

PHILADELPHIA FUTURES  
FINANCIAL STATEMENTS  
JUNE 30, 2019  
(WITH SUMMARIZED FINANCIAL INFORMATION  
FOR JUNE 30, 2018)

# PHILADELPHIA FUTURES

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Philadelphia Futures  
Philadelphia, Pennsylvania

### Report on the Financial Statements

We have audited the accompanying financial statements of Philadelphia Futures (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements.

#### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Philadelphia Futures as of June 30, 2019, 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.

To the Board of Directors  
Philadelphia Futures  
(Continued)

Report on Summarized Comparative Information

We have previously audited Philadelphia Futures' 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 23, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Myrion Cogen LLP*

October 24, 2019

PHILADELPHIA FUTURES  
STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2019  
(WITH FINANCIAL INFORMATION FOR JUNE 30, 2018)

	2019	2018
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 741,032	\$ 584,833
Grants receivable	837,400	222,000
Sponsor-A-Scholar pledges	45,000	57,308
Contributions receivable	16,734	39,836
	<u>1,640,166</u>	<u>903,977</u>
<b>NON-CURRENT ASSETS</b>		
Grants receivable, net of current portion	273,014	218,014
Sponsor-A-Scholar pledges, net of current portion	41,370	52,952
Investments	10,534,304	11,009,463
Property and equipment, net	38,138	50,219
	<u>10,886,826</u>	<u>11,330,648</u>
<b>TOTAL ASSETS</b>	<u>\$ 12,526,992</u>	<u>\$ 12,234,625</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 155,105	\$ 183,037
Deferred rent payable	4,759	3,427
	<u>159,864</u>	<u>186,464</u>
<b>NON-CURRENT LIABILITIES</b>		
Deferred rent payable, net of current portion	830	5,589
	<u>830</u>	<u>5,589</u>
<b>TOTAL LIABILITIES</b>	<u>160,694</u>	<u>192,053</u>
<b>NET ASSETS</b>		
<b>NET ASSETS WITHOUT DONOR RESTRICTIONS</b>	6,706,185	6,850,913
<b>NET ASSETS WITH DONOR RESTRICTIONS</b>	<u>5,660,113</u>	<u>5,191,659</u>
<b>TOTAL NET ASSETS</b>	<u>12,366,298</u>	<u>12,042,572</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 12,526,992</u>	<u>\$ 12,234,625</u>

The accompanying notes are an integral part of these financial statements.

PHILADELPHIA FUTURES  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2019  
(WITH SUMMARIZED FINANCIAL INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2018)

	2019			2018 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
<b>SUPPORT AND REVENUE</b>				
Contributions				
Corporate	\$ 87,551	\$ 328,007	\$ 415,558	\$ 644,273
Foundation	194,683	1,496,201	1,690,884	498,184
Individual	381,262	340,193	721,455	836,217
Other	3,049	93,150	96,199	109,573
Special event revenue	222,380	-	222,380	209,320
Less: costs of direct benefits to donors	(72,264)	-	(72,264)	(80,166)
Ellis Trust administration fee	296,339	-	296,339	285,281
Investment return designated for current operations	522,563	-	522,563	501,400
	<u>1,635,563</u>	<u>2,257,551</u>	<u>3,893,114</u>	<u>3,004,082</u>
<b>NET ASSETS RELEASED FROM RESTRICTIONS</b>	<u>1,847,143</u>	<u>(1,847,143)</u>	<u>-</u>	<u>-</u>
<b>TOTAL SUPPORT AND REVENUE</b>	<u>3,482,706</u>	<u>410,408</u>	<u>3,893,114</u>	<u>3,004,082</u>
<b>EXPENSES</b>				
Program	2,795,201	-	2,795,201	2,708,520
Administrative	212,910	-	212,910	176,428
Fundraising	273,293	-	273,293	247,220
Ellis Trust	296,017	-	296,017	285,281
<b>TOTAL EXPENSES</b>	<u>3,577,421</u>	<u>-</u>	<u>3,577,421</u>	<u>3,417,449</u>
<b>CHANGE IN NET ASSETS BEFORE NON-OPERATING ACTIVITIES</b>	(94,715)	410,408	315,693	(413,367)
Investment return not designated for current operations	(50,013)	58,046	8,033	173,491
<b>CHANGE IN NET ASSETS</b>	(144,728)	468,454	323,726	(239,876)
<b>NET ASSETS - BEGINNING OF YEAR</b>	<u>6,850,913</u>	<u>5,191,659</u>	<u>12,042,572</u>	<u>12,282,448</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 6,706,185</u>	<u>\$ 5,660,113</u>	<u>\$ 12,366,298</u>	<u>\$ 12,042,572</u>

The accompanying notes are an integral part of these financial statements.

PHILADELPHIA FUTURES  
STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2019  
(WITH FINANCIAL INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2018)

	<u>2019</u>	<u>2018</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 323,726	\$ (239,876)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	23,577	28,606
Realized and unrealized (gains) losses on investments	(146,110)	617,356
(Increase) decrease in assets		
Grants receivable	(670,400)	(80,014)
Sponsor-A-Scholar pledges	23,890	(3,277)
Contributions receivable	23,102	(3,961)
Other receivables	-	6,650
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	(27,932)	22,401
Deferred rent payable	<u>(3,427)</u>	<u>(2,096)</u>
Net cash provided by (used in) operating activities	<u>(453,574)</u>	<u>345,789</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of investments	6,338,497	9,136,588
Purchase of investments	(5,717,228)	(9,431,014)
Purchase of furniture and equipment	<u>(11,496)</u>	<u>-</u>
Net cash provided by (used in) investing activities	<u>609,773</u>	<u>(294,426)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	156,199	51,363
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>584,833</u>	<u>533,470</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 741,032</u>	<u>\$ 584,833</u>

The accompanying notes are an integral part of these financial statements.

PHILADELPHIA FUTURES  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2019  
(WITH SUMMARIZED FINANCIAL INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2018)

	2019										2018 Total
	Program				Total Program	Administrative	Fundraising	Subtotal	Ellis Trust	Total	
	Pre-College Programs	Sponsor-A- Scholar Sponsorships	College Programs	Outreach Futures/Step Up to College							
Personnel	\$ 982,561	\$ -	\$ 452,967	\$ 164,444	\$ 1,599,972	\$ 130,164	\$ 215,450	\$ 1,945,586	\$ 210,797	\$ 2,156,383	\$ 2,020,663
Program expenses											
Academic programming	120,242	12	21,256	865	142,375	-	-	142,375	-	142,375	135,815
Disbursements to students	19,292	192,615	161,910	-	373,817	-	-	373,817	2,170	375,987	366,522
Program events	73,286	-	21,902	-	95,188	-	-	95,188	-	95,188	102,939
Program support	22,415	-	7,016	305	29,736	340	78	30,154	23,418	53,572	73,872
Print and digital resources	-	-	-	103,279	103,279	-	-	103,279	-	103,279	97,245
Student transportation	52,952	-	-	-	52,952	-	56	53,008	-	53,008	60,105
	<u>288,187</u>	<u>192,627</u>	<u>212,084</u>	<u>104,449</u>	<u>797,347</u>	<u>340</u>	<u>134</u>	<u>797,821</u>	<u>25,588</u>	<u>823,409</u>	<u>836,498</u>
Consultants	13,855	-	6,387	2,286	22,528	1,835	3,038	27,401	2,974	30,375	36,482
Depreciation	10,755	-	4,958	1,774	17,487	1,424	2,358	21,269	2,308	23,577	28,606
Rent	105,518	-	48,644	17,405	171,567	12,495	23,137	207,199	24,121	231,320	222,531
Printing and publications	17,590	-	8,060	2,883	28,533	2,314	5,103	35,950	3,753	39,703	38,252
Professional services	17,584	-	8,106	2,901	28,591	2,328	3,856	34,775	8,875	43,650	46,567
Administrative overhead	77,520	81	37,629	13,946	129,176	62,010	20,217	211,403	17,601	229,004	187,850
<b>TOTAL EXPENSES</b>	<u>\$ 1,513,570</u>	<u>\$ 192,708</u>	<u>\$ 778,835</u>	<u>\$ 310,088</u>	<u>\$ 2,795,201</u>	<u>\$ 212,910</u>	<u>\$ 273,293</u>	<u>\$ 3,281,404</u>	<u>\$ 296,017</u>	<u>\$ 3,577,421</u>	<u>\$ 3,417,449</u>

The accompanying notes are an integral part of these financial statements.

PHILADELPHIA FUTURES  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 1 – ORGANIZATION

The mission of Philadelphia Futures (the Organization) is to provide low-income, first generation-to-college students with the tools, resources and opportunities necessary for admission to and success in college. The Organization transforms lives by breaking down the barriers that have historically excluded low-income, first generation-to-college students from college success.

In 2011, Philadelphia Futures for Youth, a Pennsylvania non-profit organization founded in 1989 and incorporated as a 501(c)3 corporation in 1999, merged with White-Williams Foundation (White-Williams), a Pennsylvania non-profit organization founded in 1802 and incorporated as a 501(c)3 corporation in 1949. Philadelphia Futures for Youth's corporate entity was merged into White-Williams and White-Williams became the surviving entity. The name of the corporation was changed to Philadelphia Futures.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements have been prepared in accordance with accounting principles in the United States of America.

Financial statement presentation follows Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, *Not-for-Profit Entities*. Under FASB ASC 958, the Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Contributions received are recorded as increases in net assets without donor restrictions or net assets with donor restrictions depending on the existence and/or nature of any donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Contributions received requiring perpetual investment for use by the Institute are classified as net assets with donor restrictions. In the absence of donor restrictions to the contrary, restrictions on contributions of property or equipment or on assets restricted to acquiring property or equipment expire when the property or equipment is placed in service.

Use of Estimates

The preparation of the Organization's financial statements in conformity with accounting principles generally accepted in the United States of America 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Organization considers all money market funds and certificates of deposit with original maturities of three months or less to be cash equivalents.

Investments

The Organization carries investments in marketable securities at fair value. Under FASB ASC 820-10, *Fair Value Measurement*, fair value is defined as the price that the Organization would receive to sell an investment to an independent buyer in the principal market, or in the absence of a principal market, the most advantageous market. FASB ASC 820-10 establishes a three-tier hierarchy based on quoted prices in active markets (Level 1), other observable inputs (Level 2), or unobservable inputs (Level 3).

PHILADELPHIA FUTURES  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments (Continued)

Realized and unrealized gains and losses on investments (determined based on original cost) and investment income are included in the statement of activities.

Investments are exposed to various risks, such as interest rate, credit, and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of the investments will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

Spending Rate

The Board of Directors of the Organization has the opportunity in each fiscal year to elect to include in its operating funds without donor restrictions between 2% and 7% of the fair market value of certain endowment type investments (based on a three-year average).

Property and Equipment

The Organization capitalizes those expenditures in excess of \$1,000. Purchased furniture and equipment are stated at cost while donated furniture is capitalized at its fair market value at the date of the gift. Depreciation is provided on the straight-line basis over estimated useful lives.

Leasehold improvements are carried at cost. Amortization is provided over the lease term on a straight-line basis.

Maintenance and repairs are charged to expense as incurred; major renewals and betterments are capitalized. When items of property and equipment are sold or retired, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is included in revenue.

Contributions and Promises to Give

Contributions are recognized when the donor makes an unconditional promise to give to the Organization. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using a risk free interest rate. Amortization of the discounts is included in revenue, as applicable.

The Organization uses the allowance method to determine receivable balances. The allowance is based on the prior year's experience and management's analysis of specific promises made. When all collection efforts have been exhausted, the accounts are written off against the related allowance. At June 30, 2019, an allowance was not considered necessary.

In-Kind Contributions

The Organization recognizes contributed services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. No amounts have been reflected in the financial statements for contributed services.

Many individuals volunteer their time and perform a variety of tasks that assist the Organization with mentoring and tutoring students in the Organization's programs. The Organization receives more than 8,000 volunteer hours per year.

PHILADELPHIA FUTURES  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In-Kind Contributions (Continued)

The Organization records the value of contributed goods when there is an objective basis available to measure their value and that value is reflected as revenue in the accompanying financial statements at its estimated value at the date of receipt. There were no contributed goods recorded during the year ended June 30, 2019.

Comparative Financial Information

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 the Organization's financial statements for the year ended June 30, 2018, from which the summarized information was derived. Certain amounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements. The reclassifications have no effect on the classes of net assets or the change in net assets for the prior year.

Income Tax Status

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, if the Organization had income from certain activities not directly related to the Organization's tax-exempt purpose it would be subject to taxation as unrelated business income. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2). The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

Recently Issued Accounting Pronouncements

In August 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958), Presentation of Financial Statements of Not-for-Profit Entities*. The amendments improve the current net asset classification requirements and the information presented in financial statements and notes about a not-for-profit entity's liquidity, financial performance and cash flows. The amendments in this Update are effective for annual financial statements issued for fiscal years beginning after December 15, 2017, and for interim periods within fiscal years beginning after December 15, 2018. The amendments in this Update should be applied on a retrospective basis in the year that the Update is first applied. However, if presenting comparative financial statements, a not-for-profit entity has the option to omit certain information for any periods presented before the period of adoption. The Organization adopted the amendments in this Update effective July 1, 2018. The adoption of the ASU will not change total net assets, but it will change the classification by combining restricted net assets into a single class.

The Organization is currently assessing the impact the following Updates will have on its financial statements when adopted. ASU 2016-08 and ASU 2018-08 will affect the June 30, 2020 financial statements and ASU 2016-02 will affect the June 30, 2022 financial statements.

In February 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*. The amendments in this Update specify the accounting for leases. The core principle of Topic 842 is that a lessee should recognize the assets and liabilities that arise from leases. The amendments in this Update are effective for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. The FASB has approved an update to extend the effective date until January 1, 2021.

PHILADELPHIA FUTURES  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued Accounting Pronouncements (Continued)

In May 2014 and April 2016, the FASB issued ASU No. 2014-09 and ASU No. 2016-10, *Revenue from Contracts with Customers (Topic 606)*. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In March 2016, the FASB issued ASU No. 2016-08, *Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net)*, which clarifies certain aspects of the principal versus agent guidance in the new revenue recognition standard. The effective date and transition requirement for this ASU are the same as the effective date and transition requirements of ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, as amended by ASU 2015-14, *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date*, which deferred the effective date to annual reporting periods beginning after December 15, 2018.

In June 2018, the FASB issued ASU No. 2018-08, *Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this Update should assist entities in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958 or as exchange (reciprocal transactions) subject to Topic 606, and determining whether a contribution is conditional. The amendments in this Update for nonpublic entities should apply the amendments for transactions in which the entity serves as the resource recipient to annual periods beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2019.

Subsequent Events

FASB ASC 855-10 establishes general standards of accounting and disclosure of events that occur after the statement of financial position date but before the date the financial statements are available to be issued. Subsequent events have been evaluated through October 24, 2019, the date that the financial statements were available to be issued.

NOTE 3 – CONCENTRATION OF CREDIT RISK

During the year the Organization may have deposits which exceed Federal Deposit Insurance Corporation limits. Management believes the risk related to these deposits is minimal.

NOTE 4 – GRANTS RECEIVABLE

Grants receivable amounted to the following at June 30, 2019:

<u>Due Within</u>	<u>Gross Promise</u>	<u>Discount*</u>	<u>Net Promise</u>
1 year	\$ 837,400	\$ -	\$ 837,400
2 to 8 years	<u>284,000</u>	<u>10,986</u>	<u>273,014</u>
Total	<u>\$ 1,121,400</u>	<u>\$ 10,986</u>	<u>\$ 1,110,414</u>

\*The gross amounts that are due in future periods are discounted to present value using an interest rate of 1.5%.

PHILADELPHIA FUTURES  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 5 – SPONSOR-A-SCHOLAR PLEDGES

Pledges to contribute for college-related expenses for students enrolled in the Sponsor-A-Scholar program are recorded as unconditional promises to give. Sponsor-A-Scholar pledges amounted to the following at June 30, 2019:

Restricted to Sponsor-A-Scholar program	
Within one year	\$ 45,000
Two to four years	41,370
Total	\$ 86,370

NOTE 6 – FAIR VALUE MEASUREMENTS – INVESTMENTS

The framework for measuring fair value 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) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

- Level 1     Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization 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 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 maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2019.

*Mutual funds:* Valued at the daily closing price as reported by the fund. Mutual funds held by the Organization are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value and to transact at that price. The mutual funds held by the Organization are deemed to be actively traded.

PHILADELPHIA FUTURES  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 6 – FAIR VALUE MEASUREMENTS – INVESTMENTS (Continued)

The following table sets forth by level, within the fair value hierarchy, the Organization’s assets at fair value as of June 30, 2019:

	Assets at Fair Value as of June 30, 2019			
	Level 1	Level 2	Level 3	Total
Mutual funds				
Absolute return funds	\$ 478,411	\$ -	\$ -	\$ 478,411
Commodity funds	160,962	-	-	160,962
Emerging market equity funds	77,117	-	-	77,117
Fixed income funds	3,254,666	-	-	3,254,666
International equity funds	1,820,775	-	-	1,820,775
Large cap equity funds	3,862,947	-	-	3,862,947
Real estate funds	391,903	-	-	391,903
Small cap equity funds	487,523	-	-	487,523
Investments at fair value	<u>\$ 10,534,304</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,534,304</u>

The Organization embraces an asset allocation target approach in order to preserve capital and to avoid market timing decisions.

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended June 30, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividend income	\$ 200,241	\$ 32,895	\$ 233,136
Net gains on investments (including capital gain distributions)	<u>272,309</u>	<u>25,151</u>	<u>297,460</u>
Total investment return	<u>\$ 472,550</u>	<u>\$ 58,046</u>	<u>\$ 530,596</u>

	Without Donor Restrictions	With Donor Restrictions	Total
Investment return designated for current operations	\$ 522,563	\$ -	\$ 522,563
Investment return not designated for current operations	(50,013)	-	(50,013)
Investment return not designated for current operations	<u>-</u>	<u>58,046</u>	<u>58,046</u>
Total investment return	<u>\$ 472,550</u>	<u>\$ 58,046</u>	<u>\$ 530,596</u>

PHILADELPHIA FUTURES  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 7 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30, 2019:

Office furniture and equipment	\$	75,600
Computer equipment		186,787
Leasehold improvements		2,629
		265,016
Less: accumulated depreciation		(226,878)
		\$ 38,138

NOTE 8 – LINE OF CREDIT

The Organization has a line of credit with a bank in the amount of \$100,000 which expires on November 15, 2020. The interest rate is prime (5.50% at June 30, 2019) minus one percentage point. There were no outstanding borrowings as of June 30, 2019.

NOTE 9 – NET ASSETS WITH DONOR RESTRICTIONS

The Organization has net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time.

The Organization also has net assets subject to donor-imposed stipulations that must be maintained permanently by the Organization and include endowments and miscellaneous gifts, which are included in investments in the statement of financial position as of June 30, 2019.

Net assets with donor restrictions at June 30, 2019 are as follows:

Net assets with temporary donor restrictions		
Pre-college programs	\$	467,700
College programs		694,796
Sponsor-A-Scholar Program sponsorships		1,730,850
Time restricted for future operating expenses		579,166
Outreach Futures/College Guide		50,900
		3,523,412
Net assets with permanent donor restrictions		2,136,701
		\$ 5,660,113

NOTE 10 – RETIREMENT PLAN

The Organization has a tax-deferred retirement plan (the Plan) under Section 401(k) of the Internal Revenue Code. Employee contributions to the Plan are made through payroll deductions. The Organization contributed 3% of eligible compensation. Organization contributions to the Plan amounted to \$27,006 for the year ended June 30, 2019.

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NOTE 11 – OPERATING LEASES

The Organization leases office space under noncancellable lease agreements that expire through August 31, 2020. In addition, the lease agreements require the Organization to pay its proportionate share of real estate taxes and other occupancy expenses.

Rent expense, including real estate taxes and other occupancy expenses, for the year ended June 30, 2019 was \$231,320. Minimum future rentals under the operating leases are as follows:

YEARS ENDING JUNE 30,	AMOUNT
2020	\$ 222,597
2021	37,607
	\$ 260,204

NOTE 12 – FUNCTIONAL EXPENSE ALLOCATION

Program specific expenses including personnel are allocated directly to the program affected. Overhead and general expenses are allocated between program, fundraising, and administrative based on direct salary distributions. Functional expenses for the year ended June 30, 2019 are detailed on page 6.

To the extent that expenses are reported on the statement of activities by other than their natural classification (the cost of special events reported as a direct benefit to donors), they are included in the summary below with all expenses incurred.

	Program	Administrative	Fundraising	Ellis Trust	Subtotal	Special Events (Direct Benefit to Donors)	Total
Personnel	\$ 1,599,972	\$ 130,164	\$ 215,450	\$ 210,797	\$ 2,156,383	\$ -	\$ 2,156,383
Program expenses	797,347	340	134	25,588	823,409	-	823,409
Other	397,882	82,406	57,709	59,632	597,629	72,264	669,893
TOTAL EXPENSES	\$ 2,795,201	\$ 212,910	\$ 273,293	\$ 296,017	\$ 3,577,421	\$ 72,264	\$ 3,649,685

The Organization hosted two special events that resulted in direct benefits to donors – a fall event (Night with our Scholars) and a spring bowling event with the Phillies (Get in the Game). The detail of the special events costs are:

Special events	
Venue	\$ 13,769
Food	33,048
Event management	6,000
Supplies and other	19,447
	\$ 72,264

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NOTE 13 – ELLIS TRUST

The Organization has a contract with the trustee of the Charles E. Ellis Trust to act as agent administrator for the trust. As agent administrator, the Organization is responsible for the administration of the annual distribution of funds to eligible Philadelphia high school girls for tuition and enrichment purposes. The Trust pays the Organization an annual fee for its services.

NOTE 14 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization's financial assets available within one year of the statement of financial position date for general expenditure are as follows:

Cash and cash equivalents	\$ 741,032
Grants receivable	837,400
Sponsor-A-Scholar pledges	45,000
Contributions receivable	<u>16,734</u>
	<u>\$ 1,640,166</u>

As shown above the Organization has over \$1,600,000 of assets available within one year of the statement of financial position date to meet cash needs for general expenditures. The Organization has a goal to maintain financial assets to be liquid with minimal market risk. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Organization also has a committed line of credit in the amount of \$100,000, which it could draw upon in the event of an unanticipated liquidity need.

The Organization structures its endowment assets to ensure it has sufficient liquidity to meet its annual spending policy. See Note 1 for the Organization's endowment spending policy.