

**POINT FOUNDATION**

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

**POINT FOUNDATION**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2018**

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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, 2018, 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, 2018, 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 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 8, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Green Hasson & Janks LLP*

October 24, 2018  
Los Angeles, California

# POINT FOUNDATION

## STATEMENT OF FINANCIAL POSITION June 30, 2018 With Summarized Totals at June 30, 2017

<b>ASSETS</b>	2018				2017 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
Cash and Cash Equivalents	\$ 4,686	\$ 757,582	\$ -	\$ 762,268	\$ 1,483,924
Investments	42,461	401,474	-	443,935	361,705
Pledges Receivable (Net)	135,800	2,140,247	-	2,276,047	2,530,483
Prepaid Expenses and Other Assets	87,299	116,443	-	203,742	112,737
	270,246	3,415,746	-	3,685,992	4,488,849
<b>Endowment and</b>					
<b>Quasi-Endowment Assets:</b>					
Cash and Cash Equivalents	-	-	-	-	256,139
Investments	2,868,630	1,059,580	2,376,519	6,304,729	5,969,504
Pledges Receivable (Net)	-	-	20,479	20,479	22,718
Other Assets	9,302	-	-	9,302	7,682
	2,877,932	1,059,580	2,396,998	6,334,510	6,256,043
<b>TOTAL ENDOWMENT AND QUASI-ENDOWMENT ASSETS</b>					
Property and Equipment (Net)	29,183	-	-	29,183	76,974
	\$ 3,177,361	\$ 4,475,326	\$ 2,396,998	\$ 10,049,685	\$ 10,821,866
<b>TOTAL ASSETS</b>					
 <b>LIABILITIES AND NET ASSETS</b>					
<b>LIABILITIES:</b>					
Accounts Payable and Accrued Expenses	\$ 120,338	\$ -	\$ -	\$ 120,338	\$ 122,319
Accrued Payroll Liabilities	105,223	-	-	105,223	217,384
	225,561	-	-	225,561	339,703
<b>TOTAL LIABILITIES</b>					
<b>NET ASSETS:</b>					
Unrestricted - Undesignated	73,868	-	-	73,868	77,920
Unrestricted - Board Designated Quasi-Endowment	2,877,932	-	-	2,877,932	2,924,490
	2,951,800	-	-	2,951,800	3,002,410
<b>TOTAL UNRESTRICTED NET ASSETS</b>					
Temporarily Restricted	-	4,475,326	-	4,475,326	5,092,357
Permanently Restricted	-	-	2,396,998	2,396,998	2,387,396
	2,951,800	4,475,326	2,396,998	9,824,124	10,482,163
<b>TOTAL NET ASSETS</b>					
<b>TOTAL LIABILITIES AND NET ASSETS</b>	\$ 3,177,361	\$ 4,475,326	\$ 2,396,998	\$ 10,049,685	\$ 10,821,866

The Accompanying Notes are an Integral Part of These Financial Statements

# POINT FOUNDATION

## STATEMENT OF ACTIVITIES

Year Ended June 30, 2018

With Summarized Totals for the Year Ended June 30, 2017

	2018				2017 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
<b>REVENUE, GAINS AND LOSSES, AND SUPPORT:</b>					
Contributions	\$ 1,619,778	\$ 1,121,586	\$ 9,602	\$ 2,750,966	\$4,046,777
Bequests	183,477	-	-	183,477	515,651
In-Kind Contributions	147,708	-	-	147,708	316,040
Special Events (Net of Direct Special Event Expenses of \$558,905)	237,420	-	-	237,420	341,795
Investment Income (Net)	185,082	217,642	-	402,724	593,190
Loss on Write-Off of Uncollectible Pledges Receivable	(2,726)	(143,237)	-	(145,963)	(115,142)
Net Assets Released from:					
Purpose Restrictions	895,000	(895,000)	-	-	-
Time Restrictions	918,022	(918,022)	-	-	-
<b>TOTAL REVENUE, GAINS AND LOSSES, AND SUPPORT</b>	4,183,761	(617,031)	9,602	3,576,332	5,698,311
<b>EXPENSES:</b>					
<b>Program Services:</b>					
Scholarship and Scholar Support	1,397,224	-	-	1,397,224	1,483,864
Leadership Conferences and Training	704,419	-	-	704,419	1,058,263
Scholar Mentoring	197,175	-	-	197,175	194,945
Scholar Internships	188,653	-	-	188,653	179,311
Scholar Selections	462,035	-	-	462,035	496,898
Alumni	222,145	-	-	222,145	222,632
<b>TOTAL PROGRAM SERVICES</b>	3,171,651	-	-	3,171,651	3,635,913
<b>Supporting Services:</b>					
Management and General	505,434	-	-	505,434	557,628
Fundraising and Development	557,286	-	-	557,286	569,715
<b>TOTAL SUPPORTING SERVICES</b>	1,062,720	-	-	1,062,720	1,127,343
<b>TOTAL EXPENSES</b>	4,234,371	-	-	4,234,371	4,763,256
<b>CHANGE IN NET ASSETS</b>	(50,610)	(617,031)	9,602	(658,039)	935,055
Net Assets - Beginning of Year	3,002,410	5,092,357	2,387,396	10,482,163	9,547,108
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 2,951,800</u>	<u>\$ 4,475,326</u>	<u>\$ 2,396,998</u>	<u>\$ 9,824,124</u>	<u>\$ 10,482,163</u>

The Accompanying Notes are an Integral Part of These Financial Statements

# POINT FOUNDATION

## STATEMENT OF FUNCTIONAL EXPENSES Year Ended June 30, 2018 With Summarized Totals for the Year Ended June 30, 2017

	2018										2017 Total Expenses	
	Program Services							Supporting Services		Total Expenses		
	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	
Salaries	\$ 341,562	\$ 306,259	\$ 97,742	\$ 65,372	\$ 180,116	\$ 110,699	\$ 1,101,750	\$ 227,495	\$ 294,568	\$ 522,063	\$ 1,623,813	\$ 1,710,142
Direct Scholarship Expenses	719,301	-	-	72,564	3,900	-	795,765	-	-	-	795,765	781,364
Professional Fees and Consultants	94,770	58,073	22,247	14,751	33,020	24,501	247,362	47,902	58,431	106,333	353,695	343,461
Travel	38,928	40,246	9,318	3,140	15,860	9,573	117,065	11,165	34,029	45,194	162,259	124,560
Leadership and Alumni Conferences	-	154,993	-	-	-	-	154,993	-	-	-	154,993	389,216
In-Kind Expense	30,778	3,000	-	-	50,166	-	83,944	44,638	19,126	63,764	147,708	316,040
Public Awareness and Promotion	25,250	28,713	11,219	9,207	21,477	31,093	126,959	4,466	12,628	17,094	144,053	210,373
Employee Benefits	29,839	26,755	8,539	5,711	15,735	9,671	96,250	19,874	25,732	45,606	141,856	164,361
Payroll Taxes	27,680	24,819	7,921	5,298	14,596	8,971	89,285	18,436	23,872	42,308	131,593	134,766
Rent	32,539	20,530	7,916	5,233	11,741	8,721	86,680	17,109	16,971	34,080	120,760	116,995
Other Scholarship Expenses	-	-	-	-	98,246	-	98,246	-	-	-	98,246	109,678
Office Expenses	18,390	12,346	4,469	2,994	6,918	5,060	50,177	9,682	23,448	33,130	83,307	79,880
Events	10,296	10,296	17,310	-	-	6,418	44,320	-	34,319	34,319	78,639	30,134
Bank and Credit Card Merchant Fees	-	-	-	-	-	-	-	66,051	-	66,051	66,051	59,758
Depreciation Expense	13,382	8,443	3,255	2,152	4,829	3,587	35,648	7,036	6,981	14,017	49,665	69,792
Telephone	8,693	6,276	2,168	1,296	3,332	2,292	24,057	3,672	4,145	7,817	31,874	37,396
Insurance	5,816	3,670	1,414	935	2,099	1,559	15,493	3,058	3,036	6,094	21,587	21,222
Meetings and Conferences	-	-	-	-	-	-	-	17,199	-	17,199	17,199	18,224
Miscellaneous	-	-	-	-	-	-	-	4,617	-	4,617	4,617	29,675
Mentoring	-	-	3,657	-	-	-	3,657	-	-	-	3,657	3,247
Recruitment	-	-	-	-	-	-	-	3,034	-	3,034	3,034	12,972
<b>TOTAL 2018 FUNCTIONAL EXPENSES</b>	<b>\$ 1,397,224</b>	<b>\$ 704,419</b>	<b>\$ 197,175</b>	<b>\$ 188,653</b>	<b>\$ 462,035</b>	<b>\$ 222,145</b>	<b>\$ 3,171,651</b>	<b>\$ 505,434</b>	<b>\$ 557,286</b>	<b>\$ 1,062,720</b>	<b>\$ 4,234,371</b>	
	33%	17%	5%	4%	11%	5%	75%	12%	13%	25%	100%	
<b>TOTAL 2017 FUNCTIONAL EXPENSES</b>	<b>\$ 1,483,864</b>	<b>\$ 1,058,263</b>	<b>\$ 194,945</b>	<b>\$ 179,311</b>	<b>\$ 496,898</b>	<b>\$ 222,632</b>	<b>\$ 3,635,913</b>	<b>\$ 557,628</b>	<b>\$ 569,715</b>	<b>\$ 1,127,343</b>		<b>\$ 4,763,256</b>
	31%	22%	4%	4%	10%	5%	76%	12%	12%	24%		100%

The Accompanying Notes are an Integral Part of These Financial Statements

# POINT FOUNDATION

## STATEMENT OF CASH FLOWS

Year Ended June 30, 2018

With Summarized Totals for the Year Ended June 30, 2017

	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in Net Assets	\$ (658,039)	\$ 935,055
Adjustments to Reconcile Change in Net Assets to		
Net Cash Used in Operating Activities:		
Unrealized Loss (Gain) on Investments	143,124	(382,437)
Realized Gain on Sale of Investments	(274,066)	(433)
Contributed Stock	(59,441)	(41,514)
Proceeds from Sale of Contributed Stock	60,533	41,492
Realized (Gain) Loss on Sale of Contributed Stock	(1,092)	22
Contributions Restricted for Investment in Perpetuity	(9,602)	(5,063)
Depreciation Expense	49,665	69,792
Loss on Write-Off of Uncollectible Pledges Receivable	145,963	115,142
(Increase) Decrease in:		
Pledges Receivable	110,712	(858,998)
Prepaid Expenses and Other Assets	(92,625)	62,929
Increase (Decrease) in:		
Accounts Payable and Accrued Expenses	(1,981)	(49,434)
Accrued Payroll Liabilities	(112,161)	(34,045)
	(699,010)	(147,492)
<b>NET CASH USED IN OPERATING ACTIVITIES</b>		
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of Property and Equipment	(1,874)	(4,639)
Interest and Dividends Reinvested	(271,782)	(209,525)
Proceeds on Sale of Investments	1,578,246	892,250
Purchase of Investments	(1,592,977)	(1,000,071)
	(288,387)	(321,985)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		
<b>CASH PROVIDED BY FINANCING ACTIVITY:</b>		
Contributions Restricted for Investment in Perpetuity	9,602	5,063
	(977,795)	(464,414)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>		
Cash and Cash Equivalents - Beginning of Year	1,740,063	2,204,477
	\$ 762,268	\$ 1,740,063
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>		
Cash and Cash Equivalents	\$ 762,268	\$ 1,483,924
Endowment and Quasi-Endowment Cash and Cash Equivalents	-	256,139
	\$ 762,268	\$ 1,740,063
<b>TOTAL CASH AND CASH EQUIVALENTS</b>		

The Accompanying Notes are an Integral Part of These Financial Statements

# POINT FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

June 30, 2018

### 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 Leadership Conference, Leadership, Education and Affinity Development Conferences, 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, 2018, Point launched a program 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 395 different scholars through June 30, 2018. Point supported 73 scholars and 24 community college students during the year ended June 30, 2018 (fiscal year 2018) and 72 scholars and 11 community college students during the year ended June 30, 2017 (fiscal year 2017). As of June 30, 2018, 290 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, 2018

### 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, 2018, 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 13,500 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 2018 Performance***

Point realized a decrease in net assets of \$658,039 for the year ended June 30, 2018.

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 2018 with a net decrease in Unrestricted - Undesignated net assets of \$4,052.

With \$176,882 in investment income less \$223,440 in releases to operations, Board designated net assets decreased by \$46,558. Temporarily restricted net assets decreased by \$617,031. Point raised \$1,121,586 in new temporarily restricted gifts to fund future fiscal years and the endowment realized a net return of \$217,642. Permanently restricted net assets increased by \$9,602.

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, 2018

### 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 Quasi-Endowment Net Assets.** The Board has designated a portion of unrestricted net assets to provide resources for a quasi-endowment fund. Point has \$2,877,932 of Board designated quasi-endowment net assets at June 30, 2018.
- **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 \$4,475,326 of temporarily restricted net assets at June 30, 2018.
- **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 \$2,396,998 of permanently restricted net assets at June 30, 2018.

# POINT FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

June 30, 2018

### 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, 2018.

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.

The fair value of investments in marketable equity securities and debt securities are 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, 2018, Point recognized a loss on the write-off of uncollectible pledges of \$145,963.

#### (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, 2018

### 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, 2018.

#### (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, 2018, Point recorded in-kind contributions of \$147,708.

#### (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 2018, the Board approved 73 scholarships for fiscal year 2019 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, 2018

### 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, 2017, from which the summarized information was derived.

**(o) NEW ACCOUNTING PRONOUNCEMENTS**

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers*, which improves and converges the revenue recognition requirements of U.S. GAAP and International Financial Reporting Standards. The ASU replaces the existing accounting standards for revenue recognition with a single comprehensive five-step model, which is intended to provide principles within a single framework for revenue recognition of transactions involving contracts with customers across all industries. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance also requires more detailed disclosures to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The guidance has subsequently been amended through a series of ASUs between August 2015 and September 2017 to improve the operability and understandability of the implementation guidance on scope exceptions and various other narrow aspects, as identified and addressed in such updates. For Point, the ASU and subsequent amendments will be effective for the year ending June 30, 2020.

# POINT FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

June 30, 2018

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (o) NEW ACCOUNTING PRONOUNCEMENTS (continued)

In February 2016, FASB issued 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.

#### (p) SUBSEQUENT EVENTS

Point has evaluated events and transactions occurring subsequent to the statement of financial position date of June 30, 2018 for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through October 24, 2018 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).

# POINT FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

June 30, 2018

### NOTE 3 - INVESTMENTS (continued)

The following table presents information about Point's investment assets that are measured at fair value on a recurring basis at June 30, 2018 and indicates the fair value hierarchy of the valuation techniques utilized to determine such fair value:

	Year Ended June 30, 2018	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	\$ 5,011,225	\$ 5,011,225	\$ -	\$ -
Corporate Bonds	934,454	-	934,454	-
Corporate Equities	232,158	232,158	-	-
Treasury Securities	34,963	34,963	-	-
Federal Agencies	99,216	99,216	-	-
Money Market	37,188	37,188	-	-
Certificates of Deposit	399,460	-	399,460	-
<b><i>TOTAL INVESTMENTS</i></b>	<b>\$ 6,748,664</b>	<b>\$ 5,414,750</b>	<b>\$ 1,333,914</b>	<b>\$ -</b>

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.

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 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, 2018, there were no transfers between levels.

Net investment income for the year ended June 30, 2018 consists of the following:

Interest and Dividend Income	\$ 271,782
Realized Gain on Sale of Investments	274,066
Unrealized Loss on Investments	(143,124)
<b><i>INVESTMENT INCOME (NET)</i></b>	<b>\$ 402,724</b>

# POINT FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

June 30, 2018

### NOTE 4 - PLEDGES RECEIVABLE

Pledges receivable (net) at June 30, 2018 are due to be received as follows:

Less than One Year	\$	1,007,787
One to Five Years		1,409,710
More than Five Years		<u>6,017</u>
<b>TOTAL</b>		2,423,514
Less: Allowance for Doubtful Accounts		(79,067)
Less: Discount at 2.5 - 6.0%		<u>(47,921)</u>
<b>PLEDGES RECEIVABLE (NET)</b>	\$	<u><u>2,296,526</u></u>

### NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30, 2018:

Office Furniture and Equipment	\$	93,550
Computer Equipment		298,360
Leasehold Improvements		<u>27,167</u>
<b>TOTAL</b>		419,077
Accumulated Depreciation		<u>(389,894)</u>
<b>PROPERTY AND EQUIPMENT (NET)</b>	\$	<u><u>29,183</u></u>

Depreciation expense for the year ended June 30, 2018 was \$49,665.

### 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, 2018 are as follows:

#### Years Ending June 30

2019	\$	138,741
2020		<u>43,970</u>
<b>TOTAL</b>	\$	<u><u>182,711</u></u>

Rental expense totaled \$120,760 for the year ended June 30, 2018.

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. Subsequent to year end the employment agreement was extended through 2024 with a severance payment clause, dependent on the termination terms, ranging from four to six months of the employee's base salary.



# POINT FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

June 30, 2018

### NOTE 7 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes at June 30, 2018:

Named Scholarships	\$ 2,284,828
Time Restricted	<u>2,190,498</u>
<b>TOTAL TEMPORARILY RESTRICTED NET ASSETS</b>	<b>\$ <u>4,475,326</u></b>

### NOTE 8 - ENDOWMENT AND QUASI-ENDOWMENT

Point's endowment consists of donor restricted funds, temporarily restricted funds, and board designated quasi-endowment funds. All such funds are invested in mutual funds, certificates of deposit, alternative investments 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 quasi-endowment 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.

The primary long-term financial objective for Point's endowment and quasi-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 and quasi-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 five 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 2018, Point released funds of \$95,000 to cover the expense of these named scholarships.

Beyond the named scholarship releases, Point released funds to cover the investment fees of \$7,219. 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 quasi-endowment's average three-year portfolio value. The Board has generally chosen to allow the quasi-endowment to grow before utilizing this policy, so during fiscal year 2018, the Board concluded not to make any general distributions from the quasi-endowment funds.

# POINT FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

June 30, 2018

### NOTE 8 – ENDOWMENT AND QUASI-ENDOWMENT (continued)

Endowment and Quasi-Endowment Net Asset Composition by Type of Fund at June 30, 2018:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor Restricted Endowment Funds	\$ -	\$ -	\$ 2,396,998	\$ 2,396,998
Board Designated Quasi-Endowment Funds	2,877,932	1,059,580	-	3,937,512
<b>TOTAL FUNDS</b>	<b>\$ 2,877,932</b>	<b>\$ 1,059,580</b>	<b>\$ 2,396,998</b>	<b>\$ 6,334,510</b>

Changes in endowment and quasi-endowment net assets for the year ended June 30, 2018:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment and Quasi- Endowment Net Assets - Beginning of Year	\$ 2,924,490	\$ 944,157	\$ 2,387,396	\$ 6,256,043
Investment Income (Net)	176,882	217,642	-	394,524
Releases	(223,440)	(102,219)	-	(325,659)
Contributions	-	-	9,602	9,602
<b>ENDOWMENT AND QUASI-ENDOWMENT NET ASSETS - END OF YEAR</b>	<b>\$ 2,877,932</b>	<b>\$ 1,059,580</b>	<b>\$ 2,396,998</b>	<b>\$ 6,334,510</b>