

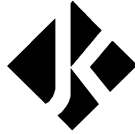
**FRIENDS OF
FORMAN
CHRISTIAN
COLLEGE**



**REPORT ON AUDIT OF
FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD
ENDED JUNE 30, 2016**

FRIENDS OF FORMAN CHRISTIAN COLLEGE, INC.
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JUNE 30, 2016

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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, 2016, and the related statements of activities and net assets, functional expenses and cash flows for the six-month period 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, 2016, and the changes in its net assets and its cash flows for the six-month period then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

As noted in Note 10 to the financial statements, the Organization changed from the cash basis to the accrual basis of accounting effective January 1, 2016.

Jones and Kell

October 21, 2016

FRIENDS OF FORMAN CHRISTIAN COLLEGE, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2016

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 615,453
Cash held on behalf of Forman Christian College	714,969
Pledges receivable	443,750
Prepays and other assets	<u>2,996</u>

Total current assets 1,777,168

PROPERTY AND EQUIPMENT, NET

636

Total assets \$ 1,777,804

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Due to Forman Christian College	\$ 714,969
Accrued grants payable	43,065
Accounts payable	<u>7,479</u>

Total current liabilities 765,513

NET ASSETS

Unrestricted	
Undesignated	181,515
Board designated	<u>250,000</u>

Total unrestricted net assets 431,515

Temporarily restricted	443,750
Permanently restricted	<u>137,026</u>

Total net assets 1,012,291

Total liabilities and net assets \$ 1,777,804

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 SIX-MONTH PERIOD ENDED JUNE 30, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE				
Contributions	\$ 1,156,869	\$ 443,750	\$ 15,000	\$ 1,615,619
Interest income	481	-	26	507
Total support and revenue	<u>1,157,350</u>	<u>443,750</u>	<u>15,026</u>	<u>1,616,126</u>
NET ASSETS RELEASED FROM RESTRICTIONS				
	<u>194,535</u>	<u>(194,535)</u>	<u>-</u>	<u>-</u>
EXPENSES				
Program services	1,380,061	-	-	1,380,061
General and administrative	58,687	-	-	58,687
Fundraising	57,478	-	-	57,478
Total expenses	<u>1,496,226</u>	<u>-</u>	<u>-</u>	<u>1,496,226</u>
CHANGE IN NET ASSETS	(144,341)	249,215	15,026	119,900
NET ASSETS				
Beginning of period	575,856	316,535	-	892,391
RECLASSIFICATION	<u>-</u>	<u>(122,000)</u>	<u>122,000</u>	<u>-</u>
NET ASSETS				
End of period	<u>\$ 431,515</u>	<u>\$ 443,750</u>	<u>\$ 137,026</u>	<u>\$ 1,012,291</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 SIX-MONTH PERIOD ENDED JUNE 30, 2016

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Capital projects	\$ 698,458	\$ -	\$ -	\$ 698,458
Other program expenses	298,315	-	-	298,315
Scholarships	258,741	-	-	258,741
Salaries and benefits	105,081	36,585	29,742	171,408
Office and administrative	632	8,012	8,627	17,271
Travel	11,654	328	2,955	14,937
Advertising and promotion	-	-	13,953	13,953
Payroll taxes	7,180	2,610	2,201	11,991
Professional fees	-	10,689	-	10,689
Insurance expense	-	273	-	273
Depreciation	-	190	-	190
Total expenses	<u>\$ 1,380,061</u>	<u>\$ 58,687</u>	<u>\$ 57,478</u>	<u>\$ 1,496,226</u>

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 SIX-MONTH PERIOD ENDED JUNE 30, 2016

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 119,900
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH USED IN OPERATING ACTIVITIES:	
Depreciation	190
Increase in cash held on behalf of Forman Christian College	(130,044)
Increase in pledges receivable	(443,750)
Increase in prepaids and other assets	(2,996)
Increase in due to Forman Christian College	130,044
Increase in accrued grants payable	43,065
Increase in accounts payable	7,479
	(396,012)
 Total adjustments	 (396,012)
 Net cash used in operating activities	 (276,112)
NET DECREASE IN CASH AND CASH EQUIVALENTS	 (276,112)
CASH AND CASH EQUIVALENTS	
Beginning of period	891,565
CASH AND CASH EQUIVALENTS	
End of period	\$ 615,453

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 SIX-MONTH PERIOD ENDED JUNE 30, 2016

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.

Effective January 1, 2016, the Organization changed its fiscal year end from December 31 to June 30.

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, 2016 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, 2016, 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 \$190 for the six-month period ended June 30, 2016.

FRIENDS OF FORMAN CHRISTIAN COLLEGE, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2016

G. 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 4).

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 5).

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 6).

H. 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.

I. 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 six-month period ended June 30, 2016.

J. Subsequent events have been evaluated by management through October 21, 2016, the date these financial statements were available to be issued.

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 \$714,969 at June 30, 2016, are reported as an asset and a liability in the accompanying Statement of Financial Position.

FRIENDS OF FORMAN CHRISTIAN COLLEGE, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2016

3. PLEDGES RECEIVABLE

At June 30, 2016, the Organization had pledges receivable of \$443,750, which are all receivable in less than one year.

4. BOARD DESIGNATED NET ASSETS

At June 30, 2016, Board designated net assets consist of \$250,000 designated as an operating reserve for the Organization.

5. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30, 2016 are purpose or time restricted as follows:

Capital project - Griswold Hall expansion	\$ 106,250
Capital project - IT upgrades	106,250
Capital project - campus elementary school	43,136
Capital project - Mercy Health Care	19,550
Time restrictions	66,562
Scholarships - annual fund	40,800
Christian life and studies program	36,764
Young Christian professional development	<u>24,438</u>
 Total temporarily restricted net assets	 <u><u>\$ 443,750</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 six-month period ended June 30, 2016:

Capital projects	\$ 138,946
Scholarships	<u>55,589</u>
 Total net assets released from restrictions	 <u><u>\$ 194,535</u></u>

6. 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 six-month period ended June 30, 2016, \$15,000 was contributed to the Organization's endowment fund and \$122,000 of previously temporarily restricted contributions were reclassified to the endowment fund at the donors' request. At June 30, 2016, permanently restricted net assets totaled \$137,026.

FRIENDS OF FORMAN CHRISTIAN COLLEGE, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2016

7. ENDOWMENT

During the six-month period ended June 30, 2016, 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 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, 2016, 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 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.

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.

FRIENDS OF FORMAN CHRISTIAN COLLEGE, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2016

8. 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 \$4,795 for the six-month period ended June 30, 2016. The Organization also contributes to the SEP IRA for missionaries working directly with the College. The retirement contributions for missionaries totaled \$14,818 for the six-month period ended June 30, 2016.

9. CONCENTRATION

All of the Organization's revenues are from contributions from churches, private foundations and individuals. Total contributions received during the six-month period ended June 30, 2016 was \$1,615,619. For the six-month period ended June 30, 2016, approximately 58% of total contributions were from three donors.

10. CHANGE IN ACCOUNTING METHOD

The Organization changed from the cash basis to the accrual basis of accounting for financial reporting purposes effective January 1, 2016. There was no increase or decrease in net assets resulting from this change.