Fellowship of Christians in Universities and Schools, Inc.

Financial Statements with Independent Auditor's Report

Years Ended May 31, 2023 and 2022

Fellowship of Christians in Universities and Schools, Inc.

Table of Contents

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, 2023 and 2022, 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, 2023 and 2022, 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.

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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 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.

Other Matter

Change in Accounting Principle
As discussed in Note 2, during the year ended May 31, 2023, Fellowship of Christians in Universities and Schools, Inc. adopted Accounting Standards Update No. 2016- 02, *Leases (Topic 842).* Our opinion is not modified with respect to this matter.

Nanavaty, Davenport, Studley & White, LLP

September 25, 2023

Fellowship of Christians in Universities and Schools, Inc.

Statements of Financial Position

As of May 31

	2023	2022
ASSETS		
Cash and cash equivalents	$ 2,080,430	$ 3,218,236
Pledges receivable, net	91,000	231,320
Other receivable - Employee Retention Payroll Tax Credit	520,264	-
Prepaid and other assets	131,856	102,842
Investments in securities	9,292,957	7,461,965
Investments in real estate	1,990,187	1,968,750
Property, furniture and equipment, net	2,045,054	2,109,119
Right of use asset	176,412	-
Total Assets	$ 16,328,160	$ 15,092,232

	2023	2022
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	$ 79,588	$ 21,418
Deferred revenue - program registrations	551,501	525,857
Deferred revenue - events	231,899	3,000
Note payable	33,600	-
Lease liability	176,412	-
Total Liabilities	1,073,000	550,275
Net Assets:		
Without donor restrictions	11,521,481	11,381,733
With donor restrictions	3,733,679	3,160,224
Total Net Assets	15,255,160	14,541,957
Total Liabilities and Net Assets	$ 16,328,160	$ 15,092,232

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

	2023	2022
Changes in Net Assets Without Donor Restrictions		
Support and Revenue:		
Contributions	$ 973,605	$ 1,493,297
Program revenue	658,958	470,655
Employee Retention Payroll Tax Credit	257,801	-
Special events, net of direct benefits to donors	-	54,600
Rental income	36,000	36,000
Other income	7,931	9,390
Investment return, net	(81,384)	159,466
Total support and revenue	1,852,911	2,223,408
Net assets released from donor restrictions	2,868,065	2,658,697
Expenses:		
Program expenses	3,843,044	3,354,405
Management and general	488,554	404,867
Fundraising	263,017	322,624
Total expenses	4,594,615	4,081,896
Change in net assets without donor restrictions	126,361	800,209
Changes in Net Assets With Donor Restrictions:		
Contributions	2,951,312	2,720,522
Employee Retention Payroll Tax Credit	485,867	-
Other income	17,728	12,135
Net assets released from donor restrictions	(2,868,065)	(2,658,697)
Change in net assets with donor restrictions	586,842	73,960
Change in Net Assets	713,203	874,169
Net Assets - beginning of year	14,541,957	13,667,788
Net Assets - end of year	$ 15,255,160	$ 14,541,957

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

Statements of Cash Flows

Years Ended May 31

	2023	2022
Cash Flows from Operating Activities		
Change in net assets	$ 713,203	$ 874,169
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	112,503	101,807
In-kind donations of securities	(302,462)	(391,006)
Change in discount on pledges receivable	(1,420)	(4,440)
Net realized and unrealized loss on investments	331,820	8,348
(Increase) decrease in operating assets:		
Pledges receivable	141,740	415,398
Other receivable - Employee Retention Payroll Tax Credit	(520,264)	-
Prepaid and other current assets	(29,014)	32,814
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	58,170	(61,443)
Deferred revenue - program registrations	25,644	
Deferred revenue - events	228,899	8,372
Net cash provided by operating activities	758,819	984,019
Cash Flows from Investing Activities		
Proceeds from sale of investments	1,150,976	417,724
Purchase of investments	(2,951,513)	(757,615)
Improvements made to investments in real estate	(81,250)	-
Purchases of property, furniture and equipment	(48,438)	(184,209)
Net cash used in investing activities	(1,930,225)	(524,100)
Cash Flows from Financing Activities		
Proceeds from note payable	33,600	-
Net cash provided by financing activities	33,600	-
Net (Decrease) Increase in Cash and Cash Equivalents	(1,137,806)	459,919
Cash and Cash Equivalents - beginning of year	3,218,236	2,758,317
Cash and Cash Equivalents - end of year	$ 2,080,430	$ 3,218,236

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

Statements of Functional Expenses

Years Ended May 31

	2023				2022			
	Program Services	General and Administrative	Development and Fundraising	Total	Program Services	General and Administrative	Development and Fundraising	Total
Personnel:								
Salaries and wages	$ 1,471,131	$ 255,350	$ 164,837	$ 1,891,318	$ 1,425,332	$ 224,475	$ 169,435	$ 1,819,242
Payroll taxes	120,410	20,806	13,611	154,827	120,743	16,924	13,857	151,524
Other employee benefits	383,548	75,837	33,462	492,847	391,707	45,847	34,636	472,190
Pension	54,873	11,511	7,472	73,856	51,931	9,847	7,401	69,179
Staff development	39,791	3,453	1,062	44,306	33,466	3,762	2,707	39,935
Total Personnel Expenses	2,069,753	366,957	220,444	2,657,154	2,023,179	300,855	228,036	2,552,070
Area and Programs:								
Camps and conferences	559,122	-	-	559,122	430,548	-	56,990	487,538
Travel	226,007	4,801	3,620	234,428	163,878	4,603	2,756	171,237
Meals	161,416	869	523	162,808	166,223	1,027	569	167,819
Scholarships	64,046	-	-	64,046	28,371	-	-	28,371
Total Area and Program Expenses	1,010,591	5,670	4,143	1,020,404	789,020	5,630	60,315	854,965
Operations:								
Occupancy	251,550	33,138	-	284,688	155,560	33,138	-	188,698
Professional fees	70,363	66,218	1,885	138,466	22,231	56,847	29	79,107
Depreciation	112,503	-	-	112,503	101,807	-	-	101,807
Bank charges and service fees	37,573	23	21,311	58,907	31,183	-	17,852	49,035
Insurance	71,308	2,458	700	74,466	55,013	1,333	433	56,779
Equipment rental and maintenance	85,814	1,571	4,331	91,716	54,701	(729)	2,045	56,017
Fundraising	-	-	9,770	9,770	-	-	11,346	11,346
Conferences and meetings	15,885	1,882	-	17,767	17,137	541	19	17,697
Supplies	53,733	3,379	310	57,422	50,597	3,127	1,196	54,920
Printing and copying	27,297	41	-	27,338	17,197	12	103	17,312
Postage and mailing	6,243	1,617	75	7,935	5,816	1,623	1,202	8,641
Telephone and internet	30,431	1,882	48	32,361	30,964	2,257	48	33,269
Miscellaneous	-	3,718	-	3,718	-	233	-	233
Total Operations Expense	762,700	115,927	38,430	917,057	542,206	98,382	34,273	674,861
Total Expenses	$ 3,843,044	$ 488,554	$ 263,017	$ 4,594,615	$ 3,354,405	$ 404,867	$ 322,624	$ 4,081,896

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 $3,974,821 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 $4,851,606; funds accumulated for an operating reserve of $650,000; and FOCUS' investment in property, furniture, and equipment of $2,045,054 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, 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 cash deposits maintained in the brokerage accounts. Mutual funds that invest in cash deposits and money market accounts are reported as investments in the financial statements.

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 a trade date basis. Interest income is recorded on an 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 and 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 has 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.

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 2019.

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 September 25, 2023, which represents the date the financial statements were available to be issued. There are no subsequent events that require disclosure.

New Accounting Standard - In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which supersedes existing guidance for accounting for leases. The most significant change in the new leasing guidance is the requirement to recognize right-of-use (ROU) assets and lease liabilities for operating leases on the statement of financial position.

FOCUS elected to adopt this ASU effective June 1, 2022, and utilized all of the available practical expedients. FOCUS has also elected not to restate comparative periods in the adoption of the new standard. The adoption had a material impact on FOCUS' statement of financial position but did not have a material impact on the statement of activities. The most significant impact was the recognition of an ROU asset of $176,412 and a lease liability of $176,412 for its operating lease for the national office. See Note 11 for a discussion of the lease activity under the new standard.

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. Cash deposits held in brokerage accounts, while not exposed to a concentration of credit risk, are not protected by federal depository insurance. These cash deposits are reported as cash and cash equivalents for financial statement purposes.

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.

NOTE 3 - CONCENTRATIONS OF CREDIT AND MARKET RISK (continued)

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.

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:

	2023	2022
Cash and cash equivalents	$ 2,080,430	$ 3,218,236
Investment in securities	9,292,957	7,461,965
Pledges receivable due within one-year	91,000	161,740
Other receivable - Employee Retention Payroll Tax Credit	520,264	-
Other assets	20,772	11,866
	12,005,423	10,853,807
Less net assets related to above assets that are:		
- Board-designated endowment funds	(4,851,606)	(4,749,125)
- net assets with purpose and time restrictions	(2,633,679)	(2,060,224)
	(7,485,285)	(6,809,349)
Total Financial Assets Available to Management for General Expenditure within One-Year	$ 4,520,138	$ 4,044,458

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:

	2023	2022
Amounts expected to be collected in:		
Due within one year	$ 91,000	$ 161,740
Two to five years	-	71,000
	91,000	232,740
Less: discount to net present value	-	(1,420)
Net Pledges Receivable	$ 91,000	$ 231,320

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

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.

NOTE 6 - FAIR VALUE MEASUREMENTS (continued)

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 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.

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:

Exchange 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, 2023 and 2022.

NOTE 6 - FAIR VALUE MEASUREMENTS (continued)

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:

	2023			
Investment Description	**Level 1**	**Level 2**	**Level 3**	**Total**
Exchange traded funds and common stocks	$ 5,266,560	$ -	$ -	$ 5,266,560
Mutual funds	4,026,397	-		4,026,397
Investments in real estate:				
Real estate in New York, NY	-	-	1,170,312	1,170,312
Real estate in Greenwich, CT	-	-	819,875	819,875
Total investments at fair value	9,292,957	-	1,990,187	11,283,144
Pledges receivable, net	-	-	91,000	91,000
Total assets at fair value	$ 9,292,957	$ -	$ 2,081,187	$ 11,374,144

	2022			
Investment Description	**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	$ 7,461,965	$ -	$ 2,200,070	$ 9,662,035

NOTE 6 - FAIR VALUE MEASUREMENTS (continued)

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	
	2023	**2022**
Balance - beginning of year	$ 1,968,750	$ 1,750,000
Change in investment value	21,437	218,750
Balance - end of year	$ 1,990,187	$ 1,968,750

	Pledges Receivable	
	2023	**2022**
Balance - beginning of year	$ 231,320	$ 642,278
Additions	106,833	40,000
Collections on pledges receivable	(248,573)	(449,514)
Write-off of pledges receivable	-	(5,884)
Change in value of discount on pledges receivable	1,420	4,440
Balance - end of year	$ 91,000	$ 231,320

NOTE 7 - PROPERTY, FURNITURE AND EQUIPMENT

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

	2023	**2022**
Land	$ 812,791	$ 812,791
Land improvements	113,170	113,170
Buildings and improvements	3,165,120	3,165,120
Furniture, fixtures, and equipment	277,931	277,931
Vehicles	132,649	84,211
	4,501,661	4,453,223
Less: accumulated depreciation	(2,456,607)	(2,344,104)
Property, Furniture and Equipment, net	$ 2,045,054	$ 2,109,119

NOTE 8 - NOTE PAYABLE

In May 2023, FOCUS entered into a note payable for equipment used at the Study Center. The loan is to be repaid in 84 monthly installments of $496 beginning June 2023. Interest is payable at the rate of 6.24% per annum. The equipment is security on the note payable.

Maturities of long-term debt in each of the next five years and thereafter, as of May 31, 2023, are as follows:

Year ending May 31, 2024	$ 3,971
2025	4,226
2026	4,498
2027	4,786
2028	5,094
Thereafter	11,025
	$ 33,600

NOTE 9 - NET ASSETS WITH DONOR RESTRICTIONS

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

	2023	2022
Restricted in perpetuity:		
Endowment funds restricted in perpetuity	$ 1,100,000	$ 1,100,000
Total funds restricted in perpetuity	1,100,000	1,100,000
Purpose restricted:		
Regional support	2,441,411	1,866,184
Founder's Fund	130,719	140,719
Scholarship	61,549	53,321
Total purpose restricted	2,633,679	2,060,224
Total net assets with donor restrictions	$ 3,733,679	$ 3,160,224

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

	2023	2022
Time restricted	$ -	$ 20,000
Purpose restricted:		
Regional support	2,794,944	2,604,047
Founder's Fund	10,000	10,001
Scholarship	63,121	24,649
Net assets released from donor restrictions	$ 2,868,065	$ 2,658,697

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.

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

NOTE 10 - ENDOWMENT (continued)

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

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	$ 4,851,606	$ -	$ 4,851,606
Donor-restricted endowment funds:			
General operating purposes	-	1,100,000	1,100,000
Total	$ 4,851,606	$ 1,100,000	$ 5,951,606

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	$ 4,749,125	$ -	$ 4,749,125
Donor-restricted endowment funds:			
General operating purposes	-	1,100,000	1,100,000
Total	$ 4,749,125	$ 1,100,000	$ 5,849,125

Changes in endowment net assets are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
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	4,749,125	1,100,000	5,849,125
Contributions	102,481	-	102,481
Endowment net assets - May 31, 2023	$ 4,851,606	$ 1,100,000	$ 5,951,606

NOTE 10 - ENDOWMENT (continued)

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, 2023, and May 31, 2022.

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.

NOTE 11 - LEASE ACTIVITY

FOCUS has an operating lease for office space at its national office in New Canaan, Connecticut. The lease began on July 1, 2022, and has a remaining lease term of 3 years. FOCUS elected to use the risk-free interest rate of 2.93%, which was in place during the month that the lease agreement was executed. FOCUS has also assumed that an additional three-year extension will be probable at the conclusion of this current extension. The following summarizes the line items in the statements of financial position which include amounts for the operating lease as of May 31, 2023:

Operating lease right-of-use asset	$ 176,412
Operating lease liability	$ 176,412

NOTE 11 - LEASE ACTIVITY (continued)

The maturities of the lease liability are as follows:

Year Ended May 31, 2024	$ 37,158
2025	37,189
2026	37,529
2027	37,560
2028	37,560
Thereafter	3,130
Total lease payments	190,126
Less: interest	(13,714)
Present value of the lease liability	$ 176,412

Operating lease payments in the table above include approximately $112,680 related to options to extend lease terms that are reasonably certain to be offered and exercised. FOCUS has other operating leases for office space that are less than twelve months in duration and do not meet the criteria for the new lease standard. Rent expense on all operating leases was $70,279 and $60,107 for the years ended May 31, 2023, and 2022, respectively.

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 $73,856 and $69,179 to the plan during the years ended May 31, 2023 and 2022, respectively.

NOTE 13 - 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 September 2021 and raised $153,230 in contributions and $54,600 in event revenues. Event revenues of $54,600 are included in other income in the statement of activities and event expenses of $57,358 and are included in fundraising expenses in the statement of functional expenses for the year ended May 31, 2022.

FOCUS has recorded approximately $231,899 of deferred revenues relating to the September 2023 event in the statement of financial position as of May 31, 2023.

NOTE 14 - EMPLOYEE RETENTION PAYROLL TAX CREDIT

The employee retention payroll tax credit is a fully refundable tax credit that eligible employers claim against certain employment taxes. It is not a loan and does not have to be paid back to the federal government. The claim is made against the payroll taxes paid for eligible periods in 2020 and 2021 and was intended to encourage businesses to keep workers on the payroll during these periods even if the employees were not working. During the year ended May 31, 2023, FOCUS submitted claims to the Internal Revenue Service for $678,681. $223,404 of the claim including interest was received during the year and $520,264 including interest was received subsequent to year-end. FOCUS has recorded a receivable in the amount of $520,264 for amounts claimed at May 31, 2023, and received after year-end.