

CollegeSpring, Inc.

Financial Statements &
Independent Auditor's Report
for the Year Ended
June 30, 2020

COOK &
COMPANY

A PROFESSIONAL ACCOUNTANCY CORPORATION

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT	3
FINANCIAL STATEMENTS	5
Statement of Financial Position	5
Statement of Activities and Changes in Net Assets.....	6
Statement of Functional Expenses	7
Statement of Cash Flows	8
Notes to Financial Statements.....	9



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, 2020, 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.

(continued on next page)

(continued from previous page)

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, 2020, 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
February 2, 2021

CollegeSpring, Inc.

Statement of Financial Position

June 30, 2020

ASSETS

Current Assets

Cash and cash equivalents	\$ 1,985,891
Contributions receivable, current (Note 3)	740,000
Accounts receivable	8,860
Prepaid expenses	14,547
Total current assets	<u>2,749,298</u>
Contributions receivable, non-current (Note 3)	403,844
Property and equipment, net (Note 4)	5,913
Total assets	<u><u>\$ 3,159,055</u></u>

LIABILITIES & NET ASSETS

Current Liabilities

Accounts payable	\$ 30,693
Payroll liabilities	78,594
Accrued vacation	84,747
Total current liabilities	<u>194,034</u>
Long-term debt (Note 5)	<u>435,300</u>
Total liabilities	<u><u>629,334</u></u>

Net Assets

Without donor restrictions	1,295,001
With donor restrictions (Note 6)	<u>1,234,720</u>
Total net assets	<u>2,529,721</u>
Total liabilities and net assets	<u><u>\$ 3,159,055</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, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Contributions	\$ 1,081,245	\$ 2,101,649	\$ 3,182,894
In-kind support (Note 7)	95,801	-	95,801
Fees for services	738,985	-	738,985
Interest income	858	-	858
Net assets released from restrictions	1,787,202	(1,787,202)	-
Total revenue and support	3,704,091	314,447	4,018,538
Expenses			
Program services	2,303,452	-	2,303,452
Management and general	754,373	-	754,373
Fundraising / development	385,765	-	385,765
Total expenses	3,443,590	-	3,443,590
Change in Net Assets	260,501	314,447	574,948
Net Assets, Beginning of Year	1,034,500	920,273	1,954,773
Net Assets, End of Year	\$ 1,295,001	\$ 1,234,720	\$ 2,529,721

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

CollegeSpring, Inc.

Statement of Functional Expenses for the Year Ended June 30, 2020

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising / Development</u>	<u>Total</u>
Salaries	\$ 1,333,797	\$ 316,570	\$ 256,474	\$ 1,906,841
Employee benefits	119,412	28,342	22,961	170,715
Payroll taxes	102,671	24,368	19,743	146,782
Accounting fees	-	91,733	-	91,733
Other contractors & consultants	221,965	157,916	20,976	400,857
Office expenses	55,064	18,021	3,805	76,890
Information technology	90,566	13,896	14,786	119,248
Occupancy	111,642	26,476	21,458	159,576
Travel & meals	57,058	16,161	9,288	82,507
Staff training & development	15,096	2,990	2,559	20,645
Depreciation & amortization	2,480	-	-	2,480
Insurance	11,276	2,057	1,917	15,250
Program & curriculum materials	115,807	1,543	-	117,350
Dues & subscriptions	15,617	3,017	2,468	21,102
In-kind expenses (Note 7)	40,372	47,932	7,497	95,801
Other expenses	10,629	3,351	1,833	15,813
Total	<u>\$ 2,303,452</u>	<u>\$ 754,373</u>	<u>\$ 385,765</u>	<u>\$ 3,443,590</u>

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

CollegeSpring, Inc.

Statement of Cash Flows for the Year Ended June 30, 2020

Cash flows from operating activities:	
Cash received from grantors/contributors	\$ 2,807,839
Cash received from payments of program fees	744,134
Dividends and interest received	858
	<hr/>
Cash generated from operating activities	3,552,831
Cash paid to, or for the benefit of, employees	(2,256,098)
Cash paid to contractors and suppliers	(1,156,954)
	<hr/>
Cash disbursed for operating activities	(3,413,052)
	<hr/>
Net cash flows generated from operating activities	139,779
Cash flows from financing activities:	
Cash provided by PPP loan	435,300
	<hr/>
Net cash flows from financing activities	435,300
	<hr/>
NET INCREASE IN CASH	575,079
CASH & CASH EQUIVALENTS, beginning of year	1,410,812
	<hr/>
CASH & CASH EQUIVALENTS, end of year	\$ 1,985,891
	<hr/> <hr/>

Supplemental information:

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

Change in net assets	\$ 574,948
Adjustments to reconcile change in net assets to net cash from (used for) operating activities	
Depreciation expense	2,480
Changes in assets and liabilities:	
Contributions receivable	(375,055)
Accounts receivable	12,399
Prepaid expenses	364
Accounts payable	(36,347)
Accrued payroll	(23,586)
Accrued vacation	(8,174)
Deferred revenue	(7,250)
	<hr/>
Net cash flows generated from operating activities	\$ 139,779
	<hr/> <hr/>

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

CollegeSpring, Inc.

Notes to Financial Statements June 30, 2020

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.

The Organization offers personalized college counseling services that help students through the college counseling process, and works with schools and community organizations to deliver programs in the San Francisco Bay Area, greater Los Angeles and New York City.

Funding

The Organization receives contributions from individuals, foundations and corporations. In addition, a substantial amount of revenue is earned through fee-for-service contracts with various schools.

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.

Basis of Presentation

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.

Revenue Recognition

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. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in *net assets without donor restrictions* unless they are encumbered by explicit donor stipulation or by law. 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.

CollegeSpring, Inc.

Notes to Financial Statements June 30, 2020

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. At June 30, 2020, conditional contributions approximating \$300,800 for which no amounts had been received in advance, have not been recognized in the accompanying financial statements.

Non-cash (i.e. in-kind) contributions 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.

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 three 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.

Long-Term Debt

Long-term debt consists of a forgivable loan received from the Payroll 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 has elected the latter method, the total amount received is presented as long-term debt on the *statement of financial position*. Any amounts forgiven at a future date will be recognized as revenue on the date when the formal act of forgiveness occurs.

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, 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.

CollegeSpring, Inc.

Notes to Financial Statements June 30, 2020

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 two-thirds of the Organization's employees work exclusively in *program services* and are charged accordingly. Finance, operations and human resources staff are charged to *management & general*. Development/communications staff are generally allocated amongst *fundraising* and *management & general*, while the chief executive officer is allocated amongst all three functions. These allocations are recorded based on management's estimate of the respective employees' time and effort.

Other shared costs, primarily consisting of fringe benefits and occupancy expenses, are allocated according to each function's pro rata share of salaries expense.

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 2018 through 2020 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 2017 through 2020 are subject to examination by the Franchise Tax Board, generally for four years after they were filed.

Upcoming Accounting Pronouncement

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 will be reflected in the Organization's financial statements for the year ending June 30, 2021.

New Accounting Pronouncement in Effect

These financial statements 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

CollegeSpring, Inc.

Notes to Financial Statements June 30, 2020

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 is effective for calendar years ending in 2019 and beyond. There is no effect on the Organization's beginning net assets in connection with the enactment of ASU 2018-08.

3. Contributions Receivable

<i>Current</i>	
Due within one year	\$740,000
<i>Non-current</i>	
Due in one to three years	450,000
Less: present value discount (at 5%)	<u>(46,156)</u>
Subtotal – non-current	403,844
Grand total	\$1,143,844

4. Property & Equipment

Fixed assets as of June 30, 2020, are as follows:

Office Furniture	\$16,394
Computer & Equipment	<u>11,566</u>
Property & equipment, gross	27,960
Less: Accumulated depreciation	<u>(22,047)</u>
Property & Equipment, net	\$5,913

5. Long-Term Debt

Long-term debt consists of a Paycheck Protection Program loan that originated in April 2020. Repayment of principal and interest (accrued at an annual rate of 1%) is scheduled to begin approximately 16 months after the loan was funded and must be repaid within two years. The repayment amount may be reduced if some portion or all of the loan amount is subsequently forgiven.

CollegeSpring, Inc.

**Notes to Financial Statements
June 30, 2020**

6. Net Assets with Donor Restrictions

The balance of net assets with donor restrictions at June 30, 2020, consisted of unspent awards restricted to the following activities:

General support for future periods	\$1,177,438
Program support	<u>57,282</u>
Total	\$1,234,720

7. 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	\$57,674
Pro bono legal services	<u>38,127</u>
Total	\$95,801

8. Office Leases

The Organization rents office space in Oakland and Los Angeles under operating leases that expire in June 2021 and August 2021, respectively. Future minimum lease payments as of June 30, 2020, are as follows:

2020-2021	\$151,051
2021-2022	<u>14,442</u>
Total future minimum lease payments	\$165,493

9. 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, 2020, were \$7,152.

CollegeSpring, Inc.

Notes to Financial Statements June 30, 2020

10. 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.

11. Management's Liquidity Disclosure

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

Cash & cash equivalents	\$1,985,891
Contributions receivable, current	740,000
Accounts receivable	8,860
Less: net assets with purpose restrictions	<u>(57,282)</u>
Total	\$2,677,469

The Organization has \$2,677,469 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures, consisting substantially of cash (\$1,735,891) and short-term investments (\$250,000). The Organization has a goal of maintaining financial assets, which consist of cash and short-term investments, on hand to meet 90 days of normal operating expense, which totals, on average, approximately \$860,000. 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.

CollegeSpring, Inc.

**Notes to Financial Statements
June 30, 2020**

12. Subsequent Events

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through February 2, 2021, the date the financial statements were available to be issued.