

POINT FOUNDATION

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

POINT FOUNDATION
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Point Foundation

Report on the Financial Statements

We have audited the accompanying financial statements of Point Foundation, which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 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 Point Foundation as of June 30, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Point Foundation's 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 22, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Green Hasson & Janks LLP

November 8, 2017
Los Angeles, California

POINT FOUNDATION

STATEMENT OF FINANCIAL POSITION

June 30, 2017

With Summarized Totals at June 30, 2016

ASSETS	2017				2016 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
Cash and Cash Equivalents	\$ 124,023	\$ 1,359,901	\$ -	\$ 1,483,924	\$ 1,875,703
Investments	-	361,705	-	361,705	250,145
Pledges Receivable (Net)	105,086	2,425,397	-	2,530,483	1,784,325
Prepaid Expenses and Other Assets	111,540	1,197	-	112,737	175,659
	340,649	4,148,200	-	4,488,849	4,085,832
Endowment Assets:					
Cash and Cash Equivalents	256,139	-	-	256,139	328,774
Investments	2,660,669	944,157	2,364,678	5,969,504	5,380,848
Pledges Receivable (Net)	-	-	22,718	22,718	25,020
Other Assets	7,682	-	-	7,682	7,689
TOTAL ENDOWMENT ASSETS	2,924,490	944,157	2,387,396	6,256,043	5,742,331
Property and Equipment (Net)	76,974	-	-	76,974	142,127
TOTAL ASSETS	\$ 3,342,113	\$ 5,092,357	\$ 2,387,396	\$ 10,821,866	\$ 9,970,290
LIABILITIES AND NET ASSETS					
LIABILITIES:					
Accounts Payable and Accrued Expenses	\$ 122,319	\$ -	\$ -	\$ 122,319	\$ 171,753
Accrued Payroll Liabilities	217,384	-	-	217,384	251,429
TOTAL LIABILITIES	339,703	-	-	339,703	423,182
NET ASSETS:					
Unrestricted - Undesignated	77,920	-	-	77,920	613,903
Unrestricted - Board Designated Endowment	2,924,490	-	-	2,924,490	2,688,646
TOTAL UNRESTRICTED NET ASSETS	3,002,410	-	-	3,002,410	3,302,549
Temporarily Restricted	-	5,092,357	-	5,092,357	3,862,226
Permanently Restricted	-	-	2,387,396	2,387,396	2,382,333
TOTAL NET ASSETS	3,002,410	5,092,357	2,387,396	10,482,163	9,547,108
TOTAL LIABILITIES AND NET ASSETS	\$ 3,342,113	\$ 5,092,357	\$ 2,387,396	\$ 10,821,866	\$ 9,970,290

The Accompanying Notes are an Integral Part of These Financial Statements

POINT FOUNDATION

STATEMENT OF ACTIVITIES

Year Ended June 30, 2017

With Summarized Totals for the Year Ended June 30, 2016

	2017			Total	2016 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted		
REVENUE, GAINS AND LOSSES, AND SUPPORT:					
Contributions	\$ 1,620,388	\$ 2,421,326	\$ 5,063	\$ 4,046,777	\$ 2,529,048
Bequests	515,651	-	-	515,651	758,326
In-Kind Contributions	316,040	-	-	316,040	150,248
Special Events (Net of Direct Special Event Expenses of \$532,207)	341,795	-	-	341,795	355,253
Other Income	-	-	-	-	20,044
Investment Income (Net)	263,977	329,213	-	593,190	65,821
Loss on Write-Off of Uncollectible Pledges Receivable	(65,142)	(50,000)	-	(115,142)	(67,524)
Net Assets Released from:					
Purpose Restrictions	755,000	(755,000)	-	-	-
Time Restrictions	715,408	(715,408)	-	-	-
TOTAL REVENUE, GAINS AND LOSSES, AND SUPPORT	4,463,117	1,230,131	5,063	5,698,311	3,811,216
EXPENSES:					
Program Services:					
Scholarship and Scholar Support	1,483,864	-	-	1,483,864	1,499,541
Leadership Conferences and Training	1,058,263	-	-	1,058,263	812,152
Scholar Mentoring	194,945	-	-	194,945	216,398
Scholar Internships	179,311	-	-	179,311	170,265
Scholar Selections	496,898	-	-	496,898	435,826
Alumni	222,632	-	-	222,632	241,893
TOTAL PROGRAM SERVICES	3,635,913	-	-	3,635,913	3,376,075
Supporting Services:					
Management and General	557,628	-	-	557,628	491,308
Fundraising and Development	569,715	-	-	569,715	652,291
TOTAL SUPPORTING SERVICES	1,127,343	-	-	1,127,343	1,143,599
TOTAL EXPENSES	4,763,256	-	-	4,763,256	4,519,674
CHANGE IN NET ASSETS	(300,139)	1,230,131	5,063	935,055	(708,458)
Net Assets - Beginning of Year	3,302,549	3,862,226	2,382,333	9,547,108	10,255,566
NET ASSETS - END OF YEAR	\$ 3,002,410	\$ 5,092,357	\$ 2,387,396	\$ 10,482,163	\$ 9,547,108

The Accompanying Notes are an Integral Part of These Financial Statements

POINT FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES Year Ended June 30, 2017 With Summarized Totals for the Year Ended June 30, 2016

	2017										Total Expenses	2016 Total Expenses
	Program Services							Supporting Services				
	Scholarship and Scholar Support	Leadership Conferences and Training	Scholar Mentoring	Scholar Internships	Scholar Selections	Alumni	Total Program Services	Management and General	Fundraising and Developmen	Total Supporting Services		
Salaries	\$ 342,094	\$ 340,434	\$ 103,756	\$ 66,514	\$ 185,414	\$ 115,742	\$ 1,153,954	\$ 247,459	\$ 308,729	\$ 556,188	\$ 1,710,142	\$ 1,754,707
Direct Scholarship Expenses	714,756	-	-	62,408	4,200	-	781,364	-	-	-	781,364	846,781
Leadership and Alumni Conferences	-	389,216	-	-	-	-	389,216	-	-	-	389,216	158,965
Professional Fees and Consultants	90,481	64,238	20,640	12,292	30,817	21,136	239,604	41,791	62,066	103,857	343,461	209,669
In-Kind Expense	115,770	53,590	-	-	60,510	-	229,870	38,000	48,170	86,170	316,040	150,248
Public Awareness and Promotion	43,795	47,332	15,227	11,210	27,616	32,286	177,466	13,125	19,782	32,907	210,373	241,334
Employee Benefits	32,878	32,719	9,972	6,393	17,820	11,124	110,906	23,783	29,672	53,455	164,361	158,075
Payroll Taxes	26,958	26,828	8,176	5,242	14,611	9,121	90,936	19,501	24,329	43,830	134,766	154,872
Travel	29,184	30,556	8,226	2,245	12,579	7,584	90,374	8,423	25,763	34,186	124,560	183,974
Rent	31,555	25,774	8,465	4,955	12,594	8,670	92,013	17,412	7,570	24,982	116,995	116,215
Other Scholarship Expenses	-	-	-	-	109,678	-	109,678	-	-	-	109,678	99,650
Office Expenses	17,269	14,326	4,612	2,738	7,098	4,833	50,876	9,595	19,409	29,004	79,880	93,555
Depreciation Expense	18,823	15,375	5,049	2,956	7,513	5,173	54,889	10,387	4,516	14,903	69,792	89,046
Bank and Credit Card Merchant Fees	-	-	-	-	-	-	-	59,758	-	59,758	59,758	53,848
Telephone	10,057	8,680	2,711	1,459	4,163	2,692	29,762	4,365	3,269	7,634	37,396	41,518
Events	4,520	4,520	3,329	-	-	2,698	15,067	-	15,067	15,067	30,134	129,738
Miscellaneous	-	-	-	-	-	-	-	29,675	-	29,675	29,675	4,303
Insurance	5,724	4,675	1,535	899	2,285	1,573	16,691	3,158	1,373	4,531	21,222	18,025
Meetings and Conferences	-	-	-	-	-	-	-	18,224	-	18,224	18,224	7,141
Recruitment	-	-	-	-	-	-	-	12,972	-	12,972	12,972	2,470
Mentoring	-	-	3,247	-	-	-	3,247	-	-	-	3,247	5,540
TOTAL 2017 FUNCTIONAL EXPENSES	\$ 1,483,864	\$ 1,058,263	\$ 194,945	\$ 179,311	\$ 496,898	\$ 222,632	\$ 3,635,913	\$ 557,628	\$ 569,715	\$ 1,127,343	\$ 4,763,256	
	31%	22%	4%	4%	10%	5%	76%	12%	12%	24%	100%	
TOTAL 2016 FUNCTIONAL EXPENSES	\$ 1,499,541	\$ 812,152	\$ 216,398	\$ 170,265	\$ 435,826	\$ 241,893	\$ 3,376,075	\$ 491,308	\$ 652,291	\$ 1,143,599		\$ 4,519,674
	33%	18%	5%	4%	10%	5%	75%	11%	14%	25%		100%

The Accompanying Notes are an Integral Part of These Financial Statements

POINT FOUNDATION

STATEMENT OF CASH FLOWS

Year Ended June 30, 2017

With Summarized Totals for the Year Ended June 30, 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ 935,055	\$ (708,458)
Adjustments to Reconcile Change in Net Assets to Net Cash (Used in) Provided by Operating Activities:		
Unrealized (Gain) Loss on Investments	(382,437)	151,016
Realized Gain on Sale of Investments	(433)	(14,671)
Contributed Stock	(41,514)	(304,813)
Proceeds from Sale of Contributed Stock	41,492	305,796
Realized Loss (Gain) on Sale of Contributed Stock	22	(983)
Contributions Restricted for Investment in Perpetuity	(5,063)	(64,846)
Depreciation Expense	69,792	89,046
Loss on Write-Off of Uncollectible Pledges Receivable	115,142	67,524
(Increase) Decrease in:		
Pledges Receivable	(858,998)	512,842
Bequest Receivable	-	741,003
Prepaid Expenses and Other Assets	62,929	(89,413)
Increase (Decrease) in:		
Accounts Payable and Accrued Expenses	(49,434)	97,679
Accrued Payroll Liabilities	(34,045)	17,461
	(147,492)	799,183
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Property and Equipment	(4,639)	(80,956)
Interest and Dividends Reinvested	(209,525)	(202,166)
Proceeds on Sale of Investments	892,250	947,456
Purchase of Investments	(1,000,071)	(682,876)
	(321,985)	(18,542)
CASH PROVIDED BY FINANCING ACTIVITY:		
Contributions Restricted for Investment in Perpetuity	5,063	64,846
	(464,414)	845,487
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	2,204,477	1,358,990
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 1,740,063	\$ 2,204,477
Cash and Cash Equivalents	\$ 1,483,924	\$ 1,875,703
Endowment Cash and Cash Equivalents	256,139	328,774
TOTAL CASH AND CASH EQUIVALENTS	\$ 1,740,063	\$ 2,204,477

The Accompanying Notes are an Integral Part of These Financial Statements

POINT FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE 1 - ORGANIZATION

Mission and Programs

Point Foundation (Point) is the nation's largest publicly-supported organization granting scholarships to lesbian, gay, bisexual, transgender and queer (LGBTQ) students of merit. Founded in 2001, Point was specifically organized to become a national and intergenerational organization, with one generation giving a helping hand to the next generation. Point is a non-profit corporation, classified by the Internal Revenue Service as a 501(c)(3) publicly-supported organization.

Point empowers promising LGBTQ students to achieve their full academic and leadership potential - despite the obstacles often put before them - to make a significant impact on society. By helping these students obtain a solid educational foundation, Point is building a generation of leaders, committed both to personal achievement and to increasing acceptance and understanding within society as a whole.

A Point Scholarship may cover tuition, books, supplies, room and board, transportation and living expenses. Point also matches each Point Scholar with an accomplished, vetted and volunteer mentor, through a formal arrangement intended to assist the scholar in reaching educational and career goals. In addition, Point provides leadership training to scholars through a national Scholar and Alumni Leadership Conference and/or Regional Leadership Forums designed to enhance each scholar's leadership and personal potential, including training in such areas as achieving excellence, community service, LGBTQ history, personal financial planning and establishing professional networks. In exchange, all Point Scholars agree to maintain a high level of academic performance and give back to the LGBTQ community through the completion of an individual community service project each year. Scholars may renew their scholarships on an annual basis for the duration of their initial Point covered degree by completing a continuing award application and complying with Point's Contract of Excellence.

During the year ended June 30, 2017, Point launched a pilot program in two cities to help support students in their final year at a community college achieve their goal of transferring to a four-year college or university. Students receive a financial grant and college coaching.

Point Scholars are diverse in the fullest sense of the word - in terms of their educational fields of study, gender, gender identities, gender expressions, sexual orientations, racial and ethnic backgrounds, ages and geographical base. They are exceptionally ambitious students with tremendous leadership potential. Their career goals include serving as corporate and government leaders, attorneys, doctors, university administrators, writers, artists and educators. All are committed to using their talents and education to contribute to society.

Since its inception, Point has awarded multi-year scholarships to 375 different scholars through June 30, 2017. Point supported 72 scholars and 11 community college students during the year ended June 30, 2017 (fiscal year 2017) and 83 scholars during the year ended June 30, 2016 (fiscal year 2016). As of June 30, 2017, 270 former Point Scholars had become Point Scholar Alumni who have completed their educational programs and are now pursuing their life and career goals. Some alumni serve as Point Mentors, members of Point's National Board of Directors or members of Point's Regional Boards of Trustees and are serving as members of key committees, thus fulfilling one of the key ideals of Point; that is, having alumni return to Point in leadership roles.

The activities of Point are administered from offices in California and New York.

POINT FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE 1 - ORGANIZATION (continued)

Governance and Volunteers

Strategic direction and governance of Point is provided by an independent, volunteer National Board of Directors. Additional governance, program and fundraising capacity are provided by independent, volunteer members of Point's Regional Boards of Trustees in various cities across the United States.

Point can only operate successfully and efficiently with the help and effort of a large number of non-compensated volunteers who assist Point's staff of 20 employees in achieving the goals of Point's various service programs. For the year ended June 30, 2017, Point had more than 450 volunteers who donated their time as directors, trustees, mentors, application readers, office assistants, and Point Honors and Cornerstone event planners. In total for the year, these volunteers contributed more than 12,600 hours of service. The value of this contributed time is not reflected in the accompanying financial statements as it does not meet the recognition criteria under generally accepted accounting principles. In addition, all volunteers pay their own personal expenses associated with attending Point meetings and events, without charging Point, thereby eliminating any additional operating expenses.

Fiscal 2017 Performance

Point realized an increase in net assets of \$935,055 for the year ended June 30, 2017.

Point budgeted to use the reserve that had been accumulating in net assets over the past few years to partially fund the revenue portion of the fiscal year 2017 budget. Knowing that Point was planning to end the year with a decrease in net assets, Point focused on tightly controlling expenses relative to the planned budget. Point was once again able to keep expenses below budget and not expend as much of the reserve as Point had projected to use. Point finished fiscal year 2017 with a net decrease in Unrestricted - Undesignated net assets of \$300,139.

With \$261,962 in investment income less \$26,118 in releases to operations, Board designated net assets increased by \$235,844. Temporarily restricted net assets increased by \$1,230,131. Point raised \$2,421,326 in new temporarily restricted gifts to fund future fiscal years and the endowment realized a net return of \$329,213. Permanently restricted net assets increased by \$5,063.

Approximately 76% of Point's total expenses were expended on program activities directly related to its mission, and approximately 24% of its total expenses were incurred for fundraising, management and general expenses.

POINT FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) BASIS OF ACCOUNTING

The accompanying financial statements have been prepared on the accrual basis of accounting.

(b) ACCOUNTING

To ensure observance of certain constraints and restrictions placed on the use of resources, the accounts of Point are maintained in accordance with the principles of net assets accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into net asset classes that are in accordance with specified activities or objectives. Accordingly, all financial transactions have been recorded and reported by net asset class as either unrestricted, temporarily restricted, or permanently restricted.

- **Unrestricted - Undesignated Net Assets.** These generally result from revenues generated by receiving unrestricted contributions, providing services, and receiving income from investments less expenses incurred in providing program related services, raising contributions, and performing administrative functions.
- **Unrestricted - Board Designated Endowment Net Assets.** The Board has designated a portion of unrestricted net assets to provide resources for an endowment fund. Point has \$2,924,490 of Board designated endowment net assets at June 30, 2017.
- **Temporarily Restricted Net Assets.** Point reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from purpose or time restrictions. Point has \$5,092,357 of temporarily restricted net assets at June 30, 2017.
- **Permanently Restricted Net Assets.** These are assets from donors who stipulate that resources are to be maintained permanently, but permit Point to expend all of the income (or other economic benefits) derived from the donated assets. Point has \$2,387,396 of permanently restricted net assets at June 30, 2017.

POINT FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) CASH AND CASH EQUIVALENTS

Point considers cash on hand and deposits in banks with an original maturity of three months or less to be cash and cash equivalents. The carrying value of cash and cash equivalents approximates its fair value at June 30, 2017.

Point maintains its cash and cash equivalents in bank deposit and other investment accounts which may, at times, exceed federally insured limits. Point has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

(d) INVESTMENTS

Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement of financial position. Interest and dividend income and gains and losses on investments are reported in the statement of activities as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by donor stipulations or by law.

Investments in marketable equity securities and debt securities are carried at fair value based upon market quotations and are managed by outside investment managers contracted by Point. For donated investments, cost is determined by the fair value of the asset on the date the asset is received by Point.

Investment securities, in general, are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain long-term investments, it is reasonably possible that changes in the values of these investments will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

(e) PLEDGES RECEIVABLE

Unconditional contributions, including pledges recorded at estimated fair value, are recognized as revenues when pledges are made. Point reports unconditional contributions as restricted support if they are received with donor stipulations that limit the use of the donated assets. Discounts for pledges (pledges due over one year) are recorded as reductions to contribution revenue and pledges receivable. Discounts increase contribution revenue when the pledge is received. During the year ended June 30, 2017, Point recognized a loss on the write-off of uncollectible pledges of \$115,142.

(f) BEQUESTS

From time-to-time, Point is named as a beneficiary in a bequest. Bequests are not recognized as support until all of the following conditions are met: the demise of the testator, the amount of the bequest is known, Point is certain that, based on the estate's net assets, the amount bequeathed is realizable and the probate court has declared the will valid.

POINT FOUNDATION

NOTES TO FINANCIAL STATEMENTS June 30, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost if purchased or at fair value at the date of donation, if donated. Depreciation is computed on the straight-line basis over the estimated useful lives of the related assets. Maintenance and repair costs are charged to expense as incurred. Property and equipment are capitalized if the cost of an asset is greater than or equal to \$1,500 and the useful life is greater than two years. The estimated useful lives are as follows:

Office Furniture and Equipment	3 - 7 Years
Computer Equipment	3 - 5 Years
Leasehold Improvements	Shorter of the Term of the Lease Or Estimated Useful Life

(h) LONG-LIVED ASSETS

Point reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the book value of the assets may not be recoverable. An impairment loss is recognized when the sum of the undiscounted future cash flows is less than the carrying amount of the asset, in which case a write-down is recorded to reduce the related asset to its estimated fair value. No impairment losses were recognized on long-lived assets during the year ended June 30, 2017.

(i) CONTRIBUTED GOODS AND SERVICES

Contributions of donated non-cash assets are recorded at fair value in the period received. Contributions of donated services are recognized if the services received (a) create or enhance long-lived assets, or (b) require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. For the year ended June 30, 2017, Point recorded in-kind contributions of \$316,040.

(j) SCHOLARSHIP EXPENSES

Expenses for tuition, room and board, books and related expenses are accrued at July 1 of each year, for one year only. All awards must be used during the period July 1 through June 30. No balances are carried over into the next fiscal year.

Scholars may renew their scholarships on a yearly basis for the duration of their initial degree request by completing a continuing award application and complying with Point's Contract of Excellence. If a scholar desires additional degrees, they must make a separate application.

In April 2017, the Board approved 73 scholarships for fiscal year 2018 totaling \$725,000. These scholarships are contingent upon the proposed scholars being admitted to an accredited college, agreeing to and remaining compliant with the Contract of Excellence, and submitting proper documentation.

POINT FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) INCOME TAXES

Point is exempt from taxation under Internal Revenue Code Section 501(c)(3) and comparable state codes.

(l) FUNCTIONAL ALLOCATION OF EXPENSES

The direct costs of providing Point's programs and other activities that are identifiable have been allocated to the related programs or supporting services. Indirect or shared costs are allocated among program and supporting services by the method that best measures the relative degree of benefit. Point uses proportional salary dollars and square footage to allocate indirect costs.

(m) 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 reported amounts of assets, liabilities, revenues and expenses as of the date and for the period presented. Actual results could differ from those estimates.

(n) COMPARATIVE TOTALS

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with Point's financial statements for the year ended June 30, 2016, from which the summarized information was derived.

(o) NEW ACCOUNTING PRONOUNCEMENTS

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases*, which is intended to improve financial reporting about leasing transactions. The new standard will require organizations that lease assets with terms of more than 12 months to recognize on the statement of financial position the assets and liabilities for the rights and obligations created by those leases. The ASU also will require disclosures to help financial statement users better understand the amount, timing, and uncertainty of cash flows arising from leases. These disclosures include qualitative and quantitative requirements and providing additional information about the amounts recorded in the financial statements. For Point, the ASU will be effective for the year ending June 30, 2021.

In August 2016, FASB issued ASU No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities (Topic 958)*, which is intended to reduce complexity in financial reporting. The ASU focuses on improving the current net asset classification requirements and information presented in financial statements that is useful in assessing a nonprofit's liquidity, financial performance, and cash flows. For Point, the ASU will be effective for the year ending June 30, 2019.

POINT FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) SUBSEQUENT EVENTS

Point has evaluated events and transactions occurring subsequent to the statement of financial position date of June 30, 2017 for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through November 8, 2017 the date these financial statements were available to be issued. No such material events or transactions were noted to have occurred.

NOTE 3 - INVESTMENTS

Point has implemented the fair value accounting standard. This standard establishes a single authoritative definition of fair value, sets out a framework for measuring fair value based on inputs used, and requires additional disclosures about fair value measurements.

In general, fair values determined by Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets (or liabilities). Fair values determined by Level 2 inputs utilize data points that are observable such as quoted prices in active markets, interest rates and yield curves. Fair values determined by Level 3 utilize unobservable inputs for the asset (or liability) and include situations where there is little, if any, market activity for the asset (or liability).

The following table presents information about Point's investment assets that are measured at fair value on a recurring basis at June 30, 2017 and indicates the fair value hierarchy of the valuation techniques utilized to determine such fair value:

	Year Ended June 30, 2017	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual Funds:				
U.S. Equities	\$ 2,975,097	\$ 2,975,097	\$ -	\$ -
U.S. Fixed Income	485,808	485,808	-	-
Non-U.S. Equities	1,245,533	1,245,533	-	-
Non-U.S. Fixed Income	130,709	130,709	-	-
TOTAL MUTUAL FUNDS	4,837,147	4,837,147	-	-
Corporate Bonds	889,073	-	889,073	-
Corporate Equities	216,726	216,726	-	-
Money Market	26,558	26,558	-	-
Certificates of Deposit	361,705	-	361,705	-
TOTAL INVESTMENTS	\$ 6,331,209	\$ 5,080,431	\$ 1,250,778	\$ -

The fair values of investments within Level 1 inputs were obtained based on quoted market prices at the closing of the last business day of the fiscal year. These investments can be redeemed daily.

POINT FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE 3 - INVESTMENTS (continued)

The fair values of investments within Level 2 inputs were obtained based on data points that are observable, such as quoted prices in active markets, interest rates and yield curves.

Point recognizes transfers at the beginning of each reporting period. Transfers between level 1 and 2 generally relate to whether a market becomes active or inactive. Transfers between Level 2 and 3 investments relate to whether significant relevant observable inputs are available for the fair value measurement in their entirety and when redemption rules become more or less restrictive. During the year ended June 30, 2017, there were no transfers between levels.

Net investment income for the year ended June 30, 2017 consists of the following:

Interest and Dividend Income	\$	210,342
Realized Gain on Sale of Investments		411
Unrealized Gain on Investments		<u>382,437</u>
INVESTMENT INCOME (NET)	\$	<u><u>593,190</u></u>

NOTE 4 - PLEDGES RECEIVABLE

Pledges receivable (net) at June 30, 2017 are due to be received as follows:

Less than One Year	\$	959,053
One to Five Years		1,705,000
More than Five Years		<u>9,017</u>
TOTAL		2,673,070
Less: Allowance for Doubtful Accounts		(52,567)
Less: Discount at 2.5 - 6.0%		<u>(67,302)</u>
PLEDGES RECEIVABLE (NET)	\$	<u><u>2,553,201</u></u>

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30, 2017:

Office Furniture and Equipment	\$	93,550
Computer Equipment		300,023
Leasehold Improvements		<u>27,167</u>
TOTAL		420,740
Accumulated Depreciation		<u>(343,766)</u>
PROPERTY AND EQUIPMENT (NET)	\$	<u><u>76,974</u></u>

Depreciation expense for the year ended June 30, 2017 was \$69,792.

POINT FOUNDATION

NOTES TO FINANCIAL STATEMENTS June 30, 2017

NOTE 6 - COMMITMENTS

Point leases office space under a long-term non-cancelable operating lease that expires in September 2019. Point also leases certain equipment under a non-cancelable operating lease that expires in February 2020. Minimum future rental payments under these leases as of June 30, 2017 are as follows:

Years Ending June 30	
2018	\$ 134,700
2019	138,741
2020	<u>43,970</u>
TOTAL	\$ <u>317,411</u>

Rental expense totaled \$116,995 for the year ended June 30, 2017.

Point has an employment agreement with a key employee that expires in 2019, and includes a severance payment clause equal to four months of the employee's base salary.

NOTE 7 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes at June 30, 2017:

Named Scholarships	\$ 2,388,086
Time Restricted	<u>2,704,271</u>
TOTAL TEMPORARILY RESTRICTED NET ASSETS	\$ <u>5,092,357</u>

NOTE 8 - ENDOWMENTS

Point's endowment consists of donor restricted funds, temporarily restricted funds, and board designated funds. All such funds are invested in mutual funds, certificates of deposit and corporate bonds (See Note 3).

Donor restricted funds are included in permanently restricted net assets and consist of the gifts and cash received on pledges receivable specifically for the endowment.

The board designated funds have been established (1) to provide a scholarship fund whose income will be used to establish a reserve for funding future scholarships or possible mid-year increases in scholarship awards, and (2) to provide an administrative reserve used for covering possible unavoidable operating deficits.

Point's management understands California State law as (1) requiring the preservation of the fair value of the original gifts as of the gift date of the donor restricted endowment funds, absent donor stipulations to the contrary and (2) allowing the spending of income and gains on permanently restricted endowments, absent explicit donor stipulations that all or a portion of such gains be maintained in perpetuity.

POINT FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE 8 - ENDOWMENTS (continued)

The primary long-term financial objective for Point's endowment is to preserve the real (inflation-adjusted) purchasing power of endowment assets and income after accounting for endowment spending, inflation and costs of portfolio management. The endowment is also managed to optimize the long-run total rate of return on invested assets, assuming a prudent level of risk. Over the short term, the return for each element of the endowment portfolio should match or exceed each of the returns for the broader capital markets in which assets are invested.

Included in the endowment are four endowed named scholarships. In accordance with the donor's intent and to the extent possible, the income earned in one year on these endowed named scholarship assets will be released to fund the named scholarship in the following fiscal year. During fiscal year 2017, Point released funds of \$55,000 to cover the expense of these named scholarships.

Beyond the named scholarship releases, Point released funds to cover the investment fees of \$1,408 for fiscal year 2017. Further, Point's Board (after consideration of the recommendations of Point's Finance Committee) will generally consider a target spending policy equal to approximately 5% of the endowment's average three-year portfolio value. The Board has generally chosen to allow the endowment to grow before utilizing this policy, so during fiscal year 2017, the Board concluded not to make any general distributions from the endowment funds.

Endowment Net Asset Composition by Type of Fund at June 30, 2017:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor Restricted Endowment Funds	\$ -	\$ -	\$ 2,387,396	\$ 2,387,396
Board Designated Endowment Funds	2,924,490	944,157	-	3,868,647
TOTAL FUNDS	\$ 2,924,490	\$ 944,157	\$ 2,387,396	\$ 6,256,043

Changes in endowment net assets for the year ended June 30, 2017:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets - Beginning of Year	\$ 2,688,646	\$ 671,352	\$ 2,382,333	\$ 5,742,331
Investment Income (Net)	261,962	329,213	-	591,175
Releases	(26,118)	(56,408)	-	(82,526)
Contributions	-	-	5,063	5,063
ENDOWMENT NET ASSETS - END OF YEAR	\$ 2,924,490	\$ 944,157	\$ 2,387,396	\$ 6,256,043