

COLLEGE FORWARD

**Financial Statements and
Independent Auditors' Report
as of and for the Years Ended
June 30, 2015 and 2014**





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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
College Forward:

We have audited the accompanying financial statements of College Forward (the "Organization") (a nonprofit organization), which comprise the statement of financial position as of June 30, 2015, and the related statement of activities 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.

Auditors' 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the 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.

Affiliated Company

ML&R WEALTH MANAGEMENT LLC

"A Registered Investment Advisor"

This firm is not a CPA firm

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, 2015, and the change 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.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedule of functional expenses is presented for the purpose of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2015, 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, 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 the Organization's internal control over financial reporting and compliance.

Prior Period Financial Statements

The financial statements of the Organization as of and for the year ended June 30, 2014, were audited by other auditors whose report dated December 12, 2014, expressed an unmodified opinion on those statements.

Maxwell Locke + Ritter LLP

Austin, Texas
December 8, 2015

COLLEGE FORWARD

STATEMENTS OF FINANCIAL POSITION JUNE 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 603,787	\$ 829,801
Government grant receivables	189,581	209,984
Private grant receivables	1,120,592	1,969,629
Prepaid expenses and other assets	<u>79,138</u>	<u>51,184</u>
Total current assets	1,993,098	3,060,598
Property and equipment, net	<u>79,038</u>	<u>65,788</u>
TOTAL ASSETS	<u><u>\$ 2,072,136</u></u>	<u><u>\$ 3,126,386</u></u>
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable	\$ 175,108	\$ 128,247
Accrued liabilities and other	<u>4,564</u>	<u>15,483</u>
Total liabilities	179,672	143,730
NET ASSETS:		
Unrestricted	232,141	112,951
Temporarily restricted	<u>1,660,323</u>	<u>2,869,705</u>
Total net assets	<u>1,892,464</u>	<u>2,982,656</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 2,072,136</u></u>	<u><u>\$ 3,126,386</u></u>

See notes to financial statements.

COLLEGE FORWARD

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2015

(with summarized comparative totals for the year ended June 30, 2014)

	2015			2014 Total
	Unrestricted	Temporarily Restricted	Total	
REVENUES AND NET ASSETS				
RELEASED FROM RESTRICTIONS:				
Private grants	\$ 3,998	1,060,000	1,063,998	2,910,590
Government grants	958,472	-	958,472	901,804
Earned income	296,456	-	296,456	30,660
Contributions	57,094	-	57,094	217,809
In-kind contributions	14,984	-	14,984	4,605
Interest income	881	-	881	1,275
Other income	11,923	-	11,923	4,506
Net assets released from restrictions	2,269,382	(2,269,382)	-	-
Total revenues and net assets released from restrictions	3,613,190	(1,209,382)	2,403,808	4,071,249
EXPENSES:				
Program services	2,867,932	-	2,867,932	2,351,535
Management and general	209,634	-	209,634	182,834
Fundraising and communications	416,434	-	416,434	287,034
Total expenses	3,494,000	-	3,494,000	2,821,403
CHANGE IN NET ASSETS	119,190	(1,209,382)	(1,090,192)	1,249,846
NET ASSETS, beginning of year	112,951	2,869,705	2,982,656	1,732,810
NET ASSETS, end of year	\$ 232,141	1,660,323	1,892,464	2,982,656

See notes to financial statements.

COLLEGE FORWARD

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2014

(with summarized comparative totals for the year ended June 30, 2013)

	2014			2013 Total
	Unrestricted	Temporarily Restricted	Total	
REVENUES AND NET ASSETS RELEASED FROM RESTRICTIONS:				
Private grants	\$ 114,496	2,796,094	2,910,590	1,957,431
Government grants	901,804	-	901,804	930,979
Earned income	30,660	-	30,660	-
Contributions	217,809	-	217,809	333,740
In-kind contributions	4,605	-	4,605	27,416
Interest income	1,275	-	1,275	1,846
Other income	4,506	-	4,506	8,260
Net assets released from restrictions	<u>1,455,773</u>	<u>(1,455,773)</u>	<u>-</u>	<u>-</u>
Total revenues and net assets released from restrictions	2,730,928	1,340,321	4,071,249	3,259,672
EXPENSES:				
Program	2,351,535	-	2,351,535	2,450,830
Management and general	182,834	-	182,834	155,759
Fundraising and communications	287,034	-	287,034	285,577
Total expenses	<u>2,821,403</u>	<u>-</u>	<u>2,821,403</u>	<u>2,892,166</u>
CHANGE IN NET ASSETS	(90,475)	1,340,321	1,249,846	367,506
NET ASSETS, beginning of year	<u>203,426</u>	<u>1,529,384</u>	<u>1,732,810</u>	<u>1,365,304</u>
NET ASSETS, end of year	<u>\$ 112,951</u>	<u>2,869,705</u>	<u>2,982,656</u>	<u>1,732,810</u>

See notes to financial statements.

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STATEMENTS OF CASH FLOWS YEARS ENDED JUNE 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (1,090,192)	\$ 1,249,846
Adjustments to reconcile change in net assets to net cash used in operating activities-		
Depreciation	34,359	28,623
Changes in operating assets and liabilities that provided (used) cash:		
Government grant receivables	20,403	(22,031)
Private grant receivables	849,037	(1,279,088)
Prepaid expenses and other assets	(27,954)	(47,532)
Accounts payable	46,861	20,689
Accrued liabilities and other	(10,919)	-
	<u>(178,405)</u>	<u>(49,493)</u>
Net cash used in operating activities		
	(178,405)	(49,493)
CASH FLOWS FROM INVESTING ACTIVITIES-		
Purchases of fixed assets	(47,609)	(20,431)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(226,014)	(69,924)
CASH AND CASH EQUIVALENTS, beginning of year	<u>829,801</u>	<u>899,725</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 603,787</u>	<u>\$ 829,801</u>

See notes to financial statements.

COLLEGE FORWARD

NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2015 AND 2014

1. NATURE OF OPERATIONS

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation - The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America (“U.S. GAAP”) as defined by the Financial Accounting Standards Board Accounting Standards Codification (“ASC”). Under the accrual basis of accounting, revenue is recognized when earned regardless of when collected, and expenses are recognized when the obligation is incurred regardless of when paid.

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

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes. The Organization has not received any permanently restricted contributions.

Use of Estimates - The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

Cash and Cash Equivalents - Cash equivalents are considered highly liquid with original maturities of three months or less.

Government Grant Receivables and Revenue - Cost reimbursement government grant revenue is recorded when allowable costs are incurred. Deferred revenue is recognized when cash is received prior to the revenue being earned. Government grants receivable are recorded when revenue is earned prior to cash being received.

Private Grant Receivables - Management considers all private grant receivables to be fully collectible. No allowance for uncollectible private grant receivables has been recorded as, historically, the Organization has not experienced material uncollectible amounts. Promises to give are recorded at fair value if expected to be collected in one year and at net present value if expected to be collected in more than one year. The Organization did not record a net present value discount on private grant receivables at June 30, 2015 and 2014 as the amount would be insignificant.

Property and Equipment - Property and equipment purchases that exceed \$1,000 are capitalized and recorded at cost. Donated assets are recorded at their estimated fair market values at the date of donation. The cost of betterments to, or replacements of, property and equipment is capitalized. Repairs and maintenance costs are expensed when incurred. Depreciation is computed on the straight-line method over the estimated life of the asset which range from three to ten years. When assets are retired or otherwise disposed of, the cost and related depreciation are removed from the accounts and any resulting gain or loss is reflected in the statement of activities for the period.

Impairment of Long-Lived Assets - Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate the amount recorded may not be recoverable. An impairment loss is recognized by the amount in which the carrying amount of the asset exceeds fair value, if the carrying amount of the asset is not recoverable. Management believes there was no impairment of long-lived assets as of June 30, 2015 and 2014.

Private Grants and Contributions Revenue Recognition - Private grants and contributions are recognized at fair value as revenues in the period unconditional promises to give are received. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value when received and are expensed over the period that the assets are used. The Organization considers all contributions to be unrestricted contributions unless the restriction is a donor-imposed stipulation specifying a use for the contribution that is more specific than the broad limits resulting from the nature and purpose of the organization and its continuing programs.

Contributions of services are recognized if the services received create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing these skills and would typically need to be purchased if not provided by donation. These contributions are recorded at fair value and presented as in-kind contributed services on the statements of activities fair value and recognized as revenue and expense in the period the services are provided.

Earned Income Revenue Recognition - Earned income revenue represents database and contract services revenue and is recorded as income ratably over the applicable period of the service agreement. Deferred revenue represents the unearned portion of such fees at the end of the fiscal year.

Functional Allocation of Expenses - Expenses that benefit several functional areas have been allocated based on personnel time spent on each area as estimated by management. The costs of providing the Organization's program and supporting services have been reported on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited based on estimates provided by management.

Taxes - The Organization is a nonprofit corporation and is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except to the extent of unrelated business income. The Organization had no material unrelated business income during the year ended June 30, 2015. The Organization files Form 990 tax returns in the U.S. federal jurisdiction, and is subject to routine examinations of its returns; however, there are no examinations currently in progress. The fiscal year 2012 and subsequent tax years remain subject to examination by the Internal Revenue Service.

Recently Issued Accounting Pronouncements - In May 2014 and August 2015, the FASB issued Accounting Standards Update ("ASU") No. 2014-09 and No. 2015-14, *Revenue from Contracts with Customers*, which supersede the revenue recognition requirements in ASC 605, *Revenue Recognition*, and most industry-specific guidance included in the ASC. The standard requires entities to recognize revenue in a way that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. The standard is effective retrospectively for fiscal years beginning after December 15, 2018 and early adoption is permitted. The Organization is currently evaluating the impact the new standard will have on its financial statements.

In August 2014, the FASB issued ASU No. 2014-15, *Presentation of Financial Statements - Going Concern*, which provides guidance about management's responsibility to evaluate on an annual basis whether there is substantial doubt about an entity's ability to continue as a going concern within one year after the date that the financial statements are available to be issued and to provide certain related footnote disclosures. The standard is effective for fiscal years ending after December 15, 2016 and early adoption is permitted. Due to the change in requirements for reporting, presentation and disclosure of future evaluations of the entity's ability to continue as a going concern may be different than under current standards.

Reclassifications - Certain amounts in the prior year have been reclassified to conform to the presentation adopted in the current year. There was no impact on net assets.

3. CONCENTRATIONS

Financial instruments which potentially subject the Organization to concentrations of credit risk consist principally of cash and receivables. The Organization places its cash with a limited number of high quality financial institutions and may exceed the amount of insurance provided on such deposits. Management believes no significant risk exists with respect to cash. During the years ended June 30, 2015 and 2014, one grantor comprised 100% of the government grant revenues and receivables. Also, during the years ended June 30, 2015 and 2014, four grantors comprised 92% of the private grant receivables and three grantors comprised 86% of private receivables, respectively.

4. GRANT RECEIVABLES

The following schedule summarizes future expected payments on government and private grant receivables balances at June 30:

	<u>2015</u>	<u>2014</u>
Amounts due in:		
Less than one year	\$ 1,175,173	\$ 953,395
One to two years	<u>135,000</u>	<u>1,226,218</u>
Total	<u>\$ 1,310,173</u>	<u>\$ 2,179,613</u>

5. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of June 30:

	<u>2015</u>	<u>2014</u>
Equipment	\$ 137,614	\$ 112,945
Furniture and fixtures	57,942	45,927
Leasehold improvements	<u>15,150</u>	<u>4,225</u>
	210,706	163,097
Less accumulated depreciation	<u>(131,668)</u>	<u>(97,309)</u>
Total	<u>\$ 79,038</u>	<u>\$ 65,788</u>

6. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of June 30, 2015 and 2014 are funds received from donors to be used in the coming years to support the Organization's future school year programs. Temporarily restricted net assets were available for the following purposes at June 30:

	<u>2015</u>	<u>2014</u>
Success Partnership	\$ 426,816	\$ 1,061,292
Co-Pilot Program	355,465	-
Access/Completion Program/Success Partnership	307,147	-
Operations/Program/Success Partnership - Houston	249,841	549,431
Access/Completion Program - Central Texas	231,698	608,741
Access/Completion Program	-	419,744
Success Partnership & Technology	-	207,134
Time restrictions	40,406	18,363
Other programs	48,950	5,000
	<u>\$ 1,660,323</u>	<u>\$ 2,869,705</u>

7. COMMITMENTS AND CONTINGENCIES

The Organization is funded by contracts that are subject to review and audit by the grantor agencies. These contracts have certain compliance requirements and, 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.

8. RELATED PARTY TRANSACTIONS

During the years ended June 30, 2015 and 2014, the Organization received contributions of \$42,018 and \$137,799, 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.

9. COMMITMENTS AND CONTINGENCIES

The Organization has lease agreements for office space and various equipment leases. Rent expense under these agreements was \$223,656 and \$160,800 for the years ended June 30, 2015 and 2014, respectively. Future minimum lease payments for the office space and equipment leases at June 30, 2015 are as follows:

2016	\$	248,012
2017		259,684
2018		157,017
2019		49,785
2020		<u>2,074</u>
Total	\$	<u>716,572</u>

10. SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through December 8, 2015 (the date the financial statements were available to be issued) and no events have occurred from the statement of financial position date through that date that would impact the financial statements.

SUPPLEMENTARY INFORMATION

COLLEGE FORWARD

SUPPLEMENTAL SCHEDULE OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2015

(with summarized comparative totals for the year ended June 30, 2014)

	Program Services	Management and General	Fundraising and communication	2015 Total	2014 Total
Salaries and related expenses	\$ 1,863,040	56,470	290,015	2,209,525	1,919,156
Professional fees	197,534	65,968	54,992	318,494	165,298
Rent	187,920	28,816	6,921	223,656	160,835
Insurance	171,267	10,866	19,719	201,853	151,195
Travel	112,255	6,168	6,424	124,847	97,471
Business expenses	71,412	3,924	3,820	79,156	60,522
Miscellaneous	52,897	2,906	7,905	63,708	60,604
Subscriptions	41,975	2,306	11,038	55,320	47,159
Supplies	26,923	1,479	8,365	36,767	23,668
Rentals	29,490	1,620	1,494	32,604	31,983
Staff expenses	24,406	1,341	1,352	27,099	8,616
Communication	21,840	3,349	892	26,081	23,780
Accounting and legal fees	-	17,900	-	17,900	17,300
Conferences	9,544	524	805	10,873	3,291
Printing	9,567	526	700	10,792	13,177
Miscellaneous equipment	3,706	204	213	4,122	2,786
Postage	3,093	170	181	3,444	2,278
Total expenses before depreciation	2,826,869	204,537	414,835	3,446,241	2,789,119
Depreciation	28,869	4,427	1,063	34,359	28,623
Total expenses including depreciation	2,855,738	208,964	415,898	3,480,600	2,817,742
Donated goods and services	12,194	670	536	13,400	3,661
TOTAL EXPENSES	\$ 2,867,932	209,634	416,434	3,494,000	2,821,403

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SUPPLEMENTAL SCHEDULE OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2014

(with summarized comparative totals for the year ended June 30, 2013)

	Program Services	Management and General	Fundraising and communication	2014 Total	2013 Total
Salaries and related expenses	\$ 1,703,523	44,275	171,358	1,919,156	1,902,589
Professional fees	35,893	65,986	63,419	165,298	376,744
Rent	131,145	22,889	6,801	160,835	24,600
Insurance	130,419	8,221	12,555	151,195	160,086
Travel	87,126	4,787	5,558	97,471	74,806
Business expenses	51,260	2,816	6,446	60,522	45,950
Miscellaneous	51,201	2,827	6,576	60,604	83,175
Subscriptions	41,760	2,295	3,104	47,159	49,578
Supplies	21,025	1,155	1,488	23,668	30,846
Rentals	29,105	1,599	1,279	31,983	44,167
Staff expenses	7,458	410	748	8,616	7,904
Communication	18,605	3,098	2,077	23,780	17,446
Accounting and legal fees	-	17,300	-	17,300	16,926
Conferences	2,663	146	482	3,291	10,249
Printing	9,053	497	3,627	13,177	9,750
Miscellaneous equipment	2,536	139	111	2,786	5,508
Postage	1,901	104	273	2,278	3,790
Total expenses before depreciation	<u>2,324,673</u>	<u>178,544</u>	<u>285,902</u>	<u>2,789,119</u>	<u>2,864,114</u>
Depreciation	<u>23,530</u>	<u>4,107</u>	<u>986</u>	<u>28,623</u>	<u>20,728</u>
Total expenses including depreciation	<u>2,348,203</u>	<u>182,651</u>	<u>286,888</u>	<u>2,817,742</u>	<u>2,884,842</u>
Donated goods and services	<u>3,332</u>	<u>183</u>	<u>146</u>	<u>3,661</u>	<u>7,324</u>
TOTAL EXPENSES	<u>\$ 2,351,535</u>	<u>182,834</u>	<u>287,034</u>	<u>2,821,403</u>	<u>2,892,166</u>