

# **Futures in Education**

Financial Statements

August 31, 2020

## **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 August 31, 2020, 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 August 31, 2020, 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.

*PKF O'Connor Davies, LLP*

January 14, 2021

## Futures in Education

### Statement of Financial Position August 31, 2020

#### ASSETS

Cash and cash equivalents	\$ 178,026
Pledges receivable, net	2,877,873
Prepaid expenses	52,188
Funds held as agency endowments	85,464
Investments	5,683,909
Interest in net assets of Catholic Foundation for Brooklyn and Queens	<u>785,655</u>
	<u>\$ 9,663,115</u>

#### LIABILITIES AND NET ASSETS

##### Liabilities

Accounts payable and accrued expenses	\$ 88,732
Funds held as agency endowments	85,464
Due to Catholic Foundation for Brooklyn and Queens	<u>2,215,970</u>
Total Liabilities	<u>2,390,166</u>

##### Net Assets

Without donor restrictions	297,587
With donor restrictions	<u>6,975,362</u>
Total Net Assets	<u>7,272,949</u>
	<u>\$ 9,663,115</u>

See notes to financial statements

## Futures in Education

### Statement of Activities Year Ended August 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT AND REVENUE</b>			
Donations and gifts	\$ 3,595,597	\$ 2,600,000	\$ 6,195,597
Be an Angel to a Student	-	1,376,466	1,376,466
Fundraising, net of cost of direct benefit to donors of \$255,317	915,423	-	915,423
Interest and dividends	4,704	115,055	119,759
Net unrealized gain on investments	-	414,604	414,604
Net realized gain on investments	-	19,773	19,773
Miscellaneous income	59,825	-	59,825
Net assets released from restriction	<u>4,209,701</u>	<u>(4,209,701)</u>	<u>-</u>
Total Support and Revenue	<u>8,785,250</u>	<u>316,197</u>	<u>9,101,447</u>
<b>EXPENSES</b>			
Scholarship programs	7,340,340	-	7,340,340
Management and general	392,232	-	392,232
Fundraising	<u>765,888</u>	<u>-</u>	<u>765,888</u>
Total Expenses	<u>8,498,460</u>	<u>-</u>	<u>8,498,460</u>
Excess of Support and Revenue over Expenses	286,790	316,197	602,987
Change in interest in net assets of Catholic Foundation of Brooklyn and Queens			
Change in Net Assets	<u>-</u>	<u>29,860</u>	<u>29,860</u>
	286,790	346,057	632,847
<b>NET ASSETS</b>			
Beginning of year	<u>10,797</u>	<u>6,629,305</u>	<u>6,640,102</u>
End of year	<u>\$ 297,587</u>	<u>\$ 6,975,362</u>	<u>\$ 7,272,949</u>

See notes to financial statements

## Futures in Education

### Statement of Functional Expenses Year Ended August 31, 2020

	Scholarship Programs	Management and General	Fundraising	Total
Grants and scholarships	\$ 5,646,595	\$ -	\$ -	\$ 5,646,595
Be an Angel to a Student	1,165,313	-	-	1,165,313
Payroll and related expenses	342,001	157,525	271,037	770,563
Professional and consulting fees	25,000	39,460	168,450	232,910
Advertising and printing	125,792	3,613	115,182	244,587
Insurance	-	31,859	-	31,859
Administrative costs	4,234	65,150	3,750	73,134
Events and meetings	8,875	778	427,398	437,051
Investment management fees	-	50,655	-	50,655
Occupancy	22,530	9,111	17,161	48,802
Bad debt expense	-	4,993	-	4,993
Charitable contributions	-	-	18,227	18,227
Miscellaneous	-	29,088	-	29,088
Total Expenses	7,340,340	392,232	1,021,205	8,753,777
Less costs with direct benefit to donors	-	-	(255,317)	(255,317)
Total Expenses Reported by Function on the Statement of Activities	\$ 7,340,340	\$ 392,232	\$ 765,888	\$ 8,498,460

See notes to financial statements

## Futures in Education

### Statement of Cash Flows August 31, 2020

#### **CASH FLOWS FROM OPERATING ACTIVITIES**

Change in net assets	\$ 632,847
Adjustments to reconcile change in net assets to net cash from operating activities	
Bad debt expense	4,993
Discount on pledges receivable	(51,483)
Net realized and unrealized gain on investments	(434,377)
Change in interest in net assets of Catholic Foundation for Brooklyn and Queens	(29,860)
Change in operating assets and liabilities	
Pledges receivable	(1,360,097)
Prepaid expenses	99,977
Accounts payable and accrued expenses	39,687
Due to Catholic Foundation for Brooklyn and Queens	<u>737,961</u>
Net Cash from Operating Activities	<u>(360,352)</u>

#### **CASH FLOWS FROM INVESTING ACTIVITIES**

Purchases of investments	(4,770,430)
Proceeds from sales of investments	<u>4,706,030</u>
Net Change from Investing Activities	<u>(64,400)</u>
Net Change in Cash and Cash Equivalents	(424,752)

#### **CASH AND CASH EQUIVALENTS**

Beginning of year	<u>602,778</u>
End of period	<u>\$ 178,026</u>

See notes to financial statements

## **Futures in Education**

Notes to Financial Statements  
August 31, 2020

### **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 reported amounts of revenue and expenses recognized during the reporting period. Actual results could differ from those estimates.

#### ***New Accounting Pronouncements***

##### ***Recognition of Contributions***

Effective September 1, 2019, Futures adopted ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 provides a framework for evaluating whether grants and contributions should be accounted for as exchange transactions, or as non-exchange transactions. Analysis of various provisions of this standard resulted in no significant changes in the way Futures recognizes contributions, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis. Adoption of ASU 2018-08 had no impact on Futures’ financial statements.

##### ***Revenue from Contracts with Customers***

Effective September 1, 2019, Futures adopted ASU 2014-09, *Revenue from Contracts with Customers*, which provides a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers, and supersedes most current revenue recognition guidance. Analysis of various provisions of this standard resulted in no significant changes in the way Futures recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis. Adoption of ASU 2014-09 had no impact on Futures’ financial statements.



## **Futures in Education**

Notes to Financial Statements  
August 31, 2020

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

#### ***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 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 that 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 that 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  
August 31, 2020

### 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 statements of activities and 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
Payroll and related expenses	Time and effort
Advertising and printing	Time and effort
Administrative costs	Time and effort
Events and meetings	Time and effort
Occupancy	Square footage

#### ***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.

#### ***Contributions***

All contributions are considered available for any activity of Futures, unless specifically restricted by the donor.

## Futures in Education

Notes to Financial Statements  
August 31, 2020

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

#### ***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 fiscal periods prior to 2017.

#### ***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 January 14, 2021.

### 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 by approximately \$10,000. 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 year ended August 31, 2020, approximately 59% of support was received from four donors, and one donor represented approximately 91% of total pledges receivable.

### 4. Pledges Receivable

Futures received unconditional pledges which have been recorded net of a present value discount of 1.5% and an allowance for uncollectible pledges at August 31, 2020 as follows:

Due in one year or less	\$ 2,796,644
Due in two through five years	<u>2,637,500</u>
	5,434,144
Less discount	(6,194)
Less allowance for uncollectible pledges	<u>(2,550,077)</u>
	<u>\$ 2,877,873</u>

## Futures in Education

Notes to Financial Statements  
August 31, 2020

### 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 August 31, 2020, \$500 was donated to CFBQ on behalf of Futures.

### 6. Assets Measured at Fair Value

The following are the classes and major categories of assets at August 31, 2020 grouped by the fair value hierarchy for those assets measured at fair value on a recurring basis:

	Level 1	Level 2	Level 3	Total
Investments				
Common stocks	\$ 3,284,608	\$ -	\$ -	\$ 3,284,608
Mutual funds	2,104,591	-	-	2,104,591
Money fund	-	294,710	-	294,710
Total Investments	5,389,199	294,710	-	5,683,909
Interest in the net assets of CFBQ	-	-	785,655	785,655
Total Assets Measured at Fair Value	\$ 5,389,199	\$ 294,710	\$ 785,655	\$ 6,469,564

There were no transfers between levels for the year ended August 31, 2020.

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 the year ended August 31, 2020:

Balance, August 31, 2019	\$ 755,795
Realized and unrealized gains	19,215
Contributions	500
Purchases, issuances and (settlements), net	10,145
Balance, August 31, 2020	\$ 785,655

## Futures in Education

Notes to Financial Statements  
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### 7. Net Assets with Donor Restrictions

Net assets with donor restrictions are for the following purposes at August 31, 2020:

<i>Temporary in Nature</i>	
Scholarship and Tuition Assistance	\$ 2,427,230
Futures Scholarship and Tuition Assistance	20,000
Be an Angel Student	459,961
Technology	47,929
School-Business Partnerships	<u>44,999</u>
Total Temporary in Nature	3,000,119
<i>Perpetual in Nature</i>	
Educational Purposes	<u>3,975,243</u>
Total Net Assets with Donor Restrictions	<u>\$ 6,975,362</u>

Net assets restricted for Educational Purposes consist of the following at August 31, 2020:

Corpus of endowment fund held as investments	\$ 3,230,507
Corpus of interest in net assets of CFBQ	551,252
Donor restricted receivables - endowment fund	<u>193,484</u>
	<u>\$ 3,975,243</u>

### 8. Net Assets Released from Donor Restrictions

Net assets were released from donor restrictions for the following purposes for the year ended August 31, 2020:

Scholarship and Tuition Assistance	\$ 3,044,388
Be an Angel to a Student	<u>1,165,313</u>
	<u>\$ 4,209,701</u>

## Futures in Education

Notes to Financial Statements  
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### 9. Liquidity and Availability

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 August 31, 2020 are as follows:

Financial Assets at Year End	
Cash and cash equivalents	\$ 178,026
Investments	5,683,909
Pledges receivable, net	2,877,873
Interest in net assets of Catholic Foundation for Brooklyn and Queens	785,655
Total Financial Assets at Year End	9,525,463
Less Amounts not Available to be Used Within One Year	
Net assets with donor restrictions	6,975,362
Financial Assets Available to Meet General Expenditures Over the Next Twelve Months	\$ 2,550,101

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

### 10. Endowment Fund

The following is a reconciliation of the investment activity for the year ended August 31, 2020 of the donor-restricted endowment fund:

	With Donor Restrictions		
	Accumulated Earnings	Corpus	Total
Balance, August 31, 2019	\$ 1,053,767	\$ 3,230,507	\$ 4,284,274
Investment return	387,116	-	387,116
Balance, August 31, 2020	\$ 1,440,883	\$ 3,230,507	\$ 4,671,390

Endowment assets are held as follows at August 31 2020:

Investments	\$ 4,411,459
Cash and receivables	259,931
	\$ 4,671,390

## **Futures in Education**

Notes to Financial Statements  
August 31, 2020

### **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 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. Futures' 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 less 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. For the year ended August 31, 2020, total charges incurred by CFBQ on behalf of Futures totaled \$1,365,881. The total amount of \$2,215,970 due to CFBQ at August 31, 2020 bears no interest and has no specified date of repayment. Subsequent to year end, in September 2020, Futures repaid \$1,110,557 of the amount outstanding at August 31, 2020.

## **Futures in Education**

Notes to Financial Statements  
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### **12. COVID-19 (“Coronavirus”)**

The Coronavirus outbreak may have an adverse effect on the results of operations. Given the uncertainty around the extent and timing of the potential future spread or mitigation of the Coronavirus and around the imposition or relaxation of protective measures, management cannot reasonably estimate the impact to future results of operations, cash flows, or financial condition. Additionally, the Coronavirus pandemic has resulted in substantial volatility in global financial markets. Management cannot reasonable estimate the impact it will have on Futures’ investment portfolio.

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