



Financial Statements
June 30, 2016 and August 31, 2015
College Possible, Inc.

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Independent Auditor's Report

The Board of Directors
College Possible, Inc.
St. Paul, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of College Possible, Inc. (the Organization), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, cash flows, and functional expenses for the ten month period ended June 30, 2016, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 auditor's 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, 2016, and the changes in its net assets, its cash flows, and functional expenses for the ten month period ended June 30, 2016 in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Prior Year Information

We have previously audited the Organization's 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 7, 2015. In our opinion, the summarized prior year information presented herein as of and for the year ended August 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated December 9, 2016, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal controls over financial reporting and compliance.



Minneapolis, Minnesota
December 9, 2016

	<u>2016</u>	<u>2015</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 4,419,875	\$ 3,874,266
Accounts receivable	699,161	169,758
Promises to give	2,855,068	2,720,521
Prepaid expenses	284,163	355,837
Total current assets	<u>8,258,267</u>	<u>7,120,382</u>
Other Assets		
Investments	986,635	961,572
Promises to give, net	943,096	1,312,826
Total other assets	<u>1,929,731</u>	<u>2,274,398</u>
Equipment and Leasehold Improvements		
Computer software and equipment	696,179	589,320
Furniture and equipment	506,226	472,515
Leasehold improvements	77,810	77,810
	<u>1,280,215</u>	<u>1,139,645</u>
Less accumulated depreciation	<u>604,220</u>	<u>401,438</u>
Total equipment and leasehold improvements	<u>675,995</u>	<u>738,207</u>
	<u>\$ 10,863,993</u>	<u>\$ 10,132,987</u>

See Notes to Financial Statements

College Possible, Inc.
Statements of Financial Position
June 30, 2016 and August 31, 2015

	2016	2015
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 272,699	\$ 337,723
Accrued expenses	708,409	457,872
Deferred revenue	553,578	540,963
Capital lease obligation	12,295	16,100
	1,546,981	1,352,658
Long-Term Liabilities		
Accrued expenses - deferred compensation	30,000	30,000
Deferred rent	70,750	94,593
Capital lease obligation	33,338	32,485
	1,681,069	1,509,736
Net Assets		
Unrestricted		
Undesignated	2,140,020	1,638,876
Board-designated - program continuation funds	2,682,753	2,682,753
Total unrestricted	4,822,773	4,321,629
Temporarily restricted	4,360,151	4,301,622
	9,182,924	8,623,251
	\$ 10,863,993	\$ 10,132,987

College Possible, Inc.

Statements of Activities

For the Ten Month Period Ended June 30, 2016 (With Comparative Totals for the Year Ended August 31, 2015)

	2016			2015
	Unrestricted	Temporarily Restricted	Total	
Revenue, Support, and Gains				
Fee revenue				
Consortium fees	\$ 130,833	\$ -	\$ 130,833	\$ 56,667
Service fees	54,633	-	54,633	67,427
Total fee revenue	<u>185,466</u>	<u>-</u>	<u>185,466</u>	<u>124,094</u>
Support				
Contributions and grants	6,290,913	2,520,692	8,811,605	7,493,357
Government grants	3,118,164	-	3,118,164	2,095,848
Other contributions	1,609,642	-	1,609,642	1,503,173
Total support	<u>11,018,719</u>	<u>2,520,692</u>	<u>13,539,411</u>	<u>11,092,378</u>
Investment income (loss)	<u>30,365</u>	<u>-</u>	<u>30,365</u>	<u>(4,280)</u>
Net assets released from restrictions	<u>2,462,163</u>	<u>(2,462,163)</u>	<u>-</u>	<u>-</u>
Total revenue, support, and gains	<u>13,696,713</u>	<u>58,529</u>	<u>13,755,242</u>	<u>11,212,192</u>
Expenses				
Program services	10,598,950	-	10,598,950	9,747,646
General and administrative	1,359,031	-	1,359,031	1,391,582
Fundraising	1,237,588	-	1,237,588	1,095,169
Total expenses	<u>13,195,569</u>	<u>-</u>	<u>13,195,569</u>	<u>12,234,397</u>
Change in Net Assets	501,144	58,529	559,673	(1,022,205)
Net Assets, Beginning of Year	<u>4,321,629</u>	<u>4,301,622</u>	<u>8,623,251</u>	<u>9,645,456</u>
Net Assets, End of Year	<u>\$ 4,822,773</u>	<u>\$ 4,360,151</u>	<u>\$ 9,182,924</u>	<u>\$ 8,623,251</u>

College Possible, Inc.

Statements of Cash Flows

For the Ten Month Period Ended June 30, 2016 and Year Ended August 31, 2015

	<u>2016</u>	<u>2015</u>
Operating Activities		
Change in net assets	\$ 559,674	\$ (1,022,205)
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities		
Depreciation	202,782	212,000
Net realized gains and losses on investments	(7,662)	(41,805)
Net unrealized (gains) losses on investments	(902)	75,269
Changes in operating assets and liabilities		
Accounts receivable	(529,403)	76,127
Promises to give	235,183	(331,327)
Prepaid expenses	71,674	(211,624)
Accounts payable	(65,025)	258,293
Accrued expenses	250,537	2,702
Deferred revenue	12,615	540,963
Deferred rent	(23,843)	1,083
Net Cash from (used for) Operating Activities	<u>705,630</u>	<u>(440,524)</u>
Investing Activities		
Proceeds from sale of investments	175,511	458,079
Purchase of investments	(192,010)	(480,560)
Purchase of furniture and equipment	(140,570)	(333,472)
Net Cash used for Investing Activities	<u>(157,069)</u>	<u>(355,953)</u>
Cash used for Financing Activities		
Payments on capital lease obligation	<u>(2,952)</u>	<u>(34,587)</u>
Net Change in Cash and Cash Equivalents	545,609	(831,064)
Cash and Cash Equivalents, Beginning of Year	<u>3,874,266</u>	<u>4,705,330</u>
Cash and Cash Equivalents, End of Year	<u>\$ 4,419,875</u>	<u>\$ 3,874,266</u>

College Possible, Inc.
Statements of Functional Expenses

For the Ten Month Period Ended June 30, 2016 (With Comparative Totals for the Year Ended August 31, 2015)

	2016				2015
	Program Services	Fundraising	General and Administrative	Total	
Personnel Costs					
Salaries and stipends	\$ 5,552,052	\$ 654,154	\$ 887,781	\$ 7,093,987	\$ 6,242,414
Payroll taxes	418,229	50,534	68,581	537,344	491,769
Employee benefits	652,951	80,237	106,924	840,112	732,569
Total personnel costs	6,623,232	784,925	1,063,286	8,471,443	7,466,752
Consulting	35,595	80,595	36,363	152,553	262,471
Professional fees	102,790	26,603	100,854	230,247	193,288
Postage and supplies	82,517	22,425	28,549	133,491	95,884
Occupancy	2,217,205	28,959	39,302	2,285,466	2,224,433
Technology	468,952	20,085	27,258	516,295	517,872
Transportation and meetings	290,692	81,314	18,563	390,569	443,325
Staff acquisition, training, and recognition	182,931	28,507	15,756	227,194	305,941
Student support costs	342,179	-	-	342,179	251,179
Marketing and communication	30,434	154,649	17,183	202,266	227,553
Depreciation expense	185,106	7,928	9,748	202,782	212,000
Insurance and other	37,317	1,598	2,169	41,084	33,699
Total expenses	<u>\$ 10,598,950</u>	<u>\$ 1,237,588</u>	<u>\$ 1,359,031</u>	<u>\$ 13,195,569</u>	<u>\$ 12,234,397</u>
	<u>80.3%</u>	<u>9.4%</u>	<u>10.3%</u>	<u>100%</u>	

Note 1 - Principal Activity and Significant Accounting Policies

Organization

College Possible, Inc. (the Organization) is a national nonprofit organization dedicated to making college admission and success possible for low-income students through an intensive curriculum of coaching and support. Their mission is to identify low-income 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 more than 25,000 students in the 2015-16 academic year including 14,839 high school students, 6,237 college students, and 4,290 students through CollegePoint, a technology-driven coaching approach and a new Strategic Plan Pilot to support college students who did not participate in the organization's high school program. The Organization is currently serving students across Minnesota and in Chicago, Illinois; Omaha, Nebraska; Portland, Oregon; Philadelphia, Pennsylvania, and Milwaukee, Wisconsin.

Comparative Financial Information

The accompanying financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America (GAAP). Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended August 31, 2015, from which the summarized information was derived. In addition, the Organization changed its fiscal year end from August 31 to June 30, and, as a result, a ten month period is presented for the statements of activities, cash flows, and functional expenses for 2016.

Cash and Cash Equivalents

The Organization considers all cash and highly liquid financial investments with an original maturity of three months or less, and which are neither held for nor restricted by donors for long-term purposes, to be cash equivalents.

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, 2016, and August 31, 2015, the Organization believes all balances are collectible; therefore, no allowance is necessary.

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 promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Equipment and Leasehold Improvements

Expenditures for the acquisition of equipment and leasehold improvements equal to or greater than \$5,000 and 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 is provided using the straight-line method over the estimated useful lives of the assets, ranging from three to five years. 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 statement 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 ten month period ended June 30, 2016, and the year ended August 31, 2015.

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 statement of financial position. Net investment gain (loss) is reported in the statement of activities as a component of investment income and consists of interest and dividend income, realized and unrealized capital gains and losses, less investment management and custodial fees.

Net Assets

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:

Unrestricted Net Assets – Net assets available for use in general operations. Unrestricted Board-designated net assets consist of net assets designated by the Board of Directors for program continuation funds.

Temporarily Restricted Net Assets – Net assets subject to donor restrictions that may or will be met by expenditures or actions of the Organization and/or the passage of time.

Contributions restricted by donors are reported as increases in unrestricted net assets 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 temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Permanently Restricted Net Assets – Net assets whose use is limited by donor-imposed restrictions that neither expire by the passage of time nor can be fulfilled or otherwise removed by action of the Organization. The Organization has no permanently restricted net assets at June 30, 2016, and August 31, 2015.

Revenue and Revenue Recognition

Revenue is recognized when earned. Program service fees and payments under cost-reimbursable contracts received in advance are deferred (and are presented as deferred revenue on the statement of financial position) to the applicable period in which the related services are performed or expenditures are incurred, respectively. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Donated Materials and Services

Donated materials and facilities are reflected as support in the financial statements 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 those skills and would otherwise be purchased by the Organization. Volunteers also provided services throughout the year that are not recognized as contributions in the financial statements since the criteria were not met.

Functional Expense Allocation

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

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 income taxes under Internal Revenue Code Section 501(c)(3) and has been classified as an organization that is not a private foundation under 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. The Organization is not 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.

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, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and those differences could be material.

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 insured limits. To date, the Organization has not experienced losses in any of these accounts. 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.

Reclassification

Certain reclassifications of amounts previously reported have been made to the accompanying consolidated financial statements to maintain consistency between periods presented. The reclassification had no impact on previously reported net assets, total assets, or total liabilities.

Subsequent Events

The Organization has evaluated subsequent events through December 9, 2016, the date the financial statements were available to be issued.

Note 2 - Fair Value Measurements and Disclosures

Certain assets and liabilities are reported at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices in active markets for identical assets or liabilities that the Organization can access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include 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, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset or liability. In these situations, the Organization develops inputs using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to the entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to the Organization's assessment of the quality, risk or liquidity profile of the asset or liability.

A significant portion of the Organization's investment assets are classified within Level 1 because they are comprised of mutual funds, U.S. Treasury debt securities, and residential mortgage-backed securities with readily determinable fair values based on daily redemption values.

The Organization also invests in other debt securities. Those investments are valued by the custodians of the securities using pricing models based on credit quality, time to maturity, stated interest rates and market-rate assumptions, and are classified within Level 2.

The following table presents assets measured at fair value on a recurring basis at June 30, 2016:

Investments	Fair Value Measurements at Report Date Using		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual funds			
Domestic equity	\$ 198,587	\$ -	\$ -
International equity	70,880	-	-
Asset allocation	-	-	-
Bonds			
Money market mutual funds			
Equity securities			
U.S. corporate equity securities			
Debt securities			
U.S. Treasury	127,828	-	-
U.S. agency	-	284,130	-
Municipal	-	78,614	-
Residential mortgage-backed securities	226,596	-	-
 Total investments	 \$ 623,891	 \$ 362,744	 \$ -

The following table presents assets measured at fair value on a recurring basis at August 31, 2015:

Investments	Fair Value Measurements at Report Date Using		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual funds			
Domestic equity	\$ 243,987	\$ -	\$ -
International equity	21,001	-	-
Asset allocation	12,893	-	-
Debt securities			
U.S. Treasury	144,069	-	-
U.S. agency	-	296,985	-
Municipal	-	26,975	-
Residential mortgage-backed securities	215,662	-	-
Total investments	\$ 637,612	\$ 323,960	\$ -

Note 3 - Net Investment Return

Net investment return consists of the following for the ten month period ended at June 30, 2016, and the year ended August 31, 2015:

	2016	2015
Interest and dividends	\$ 21,801	\$ 29,184
Net realized and unrealized gain (loss)	8,564	(33,464)
	\$ 30,365	\$ (4,280)

Note 4 - Promises to Give

Unconditional promises to give are estimated to be collected as follows at June 30, 2016, and August 31, 2015:

	2016	2015
Within one year	\$ 2,855,068	\$ 2,720,521
In one to five years	958,334	1,331,613
	3,813,402	4,052,134
Less discount to net present value	(15,238)	(18,787)
	\$ 3,798,164	\$ 4,033,347

At June 30, 2016, and August 31, 2015, three donors accounted for 51% and 48% of total promises to give, respectively.

Note 5 - Capital Lease Obligation

The Organization leases certain telecommunication systems which are classified as capital leases. The leases expire over the next five fiscal years.

Future minimum lease payments are as follows:

Years Ending June 30,	Amount
2017	\$ 21,879
2018	21,879
2019	15,756
2020	4,383
2021	731
	64,628
Less amount representing interest	(18,995)
	\$ 45,633

At June 30, 2016, and August 31, 2015, assets recorded under the capital lease agreement totaled \$64,903 and \$67,934, less \$10,816 and \$29,958 of accumulated amortization, respectively.

Note 6 - Operating Lease

The Organization leases its St. Paul, Minnesota, operating facilities under two separate five-year operating leases, one expiring July 2018 and the other expiring September 2018. The leases allow for cancellation with six months advance notice.

The Organization leases space in Chicago, Illinois; Omaha, Nebraska; Portland, Oregon; Philadelphia, Pennsylvania; and Milwaukee, Wisconsin, under various operating leases with terms of 36 to 62 months.

The future minimum rental payments required under the leases are as follows:

<u>Years Ending June 30,</u>	<u>Amount</u>
2017	\$ 806,034
2018	821,614
2019	244,366
2020	197,260
2021	121,334
Thereafter	-
	<u>\$ 2,190,608</u>

Total rent expense was \$598,831 and \$623,752 for the ten month period ended June 30, 2016, and the year ended August 31, 2015, respectively. See also Note 9.

Note 7 - Restricted Net Assets

Temporarily restricted net assets at June 30, 2016, and August 31, 2015, consist of:

	<u>2016</u>	<u>2015</u>
Time restrictions	\$ 2,771,309	\$ 1,893,730
Purpose restrictions	1,588,842	2,407,892
Total	<u>\$ 4,360,151</u>	<u>\$ 4,301,622</u>

Net assets were released from restrictions as follows during the ten month period ended June 30, 2016, and the year ended August 31, 2015:

	<u>2016</u>	<u>2015</u>
Time restrictions	\$ 795,929	\$ 2,481,595
Purpose restrictions	1,666,234	1,371,030
Total	<u>\$ 2,462,163</u>	<u>\$ 3,852,625</u>

Note 8 - Board-Designated Net Assets

At June 30, 2016, and August 31, 2015, Board-designated net assets are available for the following purposes:

	<u>2016</u>	<u>2015</u>
Program continuation funds	<u>\$ 2,682,753</u>	<u>\$ 2,682,753</u>

To maintain its commitment with enrolled students, it is the policy of the Organization to build a significant operating reserve which, with additional grants, will continue to fund the students program for the full term of their education. The annual operating plans will ensure that this reserve does not exceed two times its annual expense budget. For purposes of this policy, the annual expenses will be calculated based upon the prior 12 months. The amount of this reserve is subject to annual review by the Board.

Note 9 - Other Contributions

The value of services and other in-kind contributions for program related services at estimated fair value at the date of donation for the ten month period ended June 30, 2016, and year ended August 31, 2015, is as follows:

	2016	2015
Rent	\$ 1,541,060	\$ 1,459,704
Other	-	305
Program expenses	68,582	43,164
Total	\$ 1,609,642	\$ 1,503,173

Note 10 - 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.

Note 11 - Related Party Transactions

During 2013, the Organization entered into a two year agreement for website design services with a company where a Board member is employed as a member of management. In January 2015, the Organization entered into a new one-year agreement for continued website design and supportive services. The total amount paid during the ten month period ended June 30, 2016, and the year ended August 31, 2015, was \$13,136 and \$34,440, respectively. Amounts are payable as services are being completed. Accordingly, as of June 30, 2016, and August 31, 2015, \$0 and \$6,398 was recorded as a liability for services provided.

Note 12 - 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% of the amount of the salary reductions that are not in excess of 3% of compensation, plus 50% of the amount of the salary reductions that exceed 3% of compensation but not in excess of 5% of compensation. The Discretionary Match is subject to delayed entry (entry after one year of service) and a step-vesting schedule. The Discretionary Match is 50% of the salary reduction amounts that exceed 5% of compensation but not in excess of 9% 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 \$189,288 for the ten month period ended June 30, 2016, and \$175,555 for the year ended August 31, 2015.

Note 13 - Conditional Grants

College Possible Omaha received a conditional grant of \$750,000 in 2014 from a private organization. This grant is conditional on the Organization securing matching funds for each installment of \$250,000. Since the grant represents a conditional promise to give, it is not recognized as support until the conditions are met. As a result of conditions being met, contribution revenue of \$250,000 was received and recognized for this grant in the ten month period ended June 30, 2016, and in the year ended August 31, 2015.

College Possible Portland received a conditional grant of \$150,000 in 2015 from a private organization. This grant is conditional on the Organization securing matching funds for each annual installment of \$50,000. Since the grant represents a conditional promise to give, it is not recognized as support until the conditions are met. As a result of conditions being met, contribution revenue of \$50,000 was recognized for this grant in the ten month period ended June 30, 2016, and in the year ended August 31, 2015.

College Possible National received a conditional grant of \$1,000,000 in 2016. This grant is conditional on the Organization securing matching funds of \$1,000,000 by June 2018, of which matching funds by the organization to be secured in 2016 cannot exceed \$500,000 for purposes of this condition. Since the grant represents a conditional promise to give, it is not recognized as support until the conditions are met.