RECEIVABLE**

Pledges receivable consist of the following unconditional promises to give at May 31:

	<u>2019</u>	<u>2018</u>
Amounts expected to be collected in:		
Less than one year	546,670	510,596
One to five years	826,989	792,583
	<u>1,373,659</u>	<u>1,303,179</u>
Less: discount to net present value	(16,540)	(15,852)
Net Pledges Receivable	<u>\$ 1,357,119</u>	<u>\$ 1,287,327</u>

Pledges receivable that are expected to be collected after one year have been discounted at 2% and are reflected in the financial statements at their net present value.

**Notes to the Financial Statements (continued)**

**NOTE 5 - FAIR VALUE MEASUREMENTS**

The Financial Accounting Standards Board (“FASB”) Topic 820, under the FASB Accounting Standards Codification (“ASC”) defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. This standard provides a consistent definition of fair value, which focuses on an exit price between market participants in an orderly transaction. The standard also prioritizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that observable inputs be used when available.

Observable inputs are inputs that market participants would use in pricing the respective asset or liability based on market data obtained from independent sources. Unobservable inputs reflect assumptions that market participants would use in pricing the asset or liability based on the best information available in the circumstances. The hierarchy is categorized into three levels based on the transparency of inputs as follows:

**Level 1** - Quoted prices are available in active markets for identical assets or liabilities as of the report date. A quoted price for an identical asset or liability in an active market provides the most reliable fair value measurement because it is directly observable to the market.

**Level 2** - Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the report date. The nature of these securities includes investments for which quoted prices are available but traded less frequently and investments that are fair valued using other securities, the parameters of which can be directly observed. Also included in Level 2 are investments measured using a net asset value (“NAV”) per share, or its equivalent, that may be redeemed at NAV at the date of the statement of financial position or in the near term, which FOCUS has determined to be within 90 days.

**Level 3** - Investments that have little to no pricing observability as of the report date. These investments are measured using management’s best estimate of fair value, where the inputs into the determination of fair value are not observable and require significant management judgment or estimation.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors. A financial instrument’s level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes “observable” requires significant judgment by FOCUS. FOCUS considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

**Notes to the Financial Statements (continued)**

**NOTE 5 - FAIR VALUE MEASUREMENTS (continued)**

The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to FOCUS' perceived risk of that instrument.

FOCUS' policy is to recognize transfers in and transfers out of levels at the end of the reporting period.

The following is a description of the valuation methodologies used for assets measured at fair value:

**Exchanged Traded Funds, Common Stocks and Mutual Funds** – These items are valued at the closing price reported in the active market in which the individual securities are traded.

**Real Estate** – Real estate is valued based on estimates from independent real estate professionals using market values of similar area properties discounted for current market conditions and uncertainty.

There have been no changes in the methodologies used at May 31, 2019 and 2018.

**Assets Measured at Fair-Value on a Recurring Basis** - The following is a summary of the source of fair-value measurements for assets that are measured at fair-value on a recurring basis as of May 31:

Investment Description	2019			Total
	Level 1	Level 2	Level 3	
Exchange traded funds and common stocks	\$1,376,059	\$ -	\$ -	\$1,376,059
Mutual funds	2,157,238	-		2,157,238
Investments in real estate:				
Real estate in New York, NY	-	-	1,094,000	1,094,000
Real estate in Greenwich, CT	-	-	601,000	601,000
Total investments at fair value	3,533,297	-	1,695,000	5,228,297
Pledges receivable, net	-	-	1,357,119	1,357,119
Total assets at fair value	\$3,533,297	\$ -	\$3,052,119	\$6,585,416

Notes to the Financial Statements (continued)

NOTE 5 - FAIR VALUE MEASUREMENTS (continued)

Investment Description	2018			
	Level 1	Level 2	Level 3	Total
Exchange traded funds and common stocks	\$ 947,424	\$ -	\$ -	\$ 947,424
Mutual funds	896,795	-		896,795
Investments in real estate:				
Real estate in New York, NY	-	-	1,094,000	1,094,000
Real estate in Greenwich, CT	-	-	601,000	601,000
Total investments at fair value	1,844,219	-	1,695,000	3,539,219
Pledges receivable, net	-	-	1,287,327	1,287,327
Total assets at fair value	\$ 1,844,219	\$ -	\$ 2,982,327	\$ 4,826,546

**Assets Measured at Fair-Value on a Recurring Basis Using Significant Unobservable Inputs (Level 3)** - The following is a summary of the changes in the balances of investments measured at fair-value on a recurring basis, using significant unobservable inputs for May 31:

	Investments in Real Estate	
	2019	2018
Balance - beginning of year	\$ 1,695,000	\$ 1,501,000
Change in investment value	-	194,000
Balance - end of year	\$ 1,695,000	\$ 1,695,000

	Pledges Receivable	
	2019	2018
Balance - beginning of year	\$ 1,287,327	\$ 533,486
Additions	708,900	1,262,775
Collections on pledges receivable	(638,420)	(500,653)
Change in value of discount on pledges receivable	(688)	(8,281)
Balance - end of year	\$ 1,357,119	\$ 1,287,327

**Notes to the Financial Statements (continued)**

**NOTE 6 - PROPERTY, FURNITURE AND EQUIPMENT**

Property, furniture and equipment consist of the following at May 31:

	<u>2019</u>	<u>2018</u>
Land	\$ 812,791	\$ 812,791
Land improvements	113,170	93,357
Buildings and improvements	2,974,911	2,901,692
Furniture, fixtures and equipment	277,931	259,381
Vehicles	45,911	51,411
Construction in progress	-	41,436
	<u>4,224,714</u>	<u>4,160,068</u>
Less: accumulated depreciation	(2,071,486)	(1,983,961)
Property, Furniture and Equipment, net	<u>\$ 2,153,228</u>	<u>\$ 2,176,107</u>

**NOTE 7 - LINE OF CREDIT**

FOCUS had a line of credit with a financial institution in the amount of \$400,000 that expired June 23, 2018. There were no outstanding borrowings on the line of credit at any time during 2019 or 2018.

**NOTE 8 - LIQUIDITY AND AVAILABILITY OF RESOURCES**

FOCUS' financial assets available within one-year of the statements of financial position date for general expenditure are as follows:

Cash and cash equivalents	\$ 1,859,184
Pledges receivable, net	546,670
Other assets	<u>17,952</u>
Total Financial Assets Available to Management for General Expenditure within One-Year	<u>\$ 2,423,806</u>

*Liquidity Management*

FOCUS maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities and other obligations come due. FOCUS also had a line of credit with \$150,000 available as of December 31, 2018 that it could draw upon in the event of an unanticipated liquidity need. FOCUS' board has also designated a portion of its resources without donor restrictions to be used for operations in the amount of \$650,000. In addition to financial assets available to meet general expenditures over the next 12 months, FOCUS operates with a balanced budget and anticipates sufficient revenue to cover general expenditures.

**Notes to the Financial Statements (continued)**

**NOTE 9 - NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions are available for the following purposes at May 31:

	<u>2019</u>	<u>2018</u>
Restricted in perpetuity:		
Endowment funds restricted in perpetuity	\$ 1,000,000	\$ 1,000,000
Total funds restricted in perpetuity	<u>1,000,000</u>	<u>1,000,000</u>
Purpose and time restricted:		
Time restricted	183,000	297,494
Purpose restricted:		
Regional support	845,383	853,790
Founder's Fund	163,220	173,220
Scholarship	<u>48,594</u>	<u>28,362</u>
Total purpose and time restricted	<u>1,240,197</u>	<u>1,352,866</u>
	<u>\$ 2,240,197</u>	<u>\$ 2,352,866</u>

**NOTE 10 - NETS ASSETS RELEASED FROM RESTRICTIONS**

Net assets were released from donor restrictions by incurring expenses satisfying the following purpose or time restrictions during the year ended May 31:

	<u>2019</u>	<u>2018</u>
Time restricted	\$ 176,500	\$ 331,159
Purpose restricted:		
Regional support	2,265,708	1,888,437
Founder's Fund	10,000	10,000
Study Center Capital Improvement Fund	<u>-</u>	<u>53,140</u>
	<u>\$ 2,452,208</u>	<u>\$ 2,282,736</u>

**NOTE 11 - ENDOWMENT**

FOCUS' endowment consists of individual funds established for a variety of purposes and two real estate property investments made for the purpose of supporting operations. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

**Notes to the Financial Statements (continued)**

**NOTE 11 - ENDOWMENT (continued)**

**Interpretation of Relevant Law** - The Board of Trustees of FOCUS has interpreted the Connecticut Prudent Management of Institutional Funds Act (CTPMIFA) 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, FOCUS classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment 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 that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by FOCUS in a manner consistent with the standard of prudence prescribed by CTPMIFA.

In accordance with CTPMIFA, FOCUS considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the organization and the donor-restricted endowment fund
- The investment policies of the organization
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the organization

**Endowment Net Assets** - Endowment net assets composition by type of fund is as follows as of May 31:

	<u>Without Donor Restrictions</u>	<u>2019 With Donor Restrictions</u>	<u>Total</u>
Board-designated endowment funds	\$ 3,677,476	\$ -	\$ 3,677,476
Donor-restricted endowment funds:			
General operating purposes	-	1,000,000	1,000,000
Accumulated gains and income available for appropriation by the Board of Trustees for the following purposes:			
General operating purposes	695,000	-	695,000
Total	<u>\$ 4,372,476</u>	<u>\$ 1,000,000</u>	<u>\$ 5,372,476</u>

**Notes to the Financial Statements (continued)**

**NOTE 11 - ENDOWMENT (continued)**

	<u>2018</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Board-designated endowment funds	\$ 1,700,090	\$ -	\$ 1,700,090
Donor-restricted endowment funds:			
General operating purposes	-	1,000,000	1,000,000
Accumulated gains and income available for appropriation by the Board of Trustees for the following purposes:			
General operating purposes	695,000	-	695,000
Total	<u>\$ 2,395,090</u>	<u>\$ 1,000,000</u>	<u>\$ 3,395,090</u>

Changes in endowment net assets for the years ended May 31, 2019 and 2018 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets - June 1, 2017	\$ 1,165,429	\$ 1,000,000	\$ 2,165,429
Investment return, net	194,000	-	194,000
Contributions	1,035,661	-	1,035,661
Endowment nets assets - May 31, 2018	2,395,090	1,000,000	3,395,090
Contributions	977,386	-	977,386
Additional board designation of assets	1,000,000	-	1,000,000
Endowment nets assets - May 31, 2019	<u>\$ 4,372,476</u>	<u>\$ 1,000,000</u>	<u>\$ 5,372,476</u>

**Funds with Deficiencies** - From time to time, the fair value of investments associated with donor-restricted endowment funds may fall below the level that the donor or CTPMIFA requires FOCUS to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are reported in unrestricted net assets. There were no funds with deficiencies as of May 31, 2019, and May 31, 2018.

**Return Objectives and Risk Parameters** - FOCUS has adopted an investment policy for endowment assets that attempts to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include donor-restricted assets that FOCUS must hold in perpetuity. Under this policy, as approved by the Board of Trustees, endowment assets are invested in a manner that is intended to meet FOCUS' primary objective of preservation of their capital investments and the secondary objective of long-term capital appreciation.

**Notes to the Financial Statements (continued)**

**NOTE 11 - ENDOWMENT (continued)**

**Strategies Employed for Achieving Objectives** - To satisfy its long-term rate-of-return objectives, FOCUS currently relies on a strategy of investing in real estate which investment returns are achieved through capital appreciation (realized and unrealized).

**Spending Policy and How the Investment Objectives Relate to Spending Policy** - FOCUS' Board of Trustees has adopted a spending policy that evaluates an annual contribution to operations constrained to a level that is deemed sustainable on average, based on financial market conditions over time. The initial policy is to limit spending in a given year to 4% of the prior year balance. This policy will be regularly reviewed by the Board of Trustees. FOCUS has an investment objective to maintain the purchasing power of the endowment assets held in perpetuity, as well as to provide additional real growth through new gifts and investment return.

**NOTE 12 - EMPLOYEE BENEFITS**

FOCUS has a defined contribution pension plan under Section 403(b) of the Internal Revenue Code. All employees are eligible to participate in the plan on a deferred or non-tax deferred basis up to the maximum amount allowed by the Internal Revenue Code. FOCUS provides a discretionary matching contribution up to 5% of each participant's eligible compensation, beginning on the first entry date after the employee completes one year of service, has worked 1,000 hours or more during a consecutive 12-month period, and is above the age of 21. FOCUS contributed \$58,114 and \$53,676 to the plan during the years ended May 31, 2019 and 2018, respectively.

**NOTE 13 - LEASE COMMITMENTS**

FOCUS has entered into agreements to lease office space for its programs and administrative operations, which terms expire at various times through December 2019. It also leases office space under month-to-month agreements. On June 7, 2018 the lease for the National Office was extended for two years beginning on July 1, 2018. Base rent shall be \$3,068.37 per month for the term of the lease. Rent expense was \$53,501 and \$57,198 for the years ended May 31, 2019 and 2018, respectively.

Future minimum lease payments under the operating leases are \$36,820 for the year ending May 31, 2020 and \$3,068 to the end of the lease on July 1, 2020.