

**COLLEGE POSSIBLE, INC.**  
St. Paul, Minnesota

FINANCIAL STATEMENTS  
Including Independent Auditors' Report

As of and for the Years Ended June 30, 2019 and 2018

# COLLEGE POSSIBLE, INC.

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
College Possible, Inc.  
Saint Paul, Minnesota

We have audited the accompanying financial statements of College Possible, Inc. (the "Organization"), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, cash flows and functional expenses 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 audits 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 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 Organization as of June 30, 2019 and 2018, 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.

*Baker Tilly Virchow Krause, LLP*

Minneapolis, Minnesota  
December 18, 2019

**COLLEGE POSSIBLE, INC.**

STATEMENTS OF FINANCIAL POSITION  
As of June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 2,123,464	\$ 2,042,090
Accounts receivable	783,566	733,284
Promises to give	3,258,755	4,132,700
Prepaid expenses	<u>337,534</u>	<u>348,960</u>
Total current assets	6,503,319	7,257,034
<b>OTHER ASSETS</b>		
Investments	3,899,449	3,658,680
Promises to give, net	<u>1,455,205</u>	<u>2,385,390</u>
Total other assets	5,354,654	6,044,070
<b>EQUIPMENT AND LEASEHOLD IMPROVEMENTS</b>		
Computer software and equipment	1,589,283	1,419,440
Furniture and fixtures	814,000	704,494
Leasehold improvements	<u>803,987</u>	<u>116,402</u>
	3,207,270	2,240,336
Less accumulated depreciation	<u>(1,631,610)</u>	<u>(1,230,418)</u>
Total equipment and leasehold improvements	1,575,660	1,009,918
<b>TOTAL ASSETS</b>	<b>\$ 13,433,633</b>	<b>\$ 14,311,022</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 236,612	\$ 416,697
Accrued expenses	982,952	731,850
Deferred revenue	-	58,826
Capital lease obligation	<u>3,718</u>	<u>13,342</u>
Total current liabilities	1,223,282	1,220,715
<b>LONG-TERM LIABILITIES</b>		
Deferred compensation	30,000	30,000
Deferred rent	273,293	20,769
Capital lease obligation	<u>734</u>	<u>4,452</u>
Total long-term liabilities	304,027	55,221
<b>TOTAL LIABILITIES</b>	<u>1,527,309</u>	<u>1,275,936</u>
<b>NET ASSETS</b>		
Without donor restrictions	5,585,181	5,243,621
With donor restrictions	<u>6,321,143</u>	<u>7,791,465</u>
<b>TOTAL NET ASSETS</b>	<u>11,906,324</u>	<u>13,035,086</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 13,433,633</b>	<b>\$ 14,311,022</b>

See accompanying notes to financial statements.

## COLLEGE POSSIBLE, INC.

### STATEMENTS OF ACTIVITIES For the Years Ended June 30, 2019 and 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT AND REVENUE</b>						
Public Support						
Contributions and grants	\$ 9,894,048	\$ 4,463,248	\$ 14,357,296	\$ 8,835,938	\$ 5,977,540	\$ 14,813,478
Government grants	4,150,921	-	4,150,921	4,384,547	-	4,384,547
Other contributions	1,696,556	-	1,696,556	1,728,690	-	1,728,690
Total Public Support	<u>15,741,525</u>	<u>4,463,248</u>	<u>20,204,773</u>	<u>14,949,175</u>	<u>5,977,540</u>	<u>20,926,715</u>
Program and Other Revenue						
Consortium fees	370,750	-	370,750	190,975	-	190,975
Investment income	265,747	-	265,747	133,402	-	133,402
Program service fees	174,600	-	174,600	154,250	-	154,250
Miscellaneous Income	7,969	-	7,969	6,249	-	6,249
Total Program and Other Revenue	<u>819,066</u>	<u>-</u>	<u>819,066</u>	<u>484,876</u>	<u>-</u>	<u>484,876</u>
Net assets released from restrictions	<u>5,933,570</u>	<u>(5,933,570)</u>	<u>-</u>	<u>5,383,948</u>	<u>(5,383,948)</u>	<u>-</u>
<b>Total Support and Revenue</b>	<u>22,494,161</u>	<u>(1,470,322)</u>	<u>21,023,839</u>	<u>20,817,999</u>	<u>593,592</u>	<u>21,411,591</u>
<b>EXPENSE</b>						
Program services	17,086,527	-	17,086,527	15,950,178	-	15,950,178
General and administrative	2,126,207	-	2,126,207	2,019,127	-	2,019,127
Fundraising	2,939,867	-	2,939,867	2,526,798	-	2,526,798
<b>Total Expense</b>	<u>22,152,601</u>	<u>-</u>	<u>22,152,601</u>	<u>20,496,103</u>	<u>-</u>	<u>20,496,103</u>
<b>CHANGE IN NET ASSETS</b>	341,560	(1,470,322)	(1,128,762)	321,896	593,592	915,488
Net Assets - Beginning of Year	<u>5,243,621</u>	<u>7,791,465</u>	<u>13,035,086</u>	<u>4,921,725</u>	<u>7,197,873</u>	<u>12,119,598</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 5,585,181</u>	<u>\$ 6,321,143</u>	<u>\$ 11,906,324</u>	<u>\$ 5,243,621</u>	<u>\$ 7,791,465</u>	<u>\$ 13,035,086</u>

See accompanying notes to financial statements.

## COLLEGE POSSIBLE, INC.

### STATEMENTS OF CASH FLOWS For the Years Ended June 30, 2019 and 2018

	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (1,128,762)	\$ 915,488
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	417,041	343,442
Loss on disposal of equipment	1,724	1,049
Net unrealized gain on investments	(175,326)	(41,346)
Change in assets and liabilities:		
Accounts receivable	(50,282)	(42,444)
Promises to give	1,804,130	(2,850,295)
Prepaid expenses	11,426	(19,740)
Accounts payable	(180,085)	(110,087)
Accrued expenses	251,102	18,000
Deferred revenue	(58,826)	(100,431)
Deferred rent	<u>252,524</u>	<u>(31,762)</u>
Net Cash Flows From/Used For Operating Activities	1,144,666	(1,918,126)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of equipment and leasehold improvements	(984,507)	(258,870)
Purchases of investment	-	(1,500,000)
Reinvested income	<u>(65,443)</u>	<u>(72,622)</u>
Net Cash Flows Used For Investing Activities	(1,049,950)	(1,831,492)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments on capital lease obligation	<u>(13,342)</u>	<u>(15,544)</u>
Net Cash Flows Used For Financing Activities	(13,342)	(15,544)
<b>Net Change in Cash and Cash Equivalents</b>	81,374	(3,765,162)
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>2,042,090</u>	<u>5,807,252</u>
<b>CASH AND CASH EQUIVALENTS - End of Year</b>	<u>\$ 2,123,464</u>	<u>\$ 2,042,090</u>
Supplemental disclosures of cash flow information		
Equipment and leasehold improvements included accounts payable	\$ -	\$ 250,307

See accompanying notes to financial statements.

## COLLEGE POSSIBLE, INC.

### STATEMENT OF FUNCTIONAL EXPENSES For the Year Ended June 30, 2019 (With Comparative Totals for 2018)

	2019			Total	2018
	Program Services	General and Administrative	Fundraising		
<b>PERSONNEL COSTS</b>					
Salaries and stipends	\$ 9,079,511	\$ 1,328,087	\$ 1,797,232	\$ 12,204,830	\$ 11,330,717
Employee benefits	1,249,338	150,340	215,473	1,615,151	1,568,918
Payroll taxes	<u>700,510</u>	<u>97,188</u>	<u>136,064</u>	<u>933,762</u>	<u>863,899</u>
Total personnel costs	<u>11,029,359</u>	<u>1,575,615</u>	<u>2,148,769</u>	<u>14,753,743</u>	<u>13,763,534</u>
<b>OTHER COSTS</b>					
Consulting	100,033	161,360	106,428	367,821	643,304
Professional fees	278,122	164,586	51,992	494,700	430,332
Postage and supplies	64,749	3,184	4,563	72,496	73,340
Occupancy	2,666,660	56,564	81,070	2,804,294	2,689,573
Technology	738,801	36,331	52,070	827,202	772,567
Transportation and meetings	346,413	21,417	52,816	420,646	369,442
Staff acquisition, training and recognition	606,136	69,016	26,439	701,591	527,155
Student support costs	814,612	-	-	814,612	563,146
Marketing and communication	36,415	18,207	387,160	441,782	275,865
Depreciation expense	372,473	18,316	26,252	417,041	343,442
Insurance and other	<u>32,754</u>	<u>1,611</u>	<u>2,308</u>	<u>36,673</u>	<u>44,403</u>
Total other costs	<u>6,057,168</u>	<u>550,592</u>	<u>791,098</u>	<u>7,398,858</u>	<u>6,732,569</u>
Total expenses	<u>\$ 17,086,527</u>	<u>\$ 2,126,207</u>	<u>\$ 2,939,867</u>	<u>\$ 22,152,601</u>	<u>\$ 20,496,103</u>

See accompanying notes to financial statements.



## COLLEGE POSSIBLE, INC.

### STATEMENT OF FUNCTIONAL EXPENSES For the Year Ended June 30, 2018

	Program Services	General and Administrative	Fundraising	Total
<b>PERSONNEL COSTS</b>				
Salaries and stipends	\$ 8,695,346	\$ 1,308,821	\$ 1,326,550	\$ 11,330,717
Employee benefits	1,200,123	163,019	205,776	1,568,918
Payroll taxes	668,293	96,603	99,003	863,899
Total personnel costs	<u>10,563,762</u>	<u>1,568,443</u>	<u>1,631,329</u>	<u>13,763,534</u>
<b>OTHER COSTS</b>				
Consulting	159,209	95,913	388,182	643,304
Professional fees	210,430	163,441	56,461	430,332
Postage and supplies	42,801	14,935	15,604	73,340
Occupancy	2,583,081	42,597	63,895	2,689,573
Technology	700,580	28,795	43,192	772,567
Transportation and meetings	302,491	19,468	47,483	369,442
Staff acquisition, training and recognition	439,847	55,830	31,478	527,155
Student support costs	563,146	-	-	563,146
Marketing and communication	35,924	14,370	225,571	275,865
Depreciation expense	309,069	13,184	21,189	343,442
Insurance and other	39,838	2,151	2,414	44,403
Total other costs	<u>5,386,416</u>	<u>450,684</u>	<u>895,469</u>	<u>6,732,569</u>
Total expenses	<u>\$ 15,950,178</u>	<u>\$ 2,019,127</u>	<u>\$ 2,526,798</u>	<u>\$ 20,496,103</u>

See accompanying notes to financial statements.

# COLLEGE POSSIBLE, INC.

## NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2019 and 2018

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### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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#### *Nature of Organization*

College Possible, Inc. (the "Organization") is a national nonprofit organization dedicated to making college admission and success possible for students from low-income backgrounds through an intensive curriculum of coaching and support. Its mission is to identify young people with the potential and the motivation for college and then provide them with five critical services: (1) academic support through ACT/SAT test preparation; (2) college application assistance; (3) financial aid consulting; (4) guidance in transition to college; and, (5) coaching throughout college to support the academic confidence, financial literacy and resilience needed to graduate.

The program served more than 24,000 students in the 2018-19 academic year including nearly 6,000 high school students, 9,500 college students, and more than 7,000 students through CollegePoint, a technology-driven coaching approach, and 1,500 students via Catalyze, a program designed to build the capacity of colleges and universities to better support, retain, and graduate their students from low-income backgrounds. Headquartered in Saint Paul, Minnesota, College Possible also operates in Philadelphia, PA; Chicago, IL; Milwaukee, WI; Omaha, NE; and Portland, OR; and has Catalyze partnerships in Minnesota, Iowa and Ohio.

#### *Financial Statement Presentation*

Net assets, revenues, gains and losses are classified based on the existence or absence of donor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows.

**Without Donor Restrictions** - Net assets not subject to donor-imposed stipulations.

**With Donor Restrictions** - Net assets subject to donor-imposed stipulations that will be met by action of the Organization and/or the passage of time or maintained permanently by the Organization.

Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

#### *Basis of Accounting*

The financial statements of the Organization have been prepared on the accrual basis of accounting. The accounting policies of the Organization conform to accounting principles generally accepted in the United States of America applicable to nonprofit organizations.

# COLLEGE POSSIBLE, INC.

## NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2019 and 2018

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### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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#### *Revenue Recognition*

Revenue is recognized when earned. Program service fees and payments received under cost-reimbursement contracts received in advance are deferred (and are presented as deferred revenue on the statements of financial position) to the applicable period in which the related services are performed or expenditures are incurred, respectively.

Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

#### *Donated Materials and Facilities*

Donated materials and facilities are reflected as support in the statement of activities at their estimated fair value on the date of donation. Donated services are recognized as contributions if the services: (a) create or enhance nonfinancial assets, or (b) require specialized skills and are performed by people with these skills and would otherwise be purchased by the Organization. Volunteers also provides services throughout the year that are not recognized as contributions in the financial statements, as the criteria above were not met.

#### *Use of Estimates*

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and those differences could be material.

#### *Cash and Cash Equivalents*

The Organization considers all short-term instruments purchased with maturity of 3 months or less to be cash equivalents. Cash and cash equivalents consist of demand deposits and U.S. Government money market funds. Excluded from cash and cash equivalents are cash and money market funds maintained for investment purposes.

#### *Receivables and Credit Policies*

The Organization uses the allowance method to account for uncollectible contributions, grants and accounts receivable. The allowance is based on prior years' experience and management's analysis of the outstanding receivables. This method provides allowances for doubtful receivables equal to the estimated losses that will be incurred in the collection of receivables. At June 30, 2019 and 2018, the Organization believes all balances are collectible; therefore, no allowance is necessary.

#### *Promises to Give*

The Organization records unconditional promises to give expected to be collected within one year at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities.

# COLLEGE POSSIBLE, INC.

## NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2019 and 2018

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### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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#### *Equipment and Leasehold Improvements*

Expenditures for the acquisition of equipment and leasehold improvements equal to or greater than \$5,000 and with a life greater than one year are recorded at cost. Contributed equipment and leasehold improvements are recorded at fair value at the date of donation. Depreciation of equipment and leasehold improvements is provided using the straight-line method over the estimated useful lives of the assets, ranging from three to five years or the life of the lease. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any remaining gain or loss is included in the statement of activities within general and administrative expenses. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

The Organization reviews the carrying value of equipment and leasehold improvements for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the years ended June 30, 2019 and 2018.

#### *Investments*

Investment purchases are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment gain (loss) is reported in the statement of activities as a component of investment income and consists of interest and dividend income, realized and unrealized capital gains and losses, less investment management and custodial fees.

#### *Functional Expense Allocation*

The financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of the organization. These expenses include depreciation, administration, communications, information technology, and facilities operations. These expenses were allocated based on headcount, using percentage of time in each category. Other expenses were allocated on estimates of time and effort.

#### *Income Taxes*

The Organization is organized as a Minnesota not-for-profit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Internal Revenue Code Section 501(c)(3) and has been classified as an organization that is not a private foundation under Section 509(a). The Organization is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Organization is subject to income tax on any net income that is derived from business activities that are unrelated to its exempt purpose. During fiscal years 2019 and 2018, the Organization did not earn any income subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

The Organization believes that it has appropriate support for any tax positions taken affecting its annual filing requirements, and, as such, does not have any uncertain tax positions that are material to the financial statements. The Organization would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities, if such interest and penalties were incurred. There was no such liability as of June 30, 2019 and 2018.

# COLLEGE POSSIBLE, INC.

## NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2019 and 2018

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### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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#### *Financial Instruments and Credit Risk*

The Organization manages deposit concentration risk by placing cash and investment accounts with financial institutions believed by the Organization to be creditworthy. At times, amounts on deposit may exceed federally insured limits. To date, the Organization has not experienced losses in any of these accounts. Credit risk associated with accounts receivable and promises to give is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from governmental agencies and foundations supportive of the Organization's mission. Investments are made by diversified investment managers whose performance is monitored by the Organization and the Budget and Oversight Committee of the Board of Directors. Although the fair values of investments are subject to fluctuation on a year-to-year basis, the Organization and the Budget and Oversight Committee believe that the investment policies and guidelines are prudent for the long-term welfare of the Organization.

#### *New Accounting Pronouncements*

The following Accounting Standards Updates have been issued, but are not yet effective:

- ASU 2014-09, *Revenue from Contracts with Customers* - ASU 2014-09 is effective for fiscal years beginning after December 15, 2018.
- ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* - ASU 2018-08 is effective for fiscal years beginning after December 15, 2018.
- ASU 2016-02, *Leases* - ASU 2016-02 is effective for fiscal years beginning after December 15, 2020, with early adoption permitted.

The Organization is assessing the impact these standards will have on its financial statements.

#### *New Accounting Pronouncements Adopted in the Current Year*

In August 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The Organization adopted the provisions of this new standard during the year ended June 30, 2019. The standard provides for enhanced disclosures for board designated amounts, composition of net assets without donor restrictions, liquidity and availability of resources, and expenses by both natural and functional classification. This standard has been retrospectively applied to the prior period presented with certain transition provisions.

#### *Subsequent Events*

The Organization has evaluated subsequent events through December 18, 2019 which is the date that the financial statements were available to be issued.

# COLLEGE POSSIBLE, INC.

## NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2019 and 2018

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### NOTE 2 - LIQUIDITY AND AVAILABILITY

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The following table reflects the Organization's financial assets as of June 30, 2019, reduced by amounts not available for general expenditures within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year. Other financial assets that are excluded from this measure of liquidity include amounts restricted by donors or the Board of Directors.

Financial assets	
Cash and cash equivalents	\$ 2,123,464
Accounts receivable	783,566
Promises to give	4,713,960
Investments	<u>3,899,449</u>
Financial assets at June 30	11,520,439
Less those unavailable for general expenditure within one year:	
Promises to give, net	(1,455,205)
Time restricted net assets	(2,349,888)
Purpose restricted net assets	<u>(2,516,050)</u>
Financial assets not available for expenditure within one year	<u>(6,321,143)</u>
Restrictions which will be met within one year	<u>4,421,148</u>
Financial assets available to meet cash needs for general purposes within one year	<u>\$ 9,620,444</u>

As of June 30, 2019, the Organization had liquid and available assets on hand to cover approximately five months of operating expenses. The Organization's practice is to structure its financial assets to be available as its general expenses, liabilities and obligations come due and targets a minimum of three months of operating expenses coverage at any point in time.

# COLLEGE POSSIBLE, INC.

## NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2019 and 2018

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### NOTE 3 - FAIR VALUE MEASUREMENTS AND INVESTMENTS

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**Fair Value Hierarchy** - Certain assets and liabilities are reported at fair value. Fair value is defined in the accounting guidance as the exchange price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the assets or liability in an orderly transaction between market participants at the measurement date. Under this guidance, a three-level hierarchy is used for fair value measurements which is based on the transparency of information, such as the pricing source, used in the valuation of an asset or liability as of the measurement date.

The fair value hierarchy consists of three levels of inputs that may be used to measure fair value, as follows:

Level 1 - Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity can access at the measurement date.

Level 2 - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. This includes quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, or market-corroborated data.

Level 3 - Inputs that are unobservable for the assets or liability. Unobservable inputs reflect the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk) using the best information available in the circumstances, which may include using the reporting entity's own data.

The assets or liabilities fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2019 and 2018.

Mutual funds are classified as Level 1, with quoted prices in active markets.

The following table presents assets measured at fair value on a recurring basis as follows at June 30, 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Mutual funds			
Domestic equity	\$ 798,580	\$ -	\$ -
International equity	450,901	-	-
Fixed income	<u>2,649,968</u>	<u>-</u>	<u>-</u>
Total investments	<u>\$ 3,899,449</u>	<u>\$ -</u>	<u>\$ -</u>

# COLLEGE POSSIBLE, INC.

## NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2019 and 2018

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### NOTE 3 - FAIR VALUE MEASUREMENTS AND INVESTMENTS (CONTINUED)

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The following table presents assets measured at fair value on a recurring basis are as follows at June 30, 2018:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Mutual funds			
Domestic equity	\$ 732,697	\$ -	\$ -
International equity	448,348	-	-
Fixed income	<u>2,477,635</u>	-	-
Total investments	<u>\$ 3,658,680</u>	<u>\$ -</u>	<u>\$ -</u>

Investment income included in the statements of activities consists of the following:

	<u>2019</u>	<u>2018</u>
Interest and dividends, net of fees	\$ 90,421	\$ 92,056
Net realized and unrealized gains	<u>175,326</u>	<u>41,346</u>
Total investment income	<u>\$ 265,747</u>	<u>\$ 133,402</u>

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### NOTE 4 - PROMISES TO GIVE, NET

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Unconditional promises to give are estimated to be collected as follows at June 30:

	<u>2019</u>	<u>2018</u>
Within one year	\$ 3,258,755	\$ 4,132,700
In one to five years	<u>1,500,211</u>	<u>2,446,554</u>
	4,758,966	6,579,254
Less discount to net present value	<u>(45,006)</u>	<u>(61,164)</u>
Promises to give, net	<u>\$ 4,713,960</u>	<u>\$ 6,518,090</u>

Contributions due in greater than one year were discounted using a rate of 3.0% and 2.5% during fiscal years 2019 and 2018, respectively. At June 30, 2019 and 2018, three donors accounted for 48% and 50% of total promises to give, respectively.



# COLLEGE POSSIBLE, INC.

## NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2019 and 2018

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### NOTE 5 - CAPITAL LEASE OBLIGATIONS

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The Organization leases certain telecommunication systems which are classified as capital leases. The leases expire over the next two fiscal years.

Future minimum payments under these agreements are as follows:

2020	\$	4,383
2021		<u>752</u>
		5,135
Less amount representing interest		<u>(683)</u>
Capital lease obligation	\$	<u>4,452</u>

At June 30, 2019 and 2018, assets recorded under the capital lease agreement totaled \$64,903, less \$62,141 and \$53,963 of accumulated amortization, respectively.

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### NOTE 6 - OPERATING LEASES

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The Organization entered into a new lease for operating facilities in St. Paul, which expires in 2026. The future payments for the new lease are included in the table below.

In addition, the Organization leases space in Chicago, Illinois; Omaha, Nebraska; Portland, Oregon; Philadelphia, Pennsylvania; and Milwaukee, Wisconsin, under various operating leases expiring in fiscal years 2019 through 2022.

Future minimum rental payments required under the leases are as follows:

2020	\$	873,714
2021		731,447
2022		466,453
2023		463,069
2024		476,736
Thereafter		<u>997,173</u>
	\$	<u>4,008,592</u>

Total rent expense was \$976,870 and \$862,729 for the years ended June 30, 2019 and 2018, respectively.

# COLLEGE POSSIBLE, INC.

## NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2019 and 2018

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### NOTE 7 - NET ASSETS WITH DONOR RESTRICTIONS

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Net assets with donor restrictions are restricted for the following purposes at June 30:

	<u>2019</u>	<u>2018</u>
Time restrictions	\$ 3,805,093	\$ 3,460,445
Purpose restrictions	<u>2,516,050</u>	<u>4,331,020</u>
Total Net Assets With Donor Restrictions	<u>\$ 6,321,143</u>	<u>\$ 7,791,465</u>

Net assets were released from restrictions as follow during the years ended June 30:

	<u>2019</u>	<u>2018</u>
Time restrictions	\$ 2,287,143	\$ 2,559,804
Purpose restrictions	<u>3,646,427</u>	<u>2,824,144</u>
Total net assets released from restrictions	<u>\$ 5,933,570</u>	<u>\$ 5,383,948</u>

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### NOTE 8 - OTHER CONTRIBUTIONS

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The value of services and other in-kind contributions for program related services, recorded as contribution revenue in the statements of activities at their estimated fair value at the date of donation for the years ended June 30 is as follows:

	<u>2019</u>	<u>2018</u>
Rent	\$ 1,516,400	\$ 1,653,935
Marketing	125,188	-
Program expenses	48,955	49,906
Other	<u>6,013</u>	<u>24,849</u>
Total	<u>\$ 1,696,556</u>	<u>\$ 1,728,690</u>

# COLLEGE POSSIBLE, INC.

## NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2019 and 2018

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### **NOTE 9 - CONTINGENCIES**

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The continuation of funding from federal and other sources is contingent upon availability of funds and project performance. The funds are awarded annually based either upon receipt and approval of a program application or upon completion of a performance review. In addition, expenditures made under federal grants are subject to review and audit by the grantor agencies. Management believes that any liability for reimbursement, which may arise as a result of these audits, is not material to the Organization's financial statements.

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### **NOTE 10 - RETIREMENT PLAN**

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A Safe Harbor 401(k) plan was implemented on September 1, 2007. Employees are eligible to participate in the plan on the first of the month following 30 days of service, having attained age 18 and which are expected to work 1,000 hours in 12 consecutive months. The Organization will make matching contributions in two different ways. The Safe Harbor match is equal to the sum of 100% of the amount of the salary reductions that are not in excess of 5% of compensation and vesting is immediate. The discretionary match, which begins after one year of qualified service, is 50% of the salary reduction amounts that exceed 5% of compensation but not in excess of 9% of compensation. Employees can opt out of the plan or change their contribution at any time. Employer contributions and expense for the 401(k) plan were \$379,368 and \$355,761 for the years ended June 30, 2019 and 2018, respectively.

# COLLEGE POSSIBLE, INC.

## NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2019 and 2018

### NOTE 11 - ACQUISITION

On August 1, 2019, College Possible, Inc. acquired, College Access Now. This acquisition expands College Possible Inc.'s ability to enhance offerings and expand services in underserved areas. The statement of financial position as of the acquisition date of August 1, 2019 is as follows:

	<u>College Access Now</u>
<b>ASSETS</b>	
Current Assets	
Cash and cash equivalents	\$ 505,667
Account receivable	43,585
Promises to give, net	545,625
Prepaid expenses	32,152
Total Current Assets	<u>1,127,029</u>
Other Assets	
Investments	315,000
Property and equipment	20,786
Total Other Assets	<u>335,786</u>
Total Assets	<u>\$ 1,462,815</u>
<b>LIABILITIES AND NET ASSETS</b>	
Current Liabilities	
Accounts payable	\$ 22,448
Accrued expenses	28,775
Total Current Liabilities	<u>51,223</u>
Total Liabilities	<u>51,223</u>
Net Assets	
Without donor restrictions	550,967
With donor restrictions	860,625
Total Net Assets	<u>1,411,592</u>
Total Liabilities and Net Assets	<u>\$ 1,462,815</u>

There was no consideration transferred as part of the acquisition.