

Futures in Education

Financial Statements

August 31, 2021

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, 2021, 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, 2021, 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 Future in Education's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 14, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

PKF O'Connor Davies, LLP

January 11, 2022

Futures in Education

Statement of Financial Position
August 31, 2021
(with comparative amounts at August 31, 2020)

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash and cash equivalents	\$ 514,122	\$ 178,026
Pledges receivable, net	3,370,546	2,877,873
Prepaid expenses	124,423	52,188
Funds held as agency endowments	102,660	85,464
Investments	6,649,948	5,683,909
Interest in net assets of Catholic Foundation for Brooklyn and Queens	<u>901,798</u>	<u>785,655</u>
	<u>\$ 11,663,497</u>	<u>\$ 9,663,115</u>
 LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 83,937	\$ 88,732
Funds held as agency endowments	102,660	85,464
Refundable advances	148,000	-
Due to Catholic Foundation for Brooklyn and Queens	<u>1,898,329</u>	<u>2,215,970</u>
Total Liabilities	<u>2,232,926</u>	<u>2,390,166</u>
Net Assets		
Without donor restrictions	427,659	1,283,934
With donor restrictions	<u>9,002,912</u>	<u>5,989,015</u>
Total Net Assets	<u>9,430,571</u>	<u>7,272,949</u>
	<u>\$ 11,663,497</u>	<u>\$ 9,663,115</u>

Futures in Education

Statement of Activities

Year Ended August 31, 2021

(with summarized totals for the year ended August 31, 2020)

	Without Donor Restriction	With Donor Restriction	2021	2020
SUPPORT AND REVENUE				
Donations and gifts	\$ 2,924,627	\$ 2,514,800	\$ 5,439,427	\$ 6,195,597
Be an Angel to a Student	-	1,531,621	1,531,621	1,376,466
Fundraising, net of cost of direct benefit to donors of \$77,477 and \$255,317	1,244,220	-	1,244,220	915,423
Interest and dividends	34,101	114,044	148,145	119,759
Net unrealized gain on investments	142,769	511,557	654,326	414,604
Net realized gain on investments	80,252	287,553	367,805	19,773
Miscellaneous income	238,793	-	238,793	59,825
Change in valuation	-	(193,484)	(193,484)	-
Net assets released from restriction	1,868,337	(1,868,337)	-	-
Total Support and Revenue	6,533,099	2,897,754	9,430,853	9,101,447
EXPENSES				
Scholarship programs	6,472,084	-	6,472,084	7,340,340
Mangement and general	500,431	-	500,431	392,232
Fundraising	416,859	-	416,859	765,888
Total Expenses	7,389,374	-	7,389,374	8,498,460
Excess (Deficiency) of Support and Revenue over Expenses	(856,275)	2,897,754	2,041,479	602,987
NON-OPERATING ACTIVITY				
Change in interest in net assets of Catholic Foundation of Brooklyn and Queens	-	116,143	116,143	29,860
Change in Net Assets	(856,275)	3,013,897	2,157,622	632,847
NET ASSETS				
Beginning of year	1,283,934	5,989,015	7,272,949	6,640,102
End of year	\$ 427,659	\$ 9,002,912	\$ 9,430,571	\$ 7,272,949

See notes to financial statements

Futures in Education

Statement of Functional Expenses
Year Ended August 31, 2021
(with summarized totals for the year ended August 31, 2020)

	Scholarship Programs	Management and General	Fundraising	2021 Total	2020 Total
Grants and scholarships	\$ 4,594,602	\$ -	\$ -	\$ 4,594,602	\$ 5,646,595
Be an Angel to a Student	1,258,319	-	-	1,258,319	1,165,313
Payroll and related expenses	392,912	161,333	214,552	768,797	770,563
Professional and consulting fees	100,000	106,125	41,018	247,143	232,910
Advertising and printing	95,216	2,327	123,848	221,391	244,587
Insurance	-	42,230	-	42,230	31,859
Administrative costs	853	50,433	4,614	55,900	73,134
Events and meetings	5,773	901	92,887	99,561	437,051
Investment management fees	-	56,144	-	56,144	50,655
Occupancy	24,409	8,699	13,116	46,224	48,802
Bad debt expense	-	45,962	-	45,962	4,993
Charitable contributions	-	-	4,301	4,301	18,227
Miscellaneous	-	26,277	-	26,277	29,088
Total Expenses	6,472,084	500,431	494,336	7,466,851	8,753,777
Less costs with direct benefit to donors	-	-	(77,477)	(77,477)	(255,317)
Total Expenses Reported by Function on the Statement of Activities	\$ 6,472,084	\$ 500,431	\$ 416,859	\$ 7,389,374	\$ 8,498,460

See notes to financial statements

Futures in Education

Statement of Cash Flows August 31, 2021 (with comparative amounts at August 31, 2020)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 2,157,622	\$ 632,847
Adjustments to reconcile change in net assets to net cash from operating activities		
Bad debt expense	45,962	4,993
Valuation adjustment for uncollectible pledges	193,484	-
Discount on pledges receivable	39,531	(51,483)
Net realized and unrealized gains on investments	(1,022,131)	(434,377)
Change in interest in net assets of Catholic Foundation for Brooklyn and Queens	(116,143)	(29,860)
Change in operating assets and liabilities		
Pledges receivable	(771,650)	(1,360,097)
Prepaid expenses	(72,235)	99,977
Accounts payable and accrued expenses	(4,795)	39,687
Refundable advances	148,000	-
Due to Catholic Foundation of Brooklyn and Queens	(317,641)	737,961
Net Cash from Operating Activities	280,004	(360,352)
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(1,925,388)	(4,770,430)
Proceeds from sale of investments	1,981,480	4,706,030
Net Change from Investing Activity	56,092	(64,400)
Net Change in Cash and Cash Equivalents	336,096	(424,752)
 CASH AND CASH EQUIVALENTS		
Beginning of year	178,026	602,778
End of period	\$ 514,122	\$ 178,026
 SUPPLEMENTAL CASH FLOW INFORMATION		
Non Cash Financing Activity		
Permanently restricted contributions received by Catholic Foundation for Brooklyn and Queens on behalf of Futures in Futures in Education	\$ 10,000	\$ -

See notes to financial statements

Futures in Education

Notes to Financial Statements
August 31, 2021

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.

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.

Futures in Education

Notes to Financial Statements
August 31, 2021

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

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 within 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.

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

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 2018.

Futures in Education

Notes to Financial Statements
August 31, 2021

2. Summary of Significant Accounting Policies (continued)

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.

Prior Year Information

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 U.S. GAAP. Accordingly, such information should be read in conjunction with Future's financial statements for 2020, from which the summarized information was derived.

Reclassifications

During preparation of the 2021 financial statements, management reviewed certain donor restrictions and determined that approximately \$1 million of net assets with donor restrictions should have been classified as net assets without donor restriction. Management has reclassified the amount as of August 31, 2020 and such reclassification is reflected in the accompanying financial statements.

Futures in Education

Notes to Financial Statements
August 31, 2021

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

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 11, 2022.

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. 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 August 31, 2021 and 2020, approximately 30% and 59% of support was received from four donors, and one donor represented approximately 90% and 91% of total pledges receivable.

4. Pledges Receivable

Futures received unconditional pledges which have been recorded net of a present value discount of 0.4% and 1.5% at August 31, 2021 and 2020 and an allowance for uncollectible pledges as follows at August 31:

	2021	2020
Due in one year or less	\$ 182,519	\$ 2,796,644
Due in two through five years	<u>5,750,000</u>	<u>2,637,500</u>
	5,932,519	5,434,144
Less discount	(45,725)	(6,194)
Less allowance for uncollectible pledges	<u>(2,516,248)</u>	<u>(2,550,077)</u>
	<u>\$ 3,370,546</u>	<u>\$ 2,877,873</u>

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 August 31, 2021 and 2020, \$9,500 and \$500 was donated to CFBQ on behalf of Futures.

Futures in Education

Notes to Financial Statements August 31, 2021

6. Assets Measured at Fair Value

The following are the classes and major categories of assets at August 31, 2021 and 2020 grouped by the fair value hierarchy for those assets measured at fair value on a recurring basis:

	2021			
	Level 1	Level 2	Level 3	Total
Investments				
Common stocks	\$ 3,987,150	\$ -	\$ -	\$ 3,987,150
Mutual funds	2,233,123	-	-	2,233,123
Money fund	-	182,164	-	182,164
	6,220,273	182,164	-	6,402,437
Cash, at cost	-	-	-	247,511
Total Investments	6,220,273	182,164	-	6,649,948
Interest in the net assets of CFBQ	-	-	901,798	901,798
Total Assets Measured at Fair Value	\$ 6,220,273	\$ 182,164	\$ 901,798	\$ 7,551,746
	2020			
	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 years ended August 31, 2021 and 2020.

Futures in Education

Notes to Financial Statements
August 31, 2021

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

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:

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
Realized and unrealized gains		177,160
Contributions		9,500
Purchases, issuances and (settlements), net		(70,517)
Balance, August 31, 2021	\$	901,798

7. Net Assets with Donor Restrictions

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

	2021	2020
<i>Temporary in Nature</i>		
Accumulated endowment earnings for		
Scholarship and Tuition Assistance	\$ 1,892,141	\$ 1,440,883
Scholarship and Tuition Assistance	2,586,250	20,000
Be an Angel Student	733,262	459,961
Technology	-	47,929
School-Business Partnerships	-	44,999
Total Temporary in Nature	5,211,653	2,013,772
<i>Perpetual in Nature</i>		
Educational Purposes	3,791,259	3,975,243
Total Net Assets with Donor Restrictions	\$ 9,002,912	\$ 5,989,015

Net assets – perpetual in nature restricted for Educational Purposes consist of the following at August 31:

	2021	2020
Corpus of endowment fund held as investments	\$ 3,230,507	\$ 3,230,507
Corpus of interest in net assets of CFBQ	560,752	551,252
Donor restricted receivables - endowment fund	-	193,484
	\$ 3,791,259	\$ 3,975,243

Futures in Education

Notes to Financial Statements
August 31, 2021

8. Net Assets Released from Donor Restrictions

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

	2021	2020
Scholarship and Tuition Assistance	\$ 517,090	\$ 3,044,388
Be an Angel to a Student	1,258,319	1,165,313
Technology	47,929	-
School-Business Partnerships	44,999	-
	\$ 1,868,337	\$ 4,209,701

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 are as follows at August 31:

	2021	2020
Financial Assets at Year End		
Cash and cash equivalents	\$ 514,122	\$ 178,026
Investments	6,649,948	5,683,909
Pledges receivable, net	3,370,546	2,877,873
Interest in net assets of Catholic Foundation for Brooklyn and Queens	901,798	785,655
Total Financial Assets at Year End	11,436,414	9,525,463
Less Amounts not Available to be Used Within One Year		
Net assets with donor restrictions	9,002,912	5,989,015
Financial Assets Available to Meet General Expenditures Over the Next Twelve Months	\$ 2,433,502	\$ 3,536,448

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.

Futures in Education

Notes to Financial Statements
August 31, 2021

10. Endowment Fund

The following is a reconciliation of the investment activity for the years ended August 31, 2021 and 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
Investment return	597,228	-	597,228
Spend rate appropriation	(145,970)	-	(145,970)
Balance, August 31, 2021	\$ 1,892,141	\$ 3,230,507	\$ 5,122,648

Endowment assets are held as follows at August 31:

	2021	2020
Investments	\$ 5,122,648	\$ 4,411,459
Cash and receivables	-	259,931
	\$ 5,122,648	\$ 4,671,390

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.

Futures in Education

Notes to Financial Statements
August 31, 2021

10. Endowment Fund (*continued*)

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 years ended August 31, 2021 and 2020, total charges incurred by CFBQ on behalf of Futures totaled \$1,285,241 and \$1,365,881. The total amount of \$1,898,329 and \$2,215,970 due to CFBQ at August 31, 2021 and 2020 bears no interest and has no specified date of repayment.

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 reasonably estimate the impact it will have on Futures' investment portfolio.

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