

Fellowship of Christians in Universities and Schools, Inc.

Financial Statements with Independent Auditor's Report

Years Ended May 31, 2022 and 2021

Fellowship of Christians in Universities and Schools, Inc.

Table of Contents

	<u>Page</u>
Independent Auditor's Report	1
Financial Statements:	
Statements of Financial Position.....	3
Statements of Activities.....	4
Statements of Cash Flows.....	5
Statements of Functional Expenses	6
Notes to the Financial Statements	7

Independent Auditor's Report

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

Opinion

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, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Fellowship of Christians in Universities and Schools, Inc. as of May 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in conformity with the accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Fellowship of Christians in Universities and Schools, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

Nanavaty, Davenport, Studley & White, LLP

October 7, 2022

Fellowship of Christians in Universities and Schools, Inc.

Statements of Financial Position

As of May 31

	<u>2022</u>	<u>2021</u>
ASSETS		
Cash and cash equivalents	3,218,236	\$ 2,758,317
Pledges receivable, net	231,320	642,278
Prepaid and other assets	102,842	112,416
Investments in securities	7,461,965	6,958,166
Investments in real estate	1,968,750	1,750,000
Property, furniture and equipment, net	2,109,119	2,026,717
Total Assets	<u><u>\$ 15,092,232</u></u>	<u><u>\$ 14,247,894</u></u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 21,418	\$ 59,621
Deferred revenue	528,857	520,485
Total Liabilities	<u>550,275</u>	<u>580,106</u>
Net Assets:		
Without donor restrictions	11,381,733	10,581,524
With donor restrictions	3,160,224	3,086,264
Total Net Assets	<u>14,541,957</u>	<u>13,667,788</u>
Total Liabilities and Net Assets	<u><u>\$ 15,092,232</u></u>	<u><u>\$ 14,247,895</u></u>

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

Statements of Activities

Years Ended May 31

	<u>2022</u>	<u>2021</u>
Changes in Net Assets Without Restrictions		
Support and Revenue:		
Contributions	\$ 1,493,297	\$ 1,236,600
Program revenue	470,655	18,205
Other income	63,990	131,813
Rental income	36,000	36,000
Investment return, net	159,466	1,646,188
Total support and revenue	<u>2,223,408</u>	<u>3,068,806</u>
Net assets released from restrictions	2,658,697	2,201,837
Expenses:		
Program expenses	3,354,405	2,564,173
Management and general	404,867	406,310
Fundraising	322,624	250,317
Total expenses	<u>4,081,896</u>	<u>3,220,800</u>
Change in net assets without restrictions	<u>800,209</u>	<u>2,049,843</u>
Changes in Net Assets With Restrictions:		
Contributions	2,720,522	2,573,571
Other income	12,135	242,040
Net assets released from restrictions	<u>(2,658,697)</u>	<u>(2,201,837)</u>
Change in net assets with restrictions	<u>73,960</u>	<u>613,774</u>
Change in Net Assets	874,169	2,663,617
Net Assets - beginning of year	13,667,788	11,004,171
Net Assets - end of year	<u><u>\$ 14,541,957</u></u>	<u><u>\$ 13,667,788</u></u>

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

Statements of Cash Flows

Years Ended May 31

	<u>2022</u>	<u>2021</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 874,169	\$ 2,663,617
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	101,807	94,875
In-kind donations of securities	(391,006)	(364,175)
Discount on pledges receivable	(4,440)	(5,911)
Net realized and unrealized loss (gain) on investments	8,348	(1,492,050)
(Increase) decrease in operating assets:		
Pledges receivable	415,398	234,529
Prepaid and other current assets	32,814	(47,045)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(61,443)	(447,594)
Deferred revenue	8,372	409,585
Net cash provided by operating activities	<u>984,019</u>	<u>1,045,831</u>
Cash Flows from Investing Activities		
Proceeds from sale of investments	417,724	413,804
Purchase of investments	(757,615)	(216,445)
Purchases of property, furniture and equipment	(184,209)	(45,000)
Net cash (used in) provided by investing activities	<u>(524,100)</u>	<u>152,359</u>
Net Increase in Cash and Cash Equivalents	459,919	1,198,190
Cash and Cash Equivalents - beginning of year	2,758,317	1,560,127
Cash and Cash Equivalents - end of year	<u><u>\$ 3,218,236</u></u>	<u><u>\$ 2,758,317</u></u>

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

Fellowship of Christians in Universities and Schools, Inc.

Statements of Functional Expenses

Years Ended May 31

	2022				2021			
	Program Services	General and Administrative	Development and Fundraising	Total	Program Services	General and Administrative	Development and Fundraising	Total
Personnel:								
Salaries and wages	\$ 1,425,332	\$ 224,475	\$ 169,435	\$ 1,819,242	\$ 1,387,953	\$ 217,459	\$ 163,063	\$ 1,768,475
Payroll taxes	120,743	16,924	13,857	151,524	122,102	18,634	13,725	154,461
Other employee benefits	391,707	45,847	34,636	472,190	330,427	54,722	30,837	415,986
Pension	51,931	9,847	7,401	69,179	49,301	10,938	7,867	68,106
Staff development	33,466	3,762	2,707	39,935	20,873	1,372	-	22,245
Total Personnel Expenses	2,023,179	300,855	228,036	2,552,070	1,910,656	303,125	215,492	2,429,273
Area and Programs:								
Camps and conferences	430,548	-	56,990	487,538	71,770	-	-	71,770
Travel	163,878	4,603	2,756	171,237	78,341	3,691	3,872	85,904
Meals	166,223	1,027	569	167,819	45,294	331	167	45,792
Scholarships	28,371	-	-	28,371	1,560	-	-	1,560
Total Area and Program Expenses	789,020	5,630	60,315	854,965	196,965	4,022	4,039	205,026
Operations:								
Occupancy	155,560	33,138	-	188,698	130,608	33,138	-	163,746
Professional fees	22,231	56,847	29	79,107	34,769	53,733	29	88,531
Depreciation	101,807	-	-	101,807	94,875	-	-	94,875
Bank charges and service fees	31,183	-	17,852	49,035	25,009	-	16,627	41,636
Insurance	55,013	1,333	433	56,779	44,457	2,872	617	47,946
Equipment rental and maintenance	54,701	(729)	2,045	56,017	44,636	115	3,365	48,116
Fundraising	-	-	11,346	11,346	-	-	9,498	9,498
Conferences and meetings	17,137	541	19	17,697	553	-	-	553
Supplies	50,597	3,127	1,196	54,920	26,836	2,482	248	29,566
Printing and copying	17,197	12	103	17,312	16,727	153	-	16,880
Postage and mailing	5,816	1,623	1,202	8,641	4,855	1,780	240	6,875
Telephone and internet	30,964	2,257	48	33,269	33,212	2,935	162	36,309
Miscellaneous	-	233	-	233	15	1,955	-	1,970
Total Operations Expense	542,206	98,382	34,273	674,861	456,552	99,163	30,786	586,501
Total Expenses	\$ 3,354,405	\$ 404,867	\$ 322,624	\$ 4,081,896	\$ 2,564,173	\$ 406,310	\$ 250,317	\$ 3,220,800

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. FOCUS' support primarily comes from donor contributions and program revenues.

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 \$3,873,489 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 \$4,749,125; funds accumulated for an operating reserve of \$650,000; and FOCUS' investment in property, furniture, and equipment of \$2,109,119 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 - 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.

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)

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 2018.

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 7, 2022, which represents the date the financial statements were available to be issued. There are no subsequent events that require disclosure.

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.

Pledges receivable - Pledges are generally from donors who have previously contributed to FOCUS, and, therefore, management considers the pledges to represent minimal credit risk. An allowance for uncollectible pledges receivable (if applicable) is provided in the net asset category in which the pledges receivable resides based on an assessment of the credit worthiness of the respective donor.

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>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 3,218,236	\$ 2,758,317
Investment in securities	7,461,965	6,958,166
Pledges receivable due within one-year	161,740	355,118
Other assets	11,866	2,430
	<u>10,853,807</u>	<u>10,074,031</u>
Less net assets related to above assets that are:		
- Board-designated endowment funds	(4,749,125)	(4,033,065)
- net assets with purpose and time restrictions	<u>(2,060,224)</u>	<u>(1,986,264)</u>
	<u>(6,809,349)</u>	<u>(6,019,329)</u>
Total Financial Assets Available to Management for General Expenditure within One-Year	<u><u>\$ 4,044,458</u></u>	<u><u>\$ 4,054,702</u></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. 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>2022</u>	<u>2021</u>
Amounts expected to be collected in:		
Less than one year	161,740	355,118
One to five years	71,000	293,020
	<u>232,740</u>	<u>648,138</u>
Less: discount to net present value	<u>(1,420)</u>	<u>(5,860)</u>
Net Pledges Receivable	<u><u>\$ 231,320</u></u>	<u><u>\$ 642,278</u></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, 2022 and 2021.

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	2022			
	Level 1	Level 2	Level 3	Total
Exchange traded funds and common stocks	\$ 5,279,302	\$ -	\$ -	\$ 5,279,302
Mutual funds	2,182,663	-	-	2,182,663
Investments in real estate:				
Real estate in New York, NY	-	-	1,203,125	1,203,125
Real estate in Greenwich, CT	-	-	765,625	765,625
Total investments at fair value	7,461,965	-	1,968,750	9,430,715
Pledges receivable, net	-	-	231,320	231,320
Total assets at fair value	<u>\$ 7,461,965</u>	<u>\$ -</u>	<u>\$ 2,200,070</u>	<u>\$ 9,662,035</u>

Notes to the Financial Statements (continued)**NOTE 6 - FAIR VALUE MEASUREMENTS (continued)**

Investment Description	2021			
	Level 1	Level 2	Level 3	Total
Exchange traded funds and common stocks	\$ 4,701,419	\$ -	\$ -	\$ 4,701,419
Mutual funds	2,256,747	-		2,256,747
Investments in real estate:				
Real estate in New York, NY	-	-	1,072,000	1,072,000
Real estate in Greenwich, CT	-	-	678,000	678,000
Total investments at fair value	6,958,166	-	1,750,000	8,708,166
Pledges receivable, net	-	-	642,278	642,278
Total assets at fair value	<u>\$ 6,958,166</u>	<u>\$ -</u>	<u>\$ 2,392,278</u>	<u>\$ 9,350,444</u>

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	
	2022	2021
Balance - beginning of year	\$ 1,750,000	\$ 1,651,000
Change in investment value	218,750	99,000
Balance - end of year	<u>\$ 1,968,750</u>	<u>\$ 1,750,000</u>

	Pledges Receivable	
	2022	2021
Balance - beginning of year	\$ 642,278	\$ 870,896
Additions	40,000	171,110
Collections on pledges receivable	(449,514)	(405,639)
Write-off of pledges receivable	(5,884)	-
Change in value of discount on pledges receivable	4,440	5,911
Balance - end of year	<u>\$ 231,320</u>	<u>\$ 642,278</u>

Notes to the Financial Statements (continued)**NOTE 7 - PROPERTY, FURNITURE AND EQUIPMENT**

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

	2022	2021
	<hr/>	<hr/>
Land	\$ 812,791	\$ 812,791
Land improvements	113,170	113,170
Buildings and improvements	3,165,120	3,037,911
Furniture, fixtures, and equipment	277,931	277,931
Vehicles	84,211	27,211
	<hr/>	<hr/>
	4,453,223	4,269,014
Less: accumulated depreciation	(2,344,104)	(2,242,297)
	<hr/>	<hr/>
Property, Furniture and Equipment, net	<u>\$ 2,109,119</u>	<u>\$ 2,026,717</u>

NOTE 8 - NET ASSETS WITH DONOR RESTRICTIONS

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

	2022	2021
	<hr/>	<hr/>
Restricted in perpetuity:		
Endowment funds restricted in perpetuity	\$ 1,100,000	\$ 1,100,000
Total funds restricted in perpetuity	<hr/>	<hr/>
	1,100,000	1,100,000
Purpose and time restricted:		
Time restricted	-	20,000
Purpose restricted:		
Regional support	1,866,184	1,766,759
Founder's Fund	140,719	150,720
Scholarship	53,321	48,785
	<hr/>	<hr/>
Total purpose and time restricted	2,060,224	1,986,264
	<hr/>	<hr/>
Total Net Assets With Donor Restrictions	<u>\$ 3,160,224</u>	<u>\$ 3,086,264</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>2022</u>	<u>2021</u>
Time restricted	20,000	52,110
Purpose restricted:		
Regional support	2,604,047	2,145,712
Founder's Fund	10,001	2,500
Scholarship	24,649	1,515
Net Assets Released from Restrictions	<u>\$ 2,658,697</u>	<u>\$ 2,201,837</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>2022</u>	
		Without Donor Restrictions	With Donor Restrictions
			Total
Board-designated endowment funds		\$ 4,749,125	\$ -
Donor-restricted endowment funds:			
General operating purposes		-	1,100,000
Total		<u>\$ 4,749,125</u>	<u>\$ 1,100,000</u>
			<u>\$ 5,849,125</u>

		<u>2021</u>	
		Without Donor Restrictions	With Donor Restrictions
			Total
Board-designated endowment funds		\$ 4,033,065	\$ -
Donor-restricted endowment funds:			
General operating purposes		-	1,100,000
Total		<u>\$ 4,033,065</u>	<u>\$ 1,100,000</u>
			<u>\$ 5,133,065</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 – May 31, 2020	\$ 3,719,564	\$ 1,000,000	\$ 4,719,564
Contributions	313,501	100,000	413,501
Endowment net assets - May 31, 2021	4,033,065	1,100,000	5,133,065
Contributions	616,060	-	616,060
Transfer in	100,000	-	100,000
Endowment net assets - May 31, 2022	<u>\$ 4,749,125</u>	<u>\$ 1,100,000</u>	<u>\$ 5,849,125</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, 2022, and May 31, 2021.

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 \$69,178 and \$68,106 to the plan during the years ended May 31, 2022 and 2021, respectively.

NOTE 12 - LEASE COMMITMENTS

FOCUS has entered into agreements to lease office space for its programs and administrative operations, which terms expire June 30, 2022. It also leases office space under month-to-month agreements. On May 5, 2022 the lease for the National Office was extended for three years beginning on July 1, 2022. Base rent shall be \$3,068.37 per month for the year of the lease, then increase to \$3,099.05 per month for years two and three. Rent expense was \$60,107 and \$50,320 for the years ended May 31, 2022 and 2021, respectively.

Future minimum lease payments under the operating leases are \$36,820 through the year ending May 31, 2023; \$37,158 through the year ending May 31, 2024; \$37,189 through the year ending May 31, 2025; and then \$3,099 to the end of the lease on June 30, 2025.

NOTE 13 - COVID-19 EFFECT

The March 2020 COVID-19 outbreak caused economic interruptions through mandated and voluntary closings of businesses and organizations throughout the United States in the spring and summer of 2020. The extent of the impact of COVID-19 on FOCUS operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its variants, and its impact on FOCUS donors, employees, and vendors, all of which at present cannot be determined. Accordingly, the extent to which COVID-19 may impact FOCUS' financial position and changes in net assets and cash flows is still uncertain and the accompanying financial statements include no adjustments relating to the effects of this pandemic.

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 and believes that no right of repayment exists. Forgiveness of this loan was received on September 30, 2021.

In March 2021, FOCUS received second draw of \$370,000 of Payroll Protection Program funds under the CARES Act. The organization recorded the funds received as Other Income in the Statement of Activities as it has complied with the required use of the funds and believes that no right of repayment exists. Forgiveness of this loan was received on January 3, 2022.

Notes to the Financial Statements (continued)

NOTE 13 - COVID-19 EFFECT (continued)

The above grants under the CARES act are for specific uses and are subject to review and audit by the Small Business Administration. Such audits could lead to request for reimbursement or reclassification of some or all of the funds to a loan. Based upon prior experience, management believes that such disallowance of qualifying expenses, if any, will not be material.

NOTE 14 - FUNDRAISING EVENT

FOCUS holds a fundraising event every two years to help offset the costs of operating its programs. The most recent event was held in October 2021 and raised \$153,230 in contributions and \$54,600 in event revenues. The event revenues of \$54,600 are included in other income in the statement of activities. Event expenses were \$57,358 and are included in fundraising expenses in the statement of functional expenses.