

POINT FOUNDATION

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

POINT FOUNDATION
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020

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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, 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.

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, 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.

Emphasis of Matter

As discussed in Note 11 to the financial statements, the recent COVID-19 pandemic in the United States and worldwide has resulted in reduced economic activity and market volatility. As the extent and duration of the future impact to Point Foundation are uncertain, no adjustments were necessary to the financial statements, and our opinion is not modified with respect to this matter.

To the Board of Directors
Point Foundation
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Report on Summarized Comparative Information

We have previously audited Point Foundation's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 12, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Green Hasson & Janks LLP

November 23, 2020
Los Angeles, California

POINT FOUNDATION

STATEMENT OF FINANCIAL POSITION

June 30, 2020

With Summarized Totals at June 30, 2019

ASSETS	2020			2019 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
Cash and Cash Equivalents	\$ 765,373	\$ -	\$ 765,373	\$ 391,468
Investments	2,510,099	4,843,820	7,353,919	6,959,126
Pledges Receivable (Net)	217,059	1,707,789	1,924,848	1,738,858
Prepaid Expenses and Other Assets	166,188	-	166,188	126,120
Property and Equipment (Net)	6,718	-	6,718	8,055
TOTAL ASSETS	\$ 3,665,437	\$ 6,551,609	\$ 10,217,046	\$ 9,223,627
LIABILITIES AND NET ASSETS				
LIABILITIES:				
Accounts Payable and Accrued Expenses	\$ 11,794	\$ -	\$ 11,794	\$ 67,548
Accrued Payroll Liabilities	214,110	-	214,110	103,359
Paycheck Protection Program Loan	268,048	-	268,048	-
Economic Injury Disaster Loan	150,000	-	150,000	-
TOTAL LIABILITIES	643,952	-	643,952	170,907
NET ASSETS:				
Without Donor Restrictions - Undesignated	677,641	-	677,641	570,112
Without Donor Restrictions - Board Designated	2,343,844	-	2,343,844	2,313,632
With Donor Restrictions - Perpetual Endowment	-	2,405,636	2,405,636	2,403,909
With Donor Restrictions - Other	-	4,145,973	4,145,973	3,765,067
TOTAL NET ASSETS	3,021,485	6,551,609	9,573,094	9,052,720
TOTAL LIABILITIES AND NET ASSETS	\$ 3,665,437	\$ 6,551,609	\$ 10,217,046	\$ 9,223,627

The Accompanying Notes are an Integral Part of These Financial Statements

POINT FOUNDATION

STATEMENT OF ACTIVITIES

Year Ended June 30, 2020

With Summarized Totals for the Year Ended June 30, 2019

	2020			2019 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
REVENUE, GAINS AND LOSSES, AND SUPPORT:				
Contributions	\$ 1,752,127	\$ 1,687,129	\$ 3,439,256	\$2,541,247
Special Events (Net of Direct Special Event Expenses of \$368,720)	300,220	-	300,220	194,564
Bequests	237,420	-	237,420	280,635
Investment Return (Net)	73,996	83,889	157,885	315,866
In-Kind Contributions	97,025	-	97,025	350,792
Loss on Write-Off of Uncollectible Pledges Receivable	(18,155)	(48,185)	(66,340)	(15,910)
Net Assets Released from:				
Purpose Restrictions	1,029,900	(1,029,900)	-	-
Time Restrictions	310,300	(310,300)	-	-
 TOTAL REVENUE, GAINS AND LOSSES, AND SUPPORT	 3,782,833	 382,633	 4,165,466	 3,667,194
 EXPENSES:				
Program Services:				
Scholarship and Scholar Support	1,523,333	-	1,523,333	1,661,129
Leadership Conferences and Training	844,749	-	844,749	1,420,216
Scholar Selections	337,517	-	337,517	378,816
 TOTAL PROGRAM SERVICES	 2,705,599	 -	 2,705,599	 3,460,161
 Supporting Services:				
Management and General	445,577	-	445,577	456,174
Fundraising and Development	493,916	-	493,916	522,263
 TOTAL SUPPORTING SERVICES	 939,493	 -	 939,493	 978,437
 TOTAL EXPENSES	 3,645,092	 -	 3,645,092	 4,438,598
 CHANGE IN NET ASSETS	 137,741	 382,633	 520,374	 (771,404)
Net Assets - Beginning of Year	2,883,744	6,168,976	9,052,720	9,824,124
 NET ASSETS - END OF YEAR	 \$ 3,021,485	 \$ 6,551,609	 \$ 9,573,094	 \$ 9,052,720

The Accompanying Notes are an Integral Part of These Financial Statements

POINT FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2020

With Summarized Totals for the Year Ended June 30, 2019

	2020									2019 Total Expenses
	Program Services				Supporting Services				Total Expenses	
	Scholarship and Scholar Support	Leadership Conferences and Training	Scholar Selections	Total Program Services	Management and General	Fundraising and Development	Total Supporting Services			
Salaries	\$ 484,972	\$ 348,155	\$ 177,814	\$ 1,010,941	\$ 211,967	\$ 276,556	\$ 488,523	\$ 1,499,464	\$ 1,538,861	
Direct Scholarship Expenses	640,584	146,454	-	787,038	-	-	-	787,038	1,208,955	
Professional Fees and Consultants	127,960	108,869	55,613	292,442	53,085	29,021	82,106	374,548	339,970	
Payroll Taxes	36,063	31,859	13,107	81,029	16,060	20,996	37,056	118,085	121,411	
Public Awareness and Promotion	34,999	41,141	16,086	92,226	3,513	14,472	17,985	110,211	69,988	
Travel	34,667	33,223	9,893	77,783	6,934	19,712	26,646	104,429	127,960	
Office Expenses	34,057	24,054	10,511	68,622	12,484	18,925	31,409	100,031	71,694	
Employee Benefits	30,164	26,648	10,963	67,775	13,433	17,561	30,994	98,769	126,653	
In-Kind Expense	-	2,070	-	2,070	58,490	36,465	94,955	97,025	350,792	
Rent	33,839	24,180	10,851	68,870	12,670	12,545	25,215	94,085	121,157	
Bank and Credit Card										
Merchant Fees	21,673	15,486	6,950	44,109	8,676	8,034	16,710	60,819	60,604	
Events	15,234	14,764	-	29,998	-	29,998	29,998	59,996	65,425	
Recruitment	-	-	-	-	39,280	-	39,280	39,280	208	
Telephone	12,250	9,045	3,950	25,245	3,880	4,296	8,176	33,421	25,100	
Insurance	7,680	5,488	2,463	15,631	2,876	2,846	5,722	21,353	24,990	
Other Scholarship Expenses	3,617	-	17,443	21,060	-	-	-	21,060	38,041	
Leadership and Alumni										
Conferences	-	8,994	-	8,994	-	-	-	8,994	107,413	
Miscellaneous	1,996	1,763	725	4,484	889	1,163	2,052	6,536	4,382	
Depreciation Expense	1,832	1,309	588	3,729	686	680	1,366	5,095	25,048	
Meetings and Conferences	1,746	1,247	560	3,553	654	646	1,300	4,853	9,946	
TOTAL 2020										
FUNCTIONAL EXPENSES	<u>\$ 1,523,333</u>	<u>\$ 844,749</u>	<u>\$ 337,517</u>	<u>\$ 2,705,599</u>	<u>\$ 445,577</u>	<u>\$ 493,916</u>	<u>\$ 939,493</u>	<u>\$ 3,645,092</u>		
	42%	23%	9%	74%	12%	14%	26%	100%		
TOTAL 2019										
FUNCTIONAL EXPENSES	<u>\$ 1,661,129</u>	<u>\$ 1,420,216</u>	<u>\$ 378,816</u>	<u>\$ 3,460,161</u>	<u>\$ 456,174</u>	<u>\$ 522,263</u>	<u>\$ 978,437</u>		<u>\$ 4,438,598</u>	
	37%	32%	9%	78%	10%	12%	22%		100%	

The Accompanying Notes are an Integral Part of These Financial Statements

POINT FOUNDATION

STATEMENT OF CASH FLOWS

Year Ended June 30, 2020

With Summarized Totals for the Year Ended June 30, 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ 520,374	\$ (771,404)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided By (Used in) Operating Activities:		
Unrealized Loss on Investments	225,675	20,199
Realized Gain on Sale of Investments	(84,377)	(26,410)
Contributed Stock	(34,365)	(26,844)
Proceeds from Sale of Contributed Stock	34,210	26,853
Realized Loss (Gain) on Sale of Contributed Stock	155	(9)
Contributions Restricted for Investment in Perpetuity	(1,727)	(6,911)
Depreciation Expense	5,095	25,048
Loss on Write-Off of Uncollectible Pledges Receivable	66,340	15,910
(Increase) Decrease in:		
Pledges Receivable	(252,330)	541,758
Prepaid Expenses and Other Assets	(40,068)	86,924
Increase (Decrease) in:		
Accounts Payable and Accrued Expenses	(55,754)	(52,790)
Accrued Payroll Liabilities	110,751	(1,864)
	493,979	(169,540)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Property and Equipment	(4,958)	(3,920)
Proceeds from Sale of Property and Equipment	1,200	-
Interest and Dividends Reinvested	(311,780)	(324,221)
Proceeds on Sale of Investments	2,261,522	1,625,445
Purchase of Investments	(2,485,833)	(1,505,475)
	(539,849)	(208,171)
NET CASH USED IN INVESTING ACTIVITIES		
CASH PROVIDED BY FINANCING ACTIVITIES:		
Proceeds Received from Paycheck Protection Program Loan	268,048	-
Proceeds Received from Economic Injury Disaster Loan	150,000	-
Contributions Restricted for Investment in Perpetuity	1,727	6,911
	419,775	6,911
NET CASH PROVIDED BY FINANCING ACTIVITIES		
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	373,905	(370,800)
Cash and Cash Equivalents - Beginning of Year	391,468	762,268
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 765,373	\$ 391,468

The Accompanying Notes are an Integral Part of These Financial Statements

POINT FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

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 430 scholars and 109 community college students through June 30, 2020. Point supported 60 scholars and 24 community college students during the year ended June 30, 2020 (fiscal year 2020) and 73 scholars and 25 community college students during the year ended June 30, 2019 (fiscal year 2019). As of June 30, 2020, 341 former Point Scholars have 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, 2020

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 18 employees in achieving the goals of Point's various service programs. For the year ended June 30, 2020, Point had more than 300 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 13,000 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 2020 Performance

Point achieved a positive change in net assets of \$520,374 for the year ended June 30, 2020, comprised of a positive change in net assets without donor restrictions of \$137,741 and a positive change in net assets with donor restrictions of \$382,633.

By pivoting early to delivery of services on-line during the COVID-19 pandemic, Point managed expenses in relation to the decreased operational revenue that was experienced while still managing to support the scholars and community college students through this unprecedented time.

74% of Point's total expenses were expended on program activities directly related to its mission, and 26% 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-imposed 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, 2020

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, 2020.

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 market values and all investments in debt securities are reported at fair value. Realized gains and losses are calculated based upon the underlying cost of the securities traded. Unrealized gains and losses represent the difference between the cost and fair value of investments held at the end of the fiscal year. Interest and dividend income is recorded when earned on an accrual basis. Gains or losses (including investments bought, sold, and held during the year), and interest and dividend income are reflected in the statement of activities as increases or decreases in net assets without donor restrictions unless their use is 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, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) PLEDGES RECEIVABLE

Contributions, including endowment gifts and pledges, as well as unconditional promises to give, are recognized as revenue in the period promised. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not included as revenue until such time as the conditions on which they depend have been substantially met. 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, 2020, Point recognized a loss on the write-off of uncollectible pledges of \$66,340.

(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	2 - 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, 2020.

(i) PAYCHECK PROTECTION PROGRAM LOAN

Management has elected to account for the forgivable loan received under the Paycheck Protection Program (PPP) provisions of the Coronavirus Aid, Relief, and Economic Security (CARES) Act as a debt instrument and to accrue interest on the outstanding loan balance. Additional interest at a market rate (due to the stated interest rate of the PPP loan being below market) is not imputed, as transactions where interest rates are prescribed by governmental agencies are excluded from the scope of the accounting guidance on imputing interest. The proceeds from the loan will remain recorded as a liability until either (1) the loan is, in part or wholly, forgiven and Point has been 'legally released' or (2) Point repays the loan to the lender. Refer to Note 11.

POINT FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) 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, 2020, Point recorded in-kind contributions of \$97,025.

(k) 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 2020, the Board approved 53 scholarships for fiscal year 2021 totaling \$476,000. 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.

(l) INCOME TAXES

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

In accordance with the Financial Accounting Standards Board's (FASB) Accounting Standards Codification Topic 740, *Uncertainty in Income Taxes*, Point recognizes the impact of tax positions in the financial statements if that position is more likely than not to be sustained on audit, based on the technical merits of the position. During the year ended June 30, 2020, Point performed an evaluation of uncertain tax positions and did not note any matters that would require recognition in the financial statements or which might have an effect on its tax-exempt status.

(m) 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.

POINT FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) 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.

(o) 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, 2019, from which the summarized information was derived.

(p) NEW ACCOUNTING PRONOUNCEMENTS

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. Point implemented the ASU during the year ended June 30, 2020.

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, 2021.

In September 2020, FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The ASU is intended to improve transparency in the reporting of contributed nonfinancial assets (also known as gifts-in-kind) received by not-for-profit organizations, including transparency on how those assets are used and how they are valued. For Point, the ASU will be effective for the year ending June 30, 2022.

POINT FOUNDATION

NOTES TO FINANCIAL STATEMENTS June 30, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) NEW ACCOUNTING PRONOUNCEMENTS (continued)

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, 2023.

(q) SUBSEQUENT EVENTS

Point has evaluated events and transactions occurring subsequent to the statement of financial position date of June 30, 2020 for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through November 23, 2020 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 12.

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, 2020 and indicates the fair value hierarchy of the valuation techniques utilized to determine such fair value:

	Year Ended June 30, 2020	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	\$ 5,438,394	\$ 5,438,394	\$ -	\$ -
Corporate Bonds	1,061,701	-	1,061,701	-
Corporate Equities	226,460	226,460	-	-
Treasury Securities	82,488	82,488	-	-
Federal Agencies	69,422	69,422	-	-
Money Market	48,769	48,769	-	-
Certificates of Deposit	426,685	-	426,685	-
TOTAL INVESTMENTS	\$ 7,353,919	\$ 5,865,533	\$ 1,488,386	\$ -

POINT FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 3 - INVESTMENTS (continued)

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.

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 generally 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, 2020, there were no transfers between levels.

NOTE 4 - PLEDGES RECEIVABLE

Pledges receivable (net) at June 30, 2020 are due to be received as follows:

Less than One Year	\$ 1,267,461
One to Five Years	<u>765,000</u>
TOTAL	2,032,461
Less: Allowance for Doubtful Accounts	(82,425)
Less: Discount at 1.0 - 5.0%	<u>(25,188)</u>
PLEDGES RECEIVABLE (NET)	<u>\$ 1,924,848</u>

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30, 2020:

Office Furniture and Equipment	\$ 88,436
Computer Equipment	<u>261,047</u>
TOTAL	349,483
Accumulated Depreciation	<u>(342,765)</u>
PROPERTY AND EQUIPMENT (NET)	<u>\$ 6,718</u>

Depreciation expense for the year ended June 30, 2020 was \$5,095.

POINT FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 6 - COMMITMENTS

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 August 2024. Minimum future rental payments under these leases, including the new lease, are as follows:

Years Ending June 30	
2021	\$ 57,549
2022	5,208
2023	5,208
2024	5,208
2025	868
TOTAL	\$ 74,041

Rental expense totaled \$94,085 for the year ended June 30, 2020.

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 RESTRICTIONS

Point's net assets without donor restrictions is comprised of undesignated and Board designated amounts for the following purposes at June 30, 2020:

Undesignated	\$ 677,641
Board Designated Reserve	1,623,375
Board Designated Named Scholarship Fund	720,469
TOTAL	\$ 3,021,485

Board Designated Reserve: The Board has designated \$1,623,375 of net assets without donor restrictions as a reserve to provide liquidity for emergency needs. There were no releases during the year ended June 30, 2020.

Board Designated Named Scholarship Fund: The Board has designated \$720,469 as a scholarship fund to honor a former donor. Each year, certain of these funds are released to cover scholarships and during the year ended June 30, 2020, \$25,000 was released from the board designated named scholarship fund to cover scholarship expenses.

POINT FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 8 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes at June 30, 2020:

Endowment Funds	\$ 2,405,636
Endowment Income	1,144,247
Named Scholars	2,524,893
Time Restricted	<u>476,833</u>
TOTAL	<u>\$ 6,551,609</u>

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, 2020:

Satisfaction of Purpose Restrictions and Expiration of Time Restrictions:	
Named Scholars	\$ 1,029,900
Time Restrictions	<u>310,300</u>
TOTAL	<u>\$ 1,340,200</u>

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 the year ended June 30, 2020, the Board elected not to make any general distributions from the endowment funds.

POINT FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

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 the year ended June 30, 2020, Point released funds of \$85,000 to cover the expense of these named scholarships.

Changes in endowment funds for the year ended June 30, 2020 are as follows:

	Donor Restricted Endowment Income	Donor Restricted Permanent Endowment		Total
Net Assets -				
Beginning of Year	\$ 1,145,358	\$ 2,403,909	\$	3,549,267
Investment Return (Net)	83,889	-		83,899
Releases	(85,000)	-		(85,000)
Contributions	-	1,727		1,727
NET ASSETS - END OF YEAR	\$ 1,144,247	\$ 2,405,636	\$	3,549,883

NOTE 10 - LIQUIDITY AND AVAILABILITY OF FINANCIAL 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, 2020:	
Cash and Cash Equivalents	\$ 765,373
Investments	7,353,919
Pledges Receivable (Net)	<u>1,924,848</u>
TOTAL FINANCIAL ASSETS AT JUNE 30, 2020	10,044,140
Less Amounts Not Available to Be Used within One Year, Due to:	
Board Designations	(2,318,844)
Donor Restricted Endowment	(2,405,636)
Funds Held with Purpose Restrictions or Subject to Appropriation:	(1,533,547)
Pledges Restricted by Purpose and/or Time	<u>(1,176,537)</u>
FINANCIAL ASSETS AVAILABLE TO GENERAL EXPENDITURES WITHIN ONE YEAR	\$ 2,609,576

POINT FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

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, 2020, Point has \$1,623,375 of Board designated reserve funds that could be released to fund any shortfalls in operating needs. The Board has budgeted \$25,000 to be released from this reserve for the year ending June 30, 2021.

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.

NOTE 11 - LOANS

In March 2020, an outbreak of a novel strain of coronavirus (COVID-19) surfaced in the United States and throughout the world, causing business disruption and significant market fluctuations that are ongoing. To ensure the availability of resources, Point took advantage of the following loan programs:

(a) PAYCHECK PROTECTION PROGRAM LOAN

Point applied for and received, in May 2020, a PPP loan in the amount of \$268,048. The PPP loan, administered by the Small Business Administration (SBA), bears interest at a fixed rate of 1.0% per annum, has a term of two years and is unsecured and guaranteed by the SBA. Interest accrues on the loan beginning with the initial disbursement; however, payments of principal and interest are deferred until the lender's determination of the amount of forgiveness applied for by the borrower is approved by the SBA. If Point does not apply for forgiveness within 10 months after the last day of the covered period (defined, at Point's election, as either 8 weeks or 24 weeks), such payments will be due that month.

Point intends to apply for forgiveness of the PPP loan with respect to the eligible expenses incurred during the covered period. To the extent that all or part of the PPP loan is not forgiven, Point will be required to pay interest on the PPP loan at a rate of 1.0% per annum. The terms of the PPP loan provide for customary events of default including, among other things, payment defaults, breach of representations and warranties, and insolvency events.

At June 30, 2020 the total outstanding balance of the PPP loan was \$268,048.

POINT FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 11 - LOANS (continued)

(b) ECONOMIC INJURY DISASTER LOAN

In June 2020, Point received approval from the SBA for funding of \$150,000 under the Economic Injury Disaster Loan (EIDL). Under the terms of the EIDL, the loan is secured by depository accounts, has a 30-year term, and accrues interest at 2.75% per annum. Principal payments under the EIDL are deferred for one year. The monthly payment including principal and interest totals \$641.

At June 30, 2020 the total outstanding balance of the EIDL loan was \$150,000.

NOTE 12 - SUBSEQUENT EVENTS

In July 2020, Point received and collected a one-time \$2,000,000 grant without donor restrictions.