

**FRIENDS OF  
FORMAN  
CHRISTIAN  
COLLEGE**



**REPORT ON AUDIT OF  
FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2017**

**FRIENDS OF FORMAN CHRISTIAN COLLEGE, INC.**  
**INDEX TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	
STATEMENT OF FINANCIAL POSITION	1
STATEMENT OF ACTIVITIES AND NET ASSETS	2
STATEMENT OF FUNCTIONAL EXPENSES	3
STATEMENT OF CASH FLOWS	4
NOTES TO FINANCIAL STATEMENTS	5-10



**Jones and Kolb**  
Certified Public Accountants  
Atlanta, Georgia

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Friends of Forman Christian College, Inc.  
Atlanta, Georgia

We have audited the accompanying financial statements of Friends of Forman Christian College, Inc. (a nonprofit organization) (the "Organization"), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities and net assets, 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 Organization'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 Organization'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 Friends of Forman Christian College, Inc. as of June 30, 2017, 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.

*Jones and Kolb*

October 9, 2017

**FRIENDS OF FORMAN CHRISTIAN COLLEGE, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2017**

**ASSETS**

**CURRENT ASSETS**

Cash and cash equivalents	\$ 519,533
Cash held on behalf of Forman Christian College	487,924
Pledges receivable	308,000
Prepaid expenses and other assets	<u>1,246</u>
Total current assets	1,316,703

**PROPERTY AND EQUIPMENT, NET** 2,527

**INVESTMENTS - PERMANENTLY RESTRICTED** 148,210

Total assets \$ 1,467,440

**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

Due to Forman Christian College	\$ 487,924
Accrued grants payable	33,560
Accounts payable	<u>5,500</u>
Total current liabilities	<u>526,984</u>

**NET ASSETS**

Unrestricted	
Undesignated	-
Board designated	<u>484,246</u>

Total unrestricted net assets 484,246

Temporarily restricted 308,000

Permanently restricted 148,210

Total net assets 940,456

Total liabilities and net assets \$ 1,467,440

The accompanying notes to financial statements  
are an integral part of this statement.

**FRIENDS OF FORMAN CHRISTIAN COLLEGE, INC.**  
**STATEMENT OF ACTIVITIES AND NET ASSETS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>SUPPORT AND REVENUE</b>				
Contributions	\$ 2,782,492	\$ 283,000	\$ 3,145	\$ 3,068,637
Investment income	1,033	-	8,039	9,072
Total support and revenue	<u>2,783,525</u>	<u>283,000</u>	<u>11,184</u>	<u>3,077,709</u>
<b>NET ASSETS RELEASED FROM RESTRICTIONS</b>				
	<u>418,750</u>	<u>(418,750)</u>	<u>-</u>	<u>-</u>
<b>EXPENSES</b>				
Program services	2,815,349	-	-	2,815,349
General and administrative	120,588	-	-	120,588
Fundraising	213,607	-	-	213,607
Total expenses	<u>3,149,544</u>	<u>-</u>	<u>-</u>	<u>3,149,544</u>
<b>CHANGE IN NET ASSETS</b>	52,731	(135,750)	11,184	(71,835)
<b>NET ASSETS</b>				
Beginning of period	<u>431,515</u>	<u>443,750</u>	<u>137,026</u>	<u>1,012,291</u>
<b>NET ASSETS</b>				
End of period	<u>\$ 484,246</u>	<u>\$ 308,000</u>	<u>\$ 148,210</u>	<u>\$ 940,456</u>

The accompanying notes to financial statements  
are an integral part of this statement.

**FRIENDS OF FORMAN CHRISTIAN COLLEGE, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	<b><u>Program Services</u></b>	<b><u>General and Administrative</u></b>	<b><u>Fundraising</u></b>	<b><u>Total</u></b>
Capital projects	\$ 1,717,490	\$ -	\$ -	\$ 1,717,490
Institutional support	718,979	-	8,172	727,151
Scholarships	342,115	-	-	342,115
Salaries and benefits	32,167	90,974	126,677	249,818
Advertising and promotion	-	-	36,712	36,712
Office and administrative	104	13,171	15,229	28,504
Travel	2,321	2,321	18,572	23,214
Payroll taxes	2,173	5,851	8,245	16,269
Professional fees	-	6,406	-	6,406
Insurance expense	-	1,617	-	1,617
Depreciation	-	248	-	248
Total expenses	<b><u>\$ 2,815,349</u></b>	<b><u>\$ 120,588</u></b>	<b><u>\$ 213,607</u></b>	<b><u>\$ 3,149,544</u></b>

The accompanying notes to financial statements  
are an integral part of this statement.

**FRIENDS OF FORMAN CHRISTIAN COLLEGE, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Change in net assets	\$ (71,835)
----------------------	-------------

ADJUSTMENTS TO RECONCILE CHANGE IN  
NET ASSETS TO NET CASH AND CASH EQUIVALENTS  
PROVIDED BY OPERATING ACTIVITIES:

Depreciation	248
Realized and unrealized gain on investments	(6,921)
Decrease in cash held on behalf of Forman Christian College	227,045
Decrease in pledges receivable	135,750
Decrease in prepaid expenses and other assets	1,750
Decrease in due to Forman Christian College	(227,045)
Decrease in accrued grants payable	(9,505)
Decrease in accounts payable	(1,979)

Total adjustments	119,343
-------------------	---------

Net cash and cash equivalents provided by operating activities	47,508
--	--------

**CASH FLOWS FROM INVESTING ACTIVITIES**

Purchases of investments	(141,289)
Purchases of property and equipment	(2,139)

Net cash and cash equivalents used in investing activities	(143,428)
--	-----------

**NET DECREASE IN CASH  
AND CASH EQUIVALENTS**

(95,920)

**CASH AND CASH EQUIVALENTS**

Beginning of period	615,453
---------------------	---------

**CASH AND CASH EQUIVALENTS**

End of period	\$ 519,533
---------------	------------

The accompanying notes to financial statements  
are an integral part of this statement.

**FRIENDS OF FORMAN CHRISTIAN COLLEGE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. Friends of Forman Christian College, Inc. (the "Organization") is a not-for-profit corporation dedicated to supporting high quality, values-based higher education for the nation of Pakistan as embodied at Forman Christian College (the "College"), located in Lahore, Pakistan. The primary mission of the Organization is to secure funding for the College for capital projects to improve campus infrastructure and programs; for scholarships and other key initiatives for students at Forman Christian College, especially for those students marginalized by reason of gender, class, ethnicity, religion or economic status; and for key missionary personnel in support of academic, administrative and spiritual life programs of the College.

B. The Organization's policy is to prepare its financial statements on the accrual basis of accounting in conformity with accounting policies generally accepted in the United States of America; consequently, contributions are recognized when earned and expenses are recognized when the obligation is incurred.

C. The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

D. Cash equivalents at June 30, 2017 consist primarily of money market accounts. The Organization considers all short-term, interest-bearing deposits with maturities of three months or less to be cash equivalents.

The Organization maintains cash balances at financial institutions which may, at times, exceed the federally insured limits. Management periodically reviews the financial viability of the institutions and does not anticipate any credit risk related losses.

E. The Organization records unconditional pledges in the period made by donors and allowances are provided for amounts estimated as uncollectible. All contributions are available for unrestricted purposes unless specifically restricted by the donor. At June 30, 2017, all pledges receivable were considered collectible.

F. Purchased property and equipment exceeding \$500 is stated at cost. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets, which range from three to seven years. Depreciation expense was \$248 for the year ended June 30, 2017.



**FRIENDS OF FORMAN CHRISTIAN COLLEGE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

G. Investments, which consist of mutual funds, are stated at fair value. Investment income and realized and unrealized gains and losses are recorded as changes in unrestricted net assets, temporarily restricted net assets or permanently restricted net assets depending on any donor stipulations on the use of the income.

H. The Organization classifies net assets and revenues, expenses, gains and losses based on the existence or absence of donor-imposed restrictions. The Organization records contributions of cash and other assets as unrestricted income unless specifically restricted by the donor. Restricted contributions are recorded as an increase in temporarily or permanently restricted net assets, depending on the nature of the donor restriction. When the donor stipulation expires, temporarily restricted net assets are reclassified to unrestricted net assets and are reported as net assets released from donor restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations. The Organization's governing Board has designated certain unrestricted net assets to be held for specific purposes as indicated in the Statement of Financial Position (Note 5).

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that will be met either by actions of the Organization and/or the passage of time. The Organization's policy is to record temporarily restricted contributions received and expended in the same period as unrestricted contributions (Note 6).

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that are required to be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes (Note 7).

I. The costs of providing the Organization's various programs and other activities have been summarized on a functional basis in the accompanying Statement of Activities and Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

J. The Organization is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. As such, only unrelated business income, as defined by Section 512(a)(1) of the Code, is subject to tax. The Organization had no unrelated business income for the year ended June 30, 2017.

K. Subsequent events have been evaluated by management through October 9, 2017, the date these financial statements were available to be issued.

**FRIENDS OF FORMAN CHRISTIAN COLLEGE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

**2. DUE TO FORMAN CHRISTIAN COLLEGE**

The Organization acts as an agent on behalf of the College for funds held in several bank accounts. These funds, which totaled \$487,924 at June 30, 2017, are reported as an asset and a liability in the accompanying Statement of Financial Position.

**3. PLEDGES RECEIVABLE**

At June 30, 2017, the Organization had pledges receivable of \$308,000, which are all receivable in less than one year.

**4. FAIR VALUE MEASUREMENTS**

U.S. generally accepted accounting principles establish a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Level 1 within the hierarchy states that valuation is based on unadjusted quoted market prices for identical assets or liabilities in active markets. Level 2 within the hierarchy states that valuations are based on observable inputs other than Level 1 prices, such as quoted market prices for similar assets, quoted market prices in inactive markets and other inputs that may be corroborated by observable market data. Level 3 within the hierarchy states that valuations are based upon unobservable inputs. As of June 30, 2017, the only assets or liabilities that are measured at fair value on a recurring basis in periods subsequent to initial recognition are investments.

Money market and mutual funds are valued at the closing price reported on the active market on which the individual securities are traded.

The following table presents by level, within the fair value hierarchy, the Organization's investments at fair value as of June 30, 2017:

Description	Level 1
Money market funds	\$ 3,151
Stock funds	88,655
Bond funds	56,404
Total investments, at fair value	\$ 148,210

**5. BOARD DESIGNATED NET ASSETS**

At June 30, 2017, Board designated net assets consist of \$484,246 designated as an operating reserve for the Organization.

**FRIENDS OF FORMAN CHRISTIAN COLLEGE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

**6. TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets at June 30, 2017 are purpose or time restricted as follows:

Capital project - Velte Hall	\$ 100,000
Capital project - Kennedy Hall	100,000
Time restrictions	79,950
Scholarships	21,250
Capital project - IT upgrades	<u>6,800</u>
 Total temporarily restricted net assets	 <u><u>\$ 308,000</u></u>

Net assets were released from donor restrictions by incurring expenses satisfying the purpose or time restrictions specified by donors as follows for the year ended June 30, 2017:

Capital projects	\$ 275,186
Time restrictions	62,812
Christian studies and professional development	61,202
Scholarships	<u>19,550</u>
 Total net assets released from restrictions	 <u><u>\$ 418,750</u></u>

**7. PERMANENTLY RESTRICTED NET ASSETS**

Permanently restricted net assets consist of contributions to the Organization's endowment fund, which are invested in perpetuity, the income of which is to be re-invested or to be used for providing scholarships to the College. During the year ended June 30, 2017, \$3,145 was contributed to the Organization's endowment fund. At June 30, 2017, permanently restricted net assets totaled \$148,210.

**8. ENDOWMENT**

The Organization established an endowment to provide scholarships for students at the College. As required by U.S. generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence of donor-imposed restrictions.

The Board of Directors of the Organization has interpreted the Georgia Uniform Prudent Management of Institutional Funds Act of 2006 ("UPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent

**FRIENDS OF FORMAN CHRISTIAN COLLEGE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies the original value of gifts donated to the permanent endowment, the original value of subsequent gifts to the permanent endowment and 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 as permanently restricted net assets. The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. As of June 30, 2017, the Organization reinvested all earnings within the endowment.

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

- (1) The duration and preservation of the fund;
- (2) The purposes of the Organization and the donor-restricted endowment fund;
- (3) General economic conditions;
- (4) The possible effect of inflation and deflation;
- (5) The expected total return from income and the appreciation of investments;
- (6) Other resources of the Organization; and,
- (7) The investment policies of the Organization.

The composition of endowment funds and their change in net assets for the year ended June 30, 2017 are as follows:

Endowment net assets, beginning of period	\$	137,026
Contributions		3,145
Investment return:		
Investment income		1,118
Net realized and unrealized gain		6,921
Amounts appropriated for expenditure		-
Endowment net assets, end of period	<u>\$</u>	<u>148,210</u>

The Organization has adopted investment and spending policies that attempt to balance providing student scholarships with preservation and growth of endowment assets. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that track common benchmarks for a balanced portfolio, while assuming a moderate level of risk.

**FRIENDS OF FORMAN CHRISTIAN COLLEGE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

**9. RETIREMENT SAVINGS PLAN**

The Organization offers a SEP IRA plan that covers substantially all employees. The Organization contributes ten percent of each employee's salary to a SEP IRA as a retirement contribution. The Organization's contributions totaled \$21,437 for the year ended June 30, 2017. The Organization also contributes to the SEP IRA for missionaries working directly with the College. The retirement contributions for missionaries totaled \$29,825 for year ended June 30, 2017.

**10. CONCENTRATION**

All of the Organization's revenues are from contributions from churches, private foundations and individuals. Total contributions received during the year ended June 30, 2017 was \$3,068,637. For the year ended June 30, 2017, approximately 64% of total contributions were from three donors.