

Futures in Education

Financial Statements

August 31, 2019

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, 2019, and the related statements of activities, functional expenses and cash flows for the eight months 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.

Board of TrusteesFutures in Education

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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, 2019, and the changes in its net assets and its cash flows for the eight months then ended in conformity with accounting principles generally accepted in the United States of America.

PKF O'Connor Davies, LLP

January 15, 2020

Futures in Education

Statement of Financial Position August 31, 2019

ASSETS

Cash and cash equivalents	\$ 602,778
Pledges receivable, net	1,471,286
Prepaid expenses	152,165
Funds held as agency endowments	8,209
Investments	5,185,132
Interest in net assets of Catholic Foundation for Brooklyn and Queens	<u>755,795</u>
	<u>\$ 8,175,365</u>

LIABILITIES AND NET ASSETS

Liabilities

Accounts payable and accrued expenses	\$ 49,045
Funds held as agency endowments	8,209
Due to Catholic Foundation for Brooklyn and Queens	<u>1,478,009</u>
Total Liabilities	<u>1,535,263</u>

Net Assets

Without donor restrictions	10,797
With donor restrictions	<u>6,629,305</u>
Total Net Assets	<u>6,640,102</u>
	<u>\$ 8,175,365</u>

See notes to financial statements

Futures in Education
Statement of Activities
Eight Months Ended August 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT AND REVENUE			
Donations and gifts	\$ 475,998	\$ 25,292	\$ 501,290
Be an Angel to a Student	-	694,122	694,122
Fundraising, net of cost of direct benefit to donors of \$55,450	121,757	25,100	146,857
Interest and dividends	2,506	84,410	86,916
Net unrealized gain on investments	-	450,395	450,395
Net realized gain on investments	-	50,384	50,384
Miscellaneous income	19,421	-	19,421
Net assets released from restriction	<u>2,122,979</u>	<u>(2,122,979)</u>	<u>-</u>
Total Support and Revenue	<u>2,742,661</u>	<u>(793,276)</u>	<u>1,949,385</u>
EXPENSES			
Scholarship programs	3,391,865	-	3,391,865
Management and general	469,745	-	469,745
Fundraising	<u>253,410</u>	<u>-</u>	<u>253,410</u>
Total Expenses	<u>4,115,020</u>	<u>-</u>	<u>4,115,020</u>
Deficiency of Support and Revenue over Expenses	<u>(1,372,359)</u>	<u>(793,276)</u>	<u>(2,165,635)</u>
Change in interest in net assets of Catholic Foundation for Brooklyn and Queens	-	44,827	44,827
Valuation adjustment for uncollectible pledges restricted by donor	<u>-</u>	<u>(2,500,000)</u>	<u>(2,500,000)</u>
Change in Net Assets	<u>(1,372,359)</u>	<u>(3,248,449)</u>	<u>(4,620,808)</u>
NET ASSETS			
Beginning of period	<u>1,383,156</u>	<u>9,877,754</u>	<u>11,260,910</u>
End of period	<u>\$ 10,797</u>	<u>\$ 6,629,305</u>	<u>\$ 6,640,102</u>

See notes to financial statements

Futures in Education

Statement of Functional Expenses Eight Months Ended August 31, 2019

	<u>Scholarship Programs</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Grants and scholarships	\$ 2,542,500	\$ -	\$ -	\$ 2,542,500
Be an Angel to a Student	584,929	-	-	584,929
Payroll and related expenses	215,537	191,859	105,274	512,670
Professional and consulting fees	-	64,667	9,000	73,667
Advertising and printing	11,978	2,592	72,338	86,908
Insurance	-	22,155	-	22,155
Administrative costs	215	31,607	289	32,111
Events and meetings	21,114	2,550	90,464	114,128
Investment management fees	-	32,317	-	32,317
Occupancy	15,567	13,132	6,668	35,367
Bad debt expense	-	100,303	-	100,303
Charitable contributions	25	-	24,827	24,852
Miscellaneous	-	8,563	-	8,563
Total Expenses	3,391,865	469,745	308,860	4,170,470
Less costs with direct benefit to donors	-	-	(55,450)	(55,450)
Total Expenses Reported by Function on the Statement of Activities	<u>3,391,865</u>	<u>469,745</u>	<u>253,410</u>	<u>4,115,020</u>

See notes to financial statements

Futures in Education

Statement of Cash Flows Eight Months Ended August 31, 2019

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ (4,620,808)
Adjustments to reconcile change in net assets to net cash from operating activities	
Bad debt expense	100,303
Valuation adjustment for uncollectible pledges restricted by donor	2,500,000
Net realized and unrealized gains on investments	(500,779)
Change in interest in net assets of Catholic Foundation for Brooklyn and Queens	(44,827)
Change in operating assets and liabilities	
Pledges receivable	1,895,441
Prepaid expenses	(108,112)
Accounts payable and accrued expenses	(31,869)
Due to Catholic Foundation for Brooklyn and Queens	<u>735,082</u>
Net Cash from Operating Activities	<u>(75,569)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchases of investments	(1,116,982)
Proceeds from sales of investments	<u>1,064,889</u>
Net Cash from Investing Activities	<u>(52,093)</u>
Net Change in Cash and Cash Equivalents	<u>(127,662)</u>

CASH AND CASH EQUIVALENTS

Beginning of period	<u>730,440</u>
End of period	<u>\$ 602,778</u>

See notes to financial statements

Futures in Education

Notes to Financial Statements August 31, 2019

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.

During April 2019, the Board of Trustees resolved to change the fiscal year end of Futures from December 31 to August 31. As a result, the financial statements for fiscal 2019 include only eight months of financial activity.

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.

Futures in Education

Notes to Financial Statements
August 31, 2019

2. Summary of Significant Accounting Policies (continued)

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.

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.

Futures in Education

Notes to Financial Statements
August 31, 2019

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

Functional Expense Allocations (continued)

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, 2019

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 would require financial statement recognition or disclosure. Futures is no longer subject to tax examinations for fiscal periods prior to 2016.

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 15, 2020.

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 \$330,000. 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 eight months ended August 31, 2019, approximately 19% of support was received from three donors, and one donor represented approximately 86% of total pledges receivable.

4. Pledges Receivable

Futures received unconditional pledges which have been recorded net of a present value discount of 1.42% and an allowance for uncollectible pledges at August 31, 2019 as follows:

Due in one year or less	\$ 1,452,073
Due in two through five years	<u>2,640,500</u>
	4,092,573
Less discount	(57,677)
Less allowance for uncollectible pledges	<u>(2,563,610)</u>
	<u><u>\$ 1,471,286</u></u>

Futures in Education

Notes to Financial Statements August 31, 2019

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 eight months ended August 31, 2019, \$6,500 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, 2019 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	\$ 2,767,303	\$ -	\$ -	\$ 2,767,303
Mutual funds	2,174,739	-	-	2,174,739
Money fund	-	243,090	-	243,090
Total Investments	4,942,042	243,090	-	5,185,132
Interest in the net assets of CFBQ	-	-	755,795	755,795
Total Assets Measured at Fair Value	<u>\$ 4,942,042</u>	<u>\$ 243,090</u>	<u>\$ 755,795</u>	<u>\$ 5,940,927</u>

There were no transfers between levels in 2019.

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 eight months ended August 31, 2019:

Balance, December 31, 2018	\$ 710,968
Realized and unrealized gains	83,645
Purchases, issuances and (settlements), net	(38,818)
Balance, August 31, 2019	<u>\$ 755,795</u>

Futures in Education

Notes to Financial Statements August 31, 2019

7. Net Assets with Donor Restrictions

Net assets with donor restrictions are for the following purposes at August 31, 2019:

Temporary in Nature	
Scholarship and Tuition Assistance	\$ 2,287,727
Future Scholarship and Tuition Assistance	25,100
Be an Angel to a Student	248,808
Technology	47,928
School-Business Partnerships	<u>44,999</u>
Total Temporary in Nature	2,654,562
Perpetual in Nature	
Educational Purposes	<u>3,974,743</u>
Total Net Assets with Donor Restrictions	<u>\$ 6,629,305</u>

Net assets restricted for Educational Purposes consist of the following at August 31, 2019:

Corpus of endowment fund held as investments	\$ 3,230,507
Corpus of interest in net assets of Catholic	
Foundation for Brooklyn and Queens	550,752
Donor restricted receivables - endowment fund	<u>193,484</u>
	<u>\$ 3,974,743</u>

8. Net Assets Released from Donor Restrictions

Net assets were released from donor restrictions for the following purposes for the eight months ended August 31, 2019:

Scholarship and Tuition Assistance	\$ 1,543,175
Be an Angel to a Student	<u>579,804</u>
	<u>\$ 2,122,979</u>

Futures in Education

Notes to Financial Statements August 31, 2019

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, 2019 are as follows:

Financial Assets at Year End	
Cash and cash equivalents	\$ 602,778
Investments	5,185,132
Contributions receivable, net	1,471,286
Interest in net assets of Catholic Foundation for Brooklyn and Queens	755,795
Total Financial Assets at Year End	<u>8,014,991</u>
Less Amounts not Available to be Used Within One Year	
Net assets with donor restrictions	6,629,305
Less net assets with purpose restrictions expected to be met within one year	(305,136)
	<u>6,324,169</u>
Financial Assets Available to Meet General Expenditures Over the Next Twelve Months	
	<u>\$ 1,690,822</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.

10. Endowment Fund

The following is a reconciliation of the investment activity for the eight months ended August 31, 2019 of the donor-restricted endowment fund:

	With Donor Restrictions		
	Accumulated Earnings	Corpus	Total
Balance, December 31, 2018	\$ 624,665	\$ 3,230,507	\$ 3,855,172
Investment return	429,102	-	429,102
Balance, August 31, 2019	<u>\$ 1,053,767</u>	<u>\$ 3,230,507</u>	<u>\$ 4,284,274</u>

Endowment assets are held as follows at August 31:

Investments	\$ 4,024,343
Cash	259,931
	<u>\$ 4,284,274</u>

Futures in Education

Notes to Financial Statements
August 31, 2019

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. 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 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 eight months ended August 31, 2019, total charges incurred by CFBQ on behalf of Futures totaled \$745,298. The total amount of \$1,478,009 due to CFBQ at August 31, 2019 bears no interest and has no specified date of repayment.

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