

**POINT FOUNDATION**  
FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2016

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**YEAR ENDED JUNE 30, 2016**

**CONTENTS**

	<b>Page</b>
Independent Auditor's Report .....	1
Statement of Financial Position .....	2
Statement of Activities.....	3
Statement of Functional Expenses.....	4
Statement of Cash Flows .....	5
Notes to Financial Statements .....	6

## 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, 2016, 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, 2016, 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 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 3, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Green Hasson & Janks LLP*

November 22, 2016  
Los Angeles, California

# POINT FOUNDATION

## STATEMENT OF FINANCIAL POSITION

June 30, 2016

With Summarized Totals at June 30, 2015

ASSETS	2016			Total	2015 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted		
Cash and Cash Equivalents	\$ 609,576	\$ 1,266,127	\$ -	\$ 1,875,703	\$ 997,209
Investments	-	250,145	-	250,145	496,380
Pledges Receivable (Net)	110,451	1,673,874	-	1,784,325	2,362,544
Bequest Receivable	-	-	-	-	741,003
Prepaid Expenses and Other Assets	174,931	728	-	175,659	86,869
	894,958	3,190,874	-	4,085,832	4,684,005
<b>Endowment Assets:</b>					
Cash and Cash Equivalents	328,774	-	-	328,774	361,781
Investments	2,352,183	671,352	2,357,313	5,380,848	5,333,371
Pledges Receivable (Net)	-	-	25,020	25,020	27,167
Other Assets	7,689	-	-	7,689	7,067
<b>TOTAL ENDOWMENT ASSETS</b>	2,688,646	671,352	2,382,333	5,742,331	5,729,386
Property and Equipment (Net)	142,127	-	-	142,127	150,217
<b>TOTAL ASSETS</b>	\$ 3,725,731	\$ 3,862,226	\$ 2,382,333	\$ 9,970,290	\$ 10,563,608
<b>LIABILITIES AND NET ASSETS</b>					
<b>LIABILITIES:</b>					
Accounts Payable and Accrued Expenses	\$ 171,753	\$ -	\$ -	\$ 171,753	\$ 74,074
Accrued Payroll Liabilities	251,429	-	-	251,429	233,968
<b>TOTAL LIABILITIES</b>	423,182	-	-	423,182	308,042
<b>NET ASSETS:</b>					
Unrestricted - Undesignated	613,903	-	-	613,903	1,101,834
Unrestricted - Board Designated Endowment	2,688,646	-	-	2,688,646	2,693,501
<b>TOTAL UNRESTRICTED NET ASSETS</b>	3,302,549	-	-	3,302,549	3,795,335
Temporarily Restricted	-	3,862,226	-	3,862,226	4,142,744
Permanently Restricted	-	-	2,382,333	2,382,333	2,317,487
<b>TOTAL NET ASSETS</b>	3,302,549	3,862,226	2,382,333	9,547,108	10,255,566
<b>TOTAL LIABILITIES AND NET ASSETS</b>	\$ 3,725,731	\$ 3,862,226	\$ 2,382,333	\$ 9,970,290	\$ 10,563,608

The Accompanying Notes are an Integral Part of These Financial Statements

# POINT FOUNDATION

## STATEMENT OF ACTIVITIES

Year Ended June 30, 2016

With Summarized Totals for the Year Ended June 30, 2015

	2016			Total	2015 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted		
<b>REVENUE, GAINS AND LOSSES, AND SUPPORT:</b>					
Contributions	\$ 1,439,606	\$ 1,088,420	\$ 1,022	\$ 2,529,048	\$ 3,780,262
Bequests	694,502	-	63,824	758,326	1,919,136
In-Kind Contributions	150,248	-	-	150,248	199,223
Special Events (Net of Direct Special Event Expenses of \$518,680)	355,253	-	-	355,253	631,009
Other Income	20,044	-	-	20,044	-
Investment Income (Net)	32,499	33,322	-	65,821	127,024
Loss on Write-Off of Uncollectible Pledges Receivable	(67,524)	-	-	(67,524)	(60,000)
Net Assets Released from:					
Purpose Restrictions	829,600	(829,600)	-	-	-
Time Restrictions	572,660	(572,660)	-	-	-
<b>TOTAL REVENUE, GAINS AND LOSSES, AND SUPPORT</b>	<b>4,026,888</b>	<b>(280,518)</b>	<b>64,846</b>	<b>3,811,216</b>	<b>6,596,654</b>
<b>EXPENSES:</b>					
<b>Program Services:</b>					
Scholarship and Scholar Support	1,499,541	-	-	1,499,541	1,463,530
Leadership Conferences and Training	812,152	-	-	812,152	964,207
Scholar Mentoring	216,398	-	-	216,398	156,945
Scholar Internships	170,265	-	-	170,265	113,484
Scholar Selections	435,826	-	-	435,826	456,138
Alumni	241,893	-	-	241,893	172,248
<b>TOTAL PROGRAM SERVICES</b>	<b>3,376,075</b>	<b>-</b>	<b>-</b>	<b>3,376,075</b>	<b>3,326,552</b>
<b>Supporting Services:</b>					
Management and General	491,308	-	-	491,308	510,091
Fundraising and Development	652,291	-	-	652,291	613,846
<b>TOTAL SUPPORTING SERVICES</b>	<b>1,143,599</b>	<b>-</b>	<b>-</b>	<b>1,143,599</b>	<b>1,123,937</b>
<b>TOTAL EXPENSES</b>	<b>4,519,674</b>	<b>-</b>	<b>-</b>	<b>4,519,674</b>	<b>4,450,489</b>
<b>CHANGE IN NET ASSETS</b>	<b>(492,786)</b>	<b>(280,518)</b>	<b>64,846</b>	<b>(708,458)</b>	<b>2,146,165</b>
Net Assets - Beginning of Year	3,795,335	4,142,744	2,317,487	10,255,566	8,109,401
<b>NET ASSETS - END OF YEAR</b>	<b>\$ 3,302,549</b>	<b>\$ 3,862,226</b>	<b>\$ 2,382,333</b>	<b>\$ 9,547,108</b>	<b>\$ 10,255,566</b>

The Accompanying Notes are an Integral Part of These Financial Statements

# POINT FOUNDATION

## STATEMENT OF FUNCTIONAL EXPENSES Year Ended June 30, 2016 With Summarized Totals for the Year Ended June 30, 2015

	2016											2015 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 Development	Total Supporting Services	Total Expenses	
Salaries	\$ 350,864	\$ 335,149	\$ 101,923	\$ 54,007	\$ 174,475	\$ 119,798	\$ 1,136,216	\$ 222,388	\$ 396,103	\$ 618,491	\$ 1,754,707	\$ 1,572,540
Direct Scholarship Expenses	773,468	-	-	69,713	3,600	-	846,781	-	-	-	846,781	796,257
Public Awareness and Promotion	51,494	50,745	18,056	11,817	31,932	35,389	199,433	12,256	29,645	41,901	241,334	163,386
Professional Fees and Consultants	59,106	43,615	15,937	8,181	24,254	15,937	167,030	27,879	14,760	42,639	209,669	240,288
Travel	43,464	45,433	10,849	3,549	18,287	11,172	132,754	12,930	38,290	51,220	183,974	181,028
Leadership and Alumni Conferences	-	158,965	-	-	-	-	158,965	-	-	-	158,965	392,456
Employee Benefits	31,608	30,192	9,182	4,865	15,718	10,792	102,357	20,034	35,684	55,718	158,075	161,141
Payroll Taxes	30,968	29,580	8,996	4,768	15,399	10,573	100,284	19,628	34,960	54,588	154,872	119,589
In-Kind Expense	42,544	26,552	4,121	-	12,242	-	85,459	64,789	-	64,789	150,248	199,223
Events	19,154	19,154	15,550	-	-	12,035	65,893	-	63,845	63,845	129,738	18,925
Rent	32,889	24,366	8,910	4,571	13,558	8,910	93,204	15,263	7,748	23,011	116,215	115,374
Other Scholarship Expenses	-	-	-	-	99,650	-	99,650	-	-	-	99,650	103,235
Office Expenses	22,143	16,515	5,991	3,083	9,305	6,039	63,076	10,274	20,205	30,479	93,555	119,803
Depreciation Expense	25,200	18,670	6,827	3,502	10,389	6,827	71,415	11,695	5,936	17,631	89,046	79,454
Bank and Credit Card Merchant Fees	-	-	-	-	-	-	-	53,848	-	53,848	53,848	47,780
Telephone	11,538	9,437	3,134	1,500	4,914	3,039	33,562	4,043	3,913	7,956	41,518	51,185
Insurance	5,101	3,779	1,382	709	2,103	1,382	14,456	2,367	1,202	3,569	18,025	20,459
Meetings and Conferences	-	-	-	-	-	-	-	7,141	-	7,141	7,141	6,949
Mentoring	-	-	5,540	-	-	-	5,540	-	-	-	5,540	3,731
Miscellaneous	-	-	-	-	-	-	-	4,303	-	4,303	4,303	8,554
Recruitment	-	-	-	-	-	-	-	2,470	-	2,470	2,470	49,132
<b>TOTAL 2016 FUNCTIONAL EXPENSES</b>	<b>\$ 1,499,541</b>	<b>\$ 812,152</b>	<b>\$ 216,398</b>	<b>\$ 170,265</b>	<b>\$ 435,826</b>	<b>\$ 241,893</b>	<b>\$ 3,376,075</b>	<b>\$ 491,308</b>	<b>\$ 652,291</b>	<b>\$ 1,143,599</b>	<b>\$ 4,519,674</b>	
	33%	18%	5%	4%	10%	5%	75%	11%	14%	25%	100%	
<b>TOTAL 2015 FUNCTIONAL EXPENSES</b>	<b>\$ 1,463,530</b>	<b>\$ 964,207</b>	<b>\$ 156,945</b>	<b>\$ 113,484</b>	<b>\$ 456,138</b>	<b>\$ 172,248</b>	<b>\$ 3,326,552</b>	<b>\$ 510,091</b>	<b>\$ 613,846</b>	<b>\$ 1,123,937</b>		<b>\$ 4,450,489</b>
	33%	22%	3%	3%	10%	4%	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, 2016

With Summarized Totals for the Year Ended June 30, 2015

	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in Net Assets	\$ (708,458)	\$ 2,146,165
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Unrealized Loss on Investments	151,016	447,844
Realized Gain on Investments	(14,671)	(301,916)
Contributed Stock	(304,813)	(361,938)
Proceeds from Sale of Contributed Stock	305,796	359,541
(Gain) Loss on Sale of Contributed Stock	(983)	2,397
Contributions Restricted for Investment in Perpetuity	(64,846)	(6,654)
Depreciation Expense	89,046	79,454
Loss on Write-Off of Uncollectible Pledges Receivable	67,524	60,000
(Increase) Decrease in:		
Pledges Receivable	512,842	(1,175,684)
Bequest Receivable	741,003	(741,003)
Prepaid Expenses and Other Assets	(89,413)	95,452
Increase (Decrease) in:		
Accounts Payable and Accrued Expenses	97,679	(12,345)
Accrued Payroll Liabilities	17,461	(25,072)
	799,183	566,241
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of Property and Equipment	(80,956)	(92,536)
Interest and Dividends Reinvested	(202,166)	(272,952)
Proceeds on Sale of Investments	947,456	1,990,219
Purchase of Investments	(682,876)	(2,501,048)
	(18,542)	(876,317)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		
<b>CASH PROVIDED BY FINANCING ACTIVITY:</b>		
Contributions Restricted for Investment in Perpetuity	64,846	6,654
	64,846	6,654
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	845,487	(303,422)
Cash and Cash Equivalents - Beginning of Year	1,358,990	1,662,412
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 2,204,477	\$ 1,358,990
Cash and Cash Equivalents	\$ 1,875,703	\$ 997,209
Endowment Cash and Cash Equivalents	328,774	361,781
<b>TOTAL CASH AND CASH EQUIVALENTS</b>	\$ 2,204,477	\$ 1,358,990

The Accompanying Notes are an Integral Part of These Financial Statements

# POINT FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

June 30, 2016

### 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 Foundation 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.

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 348 different scholars through June 30, 2016. Point supported 83 scholars during the year ended June 30, 2016 (fiscal year 2016) and 82 scholars during the year ended June 30, 2015 (fiscal year 2015). As of June 30, 2016, 244 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, New York and Nevada.



# POINT FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

June 30, 2016

### 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 22 employees in achieving the goals of Point's various service programs. For the year ended June 30, 2016, Point had more than 400 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 13,600 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 2016 Performance***

After several fiscal years of growth in net assets, Point realized a decrease in net assets of \$708,458 for the year ended June 30, 2016.

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 2016 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 2016 with a net decrease in Unrestricted - Undesignated net assets of \$487,931.

With \$24,256 in investment income less \$29,111 in releases to operations, Board designated net assets decreased by \$4,855. Temporarily restricted net assets decreased by \$280,518. Point raised \$1,088,420 in new temporarily restricted gifts to fund future fiscal years and the endowment realized a net return of \$33,322. This year, Point began incurring expenses against the \$2 million, three-year grant received last year. As a result, releases of temporarily restricted funds increased to \$1,402,260. Permanently restricted net assets increased by \$64,846.

Approximately 75% of Point's total expenses were expended on program activities directly related to its mission, and approximately 25% of its total expenses were incurred for fundraising, management and general expenses.

# POINT FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

June 30, 2016

### 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 \$2,688,646 of Board designated endowment net assets at June 30, 2016.
- **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 \$3,862,226 of temporarily restricted net assets at June 30, 2016.
- **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 \$2,382,333 of permanently restricted net assets at June 30, 2016.

# POINT FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

June 30, 2016

### 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, 2016.

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, 2016, Point recognized a loss on the write-off of uncollectible pledges of \$67,524.

#### (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, 2016

### 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, 2016.

#### (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, 2016, Point recorded in-kind contributions of \$150,248.

#### (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 March 2016, the Board approved 72 scholarships for fiscal year 2017 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, 2016

### 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 cost.

**(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 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 June 30, 2019.

# POINT FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

June 30, 2016

### 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, 2016 for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through November 22, 2016, 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, 2016 and indicates the fair value hierarchy of the valuation techniques utilized to determine such fair value:

	Year Ended June 30, 2016	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)
<b>Mutual Funds:</b>				
U.S. Equities	\$ 2,156,632	\$ 2,156,632	\$ -	\$ -
U.S. Fixed Income	893,699	893,699	-	-
Non-U.S. Equities	1,097,356	1,097,356	-	-
Non-U.S. Fixed Income	128,621	128,621	-	-
<b>TOTAL MUTUAL FUNDS</b>	4,276,308	4,276,308	-	-
Corporate Bonds	863,633	-	863,633	-
Corporate Equities	196,337	196,337	-	-
Money Market	44,570	44,570	-	-
Certificates of Deposit	250,145	-	250,145	-
<b>TOTAL INVESTMENTS</b>	\$ 5,630,993	\$ 4,517,215	\$ 1,113,778	\$ -

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, 2016

### 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. During the year ended June 30, 2016, there were no transfers between Level 1 and Level 2. 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, 2016, there were no transfers between Level 2 and 3 investments.

Net investment income for the year ended June 30, 2016 consists of the following:

Interest and Dividend Income	\$ 202,166
Realized Gain on Investments	14,671
Unrealized Loss on Investments	<u>(151,016)</u>
<b>INVESTMENT INCOME (NET)</b>	<b><u>\$ 65,821</u></b>

### NOTE 4 - PLEDGES RECEIVABLE

Pledges receivable (net) at June 30, 2016 are due to be received as follows:

Less than One Year	\$ 1,599,668
One to Five Years	262,000
More than Five Years	<u>14,767</u>
<b>TOTAL</b>	<b>1,876,435</b>
Less: Allowance for Doubtful Accounts	(52,567)
Less: Discount at 2.5 - 6.0%	<u>(14,523)</u>
<b>PLEDGES RECEIVABLE (NET)</b>	<b><u>\$ 1,809,345</u></b>

### NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30, 2016:

Office Furniture and Equipment	\$ 88,911
Computer Equipment	312,625
Leasehold Improvements	<u>27,167</u>
<b>TOTAL</b>	<b>428,703</b>
Accumulated Depreciation	<u>(286,576)</u>
<b>PROPERTY AND EQUIPMENT (NET)</b>	<b><u>\$ 142,127</u></b>

Depreciation expense for the year ended June 30, 2016 was \$89,046.

# POINT FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

June 30, 2016

### NOTE 6 - COMMITMENTS AND CONTINGENCIES

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, 2016 are as follows:

<b>Years Ending June 30</b>	
2017	\$ 124,961
2018	128,582
2019	132,313
2020	<u>32,978</u>
<b>TOTAL</b>	<b><u>\$ 418,834</u></b>

Rental expense totaled \$116,215 for the year ended June 30, 2016.

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, 2016:

Named Scholarships	\$ 2,061,602
Time Restricted	<u>1,800,624</u>
<b>TOTAL TEMPORARILY RESTRICTED NET ASSETS</b>	<b><u>\$ 3,862,226</u></b>

### 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, 2016

### 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 2016, Point released funds of \$75,000 to cover the expense of these named scholarships.

Beyond the named scholarship releases, Point releases funds to cover the investment fees of \$5,369 for fiscal year 2016. 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 2016, the Board concluded not to make any general distributions from the endowment funds.

Endowment Net Asset Composition by Type of Fund at June 30, 2016:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor Restricted Endowment Funds	\$ -	\$ -	\$ 2,382,333	\$ 2,382,333
Board Designated Endowment Funds	2,688,646	671,352	-	3,359,998
<b>TOTAL FUNDS</b>	<b>\$ 2,688,646</b>	<b>\$ 671,352</b>	<b>\$ 2,382,333</b>	<b>\$ 5,742,331</b>

Changes in endowment net assets for the year ended June 30, 2016:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets - Beginning of Year	\$ 2,693,501	\$ 718,398	\$ 2,317,487	\$ 5,729,386
Investment Income (Net)	24,256	33,322	-	57,578
Releases	(29,111)	(80,368)	-	(109,479)
Contributions	-	-	64,846	64,846
<b>ENDOWMENT NET ASSETS - END OF YEAR</b>	<b>\$ 2,688,646</b>	<b>\$ 671,352</b>	<b>\$ 2,382,333</b>	<b>\$ 5,742,331</b>