

POINT FOUNDATION

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2007

POINT FOUNDATION
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YEAR ENDED JUNE 30, 2007

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GREEN HASSON & JANKS LLP
BUSINESS ADVISORS AND CPAs

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Point Foundation

We have audited the accompanying statement of financial position of Point Foundation (Point) as of June 30, 2007, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the 2006 financial statements of Point, which were audited by other auditors whose report dated October 3, 2006 expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Point as of June 30, 2007, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Green Hasson & Janks LLP

September 21, 2007
Los Angeles, California

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10990 Wilshire Boulevard | Sixteenth Floor | Los Angeles, CA 90024-3929
TEL: (310) 873-1600 | FAX: (310) 873-6600 | www.ghjadvisors.com

POINT FOUNDATION

STATEMENT OF FINANCIAL POSITION

June 30, 2007

With Summarized Totals at June 30, 2006

ASSETS	<u>2007</u>	<u>2006</u>
Cash and Cash Equivalents	\$ 1,499,553	\$ 3,011,264
Investments	511,131	-
Pledges Receivable	652,208	887,401
Prepaid Expenses and Other Assets	108,525	66,834
Endowment Assets:		
Cash and Cash Equivalents	529,489	873,243
Investments	2,373,528	1,243,352
Pledges Receivable	<u>86,567</u>	<u>91,100</u>
TOTAL ENDOWMENT ASSETS	2,989,584	2,207,695
Property and Equipment (Net)	<u>77,988</u>	<u>20,168</u>
TOTAL ASSETS	<u><u>\$ 5,838,989</u></u>	<u><u>\$ 6,193,362</u></u>
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts Payable and Accrued Expenses	\$ 79,491	\$ 29,260
Accrued Payroll Liabilities	<u>16,952</u>	<u>37,069</u>
TOTAL LIABILITIES	96,443	66,329
NET ASSETS:		
Unrestricted - Undesignated	1,897,549	2,741,967
Unrestricted - Board Designated Endowment	<u>2,029,489</u>	<u>1,500,000</u>
TOTAL UNRESTRICTED NET ASSETS	3,927,038	4,241,967
Temporarily Restricted	855,413	1,177,371
Permanently Restricted	<u>960,095</u>	<u>707,695</u>
TOTAL NET ASSETS	<u>5,742,546</u>	<u>6,127,033</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 5,838,989</u></u>	<u><u>\$ 6,193,362</u></u>

The Accompanying Notes are an Integral Part of These Financial Statements

POINT FOUNDATION

STATEMENT OF ACTIVITIES

Year Ended June 30, 2007

With Summarized Totals for the Year Ended June 30, 2006

	Unrestricted	Temporarily Restricted	Permanently Restricted	2007	2006
REVENUE, GAINS AND LOSSES, AND SUPPORT:					
Contributions	\$ 1,253,103	\$ 465,200	\$ 252,400	\$ 1,970,703	\$ 2,106,076
Bequests	-	-	-	-	2,942,932
In-Kind Contributions	26,986	-	-	26,986	20,175
Special Events (Net of Direct Special Event Expenses of \$18,278)	175,837	-	-	175,837	754,497
Investment Income	123,665	410,174	-	533,839	186,495
Loss on Write-Off of Uncollectible Pledges Receivable	-	(384,601)	-	(384,601)	-
Loss on Disposal of Property and Equipment	(7,736)	-	-	(7,736)	-
Net Assets Released from Program and Time Restrictions	812,731	(812,731)	-	-	-
TOTAL REVENUE, GAINS AND LOSSES, AND SUPPORT	2,384,586	(321,958)	252,400	2,315,028	6,010,175
EXPENSES:					
Program Services:					
Direct Scholarship Expenses	884,124	-	-	884,124	485,744
Scholarship Conferences, Retreats and Mentoring	238,568	-	-	238,568	145,726
Program Related Expenses	810,393	-	-	810,393	810,211
TOTAL PROGRAM SERVICES	1,933,085	-	-	1,933,085	1,441,681
Supporting Services:					
Management and General	396,942	-	-	396,942	184,860
Fundraising and Development	369,488	-	-	369,488	508,168
TOTAL SUPPORTING SERVICES	766,430	-	-	766,430	693,028
TOTAL EXPENSES	2,699,515	-	-	2,699,515	2,134,709
CHANGE IN NET ASSETS	(314,929)	(321,958)	252,400	(384,487)	3,875,466
Net Assets - Beginning of Year	4,241,967	1,177,371	707,695	6,127,033	2,251,567
NET ASSETS - END OF YEAR	\$ 3,927,038	\$ 855,413	\$ 960,095	\$ 5,742,546	\$ 6,127,033

The Accompanying Notes are an Integral Part of These Financial Statements

POINT FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2007

With Summarized Totals for the Year Ended June 30, 2006

	Program Services	Supporting Services			Total 2007 Expenses	Total 2006 Expenses
		Management and General	Fundraising	Total		
Direct Scholarship Expenses	\$ 884,124	\$ -	\$ -	\$ -	\$ 884,124	\$ 485,744
Salaries	254,102	97,838	96,022	193,860	447,962	273,433
Public Awareness and Promotion	172,359	-	140,271	140,271	312,630	294,554
Professional Fees and Consultants	95,306	156,809	11,092	167,901	263,207	322,906
Leadership and Alumni Conferences and Mentoring	238,568	-	-	-	238,568	145,726
Other Scholarship Expenses	145,164	-	-	-	145,164	93,981
Miscellaneous	-	3,785	46,386	50,171	50,171	29,172
Office Expenses	40,112	2,320	13,859	16,179	56,291	34,874
Payroll Taxes	33,002	8,684	9,173	17,857	50,859	24,235
Travel	16,338	1,053	23,272	24,325	40,663	75,601
Special Events	14,215	-	14,067	14,067	28,282	270,500
Employee Benefits	14,353	8,386	2,780	11,166	25,519	-
Meetings and Conferences	11,614	12,851	-	12,851	24,465	13,965
Bank and Credit Card Merchant Fees	-	22,948	-	22,948	22,948	22,615
Telephone	11,335	5,733	5,804	11,537	22,872	7,788
In-Kind Expense	1,103	21,164	-	21,164	22,267	24,267
Rent	1,390	20,250	-	20,250	21,640	938
Recruitment	-	10,000	6,762	16,762	16,762	3,678
Insurance	-	12,789	-	12,789	12,789	7,232
Depreciation and Amortization	-	12,332	-	12,332	12,332	3,500
TOTAL FUNCTIONAL EXPENSES - 2007	\$ 1,933,085	\$ 396,942	\$ 369,488	\$ 766,430	\$ 2,699,515	
	72%	15%	13%	28%	100%	
TOTAL FUNCTIONAL EXPENSES - 2006	\$ 1,441,681	\$ 184,860	\$ 508,168	\$ 693,028		\$ 2,134,709
	68%	9%	23%	32%		100%

The Accompanying Notes are an Integral Part of These Financial Statements

POINT FOUNDATION

STATEMENT OF CASH FLOWS

Year Ended June 30, 2007

With Summarized Totals for the Year Ended June 30, 2006

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ (384,487)	\$ 3,875,466
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used in) Operating Activities:		
Realized and Unrealized Gains on Investments	(332,743)	(71,087)
Contributions Restricted for Investment in Perpetuity	(251,800)	(9,100)
Depreciation and Amortization	12,332	3,500
Loss on Write-Off of Uncollectible Pledges Receivable	384,601	-
Loss on Disposal of Property and Equipment	7,736	-
Increase in:		
Pledges Receivable	(144,875)	(270,254)
Prepaid Expenses and Other Assets	(41,691)	(8,624)
Accounts Payable and Accrued Liabilities	(50,231)	41,149
Accrued Payroll Liabilities	20,117	-
	(781,041)	3,561,050
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
	(781,041)	3,561,050
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Property and Equipment	(77,888)	(9,177)
Interest and Dividends Reinvested	(201,095)	-
Proceeds on Sale of Investments	1,368,041	-
Purchase of Investments	(2,415,282)	(172,770)
	(1,326,224)	(181,947)
NET CASH USED IN INVESTING ACTIVITIES		
	(1,326,224)	(181,947)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Contributions Restricted for Investment in Perpetuity	251,800	9,100
	251,800	9,100
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		
	(1,855,465)	3,388,203
Cash and Cash Equivalents - Beginning of Year	3,884,507	496,304
	3,884,507	496,304
CASH AND CASH EQUIVALENTS - END OF YEAR		
	\$ 2,029,042	\$ 3,884,507
Cash and Cash Equivalents	\$ 1,499,553	\$ 3,011,264
Restricted Cash and Cash Equivalents	529,489	873,243
	\$ 2,029,042	\$ 3,884,507
TOTAL CASH AND CASH EQUIVALENTS		
	\$ 2,029,042	\$ 3,884,507

The Accompanying Notes are an Integral Part of These Financial Statements

POINT FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE 1 - ORGANIZATION

Point Foundation (Point) is the nation's largest publicly-supported organization granting scholarships to lesbian, gay, bisexual and transgender (LGBT) students of merit. Founded in 2001, Point is a non-profit corporation classified by the Internal Revenue Service as a 501(c)(3) publicly-supported organization.

Point provides financial support, leadership training, mentoring and hope to individuals who are marginalized because of their sexual orientation, gender identity or gender expression. By helping these students obtain a solid educational foundation, Point is building a generation of leaders, committed both to personal achievement and to increasing acceptance and understanding within society as a whole.

A Point Scholarship may cover tuition, books, supplies, room and board, transportation and living expenses. In exchange, all Point Scholars agree to maintain a high level of academic performance and give back to the LGBT community through the completion of an individual community service project.

Point Scholars represent diverse educational fields, classes, gender, gender identities, sexual orientations, ethnic backgrounds, ages and US regions. They are exceptionally ambitious students with tremendous leadership potential. Their career goals include serving as corporate and government leaders, attorneys, doctors, university administrators, writers, artists, and educators. All are committed to using their talents and education to contribute to society.

Point has awarded scholarships to seventy-seven students through June 30, 2007. Point supported sixty-five scholars during the year ended June 30, 2007 and assisted thirty-nine scholars during the year ended June 30, 2006.

The activities of Point are administered from offices in California, New York and Nevada.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) BASIS OF ACCOUNTING

The accompanying financial statements have been prepared on the accrual basis of accounting.

(b) ACCOUNTING

To ensure observance of certain constraints and restrictions placed on the use of resources, the accounts of Point are maintained in accordance with the principles of net assets accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into net asset classes that are in accordance with specified activities or objectives. Accordingly, all financial transactions have been recorded and reported by net asset class as either unrestricted, temporarily restricted, or permanently restricted.

POINT FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) ACCOUNTING (continued)

- **Unrestricted - Undesignated Net Assets.** These generally result from revenues generated by receiving unrestricted contributions, providing services, and receiving interest from investments less expenses incurred in providing program related services, raising contributions, and performing administrative functions.
- **Unrestricted - Board Designated Endowment Net Assets.** The Board has designated a portion of unrestricted net assets to provide resources for an endowment fund. Point has \$2,029,489 of Board designated endowment net assets at June 30, 2007.
- **Temporarily Restricted Net Assets.** Point reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from program, capital or time restrictions. Point has \$855,413 of temporarily restricted net assets at June 30, 2007.
- **Permanently Restricted Net Assets.** These are assets from donors who stipulate that resources are to be maintained permanently, but permit Point to expend all of the income (or other economic benefits) derived from the donated assets. Point has \$960,095 of permanently restricted net assets as of June 30, 2007.

(c) CASH AND CASH EQUIVALENTS

Point considers cash on hand, deposits in banks, money market accounts and certificates of deposit with an original maturity of three months or less to be cash and cash equivalents.

Point maintains its cash and cash equivalents in bank deposit and other investment accounts which may, at times, exceed federally insured limits. Point has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

POINT FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) INVESTMENTS

Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement of financial position. Interest and dividend income and gains and losses on investments are reported in the statement of activities as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by donor stipulations or by law.

Investments in marketable equity securities and debt securities are carried at fair value based upon market quotations and are managed by Citigroup Global Markets, Inc. and by American Funds (Capital Research & Management Company). For donated investments, cost is determined by the fair value of the asset on the date the asset is received by Point.

(e) PLEDGES RECEIVABLE

Unconditional contributions, including pledges recorded at estimated net realizable value, are recognized as revenues when pledges are made. Point reports unconditional contributions as restricted support if they are received with donor stipulations that limit the use of the donated assets. Discounts for pledges (pledges due over one year) are recorded as reductions to contribution revenue and pledges receivable. Discounts increase contribution revenue when the pledge is received. During the year ended June 30, 2007, Point performed an extensive evaluation of the collectibility of pledges receivable based on donor payment history. A loss on write-off of uncollectible pledges of \$384,601 was recognized as a result. As of June 30, 2007, Point evaluated the collectibility of the remaining pledges receivable and no additional allowance for uncollectible pledges was considered necessary.

(f) PROPERTY AND EQUIPMENT

Property and equipment is recorded at cost if purchased or at fair value at the date of donation if donated. Depreciation and amortization are computed on the straight-line basis over the estimated useful lives of the related assets. The estimated lives range from three to five years. Property and equipment are capitalized if the cost of an asset is greater than or equal to one thousand dollars and the useful life is greater than one year. Maintenance and repair costs are charged to expense as incurred.

(g) LONG-LIVED ASSETS

Point reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the book value of the assets may not be recoverable. No impairment losses were recognized on long-lived assets during the year ended June 30, 2007.

POINT FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) CONTRIBUTED GOODS AND SERVICES

Contributions of donated non-cash assets are recorded at fair value in the period received. Contributions of donated services are recognized if the services received (a) create or enhance long-lived assets, or (b) require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. For the fiscal year ended June 30, 2007, Point recorded in-kind contributions of \$26,986.

Unpaid volunteers have also donated time in assisting Point in achieving the goals of its various service programs. The value of this contributed time is not reflected in the accompanying financial statements as it does not meet the recognition criteria.

(i) SCHOLARSHIP EXPENSES

Expenses for tuition, room and board, books and related expenses are accrued at July 1 of each year, for one year only. All awards must be used during the period July 1 through June 30. No balances are carried over into the next fiscal year.

Scholars may renew their scholarships on a yearly basis for the duration of their initial degree request by completing a continuing award application and compliance with the Point's Contract of Excellence. If a scholar desires additional degrees, they must make a separate application.

(j) INCOME TAXES

Point is exempt from taxation under Internal Revenue Code Section 501(c)(3) and comparable state codes.

(k) FUNCTIONAL ALLOCATION OF EXPENSES

The direct costs of providing Point's programs and other activities which are identifiable have been allocated to the related programs or supporting services. Indirect or shared costs are allocated among program and supporting services by the method that best measures the relative degree of benefit.

(l) USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, revenues and expenses as of the date and for the period presented. Actual results could differ from those estimates.

POINT FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) COMPARATIVE TOTALS

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with Point's financial statements for the year ended June 30, 2006, from which the summarized information was derived.

(n) RECLASSIFICATION

For comparability, certain June 30, 2006 amounts have been reclassified, where appropriate, to conform to the financial statement presentation used at June 30, 2007.

NOTE 3 - INVESTMENTS

Investments at June 30, 2007 consist of the following:

Mutual Funds	\$ 2,853,003
Equities	<u>31,656</u>
TOTAL INVESTMENTS	<u>\$ 2,884,659</u>

Included in investments at June 30, 2007 is \$873,528 of investments restricted in perpetuity.

Investment income at June 30, 2007 is as follows:

Net Realized and Unrealized Gains	\$ 332,744
Interest and Dividends	<u>201,095</u>
INVESTMENT INCOME	<u>\$ 533,839</u>

NOTE 4 - PLEDGES RECEIVABLE

Pledges receivable at June 30, 2007 are due to be received as follows:

Less than One Year	\$ 384,358
One to Five Years	<u>354,417</u>
TOTAL PLEDGES RECEIVABLE	<u>\$ 738,775</u>

POINT FOUNDATION

NOTES TO FINANCIAL STATEMENTS June 30, 2007

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30, 2007:

Office Equipment	\$	49,768
Leasehold Improvements		8,321
Computers		<u>37,588</u>
TOTAL		95,677
Accumulated Depreciation		<u>(17,689)</u>
PROPERTY AND EQUIPMENT (NET)	\$	<u>77,988</u>

Depreciation and amortization expense for the year ended June 30, 2007 was \$12,332.

NOTE 6 - LEASES

Point leases office space under a long-term non-cancelable operating lease that expires in February 2012. Minimum future rental payments under this lease as of June 30, 2007 are as follows:

Years Ending June 30

2008	\$	61,560
2009		64,022
2010		66,583
2011		69,247
2012		<u>47,379</u>
TOTAL	\$	<u>308,791</u>

Rental expense totaled \$21,640 for the year ended June 30, 2007.

NOTE 7 - ENDOWMENT ASSETS

Endowment assets consist of the following at June 30, 2007:

Board Designated Scholarship Endowment Funds	\$	1,421,997
Board Designated Administrative Endowment Funds		607,492
Permanently Restricted Endowment Funds		<u>960,095</u>
TOTAL ENDOWMENT ASSETS	\$	<u>2,989,584</u>

POINT FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE 8 - NET ASSETS

(a) TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes at June 30, 2007:

Scholarships	\$ 574,225
Time Restricted	<u>281,188</u>
TEMPORARILY RESTRICTED NET ASSETS	<u>\$ 855,413</u>

(b) PERMANENTLY RESTRICTED NET ASSETS

At June 30, 2007, permanently restricted net assets totaled \$960,095 (See Note 7), including a contribution receivable of \$86,567 restricted for the endowment. The terms of Point's endowment state that investment gains in excess of historic contributions will be used solely for the purpose of funding scholarships consistent with Point's mission.