

The Oliver Scholars Program, Inc.

Financial Statements

December 31, 2017

Independent Auditors' Report

To the Board of Trustees of The Oliver Scholars Program, Inc.

We have audited the accompanying financial statements of The Oliver Scholars Program, Inc., which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 auditors' 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 The Oliver Scholars Program, Inc. as of December 31, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited The Oliver Scholars Program, Inc.'s December 31, 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 19, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

PKF O'Connor Davies, LLP

July 12, 2018

The Oliver Scholars Program, Inc.

Statement of Financial Position
December 31, 2017
(with comparative amounts at December 31, 2016)

	2017	2016
ASSETS		
Cash and cash equivalents	\$ 375,512	\$ 562,734
Contributions receivable, net	11,117,082	19,820,534
Prepaid expenses and other	35,445	12,981
Security deposit	129,906	129,906
Investments	20,550,571	11,596,993
Property and equipment, net	40,346	31,326
	\$ 32,248,862	\$ 32,154,474
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts and accrued expenses payable	\$ 77,445	\$ 68,843
Deferred revenue	3,500	-
Total Liabilities	80,945	68,843
Net Assets		
Unrestricted		
Operating	3,245,310	685,783
Board designated endowment reserve fund	1,849,961	2,524,479
Total Unrestricted	5,095,271	3,210,262
Temporarily restricted	26,685,146	28,875,369
Permanently restricted	387,500	-
Total Net Assets	32,167,917	32,085,631
	\$ 32,248,862	\$ 32,154,474

See notes to financial statements

The Oliver Scholars Program, Inc.

Statement of Activities Year Ended December 31, 2017 (with summarized totals for the year ended December 31, 2016)

	Unrestricted		Total	Temporarily Restricted	Permanently Restricted	2017 Total	2016 Total
	Operating	Board Designated Endowment Reserve Fund					
SUPPORT AND REVENUE							
Grants and Contributions							
Foundations and trusts	\$ 443,012	\$ -	\$ 443,012	\$ 217,000	\$ 37,500	\$ 697,512	\$ 471,701
Corporations	354,329	-	354,329	3,000	-	357,329	29,710,840
Individuals	811,399	-	811,399	500	350,000	1,161,899	225,779
In-kind contributions	64,353	18,821	83,174	-	-	83,174	55,447
Special events, net of direct event expenses of \$225,774 and \$169,041	287,017	-	287,017	-	-	287,017	380,361
Investment loss, net of investment fees of \$59,202 and \$8,923	(57,037)	-	(57,037)	-	-	(57,037)	(7,911)
Net assets released from restriction	2,410,723	-	2,410,723	(2,410,723)	-	-	-
Total Support and Revenue	<u>4,313,796</u>	<u>18,821</u>	<u>4,332,617</u>	<u>(2,190,223)</u>	<u>387,500</u>	<u>2,529,894</u>	<u>30,836,217</u>
EXPENSES							
Program Services							
Placement	665,773	-	665,773	-	-	665,773	260,637
Admissions and recruitment	691,543	-	691,543	-	-	691,543	390,745
Summer immersion program	589,469	-	589,469	-	-	589,469	383,568
College program	481,110	-	481,110	-	-	481,110	400,620
Scholar services	815,434	-	815,434	-	-	815,434	559,202
Total Program Services	<u>3,243,329</u>	<u>-</u>	<u>3,243,329</u>	<u>-</u>	<u>-</u>	<u>3,243,329</u>	<u>1,994,772</u>
Supporting Services							
Management and general	329,979	-	329,979	-	-	329,979	195,878
Fundraising	445,478	-	445,478	-	-	445,478	402,810
Total Supporting Services	<u>775,457</u>	<u>-</u>	<u>775,457</u>	<u>-</u>	<u>-</u>	<u>775,457</u>	<u>598,688</u>
Total Expenses	<u>4,018,786</u>	<u>-</u>	<u>4,018,786</u>	<u>-</u>	<u>-</u>	<u>4,018,786</u>	<u>2,593,460</u>
Excess (Deficiency) of Support and Revenue Over Expenses Before Non-Operating Activity	295,010	18,821	313,831	(2,190,223)	387,500	(1,488,892)	28,242,757
NON-OPERATING ACTIVITY							
Transfers of board designated funds	678,459	(678,459)	-	-	-	-	-
Realized gain on sale of investments	1,274,290	367	1,274,657	-	-	1,274,657	162,042
In-kind investment advisory fees	-	(18,821)	(18,821)	-	-	(18,821)	(21,986)
Unrealized appreciation of investments	311,768	3,574	315,342	-	-	315,342	140,780
Change in Net Assets	<u>2,559,527</u>	<u>(674,518)</u>	<u>1,885,009</u>	<u>(2,190,223)</u>	<u>387,500</u>	<u>82,286</u>	<u>28,523,593</u>
NET ASSETS							
Beginning of year	<u>685,783</u>	<u>2,524,479</u>	<u>3,210,262</u>	<u>28,875,369</u>	<u>-</u>	<u>32,085,631</u>	<u>3,562,038</u>
End of year	<u>\$ 3,245,310</u>	<u>\$ 1,849,961</u>	<u>\$ 5,095,271</u>	<u>\$ 26,685,146</u>	<u>\$ 387,500</u>	<u>\$ 32,167,917</u>	<u>\$ 32,085,631</u>

See notes to financial statements

The Oliver Scholars Program, Inc.

Statement of Functional Expenses Year Ended December 31, 2017 (with summarized totals for the year ended December 31, 2016)

	Program Services					Supporting Services			2017 Total	2016 Total	
	Placement	Admissions and Recruitment	Summer Immersion Program	College Program	Scholar Services	Total Program Services	Management and General	Fundraising			Total Supporting Services
Salaries	\$ 316,821	\$ 339,773	\$ 180,902	\$ 193,876	\$ 369,871	\$ 1,401,243	\$ 104,393	\$ 260,379	\$ 364,772	\$ 1,766,015	\$ 1,129,505
Payroll taxes and employee benefits	<u>77,379</u>	<u>111,376</u>	<u>27,412</u>	<u>47,889</u>	<u>128,396</u>	<u>392,452</u>	<u>37,604</u>	<u>50,528</u>	<u>88,132</u>	<u>480,584</u>	<u>305,577</u>
Total Salaries and Related Expenses	394,200	451,149	208,314	241,765	498,267	1,793,695	141,997	310,907	452,904	2,246,599	1,435,082
Professional and consulting services (including donated services of \$42,425 and \$17,481)	132,611	77,238	169,546	50,172	89,847	519,414	103,042	60,324	163,366	682,780	344,820
Supplies	9,494	16,803	14,165	3,117	8,905	52,484	2,389	3,068	5,457	57,941	49,709
Postage and mailing	552	2,269	943	284	1,629	5,677	722	1,518	2,240	7,917	6,500
Printing and reproduction	3,510	12,561	3,961	1,780	8,676	30,488	3,268	7,015	10,283	40,771	22,563
Conferences and meetings	3,396	3,069	112	2,293	3,267	12,137	1,554	84	1,638	13,775	17,408
Travel	10,765	6,239	38,410	40,202	26,691	122,307	4,817	3,333	8,150	130,457	82,588
Occupancy (including donated services of \$7,000 and \$14,000)	78,934	89,499	133,513	39,217	113,195	454,358	29,413	29,413	58,826	513,184	385,634
Enhanced scholar enrichment	-	-	-	85,904	18,445	104,349	-	-	-	104,349	-
Telephone and communications	6,068	6,314	2,173	3,011	8,072	25,638	1,965	2,371	4,336	29,974	24,466
Equipment rental, repairs and maintenance	4,210	4,210	2,105	2,105	5,263	17,893	1,579	1,579	3,158	21,051	37,090
Insurance	10,123	10,123	5,061	5,061	12,653	43,021	6,099	3,796	9,895	52,916	20,729
Dues and subscriptions	7,346	5,771	2,968	4,578	9,314	29,977	3,554	3,823	7,377	37,354	36,380
Bank and credit card service charges	98	98	49	49	123	417	5,720	37	5,757	6,174	6,048
Event expense (including donated services of \$14,928 and \$1,980)	2,053	3,793	6,758	-	7,264	19,868	5,292	1,861	7,153	27,021	11,795
Database implementation	2,173	2,173	1,087	1,087	2,716	9,236	1,710	13,271	14,981	24,217	96,755
Bad debt	-	-	-	-	-	-	10,000	-	10,000	10,000	-
Miscellaneous	<u>240</u>	<u>234</u>	<u>304</u>	<u>485</u>	<u>1,107</u>	<u>2,370</u>	<u>1,550</u>	<u>3,078</u>	<u>4,628</u>	<u>6,998</u>	<u>11,738</u>
Total Expenses Before Depreciation and Amortization	665,773	691,543	589,469	481,110	815,434	3,243,329	324,671	445,478	770,149	4,013,478	2,589,305
Depreciation and amortization	-	-	-	-	-	-	5,308	-	5,308	5,308	4,155
Total Expenses	<u>\$ 665,773</u>	<u>\$ 691,543</u>	<u>\$ 589,469</u>	<u>\$ 481,110</u>	<u>\$ 815,434</u>	<u>\$ 3,243,329</u>	<u>\$ 329,979</u>	<u>\$ 445,478</u>	<u>\$ 775,457</u>	<u>\$ 4,018,786</u>	<u>\$ 2,593,460</u>

See notes to financial statements

The Oliver Scholars Program, Inc.

Statement of Cash Flows
Year Ended December 31, 2017
(with comparative totals for the year ended December 31, 2016)

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 82,286	\$ 28,523,593
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	5,308	4,155
Unrealized appreciation of investments	(315,342)	(140,780)
Net realized gain on sale of investments	(1,274,657)	(162,042)
Donated stock	(107,313)	(14,102)
Permanently restricted contributions	(387,500)	-
Bad debt	10,000	-
Changes in operating assets and liabilities		
Contributions receivable	8,693,452	(19,819,934)
Prepaid expenses and other	(22,464)	29,569
Security deposit	-	(56,397)
Accounts and accrued expenses payable	8,602	22,315
Deferred revenue	3,500	-
Net Cash from Operating Activities	6,695,872	8,386,377
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(14,328)	-
Refund of property and equipment	-	26,106
Purchase of investments	(23,009,962)	(10,500,000)
Proceeds from sale of investments	15,753,696	2,138,923
Net Cash from Investing Activities	(7,270,594)	(8,334,971)
CASH FLOWS FROM FINANCING ACTIVITIES		
Permanently restricted contributions	387,500	-
CASH AND CASH EQUIVALENTS		
Beginning of year	562,734	511,328
End of year	\$ 375,512	\$ 562,734

See notes to financial statements

The Oliver Scholars Program, Inc.

Notes to Financial Statements
December 31, 2017

1. Organization

The Oliver Scholars Program, Inc. (the "Oliver Program"), was incorporated in the State of New York on October 31, 1984. Its mission is to cultivate a new generation of leaders by providing exceptional African American and Latin American youth in New York City with access to selective independent schools and continued support for achieving their future academic and professional goals, and nurturing their leadership skills and commitment to community service.

The Oliver Program is exempt from Federal income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code and from state and local taxes under comparable law.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Use of Estimates

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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Net Asset Presentation

The Oliver Program's net assets and its support, revenue and expenses are reported based on the existence or absence of donor-imposed restrictions. Amounts for each of the three classes of net assets, permanently restricted, temporarily restricted and unrestricted, are displayed in the statement of financial position and amounts of change in each of those classes of net assets are displayed in the statement of activities.

The classes of net assets are defined as follows:

Permanently Restricted - Net assets resulting from contributions and other inflows of assets whose use by the Oliver Program is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Oliver Program.

Temporarily Restricted - Net assets resulting from contributions and other inflows of assets whose use by the Oliver Program is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Oliver Program pursuant to those stipulations. When such stipulations end or are fulfilled, such temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities.

The Oliver Scholars Program, Inc.

Notes to Financial Statements
December 31, 2017

2. Summary of Significant Accounting Policies (*continued*)

Net Asset Presentation (continued)

Unrestricted - Board Designated Endowment Reserve Fund - Net assets consist of all monies or assets contributed to the Oliver Program which are designated by the Board of Trustees to provide long-term financial support.

Unrestricted - Operating - Net assets that are neither permanently nor temporarily restricted by donor-imposed restrictions and are available for operations at the Board of Trustees' discretion.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, the Oliver Program considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Property and Equipment

Property and equipment are stated at cost at the date of purchase or fair value at the date of donation. Depreciation of equipment and software is provided for on a straight-line basis over the estimated useful lives of such assets of 3 to 5 years. Leasehold improvements are amortized over the lesser of the term of the related lease or the estimated useful lives of the assets.

Contributions Receivable

Unconditional promises to give are recorded as received at their net realizable value. Unconditional promises to give due to be received in future years are discounted to present value using a risk-adjusted rate. All unconditional promises to give as of December 31, 2017 are considered fully collectible by management.

Fair Value Measurements

The Oliver Program follows U.S. GAAP guidance on Fair Value Measurements which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

The Oliver Program follows U.S. GAAP guidance which removed the requirements to categorize within the fair value hierarchy alternative investments where fair value is measured using the Net Asset Value ("NAV") per share as a practical expedient.

The Oliver Scholars Program, Inc.

Notes to Financial Statements
December 31, 2017

2. Summary of Significant Accounting Policies (continued)

Investments Valuation

Investments are carried at fair value. The fair value of alternative investments has been estimated using the NAV as reported by management of the respective alternative investment fund. U.S. GAAP guidance provides for the use of NAV as a “Practical Expedient” for estimating the fair value of alternative investments. NAV reported by each alternative investment fund is used as a practical expedient to estimate the fair value. The Oliver Program reviews and evaluates the values provided by the general partners and investment managers, and has hired an investment consultant to assist in evaluating these values and believes the carrying amounts of its investments in the hedge funds are a reasonable estimate of fair value.

Investment Income

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis and dividends are recorded on the ex-dividend date. Realized and unrealized gains and losses are included in the determination of the change in net assets.

Contributions and Special Events

Contributions of cash and other assets are reported 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 purpose 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 restrictions. Special event revenue is recognized when the event takes place.

Allowance for Uncollectible Receivables

An allowance for uncollectible receivables is estimated based on a combination of write-off history, aging analysis and any specific known troubled accounts. As December 31, 2017 and 2016, management has concluded that an allowance is not required.

Donated Services

Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values when received in the statement of activities. Materials and other assets received as donations are recorded and reflected in the accompanying financial statements at their fair values at the date of receipt.

Accounting for Uncertainty in Income Taxes

The Oliver Program recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Management has determined that there were no uncertain tax positions that would require financial statement recognition or disclosure. The Oliver Program is no longer subject to examinations by the applicable taxing jurisdictions for periods prior to December 31, 2014.

The Oliver Scholars Program, Inc.

Notes to Financial Statements
December 31, 2017

2. Summary of Significant Accounting Policies *(continued)*

Subsequent Events

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date the financial statements were available to be issued, which date is July 12, 2018.

Functional Allocation of Expenses

The costs of providing the Oliver Program's services have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Prior Year Summarized Information

The financial statements include certain prior year summarized comparative information in total, which does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with Oliver Program's financial statements for 2016, from which the summarized information was derived.

3. Concentration of Credit Risk

Financial instruments that are potentially exposed to concentrations of credit risk consist primarily of cash, money market funds and investments. The Oliver Program places its cash and money market funds in what it believes to be quality financial institutions. The investment portfolio is managed by professional investment advisors and managers and is diversified by type of investments and industry concentrations so that no individual investment or group of investments represents a significant concentration of market risk.

4. Contributions Receivable

The Oliver Program received a number of multi-year pledges during the years ended December 31, 2017 and 2016. The pledges at December 31, 2017, discounted to fair value using a range of discount rates of between 3.23% and 3.46% are summarized as follows:

<u>Scheduled Collection</u>	<u>Future Value of Promise</u>	<u>Discount</u>	<u>Present Value of Promise</u>
Less than one year	\$ 10,344,528	\$ -	\$ 10,344,528
One to five years	<u>823,100</u>	<u>(50,546)</u>	<u>772,554</u>
	<u>\$ 11,167,628</u>	<u>\$ (50,546)</u>	<u>\$ 11,117,082</u>

The Oliver Scholars Program, Inc.

Notes to Financial Statements
December 31, 2017

4. Contributions Receivable (continued)

The pledges at December 31, 2016, discounted to fair value using a range of discount rates of between 3.23% and 3.46% are summarized as follows:

Scheduled Collection	Future Value of Promise	Discount	Present Value of Promise
Less than one year	\$ 10,038,000	\$ -	\$ 10,038,000
One to five years	10,127,000	(344,466)	9,782,534
	\$ 20,165,000	\$ (344,466)	\$ 19,820,534

Approximately 90% and 99% of contributions receivable at December 31, 2017 and 2016 represent a receivable from one donor. Approximately 96% of revenues at December 31, 2016 represent a contribution from one donor.

5. Investments

The following are the classes and major categories of investments, grouped by the fair value hierarchy for those investments measured at fair value on a recurring basis (except temporary cash investments), at December 31:

Description	2017 (Level 1)
At Fair Value:	
Mutual Funds	
Large cap index funds	\$ 4,410,299
Mid cap index funds	915,490
International stock funds	3,332,937
Exchange Traded Funds	
World stock fund	699,193
Fixed income funds	7,496,219
Total Investments at Fair Value	\$ 16,854,138
Temporary cash investments, at cost plus accrued interest	3,696,433
Total Investments	\$ 20,550,571

The Oliver Scholars Program, Inc.

Notes to Financial Statements
December 31, 2017

5. Investments (continued)

Description	2016		Total
	(Level 1)	Other Investments Measured using Net Asset Value (*)	
At Fair Value:			
Mutual Funds			
Large cap index funds	\$ 1,858,647	\$ -	\$ 1,858,647
Mid cap index funds	687,706	-	687,706
Small cap index funds	84,012	-	84,012
International stock funds	1,172,092	-	1,172,092
Exchange Traded Funds			
World stock fund	207,363	-	207,363
Fixed income funds	3,244,438	-	3,244,438
Hedge funds	-	979,968	979,968
Total Investments at Fair Value	<u>\$ 7,254,258</u>	<u>\$ 979,968</u>	8,234,226
Temporary cash investments, at cost plus accrued interest			<u>3,362,767</u>
Total Investments			<u>\$ 11,596,993</u>

(*) As discussed in Note 2, investments that are measured using the practical expedient are not classified within the fair value hierarchy.

During December 31, 2017 and 2016, there were no transfers between the levels of the fair value hierarchy for assets measured at fair value.

6. Property and Equipment

Property and equipment consist of the following at December 31:

	2017	2016
Equipment and software	\$ 20,424	\$ 13,269
Leasehold improvements	39,145	39,145
Construction in progress	<u>26,000</u>	<u>26,000</u>
	85,569	78,414
Accumulated depreciation and amortization	<u>(45,223)</u>	<u>(47,088)</u>
Total	<u>\$ 40,346</u>	<u>\$ 31,326</u>

The Oliver Scholars Program, Inc.

Notes to Financial Statements
December 31, 2017

7. Temporarily Restricted Net Assets

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

	<u>2017</u>	<u>2016</u>
Oliver Programs Improvements	\$ 26,407,683	\$ 28,725,406
Summer Immersion Program	90,000	-
Technology grant	10,000	-
Timing	177,463	149,963
Total	<u>\$ 26,685,146</u>	<u>\$ 28,875,369</u>

Temporarily restricted net assets released from restrictions consisted of the following:

	<u>2017</u>	<u>2016</u>
Oliver Programs Improvements	\$ 2,317,723	\$ 932,665
Summer Immersion Program	60,000	50,000
Oliver Teachers STEM Program	-	72,500
Timing	33,000	-
Total	<u>\$ 2,410,723</u>	<u>\$ 1,055,165</u>

8. Board Designated Endowment Reserve Fund

Board Designated Endowment Reserve Fund

A reserve fund was designated by the Board of Trustees to provide long-term financial support for the Oliver Program. The reserve fund is included as a portion of the Oliver Program's investments (see Note 5). Disbursements from the reserve fund are subject to authorization from the Finance Committee which reports to the Board of Trustees. During 2017 and 2016, disbursements from the reserve fund totaled \$678,459 and \$697,335.

Spending Policy

The Oliver Program's spending policy is to distribute as much of the annual return generated as needed in order to cover a portion of the operating expenses for the core program in a given year.

Return Objectives and Risk Parameters

The primary investment objective is to provide long-term financial flexibility and stability for the Oliver Program. The Oliver Program achieves this objective through a strategic investment plan which is reviewed by the Finance Committee in order to achieve an optimum balance between risk and return.

The Oliver Scholars Program, Inc.

Notes to Financial Statements
December 31, 2017

8. Board Designated Endowment Reserve Fund *(continued)*

The following is a reconciliation of the 2017 and 2016 activity in the endowment fund:

	<u>Board Designated</u>
Balance, January 1, 2016	\$ 2,918,992
Disbursements	(697,335)
Realized gain on sale of investments	162,042
Unrealized appreciation of investments	<u>140,780</u>
Balance, December 31, 2016	2,524,479
Disbursements	(678,459)
Realized gain on sale of investments	367
Unrealized appreciation of investments	<u>3,574</u>
Balance, December 31, 2017	<u>\$ 1,849,961</u>

9. Donor Designated Endowment Funds

The Oliver Program's donor designated endowment consists of various individual gifts established primarily to support the mission of the Oliver Program. 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.

Interpretation of Relevant Law

The Oliver Program follows the New York Prudent Management of Institutional Funds Act (NYPMIFA), which requires the preservation of the value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary, and except in those cases where the law allows appropriation for spending of the original gift amounts. As a result, the Board of Trustees classifies as permanently restricted net assets (a) the original value of the gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations of investment returns to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Board in a manner consistent with the standard of prudence prescribed by NYPMIFA.

The Oliver Scholars Program, Inc.

Notes to Financial Statements
December 31, 2017

9. Donor Designated Endowment Funds *(continued)*

Return Objective and Risk Parameters

The Oliver Program's investment policy, as approved by the Board of Trustees, utilizes a total return investment approach. Endowment assets are invested in a number of different asset classes and investment strategies to diversify investments and provide a balance that will enhance the long-term total return of the overall investment portfolio while avoiding undue risk or concentration in any single asset class or investment. Target allocation percentages and operating ranges are established for various asset classes. Performance is measured against various composite benchmark indices reflecting target asset allocation. Endowment assets include both those assets of donor-restricted funds that the Oliver Program must hold in perpetuity as well as their accumulated earnings.

Changes in endowment net assets for 2017 are as follows:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Balance, December 31, 2016	\$ -	\$ -	\$ -
2017 Activity			
Contributions	-	100,000	100,000
Unrealized gains	<u>1,261</u>	<u>-</u>	<u>1,261</u>
Balance, December 31, 2017	<u>\$ 1,261</u>	<u>\$ 100,000</u>	<u>\$ 101,261</u>

10. Commitment

The Oliver Program has operating leases for office spaces expiring through 2023. The future annual minimum lease payments, exclusive of certain escalation costs, are as follows:

2018	\$ 382,208
2019	392,079
2020	409,305
2021	432,502
2022	442,826
2023	<u>148,190</u>
Total	<u>\$ 2,207,110</u>

Rent expense for the years ended December 31, 2017 and 2016 totaled \$378,124 and \$250,978.

The Oliver Scholars Program, Inc.

Notes to Financial Statements
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11. Pension Plan

The Oliver Program sponsors a tax deferred pension plan that covers employees who have completed one year of service. Contributions to the plan are based on three percent of employees' salaries and include a match of up to two percent of employees' contributions. The Oliver Program's contributions amounted to \$42,699 and \$33,744 in 2017 and 2016.

12. In-Kind Contributions

In-kind contributions received consist of the following:

	<u>2017</u>	<u>2016</u>
Investment advisory fees	\$ 18,821	\$ 21,986
Space	7,000	14,000
Professional fees	20,000	10,000
Event catering and supplies	14,928	1,980
Consulting services	<u>22,425</u>	<u>7,481</u>
Total	<u>\$ 83,174</u>	<u>\$ 55,447</u>

13. Related Party Transactions

Two members of the Oliver Program's board are related to two officers of a fund that manages the Oliver Program's investments.

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