

College Possible, Inc.

Financial Statements

June 30, 2021 and 2020

College Possible, Inc.

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Independent Auditors' Report

To the Board of Directors of
College Possible, Inc.

We have audited the accompanying financial statements of College Possible, Inc. (the Organization), which comprise the statements of financial position as of June 30, 2021 and 2020, 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, 2021 and 2020, the results of its operations 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 US, LLP

Minneapolis, Minnesota
December 21, 2021

College Possible, Inc.Statements of Financial Position
June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 4,084,159	\$ 4,309,093
Accounts receivable	1,103,185	1,075,490
Promises to give	2,319,382	3,419,591
Prepaid expenses	508,861	420,863
Total current assets	<u>8,015,587</u>	<u>9,225,037</u>
Other Assets		
Investments	10,745,146	11,505,559
Endowment investments	2,695,060	-
Promises to give, net	1,075,682	1,374,280
Total other assets	<u>14,515,888</u>	<u>12,879,839</u>
Equipment and Leasehold Improvements		
Computer software and equipment	1,849,251	1,713,306
Furniture and equipment	897,330	890,215
Leasehold improvements	869,083	869,083
	3,615,664	3,472,604
Less accumulated depreciation	<u>(2,710,687)</u>	<u>(2,254,788)</u>
Total equipment and leasehold improvements, net	<u>904,977</u>	<u>1,217,816</u>
Total assets	<u>\$ 23,436,452</u>	<u>\$ 23,322,692</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 252,913	\$ 130,162
Accrued expenses	1,152,377	1,564,588
Deferred revenue	3,117,999	3,790,766
Capital lease obligation	-	858
Deferred compensation	-	66,000
Total current liabilities	<u>4,523,289</u>	<u>5,552,374</u>
Long-Term Liabilities		
Deferred rent	267,181	279,191
Deferred revenue	-	4,003,700
Total long-term liabilities	<u>267,181</u>	<u>4,282,891</u>
Total liabilities	<u>4,790,470</u>	<u>9,835,265</u>
Net Assets		
Without donor restrictions	10,759,267	6,399,151
With donor restrictions	7,886,715	7,088,276
Total net assets	<u>18,645,982</u>	<u>13,487,427</u>
Total liabilities and net assets	<u>\$ 23,436,452</u>	<u>\$ 23,322,692</u>

See notes to financial statements

College Possible, Inc.

Statements of Activities

Years Ended June 30, 2021 and 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Operating Activities						
Support and Revenue						
Public Support:						
Contributions and grants	\$ 14,713,351	\$ 3,262,006	\$ 17,975,357	\$ 10,939,519	\$ 7,344,111	\$ 18,283,630
Government grants	4,378,413	-	4,378,413	4,452,069	-	4,452,069
PPP loan forgiveness	2,003,700	-	2,003,700	-	-	-
Other contributions	88,915	-	88,915	997,234	-	997,234
Total public support	21,184,379	3,262,006	24,446,385	16,388,822	7,344,111	23,732,933
Program and Other Revenue:						
College partnership fees	726,500	-	726,500	703,000	-	703,000
High school program service fees	217,500	-	217,500	221,000	-	221,000
Miscellaneous income	1,610	-	1,610	10,381	-	10,381
Total program and other revenue - operating	945,610	-	945,610	934,381	-	934,381
Net assets released from restrictions	5,158,627	(5,158,627)	-	7,437,603	(7,437,603)	-
Total support and revenue	27,288,616	(1,896,621)	25,391,995	24,760,806	(93,492)	24,667,314
Expenses						
Program services	18,406,633	-	18,406,633	18,983,738	-	18,983,738
General and administrative	2,294,715	-	2,294,715	2,398,651	-	2,398,651
Fundraising	3,470,089	-	3,470,089	3,738,958	-	3,738,958
Total operating expenses	24,171,437	-	24,171,437	25,121,347	-	25,121,347
Change in operating activities before inherent contribution	3,117,179	(1,896,621)	1,220,558	(360,541)	(93,492)	(454,033)
Inherent contribution	-	-	-	550,967	860,625	1,411,592
Total change in operating activities	3,117,179	(1,896,621)	1,220,558	190,426	767,133	957,559
Nonoperating Activities						
Interest income	3,350	-	3,350	17,435	-	17,435
Investment return, net	1,239,587	-	1,239,587	606,109	-	606,109
Endowment return, net	-	241,768	241,768	-	-	-
Endowment contributions	-	2,453,292	2,453,292	-	-	-
Total nonoperating activities	1,242,937	2,695,060	3,937,997	623,544	-	623,544
Change in net assets	4,360,116	798,439	5,158,555	813,970	767,133	1,581,103
Net Assets, Beginning	6,399,151	7,088,276	13,487,427	5,585,181	6,321,143	11,906,324
Net Assets, Ending	\$ 10,759,267	\$ 7,886,715	\$ 18,645,982	\$ 6,399,151	\$ 7,088,276	\$ 13,487,427

See notes to financial statements

College Possible, Inc.

Statements of Cash Flows

Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash Flows From Operating Activities		
Change in net assets	\$ 5,158,555	\$ 1,581,103
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	455,899	502,654
Non-cash inherent contribution	-	905,925
Net unrealized and realized gains on investments	(1,239,328)	(606,109)
PPP loan forgiveness	(2,003,700)	-
Change in assets and liabilities:		
Accounts receivable	(27,695)	(335,509)
Promises to give	1,398,807	(940,536)
Prepaid expenses	(87,998)	(115,481)
Accounts payable	122,751	(123,448)
Accrued expenses	(478,211)	646,411
Deferred revenue	(2,672,767)	7,794,466
Deferred rent	(12,010)	5,898
Contributions restricted for long-term investment	(2,453,292)	-
Net cash flows from operating activities	<u>(1,838,989)</u>	<u>9,315,374</u>
Cash Flows From Investing Activities		
Purchases of equipment and leasehold improvements	(143,060)	(126,150)
Purchases of investments	(453,291)	(7,000,001)
Reinvested income	(242,028)	-
Net cash flows used for investing activities	<u>(838,379)</u>	<u>(7,126,151)</u>
Cash Flows From Financing Activities		
Contributions restricted for long-term investment	2,453,292	-
Payments on capital lease obligation	(858)	(3,594)
Net cash flows used for financing activities	<u>2,452,434</u>	<u>(3,594)</u>
Net change in cash and cash equivalents	(224,934)	2,185,629
Cash and Cash Equivalents, Beginning	<u>4,309,093</u>	<u>2,123,464</u>
Cash and Cash Equivalents, Ending	<u>\$ 4,084,159</u>	<u>\$ 4,309,093</u>
Supplemental Disclosures of Cash Flow Information		
Equipment and leasehold improvements included accounts payable	<u>\$ -</u>	<u>\$ 39,446</u>

See notes to financial statements

College Possible, Inc.

Statement of Functional Expenses

Year Ended June 30, 2021 (With Comparative Totals for 2020)

	2021				2020
	Program Services	General and Administrative	Fundraising	Total	
Personnel Costs					
Salaries and stipends	\$ 11,402,124	\$ 1,520,740	\$ 2,122,639	\$ 15,045,503	\$ 15,143,144
Employee benefits	1,578,509	171,967	264,920	2,015,396	1,841,737
Payroll taxes	884,931	120,395	168,755	1,174,081	1,073,705
Total personnel costs	13,865,564	1,813,102	2,556,314	18,234,980	18,058,586
Other Costs					
Consulting	535,508	106,680	490,772	1,132,960	772,100
Professional fees	90,407	196,231	34,853	321,491	342,588
Postage and supplies	31,332	31,369	30,177	92,878	125,339
Occupancy	1,126,101	49,230	75,840	1,251,171	2,160,735
Technology	925,521	40,461	62,331	1,028,313	920,046
Transportation and meetings	7,262	8,736	505	16,503	340,373
Staff acquisition, training and recognition	345,496	21,211	32,677	399,384	795,277
Student support costs	986,420	-	-	986,420	715,111
Marketing and communication	33,517	7,666	155,674	196,857	339,608
Depreciation expense	410,327	17,938	27,634	455,899	502,654
Insurance and other	49,178	2,091	3,312	54,581	48,930
Total other costs	4,541,069	481,613	913,775	5,936,457	7,062,761
Total expenses	\$ 18,406,633	\$ 2,294,715	\$ 3,470,089	\$ 24,171,437	\$ 25,121,347

See notes to financial statements

College Possible, Inc.Statement of Functional Expenses
Year Ended June 30, 2020

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Personnel Costs				
Salaries and stipends	\$ 11,313,719	\$ 1,498,144	\$ 2,331,281	\$ 15,143,144
Employee benefits	1,401,637	165,609	274,491	1,841,737
Payroll taxes	809,036	108,971	155,698	1,073,705
Total personnel costs	<u>13,524,392</u>	<u>1,772,724</u>	<u>2,761,470</u>	<u>18,058,586</u>
Other Costs				
Consulting	180,918	284,250	306,932	772,100
Professional fees	195,222	101,281	46,085	342,588
Postage and supplies	41,867	48,012	35,460	125,339
Occupancy	2,022,539	52,003	86,193	2,160,735
Technology	816,588	38,931	64,527	920,046
Transportation and meetings	281,514	17,746	41,113	340,373
Staff acquisition, training and recognition	665,138	48,971	81,168	795,277
Student support costs	715,111	-	-	715,111
Marketing and communication	51,180	11,080	277,348	339,608
Depreciation expense	446,131	21,270	35,253	502,654
Insurance and other	43,138	2,383	3,409	48,930
Total other costs	<u>5,459,346</u>	<u>625,927</u>	<u>977,488</u>	<u>7,062,761</u>
Total expenses	<u>\$ 18,983,738</u>	<u>\$ 2,398,651</u>	<u>\$ 3,738,958</u>	<u>\$ 25,121,347</u>

See notes to financial statements

College Possible, Inc.

Notes to Financial Statements

June 30, 2021 and 2020

1. Summary of Significant Accounting Policies

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 over 21,000 students in the 2020-21 academic year including 4,659 high school students, 9,970 college students, 3,579 students through CollegePoint, a technology-driven coaching approach, and 3,247 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; Portland, OR; Seattle, WA; and has Catalyze partnerships in Minnesota, Iowa, New York, Maryland, Tennessee, California 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.

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

Net Assets 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.

In the absence of donor stipulations or law to the contrary, gains or losses on the investments of donor-restricted endowment funds increase or decrease net assets with donor restrictions. Gains and losses on other investments are classified as changes in net assets without donor 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

June 30, 2021 and 2020

Revenue Recognition

Partnership fees and program fees are recognized at the amount that reflects the consideration to which the Organization expects to be entitled in services provided. These amounts are due from colleges and high school partners. Performance obligations are determined based on the nature of the services provided by the Organization. Revenues for performance obligations of providing coaches and program support is satisfied ratably over the academic year. Contracts are combined into a single portfolio of similar contracts. Generally, each participating organization is billed monthly with payment due within 30 days of receipt. The Organization determines the transaction price based on standard charges for services provided, reduced by discounts provided in accordance with the Organization's policies.

Unconditional contributions are recognized as revenues in the period received and are reported as increases in the appropriate categories of net assets in accordance with donor restrictions. Expirations of restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until they become unconditional, that is, when the conditions on which they depend are met. When donor-restrictions are met in the same year they are received, the conditional promises to give are recorded as without donor restrictions, when the conditions are met.

Donated Materials and Facilities

Donated materials and facilities are reflected as support in the statements 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, 2021 and 2020, the Organization believes all balances are collectible; therefore, no allowance is necessary.

College Possible, Inc.

Notes to Financial Statements
June 30, 2021 and 2020

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.

Conditional Grants

A portion of the Organization's revenue is derived from cost-reimbursable grants and contracts, which are conditioned upon certain performance requirements and/ or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures or met milestones in compliance with specific grant or contract provisions, in the appropriate categories of net assets in accordance with donor restrictions. The Organization has conditional grants of \$5,346,736 outstanding at June 30, 2021, which will be recognized as revenue when qualifying expenses are incurred or milestones are met. Additionally, the Organization has received some funds in advance for conditional grants that it expects to recognize in future years, after milestones are reached or qualified expenses are incurred. These funds have been recorded as deferred revenue in the amount of \$3,117,999 and \$7,794,466 in the statement of financial position at June 30, 2021 and 2020, respectively.

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 statements 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, 2021 and 2020.

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 statements of activities as a component of investment return and consists of interest and dividend income, realized and unrealized 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 and state income taxes under Internal Revenue Code (IRC) Section 501(c)(3) and has been classified as an organization that is not a private foundation under IRC 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 2021 and 2020, 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, 2021 and 2020.

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. The Organization has not experienced losses in any of these accounts during the years ended June 30, 2021 and June 30, 2020. 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.

Reclassifications

Certain amounts appearing in the 2020 financial statements have been reclassified to conform with the 2021 presentation. The reclassifications have no effect on reported amounts of total assets, total net assets or change in total net assets.

New Accounting Pronouncements

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

- ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed nonfinancial Assets* - ASU No. 2020-07 is effective for fiscal years beginning after June 15, 2021 (fiscal year 2022).
- ASU No. 2016-02, *Leases* - ASU No. 2016-02 is effective for fiscal years beginning after December 15, 2021 (fiscal year 2023), with early adoption permitted.

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

College Possible, Inc.

Notes to Financial Statements

June 30, 2021 and 2020

New Accounting Pronouncement Adopted in the Current Year

In July 2020, the Organization adopted the Financial Accounting Standards Board (FASB) ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606) using the modified prospective approach. ASU No. 2014-09 supersedes the revenue recognition requirements in Topic 605, Revenue Recognition, and most industry specific guidance. The core principle under ASU No. 2014-09 is that revenues are recognized to depict the transfer of promised goods or services to customers (clients) in an amount that reflects the consideration at which the entity expects to be entitled in exchange for those goods or services. Additionally, ASU No. 2014-09 requires enhanced disclosures of revenue arrangements.

The Organization applied the modified prospective approach to all contracts when adopting ASU No. 2014-09. The adoption of the standard did not have an impact on the financial statements.

Subsequent Events

The Organization has evaluated subsequent events through December 21, 2021, which is the date that the financial statements were available to be issued.

2. Liquidity and Availability

The following table reflects the Organization's financial assets as of June 30, 2021 and 2020, 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.

	<u>2021</u>	<u>2020</u>
Financial assets:		
Cash and cash equivalents	\$ 4,084,159	\$ 4,309,093
Accounts receivable	1,103,185	1,075,490
Promises to give	3,395,064	4,793,871
Investments	<u>13,440,206</u>	<u>11,505,559</u>
Financial assets at June 30	22,022,614	21,684,013
Less those unavailable for general expenditure within one year:		
Promises to give, net	(1,075,682)	(1,374,280)
Time restricted net assets	(2,836,020)	(3,428,333)
Purpose restricted net assets	(3,975,013)	(2,285,663)
Conditional grant advance	<u>-</u>	<u>(2,000,000)</u>
Financial assets unavailable for general expenditure within one year	(7,886,715)	(9,088,276)
Donor restrictions which will be met within one year	<u>3,548,994</u>	<u>5,083,996</u>
Total	<u>\$ 17,684,893</u>	<u>\$ 17,679,733</u>

College Possible, Inc.

Notes to Financial Statements

June 30, 2021 and 2020

As of June 30, 2021, the Organization had liquid and available assets on hand to cover approximately 6 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.

During the year, the Organization obtained an operating line of credit totaling \$4,000,000 at a bank for the purpose of financing short-term operating cash flow requirements. Interest is due monthly at the prime interest rate (3.25 percent at June 30, 2021). The scheduled maturity on the line of credit is January 31, 2022. The line of credit is secured by substantially all assets of the Organization. As of June 30, 2021, no amounts were outstanding on the line of credit. The agreement establishes various positive and negative covenants, including liquid asset requirements.

3. Fair Value Measurements and Investments

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.

There have been no changes in the methodologies used at June 30, 2021 and 2020.

Following is a description of the valuation methodologies used for assets measured at fair value.

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

College Possible, Inc.

Notes to Financial Statements

June 30, 2021 and 2020

The following table presents assets measured at fair value on a recurring basis are as follows at June 30, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments:			
Mutual funds:			
Domestic equity	\$ 3,738,746	\$ -	\$ -
International equity	2,116,895	-	-
Fixed income	7,317,013	-	-
U.S. listed real estate	203,590	-	-
Cash equivalents	63,962	-	-
Total investments	<u>\$ 13,440,206</u>	<u>\$ -</u>	<u>\$ -</u>

The following table presents assets measured at fair value on a recurring basis are as follows at June 30, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments:			
Mutual funds:			
Domestic equity	\$ 1,991,032	\$ -	\$ -
International equity	1,337,886	-	-
Fixed income	8,176,641	-	-
Total investments	<u>\$ 11,505,559</u>	<u>\$ -</u>	<u>\$ -</u>

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

	<u>2021</u>	<u>2020</u>
Interest and dividends, net of fees	\$ 245,377	\$ 17,435
Net realized and unrealized gains	1,239,328	606,109
Total investment income	<u>\$ 1,484,705</u>	<u>\$ 623,544</u>

4. Promises to Give, Net

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

	<u>2021</u>	<u>2020</u>
Within one year	\$ 2,319,382	\$ 3,419,591
In one to five years	1,108,950	1,416,783
	3,428,332	4,836,374
Less discount to net present value	(33,268)	(42,503)
Promise to give, net	<u>\$ 3,395,064</u>	<u>\$ 4,793,871</u>

Contributions due in greater than one year were discounted using a rate of 3 percent during fiscal years 2021 and 2020. At June 30, 2021 and 2020, three donors accounted for 41 percent and 35 percent of total promises to give, respectively.

College Possible, Inc.

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5. Operating Leases

The Organization leases space in Chicago, Illinois; St. Paul, Minnesota; Omaha, Nebraska; Portland, Oregon; Philadelphia, Pennsylvania; Seattle, Washington; and Milwaukee, Wisconsin, under various operating leases expiring in fiscal years 2022 through 2028.

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

Years ending June 30:		
2022	\$	1,020,071
2023		977,009
2024		860,447
2025		762,894
2026		775,371
Thereafter		<u>315,072</u>
Total	\$	<u>4,710,863</u>

Total rent expense was \$1,115,119 and \$1,019,486 for the years ended June 30, 2021 and 2020, respectively.

6. Net Assets With Donor Restrictions

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

	<u>2021</u>	<u>2020</u>
Time restrictions	\$ 3,911,702	\$ 4,194,163
Purpose restrictions	<u>3,975,013</u>	<u>2,894,113</u>
Total net assets with donor restrictions	<u>\$ 7,886,715</u>	<u>\$ 7,088,276</u>

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

	<u>2021</u>	<u>2020</u>
Time restrictions	\$ 4,196,800	\$ 3,227,769
Purpose restrictions	<u>961,827</u>	<u>4,209,834</u>
Total net assets released from restrictions	<u>\$ 5,158,627</u>	<u>\$ 7,437,603</u>

College Possible, Inc.

Notes to Financial Statements

June 30, 2021 and 2020

7. Other Contributions

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>2021</u>	<u>2020</u>
Rent	\$ -	\$ 931,771
Marketing	10,196	46,576
Program expenses	23,119	18,887
Other	55,600	-
Total	<u>\$ 88,915</u>	<u>\$ 997,234</u>

8. Contingencies

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.

9. Retirement Plan

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 percent of the amount of the salary reductions that are not in excess of 5 percent of compensation and vesting is immediate. The discretionary match, which begins after one year of qualified service, is 50 percent of the salary reduction amounts that exceed 5 percent of compensation but not in excess of 9 percent 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 \$478,183 and \$425,811 for the years ended June 30, 2021 and 2020, respectively.

10. Paycheck Protection Program

On April 18, 2020, the Organization entered into a new loan facility under the recent government enacted Paycheck Protection Program (PPP) (part of the Coronavirus Aid, Relief and Economic Stability (CARES) Act) administered by the Small Business Administration (SBA). The Organization borrowed \$2,003,700 under the loan facility. The loan carried a fixed interest rate of 1 percent and matured on April 18, 2022. Subsequent regulations deferred payments until the date on which the amount of forgiveness was remitted to the lender. On November 25, 2020 the Organization submitted required information to the SBA to apply for full forgiveness of the loan amount. On June 14, 2021, the SBA provided notice to the lender and College Possible, Inc. that the loan balance had been fully forgiven. The Organization has elected to recognize these funds as PPP loan forgiveness in the June 30, 2021 statement of activities.

College Possible, Inc.

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The SBA reserves the right to audit any PPP loan, regardless of size. These audits may occur after forgiveness has been granted. In accordance with the CARES Act, all borrowers are required to maintain their PPP loan documentation for six years after the PPP loan or repaid in full and to provide that documentation to the SBA upon request. The Organization does not believe the results of any audits or reviews by the SBA would have a material impact on the financial statements.

11. Endowment Funds

The Organization's endowment fund was established in fiscal year 2021 for the purpose of providing academic scholarships to students enrolled with College Possible. As required by U.S. generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The endowment funds includes only donor restricted funds.

The Organization has interpreted the Minnesota enacted version of Uniform Prudent Management of Institutional Funds Act (UPMIFA), requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. Unless stated otherwise in the gift instrument, the assets in an endowment fund shall be donor restricted assets until appropriated for expenditure by the Board of Directors. See Note 1 for further information on net asset classifications. The donor restricted endowment funds are recorded as net assets with donor restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor restricted endowment funds: 1) The duration and preservation of the fund; 2) The purposes of the Organization and the donor-restricted endowment fund; 3) General economic conditions; 4) The possible effect of inflation and deflation; 5) The expected total return from income and the appreciation of investments; 6) Other resources of the Organization; and 7) The investment policies of the Organization. No distributions were made from the fund in the current operating year.

Endowment net asset composition by nature of restriction consists of the following as of June 30, 2021:

	Without Donor Restrictions	With Donor Restrictions	Total
Original contributions - held in perpetuity	\$ -	\$ 2,453,292	\$ 2,453,292
Accumulated earnings	-	241,768	241,768
	<u>\$ -</u>	<u>\$ 2,695,060</u>	<u>\$ 2,695,060</u>

Changes in endowment net assets for the year ended June 30, 2021 are as follows:

	Without Donor Restrictions	With Donor Restriction			Total Funds June 30, 2021
		Original Gift	Accumulated Gains	Total	
Endowment net assets, June 30, 2020	\$ -	\$ -	\$ -	\$ -	\$ -
Investment return	-	-	241,768	241,768	241,768
Additions to endowment	-	2,453,292	-	2,453,292	2,453,292
Endowment net assets, June 30, 2021	<u>\$ -</u>	<u>\$ 2,453,292</u>	<u>\$ 241,768</u>	<u>\$ 2,695,060</u>	<u>\$ 2,695,060</u>

College Possible, Inc.

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12. Acquisition

On July 1, 2021, College Possible, Inc. acquired College Forward. 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 College Forward is as follows:

	<u>College Forward</u>
Assets	
Cash and cash equivalents	\$ 416,573
Government grant receivables	12,681
Private grant receivables, net	53,805
Accounts receivable	106,899
Prepaid expenses	55,089
Property and equipment, net	<u>94,097</u>
Total assets	<u>\$ 739,144</u>
Liabilities and Net Assets	
Accounts payable	\$ 53,197
Accrued liabilities	190,537
Contract liabilities	116,559
Long-term debt	<u>1,670,198</u>
Total liabilities	<u>2,030,491</u>
Net assets:	
Without donor restrictions	(2,405,991)
With donor restrictions	<u>1,114,644</u>
Total net assets	<u>(1,291,347)</u>
Total liabilities and assets	<u>\$ 739,144</u>

There was no consideration transferred as part of the acquisition. Net assets totaling \$(1,291,347) are recorded as an inherent contribution in the statement of activities for the year ended June 30, 2022.