

Fellowship of Christians in Universities and Schools, Inc.

Financial Statements with Independent Auditor's Report

Years Ended May 31, 2020 and 2019

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 statements of financial position as of May 31, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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, 2020 and 2019, and the changes in its net assets and its cash flows, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Nanavaty, Davenport, Studley & White, LLP

October 13, 2020

Statements of Financial Position

As of May 31

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash and cash equivalents	\$ 1,560,127	\$ 2,793,131
Pledges receivable, net	870,896	1,357,119
Prepaid and other assets	65,371	112,735
Investments in securities	5,398,300	3,533,297
Investments in real estate	1,651,000	1,695,000
Property, furniture and equipment, net	2,076,592	2,153,228
Total Assets	<u>\$ 11,622,286</u>	<u>\$ 11,644,510</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 507,215	\$ 106,669
Deferred revenue	110,900	452,001
Total Liabilities	<u>618,115</u>	<u>558,670</u>
Net Assets:		
Without donor restrictions	8,531,681	8,845,643
With donor restrictions	2,472,490	2,240,197
Total Net Assets	<u>11,004,171</u>	<u>11,085,840</u>
Total Liabilities and Net Assets	<u>\$ 11,622,286</u>	<u>\$ 11,644,510</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>2020</u>	<u>2019</u>
Changes in Net Assets Without Restrictions		
Support and Revenue:		
Contributions	724,017	1,802,764
Program revenue	564,795	589,344
Other income	212,356	126,159
Rental income	35,550	38,200
Investment return, net	92,761	99,862
Total support and revenue	<u>1,629,479</u>	<u>2,656,329</u>
Net assets released from restrictions	2,535,070	2,452,208
Expenses:		
Program expenses	3,263,359	3,170,046
Management and general	917,379	420,288
Fundraising	297,773	434,453
Total expenses	<u>4,478,511</u>	<u>4,024,787</u>
Change in net assets without restrictions	<u>(313,962)</u>	<u>1,083,750</u>
Changes in Net Assets With Restrictions:		
Contributions	2,366,576	2,282,940
Other income	400,787	56,599
Net assets released from restrictions	<u>(2,535,070)</u>	<u>(2,452,208)</u>
Change in net assets with restrictions	<u>232,293</u>	<u>(112,669)</u>
Change in Net Assets	(81,669)	971,081
Net Assets - beginning of year	11,085,840	10,114,759
Net Assets - end of year	<u>\$ 11,004,171</u>	<u>\$ 11,085,840</u>

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

Statements of Cash Flows

Years Ended May 31

	<u>2020</u>	<u>2019</u>
Cash Flows from Operating Activities		
Change in net assets	\$ (81,669)	\$ 971,081
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	94,636	93,025
In-kind donations of securities	(509,714)	(433,878)
Discount on pledges receivable	(4,769)	688
Net realized and unrealized loss on investments	62,287	38,577
(Increase) decrease in operating assets:		
Pledges receivable	490,992	(70,480)
Prepaid and other current assets	47,364	(9,910)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	400,546	37,429
Deferred revenue	(341,101)	(170,710)
Net cash provided by operating activities	<u>158,572</u>	<u>455,822</u>
Cash Flows from Investing Activities		
Proceeds from sale of investments	2,184,272	435,883
Purchase of investments	(3,557,848)	(1,729,660)
Purchases of property, furniture and equipment	(18,000)	(70,146)
Net cash used in investing activities	<u>(1,391,576)</u>	<u>(1,363,923)</u>
Net Decrease in Cash and Cash Equivalents	(1,233,004)	(908,101)
Cash and Cash Equivalents - beginning of year	2,793,131	3,701,232
Cash and Cash Equivalents - end of year	<u>\$ 1,560,127</u>	<u>\$ 2,793,131</u>

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

Statements of Functional Expenses

Years Ended May 31

	2020				2019			
	General	Development	Total	Total	General	Development	Total	
	and	and			and	and		
Program	Administrative	Fundraising	Program	Administrative	Fundraising	Program	Administrative	
Services			Services			Services		
Personnel:								
Salaries and wages	\$1,453,387	\$ 212,236	\$ 176,977	\$ 1,842,600	\$ 1,385,010	\$ 210,548	\$ 183,195	\$1,778,753
Payroll taxes	123,169	18,186	14,683	156,038	133,419	18,009	16,194	167,622
Other employee benefits	409,021	50,304	42,089	501,414	417,941	58,752	75,384	552,077
Pension	43,937	9,410	7,190	60,537	41,314	9,209	7,591	58,114
Staff development	47,092	2,491	1,700	51,283	27,655	3,175	1,686	32,516
Total Personnel Expenses	2,076,606	292,627	242,639	2,611,872	2,005,339	299,693	284,050	2,589,082
Area and Programs:								
Camps and conferences	336,906	-	-	336,906	280,434	-	52,731	333,165
Travel	188,034	4,747	3,919	196,700	181,020	6,252	10,420	197,692
Meals	100,312	211	564	101,087	141,246	678	853	142,777
Scholarships	50,448	-	-	50,448	64,151	-	-	64,151
Total Area and Program Expenses	675,700	4,958	4,483	685,141	666,851	6,930	64,004	737,785
Operations:								
Occupancy	153,195	33,139	-	186,334	176,734	33,045	-	209,779
Professional fees	39,579	71,167	29	110,775	19,665	59,373	30,248	109,286
Depreciation	94,636	-	-	94,636	93,025	-	-	93,025
Bank charges and service fees	25,857	135	18,531	44,523	28,667	920	21,913	51,499
Insurance	48,916	3,132	545	52,593	39,917	-	401	40,318
Equipment rental and maintenance	49,288	2,693	13,601	65,582	43,823	154	3,721	47,699
Fundraising	-	-	16,849	16,849	-	-	23,693	23,693
Conferences and meetings	21,175	688	23	21,886	27,005	2,617	1,198	30,820
Supplies	36,325	2,541	382	39,248	32,536	3,692	3,667	39,896
Printing and copying	16,962	624	71	17,657	11,394	5,478	424	17,297
Postage and mailing	4,726	1,786	222	6,734	5,430	2,734	481	8,645
Telephone and internet	20,394	2,442	398	23,234	19,211	2,427	653	22,290
Miscellaneous	-	501,447	-	501,447	449	3,225	-	3,674
Total Operations Expense	511,053	619,794	50,651	1,181,498	497,856	113,665	86,399	697,920
Total Expenses	\$3,263,359	\$ 917,379	\$ 297,773	\$ 4,478,511	\$ 3,170,046	\$ 420,288	\$ 434,453	\$4,024,787

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

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 of \$2,085,525 represent the portion of expendable funds that are 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 \$3,719,564; funds accumulated for an operating reserve of \$650,000; and FOCUS' investment in property, furniture and equipment of \$2,076,592 net of accumulated depreciation.

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.

Notes to the Financial Statements (continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 6 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.

Revenue recognition - FOCUS has adopted Accounting Standards Update (ASU) No. 2018-08 *Not-for Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (Topic 605), as management believes the standard improves the usefulness and understandability of its financial statements. Analysis of various provisions of this standard resulted in no significant changes in the way the organization recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

Contributions are recognized when cash, securities, or other assets; an unconditional promise to give; or a notification of a beneficial interest; 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 condition on which they depend have been met. Contributions receivable that are expected to be collected in more than one year are discounted to their present value.

FOCUS reports contributions of cash and other assets 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 reclassified to net assets released from restrictions.

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 is recognized in the month that it is earned. Any rent received in advance of the month that it is earned is considered deferred revenue. The organization records special events revenue equal to the fair value of direct benefits to donors and contribution income for the excess received when the event takes place.

Contributed services are recognized in the financial statements if they enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. 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.

Notes to the Financial Statements (continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 2016.

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.

Subsequent Events - In preparing these financial statements, management has evaluated subsequent events through October 13, 2020, which represents the date the financial statements were available to be issued.

NOTE 3 - CONCENTRATIONS OF CREDIT AND MARKET RISK

FOCUS' financial instruments that are exposed to a concentration of credit and market 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. Money market deposits held in brokerage accounts, while not exposed to a concentration of credit risk, are 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, the condition of the real estate, and interest rates.

Notes to the Financial Statements (continued)

NOTE 4 - 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:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 1,560,127	\$ 2,793,131
Investment in securities	5,398,300	3,533,297
Pledges receivable due within one-year	294,109	546,670
Other assets	4,180	6,489
	<u>7,256,716</u>	<u>6,879,587</u>
Less net assets related to above assets that are:		
- Board-designated endowment funds	(3,719,564)	(3,677,476)
- net assets with purpose and time restrictions	(1,472,490)	(1,240,197)
	<u>(5,192,054)</u>	<u>(4,917,673)</u>
Total Financial Assets Available to Management for General Expenditure within One-Year	<u>\$ 2,064,662</u>	<u>\$ 1,961,914</u>

*2019 amounts have been adjusted to include all liquid current assets less amounts restricted by board designation or donor designation.

Liquidity Management

FOCUS maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities and other obligations come due. 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.

NOTE 5 - PLEDGES RECEIVABLE

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

	<u>2020</u>	<u>2019</u>
Amounts expected to be collected in:		
Less than one year	\$ 294,109	\$ 546,670
One to five years	588,558	826,989
	<u>882,667</u>	<u>1,373,659</u>
Less: discount to net present value	(11,771)	(16,540)
Net Pledges Receivable	<u>\$ 870,896</u>	<u>\$ 1,357,119</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 6 - 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 6 - 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, 2020 and 2019.

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	2020			Total
	Level 1	Level 2	Level 3	
Exchange traded funds and common stocks	\$3,303,980	\$ -	\$ -	\$3,303,980
Mutual funds	2,094,320	-	-	2,094,320
Investments in real estate:				
Real estate in New York, NY	-	-	1,050,000	1,050,000
Real estate in Greenwich, CT	-	-	601,000	601,000
Total investments at fair value	5,398,300	-	1,651,000	7,049,300
Pledges receivable, net	-	-	870,896	870,896
Total assets at fair value	<u>\$5,398,300</u>	<u>\$ -</u>	<u>\$2,521,896</u>	<u>\$7,920,196</u>

Notes to the Financial Statements (continued)

NOTE 6 - FAIR VALUE MEASUREMENTS (continued)

Investment Description	2019			
	Level 1	Level 2	Level 3	Total
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

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	
	2020	2019
Balance - beginning of year	\$ 1,695,000	\$ 1,695,000
Change in investment value	(44,000)	-
Balance - end of year	\$ 1,651,000	\$ 1,695,000
	Pledges Receivable	
	2020	2019
Balance - beginning of year	\$ 1,357,119	\$ 1,287,327
Additions	178,320	708,900
Collections on pledges receivable	(669,312)	(638,420)
Change in value of discount on pledges receivable	4,769	(688)
Balance - end of year	\$ 870,896	\$ 1,357,119

Notes to the Financial Statements (continued)

NOTE 7 - PROPERTY, FURNITURE AND EQUIPMENT

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

	<u>2020</u>	<u>2019</u>
Land	\$ 812,791	\$ 812,791
Land improvements	113,170	113,170
Buildings and improvements	2,992,911	2,974,911
Furniture, fixtures and equipment	277,931	277,931
Vehicles	27,211	45,911
	<u>4,224,014</u>	<u>4,224,714</u>
Less: accumulated depreciation	(2,147,422)	(2,071,486)
Property, Furniture and Equipment, net	<u>\$ 2,076,592</u>	<u>\$ 2,153,228</u>

NOTE 8 - NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2020</u>	<u>2019</u>
Restricted in perpetuity:		
Endowment funds restricted in perpetuity	<u>\$ 1,000,000</u>	<u>\$ 1,000,000</u>
Total funds restricted in perpetuity	<u>1,000,000</u>	<u>1,000,000</u>
Purpose and time restricted:		
Time restricted	51,000	183,000
Purpose restricted:		
Regional support	1,232,727	845,383
Founder's Fund	153,220	163,220
Scholarship	35,543	48,594
Total purpose and time restricted	<u>1,472,490</u>	<u>1,240,197</u>
	<u>\$ 2,472,490</u>	<u>\$ 2,240,197</u>

Notes to the Financial Statements (continued)

NOTE 9 - NET 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>2020</u>	<u>2019</u>
Time restricted	166,955	\$ 176,500
Purpose restricted:		
Regional support	2,307,668	2,201,557
Founder's Fund	10,000	10,000
Scholarship	50,447	64,151
	<u>\$ 2,535,070</u>	<u>\$ 2,452,208</u>

NOTE 10 - 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.

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.

Notes to the Financial Statements (continued)

NOTE 10 - ENDOWMENT (continued)

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>2020</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Board-designated endowment funds	\$ 3,719,564	\$ -	\$ 3,719,564
Donor-restricted endowment funds:			
General operating purposes	-	1,000,000	1,000,000
Total	<u>\$ 3,719,564</u>	<u>\$ 1,000,000</u>	<u>\$ 4,719,564</u>

	<u>2019</u>		
	<u>Without Donor Restrictions</u>	<u>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
Total	<u>\$ 3,677,476</u>	<u>\$ 1,000,000</u>	<u>\$ 4,677,476</u>

Notes to the Financial Statements (continued)

NOTE 10 - ENDOWMENT (continued)

Changes in endowment net assets are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets - June 1, 2018*	\$ 1,700,090	\$ 1,000,000	\$ 2,700,090
Contributions	977,386	-	977,386
Additional board designation of assets	1,000,000	-	1,000,000
Endowment nets assets - May 31, 2019	3,677,476	1,000,000	4,677,476
Contributions	42,088	-	42,088
Endowment nets assets - May 31, 2020	<u>\$ 3,719,564</u>	<u>\$ 1,000,000</u>	<u>\$ 4,719,564</u>

*Endowment net assets without donor restrictions have been adjusted to correctly state board-designated contributions to the capital campaign.

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, 2020, and May 31, 2019.

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.

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.

Notes to the Financial Statements (continued)

NOTE 11 - 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 \$60,537 and \$58,114 to the plan during the years ended May 31, 2020 and 2019, respectively.

NOTE 12 - LEASE COMMITMENTS

FOCUS has entered into agreements to lease office space for its programs and administrative operations, which terms expire in June 30, 2022. It also leases office space under month-to-month agreements. On May 7, 2020 the lease for the National Office was extended for two years beginning on July 1, 2020. Base rent shall be \$3,068.37 per month for the term of the lease. Rent expense was \$52,861 and \$53,501 for the years ended May 31, 2020 and 2019, respectively.

Future minimum lease payments under the operating leases are \$36,820 through the year ending May 31, 2021 and 2022, and then \$3,068 to the end of the lease on July 1, 2022.

NOTE 13 - COVID-19 EFFECT

In 2020, the COVID-19 outbreak reached the United States and caused economic interruptions through mandated and voluntary closings of businesses and organizations in all 50 states. While the interruption is currently expected to be temporary, there is considerable uncertainty as to the duration and long-term effects of COVID-19 on the economy. As a result of the uncertainties surrounding the transmission of the virus FOCUS cancelled all programs for the summer of 2020, and postponed its fall 2020 golf fundraising event. Due to the uncertainties surrounding the virus, a future vaccine, and the ongoing disruption to businesses and individuals, the organization is unable to reasonably estimate the impact that this will have on its ability to fundraise and operate summer programs going forward.

In March 2020, the federal government passed the Coronavirus Aid, Relief, and Economic Security (CARES) Act which provided loan funds to small businesses to maintain payroll, health benefits and certain other overhead expenses. In March 2020, FOCUS received \$505,050 of Payroll Protection Program funds under the CARES Act. The organization has recorded the funds received as Other Income in the Statement of Activities as it has complied with the required use of the funds.