

COLLEGESPRING, INC.

INDEPENDENT AUDITORS' REPORT

Financial Statements

September 30, 2015

COLLEGESPRING, INC.

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September 30, 2015 and September 30, 2014

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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 statement of financial position as of September 30, 2015 and September 30, 2014, 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 audit 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 Organization'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 Organization'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.

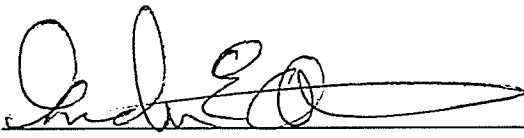
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2015 and 2014, 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.

PFAHNL & HUNT ACCOUNTANCY CORPORATION

By  _____
Gordon E. Ostrem, CPA

San Jose, California
March 15, 2016

COLLEGESPRING, INC.

STATEMENT OF FINANCIAL POSITION

September 30, 2015 and September 30, 2014

<u>ASSETS</u>	<u>2015</u>	<u>2014</u>
CURRENT ASSETS:		
Cash	\$ 408,984	452,109
Cash - restricted	1,565	111,877
Receivables	237,773	169,917
Prepaid expenses	<u>26,987</u>	<u>75,599</u>
Total current assets	<u>675,309</u>	<u>809,502</u>
PROPERTY AND EQUIPMENT, at cost:		
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>29,310</u>	<u>21,718</u>
Total property and equipment, net	<u>6,962</u>	<u>14,554</u>
PLEDGES RECEIVABLE	<u>66,215</u>	<u>132,108</u>
DEPOSITS	<u>12,767</u>	<u>12,767</u>
Total assets	\$ <u>761,253</u>	<u>968,931</u>
 <u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Accounts payable	\$ 51,466	40,589
Accrued expenses	177,688	151,402
Deferred revenue	<u>148,489</u>	<u>124,433</u>
Total current liabilities	<u>377,643</u>	<u>316,424</u>
NET ASSETS:		
Unrestricted	(248,957)	195,938
Temporarily restricted	<u>632,567</u>	<u>456,569</u>
Total net assets	<u>383,610</u>	<u>652,507</u>
Total liabilities and net assets	\$ <u>761,253</u>	<u>968,931</u>

See notes to financial statements.

COLLEGESPRING, INC.

STATEMENT OF ACTIVITIES

Year ended September 30, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE:			
Public support:			
Cash	\$ 1,266,704	1,062,144	2,328,848
In-kind	<u>126,133</u>	<u>-</u>	<u>126,133</u>
Total public support	1,392,837	1,062,144	2,454,981
Interest income	63	132	195
Program service fees	546,172	-	546,172
Miscellaneous	1,250	-	1,250
Net assets released from restrictions	<u>886,278</u>	<u>(886,278)</u>	<u>-</u>
Total revenue	<u>2,826,600</u>	<u>175,998</u>	<u>3,002,598</u>
EXPENSES:			
Program	2,200,404	-	2,200,404
Management and general	540,367	-	540,367
Fundraising	<u>530,724</u>	<u>-</u>	<u>530,724</u>
Total expenses	<u>3,271,495</u>	<u>-</u>	<u>3,271,495</u>
Change in net assets	(444,895)	175,998	(268,897)
NET ASSETS, beginning of year	<u>195,938</u>	<u>456,569</u>	<u>652,507</u>
NET ASSETS, end of year	<u>\$ (248,957)</u>	<u>632,567</u>	<u>383,610</u>

See notes to financial statements.

COLLEGESPRING, INC.

STATEMENT OF ACTIVITIES

Year ended September 30, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE:			
Public support:			
Cash	\$ 1,273,980	1,380,448	2,654,428
In-kind	<u>195,519</u>	<u>-</u>	<u>195,519</u>
Total public support	1,469,499	1,380,448	2,849,947
Interest income	218	208	426
Program service fees	566,407	-	566,407
Miscellaneous	2,750	-	2,750
Net assets released from restrictions	<u>1,331,226</u>	<u>(1,331,226)</u>	<u>-</u>
Total revenue	<u>3,370,100</u>	<u>49,430</u>	<u>3,419,530</u>
EXPENSES:			
Program	2,118,496	-	2,118,496
Management and general	553,800	-	553,800
Fundraising	<u>510,556</u>	<u>-</u>	<u>510,556</u>
Total expenses	<u>3,182,852</u>	<u>-</u>	<u>3,182,852</u>
Change in net assets	187,248	49,430	236,678
NET ASSETS , beginning of year	<u>8,690</u>	<u>407,139</u>	<u>415,829</u>
NET ASSETS , end of year	<u>\$ 195,938</u>	<u>456,569</u>	<u>652,507</u>

See notes to financial statements.

COLLEGESPRING, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year ended September 30, 2015

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 1,258,410	243,083	362,633	1,864,126
Payroll taxes	113,442	22,711	28,020	164,173
Employee benefits	110,746	27,623	37,556	175,925
Supplies	138,665	8,634	4,640	151,939
Travel	152,565	36,063	39,698	228,326
Consultants	71,505	47,991	11,886	131,382
Legal and accounting	-	97,584	-	97,584
Recruiting	38,445	1,962	180	40,587
Seasonal staffing	20,192	-	-	20,192
Other outside services	2,508	6,534	7,290	16,332
Staff training and development	31,173	7,488	7,676	46,337
Rent	166,176	7,786	7,786	181,748
Insurance	4,484	966	1,025	6,475
IT expenses	26,492	12,173	9,912	48,577
Licenses and fees	-	261	-	261
Telephone and utilities	21,908	9,615	2,644	34,167
Depreciation	5,314	1,063	1,215	7,592
Other	<u>38,379</u>	<u>8,830</u>	<u>8,563</u>	<u>55,772</u>
	<u>\$ 2,200,404</u>	<u>540,367</u>	<u>530,724</u>	<u>3,271,495</u>

See notes to financial statements.

COLLEGESPRING, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year ended September 30, 2014

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 1,257,254	238,847	321,763	1,817,864
Payroll taxes	113,598	18,541	24,722	156,861
Employee benefits	88,834	24,785	27,827	141,446
Supplies	153,707	7,299	11,951	172,957
Travel	151,679	37,100	40,795	229,574
Consultants	27,078	58,517	1,588	87,183
Legal and accounting	-	85,521	-	85,521
Recruiting	26,946	33,085	1,467	61,498
Seasonal staffing	30,190	-	-	30,190
Other outside services	10,866	6,811	25,362	43,039
Staff training and development	37,302	11,610	6,778	55,690
Rent	99,634	6,397	11,050	117,081
Insurance	3,534	675	909	5,118
IT expenses	56,751	6,972	18,591	82,314
Licenses and fees	885	633	114	1,632
Telephone and utilities	18,995	4,087	6,092	29,174
Depreciation	6,532	1,120	1,680	9,332
Other	<u>34,711</u>	<u>11,800</u>	<u>9,867</u>	<u>56,378</u>
	<u>\$ 2,118,496</u>	<u>553,800</u>	<u>510,556</u>	<u>3,182,852</u>

See notes to financial statements.

COLLEGESPRING, INC.

STATEMENT OF CASH FLOWS

Years ended September 30, 2015 and September 30, 2014

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (268,897)	236,678
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Depreciation	7,592	9,332
(Increase) decrease in:		
Receivables	(1,963)	(54,448)
Prepaid expenses	48,612	(53,775)
Deposits	-	(1,352)
Increase in:		
Accounts payable	10,877	(3,923)
Accrued expenses	26,286	71,537
Deferred revenue	<u>24,056</u>	<u>(104,349)</u>
Net cash provided (used) by operating activities	<u>(153,437)</u>	<u>99,700</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	<u>-</u>	<u>(3,625)</u>
Net cash provided (used) by investing activities	<u>-</u>	<u>(3,625)</u>
Net increase (decrease) in cash	(153,437)	96,075
CASH, beginning of year	<u>563,986</u>	<u>467,911</u>
CASH, end of year	\$ <u>410,549</u>	<u>563,986</u>

See notes to financial statements.

COLLEGESPRING, INC.

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Date of Management's Review

Subsequent events were evaluated through March 15, 2016, 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 and Los Angeles. The Organization began expansion to New York during the year ended September 30, 2014.

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 which 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, 2015

(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, 2015 and September 30, 2014, 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, 2015

(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 which does not meet the two 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 double 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, 2015

(2) RECEIVABLES

Receivables at September 30, 2015 and September 30, 2014 consist of the following:

	<u>2015</u>	<u>2014</u>
Pledges receivable	\$ 184,000	124,250
Program service fees	<u>53,773</u>	<u>45,667</u>
	<u>\$ 237,773</u>	<u>169,917</u>

(3) PLEDGES RECEIVABLE

Pledges receivable at September 30, 2015 and September 30, 2014 consist of the following:

	<u>2015</u>	<u>2014</u>
Amounts due in:		
Less than one year, included in receivables	\$ <u>184,000</u>	<u>124,250</u>
One to four years	70,000	142,500
Less discount to present value	<u>3,785</u>	<u>10,392</u>
Pledges receivable, net	<u>66,215</u>	<u>132,108</u>
	<u>\$ 250,215</u>	<u>256,358</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%.

The Organization has a conditional promise of \$100,000 at September 30, 2015 representing a grant from a foundation for organizational capacity enhancements. The revenue will be recorded when the conditions are met.

COLLEGESPRING, INC.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

September 30, 2015

(4) DEFERRED REVENUE

The Organization had the following commitments to provide programs at various schools for the upcoming academic year as of September 30, 2015 and September 30, 2014:

	<u>2015</u>	<u>2015</u>
Commitments:		
Bay Area schools	\$ 43,300	60,540
Los Angeles schools	332,870	200,430
New York schools	<u>264,023</u>	<u>72,750</u>
	640,193	333,720
Uncollected at end of year	<u>(462,653)</u>	<u>(185,970)</u>
	177,540	147,750
Earned during the year	<u>(29,051)</u>	<u>(23,317)</u>
Deferred revenue at end of year	\$ <u>148,489</u>	<u>124,433</u>

(5) RELATED PARTY TRANSACTIONS

Public support includes \$665,016 and \$305,500 in contributions from board members for the years ended September 30, 2015 and September 30, 2014, respectively.

(6) TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at September 30, 2015 and September 30, 2014 are restricted by the donors for the purposes described below:

	<u>2015</u>	<u>2014</u>
Organizational capacity enhancements	\$ 39,055	131,175
Los Angeles programs	225,601	19,036
Bay Area programs	141,345	50,000
New York programs	77,351	-
Time-restricted pledges receivable	<u>149,215</u>	<u>256,358</u>
	\$ <u>632,567</u>	<u>456,569</u>

COLLEGESPRING, INC.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

September 30, 2015

(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, 2015 and September 30, 2014 as follows:

	<u>2015</u>	<u>2014</u>
Los Angeles programs	\$ 50,064	410,180
Bay Area programs	73,655	166,650
New York programs	39,159	169,258
Organizational capacity enhancements	599,150	560,138
Collect pledges receivable	<u>124,250</u>	<u>25,000</u>
	<u>\$ 886,278</u>	<u>1,331,226</u>

(8) IN-KIND SUPPORT

The Organization received the following in-kind support during the year ended September 30, 2015 and September 30, 2014:

	<u>2015</u>	<u>2014</u>
SAT study booklets and supplies	\$ 50	111,848
New York office space	83,000	35,000
Professional fees	<u>43,083</u>	<u>48,671</u>
	<u>\$ 126,133</u>	<u>195,519</u>

COLLEGESPRING, INC.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

September 30, 2015

(9) COMMITMENTS

The Organization leases office space in San Francisco at a monthly rent of \$3,167 plus utilities. The lease expires in November 2016. The Organization also leases office space in Los Angeles at a monthly rent of \$4,916. The lease expires in May 2018. The remaining obligations under the leases are as follows:

2016	\$ 104,924
2017	75,560
2018	<u>46,404</u>
	\$ <u>226,888</u>

(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 \$25,471 and \$13,231 to the Plan for the years ended September 30, 2015 and September 30, 2014, 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, 2015.