

**FELLOWSHIP OF CHRISTIANS IN UNIVERSITIES AND
SCHOOLS, INC.**

FINANCIAL STATEMENTS

MAY 31, 2017 AND 2016

FELLOWSHIP OF CHRISTIANS IN UNIVERSITIES AND SCHOOLS, INC.

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Independent Auditors' Report

To the Board of Trustees
Fellowship of Christians in Universities and Schools, Inc.
New Canaan, Connecticut

We have audited the accompanying financial statements of Fellowship of Christians in Universities and Schools, Inc., which comprise the statements of financial position as of May 31, 2017 and 2016, and the related statements of activities, functional expenses and cash flows for the years 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 audits. We conducted our audits 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 auditors consider 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 Fellowship of Christians in Universities and Schools, Inc., as of May 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Blum, Shapiro & Company, P.C.

Shelton, Connecticut
November 7, 2017

FELLOWSHIP OF CHRISTIANS IN UNIVERSITIES AND SCHOOLS, INC.

STATEMENTS OF FINANCIAL POSITION MAY 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash and cash equivalents	\$ 2,440,911	\$ 3,203,699
Pledges receivable, net	533,486	83,000
Prepays and other current assets	110,583	77,257
Investments in securities	1,635,172	671,471
Investments in real estate	1,501,000	1,507,500
Property, furniture and equipment, net	<u>2,225,885</u>	<u>2,299,105</u>
Total Assets	<u>\$ 8,447,037</u>	<u>\$ 7,842,032</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 69,736	\$ 43,418
Deferred revenue	<u>451,274</u>	<u>486,420</u>
Total liabilities	<u>521,010</u>	<u>529,838</u>
Net Assets		
Unrestricted net assets	4,883,746	4,640,216
Temporarily restricted net assets	2,042,281	1,671,978
Permanently restricted net assets	<u>1,000,000</u>	<u>1,000,000</u>
Total net assets	<u>7,926,027</u>	<u>7,312,194</u>
Total Liabilities and Net Assets	<u>\$ 8,447,037</u>	<u>\$ 7,842,032</u>

The accompanying notes are an integral part of the financial statements

FELLOWSHIP OF CHRISTIANS IN UNIVERSITIES AND SCHOOLS, INC.

STATEMENTS OF ACTIVITIES FOR THE YEARS ENDED MAY 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Changes in Unrestricted Net Assets		
Revenue, support and other changes:		
Contributions	\$ 707,348	\$ 670,114
Program revenue	506,387	502,037
Other income	96,339	50,840
Investment income	49,350	25,915
Rental income	37,600	39,300
Gain on sale of property, furniture and equipment	-	238,891
Net realized and unrealized gains on investments in securities	66,359	13,374
Unrealized gains (losses) on investments in real estate	(6,500)	57,500
Net assets released from restrictions	<u>2,384,526</u>	<u>2,008,524</u>
Total revenues, support and other changes	<u>3,841,409</u>	<u>3,606,495</u>
Expenses:		
Program services	2,783,729	2,294,386
Management and general	405,049	520,494
Fundraising	<u>409,101</u>	<u>296,211</u>
Total expenses	<u>3,597,879</u>	<u>3,111,091</u>
Change in unrestricted net assets	<u>243,530</u>	<u>495,404</u>
Changes in Temporarily Restricted Net Assets		
Contributions	2,754,829	2,084,220
Net assets released from restriction	<u>(2,384,526)</u>	<u>(2,008,524)</u>
Change in temporarily restricted net assets	<u>370,303</u>	<u>75,696</u>
Change in Net Assets	613,833	571,100
Net Assets - Beginning of Year	<u>7,312,194</u>	<u>6,741,094</u>
Net Assets - End of Year	<u>\$ 7,926,027</u>	<u>\$ 7,312,194</u>

The accompanying notes are an integral part of the financial statements

FELLOWSHIP OF CHRISTIANS IN UNIVERSITIES AND SCHOOLS, INC.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED MAY 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 613,833	\$ 571,100
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	89,179	86,863
Gain on sale of property, furniture and equipment	-	(238,891)
In-kind donations of securities	(307,330)	(342,765)
Discount on pledges receivable	7,571	-
Noncash donation of property, furniture and equipment	-	(6,635)
Net realized and unrealized gains on investments	(59,859)	(70,874)
(Increase) decrease in operating assets:		
Pledges receivable	(458,057)	(20,800)
Prepays and other current assets	(33,326)	(4,040)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	26,318	(32,285)
Deferred revenue	(35,146)	200,403
Net cash provided by (used in) operating activities	<u>(156,817)</u>	<u>142,076</u>
Cash Flows from Investing Activities		
Proceeds from sale of property, furniture and equipment	-	2,338,891
Proceeds from sales of investments	335,623	630,240
Purchase of investments	(925,635)	(264,196)
Purchases of property, furniture and equipment	(15,959)	(952,376)
Net cash provided by (used in) investing activities	<u>(605,971)</u>	<u>1,752,559</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(762,788)	1,894,635
Cash and Cash Equivalents - Beginning of Year	<u>3,203,699</u>	<u>1,309,064</u>
Cash and Cash Equivalents - End of Year	<u>\$ 2,440,911</u>	<u>\$ 3,203,699</u>

The accompanying notes are an integral part of the financial statements

FELLOWSHIP OF CHRISTIANS IN UNIVERSITIES AND SCHOOLS, INC.

STATEMENTS OF FUNCTIONAL EXPENSES FOR THE YEARS ENDED MAY 31, 2017 AND 2016

	2017				2016			
	Program Services	General and Administrative	Development and Fundraising	Total	Program Services	General and Administrative	Development and Fundraising	Total
Personnel cost	\$ 1,689,747	\$ 265,112	\$ 254,121	\$ 2,208,980	\$ 1,382,602	\$ 310,151	\$ 218,996	\$ 1,911,749
Direct program - camps and conferences	264,263	-	55,710	319,973	213,443	-	1,340	214,783
Occupancy	244,348	34,776	-	279,124	169,931	28,625	8,776	207,332
Travel	130,187	5,318	7,419	142,924	114,889	2,762	8,821	126,472
Professional fees	28,365	74,623	37,088	140,076	13,825	136,921	-	150,746
Food service	90,195	851	1,275	92,321	86,046	524	562	87,132
Depreciation	89,179	-	-	89,179	86,863	-	-	86,863
Scholarships	59,483	-	-	59,483	50,961	-	-	50,961
Permits and other fees	22,884	6,154	16,752	45,790	19,846	12,669	10,969	43,484
Insurance	33,907	3,142	582	37,631	37,289	3,071	2,430	42,790
Equipment rental and maintenance	26,163	1,112	3,032	30,307	22,427	4,477	1,622	28,526
Supplies	25,778	2,589	1,755	30,122	18,996	2,351	1,326	22,673
Fundraising	-	-	24,799	24,799	-	-	30,636	30,636
Staff development	18,831	3,268	2,098	24,197	17,744	5,517	1,830	25,091
Telephone	18,933	1,944	956	21,833	16,705	570	1,573	18,848
Conferences and meeting	18,121	2,547	735	21,403	15,720	3,517	1,092	20,329
Printing and publications	16,548	531	2,078	19,157	5,667	3,698	4,640	14,005
Postage and shipping	3,975	2,992	701	7,668	3,186	3,290	716	7,192
Miscellaneous	2,822	90	-	2,912	18,246	2,351	882	21,479
Total Expenses	\$ 2,783,729	\$ 405,049	\$ 409,101	\$ 3,597,879	\$ 2,294,386	\$ 520,494	\$ 296,211	\$ 3,111,091

The accompanying notes are an integral part of the financial statements

FELLOWSHIP OF CHRISTIANS IN UNIVERSITIES AND SCHOOLS, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - ORGANIZATION

Fellowship of Christians in Universities and Schools, Inc. (FOCUS) is a Connecticut nonstock, not-for-profit corporation. FOCUS is a diverse community of students, alumni, parents, faculty, clergy and professionals from a variety of Christian denominations drawn together by a common faith for the purpose of conveying the traditional Christian message to students in universities and independent schools throughout the United States.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Presentation

FOCUS prepares its financial statements in accordance with accounting principles generally accepted in the United States of America. Accordingly, the accounts of FOCUS are reported in the following net asset categories:

Unrestricted Net Assets

Unrestricted net assets represent available resources that are free of donor-imposed restrictions. These resources may be expended at the discretion of the Board of Trustees.

Temporarily Restricted Net Assets

Temporarily restricted net assets represent contributions which are restricted by the donor as to purpose or time of expenditure and accumulated investment gains and income earned on permanently restricted net assets.

Permanently Restricted Net Assets

Permanently restricted net assets represent resources which have donor-imposed restrictions that require that the principal be maintained in perpetuity but permit FOCUS to expend the income earned thereon.

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 certain reported amounts and disclosures in the financial statements. Actual results could differ from those estimates. Significant estimates include those used in determining the fair value of investments in real estate and the allowance for uncollectible pledges receivable.

Cash and Cash Equivalents

Cash and cash equivalents are defined as highly liquid investments with original maturities of 90 days or less.

Investment Valuation and Income Recognition

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 5 for a discussion of fair value measurements.

FELLOWSHIP OF CHRISTIANS IN UNIVERSITIES AND SCHOOLS, INC.

NOTES TO FINANCIAL STATEMENTS

Purchases and sales of securities are recorded on the trade date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Realized and unrealized gains include FOCUS's gains and losses on investments bought and sold as well as held during the year.

The Board of Trustees finance committee determines FOCUS's valuation policies and procedures utilizing information provided by asset custodians, fund managers and real estate appraisers.

Property, Furniture and Equipment

Property, furniture and equipment acquisitions and improvements thereon that exceed \$5,000 are capitalized at cost and depreciated on a straight line basis over their estimated useful lives of 5 to 40 years. Repairs and maintenance are charged to expense as incurred.

Contributions

Unconditional contributions are recognized when pledged or received, as applicable, and are considered to be available for unrestricted use unless specifically restricted by the donor. Unconditional contributions are recorded net of an allowance for uncollectable amounts. Contributions are reported as temporarily restricted support if they are received with donor stipulations that limit their use. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Conditional gifts received are considered deferred revenue until such conditions have been met.

Program Revenue

FOCUS recognizes program revenue in the year the program takes place. Any revenue received during the fiscal year for a program that has not taken place is considered deferred revenue.

Rental Income

FOCUS receives rental income and the rent is due at the beginning of the month. Rental income is recognized in the month earned.

Donated Property and Services

Donated services are recognized as contributions if the services create or enhance nonfinancial assets or require specialized skills, are performed by people with those skills and would otherwise be purchased by FOCUS. Donated property and the use of equipment and facilities are recorded as support and expenses at fair market value when determinable, otherwise at values indicated by the donor. While many individuals volunteer their time and perform a variety of tasks that assist FOCUS, no amounts have been recognized in the accompanying financial statements for such services because the criteria for recognition of such volunteer efforts have not been met.

FELLOWSHIP OF CHRISTIANS IN UNIVERSITIES AND SCHOOLS, INC.

NOTES TO FINANCIAL STATEMENTS

Functional Expense Allocation

Expenses are charged directly to program services, development and fundraising, and general and administrative based on specific identification to the extent practicable. Expenses related to more than one function have been allocated based on periodic time and expense studies. General and administrative expenses include those expenses that are not directly identifiable with a specific function, but provide for the overall support and direction of FOCUS.

Income Taxes

FOCUS is exempt from federal and state income taxes as a public charity under Section 501(c)(3) of the Internal Revenue Code.

Subsequent Events

In preparing these financial statements, management has evaluated subsequent events through November 7, 2017, which represents the date the financial statements were available to be issued.

NOTE 3 - CONCENTRATIONS

FOCUS' financial instruments that are exposed to concentrations of credit risk consist of cash and cash equivalents and investments.

Cash and Cash Equivalents

FOCUS places its cash deposits with high credit-quality institutions. Such deposits exceed federal depository insurance limits at times during the year. However, management believes that these deposits are not subject to significant credit risk.

Investments

Investments are comprised of various money market funds, common stocks and equity mutual funds and investments in real estate. The money market funds held in brokerage accounts are not protected by federal depository insurance. The value of investments is subject to fluctuations due to general market conditions and changes in interest rates.

FELLOWSHIP OF CHRISTIANS IN UNIVERSITIES AND SCHOOLS, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 4 - PLEDGES RECEIVABLE, NET

Pledges receivable amounted to \$533,486 and \$83,000 for the years ended May 31, 2017 and 2016, respectively. All pledges are deemed fully collectible as of May 31, 2017 and 2016; therefore, a provision for uncollectable pledges was deemed unnecessary. Pledges receivable in more than one year from the balance sheet date are discounted at 2%.

	<u>2017</u>	<u>2016</u>
Amounts due in:		
Less than one year	\$ 162,514	\$ 83,000
One to five years	<u>378,543</u>	<u>-</u>
	541,057	83,000
Less discounts to net present value	<u>7,571</u>	<u>-</u>
Net Pledges Receivable	<u>\$ 533,486</u>	<u>\$ 83,000</u>

NOTE 5 - FAIR VALUE MEASUREMENTS

Generally accepted accounting principles establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1

Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that FOCUS has the ability to access.

Level 2

Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3

Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. When, as a practical expedient, an investment is measured at fair value on the basis of net asset value, its classification as Level 2 or 3 will be impacted by the ability to redeem the investment at net asset value at the measurement date. If there is uncertainty or the inability to redeem an investment at net asset value in the near term subsequent to the measurement date, the investment is categorized as Level 3.

FELLOWSHIP OF CHRISTIANS IN UNIVERSITIES AND SCHOOLS, INC.

NOTES TO FINANCIAL STATEMENTS

The following is a description of the valuation methodologies used for assets measured at fair value:

Money Market Funds

Money market funds are valued at the quoted net asset value of shares reported in the active market in which the mutual funds are traded.

Common Stocks and Mutual Funds

These items are valued at the closing price reported in the active market in which the individual securities are traded.

Real Estate

Real estate is valued based on estimates from independent realtors and market values of similar area properties discounted for current market uncertainty.

There have been no changes in the methodologies used at May 31, 2017 and 2016.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while FOCUS believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Assets Measured at Fair Value on a Recurring Basis

The following is a summary of the source of fair value measurements for assets that are measured at fair value on a recurring basis as of May 31, 2017 and 2016:

Description	2017			Total
	Level 1	Level 2	Level 3	
Investments in securities:				
Mutual funds	\$ 938,036	\$ -	\$ -	\$ 938,036
Common stocks	697,136	-	-	697,136
Investments in real estate:				
Real estate - Greenwich, CT	-	-	541,000	541,000
Real estate - New York, NY	-	-	960,000	960,000
Total investments at fair value	1,635,172	-	1,501,000	3,136,172
Pledges receivable, net	-	-	533,486	533,486
Total Assets at Fair Value	\$ 1,635,172	\$ -	\$ 2,034,486	\$ 3,669,658

FELLOWSHIP OF CHRISTIANS IN UNIVERSITIES AND SCHOOLS, INC.

NOTES TO FINANCIAL STATEMENTS

Description	2016			
	Level 1	Level 2	Level 3	Total
Investments in securities:				
Mutual funds	\$ 348,177	\$ -	\$ -	\$ 348,177
Common stocks	323,294	-	-	323,294
Investments in real estate:				
Real estate - Greenwich, CT	-	-	487,500	487,500
Real estate - New York, NY	-	-	1,020,000	1,020,000
Total Assets at Fair Value	\$ <u>671,471</u>	\$ <u>-</u>	\$ <u>1,507,500</u>	\$ <u>2,178,971</u>

There were no transfers of investments between levels during the years ended May 31, 2017 and 2016.

Assets Measured at Fair Value on a Recurring Basis Using Significant Unobservable Inputs (Level 3)

The following is a summary of the changes in the balances of assets measured at fair value on a recurring basis using significant unobservable inputs for the year ended May 31, 2017 and 2016:

	Investments in Real Estate	
	2017	2016
Balance - beginning of year	\$ 1,507,500	\$ 1,450,000
Investment change in value	<u>(6,500)</u>	<u>57,500</u>
Balance - End of Year	\$ <u>1,501,000</u>	\$ <u>1,507,500</u>
	Pledges Receivable	
	2017	2016
Balance - beginning of year	\$ 83,000	\$ 62,200
New pledges	710,866	158,000
Collections	(252,809)	(137,200)
Change in value of discount on pledges receivable	<u>(7,571)</u>	<u>-</u>
Balance - End of Year	\$ <u>533,486</u>	\$ <u>83,000</u>

FELLOWSHIP OF CHRISTIANS IN UNIVERSITIES AND SCHOOLS, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 6 - PROPERTY, FURNITURE AND EQUIPMENT

Property, furniture and equipment consist of the following at May 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Land	\$ 812,791	\$ 812,791
Land improvements	93,357	93,357
Buildings and improvements	2,901,692	2,819,407
Furniture, fixtures and equipment	259,381	259,381
Vehicles	51,411	51,412
Construction in progress	-	66,325
	<u>4,118,632</u>	<u>4,102,673</u>
Less accumulated depreciation	<u>1,892,747</u>	<u>1,803,568</u>
Property, Furniture and Equipment, Net	<u>\$ 2,225,885</u>	<u>\$ 2,299,105</u>

NOTE 7 - LINE OF CREDIT

FOCUS has an available line of credit of \$400,000 that expires in December 2017. Borrowings are due on demand and are collateralized by certain real estate assets of FOCUS. Interest on the outstanding balance is due monthly based on the bank's prime rate of 4% at May 31, 2017 and 2016. There were no outstanding borrowings on the line of credit as of May 31, 2017 and 2016.

NOTE 8 - BOARD-DESIGNATED UNRESTRICTED NET ASSETS

Included in cash and cash equivalents is \$650,000 and \$250,000 that has been designated by the Board of Trustees as operational reserves at May 31, 2017 and 2016, respectively.

During 2017, FOCUS initiated a capital campaign in support of the FOCUS Endowment Fund. The Board of Trustees has designated \$664,429 of contributions received to be spent in accordance with the FOCUS Endowment Spending Policy.

FELLOWSHIP OF CHRISTIANS IN UNIVERSITIES AND SCHOOLS, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 9 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following at May 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Time restricted	\$ 533,486	\$ 83,000
Purpose restricted:		
Regional support	734,939	755,130
Investment in real estate	501,000	507,500
Founder's Fund	183,220	193,220
Study Center Capital Improvement	49,626	28,641
Scholarship	40,010	96,487
Endowment	-	8,000
	<u> </u>	<u> </u>
Total Temporarily Restricted Net Assets	<u>\$ 2,042,281</u>	<u>\$ 1,671,978</u>

NOTE 10 - NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the restrictions as follows during the years ended May 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Time restricted	\$ 260,380	\$ 137,200
Purpose restricted:		
Regional support	1,874,334	1,775,186
Scholarship	106,822	44,185
Study Center Capital Improvement	35,594	99,453
Founder's Fund	10,000	10,000
Endowment	8,000	-
Change in real estate values	6,500	(57,500)
Reclassification of restriction per donor intent	82,896	-
	<u> </u>	<u> </u>
Net Assets Released from Restrictions	<u>\$ 2,384,526</u>	<u>\$ 2,008,524</u>

Certain net assets classified as temporarily restricted in 2016 were determined to have not been restricted by donor intent and, as such, were released from restriction in 2017.

NOTE 11 - PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets consist of donations totaling \$1,000,000, which have been invested in real estate. In 1994, FOCUS received \$1,000,000 of permanently restricted contributions to support operations. The Board of Trustees determined that a prudent and allowable use of these contributions was to invest in real estate within regional areas of FOCUS's activities.

FELLOWSHIP OF CHRISTIANS IN UNIVERSITIES AND SCHOOLS, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 12 - ENDOWMENT

FOCUS' endowment consists of individual funds established for a variety of purposes and two real estate properties established for the purpose of supporting operations. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Trustees of FOCUS has interpreted the Connecticut Prudent Management of Institutional Funds Act (CTPMIFA) 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. As a result of this interpretation, FOCUS classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent 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 classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by FOCUS in a manner consistent with the standard of prudence prescribed by CTPMIFA.

In accordance with CTPMIFA, FOCUS considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the organization
- The investment policies of the organization

Endowment Net Assets

Endowment net assets composition by type of fund is as follows as of May 31, 2017:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Board-designated endowment funds	\$ 664,429	\$ -	\$ -	\$ 664,429
Donor-restricted endowment funds	<u>-</u>	<u>501,000</u>	<u>1,000,000</u>	<u>1,501,000</u>
	<u>\$ 664,429</u>	<u>\$ 501,000</u>	<u>\$ 1,000,000</u>	<u>\$ 2,165,429</u>

FELLOWSHIP OF CHRISTIANS IN UNIVERSITIES AND SCHOOLS, INC.

NOTES TO FINANCIAL STATEMENTS

Changes in endowment net assets for the year ended May 31, 2017 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets - beginning of year	\$ -	\$ 507,500	\$ 1,000,000	\$ 1,507,500
Change in investment value	-	(6,500)	-	(6,500)
Additional board designation of assets	<u>664,429</u>	<u>-</u>	<u>-</u>	<u>664,429</u>
Endowment Net Assets - End of Year	\$ <u><u>664,429</u></u>	\$ <u><u>501,000</u></u>	\$ <u><u>1,000,000</u></u>	\$ <u><u>2,165,429</u></u>

The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by CTPMIFA as of May 31, 2017 and 2016, is \$1,000,000. The portion of perpetual endowment funds subject to a time restriction under CTPMIFA (with purpose restrictions) as of May 31, 2017 and 2016, is \$501,000 and \$507,500, respectively.

Funds with Deficiencies

From time to time, the fair value of investments associated with donor-restricted endowment funds may fall below the level that the donor or CTPMIFA requires FOCUS to retain as a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States of America, deficiencies of this nature are reported in unrestricted net assets. There were no such deficiencies at May 31, 2017 and 2016.

Return Objectives and Risk Parameters

FOCUS has adopted an investment policy for endowment assets that attempts to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include donor-restricted assets that FOCUS must hold in perpetuity. Under this policy, as approved by the Board of Trustees, endowment assets are invested in a manner that is intended to meet FOCUS's primary objective of preservation of their capital investments and the secondary objective of long-term capital appreciation.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, FOCUS currently relies on a strategy of investing in real estate which investment returns are achieved through capital appreciation (realized and unrealized).

FELLOWSHIP OF CHRISTIANS IN UNIVERSITIES AND SCHOOLS, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 13 - EMPLOYEE BENEFITS

FOCUS has a defined contribution pension plan under Section 403(b) of the Internal Revenue Code. All employees are eligible to participate in the plan on an elective deferral (voluntary contributions) basis upon hire, and may make contributions to the plan on a deferred or non-tax deferred basis up to the maximum amount allowed by the Internal Revenue Code. FOCUS provides a discretionary matching contribution up to 5% of each participant's eligible compensation, beginning on the first entry date after the employee completes one year of service, has worked 1,000 hours or more during a consecutive 12-month period, and is above the age of 21. FOCUS contributed \$44,855 and \$36,832 to the plan during the years ended May 31, 2017 and 2016, respectively.

NOTE 14 - LEASE COMMITMENTS

Operating Leases

FOCUS has leases for office space used for its programs and operations, which terms expire at various times through December 31, 2017. It also leases office space under month-to-month agreements. Rent expense totaled \$65,051 and \$56,580 for the years ended May 31, 2017 and 2016, respectively.

Future minimum lease payments under these operating leases are \$21,476 as of May 31, 2017.