

**COLLEGESPRING, INC.**

INDEPENDENT AUDITORS' REPORT

Financial Statements

September 30, 2017 and September 30, 2016

# COLLEGESPRING, INC.

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September 30, 2017 and September 30, 2016

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## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors  
CollegeSpring, Inc.

We have audited the accompanying financial statements of CollegeSpring, Inc. (a California nonprofit organization), which comprise the statements of financial position as of September 30, 2017 and September 30, 2016, the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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 auditors consider 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.

The Board of Directors  
CollegeSpring, Inc.  
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**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CollegeSpring, Inc. as of September 30, 2017 and September 30, 2016, 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.

*Ajahn & Hunt Accountancy Corporation*

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San Jose, California  
January 30, 2018

# COLLEGESPRING, INC.

## STATEMENTS OF FINANCIAL POSITION

September 30, 2017 and September 30, 2016

<u>ASSETS</u>	<u>2017</u>	<u>2016</u>
<b>CURRENT ASSETS:</b>		
Cash	\$ 535,950	534,845
Cash - restricted	467,184	49,535
Receivables	780,509	556,291
Prepaid expenses	<u>42,978</u>	<u>25,237</u>
Total current assets	<u>1,826,621</u>	<u>1,165,908</u>
 <b>PROPERTY AND EQUIPMENT, at cost:</b>		
Computer equipment	29,311	29,311
Furniture	<u>6,961</u>	<u>6,961</u>
Total property and equipment, at cost	36,272	36,272
 Less accumulated depreciation	<u>35,108</u>	<u>32,840</u>
Total property and equipment, net	<u>1,164</u>	<u>3,432</u>
 <b>PLEDGES RECEIVABLE</b>	<u>531,277</u>	<u>605,406</u>
 <b>DEPOSITS</b>	<u>11,100</u>	<u>12,767</u>
 Total assets	<u>\$ 2,370,162</u>	<u>1,787,513</u>
  <b><u>LIABILITIES AND NET ASSETS</u></b>		
 <b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 34,024	10,083
Accrued expenses	226,759	201,897
Deferred revenue	<u>210,124</u>	<u>225,335</u>
Total current liabilities	<u>470,907</u>	<u>437,315</u>
 <b>NET ASSETS:</b>		
Unrestricted	256,510	(191,964)
Temporarily restricted	<u>1,642,745</u>	<u>1,542,162</u>
Total net assets	<u>1,899,255</u>	<u>1,350,198</u>
 Total liabilities and net assets	<u>\$ 2,370,162</u>	<u>1,787,513</u>

See notes to financial statements.

# COLLEGESPRING, INC.

## STATEMENT OF ACTIVITIES

Year ended September 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>SUPPORT AND REVENUE:</b>			
Public support:			
Cash	\$ 1,423,705	1,442,303	2,866,008
In-kind	<u>120,812</u>	<u>-</u>	<u>120,812</u>
Total public support	1,544,517	1,442,303	2,986,820
Interest income	58	140	198
Program service fees	984,615	-	984,615
Miscellaneous	6,783	-	6,783
Net assets released from restrictions	<u>1,341,860</u>	<u>(1,341,860)</u>	<u>-</u>
Total revenue	<u>3,877,833</u>	<u>100,583</u>	<u>3,978,416</u>
<b>EXPENSES:</b>			
Program	2,281,283	-	2,281,283
Management and general	450,880	-	450,880
Fundraising	<u>697,196</u>	<u>-</u>	<u>697,196</u>
Total expenses	<u>3,429,359</u>	<u>-</u>	<u>3,429,359</u>
Change in net assets	448,474	100,583	549,057
NET ASSETS, beginning of year	<u>(191,964)</u>	<u>1,542,162</u>	<u>1,350,198</u>
NET ASSETS, end of year	\$ <u>256,510</u>	<u>1,642,745</u>	<u>1,899,255</u>

See notes to financial statements.

# COLLEGESPRING, INC.

## STATEMENT OF ACTIVITIES

Year ended September 30, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>SUPPORT AND REVENUE:</b>			
Public support:			
Cash	\$ 1,574,942	1,811,825	3,386,767
In-kind	<u>205,843</u>	<u>-</u>	<u>205,843</u>
Total public support	1,780,785	1,811,825	3,592,610
Interest income	9	160	169
Program service fees	786,611	-	786,611
Miscellaneous	8,272	-	8,272
Net assets released from restrictions	<u>902,390</u>	<u>(902,390)</u>	<u>-</u>
Total revenue	<u>3,478,067</u>	<u>909,595</u>	<u>4,387,662</u>
<b>EXPENSES:</b>			
Program	2,345,577	-	2,345,577
Management and general	433,663	-	433,663
Fundraising	<u>641,834</u>	<u>-</u>	<u>641,834</u>
Total expenses	<u>3,421,074</u>	<u>-</u>	<u>3,421,074</u>
Change in net assets	56,993	909,595	966,588
NET ASSETS, beginning of year	<u>(248,957)</u>	<u>632,567</u>	<u>383,610</u>
NET ASSETS, end of year	\$ <u>(191,964)</u>	<u>1,542,162</u>	<u>1,350,198</u>

See notes to financial statements.

# COLLEGESPRING, INC.

## STATEMENT OF FUNCTIONAL EXPENSES

Year ended September 30, 2017

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 1,384,170	144,572	479,272	2,008,014
Payroll taxes	110,188	18,006	33,946	162,140
Employee benefits	116,121	10,104	48,869	175,094
Supplies	44,725	7,093	8,717	60,535
Travel	119,532	17,110	20,569	157,211
Consultants	41,379	56,468	493	98,340
Legal and accounting	106,884	53,907	-	160,791
Recruiting	16,771	71,196	16,868	104,835
Seasonal staffing	35,646	-	-	35,646
Other outside services	90	11,909	33,204	45,203
Staff training and development	38,825	2,923	3,872	45,620
Rent	86,145	17,509	12,500	116,154
Insurance	5,397	784	1,825	8,006
IT expenses	20,238	15,645	27,895	63,778
Licenses and fees	299	1,623	-	1,922
Telephone and utilities	24,702	5,733	1,642	32,077
Depreciation	-	204	2,064	2,268
Other	<u>130,171</u>	<u>16,094</u>	<u>5,460</u>	<u>151,725</u>
	<u>\$ 2,281,283</u>	<u>450,880</u>	<u>697,196</u>	<u>3,429,359</u>

See notes to financial statements.



# COLLEGESPRING, INC.

## STATEMENT OF FUNCTIONAL EXPENSES

Year ended September 30, 2016

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 1,333,940	185,021	453,430	1,972,391
Payroll taxes	110,304	21,895	31,751	163,950
Employee benefits	125,769	15,694	44,160	185,623
Supplies	54,847	5,724	8,614	69,185
Travel	111,462	15,099	31,368	157,929
Consultants	81,809	24,323	10,061	116,193
Legal and accounting	137,939	108,006	-	245,945
Recruiting	32,242	18,920	7,050	58,212
Seasonal staffing	14,097	-	22	14,119
Other outside services	9,990	1,523	4,930	16,443
Staff training and development	41,032	4,391	7,144	52,567
Rent	84,958	9,429	11,135	105,522
Insurance	4,610	680	1,559	6,849
IT expenses	44,163	3,936	9,309	57,408
Licenses and fees	-	592	-	592
Telephone and utilities	28,278	6,101	4,762	39,141
Depreciation	240	318	2,972	3,530
Other	<u>129,897</u>	<u>12,011</u>	<u>13,567</u>	<u>155,475</u>
	<u>\$ 2,345,577</u>	<u>433,663</u>	<u>641,834</u>	<u>3,421,074</u>

See notes to financial statements.

# COLLEGESPRING, INC.

## STATEMENTS OF CASH FLOWS

Years ended September 30, 2017 and September 30, 2016

	<u>2017</u>	<u>2016</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 549,057	966,588
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Depreciation	2,268	3,530
(Increase) decrease in:		
Receivables	(150,089)	(857,709)
Prepaid expenses	(17,741)	1,750
Deposits	1,667	-
Increase (decrease) in:		
Accounts payable	23,941	(41,383)
Accrued expenses	24,862	24,209
Deferred revenue	<u>(15,211)</u>	<u>76,846</u>
Net cash provided by operating activities	<u>418,754</u>	<u>173,831</u>
Net increase in cash	418,754	173,831
CASH, beginning of year	<u>584,380</u>	<u>410,549</u>
CASH, end of year	<u>\$ 1,003,134</u>	<u>584,380</u>

See notes to financial statements.

# COLLEGESPRING, INC.

## NOTES TO FINANCIAL STATEMENTS

September 30, 2017

### (1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Date of Management's Review

Subsequent events were evaluated through January 30, 2018, which is when the financial statements were available to be issued.

#### Nature of Activities

CollegeSpring, Inc. (the "Organization") was incorporated in 2009 and offers a SAT preparation curriculum tailored to the needs of low-income students. The Organization also offers a personalized college counseling service that helps students through the college admissions process. The programs are offered through partnerships with schools and community organizations mainly in the San Francisco Bay Area, greater Los Angeles and New York City.

The Organization receives contributions from individuals and foundations. The Organization also charges a fee for the services it provides.

#### Basis of Accounting

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

#### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

#### Financial Statement Presentation

The Organization is required to report information regarding its financial position and activities according to three classes of net assets as follows:

*Unrestricted net assets* generally have no donor-imposed restrictions. This category includes those revenues and expenses associated with programs and supporting services.

*Temporarily restricted net assets* include gifts for which donor-imposed restrictions have not been met and funds for which the ultimate purpose of the proceeds is not permanently restricted.

*Permanently restricted net assets* include gifts that require by donor-imposed restriction that the corpus be invested in perpetuity and only the income be made available for Organization operations in accordance with donor restrictions, if any.

# COLLEGESPRING, INC.

## NOTES TO FINANCIAL STATEMENTS, CONTINUED

September 30, 2017

### (1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

#### Cash and Cash Equivalents

All cash in bank accounts and short-term investments with a maturity of three months or less are considered cash and cash equivalents. During the fiscal years ended September 30, 2017 and September 30, 2016, the Organization was required by a grantor to hold cash in a separate bank account.

#### Expense Allocation

The costs of providing program and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated, principally on a direct cost basis, among the program and supporting service benefited.

#### Fair Value of Financial Instruments

The Organization's financial instruments are cash, receivables, and accounts payable. The recorded values approximate their fair values based on their short-term nature.

#### Property and Equipment

Acquisitions of property and equipment in excess of \$2,000 are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation.

#### Depreciation

Depreciation of computer equipment and furniture is provided on the straight-line method over the estimated useful lives of the assets ranging from five to seven years.

#### Deferred Revenue

Deferred revenue consists of the unearned portion of program service fees that were collected prior to the end of the year.

#### Contributed Support

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted net assets depending on the existence or nature of any donor restrictions. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as a temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. The Organization chooses to show restricted contributions whose restrictions are met in the same reporting period as restricted contributions and a reclassification to unrestricted net assets.

# COLLEGESPRING, INC.

## NOTES TO FINANCIAL STATEMENTS, CONTINUED

September 30, 2017

### (1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

#### Contributed Support, Continued

Unconditional promises to give are recorded as revenues and pledges receivable when the promise is made. In the first year a pledge is made, the pledge receivable is recorded at its fair value by applying a discount rate (risk-free rate plus a risk premium) to the probability weighted cash flows for each year in which the cash is expected to be received. In subsequent years, amortization of the discount is credited to contribution income. Pledges that are expected to be received in one year are reported without a discount.

#### In-kind Support

The Organization records various types of in-kind support including professional services and tangible assets. Contributed professional services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at fair value when received.

Additionally, the Organization receives contributed time that does not meet the recognition criteria described above. Accordingly, the value of this contributed time has not been determined and is not reflected in the accompanying financial statements.

#### Allowance for Doubtful Accounts

The Organization considers accounts and pledges receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required.

#### Income Taxes

CollegeSpring, Inc. is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code.

Generally accepted accounting principles provide accounting and disclosure guidance about positions taken by an entity in its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination. The Organization's returns are subject to examination by federal and state taxing authorities, generally for three years and four years, respectively, after they are filed.

# COLLEGESPRING, INC.

## NOTES TO FINANCIAL STATEMENTS, CONTINUED

September 30, 2017

### (2) RECEIVABLES

Receivables at September 30, 2017 and September 30, 2016 consist of the following:

	<u>2017</u>	<u>2016</u>
Pledges receivable	\$ 673,333	479,333
Program service fees	<u>107,176</u>	<u>76,958</u>
	<u>\$ 780,509</u>	<u>556,291</u>

### (3) PLEDGES RECEIVABLE

Pledges receivable at September 30, 2017 and September 30, 2016 consist of the following:

	<u>2017</u>	<u>2016</u>
Amounts due in:		
Less than one year, included in receivables	\$ <u>673,333</u>	<u>479,333</u>
One to four years	580,000	657,523
Less discount to present value	<u>48,723</u>	<u>52,117</u>
Pledges receivable, net	<u>531,277</u>	<u>605,406</u>
	<u>\$ 1,204,610</u>	<u>1,084,739</u>

A discount for contributions receivable to be collected over periods longer than one year from date of contribution is provided using a risk-adjustment rate of return. The discount rate used was 5%.

In 2016, the Organization received a multi-level conditional promise of \$1,039,528 representing a grant from a foundation for organizational capacity enhancements. The Organization recognized \$313,300 and \$473,100 from this grant in 2017 and 2016, respectively. The remaining grant of \$253,128 will be recorded when the conditions of the grant are met.

# COLLEGESPRING, INC.

## NOTES TO FINANCIAL STATEMENTS, CONTINUED

September 30, 2017

(4) **DEFERRED REVENUE**

The Organization had the following commitments to provide programs at various schools for the upcoming academic year as of September 30, 2017 and September 30, 2016:

	<u>2017</u>	<u>2016</u>
Commitments:		
Bay Area schools	\$ 201,300	185,325
Los Angeles schools	518,775	435,775
New York schools	<u>264,560</u>	<u>151,435</u>
	984,635	772,535
Uncollected at end of year	<u>(598,063)</u>	<u>(409,751)</u>
	386,572	362,784
Earned during the year	<u>(176,448)</u>	<u>(137,449)</u>
Deferred revenue at end of year	\$ <u>210,124</u>	<u>225,335</u>

(5) **RELATED PARTY TRANSACTIONS**

Public support includes \$644,929 and \$617,980 in contributions from board members for the years ended September 30, 2017 and September 30, 2016, respectively.

(6) **TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets at September 30, 2017 and September 30, 2016 are restricted by the donors for the purposes described below:

	<u>2017</u>	<u>2016</u>
Organizational capacity enhancements	\$ 208,182	109,584
Los Angeles programs	128,582	190,098
Bay Area programs	179,643	182,581
Time-restricted pledges receivable	<u>1,126,338</u>	<u>1,059,899</u>
	\$ <u>1,642,745</u>	<u>1,542,162</u>

# COLLEGESPRING, INC.

## NOTES TO FINANCIAL STATEMENTS, CONTINUED

September 30, 2017

### (7) NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of other events specified by donors, including the passage of time. Net assets were released from purpose restriction for the years ended September 30, 2017 and September 30, 2016 as follows:

	<u>2017</u>	<u>2016</u>
Los Angeles programs	\$ 161,516	235,503
Bay Area programs	292,937	128,765
New York programs	-	107,351
Organizational capacity enhancements	423,074	347,771
Collect pledges receivable	<u>464,333</u>	<u>83,000</u>
	<u>\$ 1,341,860</u>	<u>902,390</u>

### (8) IN-KIND SUPPORT

The Organization received the following in-kind support during the years ended September 30, 2017 and September 30, 2016:

	<u>2017</u>	<u>2016</u>
SAT study booklets and supplies	\$ -	4,666
New York office space	106,854	133,273
Professional fees	<u>13,958</u>	<u>67,904</u>
	<u>\$ 120,812</u>	<u>205,843</u>

### (9) COMMITMENTS

The Organization leases office space in Los Angeles at a monthly rent of \$4,916. The lease expires in May 2018. The Organization also rents office space in Oakland under a sublease. The lease is payable in average monthly payments of \$4,527. The lease expires in June 2019. The remaining obligations under the leases are as follows:

<u>Year ended September 30,</u>	
2018	\$ 100,704
2019	<u>42,032</u>
	<u>\$ 142,736</u>



# COLLEGESPRING, INC.

## NOTES TO FINANCIAL STATEMENTS, CONTINUED

September 30, 2017

(10) **EMPLOYEE BENEFIT PLAN**

The Organization offers a contributory retirement savings plan under Section 403(b) of the Internal Revenue Code to substantially all employees who work at least 1,000 hours per year. The Organization makes discretionary matching contributions based on the employees' elective deferrals. The Organization contributed \$18,123 and \$20,516 to the Plan for the years ended September 30, 2017 and September 30, 2016, respectively.

(11) **CONCENTRATION OF CREDIT RISK**

Cash includes accounts at Wells Fargo Bank in excess of \$250,000. The accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000. Therefore, a portion of the Organization's cash balance is uninsured at September 30, 2017.