

**POINT FOUNDATION**

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2011

# **POINT FOUNDATION**

## **FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2011**

### **CONTENTS**

|  | <b>Page</b> |
|--|-------------|
| Independent Auditors' Report .....     | 1           |
| Statement of Financial Position.....   | 2           |
| Statement of Activities .....          | 3           |
| Statement of Functional Expenses ..... | 4           |
| Statement of Cash Flows .....          | 5           |
| Notes to Financial Statements .....    | 6           |

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Point Foundation

We have audited the accompanying statement of financial position of Point Foundation as of June 30, 2011, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of Point Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the 2010 financial statements of Point Foundation and, in our report dated October 26, 2010, we expressed an unqualified opinion on those financial statements.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2011, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

*Green Hasson & Janks LLP*

November 17, 2011  
Los Angeles, California

# POINT FOUNDATION

## STATEMENT OF FINANCIAL POSITION

June 30, 2011

With Summarized Totals at June 30, 2010

| <b>ASSETS</b>                             | <u>2011</u>                | <u>2010</u>                |
|---|----------------------------|----------------------------|
| Cash and Cash Equivalents                 | \$ 1,633,180               | \$ 874,937                 |
| Investments                               | 250,039                    | -                          |
| Pledges Receivable (Net)                  | 1,155,292                  | 962,057                    |
| Prepaid Expenses and Other Assets         | <u>106,611</u>             | <u>46,522</u>              |
|   | <u>3,145,122</u>           | <u>1,883,516</u>           |
| <b>Endowment Assets:</b>                  |                            |                            |
| Cash and Cash Equivalents                 | 1,900                      | 60,067                     |
| Investments                               | 3,253,434                  | 2,550,045                  |
| Pledges Receivable (Net)                  | <u>287,445</u>             | <u>401,552</u>             |
| <b>TOTAL ENDOWMENT ASSETS</b>             | 3,542,779                  | 3,011,664                  |
| Property and Equipment (Net)              | 52,120                     | 74,377                     |
| Property Held For Sale                    | <u>-</u>                   | <u>427,199</u>             |
| <b>TOTAL ASSETS</b>                       | <u><u>\$ 6,740,021</u></u> | <u><u>\$ 5,396,756</u></u> |
| <b>LIABILITIES AND NET ASSETS</b>         |                            |                            |
| <b>LIABILITIES:</b>                       |                            |                            |
| Accounts Payable and Accrued Expenses     | \$ 24,627                  | \$ 33,062                  |
| Accrued Payroll Liabilities               | <u>133,642</u>             | <u>95,020</u>              |
| <b>TOTAL LIABILITIES</b>                  | <u>158,269</u>             | <u>128,082</u>             |
| <b>NET ASSETS:</b>                        |                            |                            |
| Unrestricted - Undesignated               | 908,639                    | 676,814                    |
| Unrestricted - Board Designated Endowment | <u>1,765,798</u>           | <u>1,475,111</u>           |
| <b>TOTAL UNRESTRICTED NET ASSETS</b>      | 2,674,437                  | 2,151,925                  |
| Temporarily Restricted                    | 2,412,005                  | 1,636,992                  |
| Permanently Restricted                    | <u>1,495,310</u>           | <u>1,479,757</u>           |
| <b>TOTAL NET ASSETS</b>                   | <u>6,581,752</u>           | <u>5,268,674</u>           |
| <b>TOTAL LIABILITIES AND NET ASSETS</b>   | <u><u>\$ 6,740,021</u></u> | <u><u>\$ 5,396,756</u></u> |

The Accompanying Notes are an Integral Part of These Financial Statements

# POINT FOUNDATION

## STATEMENT OF ACTIVITIES Year Ended June 30, 2011

With Summarized Totals for the Year Ended June 30, 2010

|   | 2011         |                           |                           | Total        | 2010<br>Total |
|---|--------------|---------------------------|---------------------------|--------------|---------------|
|   | Unrestricted | Temporarily<br>Restricted | Permanently<br>Restricted |              |               |
| <b>REVENUE, GAINS AND LOSSES,<br/>AND SUPPORT:</b>                    |              |                           |                           |              |               |
| Contributions   | \$ 1,181,688 | \$ 1,292,755              | \$ 15,553                 | \$ 2,489,996 | \$ 2,678,317  |
| Bequests  | 335,340      | -                         | -                         | 335,340      | -             |
| In-Kind Contributions   | 28,590       | -                         | -                         | 28,590       | 49,696        |
| Special Events (Net of Direct Special<br>Event Expenses of \$347,630) | 653,732      | -                         | -                         | 653,732      | 770,133       |
| Investment Income (Loss) (Net)  | 290,687      | 224,875                   | -                         | 515,562      | 267,664       |
| Loss on Write-Off of Uncollectible<br>Pledges Receivable              | -            | (15,208)                  | -                         | (15,208)     | (52,775)      |
| Loss on Disposal of Property and<br>Equipment                         | (2,996)      | -                         | -                         | (2,996)      | (3,577)       |
| Net Assets Released from:   |              |                           |                           |              |               |
| Purpose Restrictions  | 652,409      | (652,409)                 | -                         | -            | -             |
| Time Restrictions   | 75,000       | (75,000)                  | -                         | -            | -             |
| <b>TOTAL REVENUE, GAINS AND<br/>LOSSES, AND SUPPORT</b>               | 3,214,450    | 775,013                   | 15,553                    | 4,005,016    | 3,709,458     |
| <b>EXPENSES:</b>  |              |                           |                           |              |               |
| <b>Program Services:</b>  |              |                           |                           |              |               |
| Direct Scholarship Expenses   | 568,495      | -                         | -                         | 568,495      | 559,131       |
| Leadership and Alumni Conferences<br>and Mentoring                    | 52,377       | -                         | -                         | 52,377       | 84,111        |
| Program Related Expenses  | 1,276,096    | -                         | -                         | 1,276,096    | 1,082,865     |
| <b>TOTAL PROGRAM SERVICES</b>   | 1,896,968    | -                         | -                         | 1,896,968    | 1,726,107     |
| <b>Supporting Services:</b>   |              |                           |                           |              |               |
| Management and General  | 378,424      | -                         | -                         | 378,424      | 291,957       |
| Fundraising and Development   | 416,546      | -                         | -                         | 416,546      | 434,871       |
| <b>TOTAL SUPPORTING SERVICES</b>                                      | 794,970      | -                         | -                         | 794,970      | 726,828       |
| <b>TOTAL EXPENSES</b>   | 2,691,938    | -                         | -                         | 2,691,938    | 2,452,935     |
| <b>CHANGE IN NET ASSETS</b>   | 522,512      | 775,013                   | 15,553                    | 1,313,078    | 1,256,523     |
| Net Assets - Beginning of Year  | 2,151,925    | 1,636,992                 | 1,479,757                 | 5,268,674    | 4,012,151     |
| <b>NET ASSETS - END OF YEAR</b>                                       | \$ 2,674,437 | \$ 2,412,005              | \$ 1,495,310              | \$ 6,581,752 | \$ 5,268,674  |

The Accompanying Notes are an Integral Part of These Financial Statements

# POINT FOUNDATION

## STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2011

With Summarized Totals for the Year Ended June 30, 2010

|  | 2011                      |                     |                   |                              | Total<br>Expenses   | 2010<br>Total<br>Expenses |
|--|---------------------------|---------------------|-------------------|------------------------------|---------------------|---------------------------|
|  | Program<br>Services       | Supporting Services |                   | Total Supporting<br>Services |                     |                           |
|  | Management<br>and General | Fundraising         |                   |                              |                     |                           |
| Salaries   | \$ 731,272                | \$ 182,818          | \$ 228,522        | \$ 411,340                   | \$ 1,142,612        | \$ 950,073                |
| Direct Scholarship Expenses                        | 568,495                   | -                   | -                 | -                            | 568,495             | 559,131                   |
| Employee Benefits                                  | 74,263                    | 18,566              | 23,207            | 41,773                       | 116,036             | 80,221                    |
| Public Awareness and Promotion                     | 70,159                    | 1,106               | 39,431            | 40,537                       | 110,696             | 84,484                    |
| Travel   | 61,084                    | 10,662              | 30,734            | 41,396                       | 102,480             | 74,138                    |
| Payroll Taxes                                      | 60,374                    | 15,094              | 18,867            | 33,961                       | 94,335              | 86,341                    |
| Professional Fees and Consultants                  | 29,915                    | 50,883              | 7,479             | 58,362                       | 88,277              | 83,482                    |
| Other Scholarship Expenses                         | 87,713                    | -                   | -                 | -                            | 87,713              | 101,460                   |
| Office Expenses                                    | 44,259                    | 6,380               | 27,850            | 34,230                       | 78,489              | 62,018                    |
| Rent   | 50,413                    | 8,064               | 15,394            | 23,458                       | 73,871              | 72,010                    |
| Leadership and Alumni Conferences<br>and Mentoring | 42,413                    | -                   | -                 | -                            | 42,413              | 44,700                    |
| Telephone  | 29,629                    | 5,790               | 6,929             | 12,719                       | 42,348              | 37,693                    |
| Bank and Credit Card Merchant Fees                 | -                         | 39,171              | -                 | 39,171                       | 39,171              | 36,924                    |
| In-Kind Expense                                    | 9,964                     | 18,626              | -                 | 18,626                       | 28,590              | 49,696                    |
| Depreciation and Amortization                      | 18,729                    | 3,030               | 5,784             | 8,814                        | 27,543              | 29,576                    |
| Events   | 9,698                     | -                   | 9,697             | 9,697                        | 19,395              | 52,989                    |
| Miscellaneous                                      | -                         | 14,467              | -                 | 14,467                       | 14,467              | 18,613                    |
| Insurance  | 8,588                     | 1,389               | 2,652             | 4,041                        | 12,629              | 26,444                    |
| Meetings and Conferences                           | -                         | 2,138               | -                 | 2,138                        | 2,138               | 2,737                     |
| Recruitment  | -                         | 240                 | -                 | 240                          | 240                 | 205                       |
| <b>TOTAL FUNCTIONAL EXPENSES - 2011</b>            | <b>\$ 1,896,968</b>       | <b>\$ 378,424</b>   | <b>\$ 416,546</b> | <b>\$ 794,970</b>            | <b>\$ 2,691,938</b> |                           |
|  | 70%                       | 15%                 | 15%               | 30%                          | 100%                |                           |
| <b>TOTAL FUNCTIONAL EXPENSES - 2010</b>            | <b>\$ 1,726,107</b>       | <b>\$ 291,957</b>   | <b>\$ 434,871</b> | <b>\$ 726,828</b>            |                     | <b>\$ 2,452,935</b>       |
|  | 70%                       | 12%                 | 18%               | 30%                          |                     | 100%                      |

The Accompanying Notes are an Integral Part of These Financial Statements

# POINT FOUNDATION

## STATEMENT OF CASH FLOWS

Year Ended June 30, 2011

With Summarized Totals for the Year Ended June 30, 2010

|   | 2011                | 2010              |
|---|---------------------|-------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>  |                     |                   |
| Change in Net Assets  | \$ 1,313,078        | \$ 1,256,523      |
| Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used in) Operating Activities: |                     |                   |
| Unrealized Gains on Investments   | (532,980)           | (226,359)         |
| Realized Losses on Investments  | 78,500              | 28,770            |
| Contributed Stock   | (167,459)           | (111,253)         |
| Contributions Restricted for Investment in Perpetuity   | (15,553)            | (489,816)         |
| Depreciation and Amortization   | 27,543              | 29,576            |
| Loss on Write-Off of Uncollectible Pledges Receivable   | 15,208              | 52,775            |
| Loss on Disposal of Property and Equipment  | 2,996               | 3,577             |
| Donated Property Held for Sale  | -                   | (427,199)         |
| (Increase) Decrease in:   |                     |                   |
| Pledges Receivable  | (94,336)            | (451,392)         |
| Prepaid Expenses and Other Assets   | (60,089)            | 25,486            |
| Increase (Decrease) in:   |                     |                   |
| Accounts Payable and Accrued Expenses   | (8,435)             | 3,151             |
| Accrued Payroll Liabilities   | 38,622              | 84,805            |
| <b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>  | <b>597,095</b>      | <b>(221,356)</b>  |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>  |                     |                   |
| Purchase of Property and Equipment  | (8,280)             | (2,484)           |
| Proceeds from Sale of Property  | 427,199             | -                 |
| Interest and Dividends Reinvested   | (61,082)            | (70,075)          |
| Proceeds on Sale of Investments   | 1,327,973           | 171,123           |
| Purchase of Investments   | (1,598,382)         | (60,000)          |
| <b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>  | <b>87,428</b>       | <b>38,564</b>     |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>  |                     |                   |
| Contributions Restricted for Investment in Perpetuity   | 15,553              | 489,816           |
| <b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>  | <b>700,076</b>      | <b>307,024</b>    |
| Cash and Cash Equivalents - Beginning of Year   | 935,004             | 627,980           |
| <b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>  | <b>\$ 1,635,080</b> | <b>\$ 935,004</b> |
| Cash and Cash Equivalents   | \$ 1,633,180        | \$ 874,937        |
| Restricted Cash and Cash Equivalents  | 1,900               | 60,067            |
| <b>TOTAL CASH AND CASH EQUIVALENTS</b>  | <b>\$ 1,635,080</b> | <b>\$ 935,004</b> |

The Accompanying Notes are an Integral Part of These Financial Statements

# POINT FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

June 30, 2011

### NOTE 1 - ORGANIZATION

#### *Mission and Programs*

Point Foundation (Point) is the nation's largest publicly-supported organization granting scholarships to lesbian, gay, bisexual and transgender (LGBT) 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 provides financial support, leadership training, mentoring and hope to individuals who are marginalized because of their sexual orientation, gender identity or gender expression. 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 leadership training to scholars through a national Scholar and Alumni Leadership Conference 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, LGBT 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 LGBT 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 degree request by completing a continuing award application and complying with Point's Contract of Excellence.

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 multi-year scholarships to 178 different scholars through June 30, 2011. Point supported 66 scholars during each of the years ended June 30, 2011 (fiscal year 2011) and June 30, 2010 (fiscal year 2010). As of June 30, 2011, 124 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 Regents 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, New York and Nevada.

# POINT FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

June 30, 2011

### NOTE 1 - ORGANIZATION (continued)

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

Strategic direction and governance of Point is provided by an independent, volunteer National Board of Directors, which includes the founders of Point. Additional governance, program and fundraising capacity are provided by independent, volunteer members of Point's National Board of Regents, and its 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 small staff of 15 employees in achieving the goals of Point's various service programs. For the year ended June 30, 2011, Point had more than 300 volunteers who donated their time as regents, trustees, mentors, application readers, office assistants, and Point Honors and Cornerstone event planners. In total for the year, these volunteers contributed more than 16,000 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 2011 Performance***

Expecting that the depressed economic environment of the prior several years would continue in fiscal year 2011, Point's management and its Board of Directors chose to remain conservative by budgeting only small expenditure growth for the year, with the principal objective of tightly controlling expenses relative to revenue realized such that Point would not incur an operating loss for the year. Not only did Point achieve that objective in fiscal year 2011, but also it realized revenue that exceeded total expenditures by 49%.

Managing expenditure growth within the year, Point's total expenditures of \$2,691,938 for fiscal year 2011 grew by \$239,003 (or 9.7%) from the prior year, and of that increase more than 70% was spent on program activities directly related to Point's mission. Point's total revenue of \$4,005,016 for fiscal year 2011 increase by \$295,558 (or 8.0%) from the prior year, which itself had included a significant one-time benefit of \$427,000 from a single contribution in the form of property that was immediately sold. Excluding the impact of that special gift, the net increase in revenue from fiscal 2010 to fiscal 2011 was primarily the result of receiving four new \$100,000 named-scholarship commitments, renewing five named-scholarship commitments, recording an increase of \$247,898 relative to the prior year from gains on investment assets, and experiencing a general increase in contributions from donors. As a result, Point realized an increase of \$1,313,078 in net assets for the year ended June 30, 2011, adding to its strong operating performance in the prior fiscal year when net assets increased by a comparable amount.

Cash and cash equivalents increased by \$700,076 (or 75%) during fiscal year 2011 to end the year at \$1,635,080. Of that ending amount, however, approximately \$945,000 was held for expected program-related payments in early fiscal 2012 for scholarships, Point's Scholar and Alumni Leadership Conference (July 2011) and other items.

For the year ended June 30, 2011, approximately 70% of Point's total expenses were expended on program activities directly related to its mission, and approximately 30% of its total expenses were incurred for fundraising, management and general expenses.

# POINT FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

June 30, 2011

### 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

To ensure observance of certain constraints and restrictions placed on the use of resources, the accounts of Point are maintained in accordance with the principles of net assets accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into net asset classes that are in accordance with specified activities or objectives. Accordingly, all financial transactions have been recorded and reported by net asset class as either unrestricted, temporarily restricted, or permanently restricted.

- **Unrestricted - Undesignated Net Assets.** These generally result from revenues generated by receiving unrestricted contributions, providing services, and receiving income from investments less expenses incurred in providing program related services, raising contributions, and performing administrative functions.
- **Unrestricted - Board Designated Endowment Net Assets.** The Board has designated a portion of unrestricted net assets to provide resources for an endowment fund. Point has \$1,765,798 of Board designated endowment net assets at June 30, 2011.
- **Temporarily Restricted Net Assets.** Point reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from purpose, capital or time restrictions. Point has \$2,412,005 of temporarily restricted net assets at June 30, 2011.
- **Permanently Restricted Net Assets.** These are assets from donors who stipulate that resources are to be maintained permanently, but permit Point to expend all of the income (or other economic benefits) derived from the donated assets. Point has \$1,495,310 of permanently restricted net assets at June 30, 2011.

#### (c) CASH AND CASH EQUIVALENTS

Point considers cash on hand, deposits in banks, money market accounts and certificates of deposit 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, 2011.

# POINT FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

June 30, 2011

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

#### (c) CASH AND CASH EQUIVALENTS (continued)

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 unrestricted net assets unless their use is temporarily or permanently restricted by donor stipulations or by law.

Investments in marketable equity securities and debt securities are carried at fair value 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.

#### (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, 2011, Point recognized a loss on the write-off of uncollectible pledges of \$15,208.

#### (f) 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 |
| Leasehold Improvements         | 4 Years     |
| Computer Equipment             | 3 - 5 Years |

# POINT FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

June 30, 2011

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

#### **(g) 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, 2011.

#### **(h) 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, 2011, Point recorded in-kind contributions of \$28,590.

#### **(i) SCHOLARSHIP EXPENSES**

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 additional degrees, they must make a separate application.

In June 2011, the Board approved 71 scholarships for fiscal year 2012 totaling \$676,841. 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.

#### **(j) INCOME TAXES**

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

#### **(k) 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 to allocate indirect cost.

# POINT FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

June 30, 2011

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

#### (l) 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.

#### (m) 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, 2010, from which the summarized information was derived.

#### (n) SUBSEQUENT EVENTS

Point has evaluated events and transactions occurring subsequent to the statement of financial position date of June 30, 2011 for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through November 17, 2011, the date these financial statements were available to be issued. No such material events or transactions were noted to have occurred.

### 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).

# POINT FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

June 30, 2011

### NOTE 3 - INVESTMENTS (continued)

The following table presents information about Point's investment assets that are measured at fair value on a recurring basis at June 30, 2011 and indicates the fair value hierarchy of the valuation techniques utilized to determine such fair value:

|                           | Year Ended<br>June 30, 2011 | Fair Value Measurements Using   |   |  |
|---------------------------|-----------------------------|---|---|--|
|                           |                             | Quoted Prices<br>in Active<br>Markets for<br>Identical<br>Assets<br>(Level 1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) |
| <b>Mutual Funds:</b>      |                             |   |   |  |
| U.S. Equities             | \$ 1,484,426                | \$ 1,484,426  | \$ -  | \$ -   |
| U.S. Fixed Income         | 829,108                     | 829,108   | -   | -  |
| Non-U.S. Equities         | 657,603                     | 657,603   | -   | -  |
| Non-U.S. Fixed Income     | 282,297                     | 282,297   | -   | -  |
| <b>TOTAL MUTUAL FUNDS</b> | 3,253,434                   | 3,253,434   | -   | -  |
| Certificates of Deposit   | 250,039                     | -   | 250,039   | -  |
| <b>TOTAL INVESTMENTS</b>  | <b>\$ 3,503,473</b>         | <b>\$ 3,253,434</b>   | <b>\$ 250,039</b>   | <b>\$ -</b>  |

Investments in mutual funds within Level 1 are in funds with strategies ranging from small to large cap investments and international securities. The fair values of marketable securities 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 marketable securities 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. During the year ended June 30, 2011, there was one transfer of \$50,475 from Level 2 to Level 1. The transfers between Level 2 and 3 investments 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, 2011, there were no transfers between Level 2 and 3 investments.

Net investment income for the year ended June 30, 2011 consists of the following:

|                                 |                   |
|---------------------------------|-------------------|
| Interest and Dividend Income    | \$ 61,082         |
| Realized Losses on Investments  | (78,500)          |
| Unrealized Gains on Investments | 532,980           |
| <b>INVESTMENT INCOME (NET)</b>  | <b>\$ 515,562</b> |

# POINT FOUNDATION

## NOTES TO FINANCIAL STATEMENTS June 30, 2011

### NOTE 4 - PLEDGES RECEIVABLE

Pledges receivable (net) at June 30, 2011 are due to be received as follows:

|                                       |    |                  |
|---------------------------------------|----|------------------|
| Less than One Year                    | \$ | 647,479          |
| One to Five Years                     |    | <u>884,517</u>   |
| <b>TOTAL</b>                          |    | 1,531,996        |
| Less: Allowance for Doubtful Accounts |    | (6,850)          |
| Less: Discount at 5%                  |    | <u>(82,409)</u>  |
| <b>PLEDGES RECEIVABLE (NET)</b>       | \$ | <u>1,442,737</u> |

### NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30, 2011:

|                                     |    |                 |
|-------------------------------------|----|-----------------|
| Office Furniture and Equipment      | \$ | 75,270          |
| Leasehold Improvements              |    | 15,329          |
| Computer Equipment                  |    | <u>60,611</u>   |
| <b>TOTAL</b>                        |    | 151,210         |
| Accumulated Depreciation            |    | <u>(99,090)</u> |
| <b>PROPERTY AND EQUIPMENT (NET)</b> | \$ | <u>52,120</u>   |

Depreciation and amortization expense for the year ended June 30, 2011 was \$27,543.

### NOTE 6 - COMMITMENTS AND CONTINGENCIES

Point leases office space under a long-term non-cancelable operating lease that expires in February 2012. Point also leases certain equipment under a non-cancelable operating lease that expires in March 2013. Minimum future rental payments under these leases as of June 30, 2011 are as follows:

| Years Ending June 30 |    |               |
|----------------------|----|---------------|
| 2012                 | \$ | 53,839        |
| 2013                 |    | <u>4,845</u>  |
| <b>TOTAL</b>         | \$ | <u>58,684</u> |

Rental expense totaled \$73,871 for the year ended June 30, 2011.

# POINT FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

June 30, 2011

### NOTE 7 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes at June 30, 2011:

|  |                            |
|--|----------------------------|
| Scholarships                                       | \$ 1,740,347               |
| Time Restricted                                    | <u>671,658</u>             |
| <b>TOTAL TEMPORARILY<br/>RESTRICTED NET ASSETS</b> | <b><u>\$ 2,412,005</u></b> |

### NOTE 8 - ENDOWMENTS

Point's endowments consist of donor restricted funds and board designated funds. The donor restricted fund is included in permanently restricted net assets and consists of the gifts and cash received on pledges receivable specifically for the endowment, with a balance of \$1,207,865. The investment income is not restricted by the donor but rather by Board policy, and this activity is shown in board designated net assets. The board designated funds have been established (1) to provide a scholarship fund whose income will be used to establish a reserve for funding future scholarships or possible mid-year increases in scholarship awards, and (2) to provide an administrative reserve used for covering possible unavoidable operating deficits. These endowments are invested in mutual funds (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 endowments are also managed to optimize the long-run total rate of return on invested assets, assuming a prudent level of risk. The goal for this rate of return is one that funds Point's existing spending policy and allows sufficient reinvestment to grow the endowment principal at a rate that exceeds inflation (as measured by the Consumer Price Index). 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 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. Distributions from the Endowment and the Sweep Account for General Obligations are made at the discretion of Point's Board. During fiscal year 2011, the Board concluded not to make any distributions from the endowment funds.

# POINT FOUNDATION

## NOTES TO FINANCIAL STATEMENTS June 30, 2011

### NOTE 8 - ENDOWMENTS (continued)

Endowment Net Asset Composition by Type of Fund at June 30, 2011:

|                                     | Unrestricted        | Temporarily<br>Restricted | Permanently<br>Restricted | Total               |
|-------------------------------------|---------------------|---------------------------|---------------------------|---------------------|
| Donor Restricted<br>Endowment Funds | \$ -                | \$ -                      | \$ 1,207,865              | \$ 1,207,865        |
| Board Designated<br>Endowment Funds | 1,765,798           | 281,671                   | -                         | 2,047,469           |
| <b>TOTAL FUNDS</b>                  | <b>\$ 1,765,798</b> | <b>\$ 281,671</b>         | <b>\$ 1,207,865</b>       | <b>\$ 3,255,334</b> |

Changes in endowment net assets for the year ended June 30, 2011:

|   | Unrestricted        | Temporarily<br>Restricted | Permanently<br>Restricted | Total               |
|---|---------------------|---------------------------|---------------------------|---------------------|
| Endowment Net Assets -<br>Beginning of Year       | \$ 1,475,111        | \$ 56,796                 | \$ 1,078,205              | \$ 2,610,112        |
| Investment Income (Net)                           | 290,687             | 224,875                   | -                         | 515,562             |
| Contributions                                     | -                   | -                         | 129,660                   | 129,660             |
| <b>ENDOWMENT NET<br/>ASSETS - END OF<br/>YEAR</b> | <b>\$ 1,765,798</b> | <b>\$ 281,671</b>         | <b>\$ 1,207,865</b>       | <b>\$ 3,255,334</b> |