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

For the Years Ended December 31, 2018 and 2017
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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, 2018 and 2017, and the related statements of activities, functional expenses and cash flows for the years 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.

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, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2M to the financial statements, during the year ended December 31, 2018, the Organization adopted Accounting Standards Update 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. Our opinion is not modified with respect to this matter.

New York, NY
June 27, 2019
### ASSETS

<table>
<thead>
<tr>
<th>Description</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents (Notes 2C and 12)</td>
<td>$336,006</td>
<td>$388,244</td>
</tr>
<tr>
<td>Grants and pledges receivable, net (Notes 2D and 4)</td>
<td>566,896</td>
<td>1,044,610</td>
</tr>
<tr>
<td>Prepaid expenses and other assets</td>
<td>67,020</td>
<td>41,107</td>
</tr>
<tr>
<td>Investments, at fair value (Notes 2F, 5 and 12)</td>
<td>9,861,979</td>
<td>10,973,610</td>
</tr>
<tr>
<td>Property and equipment, net (Notes 2E and 6)</td>
<td>12,899</td>
<td>31,282</td>
</tr>
<tr>
<td>Beneficial interest in perpetual trust (Notes 2K and 11)</td>
<td>953,020</td>
<td>1,093,373</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td><strong>$11,797,820</strong></td>
<td><strong>$13,572,226</strong></td>
</tr>
</tbody>
</table>

### LIABILITIES

<table>
<thead>
<tr>
<th>Description</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts payable and accrued expenses</td>
<td>$151,990</td>
<td>$181,714</td>
</tr>
<tr>
<td>Accrued vacation</td>
<td>87,503</td>
<td>87,354</td>
</tr>
<tr>
<td>Bank lines of credit (Note 7)</td>
<td>1,754,000</td>
<td>1,454,000</td>
</tr>
<tr>
<td>Deferred rent (Note 10)</td>
<td>107,751</td>
<td>136,497</td>
</tr>
<tr>
<td>Deferred revenue (Note 2G)</td>
<td>239,034</td>
<td>207,461</td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES</strong></td>
<td><strong>2,340,278</strong></td>
<td><strong>2,067,026</strong></td>
</tr>
</tbody>
</table>

### COMMITMENTS AND CONTINGENCIES (Note 10)

### NET ASSETS (Note 2B)

<table>
<thead>
<tr>
<th>Description</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Without donor restrictions (Note 13)</td>
<td>(1,381,840)</td>
<td>(1,312,625)</td>
</tr>
<tr>
<td>With donor restrictions (Note 11)</td>
<td>10,839,382</td>
<td>12,817,825</td>
</tr>
<tr>
<td><strong>TOTAL NET ASSETS</strong></td>
<td><strong>9,457,542</strong></td>
<td><strong>11,505,200</strong></td>
</tr>
</tbody>
</table>

**TOTAL LIABILITIES AND NET ASSETS**

<table>
<thead>
<tr>
<th>Description</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>TOTAL LIABILITIES AND NET ASSETS</strong></td>
<td><strong>$11,797,820</strong></td>
<td><strong>$13,572,226</strong></td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these financial statements.  - 2 -
# A BETTER CHANCE, INC.
## STATEMENTS OF ACTIVITIES
### FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

<table>
<thead>
<tr>
<th></th>
<th>Without Donor Restrictions</th>
<th>With Donor Restrictions</th>
<th>Total 2018</th>
<th>Total 2017</th>
<th>Without Donor Restrictions</th>
<th>With Donor Restrictions</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>OPERATING PUBLIC SUPPORT AND REVENUE:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Special events</td>
<td>$ 1,540,067</td>
<td>$ -</td>
<td>$ 1,540,067</td>
<td>$ 956,197</td>
<td>$ -</td>
<td>$ -</td>
</tr>
<tr>
<td>Less: costs of direct benefits to donors (Note 2I)</td>
<td>(65,500)</td>
<td>(65,500)</td>
<td>(91,214)</td>
<td>(91,214)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net revenues from special events</td>
<td>1,474,567</td>
<td>-</td>
<td>1,474,567</td>
<td>864,983</td>
<td>864,983</td>
<td>-</td>
</tr>
<tr>
<td>Contributions and grants (Note 8)</td>
<td>1,048,375</td>
<td>449,840</td>
<td>1,498,215</td>
<td>1,966,101</td>
<td>1,222,911</td>
<td>743,190</td>
</tr>
<tr>
<td>Contributions in-kind (Note 2H)</td>
<td>239,575</td>
<td>-</td>
<td>239,575</td>
<td>31,812</td>
<td>31,812</td>
<td>-</td>
</tr>
<tr>
<td>School membership dues (Note 2G)</td>
<td>115,434</td>
<td>-</td>
<td>115,434</td>
<td>174,935</td>
<td>174,935</td>
<td>-</td>
</tr>
<tr>
<td>Registration fees and other</td>
<td>30,531</td>
<td>-</td>
<td>30,531</td>
<td>161,038</td>
<td>161,038</td>
<td>-</td>
</tr>
<tr>
<td>Board appropriations (Note 11):</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accumulated endowment earnings to operations</td>
<td>200,000</td>
<td>-</td>
<td>200,000</td>
<td>500,000</td>
<td>500,000</td>
<td>-</td>
</tr>
<tr>
<td>Interest and dividends to operations</td>
<td>218,345</td>
<td>-</td>
<td>218,345</td>
<td>195,055</td>
<td>195,055</td>
<td>-</td>
</tr>
<tr>
<td>Net assets released from restrictions (Notes 2B and 11)</td>
<td>1,210,646</td>
<td>(1,210,646)</td>
<td>-</td>
<td>583,519</td>
<td></td>
<td>(583,519)</td>
</tr>
<tr>
<td><strong>TOTAL OPERATING PUBLIC SUPPORT AND REVENUE</strong></td>
<td>$ 4,537,473</td>
<td>(760,806)</td>
<td>$ 3,776,667</td>
<td>$ 3,893,924</td>
<td>$ 3,734,253</td>
<td>$ 159,671</td>
</tr>
<tr>
<td><strong>OPERATING EXPENSES</strong> (Note 2J):</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Program services</td>
<td>2,922,097</td>
<td>-</td>
<td>2,922,097</td>
<td>3,011,755</td>
<td>3,011,755</td>
<td>-</td>
</tr>
<tr>
<td>Management and general</td>
<td>724,716</td>
<td>-</td>
<td>724,716</td>
<td>832,621</td>
<td>832,621</td>
<td>-</td>
</tr>
<tr>
<td>Fundraising</td>
<td>937,549</td>
<td>-</td>
<td>937,549</td>
<td>948,487</td>
<td>948,487</td>
<td>-</td>
</tr>
<tr>
<td><strong>TOTAL OPERATING EXPENSES</strong></td>
<td>$ 4,584,362</td>
<td>-</td>
<td>4,584,362</td>
<td>4,792,863</td>
<td>4,792,863</td>
<td>-</td>
</tr>
<tr>
<td><strong>CHANGE IN NET ASSETS FROM OPERATIONS</strong></td>
<td>(46,889)</td>
<td>(760,806)</td>
<td>(807,695)</td>
<td>(898,939)</td>
<td>(1,058,610)</td>
<td>159,671</td>
</tr>
<tr>
<td><strong>NON-OPERATING ACTIVITIES:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Change in value of beneficial interest in perpetual trust (Note 2K):</td>
<td>-</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment activity (Note 5)</td>
<td>(22,326)</td>
<td>(658,939)</td>
<td>(681,265)</td>
<td>1,479,101</td>
<td>(195)</td>
<td>1,479,296</td>
</tr>
<tr>
<td>Permanently restricted contribution repurposed (Note 11)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>2,000,000</td>
<td>(2,000,000)</td>
<td>-</td>
</tr>
<tr>
<td>Board appropriations (Note 11):</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accumulated endowment earnings to operations</td>
<td>-</td>
<td>(200,000)</td>
<td>(200,000)</td>
<td>(500,000)</td>
<td></td>
<td>(500,000)</td>
</tr>
<tr>
<td>Interest and dividends to operations</td>
<td></td>
<td>(218,345)</td>
<td>(218,345)</td>
<td>(195,055)</td>
<td></td>
<td>(195,055)</td>
</tr>
<tr>
<td><strong>TOTAL NON-OPERATING ACTIVITIES</strong></td>
<td>(22,326)</td>
<td>(1,217,637)</td>
<td>(1,239,963)</td>
<td>877,550</td>
<td>1,999,805</td>
<td>(1,122,255)</td>
</tr>
<tr>
<td><strong>CHANGE IN NET ASSETS</strong> (Note 13)</td>
<td>(69,215)</td>
<td>(1,978,443)</td>
<td>(2,047,658)</td>
<td>(21,389)</td>
<td>941,195</td>
<td>(962,584)</td>
</tr>
<tr>
<td>Net assets (deficit) - beginning of year</td>
<td>(1,312,625)</td>
<td>12,817,825</td>
<td>11,505,200</td>
<td>11,526,589</td>
<td>(2,253,820)</td>
<td>13,780,409</td>
</tr>
<tr>
<td><strong>NET ASSETS (DEFICIT) - END OF YEAR</strong></td>
<td>$ (1,381,840)</td>
<td>$ 10,839,382</td>
<td>$ 9,457,542</td>
<td>$ 11,505,200</td>
<td>$ (1,312,625)</td>
<td>$ 12,817,825</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these financial statements. - 3 -
### A BETTER CHANCE, INC.
#### STATEMENTS OF FUNCTIONAL EXPENSES
##### FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

<table>
<thead>
<tr>
<th></th>
<th>Program Services</th>
<th>Management ( \text{and} ) Fundraising</th>
<th>Total Supporting Services</th>
<th>Total 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personnel service costs</td>
<td>$1,403,320 $</td>
<td>$147,696 $</td>
<td>$396,407 $</td>
<td>$1,947,423 $</td>
</tr>
<tr>
<td>Payroll taxes and benefits (Note 9)</td>
<td>$276,762</td>
<td>$29,691 $</td>
<td>$76,671 $</td>
<td>$392,124 $</td>
</tr>
<tr>
<td>Printing and publications</td>
<td>$15,852</td>
<td>$13,101 $</td>
<td>$20,396 $</td>
<td>$49,349 $</td>
</tr>
<tr>
<td>Postage and shipping</td>
<td>$6,736</td>
<td>$16,756 $</td>
<td>$7,115 $</td>
<td>$23,871 $</td>
</tr>
<tr>
<td>Professional fees (Includes in-kind of $131,375 and $1,375 in 2018 and 2017, respectively) (Note 2H)</td>
<td>$113,148</td>
<td>$281,433 $</td>
<td>$178,902 $</td>
<td>$460,335 $</td>
</tr>
<tr>
<td>Rent and utilities (Note 10)</td>
<td>$300,615</td>
<td>$29,209 $</td>
<td>$69,286 $</td>
<td>$399,110 $</td>
</tr>
<tr>
<td>Equipment purchases and rentals (Note 10)</td>
<td>$79,809</td>
<td>$9,640 $</td>
<td>$31,106 $</td>
<td>$40,746 $</td>
</tr>
<tr>
<td>Office supplies</td>
<td>$25,768</td>
<td>$7,500 $</td>
<td>$1,184 $</td>
<td>$8,684 $</td>
</tr>
<tr>
<td>Recruiting</td>
<td>$1,771</td>
<td>$7,500 $</td>
<td>$57,800 $</td>
<td>$57,800 $</td>
</tr>
<tr>
<td>Staff training and development</td>
<td>$4,459</td>
<td>$259 $</td>
<td>$4,718 $</td>
<td>$4,718 $</td>
</tr>
<tr>
<td>Awards and financial assistance (Includes in-kind of $108,200 and $12,295 in 2018 and 2017, respectively) (Note 2H)</td>
<td>$177,994</td>
<td>- $</td>
<td>$177,994 $</td>
<td>$84,399 $</td>
</tr>
<tr>
<td>Subscriptions and dues</td>
<td>$36,337</td>
<td>$3,325 $</td>
<td>$21,126 $</td>
<td>$24,451 $</td>
</tr>
<tr>
<td>Travel and meetings (Includes in-kind of $0 and $18,142 in 2018 and 2017, respectively) (Note 2H)</td>
<td>$353,229</td>
<td>$2,386 $</td>
<td>$12,799 $</td>
<td>$15,185 $</td>
</tr>
<tr>
<td>Interest expense</td>
<td>$43,136</td>
<td>$5,850 $</td>
<td>$12,501 $</td>
<td>$18,351 $</td>
</tr>
<tr>
<td>Depreciation and amortization (Note 6)</td>
<td>$16,461</td>
<td>$65,500 $</td>
<td>$65,500 $</td>
<td>$65,500 $</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>$37,826</td>
<td>$38,331 $</td>
<td>$39,777 $</td>
<td>$78,108 $</td>
</tr>
<tr>
<td>Sub-total</td>
<td>$2,973,126</td>
<td>$730,270 $</td>
<td>$1,015,340 $</td>
<td>$1,745,610 $</td>
</tr>
<tr>
<td>Less: expenses deducted directly from revenues on the statements of activities</td>
<td>$(51,299)</td>
<td>$(5,554) $</td>
<td>$(77,791) $</td>
<td>$(83,345) $</td>
</tr>
<tr>
<td>TOTAL EXPENSES</td>
<td>$2,922,097</td>
<td>$724,716 $</td>
<td>$937,549 $</td>
<td>$1,662,265 $</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these financial statements.
### A BETTER CHANCE, INC.
### STATEMENTS OF CASH FLOWS
### FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

#### CASH FLOWS FROM OPERATING ACTIVITIES:

<table>
<thead>
<tr>
<th>Description</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Change in net assets</td>
<td>(2,047,658)</td>
<td>(21,389)</td>
</tr>
<tr>
<td><strong>Adjustments to reconcile change in net assets to</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>net cash used in operating activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>18,383</td>
<td>21,922</td>
</tr>
<tr>
<td>Bad debt</td>
<td>133,566</td>
<td>366,627</td>
</tr>
<tr>
<td>Change in discount on grants and pledges receivable</td>
<td>(89)</td>
<td>(9,712)</td>
</tr>
<tr>
<td>Unrealized loss (gain) on investments</td>
<td>1,194,231</td>
<td>(327,509)</td>
</tr>
<tr>
<td>Realized gain on investments</td>
<td>(338,459)</td>
<td>(984,055)</td>
</tr>
<tr>
<td>Change in value of beneficial interest in perpetual trust</td>
<td>140,353</td>
<td>(93,504)</td>
</tr>
<tr>
<td><strong>Sub-total</strong></td>
<td>(899,673)</td>
<td>(1,047,620)</td>
</tr>
<tr>
<td><strong>Changes in operating assets and liabilities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Decrease (increase) in assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grants and pledges receivable</td>
<td>344,237</td>
<td>61,725</td>
</tr>
<tr>
<td>Prepaid expenses and other assets</td>
<td>(25,913)</td>
<td>(1,689)</td>
</tr>
<tr>
<td>Increase (decrease) in liabilities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable and accrued expenses</td>
<td>(29,724)</td>
<td>36,277</td>
</tr>
<tr>
<td>Accrued vacation</td>
<td>149</td>
<td>(5,208)</td>
</tr>
<tr>
<td>Deferred rent</td>
<td>(28,746)</td>
<td>(25,932)</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>31,573</td>
<td>88,565</td>
</tr>
<tr>
<td><strong>Net Cash Used in Operating Activities</strong></td>
<td>(608,097)</td>
<td>(893,882)</td>
</tr>
</tbody>
</table>

#### CASH FLOWS FROM INVESTING ACTIVITIES:

<table>
<thead>
<tr>
<th>Description</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proceeds from sale of investments</td>
<td>2,091,052</td>
<td>5,429,591</td>
</tr>
<tr>
<td>Purchase of investments</td>
<td>(1,835,193)</td>
<td>(2,915,258)</td>
</tr>
<tr>
<td>Purchase of property and equipment</td>
<td>-</td>
<td>(4,700)</td>
</tr>
<tr>
<td><strong>Net Cash Provided by Investing Activities</strong></td>
<td>255,859</td>
<td>2,509,633</td>
</tr>
</tbody>
</table>

#### CASH FLOWS FROM FINANCING ACTIVITIES:

<table>
<thead>
<tr>
<th>Description</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proceeds from bank lines of credit</td>
<td>500,000</td>
<td>500,000</td>
</tr>
<tr>
<td>Repayment of bank lines of credit</td>
<td>(200,000)</td>
<td>(2,000,000)</td>
</tr>
<tr>
<td><strong>Net Cash Provided by (Used in) Financing Activities</strong></td>
<td>300,000</td>
<td>(1,500,000)</td>
</tr>
</tbody>
</table>

#### NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS

<table>
<thead>
<tr>
<th>Description</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents - beginning of year</td>
<td>388,244</td>
<td>272,493</td>
</tr>
<tr>
<td><strong>CASH AND CASH EQUIVALENTS - END OF YEAR</strong></td>
<td>$336,006</td>
<td>$388,244</td>
</tr>
</tbody>
</table>

#### Supplemental Disclosure of Cash Flow Information:

<table>
<thead>
<tr>
<th>Description</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash paid during the year for interest</td>
<td>$61,381</td>
<td>$86,099</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these financial statements.
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 2,000 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, 6% Asian-American, 1% Native American, and 13% who describe themselves as multi-racial. 40% of incoming Scholars for the school year 2017-2018 were from households making less than the national household median income. About 31% 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 two classes:

Without Donor Restrictions

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. The Board maintains a Board designated endowment fund in this net asset class as further described in Note 11.

With Donor Restrictions

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 with donor restrictions until appropriated for operations by the Board. When such stipulations end or are fulfilled or endowment assets are appropriated for operations, such 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. Net assets with donor restrictions that have been both earned and have had their restrictions met in the current year are recorded as net assets without donor restrictions.

There are also restricted 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. These 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.

Historically, the Organization has estimated its allowance for doubtful accounts pertaining to its grants and pledges receivable at a rate of approximately 8-10% of its gross receivable balance. Accordingly, as of December 31, 2018 and 2017, the Organization determined that an allowance for uncollectible grants and pledges receivable of approximately $51,000 and $98,000, respectively, was necessary. This determination is 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 5 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 $239,575 and $31,812 for the years ended December 31, 2018 and 2017, 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 facility rentals are considered direct costs of special events.

J. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy costs, depreciation, professional services, office expenses, interest, and insurance which are allocated on the basis of estimates of time and effort.

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 net assets with donor restrictions 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.

M. The Financial Accounting Standards Board (“FASB”) Accounting Standards Update (“ASU”) 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. ASU 2016-14 addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses. ASU 2016-14 was adopted by the Organization for the year ended December 31, 2018. Financial statements for the year ended December 31, 2017 were restated to conform to the current year presentation. These changes had no impact on the change in net assets for the year ended December 31, 2017. Specifically, ASU 2016-14 resulted in renaming amounts previously reported as unrestricted net assets as net assets without donor restrictions and temporarily restricted net assets as net assets with donor restrictions. In addition, required disclosures on liquidity and availability of resources were provided for the current year in Note 3.

NOTE 3 – LIQUIDITY AND AVAILABILITY OF RESOURCES FOR GENERAL EXPENDITURES

The Organization had cash and cash equivalents of $336,006 as of December 31, 2018. The Organization’s objective is that the operating revenues of the Organization are exceeded by its operating expenses. The Organization also has investments of $9,861,979 as of December 31, 2018. The investment endowment generates income, and this is used in the operations of the Organization. When the investment balance exceeds the donor restricted balance, the Board of Directors may elect to appropriate an amount in accordance with the conditions outlined in Note 11. In 2017, the Organization gained the donor’s consent to appropriate funds from the investment endowment for the operating needs of the Organization. In the future, similar discussions could ensue regarding appropriation of funds from the endowment. In the event of a liquidity need, the Organization has access to two lines of credit totaling approximately $3,900,000 of which $1,754,000 has been drawn upon as of December 31, 2018.

As of December 31, 2018, the following table shows the total financial assets held by the Organization and the amounts of those financial assets that could readily be made available within one year of the statement of financial position date to meet general expenditures:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total financial assets</td>
<td>$10,764,881</td>
</tr>
<tr>
<td>Line of credit secured by money market funds</td>
<td>(600,000)</td>
</tr>
<tr>
<td>Donor-imposed restrictions:</td>
<td></td>
</tr>
<tr>
<td>Investment endowment</td>
<td>(9,104,956)</td>
</tr>
<tr>
<td>Pledges not due within the next 12 months</td>
<td>(170,000)</td>
</tr>
<tr>
<td>Net financial assets after donor-imposed restrictions</td>
<td>889,925</td>
</tr>
<tr>
<td>Internal designations:</td>
<td></td>
</tr>
<tr>
<td>Board designated funds</td>
<td>(92,703)</td>
</tr>
<tr>
<td>Financial assets available to meet cash needs for general expenditures over the next 12 months</td>
<td>$797,222</td>
</tr>
</tbody>
</table>

The above calculation does not include the Organization’s liabilities of $2,340,278 which exceed the financial assets available to meet cash needs for general expenditures. See Note 13 regarding the Organization’s net assets deficit without donor restrictions.
NOTE 4 – GRANTS AND PLEDGES RECEIVABLE, NET

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

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amount due in less than one year</td>
<td>$455,270</td>
<td>$884,142</td>
</tr>
<tr>
<td>Amount due from one to five years</td>
<td>170,000</td>
<td>266,000</td>
</tr>
<tr>
<td></td>
<td>625,270</td>
<td>1,150,142</td>
</tr>
<tr>
<td>Less: allowance for doubtful accounts</td>
<td>(50,891)</td>
<td>(97,960)</td>
</tr>
<tr>
<td>Less: unamortized discount to present value</td>
<td>(7,483)</td>
<td>(7,572)</td>
</tr>
<tr>
<td></td>
<td>$566,896</td>
<td>$1,044,610</td>
</tr>
</tbody>
</table>

The pledges to be received after one year are recorded net of discounts at risk adjusted interest rates ranging from 2.46% to 2.55% as of December 31, 2018 and 1.93% to 2.70% as of December 31, 2017 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 5 – INVESTMENTS AND FAIR VALUE MEASUREMENTS

Investments consist of the following as of December 31:

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity securities</td>
<td>$4,572,022</td>
<td>$5,690,745</td>
</tr>
<tr>
<td>Fixed income mutual funds (Note 7)</td>
<td>2,752,760</td>
<td>2,968,951</td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>517,999</td>
<td>533,410</td>
</tr>
<tr>
<td>U.S. Treasury and other U.S. government securities</td>
<td>1,000,493</td>
<td>903,129</td>
</tr>
<tr>
<td>Money market funds (Note 7)</td>
<td>1,018,705</td>
<td>877,375</td>
</tr>
<tr>
<td></td>
<td>$9,861,979</td>
<td>$10,973,610</td>
</tr>
</tbody>
</table>

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

Investment activity consists of the following for the years ended December 31:

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest and dividends</td>
<td>$243,381</td>
<td>$243,975</td>
</tr>
<tr>
<td>Unrealized (loss) gain</td>
<td>(1,194,231)</td>
<td>327,509</td>
</tr>
<tr>
<td>Realized gain</td>
<td>338,459</td>
<td>984,055</td>
</tr>
<tr>
<td>Investment fees</td>
<td>(68,874)</td>
<td>(76,438)</td>
</tr>
<tr>
<td></td>
<td>$(681,265)</td>
<td>$1,479,101</td>
</tr>
</tbody>
</table>

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.
NOTE 5 – INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

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 instrument 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, 2018 are classified in the table as follows:

<table>
<thead>
<tr>
<th>ASSETS CARRIED AT FAIR VALUE:</th>
<th>Level 1</th>
<th>Level 2</th>
<th>Total 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investments:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity securities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. large cap</td>
<td>$2,823,491</td>
<td>-</td>
<td>$2,823,491</td>
</tr>
<tr>
<td>U.S. small/mid value</td>
<td>543,847</td>
<td>-</td>
<td>543,847</td>
</tr>
<tr>
<td>U.S. small/mid growth</td>
<td>449,550</td>
<td>-</td>
<td>449,550</td>
</tr>
<tr>
<td>Developed international</td>
<td>533,702</td>
<td>-</td>
<td>533,702</td>
</tr>
<tr>
<td>Emerging markets and others</td>
<td>221,432</td>
<td>-</td>
<td>221,432</td>
</tr>
<tr>
<td>Total ASSETS AT FAIR VALUE</td>
<td>4,572,022</td>
<td>-</td>
<td>4,572,022</td>
</tr>
<tr>
<td>Mutual funds</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fixed income</td>
<td>1,373,756</td>
<td>-</td>
<td>1,373,756</td>
</tr>
<tr>
<td>Equity index</td>
<td>1,379,004</td>
<td>-</td>
<td>1,379,004</td>
</tr>
<tr>
<td>Total ASSETS AT FAIR VALUE</td>
<td>2,752,760</td>
<td>-</td>
<td>2,752,760</td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>-</td>
<td>517,999</td>
<td>517,999</td>
</tr>
<tr>
<td>Government securities</td>
<td>-</td>
<td>1,000,493</td>
<td>1,000,493</td>
</tr>
<tr>
<td>Money market funds</td>
<td>1,018,705</td>
<td>-</td>
<td>1,018,705</td>
</tr>
<tr>
<td>TOTAL ASSETS AT FAIR VALUE</td>
<td>$8,343,487</td>
<td>$1,518,492</td>
<td>$9,861,979</td>
</tr>
</tbody>
</table>
NOTE 5 – INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

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

<table>
<thead>
<tr>
<th></th>
<th>Level 1</th>
<th>Level 2</th>
<th>Total 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS CARRIED AT FAIR VALUE:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investments:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity securities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. large cap</td>
<td>$3,340,383</td>
<td>$ -</td>
<td>$3,340,383</td>
</tr>
<tr>
<td>U.S. small/mid value</td>
<td>621,530</td>
<td>-</td>
<td>621,530</td>
</tr>
<tr>
<td>U.S. small/mid growth</td>
<td>540,632</td>
<td>-</td>
<td>540,632</td>
</tr>
<tr>
<td>Developed international</td>
<td>742,008</td>
<td>-</td>
<td>742,008</td>
</tr>
<tr>
<td>Emerging markets and others</td>
<td>446,192</td>
<td>-</td>
<td>446,192</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>5,690,745</td>
<td>-</td>
<td>5,690,745</td>
</tr>
<tr>
<td>Mutual funds</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fixed income</td>
<td>1,326,341</td>
<td>-</td>
<td>1,326,341</td>
</tr>
<tr>
<td>Equity index</td>
<td>1,642,610</td>
<td>-</td>
<td>1,642,610</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>2,968,951</td>
<td>-</td>
<td>2,968,951</td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>-</td>
<td>533,410</td>
<td>533,410</td>
</tr>
<tr>
<td>Government securities</td>
<td>-</td>
<td>903,129</td>
<td>903,129</td>
</tr>
<tr>
<td>Money market funds</td>
<td>877,375</td>
<td>-</td>
<td>877,375</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>877,375</td>
<td>1,436,539</td>
<td>2,313,914</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS AT FAIR VALUE</strong></td>
<td>$9,537,071</td>
<td>$1,436,539</td>
<td>$10,973,610</td>
</tr>
</tbody>
</table>

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 years ended December 31, 2018 and 2017, there were no transfers in or out of levels 1, 2 or 3.

NOTE 6 – PROPERTY AND EQUIPMENT

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

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
<th>Estimated Useful Lives</th>
</tr>
</thead>
<tbody>
<tr>
<td>Furniture and equipment</td>
<td>$68,767</td>
<td>$68,767</td>
<td>3 Years</td>
</tr>
<tr>
<td>Leasehold improvements</td>
<td>48,525</td>
<td>48,525</td>
<td>7-10 Years</td>
</tr>
<tr>
<td><strong>Total cost</strong></td>
<td>117,292</td>
<td>117,292</td>
<td></td>
</tr>
<tr>
<td>Less: accumulated depreciation and amortization</td>
<td>(104,393)</td>
<td>(86,010)</td>
<td></td>
</tr>
<tr>
<td><strong>Net book value</strong></td>
<td>$12,899</td>
<td>$31,282</td>
<td></td>
</tr>
</tbody>
</table>

Depreciation and amortization expense amounted to $18,383 and $21,922 for the years ended December 31, 2018 and 2017, respectively.
NOTE 7 – 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 (5.25% as of December 31, 2018) and will expire on August 31, 2019. 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, 2018 and 2017, the outstanding balance amounted to $0. As of June 27, 2019, 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 5.38% and 4.56% as of December 31, 2018 and 2017, respectively. The loan is payable on demand and is secured by pledged collateral with a fair value of $4,775,301 and $5,232,801 as of December 31, 2018 and 2017, respectively. The outstanding balance amounted to $1,754,000 and $1,454,000 as of December 31, 2018 and 2017, respectively. As of June 27, 2019, the outstanding balance amounted to $2,554,000.

Interest expense incurred for the lines of credit amounted to $61,381 and $86,099 for the years ended December 31, 2018 and 2017, respectively.

NOTE 8 – CONTRIBUTIONS AND GRANTS

Contributions and grant revenues consist of the following for the years ended December 31:

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Institutions</td>
<td>$ 920,158</td>
<td>$ 839,703</td>
</tr>
<tr>
<td>Individuals</td>
<td>$ 578,057</td>
<td>$ 1,126,398</td>
</tr>
<tr>
<td></td>
<td>$ 1,498,215</td>
<td>$ 1,966,101</td>
</tr>
</tbody>
</table>

NOTE 9 – 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 one-year period of service. For the years ended December 31, 2018 and 2017, 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 years ended December 31, 2018 and 2017, 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 five years of service. Contributions to the Plan for the years ended December 31, 2018 and 2017 amounted to $83,125 and $96,242, respectively.

NOTE 10 – 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, 2018:
NOTE 10 – COMMITMENTS AND CONTINGENCIES (Continued)

<table>
<thead>
<tr>
<th>Year</th>
<th>Real Property</th>
<th>Equipment</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>$393,000</td>
<td>$114,000</td>
<td>$507,000</td>
</tr>
<tr>
<td>2020</td>
<td>395,000</td>
<td>114,000</td>
<td>509,000</td>
</tr>
<tr>
<td>2021</td>
<td>177,000</td>
<td>114,000</td>
<td>291,000</td>
</tr>
<tr>
<td>2022</td>
<td>49,000</td>
<td>114,000</td>
<td>163,000</td>
</tr>
<tr>
<td>2023</td>
<td>38,000</td>
<td>-</td>
<td>38,000</td>
</tr>
</tbody>
</table>

$1,052,000 $456,000 $1,508,000

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, 2018 and 2017, a deferred rent liability of $107,751 and $136,497, respectively, is included in the accompanying statements of financial position, under the straight line method of accounting.

Rent expense for real property (including real estate tax escalation charges and other operating expenses) for the years ended December 31, 2018 and 2017 amounted to approximately $366,000 and $347,000, respectively.

Rent expense for equipment for the years ended December 31, 2018 and 2017, amounted to approximately $90,000 and $72,000, respectively.

B. The Organization believes it has no uncertain tax positions as of December 31, 2018 and 2017, in accordance with Accounting Standards Codification (“ASC”) Topic 740, “Income Taxes”, which provides standards for establishing and classifying any tax provisions for uncertain tax positions.

NOTE 11 – NET ASSETS WITH DONOR RESTRICTIONS

With donor restriction net assets are available for the following purposes as of December 31:

<table>
<thead>
<tr>
<th>Contributions with purpose and time restrictions:</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scholarships</td>
<td>$</td>
<td>$10,226</td>
</tr>
<tr>
<td>Contributions with time restrictions</td>
<td>450,537</td>
<td>874,074</td>
</tr>
<tr>
<td>Specific programs (time/purpose)</td>
<td>270,000</td>
<td>597,043</td>
</tr>
<tr>
<td></td>
<td>720,537</td>
<td>1,481,343</td>
</tr>
</tbody>
</table>

Contributions perpetual in nature:

<table>
<thead>
<tr>
<th>Contributions perpetual in nature:</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>College Preparatory Schools Program</td>
<td>7,797,500</td>
<td>7,797,500</td>
</tr>
<tr>
<td>For a Better Life Foundation Fund – scholarship</td>
<td>1,200,000</td>
<td>1,200,000</td>
</tr>
<tr>
<td>Diana Ross scholarships</td>
<td>57,456</td>
<td>57,456</td>
</tr>
<tr>
<td>Safety net program</td>
<td>50,000</td>
<td>50,000</td>
</tr>
<tr>
<td>Unappropriated earnings from endowment</td>
<td>60,869</td>
<td>1,138,153</td>
</tr>
<tr>
<td></td>
<td>9,165,825</td>
<td>10,243,109</td>
</tr>
</tbody>
</table>

| Perpetual trust                                 | 953,020      | 1,093,373    |

| Total                                          | $10,839,382  | $12,817,825  |

Net assets released from restrictions amounted to $1,210,646 and $583,519, during the years ended December 31, 2018 and 2017, respectively, by incurring expenses or the passage of time, thus satisfying the restricted purposes.
NOTE 11 – NET ASSETS WITH DONOR RESTRICTIONS (Continued)

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 classified as net assets with donor restrictions 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 each year.

Changes in endowment net assets as of December 31, 2018 are as follows:

<table>
<thead>
<tr>
<th>Without donor restrictions - Board Designated</th>
<th>With donor restrictions - Endowment</th>
<th>Total 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment loss on endowments</td>
<td>$ (2,601)</td>
<td>$ (658,939) $ (661,540)</td>
</tr>
<tr>
<td>Board appropriated to operations</td>
<td>-</td>
<td>(200,000)</td>
</tr>
<tr>
<td>Board appropriated interest and dividends to operations</td>
<td>-</td>
<td>(218,345)</td>
</tr>
<tr>
<td>Endowment net assets, beginning of year</td>
<td>95,304</td>
<td>10,243,109</td>
</tr>
<tr>
<td>Endowment net assets, end of year</td>
<td>$ 92,703</td>
<td>$ 9,165,825</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Without donor restrictions - Board Designated</th>
<th>With donor restrictions - Endowment</th>
<th>Total 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Repurposed contributions</td>
<td>$ -</td>
<td>$ (2,000,000)</td>
</tr>
<tr>
<td>Investment gain on endowments</td>
<td>12,971</td>
<td>1,479,296</td>
</tr>
<tr>
<td>Board appropriated to operations</td>
<td>-</td>
<td>(500,000)</td>
</tr>
<tr>
<td>Board appropriated interest and dividends to operations</td>
<td>-</td>
<td>(195,055)</td>
</tr>
<tr>
<td>Endowment net assets, beginning of year</td>
<td>82,333</td>
<td>11,458,868</td>
</tr>
<tr>
<td>Endowment net assets, end of year</td>
<td>$ 95,304</td>
<td>$ 10,243,109</td>
</tr>
</tbody>
</table>

Interest and dividends from donor restricted endowment funds are restricted for specific purposes and are presented as with donor restriction investment activity and Board appropriations in the statements of activities.
NOTE 11 – NET ASSETS WITH DONOR RESTRICTIONS (Continued)

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 without donor restriction net assets. There were no underwater endowment funds as of December 31, 2018 and 2017.

As of December 31, 2018 and 2017, certain endowment assets are pledged as collateral for the lines of credit as detailed in Note 7, 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 one bank 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, 2018 and 2017, there was approximately $715,000 and $789,000, respectively, of money market funds held by one bank that exceeded FDIC limits.

NOTE 13 – NET ASSETS DEFICIT WITHOUT DONOR RESTRICTIONS

The Organization had a deficit balance of $1,381,840 and $1,117,570 as of December 31, 2018 and 2017, respectively, in its “without donor restrictions” net asset class. For the years ended December 31, 2018 and 2017, the change in net assets without donor restrictions amounted to a decrease of $69,215 and an increase of $941,195, respectively. In addition, as of December 31, 2018, there is approximately $61,000 of unappropriated earnings from donor restricted funds that could be appropriated for several purposes. This could potentially bring the negative without donor restricted net assets balance from $(1,381,840) to $(1,320,840). In 2019 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. 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 statement of financial position through June 27, 2019, the date the financial statements were available to be issued.

Since December 31, 2018, the Organization’s investments, at fair value have increased from $9,861,979 to $10,789,524 as of June 27, 2019. As described in Note 5, investments are subject to market volatility that could change their carrying value in the near term.