

CollegeSpring, Inc.

Financial Statements &
Independent Auditor's Report
for the Year Ended
June 30, 2021

COOK &
COMPANY

A PROFESSIONAL ACCOUNTANCY CORPORATION

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A PROFESSIONAL ACCOUNTANCY CORPORATION

Independent Auditor's Report

To the Board of Directors
CollegeSpring, Inc.
Oakland, California

We have audited the accompanying financial statements CollegeSpring, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2021, the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including an assessment of the risks of the 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.

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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 June 30, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Cook & Company

A Professional Accountancy Corporation
San Francisco, California
December 10, 2021

CollegeSpring, Inc.

Statement of Financial Position

June 30, 2021

ASSETS

Current Assets

Cash and cash equivalents	\$ 2,515,770
Contributions receivable, current (Note 3)	370,000
Accounts receivable	10,203
Prepaid expenses	37,392
Total current assets	<u>2,933,365</u>
Contributions receivable, non-current (Note 3)	90,703
Property and equipment, net (Note 4)	3,433
Total assets	<u><u>\$ 3,027,501</u></u>

LIABILITIES & NET ASSETS

Current Liabilities

Accounts payable	\$ 32,628
Accrued payroll	137,187
Accrued vacation	94,309
Total current liabilities	<u>264,124</u>
Long-term debt	-
Total liabilities	<u><u>264,124</u></u>

Net Assets

Without donor restrictions	2,302,673
With donor restrictions (Note 5)	460,704
Total net assets	<u>2,763,377</u>
Total liabilities and net assets	<u><u>\$ 3,027,501</u></u>

See accompanying notes to financial statements and independent auditor's report.

CollegeSpring, Inc.

Statement of Activities & Changes in Net Assets for the Year Ended June 30, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and Revenue			
Contributions	\$ 970,893	\$ 1,075,776	\$ 2,046,669
In-kind support (Note 6)	144,560	-	144,560
Fees for services	313,026	-	313,026
Interest income	1,226	-	1,226
Forgiveness of PPP loan	435,300	-	435,300
Other revenue	831	-	831
Net assets released from restriction	1,849,792	(1,849,792)	-
Total revenue and support	<u>3,715,628</u>	<u>(774,016)</u>	<u>2,941,612</u>
Expenses			
Program services	1,325,537	-	1,325,537
Management and general	1,051,520	-	1,051,520
Fundraising / development	330,899	-	330,899
Total expenses	<u>2,707,956</u>	<u>-</u>	<u>2,707,956</u>
Change in Net Assets	1,007,672	(774,016)	233,656
Net Assets, Beginning of Year	<u>1,295,001</u>	<u>1,234,720</u>	<u>2,529,721</u>
Net Assets, End of Year	<u>\$ 2,302,673</u>	<u>\$ 460,704</u>	<u>\$ 2,763,377</u>

See accompanying notes to financial statements and independent auditor's report.

CollegeSpring, Inc.

Statement of Functional Expenses for the Year Ended June 30, 2021

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising / Development</u>	<u>Total</u>
Salaries	\$ 776,348	\$ 701,664	\$ 264,275	\$ 1,742,287
Employee benefits	58,358	52,870	19,913	131,141
Payroll taxes	64,217	58,180	21,914	144,311
Accounting fees	-	68,179	-	68,179
Other contractors & consultants	77,674	33,681	7,741	119,096
Office expenses	2,210	2,109	611	4,930
Information technology	9,226	16,967	9,339	35,532
Occupancy	157,137	269	148	157,554
Travel & meals	60	364	-	424
Staff training & development	10,640	4,797	3,348	18,785
Depreciation & amortization	2,480	-	-	2,480
Insurance	3,803	1,971	1,085	6,859
Program & curriculum materials	104,172	122	-	104,294
Dues & subscriptions	9,675	4,587	2,525	16,787
In-kind expenses (Note 6)	49,501	95,059	-	144,560
Other expenses	36	10,701	-	10,737
Total	<u>\$ 1,325,537</u>	<u>\$ 1,051,520</u>	<u>\$ 330,899</u>	<u>\$ 2,707,956</u>

See accompanying notes to financial statements and independent auditor's report.

CollegeSpring, Inc.

Statement of Cash Flows for the Year Ended June 30, 2021

Cash flows from operating activities:	
Cash received from grantors/contributors	\$ 2,729,810
Cash received from payments of program fees	311,683
Interest received	1,226
Cash received from other sources	831
Cash generated from operating activities	<u>3,043,550</u>
Cash paid to, or for the benefit of, employees	(1,949,584)
Cash paid to contractors and suppliers	(564,087)
Cash disbursed for operating activities	<u>(2,513,671)</u>
Net cash flows generated from operating activities	529,879
NET INCREASE IN CASH	529,879
CASH & CASH EQUIVALENTS, beginning of year	<u>1,985,891</u>
CASH & CASH EQUIVALENTS, end of year	<u><u>\$ 2,515,770</u></u>

Supplemental information:

Reconciliation of change in net assets to cash flows generated from operating activities

Change in net assets	\$ 233,656
Adjustments to reconcile change in net assets to net cash from (used for) operating activities	
Forgiveness of debt	(435,300)
Depreciation expense	2,480
Changes in assets and liabilities:	
Contributions receivable	683,141
Accounts receivable	(1,343)
Prepaid expenses	(22,845)
Accounts payable	1,935
Accrued payroll	58,593
Accrued vacation	9,562
Deferred revenue	-
Net cash flows generated from operating activities	<u><u>\$ 529,879</u></u>

See accompanying notes to financial statements and independent auditor's report.

CollegeSpring, Inc.

Notes to Financial Statements June 30, 2021

1. The Organization

Nature of Activities

CollegeSpring, Inc. (the Organization) is a nonprofit organization whose mission is to narrow the college opportunity gap by offering a high-quality SAT and college preparation program that lifts the aspirations and outcomes of low-income students and empowers them to act as beacons of what is possible for their communities.

Program Description

The Organization offers personalized training, support, and ongoing coaching to teachers at their partner schools to deliver the CollegeSpring SAT preparation curriculum to their students across eight states plus the District of Columbia.

Funding

The Organization receives contributions from individuals, foundations and corporations. In addition, revenue is earned through fee-for-service contracts with schools and community organizations.

2. Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements are prepared on the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America. Under the accrual basis of accounting, support is recognized when it is awarded, revenue is recognized when it is earned and realizable, and expenses are recognized when they are incurred.

Cash and Equivalents

Cash and equivalents include deposits held in bank checking and savings accounts.

Contributions Receivable

Contributions receivable are recorded based on formal, written promises received from donors. Since all amounts are deemed fully collectible, there is no allowance for doubtful accounts reflected in the financial statements.

Amounts due within one year are presented as current and stated at face value on the statement of financial position, while amounts due in one to two years are presented as non-current and discounted to present value using an annual rate of 5%.

Fair Value of Financial Instruments

The carrying amounts of cash, accounts receivables, and accounts payable approximate fair value because of the short maturity of these instruments.

Property & Equipment

Property and equipment consist of office furnishings and equipment. Assets with an initial cost (or fair market value if donated) of \$2,000 or more are capitalized and depreciated using the straight-line method over their estimated useful lives, which is three to five years for assets currently in service.

CollegeSpring, Inc.

Notes to Financial Statements June 30, 2021

Long-Term Debt

During the year ended June 30, 2020, the Organization received a forgivable loan as part of the Paycheck Protection Program (PPP) through the U.S. Small Business Administration. Nonprofit organizations have the option of treating the funding from this program as a conditional government grant in accordance with ASC 958 or as debt in accordance with ASC 470. Because the Organization elected the latter method, the total amount received was classified as long-term debt on the statement of financial position. The terms of the loan specified an annual interest rate of 1% and repayment period of two years. The loan was forgiven on June 30, 2021 and recognized as income on that date.

Net Assets

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

Net assets without donor restrictions, which includes resources not subject to, or no longer subject to, donor-imposed stipulations.

Net assets with donor restrictions, which includes resources whose use is limited by donor-imposed time and/or purpose restrictions.

Recognition of Support and Revenue

The Organization recognizes support and revenue in accordance with the provisions of ASC 958 and ASC 606, respectively. Amounts received are generally considered contributions recognizable under ASC 958 when the funding sources do not receive direct commensurate value in exchange for their payments. Conversely, amounts received from a funding source to provide services directly to the resource provider are considered contracts with customers recognizable under ASC 606.

Contributions

The Organization recognizes contributions when it receives cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest.

Contributions are reported as increases in *net assets without donor restrictions* unless use of the contributed assets is limited by donor-imposed stipulations. Expirations of donor-restrictions (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 contributions

Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

In-kind Support

Non-cash contributions, consisting of donated use of office facilities and various pro bono legal services, are recognized at their estimated fair market value as of the date of receipt. In-kind services are only recognized if they require specialized skills, are provided by volunteers who possess those skills, and would have to be purchased if not donated.

CollegeSpring, Inc.

Notes to Financial Statements June 30, 2021

Due to the fact that certain assumptions must be made when calculating and recording in-kind support, it is at least reasonably possible that the actual value of services received differs from the amount recorded in the financial statements.

Contracts with Customers

Revenues from contracts with customers (as defined by FASB ASC 606) are presented under the *fees for services* caption of the *statement of activities and changes in net assets*. These include amounts received for teacher training workshops and related services. Revenue is recognizable at the point in time when performance obligations are completed.

Amounts due under contracts with customers are invoiced after the respective contracts have been executed and are typically collected within 90 days. Payment is typically received during the year in which performance obligations are satisfied. However, the statement of financial position does reflect a nominal amount of accounts receivable pertaining to revenue recognized from performance obligations that have been satisfied as of fiscal year-end, but not yet collected by the Organization.

The Organization occasionally executes contracts in one fiscal year for services that will be performed in the subsequent fiscal year. Such unrecognized contract assets are excluded from the financial statements. As of June 30, 2021, unrecognized contract assets approximating \$30,000, for which no amounts were received in advance, were excluded from the accompanying financial statements. These contract assets are scheduled to be recognized during the 2021-2022 fiscal year when the underlying performance obligations are satisfied. As of June 30, 2020, unrecognized contract assets approximating \$106,000, for which no amounts were received in advance, were excluded from the financial statements for that fiscal year. These contract assets were recognized as revenue during the 2020-2021 fiscal year when the underlying performance obligations were satisfied.

There were no contract liabilities as of June 30, 2020 or June 30, 2021.

Functional Expenses

The Organization presents its expenses by function and natural category. *Program services* include the direct conduct and direct supervision of specific program activities. *Fundraising* includes efforts to solicit monetary and nonmonetary contributions. *Management & general* includes general oversight, the solicitation and administration of earned income, recordkeeping, regulatory compliance, governance, financial management, and all other activities that do not constitute the direct conduct or direct supervision of specific program services or fundraising activities.

Expenses that pertain to a single function are charged directly to the function's respective cost center / class in the Organization's accounting system.

Staff compensation is charged to each function based on the underlying job duties of employees. Approximately 13 of the Organization's 24 employees work exclusively in *program services* and were charged accordingly. Six individuals from senior management, finance, operations and human resources staff were charged entirely to *management & general*. The compensation expense for the chief of staff was divided equally between fundraising and management & general. Three individuals from the development and communications staff were charged entirely to fundraising, while one was allocated amongst fundraising and management & general.

CollegeSpring, Inc.

Notes to Financial Statements June 30, 2021

Other shared costs, primarily consisting of information technology and office expenses, were allocated according to the pro rata time and effort charged to each function.

Due to the fact that certain assumptions and judgments must be made when estimating staff time allocations, it is at least reasonably possible that actual amounts differ from the allocations reflected in the financial statements.

All advertising costs are expensed as incurred.

Income Taxes

As a public charity, the Organization is exempt from income taxes under Internal Revenue Code Section 501(c)(3), except on activities unrelated to its mission. Since management believes that all of the Organization's activities are directly related to its mission, no provision has been made for income tax expense. The Organization's federal *Return of Organization Exempt from Income Tax* (Form 990) filings for the tax years ending in 2019 through 2021 are subject to examination by the Internal Revenue Service, generally for three years after they were filed. The Organization's California *Exempt Organization Annual Information Return* (Form 199) filings for the tax years ending in 2018 through 2021 are subject to examination by the Franchise Tax Board, generally for four years after they were filed.

New Accounting Pronouncements

Accounting Standards Update No. 2014-09— *Revenue from Contracts with Customers (Topic 606)* (ASU 2014-09) was issued by the Financial Accounting Standards Board (FASB) in May 2014 and is effective for nonpublic entities in calendar years ending in 2020 and beyond.

This update supersedes or replaces nearly all GAAP revenue recognition guidance for reciprocal transactions. These standards establish a new five-step contract and control-based revenue recognition model, change the basis for deciding when revenue is recognized over time or at a point in time, and expand disclosures about revenue.

The enactment of this pronouncement is reflected in the Organization's financial statements for the year ended June 30, 2021. Analysis of various provisions of this standard resulted in no significant changes in the way the Organization recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

These financial statements also reflect the provisions Accounting Standards Update No. 2018-08— *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Made and Contributions Received* (ASU 2018-08), which the FASB enacted in June 2018 in response to concerns and questions relating to the applicability of ASU 2014-09 to nonprofit organizations.

This update provides enhanced guidance to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal) or exchange transactions (reciprocal) and (2) determining whether a contribution is conditional. The update will result in more governmental contracts being accounted for as contributions and may delay recognition for certain grants and contributions that no longer meet the definition of unconditional. This pronouncement was effective for calendar years ending in 2019 and beyond.

CollegeSpring, Inc.

Notes to Financial Statements June 30, 2021

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

3. Contributions Receivable

Current

Due within one year	\$370,000
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Non-current

Due in one to two years	100,000
Less: present value discount (at 5%)	<u>(9,297)</u>
Subtotal – non-current	90,703

Total	\$460,703
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4. Property & Equipment

Fixed assets as of June 30, 2021, are as follows:

Office Furniture	\$16,394
Computer & Equipment	<u>11,566</u>
Property & equipment, gross	27,960
Less: Accumulated depreciation	<u>(24,527)</u>
Property & Equipment, net	\$3,433

5. Net Assets with Donor Restrictions

The balance of net assets with donor restrictions at June 30, 2021, consisted of unspent awards restricted to the general support for future periods.

6. In-Kind Support

In-kind support received during the fiscal year and recognized as revenue and expense includes the following:

Donated use of office space	\$49,501
Pro bono legal services	
Licensing matters	37,610
General corporate matters	29,420
General employment law matters	<u>28,029</u>
Total	\$144,560

CollegeSpring, Inc.

Notes to Financial Statements June 30, 2021

7. Office Leases

During the year ended June 30, 2021, the Organization rented office space in Oakland and Los Angeles under operating leases that expired in June 2021 and August 2021, respectively. Total rent expense was approximately \$157,000 for the fiscal year. Future minimum lease payments as of June 30, 2021, were \$14,442 for the fiscal year ending June 30, 2022. (These leases were not renewed. Rather, the Organization has transitioned employees to working remotely.)

8. Retirement Plan

The Organization maintains a defined contribution retirement plan under Section 403(b) of the Internal Revenue Code. Under the terms of the plan, the amount of any matching contribution shall be determined by the Organization on an annual basis. Employees are eligible to receive matching contributions once they have completed 750 hours of service over a period of one year. Total matching contributions for the year ended June 30, 2021, were \$11,743.

9. Contingencies, Risks & Uncertainties

COVID-19

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which may impact the Organization's ability to conduct program activities or raise contributions. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration. As such, the financial impact of this situation cannot be reasonably estimated at this time.

Funding Source Requirements

The Organization receives contributions and grants that are restricted for a specific program or purpose. If such restrictions are not met in accordance with the funding source agreement, there is the possibility that funds would have to be returned to the donor. It is management's opinion that all donor conditions have been met for grants and contributions that have either been recorded as unrestricted or for which donor restrictions have been released.

Cash Deposits in Excess of FDIC Insurance Limits

The Organization maintains substantially all of its cash deposits with one financial institution. Such amounts may at times exceed Federal Deposit Insurance Corporation limits, which is \$250,000 per depositor per institution. However, management believes the risk of loss is minimal. To date, the Organization has not experienced any losses in these accounts.

10. Management's Liquidity Disclosure

Financial assets available to meet cash needs for general expenditures within one year are as follows:

Cash & cash equivalents	\$2,515,770
Contributions receivable, current	370,000
Accounts receivable	<u>10,203</u>
Total	\$2,895,973

CollegeSpring, Inc.

Notes to Financial Statements June 30, 2021

The Organization has \$2,895,973 of financial assets available within one year of *the statement of financial position* date to meet cash needs for general expenditures, consisting of cash of \$2,515,770. The Organization has a goal of maintaining financial assets, which consist of cash and short-term investments, on hand to meet 180 days of normal operating expense. As part of its liquidity management, The Organization invests cash in various short-term investments, including certificates of deposit with staggered expiration dates. The Organization monitors liquidity required to meet its operating needs and other contractual commitments on a monthly basis.

11. Subsequent Events

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through December 10, 2021, the date the financial statements were available to be issued.