

**POINT FOUNDATION**

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

**POINT FOUNDATION**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2019**

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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Point Foundation

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Point Foundation, which comprise the statement of financial position as of June 30, 2019, 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.

### **Auditor's 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 auditor's 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 Point Foundation as of June 30, 2019, 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 Point Foundation's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 24, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Green Hasson & Janks LLP*

December 12, 2019  
Los Angeles, California

# POINT FOUNDATION

## STATEMENT OF FINANCIAL POSITION June 30, 2019 With Summarized Totals at June 30, 2018

<b>ASSETS</b>	2019			2018
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Cash and Cash Equivalents	\$ 391,468	\$ -	\$ 391,468	\$ 762,268
Investments	2,451,359	4,507,767	6,959,126	6,748,664
Pledges Receivable (Net)	110,399	1,628,459	1,738,858	2,296,526
Prepaid Expenses and Other Assets	93,370	32,750	126,120	213,044
Property and Equipment (Net)	8,055	-	8,055	29,183
<b>TOTAL ASSETS</b>	<b>\$ 3,054,651</b>	<b>\$ 6,168,976</b>	<b>\$ 9,223,627</b>	<b>\$ 10,049,685</b>
<b>LIABILITIES AND NET ASSETS</b>				
<b>LIABILITIES:</b>				
Accounts Payable and Accrued Expenses	\$ 67,548	\$ -	\$ 67,548	\$ 120,338
Accrued Payroll Liabilities	103,359	-	103,359	105,223
<b>TOTAL LIABILITIES</b>	170,907	-	170,907	225,561
<b>NET ASSETS:</b>				
Without Donor Restrictions - Undesignated	570,112	-	570,112	73,868
Without Donor Restrictions - Board Designated	2,313,632	-	2,313,632	2,877,932
With Donor Restrictions - Perpetual Endowment	-	2,403,909	2,403,909	2,396,998
With Donor Restrictions - Other	-	3,765,067	3,765,067	4,475,326
<b>TOTAL NET ASSETS</b>	<b>2,883,744</b>	<b>6,168,976</b>	<b>9,052,720</b>	<b>9,824,124</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 3,054,651</b>	<b>\$ 6,168,976</b>	<b>\$ 9,223,627</b>	<b>\$ 10,049,685</b>

The Accompanying Notes are an Integral Part of These Financial Statements

# POINT FOUNDATION

## STATEMENT OF ACTIVITIES

Year Ended June 30, 2019

With Summarized Totals for the Year Ended June 30, 2018

	2019			2018 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
<b>REVENUE, GAINS AND LOSSES, AND SUPPORT:</b>				
Contributions	\$ 1,839,244	\$ 702,003	\$ 2,541,247	\$2,750,966
In-Kind Contributions	350,792	-	350,792	147,708
Investment Income (Net)	135,088	180,778	315,866	402,724
Bequests	280,635	-	280,635	183,477
Special Events (Net of Direct Special Event Expenses of \$555,904)	194,564	-	194,564	237,420
Loss on Write-Off of Uncollectible Pledges Receivable	(15,910)	-	(15,910)	(145,963)
Net Assets Released from:				
Purpose Restrictions	1,080,909	(1,080,909)	-	-
Time Restrictions	505,220	(505,220)	-	-
 <b>TOTAL REVENUE, GAINS AND LOSSES, AND SUPPORT</b>	 4,370,542	 (703,348)	 3,667,194	 3,576,332
 <b>EXPENSES:</b>				
<b>Program Services:</b>				
Scholarship and Scholar Support	1,661,129	-	1,661,129	1,783,052
Leadership Conferences and Training	1,420,216	-	1,420,216	926,564
Scholar Selections	378,816	-	378,816	462,035
 <b>TOTAL PROGRAM SERVICES</b>	 3,460,161	 -	 3,460,161	 3,171,651
 <b>Supporting Services:</b>				
Management and General	456,174	-	456,174	505,434
Fundraising and Development	522,263	-	522,263	557,286
 <b>TOTAL SUPPORTING SERVICES</b>	 978,437	 -	 978,437	 1,062,720
 <b>TOTAL EXPENSES</b>	 4,438,598	 -	 4,438,598	 4,234,371
 <b>CHANGE IN NET ASSETS</b>	 (68,056)	 (703,348)	 (771,404)	 (658,039)
Net Assets - Beginning of Year	2,951,800	6,872,324	9,824,124	10,482,163
 <b>NET ASSETS - END OF YEAR</b>	 \$ 2,883,744	 \$ 6,168,976	 \$ 9,052,720	 \$ 9,824,124

The Accompanying Notes are an Integral Part of These Financial Statements

# POINT FOUNDATION

## STATEMENT OF FUNCTIONAL EXPENSES Year Ended June 30, 2019 With Summarized Totals for the Year Ended June 30, 2018

	2019								2018 Total Expenses
	Program Services				Supporting Services				
	Scholarship and Scholar Support	Leadership Conferences and Training	Scholar Selections	Total Program Services	Management and General	Fundraising and Development	Total Supporting Services	Total Expenses	
Salaries	\$ 491,801	\$ 327,227	\$ 179,311	\$ 998,339	\$ 222,631	\$ 317,891	\$ 540,522	\$ 1,538,861	\$ 1,598,294
Direct Scholarship Expenses	789,909	381,650	37,396	1,208,955	-	-	-	1,208,955	959,229
In-Kind Expense	-	296,446	5,000	301,446	49,346	-	49,346	350,792	147,708
Professional Fees and Consultants	124,233	98,080	39,919	262,232	35,555	42,183	77,738	339,970	353,695
Employee Benefits	40,650	26,800	14,776	82,226	18,103	26,324	44,427	126,653	139,627
Travel	39,573	39,786	12,293	91,652	8,703	27,605	36,308	127,960	162,259
Payroll Taxes	38,967	25,691	14,164	78,822	17,354	25,235	42,589	121,411	129,525
Rent	44,538	35,499	14,466	94,503	12,903	13,751	26,654	121,157	120,760
Leadership and Alumni Conferences	-	107,413	-	107,413	-	-	-	107,413	21,345
Office Expenses	22,676	18,319	7,446	48,441	6,576	16,677	23,253	71,694	83,307
Public Awareness and Promotion Events	22,550	24,660	8,814	56,024	2,377	11,587	13,964	69,988	144,053
Bank and Credit Card Merchant Fees	-	-	-	-	60,604	-	60,604	60,604	66,051
Other Scholarship Expenses	1,873	-	36,168	38,041	-	-	-	38,041	111,903
Telephone	9,453	7,783	3,088	20,324	2,157	2,619	4,776	25,100	31,874
Depreciation Expense	9,207	7,339	2,991	19,537	2,668	2,843	5,511	25,048	49,665
Insurance	9,187	7,322	2,984	19,493	2,661	2,836	5,497	24,990	21,587
Meetings and Conferences	-	-	-	-	9,946	-	9,946	9,946	17,199
Miscellaneous	-	-	-	-	4,382	-	4,382	4,382	4,617
Recruitment	-	-	-	-	208	-	208	208	3,034
<b>TOTAL 2019 FUNCTIONAL EXPENSES</b>	<b>\$ 1,661,129</b>	<b>\$ 1,420,216</b>	<b>\$ 378,816</b>	<b>\$ 3,460,161</b>	<b>\$ 456,174</b>	<b>\$ 522,263</b>	<b>\$ 978,437</b>	<b>\$ 4,438,598</b>	
	37%	32%	9%	78%	10%	12%	22%	100%	
<b>TOTAL 2018 FUNCTIONAL EXPENSES</b>	<b>\$ 1,783,052</b>	<b>\$ 926,564</b>	<b>\$ 462,035</b>	<b>\$ 3,171,651</b>	<b>\$ 505,434</b>	<b>\$ 557,286</b>	<b>\$ 1,062,720</b>		<b>\$ 4,234,371</b>
	42%	22%	11%	75%	12%	13%	25%		100%

The Accompanying Notes are an Integral Part of These Financial Statements

# POINT FOUNDATION

## STATEMENT OF CASH FLOWS

Year Ended June 30, 2019

With Summarized Totals for the Year Ended June 30, 2018

	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in Net Assets	\$ (771,404)	\$ (658,039)
Adjustments to Reconcile Change in Net Assets to Net Cash Used in Operating Activities:		
Unrealized Loss on Investments	20,199	143,124
Realized Gain on Sale of Investments	(26,410)	(274,066)
Contributed Stock	(26,844)	(59,441)
Proceeds from Sale of Contributed Stock	26,853	60,533
Realized Gain on Sale of Contributed Stock	(9)	(1,092)
Contributions Restricted for Investment in Perpetuity	(6,911)	(9,602)
Depreciation Expense	25,048	49,665
Loss on Write-Off of Uncollectible Pledges Receivable	15,910	145,963
(Increase) Decrease in:		
Pledges Receivable	541,758	110,712
Prepaid Expenses and Other Assets	86,924	(92,625)
Decrease in:		
Accounts Payable and Accrued Expenses	(52,790)	(1,981)
Accrued Payroll Liabilities	(1,864)	(112,161)
	(169,540)	(699,010)
<b>NET CASH USED IN OPERATING ACTIVITIES</b>		
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of Property and Equipment	(3,920)	(1,874)
Interest and Dividends Reinvested	(324,221)	(271,782)
Proceeds on Sale of Investments	1,625,445	1,578,246
Purchase of Investments	(1,505,475)	(1,592,977)
	(208,171)	(288,387)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		
<b>CASH PROVIDED BY FINANCING ACTIVITY:</b>		
Contributions Restricted for Investment in Perpetuity	6,911	9,602
	(370,800)	(977,795)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>		
Cash and Cash Equivalents - Beginning of Year	762,268	1,740,063
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 391,468	\$ 762,268

The Accompanying Notes are an Integral Part of These Financial Statements

# POINT FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

June 30, 2019

### NOTE 1 - ORGANIZATION

#### *Mission and Programs*

Point Foundation (Point) is the nation's largest publicly-supported organization granting scholarships to lesbian, gay, bisexual, transgender and queer (LGBTQ) students of merit. Founded in 2001, Point was specifically organized to become a national and intergenerational organization, with one generation giving a helping hand to the next generation. Point is a non-profit corporation, classified by the Internal Revenue Service as a 501(c)(3) publicly-supported organization.

Point empowers promising LGBTQ students to achieve their full academic and leadership potential - despite the obstacles often put before them - to make a significant impact on society. By helping these students obtain a solid educational foundation, Point is building a generation of leaders, committed both to personal achievement and to increasing acceptance and understanding within society as a whole.

A Point Scholarship may cover tuition, books, supplies, room and board, transportation and living expenses. Point also matches each Point Scholar with an accomplished, vetted and volunteer mentor, through a formal arrangement intended to assist the scholar in reaching educational and career goals. In addition, Point provides scholarships for leadership training to scholars through a National Leadership Conference, Leadership, Education and Affinity Development Conferences, and/or Regional Leadership Forums designed to enhance each scholar's leadership and personal potential, including training in such areas as achieving excellence, community service, LGBTQ history, personal financial planning and establishing professional networks. In exchange, all Point Scholars agree to maintain a high level of academic performance and give back to the LGBTQ community through the completion of an individual community service project each year. Scholars may renew their scholarships on an annual basis for the duration of their initial Point covered degree by completing a continuing award application and complying with Point's Contract of Excellence.

Point also has a program to help support students in their final year at a community college achieve their goal of transferring to a four-year college or university. Students receive a financial grant, transfer symposium grant and college coaching.

Point Scholars are diverse in the fullest sense of the word - in terms of their educational fields of study, gender, gender identities, gender expressions, sexual orientations, racial and ethnic backgrounds, ages and geographical base. They are exceptionally ambitious students with tremendous leadership potential. Their career goals include serving as corporate and government leaders, attorneys, doctors, university administrators, writers, artists and educators. All are committed to using their talents and education to contribute to society.

Since its inception, Point has awarded scholarships to 411 scholars and 85 community college students through June 30, 2019. Point supported 73 scholars and 25 community college students during the year ended June 30, 2019 (fiscal year 2019) and 73 scholars and 24 community college students during the year ended June 30, 2018 (fiscal year 2018). As of June 30, 2019, 319 former Point Scholars had become Point Scholar Alumni who have completed their educational programs and are now pursuing their life and career goals. Some alumni serve as Point Mentors, members of Point's National Board of Directors or members of Point's Regional Boards of Trustees and are serving as members of key committees, thus fulfilling one of the key ideals of Point; that is, having alumni return to Point in leadership roles.

The activities of Point are administered from offices in California and New York.



# POINT FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

June 30, 2019

### NOTE 1 - ORGANIZATION (continued)

#### ***Governance and Volunteers***

Strategic direction and governance of Point is provided by an independent, volunteer National Board of Directors. Additional governance, program and fundraising capacity are provided by independent, volunteer members of Point's Regional Boards of Trustees in various cities across the United States.

Point can only operate successfully and efficiently with the help and effort of a large number of non-compensated volunteers who assist Point's staff of 19 employees in achieving the goals of Point's various service programs. For the year ended June 30, 2019, Point had more than 500 volunteers who donated their time as directors, trustees, mentors, application readers, office assistants, and Point Honors and Cornerstone event planners. In total for the year, these volunteers contributed more than 13,500 hours of service. The value of this contributed time is not reflected in the accompanying financial statements as it does not meet the recognition criteria under generally accepted accounting principles. In addition, all volunteers pay their own personal expenses associated with attending Point meetings and events, without charging Point, thereby eliminating any additional operating expenses.

#### ***Fiscal 2019 Performance***

Having come to the end of a multi-year grant, Point realized a decrease in net assets of \$771,404 for the year ended June 30, 2019.

Point budgeted to use \$335,000 of the Board designated reserve that had been accumulating in net assets over the past few years to partially fund the revenue portion of fiscal year 2019. Knowing that Point was planning to end the year with a decrease in net assets, Point focused on tightly controlling expenses relative to the planned budget. Point was once again able to keep expenses below budget and only needed to use \$152,000 of the reserve to cover current fiscal year expenses.

Approximately 78% of Point's total expenses were expended on program activities directly related to its mission, and approximately 22% of its total expenses were incurred for fundraising, management and general expenses.

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### **(a) BASIS OF ACCOUNTING**

The accompanying financial statements have been prepared on the accrual basis of accounting.

#### **(b) ACCOUNTING**

Net assets, revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- **Net Assets Without Donor Restrictions.** Net assets available for use in general operations and not subject to donor restrictions. The Board of Directors (the Board) has designated, from net assets without donor restrictions, net assets for a board designated scholarship and a reserve fund. See Note 7.

# POINT FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

June 30, 2019

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (b) ACCOUNTING (continued)

- **Net Assets With Donor Restrictions.** Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. See Note 8.

#### (c) CASH AND CASH EQUIVALENTS

Point considers cash on hand and deposits in banks with an original maturity of three months or less to be cash and cash equivalents. The carrying value of cash and cash equivalents approximates its fair value at June 30, 2019.

Point maintains its cash and cash equivalents in bank deposit and other investment accounts which may, at times, exceed federally insured limits. Point has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

#### (d) INVESTMENTS

Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement of financial position. Interest and dividend income and gains and losses on investments are reported in the statement of activities as increases or decreases in net assets without donor restrictions unless their use is temporarily or permanently restricted by donor stipulations or by law.

The fair value of investments in marketable equity securities and debt securities are based upon market quotations and are managed by outside investment managers contracted by Point. For donated investments, cost is determined by the fair value of the asset on the date the asset is received by Point.

Investment securities, in general, are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain long-term investments, it is reasonably possible that changes in the values of these investments will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

# POINT FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

June 30, 2019

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**(e) PLEDGES RECEIVABLE**

Unconditional contributions, including pledges recorded at estimated fair value, are recognized as revenues when pledges are made. Point reports unconditional contributions as restricted support if they are received with donor stipulations that limit the use of the donated assets. Discounts for pledges (pledges due over one year) are recorded as reductions to contribution revenue and pledges receivable. Discounts increase contribution revenue when the pledge is received. During the year ended June 30, 2019, Point recognized a loss on the write-off of uncollectible pledges of \$15,910.

**(f) BEQUESTS**

From time-to-time, Point is named as a beneficiary in a bequest. Bequests are not recognized as support until all of the following conditions are met: the demise of the testator, the amount of the bequest is known, Point is certain that, based on the estate's net assets, the amount bequeathed is realizable and the probate court has declared the will valid.

**(g) PROPERTY AND EQUIPMENT**

Property and equipment are recorded at cost if purchased or at fair value at the date of donation, if donated. Depreciation is computed on the straight-line basis over the estimated useful lives of the related assets. Maintenance and repair costs are charged to expense as incurred. Property and equipment are capitalized if the cost of an asset is greater than or equal to \$1,500 and the useful life is greater than two years. The estimated useful lives are as follows:

Office Furniture and Equipment	3 - 7 Years
Computer Equipment	3 - 5 Years
Leasehold Improvements	Shorter of the Term of the Lease Or Estimated Useful Life

**(h) LONG-LIVED ASSETS**

Point reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the book value of the assets may not be recoverable. An impairment loss is recognized when the sum of the undiscounted future cash flows is less than the carrying amount of the asset, in which case a write-down is recorded to reduce the related asset to its estimated fair value. No impairment losses were recognized on long-lived assets during the year ended June 30, 2019.

**(i) CONTRIBUTED GOODS AND SERVICES**

Contributions of donated non-cash assets are recorded at fair value in the period received. Contributions of donated services are recognized if the services received (a) create or enhance long-lived assets, or (b) require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. For the year ended June 30, 2019, Point recorded in-kind contributions of \$350,792.

# POINT FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

June 30, 2019

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (j) SCHOLARSHIP EXPENSES

Point scholarships cover both academic costs and leadership opportunities. Expenses for tuition, room and board, books and related expenses are accrued at July 1 of each year, for one year only. All awards must be used during the period July 1 through June 30. No balances are carried over into the next fiscal year.

Scholars may renew their scholarships on a yearly basis for the duration of their initial degree request by completing a continuing award application and complying with Point's Contract of Excellence. If a scholar desires an additional degree, they must make a separate application.

In April 2019, the Board approved 60 scholarships for fiscal year 2020 totaling \$580,000. These scholarships are contingent upon the proposed scholars being admitted to an accredited college, agreeing to and remaining compliant with the Contract of Excellence, and submitting proper documentation.

#### (k) INCOME TAXES

Point is exempt from taxation under Internal Revenue Code Section 501(c)(3) and comparable state codes.

#### (l) FUNCTIONAL ALLOCATION OF EXPENSES

The direct costs of providing Point's programs and other activities that are identifiable have been allocated to the related programs or supporting services. Indirect or shared costs are allocated among program and supporting services by the method that best measures the relative degree of benefit. Point uses proportional salary dollars and square footage to allocate indirect costs.

During the year ended June 30, 2019, Point consolidated certain program service categories to better align with current program operations.

#### (m) USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, revenues and expenses as of the date and for the period presented. Actual results could differ from those estimates.

#### (n) COMPARATIVE TOTALS

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 accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with Point's financial statements for the year ended June 30, 2018, from which the summarized information was derived.

# POINT FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

June 30, 2019

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (o) NEW ACCOUNTING PRONOUNCEMENTS

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities (Topic 958)*, which is intended to reduce complexity in financial reporting. The ASU focuses on improving the current net asset classification requirements and information presented in financial statements that is useful in assessing a nonprofit's liquidity, financial performance, and cash flows. Point implemented the ASU during the year ended June 30, 2019.

In May 2014, FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*, which improves and converges the revenue recognition requirements of U.S. GAAP and International Financial Reporting Standards. The ASU replaces the existing accounting standards for revenue recognition with a single comprehensive five-step model, which is intended to provide principles within a single framework for revenue recognition of transactions involving contracts with customers across all industries. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance also requires more detailed disclosures to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The guidance has subsequently been amended through a series of ASUs between August 2015 and September 2017 to improve the operability and understandability of the implementation guidance on principal versus agent considerations, licensing implementation guidance, scope exceptions, and various other narrow aspects, as identified and addressed in such updates. For Point, the ASU and subsequent amendments will be effective for the year ending June 30, 2020.

In February 2016, FASB issued ASU No. 2016-02, *Leases*, which is intended to improve financial reporting about leasing transactions. The new standard will require organizations that lease assets with terms of more than 12 months to recognize on the statement of financial position the assets and liabilities for the rights and obligations created by those leases. The ASU also will require disclosures to help financial statement users better understand the amount, timing, and uncertainty of cash flows arising from leases. These disclosures include qualitative and quantitative requirements and providing additional information about the amounts recorded in the financial statements. For Point, the ASU will be effective for the year ending June 30, 2021.

In June 2018, FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which is intended to clarify the accounting guidance for contributions received and contributions made. The amendments in this ASU should assist entities in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, *Not-for-Profit Entities*, or as exchange (reciprocal) transactions subject to other guidance. For Point, the ASU will be effective for the year ending June 30, 2020.

# POINT FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

June 30, 2019

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**(p) RECLASSIFICATIONS**

For comparability, certain June 30, 2018 amounts have been reclassified, where appropriate, to conform to the financial statement presentation used at June 30, 2019.

**(q) SUBSEQUENT EVENTS**

Point has evaluated events and transactions occurring subsequent to the statement of financial position date of June 30, 2019 for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through December 12, 2019 the date these financial statements were available to be issued. No such material events or transactions were noted to have occurred, with the exception of the event described in Note 6.

### NOTE 3 - INVESTMENTS

Point has implemented the fair value accounting standard. This standard establishes a single authoritative definition of fair value, sets out a framework for measuring fair value based on inputs used, and requires additional disclosures about fair value measurements.

In general, fair values determined by Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets (or liabilities). Fair values determined by Level 2 inputs utilize data points that are observable such as quoted prices in active markets, interest rates and yield curves. Fair values determined by Level 3 utilize unobservable inputs for the asset (or liability) and include situations where there is little, if any, market activity for the asset (or liability).

The following table presents information about Point's investment assets that are measured at fair value on a recurring basis at June 30, 2019 and indicates the fair value hierarchy of the valuation techniques utilized to determine such fair value:

	Year Ended June 30, 2019	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual Funds	\$ 4,735,887	\$ 4,735,887	\$ -	\$ -
Corporate Bonds	1,011,533	-	1,011,533	-
Corporate Equities	236,428	236,428	-	-
Treasury Securities	56,478	56,478	-	-
Federal Agencies	89,908	89,908	-	-
Money Market	27,459	27,459	-	-
Certificates of Deposit	801,433	-	801,433	-
<b>TOTAL INVESTMENTS</b>	<b>\$ 6,959,126</b>	<b>\$ 5,146,160</b>	<b>\$ 1,812,966</b>	<b>\$ -</b>

The fair values of investments within Level 1 inputs were obtained based on quoted market prices at the closing of the last business day of the fiscal year. These investments can be redeemed daily.

# POINT FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

June 30, 2019

### NOTE 3 - INVESTMENTS (continued)

The fair values of investments within Level 2 inputs were obtained based on data points that are observable, such as quoted prices in active markets, interest rates and yield curves.

Point recognizes transfers at the beginning of each reporting period. Transfers between level 1 and 2 generally relate to whether a market becomes active or inactive. Transfers between Level 2 and 3 relate to whether significant relevant observable inputs are available for the fair value measurement in their entirety and when redemption rules become more or less restrictive. During the year ended June 30, 2019, there were no transfers between levels.

### NOTE 4 - PLEDGES RECEIVABLE

Pledges receivable (net) at June 30, 2019 are due to be received as follows:

Less than One Year	\$ 980,466
One to Five Years	859,710
More than Five Years	<u>3,017</u>
<b>TOTAL</b>	<b>1,843,193</b>
Less: Allowance for Doubtful Accounts	(79,067)
Less: Discount at 2.5 - 6.0%	<u>(25,268)</u>
<b>PLEDGES RECEIVABLE (NET)</b>	<b>\$ 1,738,858</b>

### NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30, 2019:

Office Furniture and Equipment	\$ 93,550
Computer Equipment	302,280
Leasehold Improvements	<u>27,167</u>
<b>TOTAL</b>	<b>422,997</b>
Accumulated Depreciation	<u>(414,942)</u>
<b>PROPERTY AND EQUIPMENT (NET)</b>	<b>\$ 8,055</b>

Depreciation expense for the year ended June 30, 2019 was \$25,048.

# POINT FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

June 30, 2019

### NOTE 6 - COMMITMENTS

Point leases office space under a long-term non-cancelable operating lease that expired in September 2019. In August 2019, Point signed a new lease that will expire in May 2021. Point also leases certain equipment under a non-cancelable operating lease that expires in February 2020. This lease will terminate early as Point has agreed to another 60-month lease with the rental company for new equipment beginning in September 2019 and ending in August 2024. Minimum future rental payments under these leases, including the new leases are as follows:

<b>Years Ending June 30</b>	
2020	\$ 89,182
2021	57,549
2022	5,208
2023	5,208
2024 and Beyond	<u>6,076</u>
<b>TOTAL</b>	<u>\$ 163,223</u>

Rental expense totaled \$121,157 for the year ended June 30, 2019.

Point has an employment agreement with a key employee that expires in 2024, and includes a severance payment clause, dependent on the termination terms, ranging from four to six months of the employee's base salary.

### NOTE 7 - NET ASSETS WITHOUT DONOR RESTRICTION

Point's net assets without donor restrictions is comprised of undesignated and Board designated amounts for the following purposes at June 30, 2019:

Undesignated	\$ 570,112
Board Designated Reserve	1,585,387
Board Designated Named Scholarship Fund	<u>728,245</u>
<b>TOTAL</b>	<u>\$ 2,883,744</u>

Board Designated Reserve: The Board has designated \$1,583,387 of net assets without donor restrictions as a reserve to provide liquidity for emergency needs. During the year ended June 30, 2019, \$152,000 of the board designated reserve was released to offset certain operating expenses. In addition, the Board undesignated an additional \$500,000 of the designated reserve, increasing the undesignated net asset balance at June 30, 2019 to \$570,112.

Board Designated Named Scholarship Fund: The Board has designated \$728,245 as a scholarship fund to honor a former donor. Each year certain of these funds are released to cover scholarships during the year ended June 30, 2019, \$25,000 was released from the board designated named scholarship fund to cover scholarship expenses.



# POINT FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

June 30, 2019

### NOTE 8 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes at June 30, 2019:

Endowment Funds	\$ 2,403,909
Endowment Income	1,145,358
Named Scholars	2,039,703
Time Restricted	<u>580,006</u>
<b>TOTAL</b>	<b><u>\$ 6,168,976</u></b>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the year ended June 30, 2019:

Satisfaction of Purpose Restrictions and Expiration of Time Restrictions:	
Named Scholars	\$ 1,080,909
Time Restrictions	<u>505,220</u>
<b>TOTAL</b>	<b><u>\$ 1,586,129</u></b>

### NOTE 9 - ENDOWMENT FUNDS

Point's endowment is classified under net assets with donor restrictions. All such funds are invested in mutual funds, certificates of deposit, and corporate bonds (See Note 3).

Point's management understands California State law as (1) requiring the preservation of the fair value of the original gifts as of the gift date of the donor restricted endowment funds, absent donor stipulations to the contrary and (2) allowing the spending of income and gains on permanently restricted endowments, absent explicit donor stipulations that all or a portion of such gains be maintained in perpetuity.

The primary long-term financial objective for Point's endowment is to preserve the real (inflation-adjusted) purchasing power of endowment assets and income after accounting for endowment spending, inflation and costs of portfolio management. The endowment is also managed to optimize the long-run total rate of return on invested assets, assuming a prudent level of risk. Over the short term, the return for each element of the endowment portfolio should match or exceed each of the returns for the broader capital markets in which assets are invested.

The gifts and cash received on pledges receivable specifically for the endowment are categorized as endowment funds. Included in the endowment are four endowed named scholarships. In accordance with the donor's intent and to the extent possible, the income earned in one year on these endowed named scholarship assets will be released to fund the named scholarship in the following fiscal year.

Further, Point's Board (after consideration of the recommendations of Point's Finance Committee) will generally consider a target spending policy equal to approximately 5% of the endowment's average three-year portfolio value. The Board has generally chosen to allow the endowment to grow before utilizing this policy, so during fiscal year 2019, the Board elected not to make any general distributions from the endowment funds.

# POINT FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

June 30, 2019

### NOTE 9 - ENDOWMENT FUNDS (continued)

The net income earned on the non-named scholarship endowment investments is categorized as time restricted for future periods. The net income earned on the investments of the four endowed named scholarships and the funds released to cover the expense of the named scholarship are categorized as part of donor restricted for purpose funds. During fiscal year 2019, Point released funds of \$95,000 to cover the expense of these named scholarships.

Changes in endowment funds for the year ended June 30, 2019 are as follows:

	Board Designated Quasi Endowment	Donor Restricted Endowment Income	Donor Restricted Permanent Endowment	Total
Net Assets -				
Beginning of Year	\$ 2,887,932	\$ 1,059,580	\$ 2,396,998	\$ 6,334,510
Transfer of Quasi- Endowment to Reserve	(2,887,932)	-	-	(2,887,932)
Investment Income (Net)	-	189,211	-	189,211
Releases	-	(103,433)	-	(103,433)
Contributions	-	-	6,911	6,911
<b>NET ASSETS -     END OF YEAR</b>	<b>\$ -</b>	<b>\$ 1,145,358</b>	<b>\$ 2,403,909</b>	<b>\$ 3,549,267</b>

### NOTE 10 - LIQUIDITY AND AVAILABILITY OF RESOURCES

Point's financial assets that are available for general expenditure within one year of the statement of financial position date are summarized in the following table:

Financial Assets at June 30, 2019:	
Cash and Cash Equivalents	\$ 391,468
Investments	6,959,126
Pledges Receivable (Net)	1,738,858
<b>TOTAL FINANCIAL ASSETS     AT JUNE 30, 2019</b>	<b>9,089,452</b>
Less Amounts Not Available to Be Used within One Year, Due to:	
Board Designations	(2,188,632)
Donor Restricted Endowment	(2,403,909)
Funds Held with Purpose Restrictions or Subject to Appropriation:	(1,309,648)
Pledges Restricted by Purpose and/or Time	(1,065,459)
<b>FINANCIAL ASSETS AVAILABLE TO     GENERAL EXPENDITURES     WITHIN ONE YEAR</b>	<b>\$ 2,121,804</b>

# **POINT FOUNDATION**

## **NOTES TO FINANCIAL STATEMENTS**

**June 30, 2019**

### **NOTE 10 - LIQUIDITY AND AVAILABILITY OF RESOURCES** (continued)

Point regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. As part of Point's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

The Board has designated a portion of net assets without donor restriction to provide resources for a reserve fund. As of June 30, 2019, Point has \$1,585,387 of Board designated reserve funds that could be released to fund any shortfalls in operating needs. The Board has budgeted \$125,000 to be released from the board designations total of \$2,313,632 for purposes of funding operations for the year ending June 30, 2020.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, Point considers pledges with time restrictions that are expected to be collected in the next fiscal year as available for general expenditures.