



COLLEGE FORWARD

Financial Statements
(With Independent Auditors' Report
Thereon)

June 30, 2013 and 2012

 **PMB Helin Donovan**
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

To the Board of Directors of
College Forward

We have audited the accompanying statements of financial position of College Forward (the "Organization"), which comprise the statements of financial position as of June 30, 2013 and 2012, and the related statements of activities 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.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 College Forward as of June 30, 2013 and 2012, 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.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 6, 2014 on our consideration of College Forward's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 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 College Forward's internal control over financial reporting and compliance.

PMB HELIN DONOVAN, LLP

PMB Helin Donovan, LLP

January 6, 2014
Austin, Texas

COLLEGE FORWARD
 Statements of Financial Position
 As of June 30, 2013 and 2012

| | <u>2013</u> | <u>2012</u> |
|---------------------------------------|-------------------------|-------------------------|
| Assets | | |
| Cash and cash equivalents | \$ 899,725 | \$ 954,368 |
| Accounts receivable | | |
| Grants (See Note 7) | 877,019 | 461,883 |
| Other | 1,475 | 1,473 |
| Prepaid expenses and other assets | 3,652 | 9,258 |
| Property and equipment, net | 73,980 | 37,033 |
| Total assets | <u>\$ 1,855,851</u> | <u>\$ 1,464,015</u> |
| Liabilities and Net Assets | | |
| Accounts payable and accrued expenses | \$ 123,041 | \$ 98,711 |
| Total liabilities | <u>123,041</u> | <u>98,711</u> |
| Net assets | | |
| Unrestricted | 203,426 | 581,283 |
| Temporarily restricted | 1,529,384 | 784,021 |
| Permanently restricted | - | - |
| Total net assets | <u>1,732,810</u> | <u>1,365,304</u> |
| Total liabilities and net assets | <u>\$ 1,855,851</u> | <u>\$ 1,464,015</u> |

See accompanying notes and independent auditors' report.

COLLEGE FORWARD

Statement of Activities
Year Ended June 30, 2013

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|---------------------------------------|---------------------|-----------------------------------|-----------------------------------|---------------------|
| Revenue and Other Support | | | | |
| Grants | \$ 6,461 | \$ 2,881,949 | \$ - | \$ 2,888,410 |
| Contributions | 333,740 | - | - | 333,740 |
| In-kind contributions | 27,416 | - | - | 27,416 |
| Interest income | 1,846 | - | - | 1,846 |
| Other income | 8,260 | - | - | 8,260 |
| Net assets released from restrictions | <u>2,136,586</u> | <u>(2,136,586)</u> | <u>-</u> | <u>-</u> |
| Total Revenue and Other Support | <u>2,514,309</u> | <u>745,363</u> | <u>-</u> | <u>3,259,672</u> |
| Expenses | | | | |
| Program services | 2,450,830 | - | - | 2,450,830 |
| Management and general | 155,759 | - | - | 155,759 |
| Fundraising | <u>285,577</u> | <u>-</u> | <u>-</u> | <u>285,577</u> |
| Total Expenses | <u>2,892,166</u> | <u>-</u> | <u>-</u> | <u>2,892,166</u> |
| Change in Net Assets | (377,857) | 745,363 | - | 367,506 |
| Net assets at beginning of year | <u>581,283</u> | <u>784,021</u> | <u>-</u> | <u>1,365,304</u> |
| Net assets at end of year | <u>\$ 203,426</u> | <u>\$ 1,529,384</u> | <u>\$ -</u> | <u>\$ 1,732,810</u> |

See accompanying notes and independent auditors' report.

COLLEGE FORWARD

Statement of Activities
Year Ended June 30, 2012

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|---------------------------------------|---------------------|-----------------------------------|-----------------------------------|---------------------|
| Revenue and Other Support | | | | |
| Grants | \$ 24,596 | \$ 2,039,003 | \$ - | \$ 2,063,599 |
| Contributions | 466,581 | - | - | 466,581 |
| In-kind contributions | 39,553 | - | - | 39,553 |
| Interest income | 2,009 | - | - | 2,009 |
| Other income | 11,230 | - | - | 11,230 |
| Net assets released from restrictions | 1,598,749 | (1,598,749) | - | - |
| Total Revenue and Other Support | <u>2,142,718</u> | <u>440,254</u> | <u>-</u> | <u>2,582,972</u> |
| Expenses | | | | |
| Program services | 1,963,561 | - | - | 1,963,561 |
| Management and general | 152,264 | - | - | 152,264 |
| Fundraising | 116,845 | - | - | 116,845 |
| Total Expenses | <u>2,232,670</u> | <u>-</u> | <u>-</u> | <u>2,232,670</u> |
| Change in Net Assets | (89,952) | 440,254 | - | 350,302 |
| Net assets at beginning of year | 671,235 | 343,767 | - | 1,015,002 |
| Net assets at end of year | <u>\$ 581,283</u> | <u>\$ 784,021</u> | <u>\$ -</u> | <u>\$ 1,365,304</u> |

See accompanying notes and independent auditors' report.

COLLEGE FORWARD
 Statements of Cash Flows
 Years Ended June 30, 2013 and 2012

| | 2013 | 2012 |
|---|-------------|-------------|
| Cash flows from operating activities: | | |
| Increase in net assets | \$ 367,506 | \$ 350,302 |
| Adjustments to reconcile change in net assets to net cash provided by operations: | | |
| Depreciation | 20,728 | 16,447 |
| (Increase) decrease in operating assets: | | |
| Grants and other receivable | (415,138) | (205,395) |
| Prepaid expenses and other assets | 5,606 | (956) |
| Increase in accounts payable | 24,330 | 11,237 |
| Net cash provided operating activities | 3,032 | 171,635 |
| Cash flows from investing activities: | | |
| Purchase of fixed assets | (57,675) | (14,162) |
| Net cash used in investing activities | (57,675) | (14,162) |
| Cash flows from financing activities: | | |
| | - | - |
| Net (decrease) increase in cash and cash equivalents | (54,643) | 157,473 |
| Cash and cash equivalents at beginning of year | 954,368 | 796,895 |
| Cash and cash equivalents at end of year | \$ 899,725 | \$ 954,368 |

See accompanying notes and independent auditors' report.

COLLEGE FORWARD
Notes to the Financial Statements
June 30, 2013 and 2012

(1) ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

College Forward (the “Organization”) is a Texas non-profit corporation chartered in 2003. The Organization was founded as Admission Control in 2003 and changed its name to College Forward in 2009. The Organization’s primary mission is to provide college preparatory and retention services to motivated, economically-disadvantaged students in order to facilitate their transition to college and make the process exciting and rewarding. The Organization accomplishes its mission by providing:

- Orientation to the college experience
- Preparation for college entrance examinations
- Assistance in completing college applications
- Assistance in securing financial aid
- College retention support

The Organization is exempt from federal income tax under the Internal Revenue Code Section 501 (c) (3) for income related to its exempt purpose. The Organization is classified by the Internal Revenue Service as an organization other than a private organization.

Summary of Significant Accounting Policies

(a) Basis of Presentation - The Organization’s financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America (GAAP). For financial statement purposes, the Organization distinguishes between contributions of unrestricted assets, temporarily restricted assets, and permanently restricted assets.

(b) Net Asset Classifications - In accordance with GAAP, the Organization classifies its net assets into three categories as follows:

Permanently Restricted - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization.

Temporarily Restricted - Net assets the use of which is subject to donor-imposed stipulations that can be fulfilled by actions of the Organization pursuant to those stipulations or that expire by the passage of time. Temporarily restricted net assets include the portion of donor-restricted endowment funds that have not been appropriated for expenditure by the Organization.

Unrestricted - Net assets that are not subject to donor-imposed stipulations. Unrestricted net assets may be used for any purpose or designated for specific purposes by action of the Board of Governors.

COLLEGE FORWARD
Notes to the Financial Statements
June 30, 2013 and 2012
(Continued)

In August 2008, the Financial Accounting Standards Board (FASB) issued FASB Accounting Standards Codification (ASC) Topic 958-205 (*formerly FASB Staff Position (FSP) 117-1, Endowments of Not-For-Profit Organizations Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for all Endowment Funds*). ASC Topic 958-205 provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). ASC Topic 958-205 also improved disclosures about an organization's endowment funds (both donor-restricted endowment funds and board-designated endowment funds) whether or not the organization is subject to UPMIFA.

(c) Cash and Cash Equivalents - For purposes of the statement of cash flows, cash and cash equivalents consist of cash held in bank deposit accounts and short-term, highly liquid investments with purchased maturities of 90 days or less.

(d) Contributions - Contributions received (including unconditional promises to give) are recorded as unrestricted, temporarily restricted, or permanently restricted support in the period received depending on the existence and/or nature of any donor restrictions. Contributions received which are part of the Organization's ongoing major or central activities are recognized as revenue, while contributions which are peripheral or incidental are recognized as gains. Conditional promises to give (grants) are recognized as the conditions upon which they depend are substantially met. Promises to give are recognized as revenue only if sufficient evidence exists in the form of verifiable documentation that a promise was made and received.

The Organization reports contributions as restricted support if the support is received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. However, if a restriction is fulfilled in the same period in which the contribution is received, the Organization reports the support as unrestricted. Support that is not restricted by the donor is reported as an increase in unrestricted net assets in the reporting period in which the support is recognized. Donated assets are recorded at their estimated fair market values at the date of receipt.

(e) Allowance for Doubtful Accounts - Grants included in accounts receivable are individually analyzed for purposes of determining collectability at year end. The allowance for doubtful accounts was \$0 as of June 30, 2013 and 2012.

(f) Contributed Services and Assets - Contributed assets are recorded at their estimated fair value on the date of donation. The Organization received in-kind contributions and donated services for the years ended June 30, 2013 and 2012 of \$27,416 and \$39,553, respectively.

The Organization reports contributions of land, buildings, and equipment as unrestricted, unless explicit donor stipulations specify how the donated assets must be used. Gifts of assets with explicit restrictions that specify how the assets are to be used are accounted for as restricted support. The Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

COLLEGE FORWARD
Notes to the Financial Statements
June 30, 2013 and 2012
(Continued)

(g) Property and Equipment - Property and equipment purchased for or exceeding \$1,000 is recorded at cost. Property and equipment are depreciated using the straight-line method over the useful lives of the assets which range from three to ten years.

(h) Income Taxes - The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Unrelated business income, of which the Organization had no significant amounts for the years ended June 30, 2013 and 2012, is subject to federal income taxes. Accordingly, there is no provision or liability for federal income taxes in the accompanying financial statements.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Organization and recognize a tax liability (or asset) if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by Internal Revenue Service. Management has analyzed the tax positions taken by the plan, and has concluded that as of June 30, 2013, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements

The Organization is generally no longer subject to tax examinations relating to US federal tax returns for prior to 2010.

(i) Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount 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 estimated. Examples of management's use of estimates and assumptions include, but are not limited to, the allowance for doubtful accounts, fixed asset depreciation and useful life estimates

(j) Functional Expenses - The expense information contained in the statements of activities and functional expenses is presented on a functional basis. Accordingly, certain expenses are allocated between functional categories based on management's estimates.

(k) Concentration of Credit Risk - Financial instruments which potentially subject the Organization to concentrations of credit risk consists principally of cash and cash equivalents, investments and pledges receivable. There was \$676,403 and \$644,079 of cash and cash equivalents held by one institution that exceeded the maximum federal deposit insurance corporation limits at June 30, 2013 and 2012, respectively. For contributions, the Organization performs ongoing credit evaluations of the donor's financial condition.

(l) Subsequent Events - The Organization evaluates events that occur subsequent to the statement of financial position date of periodic reports, but before financial statements are issued for periods ending on such dates, for possible adjustment to such financial statements or other disclosure. This evaluation generally occurs through the date at which the Organization's financial statements are issued. For the financial statements as of and for the year ending June 30, 2013, this date was January 6, 2014.

COLLEGE FORWARD
Notes to the Financial Statements
June 30, 2013 and 2012
(Continued)

(2) PROPERTY AND EQUIPMENT

Property and equipment as of June 30, 2013 and 2012 included:

| | 2013 | 2012 |
|--------------------------------|------------------|------------------|
| Equipment | \$ 92,515 | \$ 34,840 |
| Furniture and fixtures | 45,927 | 45,927 |
| Leasehold improvements | 4,225 | 4,225 |
| | <u>142,667</u> | <u>84,992</u> |
| Less: Accumulated depreciation | (68,687) | (47,959) |
| | <u>\$ 73,980</u> | <u>\$ 37,033</u> |

Depreciation expense was \$20,728 and \$16,447 for the years ended June 30, 2013 and 2012, respectively.

(3) TEMPORARILY RESTRICTED NET ASSETS

The part of the net assets of a not-for-profit organization resulting from contributions whose use by the Organization is limited by donor-imposed restrictions that either expire by passage of time or the purpose of which is fulfilled are considered temporarily restricted net assets.

Temporarily restricted net assets consisted of the following at June 30, 2013 and 2012:

| | 2013 | 2012 |
|-------------------|---------------------|-------------------|
| Time restrictions | \$ <u>1,529,384</u> | \$ <u>784,021</u> |

Temporarily restricted net assets as of June 30, 2013 are funds received from donors to be used in 2013 to support the Organization's 2013-2014 school year programs.

Net assets released from temporary restrictions due to the satisfaction of requirements consisted of the following at June 30, 2013 and 2012:

| | 2013 | 2012 |
|-------------------|---------------------|---------------------|
| Time restrictions | <u>\$ 2,136,586</u> | <u>\$ 1,598,749</u> |

COLLEGE FORWARD
Notes to the Financial Statements
June 30, 2013 and 2012
(Continued)

(4) COMMITMENTS AND CONTINGENCIES

Leases

The Organization has a lease agreement for office space and various equipment leases. Lease expense was approximately \$24,600 and \$24,244 for the years ended June 30, 2013 and 2012, respectively.

Minimum future rentals for the office space lease and equipment leases as of June 30, 2013 are as follows:

Year Ending June 30

| | | |
|------------|----|----------------|
| 2014 | \$ | 171,128 |
| 2015 | | 204,496 |
| 2016 | | 153,667 |
| 2017 | | 149,716 |
| Thereafter | | 78,088 |
| Total | \$ | <u>757,094</u> |

On August 2, 2013 the Organization signed a 15 month lease agreement for office space on Huntland Drive, Austin, Texas. The commencement date for this lease is August 15, 2013. On December 1, 2014 the Huntland Drive lease was further amended to extend the term of the lease to 23 months. The payments under the Huntland Drive lease are included in the future minimum payments schedule noted above.

Contracts with Grantors:

The Organization is funded by contracts that are subject to review and audit by grantor agencies if audits by the grantor agencies disclose any areas of substantial noncompliance, the Organization may be required to refund any disallowed costs. Management believes the Organization has complied with applicable requirements.

(5) CONCENTRATIONS

During the year ended June 30, 2013 and 2012, the Organization recorded revenue from the following donors that individually exceeded 10% of total revenue.

| | | |
|---------|-------------|-------------|
| | <u>2013</u> | <u>2012</u> |
| Donor A | 28% | 31% |
| Donor B | 34% | 18% |

During the last two fiscal years the following donors have accounted for greater than 10% of the accounts receivable balance:

| | | |
|---------|-------------|-------------|
| | <u>2013</u> | <u>2012</u> |
| Donor A | 21% | 36% |
| Donor B | 58% | 50% |
| Donor C | 16% | 0% |

COLLEGE FORWARD
Notes to the Financial Statements
June 30, 2013 and 2012
(Continued)

(6) RELATED PARTY

During the year ended June 30, 2013 and 2012, the Organization received contributions of \$163,720 and \$6,351, respectively from various members of the board. These amounts represent actual cash contributions received and are included in contributions in the accompanying statement of activities.

(7) GRANTS RECEIVABLES

The following schedule summarizes the grants receivable balances at June 30, 2013 and 2012:

| | 2013 | 2012 |
|-------------------------|-------------------|-------------------|
| Grants receivable (net) | <u>877,019</u> | <u>461,883</u> |
| Amounts due in: | | |
| Less than one year | \$ 668,021 | \$ 451,883 |
| One to two years | <u>208,998</u> | <u>10,000</u> |
| Total | <u>\$ 877,019</u> | <u>\$ 461,883</u> |

COLLEGE FORWARD
Notes to the Financial Statements
June 30, 2013 and 2012
(Continued)

(8) FUNCTIONAL CLASSIFICATION OF EXPENSES

Functional expenses for the year ended June 30, 2013 and 2012 are as follows:

| | <u>Program Services</u> | <u>Management and General</u> | <u>Fundraising</u> | <u>Total 2013</u> | <u>Total 2012</u> |
|---------------------------------|-----------------------------|-----------------------------------|--------------------|---------------------|---------------------|
| Salaries and related expenses | \$ 1,663,437 | \$ 44,183 | \$ 194,969 | \$ 1,902,589 | 1,456,270 |
| Staff expenses | 7,191 | 396 | 317 | 7,904 | 56,382 |
| Accounting and legal fees | 15,402 | 847 | 677 | 16,926 | 16,150 |
| Supplies | 27,069 | 1,488 | 2,289 | 30,846 | 34,410 |
| Communication | 11,644 | 4,348 | 1,454 | 17,446 | 19,628 |
| Postage | 3,448 | 190 | 152 | 3,790 | 4,458 |
| Printing | 7,071 | 389 | 2,290 | 9,750 | 22,477 |
| Subscriptions | 45,115 | 2,479 | 1,984 | 49,578 | 23,288 |
| Rent | 11,056 | 10,153 | 3,391 | 24,600 | 24,244 |
| Business expenses | 41,814 | 2,298 | 1,838 | 45,950 | 20,776 |
| Rental expense | 35,946 | 1,095 | 7,126 | 44,167 | 39,401 |
| Travel | 67,916 | 3,732 | 3,158 | 74,806 | 60,530 |
| Conferences | 9,326 | 513 | 410 | 10,249 | 5,005 |
| Miscellaneous | 57,654 | 3,171 | 22,350 | 83,175 | 74,160 |
| Insurance | 139,674 | 8,662 | 11,750 | 160,086 | 139,288 |
| Miscellaneous equipment | 5,020 | 267 | 221 | 5,508 | 7,573 |
| Professional fees | 281,564 | 66,002 | 29,178 | 376,744 | 179,690 |
| Donated facilities and services | 6,664 | 367 | 293 | 7,324 | 32,492 |
| Depreciation expense | 13,819 | 5,179 | 1,730 | 20,728 | 16,447 |
| Total expenses | <u>\$ 2,450,830</u> | <u>\$ 155,759</u> | <u>\$ 285,577</u> | <u>\$ 2,892,166</u> | <u>\$ 2,232,669</u> |