

# **Futures in Education**

Financial Statements

December 31, 2017

## Independent Auditors' Report

### Board of Trustees Futures in Education

We have audited the accompanying financial statements of Futures in Education, ("Futures") which comprise the statement of financial position as of December 31, 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.

#### ***Auditors' 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 auditors' 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 Futures in Education as of December 31, 2017, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

#### ***Report on Summarized Comparative Information***

We have previously audited Futures in Education's 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 27, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

*PKF O'Connor Davies, LLP*

April 24, 2018

## Futures in Education

### Statement of Financial Position

December 31, 2017

(with comparative amounts at December 31, 2016)

	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,777,158	\$ 2,320,814
Pledges receivable, net	5,777,832	5,656,960
Prepaid expenses	29,902	5,554
Funds held as agency endowments	107,502	-
Investments	4,889,234	4,282,750
Interest in net assets of Catholic Foundation for Brooklyn and Queens	<u>809,925</u>	<u>731,974</u>
	<u>\$ 13,391,553</u>	<u>\$ 12,998,052</u>
 <b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Accounts payable and accrued expenses	\$ 214,023	\$ 77,784
Funds held as agency endowments	107,502	-
Due to Catholic Foundation for Brooklyn and Queens	<u>1,484,045</u>	<u>1,422,067</u>
Total Liabilities	<u>1,805,570</u>	<u>1,499,851</u>
Net Assets		
Unrestricted	1,422,082	1,743,448
Temporarily restricted	6,195,658	5,791,810
Permanently restricted	<u>3,968,243</u>	<u>3,962,943</u>
Total Net Assets	<u>11,585,983</u>	<u>11,498,201</u>
	<u>\$ 13,391,553</u>	<u>\$ 12,998,052</u>

See notes to financial statements

## Futures in Education

### Statement of Activities

Year Ended December 31, 2017

(with summarized totals for the year ended December 31, 2016)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2017	Total 2016
<b>SUPPORT AND REVENUE</b>					
Donations and gifts	\$ 1,785,096	\$ 3,236,079	\$ -	\$ 5,021,175	\$ 4,657,060
Be an Angel to a Student	-	1,028,094	-	1,028,094	1,188,024
Fundraising, net of cost of direct benefit to donors of \$386,600 in 2017 and \$643,807 in 2016	941,229	-	-	941,229	1,626,591
Interest and dividends	9,921	87,547	-	97,468	94,363
Net unrealized gain on investments	-	316,914	-	316,914	52,160
Net realized gain on investments	-	246,102	-	246,102	101,487
Miscellaneous income	45,240	-	-	45,240	44,084
Net assets released from restriction	<u>4,583,539</u>	<u>(4,583,539)</u>	-	-	-
Total Support and Revenue	<u>7,365,025</u>	<u>331,197</u>	-	<u>7,696,222</u>	<u>7,763,769</u>
<b>EXPENSES</b>					
Scholarship programs	6,751,238	-	-	6,751,238	6,901,073
Management and general	482,600	-	-	482,600	326,284
Fundraising	<u>452,553</u>	-	-	<u>452,553</u>	<u>506,919</u>
Total Expenses	<u>7,686,391</u>	-	-	<u>7,686,391</u>	<u>7,734,276</u>
Excess (Deficiency) of Support and Revenue over Expenses	(321,366)	331,197	-	9,831	29,493
Change in interest in net assets of Catholic Foundation for Brooklyn and Queens	-	<u>72,651</u>	<u>5,300</u>	<u>77,951</u>	<u>8,621</u>
Change in Net Assets	(321,366)	403,848	5,300	87,782	38,114
<b>NET ASSETS</b>					
Beginning of year	<u>1,743,448</u>	<u>5,791,810</u>	<u>3,962,943</u>	<u>11,498,201</u>	<u>11,460,087</u>
End of year	<u>\$ 1,422,082</u>	<u>\$ 6,195,658</u>	<u>\$ 3,968,243</u>	<u>\$ 11,585,983</u>	<u>\$ 11,498,201</u>

See notes to financial statements

## Futures in Education

Statement of Functional Expenses  
Year Ended December 31, 2017  
(with summarized totals for the year ended December 31, 2016)

	Scholarship Programs	Management and General	Fundraising	Total 2017	Total 2016
Grants and scholarships	\$ 5,084,845	\$ -	\$ -	\$ 5,084,845	\$ 5,304,045
Be an Angel to a Student	1,283,790	-	-	1,283,790	1,389,831
Payroll and related expenses	289,465	180,201	165,959	635,625	419,308
Professional and consulting fees	-	68,391	-	68,391	133,727
Advertising and printing	38,583	7,324	110,770	156,677	144,327
Insurance	-	8,005	-	8,005	3,027
Administrative costs	212	42,639	-	42,851	27,750
Events and meetings	35,754	1,383	129,746	166,883	154,342
Investment management fees	-	44,078	-	44,078	33,042
Occupancy	18,564	11,024	10,949	40,537	42,763
Bad debt expense	-	77,772	-	77,772	27,959
Charitable contributions	25	-	31,755	31,780	19,014
Miscellaneous	-	41,783	3,374	45,157	35,141
Total Expenses	\$ 6,751,238	\$ 482,600	\$ 452,553	\$ 7,686,391	\$ 7,734,276

See notes to financial statements

## Futures in Education

Statement of Cash Flows  
Year Ended December 31, 2017  
(with comparative amounts for the year ended December 31, 2016)

	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 87,782	\$ 38,114
Adjustments to reconcile change in net assets to net cash from operating activities		
Bad debt expense	77,772	27,959
Net realized and unrealized gains on investments	(563,016)	(153,647)
Change in interest in net assets of Catholic Foundation for Brooklyn and Queens	(77,951)	(8,621)
Change in operating assets and liabilities		
Pledges receivable	(198,644)	(113,826)
Prepaid expenses	(24,348)	(5,554)
Accounts payable	136,239	4,837
Due to Catholic Foundation for Brooklyn and Queens	<u>61,978</u>	<u>915,568</u>
Net Cash from Operating Activities	<u>(500,188)</u>	<u>704,830</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of investments	(3,548,404)	(5,052,944)
Proceeds from sales of investments	<u>3,504,936</u>	<u>4,995,652</u>
Net Cash from Investing Activities	<u>(43,468)</u>	<u>(57,292)</u>
Net Change in Cash and Cash Equivalents	(543,656)	647,538
 <b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	<u>2,320,814</u>	<u>1,673,276</u>
 End of year	<u><u>\$ 1,777,158</u></u>	<u><u>\$ 2,320,814</u></u>
 <b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Non Cash Financing Activity		
Permanently restricted contributions received by Catholic Foundation for Brooklyn and Queens on behalf of Futures in Futures in Education	\$ 5,300	\$ 3,500

See notes to financial statements

## **Futures in Education**

Notes to Financial Statements  
December 31, 2017

### **1. Organization**

Futures in Education, formerly “The Futures in Education Endowment Fund for Brooklyn and Queens” (“Futures”), was established to support and to assist the Roman Catholic Diocese of Brooklyn in its Catholic educational mission by providing supplemental funding and other assistance for all programs and services, including capital projects, in Catholic elementary and secondary schools or elsewhere in the Roman Catholic Diocese of Brooklyn.

Futures is classified as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code.

### **2. Summary of Significant Accounting Policies**

#### ***Basis of Accounting***

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”).

#### ***Use of Estimates***

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingencies at the date of the financial statements and the amount of revenue and expenses recognized during the reporting period. Actual results could differ from those estimates.

#### ***Cash and Cash Equivalents***

Cash and cash equivalents include all highly liquid investments with maturities of three months or less at the time of purchase and consist principally of funds maintained in checking and money market accounts.

#### ***Pledges Receivable***

Unconditional promises to give are recognized as contribution revenue in the period received. Pledges receivable that are expected to be collected in future years are discounted at their net realizable value using a risk-adjusted discount rate. The discount is amortized and reflected within contribution income in the statement of activities over the period in which the pledge is expected to be collected.

#### ***Allowance for Uncollectible Pledges Receivable***

An allowance for uncollectible pledges receivable is estimated based on a combination of write-off history, aging analysis and any specific known doubtful accounts.

## **Futures in Education**

Notes to Financial Statements  
December 31, 2017

### **2. Summary of Significant Accounting Policies (*continued*)**

#### ***Funds Held as Agency Endowments***

Funds held as agency endowments include contributions given by individuals for other organizations that are held by Futures on behalf of those organizations.

#### ***Net Asset Presentation***

The financial statements report amounts separately by class of net assets based on the presence or absence of donor restriction. Unrestricted net assets are those that are not subject to donor-imposed stipulations. Temporarily restricted net assets are those which are stipulated by donors for specific operating purposes. Permanently restricted net assets are those which are established by donor restricted gifts to provide a permanent endowment. When a donor restriction expires, that is when a stipulated time ends or purpose 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 restriction.

#### ***Functional Expense Allocations***

The costs of providing the various programs and other activities of Futures have been summarized on a functional basis in the accompanying statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Such allocations are determined by management in accordance with grant provisions and/or other equitable basis.

#### ***Fair Value of Financial Instruments***

Futures follows U.S. GAAP guidance on *Fair Value Measurements*, which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

#### ***Investment Valuation***

Investments are carried at fair value.

#### ***Investment Income Recognition***

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis and dividends are recorded on the ex-dividend date. Realized and unrealized gains and losses are included in the determination of change in net assets.

## **Futures in Education**

Notes to Financial Statements  
December 31, 2017

### **2. Summary of Significant Accounting Policies (*continued*)**

#### ***Contributions***

All contributions are considered available for unrestricted use, unless specifically restricted by the donor.

#### ***Income Taxes***

Futures recognizes the effect of tax positions only when they are more likely than not to be sustained. Management has determined that Futures had no uncertain tax positions that that would require financial statement recognition or disclosure. Futures is no longer subject to tax examinations for periods prior to December 31, 2014.

#### ***Reclassification***

Certain reclassifications have been made to 2016 information to conform to the 2017 presentation.

#### ***Subsequent Events Evaluation by Management***

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is April 24, 2018.

#### ***Prior Year Summarized Information***

The financial statements include certain prior year summarized comparative information in total only, which does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with Future's financial statements for 2016, from which the summarized information was derived.

### **3. Concentration of Credit Risk and Other**

Financial instruments that potentially subject Futures to concentrations of credit risk consist principally of receivables, which are expected to be collected in the normal course of business, and cash at financial institutions that at times may exceed federally insured limits. Balances maintained with banking institutions exceed the Federal Deposit Insurance Corporation's insurable limit. Futures has not experienced any losses on its cash deposits.

The investment portfolio is diversified by type of investments and industry concentrations so that no individual investment or groups of investments represent a significant concentration of market risk.

As of and for the years ended December 31, 2017 and 2016, approximately 58% and 39% of support was received from a single donor, and five donors represented approximately 97% and 95% of total pledges receivable.

## Futures in Education

Notes to Financial Statements  
December 31, 2017

### 4. Pledges Receivable

Futures received unconditional temporarily and permanently restricted pledges which have been recorded net of a present value discount of 2.84% and 3.19% and an allowance for uncollectible pledges at December 31, as follows:

	2017	2016
Due in one year or less	\$ 4,373,590	\$ 3,503,160
Due in two through five years	1,647,500	2,709,000
	6,021,090	6,212,160
Less discount	(217,417)	(535,250)
Less allowance for uncollectible pledges	(25,841)	(19,950)
	\$ 5,777,832	\$ 5,656,960

### 5. Interest in Net Assets of Catholic Foundation for Brooklyn and Queens

The Catholic Foundation for Brooklyn and Queens (“CFBQ”) is a not-for-profit corporation affiliated with the Roman Catholic Diocese of Brooklyn that invests in managed investment portfolios to provide income to support Diocesan programs. CFBQ holds and manages financial assets of Futures without variance power by Futures. CFBQ will hold and invest the assets in perpetuity and periodically award grants to Futures. This interest is carried at fair value (level 3 inputs) based on net asset value per CFBQ. For the years ended December 31, 2017 and 2016, contributions of \$5,300 and \$3,500 were donated to CFBQ on behalf of Futures.

### 6. Assets Measured at Fair Value

The following are the classes and major categories of assets at December 31, grouped by the fair value hierarchy for those assets measured at fair value on a recurring basis:

	2017			
	Level 1	Level 2	Level 3	Total
Investments				
Common stocks	\$ 3,232,099	\$ -	\$ -	\$ 3,232,099
Mutual funds	1,439,146	-	-	1,439,146
Money fund	-	217,989	-	217,989
Total Investments	4,671,245	217,989	-	4,889,234
Interest in the net assets of CFBQ	-	-	809,925	809,925
Total Assets Measured at Fair Value	\$ 4,671,245	\$ 217,989	\$ 809,925	\$ 5,699,159

## Futures in Education

Notes to Financial Statements  
December 31, 2017

### 6. Assets Measured at Fair Value *(continued)*

	2016			Total
	Level 1	Level 2	Level 3	
Investments				
Common stocks	\$ 2,603,445	\$ -	\$ -	\$ 2,603,445
Mutual funds	1,563,514	-	-	1,563,514
Money fund	-	115,791	-	115,791
Total Investments	4,166,959	115,791	-	4,282,750
Interest in the net assets of CFBQ	-	-	731,974	731,974
Total Assets Measured at Fair Value	\$ 4,166,959	\$ 115,791	\$ 731,974	\$ 5,014,724

There were no transfers between levels in 2017 and 2016.

The following is a reconciliation of the beginning and ending balance for the interest in the net assets of CFBQ, which is measured at fair value using significant unobservable inputs (Level 3) for 2017 and 2016:

Balance, January 1, 2016	\$ 723,353
Total realized and unrealized losses	39,921
Purchases, issuances and (settlements), net	(31,300)
Balance, December 31, 2016	731,974
Total realized and unrealized gains	130,583
Purchases, issuances and (settlements), net	(52,632)
Balance, December 31, 2017	\$ 809,925

### 7. Temporarily Restricted Net Assets

Temporarily restricted net assets are restricted for the following purposes at December 31:

	2017	2016
Scholarship and Tuition Assistance	\$ 1,784,510	\$ 1,124,966
Future Scholarship and Tuition Assistance	4,000,000	4,000,000
Be an Angel to a Student	318,220	573,916
Technology	47,929	47,929
School-Business Partnerships	44,999	44,999
	\$ 6,195,658	\$ 5,791,810

## Futures in Education

Notes to Financial Statements  
December 31, 2017

### 8. Net Assets Released from Restrictions

Net assets were released from restriction for the following purposes for years ended December 31:

	2017	2016
Be an Angel to a Student	\$ 1,283,790	\$ 1,389,831
Scholarship and Tuition Assistance	3,299,749	5,304,045
	\$ 4,583,539	\$ 6,693,876

### 9. Permanently Restricted Net Assets

Permanently restricted net assets at December 31, 2017 and 2016 represent gifts that have been restricted by donors in perpetuity, the income from which is expendable to support educational purposes.

### 10. Endowment Fund

The following is a reconciliation of the 2017 and 2016 investment activity for the donor-restricted endowment fund:

	Temporarily Restricted	Permanently Restricted	Total
Balance, December 31, 2015	\$ 228,221	\$ 3,145,907	\$ 3,374,128
Contributions and pledge collections	-	35,450	35,450
Realized and unrealized gains	34,012	-	34,012
Interest and dividends	56,299	-	56,299
Balance, December 31, 2016	318,532	3,181,357	3,499,889
Realized and unrealized gains	404,038	-	404,038
Interest and dividends	71,974	-	71,974
Balance, December 31, 2017	\$ 794,544	\$ 3,181,357	\$ 3,975,901

Endowment assets consist of the following at December 31:

	2017	2016
Investments	\$ 3,794,687	\$ 3,323,976
Cash	181,214	175,913
	\$ 3,975,901	\$ 3,499,889

## **Futures in Education**

Notes to Financial Statements  
December 31, 2017

### **10. Endowment Fund (continued)**

#### ***Interpretation of Law***

Futures has interpreted the New York Prudent Management of Institutional Funds Act (NYPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary and except in those cases where the law allows appropriation for spending of the original gift amounts. As a result of this interpretation, Futures classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by Futures in a manner consistent with the standard of prudence prescribed by NYPMIFA.

#### ***Return Objective and Risk Parameters***

Futures maintains donor-restricted funds whose purpose is to provide long term support for its charitable purpose. Future's investment policy calls for the endowment assets to be invested in accordance with sound investment practices that emphasize long-term investment fundamentals. The primary emphasis is to accumulate wealth over time, rather than current income.

#### ***Spend Rate Policy***

The spending formula for each fund is as follows: distributions of up to 5% of the average 20-quarter valuation of the endowment's net investment assets plus fees and expenses. Spending should come from unallocated cash, then from securities in order of liquidity upon recommendation of the investment manager.

### **11. Transactions with Catholic Foundation for Brooklyn and Queens**

Futures reimburses CFBQ for payroll costs and other charges incurred throughout the year on behalf of Futures. During 2017 and 2016, total charges incurred by CFBQ on behalf of Futures totaled \$961,397 and \$915,568. Amounts due to CFBQ bear no interest and have no specified date of repayment.

\* \* \* \* \*