

# **Futures in Education**

Financial Statements

December 31, 2018

## 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, 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.

### ***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, 2018, 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 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 24, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

***Change in Accounting Principle***

As discussed in note 2 to the financial statements, during the year ended December 31, 2018, Futures in Education adopted new accounting guidance resulting in a change in the manner in which it presents net assets and reports certain aspects of its financial statements. Our opinion is not modified with respect to this matter.

*PKF O'Connor Davies, LLP*

April 11, 2019

## Futures in Education

Statement of Financial Position  
December 31, 2018  
(with comparative amounts at December 31, 2017)

	<u>2018</u>	<u>2017</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 730,440	\$ 1,777,158
Pledges receivable, net	5,967,030	5,777,832
Prepaid expenses	44,053	29,902
Funds held as agency endowments	105,753	107,502
Investments	4,632,260	4,889,234
Interest in net assets of Catholic Foundation for Brooklyn and Queens	<u>710,968</u>	<u>809,925</u>
	<u>\$ 12,190,504</u>	<u>\$ 13,391,553</u>
 <b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Accounts payable and accrued expenses	\$ 80,914	\$ 214,023
Funds held as agency endowments	105,753	107,502
Due to Catholic Foundation for Brooklyn and Queens	<u>742,927</u>	<u>1,484,045</u>
Total Liabilities	<u>929,594</u>	<u>1,805,570</u>
 Net Assets		
Without donor restrictions	1,383,156	1,422,082
With donor restrictions	<u>9,877,754</u>	<u>10,163,901</u>
Total Net Assets	<u>11,260,910</u>	<u>11,585,983</u>
	<u>\$ 12,190,504</u>	<u>\$ 13,391,553</u>

See notes to financial statements

## Futures in Education

Statement of Activities  
Year Ended December 31, 2018

(with summarized totals for the year ended December 31, 2017)

	Without Donor Restrictions	With Donor Restrictions	Total 2018	Total 2017
<b>SUPPORT AND REVENUE</b>				
Donations and gifts	\$ 1,861,609	\$ 3,394,400	\$ 5,256,009	\$ 5,021,175
Be an Angel to a Student	-	1,094,400	1,094,400	1,028,094
Fundraising, net of cost of direct benefit to donors of \$236,166 in 2018 and \$386,600 in 2017	874,564	-	874,564	941,229
Interest and dividends	6,993	124,310	131,303	97,468
Investment return, net	(47,089)	(334,195)	(381,284)	518,938
Miscellaneous income	56,500	-	56,500	45,240
Net assets released from restriction	4,466,105	(4,466,105)	-	-
Total Support and Revenue	7,218,682	(187,190)	7,031,492	7,652,144
<b>EXPENSES</b>				
Scholarship programs	6,543,883	-	6,543,883	6,751,238
Management and general	377,040	-	377,040	438,522
Fundraising	336,685	-	336,685	452,553
Total Expenses	7,257,608	-	7,257,608	7,642,313
Excess (Deficiency) of Support and Revenue over Expenses	(38,926)	(187,190)	(226,116)	9,831
Change in interest in net assets of Catholic Foundation for Brooklyn and Queens	-	(98,957)	(98,957)	77,951
Change in Net Assets	(38,926)	(286,147)	(325,073)	87,782
<b>NET ASSETS</b>				
Beginning of year	1,422,082	10,163,901	11,585,983	11,498,201
End of year	\$ 1,383,156	\$ 9,877,754	\$ 11,260,910	\$ 11,585,983

See notes to financial statements

## Futures in Education

### Statement of Functional Expenses

Year Ended December 31, 2018

(with summarized totals for the year ended December 31, 2017)

	Scholarship Programs	Management and General	Fundraising	Total 2018	Total 2017
Grants and scholarships	\$ 4,851,742	\$ -	\$ -	\$ 4,851,742	\$ 5,084,845
Be an Angel to a Student	1,276,129	-	-	1,276,129	1,283,790
Payroll and related expenses	303,712	150,504	125,302	579,518	635,625
Professional and consulting fees	-	73,983	5,000	78,983	68,391
Advertising and printing	19,692	6,727	132,043	158,462	156,677
Insurance	-	11,218	-	11,218	8,005
Administrative costs	200	43,060	1,345	44,605	42,851
Events and meetings	67,621	526	38,536	106,683	166,883
Occupancy	24,762	11,107	9,404	45,273	40,537
Bad debt expense	-	55,428	-	55,428	77,772
Charitable contributions	25	-	25,055	25,080	31,780
Miscellaneous	-	24,487	-	24,487	45,157
	<u>\$ 6,543,883</u>	<u>\$ 377,040</u>	<u>\$ 336,685</u>	<u>\$ 7,257,608</u>	<u>\$ 7,642,313</u>
Total Expenses					

See notes to financial statements

## Futures in Education

Statement of Cash Flows  
Year Ended December 31, 2018  
(with comparative amounts for the year ended December 31, 2017)

	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (325,073)	\$ 87,782
Adjustments to reconcile change in net assets to net cash from operating activities		
Bad debt expense	55,428	77,772
Net realized and unrealized loss (gains) on investments	334,195	(563,016)
Change in interest in net assets of Catholic Foundation for Brooklyn and Queens	98,957	(77,951)
Change in operating assets and liabilities		
Pledges receivable	(244,626)	(198,644)
Prepaid expenses	(14,151)	(24,348)
Accounts payable and accrued expenses	(133,109)	136,239
Due to Catholic Foundation for Brooklyn and Queens	(741,118)	61,978
Net Cash from Operating Activities	(969,497)	(500,188)
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of investments	(2,304,282)	(3,548,404)
Proceeds from sales of investments	2,227,061	3,504,936
Net Cash from Investing Activities	(77,221)	(43,468)
Net Change in Cash and Cash Equivalents	(1,046,718)	(543,656)
 <b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	1,777,158	2,320,814
End of year	\$ 730,440	\$ 1,777,158
 <b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Non Cash Financing Activity		
Donor restricted contributions received by Catholic Foundation for Brooklyn and Queens on behalf of Futures in Education	\$ -	\$ 5,300

See notes to financial statements

## **Futures in Education**

Notes to Financial Statements  
December 31, 2018

### **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”).

#### ***Change in Accounting Principle***

On January 1, 2018, Futures adopted new guidance regarding the Presentation of Financial Statements for Not-for-Profit Entities. This guidance requires Futures to collapse the three-category (unrestricted, temporarily restricted, and permanently restricted) classification of net assets into two categories: with donor restriction and without donor restrictions. In addition, the new guidance requires Futures to make certain expanded disclosures relating to (1) the liquidity of financial assets, and (2) expenses by both their natural and functional classification in one location in the financial statements. As a result of implementing this standard, prior year amounts for temporarily restricted and permanently restricted net assets were combined as net assets with donor restrictions.

#### ***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 reported amounts 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.



## **Futures in Education**

Notes to Financial Statements  
December 31, 2018

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

#### ***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 to 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.

#### ***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 of Futures report amounts separately by class of net assets based on the presence or absence of donor restrictions with the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of Futures. These net assets may be used at the discretion of Futures' management and the board of trustees.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of Futures or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

When a donor restriction expires, that is when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities.

## Futures in Education

Notes to Financial Statements  
December 31, 2018

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

#### ***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.

The expenses that are allocated include the following:

Expense	Method of Allocation
Grants	Time and effort
Salaries and benefits	Time and effort
Education and awareness	Time and effort
Occupancy	Square footage
Professional services	Full time equivalent
Printing	Full time equivalent
Information technologies	Full time equivalent
Travel	Time and effort
Depreciation	Square footage
Other	Time and effort

#### ***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, 2018

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

#### ***Contributions***

All contributions are considered available for any activity of Futures, 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, 2015.

#### ***Reclassification***

Certain reclassifications have been made to 2017 information to conform to the 2018 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 11, 2019.

#### ***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 2017, 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, 2018 and 2017, approximately 41% and 58% of support was received from a single donor, and three and five donors represented approximately 97% of total pledges receivable.

## Futures in Education

Notes to Financial Statements  
December 31, 2018

### 4. Pledges Receivable

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

	2018	2017
Due in one year or less	\$ 4,426,839	\$ 4,373,590
Due in two through five years	1,642,500	1,647,500
	6,069,339	6,021,090
Less discount	(58,785)	(217,417)
Less allowance for uncollectible pledges	(43,524)	(25,841)
	\$ 5,967,030	\$ 5,777,832

### 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 year ended December 31, 2017, contributions of \$5,300 were donated to CFBQ on behalf of Futures. There were no contributions for the year ended December 31, 2018.

### 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:

	2018			
	Level 1	Level 2	Level 3	Total
Investments				
Common stocks	\$ 2,363,374	\$ -	\$ -	\$ 2,363,374
Mutual funds	2,077,879	-	-	2,077,879
Money fund	-	191,007	-	191,007
Total Investments	4,441,253	191,007	-	4,632,260
Interest in the net assets of CFBQ	-	-	710,968	710,968
Total Assets Measured at Fair Value	\$ 4,441,253	\$ 191,007	\$ 710,968	\$ 5,343,228

## Futures in Education

Notes to Financial Statements  
December 31, 2018

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

	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

There were no transfers between levels in 2018 and 2017.

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 2018 and 2017:

Balance, January 1, 2017	\$ 731,974
Total realized and unrealized gains	130,583
Purchases, issuances and (settlements), net	(52,632)
Balance, December 31, 2017	809,925
Total realized and unrealized losses	(48,855)
Purchases, issuances and (settlements), net	(50,102)
Balance, December 31, 2018	\$ 710,968

### 7. Net Assets with Donor Restrictions

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

	2018	2017
Temporarily Restricted		
Scholarship and Tuition Assistance	\$ 1,680,093	\$ 1,784,510
Future Scholarship and Tuition Assistance	4,000,000	4,000,000
Be an Angel to a Student	134,490	318,220
Technology	49,929	47,929
School-Business Partnerships	44,999	44,999
Total Temporarily Restricted	5,909,511	6,195,658
Permanently Restricted		
Educational Purposes	3,968,243	3,968,243
Total Net Assets with Donor Restrictions	\$ 9,877,754	\$ 10,163,901

## Futures in Education

Notes to Financial Statements  
December 31, 2018

### 7. Net Assets with Donor Restrictions *(continued)*

Net assets restricted for Educational Purposes consist of the following at December 31, 2018 and 2017:

Corpus of endowment fund held as investments	\$ 3,230,507
Interest in net assets of Catholic	
Foundation for Brooklyn and Queens	544,252
Donor restricted receivables - endowment fund	<u>193,484</u>
	<u><u>\$ 3,968,243</u></u>

### 8. Net Assets Released from Donor Restrictions

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

	2018	2017
Be an Angel to a Student	\$ 3,189,976	\$ 3,299,749
Scholarship and Tuition Assistance	<u>1,276,129</u>	<u>1,283,790</u>
	<u><u>\$ 4,466,105</u></u>	<u><u>\$ 4,583,539</u></u>

### 9. Availability and Liquidity

The following represents Futures available financial assets reduced by amounts not available for general use within one year. Total financial assets available to meet cash needs for general expenditures within one year at December 31, 2018 are as follows:

	2018	2017
Financial Assets at Year End		
Cash and cash equivalents	\$ 730,440	\$ 1,884,660
Investments	4,632,260	4,889,234
Contributions receivable	<u>5,967,030</u>	<u>5,777,832</u>
Total Financial Assets at Year End	<u><u>11,329,730</u></u>	<u><u>12,551,726</u></u>
Less Amounts not Available to be Used Within One Year		
Net assets with donor restrictions	9,877,754	10,163,901
Less net assets with purpose restrictions expected to be met within one year	<u>(4,524,822)</u>	<u>(4,466,105)</u>
	<u><u>5,352,932</u></u>	<u><u>5,697,796</u></u>
Financial assets available to meet general expenditures over the next twelve months	<u><u>\$ 5,976,798</u></u>	<u><u>\$ 6,853,930</u></u>

Futures' goal is to maintain financial assets to meet one year of operating expenses. As part of its liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

## Futures in Education

Notes to Financial Statements  
December 31, 2018

### 10. Endowment Fund

The following is a reconciliation of the 2018 and 2017 investment activity for the donor-restricted endowment fund:

	<u>With Donor Restrictions</u>
Balance, December 31, 2016	\$ 3,499,889
Realized and unrealized gains	404,038
Interest and dividends	<u>71,974</u>
Balance, December 31, 2017	3,975,901
Realized and unrealized losses	(199,446)
Interest and dividends	<u>78,717</u>
Balance, December 31, 2018	<u>\$ 3,855,172</u>

Endowment assets are held as follows at December 31:

	<u>2018</u>	<u>2017</u>
Investments	\$ 3,595,241	\$ 3,794,687
Cash	<u>259,931</u>	<u>181,214</u>
	<u>\$ 3,855,172</u>	<u>\$ 3,975,901</u>

#### ***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 net assets with donor restrictions that are held as endowment (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the 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 retained in perpetuity is subject to appropriation 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.

## **Futures in Education**

Notes to Financial Statements  
December 31, 2018

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

#### ***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 2018 and 2017, total charges incurred by CFBQ on behalf of Futures totaled \$832,569 and \$961,397. Amounts due to CFBQ bear no interest and have no specified date of repayment.

\* \* \* \* \*