A Better Chance

Opening the door to greater educational opportunities since 1963.

A Better Chance, Inc.
Financial Statements
(Together with Independent Auditors' Report)

For the Year Ended December 31, 2017 and for the Sixteen Month Period Ended December 31, 2016

MARKS PANETH

ACCOUNTANTS & ADVISORS

A BETTER CHANCE, INC.

FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)

FOR THE YEAR ENDED DECEMBER 31, 2017 AND
FOR THE SIXTEEN MONTH PERIOD ENDED DECEMBER 31, 2016

CONTENTS

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MARKS PANETH
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
A Better Chance, Inc.

We have audited the accompanying financial statements of A Better Chance, Inc. (the "Organization"), which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities, functional expenses and cash flows for the year ended December 31, 2017 and for the sixteen month period ended December 31, 2016, 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 of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 A Better Chance, Inc. as of December 31, 2017 and 2016, and the changes in its net assets and its cash flows for the year ended December 31, 2017 and for the sixteen month period ended December 31, 2016 in accordance with accounting principles generally accepted in the United States of America.

Marks Paneth LLP

New York, NY
June 15, 2018

A BETTER CHANCE, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2017 AND 2016

	2017	2016
ASSETS		
Cash and cash equivalents (Notes 2C and 12)	$ 388,244	$ 272,493
Grants and pledges receivable, net (Notes 2D and 3)	1,044,610	1,463,250
Prepaid expenses and other assets	41,107	39,418
Investments, at fair value (Notes 2F, 4 and 12)	10,973,610	12,176,379
Property and equipment, net (Notes 2E and 5)	31,282	48,504
Beneficial interest in perpetual trust (Notes 2K and 11)	1,093,373	999,869
TOTAL ASSETS	$ 13,572,226	$ 14,999,913
LIABILITIES		
Accounts payable and accrued expenses	$ 181,714	$ 145,437
Accrued vacation	87,354	92,562
Bank lines of credit (Note 6)	1,454,000	2,954,000
Deferred rent (Note 9)	136,497	162,429
Deferred revenue (Note 2G)	207,461	118,896
TOTAL LIABILITIES	2,067,026	3,473,324
COMMITMENTS AND CONTINGENCIES (Note 9)		
NET ASSETS (Note 2B)		
Unrestricted deficit (Note 13)	(1,312,625)	(2,253,820)
Temporarily restricted (Note 10)	2,619,496	1,675,584
Permanently restricted (Note 11)	10,198,329	12,104,825
TOTAL NET ASSETS	11,505,200	11,526,589
TOTAL LIABILITIES AND NET ASSETS	$ 13,572,226	$ 14,999,913

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

A BETTER CHANCE, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017 AND
FOR THE SIXTEEN MONTH PERIOD ENDED DECEMBER 31, 2016

	For the Year Ended December 31, 2017				For the Sixteen Month Period Ended December 31, 2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2017	Total 2016	Unrestricted	Temporarily Restricted	Permanently Restricted
OPERATING PUBLIC SUPPORT AND REVENUE:								
Special events	$ 956,197	$ -	$ -	$ 956,197	$ 1,239,241	$ 1,239,241	$ -	$ -
Less: costs of direct benefits to donors (Note 2I)	(91,214)	-	-	(91,214)	(115,952)	(115,952)	-	-
Net revenues from special events	864,983	-	-	864,983	1,123,289	1,123,289	-	-
Contributions and grants (Note 7)	1,222,911	743,190	-	1,966,101	2,078,021	1,689,443	376,078	12,500
Contributions in kind (Note 2H)	31,812	-	-	31,812	106,236	106,236	-	-
School membership dues (Note 2G)	174,935	-	-	174,935	191,780	191,780	-	-
Registration fees and other	161,038	-	-	161,038	211,373	211,373	-	-
Board appropriations of accumulated endowment earnings for operations (Note 11)	500,000	-	-	500,000	700,000	700,000	-	-
Net assets released from restrictions (Notes 2B and 10)	583,519	(583,519)	-	-	-	2,170,110	(2,170,110)	-
TOTAL OPERATING PUBLIC SUPPORT AND REVENUE	3,539,198	159,671	-	3,698,869	4,410,699	6,192,231	(1,794,032)	12,500
OPERATING EXPENSES (Note 2J)**:**								
Program services	3,011,755	-	-	3,011,755	4,154,791	4,154,791	-	-
Management and general	832,621	-	-	832,621	734,436	734,436	-	-
Fundraising	948,487	-	-	948,487	1,343,778	1,343,778	-	-
TOTAL OPERATING EXPENSES	4,792,863	-	-	4,792,863	6,233,005	6,233,005	-	-
CHANGE IN NET ASSETS FROM OPERATIONS	(1,253,665)	159,671	-	(1,093,994)	(1,822,306)	(40,774)	(1,794,032)	12,500
NON-OPERATING ACTIVITIES:								
Change in value of beneficial interest in perpetual trust (Note 2K)	-	-	93,504	93,504	(41,225)	-	-	(41,225)
Investment activity (Note 4)	194,860	1,284,241	-	1,479,101	966,972	368,051	598,921	-
Permanently restricted contribution repurposed (Note 11)	2,000,000	-	(2,000,000)	-	-	-	-	-
Board appropriations of accumulated endowment earnings for operations (Note 11)	-	(500,000)	-	(500,000)	(700,000)	-	(700,000)	-
TOTAL NON-OPERATING ACTIVITIES	2,194,860	784,241	(1,906,496)	1,072,605	225,747	368,051	(101,079)	(41,225)
CHANGE IN NET ASSETS (Note 13)	941,195	943,912	(1,906,496)	(21,389)	(1,596,559)	327,277	(1,895,111)	(28,725)
Net assets (deficit) - beginning of year/period	(2,253,820)	1,675,584	12,104,825	11,526,589	13,123,148	(2,581,097)	3,570,695	12,133,550
NET ASSETS (DEFICIT) - END OF YEAR	$ (1,312,625)	$ 2,619,496	$ 10,198,329	$ 11,505,200	$ 11,526,589	$ (2,253,820)	$ 1,675,584	$ 12,104,825

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

A BETTER CHANCE, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017 AND
FOR THE SIXTEEN MONTH PERIOD ENDED DECEMBER 31, 2016

	For the Year Ended December 31, 2017					For the Sixteen Month Period Ended December 31, 2016				
		Supporting Services						Supporting Services		
	Program Services	Management and General	Fundraising	Total Supporting Services	Total 2017	Total 2016	Program Services	Management and General	Fundraising	Total Supporting Services
Personnel service costs	$ 1,419,572	$ 180,929	$ 445,748	$ 626,677	$ 2,046,249	$ 2,657,794	$ 1,840,220	$ 222,183	$ 595,391	$ 817,574
Payroll taxes and benefits (Note 8)	305,830	36,132	93,977	130,109	435,939	546,746	380,023	41,840	124,883	166,723
Printing and publications	17,419	3,429	20,718	24,147	41,566	114,178	30,800	6,203	77,175	83,378
Postage and shipping	6,995	6,064	7,990	14,054	21,049	42,305	14,862	4,898	22,545	27,443
Professional fees										
(Includes in-kind of $1,375 and $2,900 in 2017 and 2016, respectively) (Note 2H)	110,288	115,905	142,202	258,107	368,395	576,728	268,121	68,845	239,762	308,607
Rent and utilities (Note 9)	275,069	26,929	77,229	104,158	379,227	510,271	379,898	32,063	98,310	130,373
Telephone/telecommunications	25,564	12,052	8,411	20,463	46,027	63,403	33,005	22,894	7,504	30,398
Equipment purchases and rentals (Note 9)	29,872	3,823	11,626	15,449	45,321	78,566	49,086	13,953	15,527	29,480
Office supplies										
(Includes in-kind of $0 and $4,506 in 2017 and 2016, respectively) (Note 2H)	21,250	22,047	1,090	23,137	44,387	31,072	10,193	19,730	1,149	20,879
Insurance	25,309	2,902	9,315	12,217	37,526	42,733	28,860	3,305	10,568	13,873
Recruiting	20,969	582	17,262	17,844	38,813	20,511	6,159	12,949	1,403	14,352
Staff training and development	3,738	50	298	348	4,086	11,786	8,966	158	2,662	2,820
Awards and financial assistance										
(Includes in-kind of $12,295 and $40,636 in 2017 and 2016, respectively) (Note 2H)	70,837	-	13,562	13,562	84,399	76,679	74,463	-	2,216	2,216
Subscriptions and dues	47,312	5,436	18,722	24,158	71,470	92,215	43,975	6,203	42,037	48,240
Travel and meetings										
(Includes in-kind of $18,142 and $58,194 in 2017 and 2016, respectively) (Note 2H)	516,041	14,007	13,118	27,125	543,166	937,949	829,560	51,443	56,946	108,389
Interest expense	57,718	6,847	21,534	28,381	86,099	75,661	38,568	24,100	12,993	37,093
Costs of direct benefits to donors (deducted below) (Note 2I)	-	-	91,214	91,214	91,214	115,952	-	-	115,952	115,952
Investment fees (Note 4) (deducted below)	51,478	6,034	18,926	24,960	76,438	90,990	68,020	2,244	20,726	22,970
Depreciation and amortization	19,249	632	2,041	2,673	21,922	28,277	24,957	727	2,593	3,320
Bad debt	-	366,627	-	366,627	366,627	191,704	-	191,704	-	191,704
Miscellaneous	38,723	28,228	43,644	71,872	110,595	134,427	93,075	11,238	30,114	41,352
Sub-total	3,063,233	838,655	1,058,627	1,897,282	4,960,515	6,439,947	4,222,811	736,680	1,480,456	2,217,136
Less: expenses deducted directly from revenues on the statements of activities	(51,478)	(6,034)	(110,140)	(116,174)	(167,652)	(206,942)	(68,020)	(2,244)	(136,678)	(138,922)
TOTAL EXPENSES	$ 3,011,755	$ 832,621	$ 948,487	$ 1,781,108	$ 4,792,863	$ 6,233,005	$ 4,154,791	$ 734,436	$ 1,343,778	$ 2,078,214

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

A BETTER CHANCE, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017 AND
FOR THE SIXTEEN MONTH PERIOD ENDED DECEMBER 31, 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ (21,389)	$ (1,596,559)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	21,922	28,277
Bad debt	366,627	191,704
Change in discount on grants and pledges receivable	(9,712)	(8,369)
Permanently restricted contributions	-	(12,500)
Unrealized gain on investments	(327,509)	(318,735)
Realized gain on investments	(984,055)	(377,414)
Change in value of beneficial interest in perpetual trust	(93,504)	41,225
Sub-total	(1,047,620)	(2,052,371)
Changes in operating assets and liabilities:		
Decrease (increase) in assets:		
Grants and pledges receivable	61,725	735,844
Prepaid expenses and other assets	(1,689)	5,840
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	36,277	19,161
Accrued vacation	(5,208)	(7,363)
Deferred rent	(25,932)	(9,030)
Deferred revenue	88,565	90,961
Net Cash Used in Operating Activities	(893,882)	(1,216,958)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments	5,429,591	1,135,749
Purchase of investments	(2,915,258)	(400,095)
Purchase of property and equipment	(4,700)	(4,661)
Net Cash Provided by Investing Activities	2,509,633	730,993
CASH FLOWS FROM FINANCING ACTIVITIES:		
Permanently restricted contributions	-	12,500
Proceeds from bank lines of credit	500,000	880,000
Repayment of bank lines of credit	(2,000,000)	(150,000)
Net Cash (Used in) Provided by Financing Activities	(1,500,000)	742,500
NET INCREASE IN CASH AND CASH EQUIVALENTS	115,751	256,535
Cash and cash equivalents - beginning of year/period	272,493	15,958
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 388,244	$ 272,493
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year for interest	$ 86,099	$ 75,661

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

A Better Chance, Inc. (the "Organization") is a tax-exempt corporation under Section 501(c)(3) of the Internal Revenue Code. The Organization believes it is the oldest and only national organization of its kind changing the life trajectory for academically talented youth of color via access to rigorous and prestigious educational opportunities for students in grades 6-12. Its mission is to increase substantially the number of well-educated young people of color who are capable of assuming positions of responsibility and leadership in American society. It carries out this mission through its signature College Preparatory Schools Program ("CPSP"), which recruits, refers and places approximately 500 new students annually and supports more than 2000 scholars at more than 350 member schools in 27 states. The Organization has been opening the doors to greater educational opportunities since 1963.

The Organization provides talented students of color with outstanding educational opportunities to enable them to fulfill their potential. Since its founding in 1963, the Organization has produced more than 15,000 alumni who have gone onto successful careers in business, medicine, education, politics, and the arts. These young people have not only bettered their own lives, but have improved the lives of others through their contributions to society and their communities. With a modest budget, the Organization helps leverage over $15 million in student financial aid provided by a national network of over 350 member schools. The Organization's alumni, with successful careers in business, medicine, education, politics and the arts, are the living product of the Organization's impact and program success.

The students served by the Organization are approximately 65% African-American, 15% Hispanic/Latino, 8% Asian-American, 1% Native American, and 12% who describe themselves as multi-racial. 46% of incoming Scholars for the school year 2016-2017 were from households making less than the national household median income. About 46% of the Organization's Scholars come from single-parent households. For these young people, the Organization offers an educational opportunity they would not have otherwise.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. The Organization's financial statements have been prepared on the accrual basis of accounting. The Organization adheres to accounting policies generally accepted in the United States of America ("U.S. GAAP").

B. The Organization maintains its net assets under the following three classes:

Unrestricted

These represent resources received that have not been restricted by the donor and that have no time restrictions. Such resources are available for support of the Organization's operations over which the Board of Directors (the "Board") has discretionary control.

Temporarily Restricted

These represent net assets resulting from contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that either expire by the passage of time or can be fulfilled and removed by actions of the Organization, pursuant to those stipulations. In addition, earnings on endowment assets are classified as temporarily restricted until appropriated for operations by the Board. When such stipulations end or are fulfilled or endowment assets are appropriated for operations, such temporarily restricted net assets are reported in the statements of activities as net assets released from restrictions as to donor restrictions, or Board appropriations as to restrictions described by law.

Permanently Restricted

These represent net assets resulting from contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by actions of the Organization. Permanently restricted net assets consist of endowments and the beneficial interest in perpetual trust as described in Note 11.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. The Organization considers cash and cash equivalents to include highly liquid instruments with maturities of 90 days or less when acquired, except for money market funds held in the Organization's investment portfolio.

D. 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 risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

   As of December 31, 2017 and 2016, the Organization determined that an allowance for uncollectible grants and pledges receivable of approximately $98,000 and $120,000, respectively, was necessary. This determination was based on a combination of factors such as management's assessment of the creditworthiness of its donors, a review of individual accounts outstanding, and the aged basis of the receivables and historical experience.

E. Property and equipment is stated at cost less accumulated depreciation and amortization. These amounts do not purport to represent replacement or realizable values. The Organization capitalizes all assets having a useful life of more than one year and a cost greater than $2,500. Purchases below $2,500 are expensed at the time of acquisition. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets. Amortization of leasehold improvements is charged at the lesser of the life of the improvements or the lease.

F. Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 4 for a discussion of fair value measurements.

G. Membership dues collected in advance of the year to which they apply are recorded as deferred revenue.

H. Contributions, including cash and in-kind contributions, are recorded as revenue in the period in which they are received. The Organization also receives contributed space and services that are an integral part of its operations. Contributed services and space amounting to $31,812 and $106,236 for the year ended December 31, 2017 and for the sixteen month period ended December 31, 2016, respectively, consists primarily of office space, financial assistance in the form of testing vouchers to waive testing fees and legal services that have been valued at the fair values that would have been incurred by the Organization to obtain them and are reported as revenue and expenses in the accompanying financial statements, because they met the criteria as prescribed by U.S. GAAP.

I. The costs of direct benefit for special events include expenses for the benefit of the donor. For example, meals and facilities rental are considered direct costs of special events.

J. The costs of providing the various programs and other activities have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

K. The Organization is the beneficiary of a perpetual trust held by a third-party trustee. The fair value of the Organization's beneficial interest in this trust is equal to the fair market value of the assets underlying the trust attributable to the Organization's interest. The assets consist primarily of equities, fixed income and short-term investments. The change in value of this trust is reflected within the permanently restricted net asset class.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures 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.

NOTE 3 – GRANTS AND PLEDGES RECEIVABLE, NET

Grants and pledges receivable consist of the following as of December 31:

	2017	2016
Amount due in less than one year	$ 884,142	$ 993,470
Amount due from one to five years	266,000	607,207
	1,150,142	1,600,677
Less: allowance for doubtful accounts	(97,960)	(120,143)
Less: unamortized discount to present value	(7,572)	(17,284)
	$ 1,044,610	$ 1,463,250

The pledges to be received after one year are recorded net of discounts at risk adjusted interest rates ranging from 1.93% to 2.70% as of December 31, 2017 and 1.93% to 2.43% as of December 31, 2016 to reflect the present value of future cash flows. The amortization of the discount is reflected as additional contribution revenue in the accompanying financial statements.

NOTE 4 – INVESTMENTS AND FAIR VALUE MEASUREMENTS

Investments consist of the following as of December 31:

	2017	2016
Equity securities	$ 7,333,355	$ 6,548,164
Fixed income mutual funds (Note 6)	1,326,341	3,290,328
Corporate bonds	533,410	472,653
U.S. Treasury & other U.S. government securities	903,129	1,080,370
Money market funds (Note 6)	877,375	784,864
	$ 10,973,610	$ 12,176,379

Investments are subject to market volatility that could change their carrying value in the near term.

Investment activity consists of the following for the year ended December 31, 2017 and for the sixteen month period ended December 31, 2016:

	2017	2016
Interest and dividends	$ 243,975	$ 361,813
Unrealized gain	327,509	318,735
Realized gain	984,055	377,414
Investment fees	(76,438)	(90,990)
	$ 1,479,101	$ 966,972

NOTE 4 – INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

In determining the fair value, the Organization utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible in its assessment of fair value.

The fair value hierarchy defined three levels as follows:

Level 1: Valuations based on quoted prices (unadjusted) in an active market that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2: Valuations based on observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.

Level 3: Valuations based on unobservable inputs are used when little or no market data is available. The fair value hierarchy gives lowest priority to Level 3 inputs.

Investments in equities, fixed income mutual funds, U.S. treasury bills and money market funds are valued using market prices in active markets (Level 1). Level 1 instrument valuations are obtained from real-time quotes for transactions in active exchange markets involving identical assets. Investments in corporate bonds and government securities are valued using quoted prices in inactive markets (Level 2). Level 2 instruments valuations are obtained from similar assets or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.

Financial assets carried at fair value as of December 31, 2017, are classified in the table as follows:

	Level 1	Level 2	Total 2017
ASSETS CARRIED AT FAIR VALUE:			
Investments:			
Equity securities			
U.S. large cap	$ 3,340,383	$ -	$ 3,340,383
U.S. small/mid value	621,530	-	621,530
U.S. small/mid growth	540,632	-	540,632
Developed international	742,008	-	742,008
Emerging markets and others	446,192	-	446,192
	5,690,745	-	5,690,745
Mutual Funds			
Fixed income	1,326,341	-	1,326,341
Equity index	1,642,611	-	1,642,611
	2,968,952	-	2,968,952
Corporate bonds	-	533,410	533,410
Government securities	-	903,129	903,129
Money market funds	877,374	-	877,374
	877,374	1,436,539	2,313,913
TOTAL ASSETS AT FAIR VALUE	$ 9,537,071	$ 1,436,539	$ 10,973,610

NOTE 4 – INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

Financial assets carried at fair value as of December 31, 2016 are classified in the table as follows:

	Level 1	Level 2	Total 2016
ASSETS CARRIED AT FAIR VALUE:			
Investments:			
Equity securities			
U.S. large cap	$ 4,080,328	$ -	$ 4,080,328
U.S. small/mid value	372,890	-	372,890
U.S. small/mid growth	796,110	-	796,110
Developed international	750,170	-	750,170
Emerging markets and others	548,666	-	548,666
	6,548,164	-	6,548,164
Mutual Funds			
Fixed income	2,081,130	-	2,081,130
Equity index	1,209,198	-	1,209,198
	3,290,328	-	3,290,328
Corporate bonds	-	472,653	472,653
Government securities	-	1,080,370	1,080,370
Money market funds	784,864	-	784,864
	784,864	1,553,023	2,337,887
TOTAL ASSETS AT FAIR VALUE	$ 10,623,356	$ 1,553,023	$ 12,176,379

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the end of the reporting period. For the year ended December 31, 2017 and for the sixteen month period ended December 31, 2016, there were no transfers in or out of levels 1, 2 or 3.

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of December 31:

	2017	2016	Estimated Useful Lives
Furniture and equipment	$ 68,767	$ 64,067	3 Years
Leasehold improvements	48,525	48,525	7-10 Years
Total cost	117,292	112,592	
Less: accumulated depreciation and amortization	(86,010)	(64,088)	
Net book value	$ 31,282	$ 48,504	

Depreciation and amortization expense amounted to $21,922 and $28,277 for the year ended December 31, 2017 and for the sixteen month period ended December 31, 2016, respectively.

NOTE 6 – BANK LINES OF CREDIT

The Organization has a revolving line of credit of $600,000 with a financial institution. The line bears interest at the prime rate (3.25% as of December 31, 2017) and will expire on August 31, 2018. The line is payable on demand and borrowings are secured by $600,000 in money market funds owned by the Organization. As of December 31, 2017 and 2016, the outstanding balance amounted to $0.

The Organization has another line of credit account with a financial institution that is secured by the Organization's investments. There is no expiration date on this line. Such investments ("pledged collateral") are segregated and consist of equity and fixed income securities. The maximum amount of credit is equal to 70% of the fair value of the pledged collateral less outstanding loan balances and accrued finance charges. The line bears a variable interest rate equal to the LIBOR rate plus 3% resulting in a rate of 4.56% and 3.77% as of December 31, 2017 and 2016, respectively. The loan is payable on demand and is secured by pledged collateral with a fair value of $5,232,801 and $4,782,452 as of December 31, 2017 and 2016, respectively. The outstanding balance amounted to $1,454,000 and $2,954,000 as of December 31, 2017 and 2016, respectively. As of June 15, 2018, the outstanding balance amounted to $1,654,000.

Interest expense incurred for the lines of credit amounted to $86,099 and $75,661 for the year ended December 31, 2017 and for the sixteen month period ended December 31, 2016, respectively.

NOTE 7 – CONTRIBUTIONS AND GRANTS

Contributions and grant revenues consist of the following for the year ended December 31, 2017 and the sixteen month period ended December 31, 2016:

	2017	2016
Institutions	$ 839,703	$ 508,070
Individuals	1,126,398	1,569,951
	$ 1,966,101	$ 2,078,021

NOTE 8 – RETIREMENT PLANS

A. The Organization has a frozen defined contribution retirement plan that used to cover all eligible employees. Employees were eligible to participate in the plan after completion of two years of service. The benefits were completely vested immediately after eligibility occurred.

B. The Organization has a 401(k) plan (the "Plan") effective January 1, 2012. All employees other than those classified as temporary employees are eligible to participate in the salary deferral contribution and the safe harbor non-elective portions of the Plan upon their date of hire. Employees other than those classified as temporary employees are eligible to participate in the non-safe harbor non-elective portion of the Plan after a 1-year period of service. For the year ended December 31, 2017 and for the sixteen month period ended December 31, 2016, the Organization elected to make a safe harbor non-elective contribution of 3% of each eligible participant's compensation and these benefits are 100% vested. For the year ended December 31, 2017 and for the sixteen month period ended December 31, 2016, the Organization elected to make a contribution to the non-safe harbor portion of the Plan of an additional 2% of each eligible participant's compensation for the portion of compensation within the social security earnings base and 7% on the compensation above the social security earnings base. These benefits vest at 20% per year over 5 years of service. Contributions to the Plan for the year ended December 31, 2017 and for the sixteen month period ended December 31, 2016 amounted to $96,242 and $87,805, respectively.

NOTE 9 – COMMITMENTS AND CONTINGENCIES

A. The Organization leases office space in New York, California, and Georgia. The Organization has an outstanding letter of credit of $105,608 as security for the New York office lease. In addition to the base rent for its premises, the Organization is required to pay its allocated share of taxes and operating costs. The Organization also has entered into non-cancelable operating leases for office equipment. Minimum annual rentals for real property and equipment are approximately as follows for years ended subsequent to December 31, 2017:

	Real Property	Equipment	Total
2018	$ 344,000	$ 131,000	$ 475,000
2019	337,000	114,000	451,000
2020	348,000	114,000	462,000
2021	129,000	114,000	243,000
2022	-	114,000	114,000
	$ 1,158,000	$ 587,000	$ 1,745,000

The rental commitment presented above does not include certain operating leases, which are currently on a month-to-month basis.

Rent expense for each year is based on the total lease commitment recognized over the life of the lease on a straight-line basis. As of December 31, 2017 and 2016, a deferred rent liability of $136,497 and $162,429, respectively, is included in the accompanying statements of financial position, under the straight lining method of accounting.

Rent expense for real property (including real estate tax escalation charges and other operating expenses) for the year ended December 31, 2017 and for the sixteen month period ended December 31, 2016 amounted to approximately $347,000 and $456,000, respectively .

Rent expense for equipment for the year ended December 31, 2017 and for the sixteen month period ended December 31, 2016, amounted to approximately $72,000 and $96,000, respectively.

B. The Organization believes it has no uncertain tax positions as of December 31, 2017 and 2016, in accordance with Accounting Standards Codification ("ASC") Topic 740, which provides standards for establishing and classifying any tax provisions for uncertain tax positions.

NOTE 10 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes as of December 31:

	2017	2016
Contributions with purpose restrictions:		
Scholarships	$ 10,226	$ 25,726
Specific programs (time/purpose)	597,043	231,950
	607,269	257,676
Contributions with time restrictions	874,074	1,063,996
Unappropriated earnings from endowment	1,138,153	353,912
	$ 2,619,496	$ 1,675,584

Net assets released from restrictions amounted to $583,519 and $2,170,110, during the year ended December 31, 2017 and for the sixteen month period ended December 31, 2016, respectively, by incurring expenses or the passage of time thus satisfying the restricted purposes.

NOTE 11 – PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets consist of investments restricted to the following purposes as of December 31:

	2017	2016
College Preparatory Schools Program	$ 7,797,500	$ 9,797,500
For a Better Life Foundation Fund – scholarship for schools	1,200,000	1,200,000
Diana Ross scholarships	57,456	57,456
Safety net program	50,000	50,000
Perpetual trust	1,093,373	999,869
	$ 10,198,329	$ 12,104,825

Permanently restricted net assets consist of the following funds as of December 31:

	2017	2016
Donor-restricted endowment funds	$ 9,104,956	$ 11,104,956
Beneficial interest in perpetual trust	1,093,373	999,869
	$ 10,198,329	$ 12,104,825

As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The Organization is subject to the Massachusetts-enacted version of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") in relation to its donor restricted endowment funds. The Board of Directors of the Organization has interpreted the Massachusetts-enacted version of UPMIFA as allowing the Organization to appropriate for expenditure or accumulate as much of an endowment fund as the Organization determines is prudent for the uses, benefits, purposes and duration for which the endowment funds are established, subject to the intent of the donor as expressed in the gift instrument. The earnings from the endowment funds shall be temporarily restricted until appropriated for expenditure by the Board of Directors.

The Organization's endowment investment policy is to invest primarily in a mix of equities and fixed income securities based on an asset allocation to satisfy its overall endowment financial and investment objectives, such as to preserve the principal, protect against inflation, receive stable returns and achieve long-term growth. 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 objective of the endowment spending policy is to provide a steady, growing income stream to support the Organization's programs while providing sufficient reinvestment to protect the endowment from inflation. Endowment spending is set at 5% of the three-year moving average of the market value of the endowment funds at the end of the fiscal year.

NOTE 11 – PERMANENTLY RESTRICTED NET ASSETS (Continued)

Changes in endowment net assets as of December 31, 2017, are as follows:

	Board Designated	Temporarily Restricted	Permanently Restricted	Total 2017
Repurposed contribution	$ -	$ -	$ (2,000,000)	$ (2,000,000)
Investment gain on endowments	12,971	1,284,241	-	1,297,212
Board appropriated for operations	-	(500,000)	-	(500,000)
Endowment net assets, beginning of year	82,333	353,912	11,104,956	11,541,201
Endowment net assets, end of year	$ 95,304	$ 1,138,153	$ 9,104,956	$ 10,338,413

Changes in endowment net assets as of December 31, 2016, are as follows:

	Board Designated	Temporarily Restricted	Permanently Restricted	Total 2016
Contributions	$ -	$ -	$ 12,500	$ 12,500
Investment gain on endowments	7,333	598,921	-	606,254
Board appropriated for operations	-	(700,000)	-	(700,000)
Endowment net assets, beginning of period	75,000	454,991	11,092,456	11,622,447
Endowment net assets, end of year	$ 82,333	$ 353,912	$ 11,104,956	$ 11,541,201

Interest and dividends from donor restricted endowment funds are temporarily restricted for specific purposes, and are presented as temporarily restricted investment activity and Board appropriations in the statements of activities.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the value of the initial and subsequent donor gift amounts (underwater). When underwater endowment funds exist, they are classified as a reduction of unrestricted net assets. There were no underwater endowment funds as of December 31, 2017 and 2016.

As of December 31, 2017 and 2016, certain endowment assets are pledged as collateral for the lines of credit as detailed in Note 6, with the consent of the donor. During the year ended December 31, 2017, endowment funds amounting to $2,000,000 were repurposed (as agreed to by the donor) to pay down the lines of credit.

NOTE 12 – CONCENTRATION OF CREDIT RISK

Cash and cash equivalents and investments that potentially subject the Organization to a concentration of credit risk include cash and money market accounts with three banks that exceed the Federal Deposit Insurance Corporations (“FDIC”) insurance limits. Interest bearing accounts are insured up to $250,000 per depositor. As of December 31, 2017 and 2016 there was approximately $789,000 and $696,000, respectively, of money market funds held by one bank that exceeded FDIC limits. Such excess includes outstanding checks.

NOTE 13 – UNRESTRICTED NET ASSETS DEFICIT

The Organization had an unrestricted net deficit balance of $1,312,625 and $2,253,820 as of December 31, 2017 and 2016, respectively. For the year ended December 31, 2017 and for the sixteen month period ended December 31, 2016, the change in unrestricted net assets amounted to an increase of $941,195 and an increase of $327,277, respectively. In addition, as of December 31, 2017, there is approximately $1.1 million of unappropriated earnings from permanently restricted funds that could be appropriated for several purposes. This could potentially bring the negative unrestricted net assets balance from $(1,312,625) to $(174,472). In 2018 and beyond, management will be focused on longer-term program shifts that will best serve the scholars. Management will also be focusing on maximizing fundraising and working on a plan to eliminate the debt, much of which was incurred to support both the campaign and organizational capacity-building to support program expansion. Management believes that the long term stability of the Organization is sustainable.

NOTE 14 – SUBSEQUENT EVENTS

The Organization has evaluated, for potential recognition and disclosure, events subsequent to the date of the statements of financial position through June 15, 2018, the date the financial statements were available to be issued.