COLLEGE FORWARD

Financial Statements
as of and for the Years Ended
June 30, 2016 and 2015 and
Independent Auditors' Report

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
College Forward:

Report on the Financial Statements

We have audited the accompanying financial statements of College Forward (the "Organization") (a nonprofit organization), which comprise the statements of financial position as of June 30, 2016 and 2015, 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.

Auditors' 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 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.

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 2015, and the change 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 Matters

Other Information

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 January 31, 2017, 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.

Maxwell Locke + Ritter LLP

Austin, Texas
January 31, 2017

COLLEGE FORWARD

STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2016 AND 2015

	2016	2015
ASSETS		
Cash and cash equivalents	$ 69,901	$ 603,787
Government grant receivables	261,402	189,581
Private grant receivables	241,364	1,120,592
Accounts receivables	29,043	-
Prepaid expenses and other assets	53,530	79,138
Property and equipment, net	61,191	79,038
TOTAL ASSETS	$ 716,431	$ 2,072,136
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable	$ 243,530	$ 175,108
Accrued liabilities and other	20,675	4,564
Deferred revenue	6,000	-
Total liabilities	270,205	179,672
NET ASSETS:		
Unrestricted	403,875	232,141
Temporarily restricted	42,351	1,660,323
Total net assets	446,226	1,892,464
TOTAL LIABILITIES AND NET ASSETS	$ 716,431	$ 2,072,136

See notes to financial statements.

COLLEGE FORWARD

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016
(with summarized comparative totals for the year ended June 30, 2015)

	2016			
	Unrestricted	Temporarily Restricted	Total	2015 Total
REVENUES AND NET ASSETS RELEASED FROM RESTRICTIONS:				
Government grants	$ 1,062,819	-	1,062,819	958,472
Earned income	722,330	-	722,330	296,456
Private grants	86,878	563,183	650,061	1,063,998
Contributions	93,634	-	93,634	57,094
In-kind contributions	3,708	-	3,708	14,984
Interest income	212	-	212	881
Other income	3,010	-	3,010	11,923
Net assets released from restrictions	2,181,155	(2,181,155)	-	-
Total revenues and net assets released from restrictions	4,153,746	(1,617,972)	2,535,774	2,403,808
EXPENSES:				
Program services	2,994,791	-	2,994,791	2,867,932
Management and general	401,584	-	401,584	209,634
Fundraising and communications	585,637	-	585,637	416,434
Total expenses	3,982,012	-	3,982,012	3,494,000
CHANGE IN NET ASSETS	171,734	(1,617,972)	(1,446,238)	(1,090,192)
NET ASSETS, beginning of year	232,141	1,660,323	1,892,464	2,982,656
NET ASSETS, end of year	$ 403,875	42,351	446,226	1,892,464

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			
	Unrestricted	Temporarily Restricted	Total	2014 Total
REVENUES AND NET ASSETS RELEASED FROM RESTRICTIONS:				
Government grants	$ 958,472	-	958,472	901,804
Earned income	296,456	-	296,456	30,660
Private grants	3,998	1,060,000	1,063,998	2,910,590
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	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

STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ (1,446,238)	$ (1,090,192)
Adjustments to reconcile change in net assets to net cash used in operating activities-		
Depreciation	34,292	34,359
Changes in operating assets and liabilities that provided (used) cash:		
Government grant receivables	(71,821)	20,403
Private grant receivables	879,228	849,037
Accounts receivables	(29,043)	-
Prepaid expenses and other assets	25,608	(27,954)
Accounts payable	68,422	46,861
Accrued liabilities and other	16,111	(10,919)
Deferred revenue	6,000	-
Net cash used in operating activities	(517,441)	(178,405)
CASH FLOWS FROM INVESTING ACTIVITES-		
Purchases of fixed assets	(16,445)	(47,609)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(533,886)	(226,014)
CASH AND CASH EQUIVALENTS, beginning of year	603,787	829,801
CASH AND CASH EQUIVALENTS, end of year	$ 69,901	$ 603,787

See notes to financial statements.

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

The Organization has experienced operating losses since fiscal year 2015 and negative operating cash flows since fiscal year 2014. Management believes that the Organization's cash on hand, revenue receipts, and note proceeds under contemplated or executed contributions and service arrangements will be sufficient to fund its operations through June 30, 2017. The Organization is also planning to obtain a line of credit to provide for additional cash flows as necessary. If these sources of funding do not adequately fund the operations of the Organization, which management believes is unlikely, management would adjust the current level of operations and cash expenditures to an internally sustainable level.

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 ("FASB") 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. Net assets, revenues, and expenses 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 - These net assets are not subject to donor-imposed stipulations. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

Temporarily restricted net assets - These net assets are subject to donor-imposed stipulations, which limit their use by the Organization to a specific purpose and/or the passage of time. When a restriction is satisfied or 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 - These net assets are subject to donor-imposed stipulations, which require them to be maintained permanently by the Organization. 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 - The Organization considers all highly liquid instruments with original maturities of three months or less to be cash equivalents.

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. All balances outstanding at June 30, 2016 were due within one year. The Organization did not record a net present value discount on private grant receivables at June 30, 2015 as the amount was 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.

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 that 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 has been no impairment of such assets as of June 30, 2016 and 2015.

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.

Income Taxes - The Organization is a nonprofit organization exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code, except to the extent of any unrelated business income. The Organization did not incur any significant tax liabilities due to unrelated business income during the years ended June 30, 2016 and 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.

Recently Issued Accounting Pronouncements - In May 2014 and August 2015, the FASB issued Accounting Standards Updates ("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 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.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which requires the recognition of lease assets and lease liabilities by lessees for all leases, including leases previously classified as operating leases, and modifies the classification criteria and accounting for sales-type and direct financing leases by lessors. Leases continue to be classified as finance or operating leases by lessees and both classifications require the recognition of a right-of-use asset and a lease liability, initially measured at the present value of the lease payments in the statement of financial position. Interest on the lease liability and amortization of the right-of-use asset are recognized separately in the statement of activities for finance leases and as a single lease cost recognized on the straight-line basis over the lease term for operating leases. The standard is effective using a modified retrospective approach for fiscal years beginning after December 15, 2019 and early adoption is permitted. The Organization is currently evaluating the impact the standard will have on its financial statements.

In August 2016, the FASB issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which requires presentation on the face of the statement of financial position amounts for two classes of net assets at the end of the period, net assets with donor restrictions and net assets without donor restrictions, rather than the currently required three classes. The standard also requires the presentation on the face of the statement of activities the amount of the change in each of these two classes of net assets. The standard will no longer require the presentation or disclosure of the indirect method of reporting cash flows if an entity elects to use the direct method, however it will be required for an entity to provide enhanced disclosures about liquidity in the footnotes to the financial statements. The standard is effective for fiscal years beginning after December 15, 2017 and early adoption is permitted. The Organization is currently evaluating the impact the standard will have on its financial statements.

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, 2016 and 2015, one grantor comprised 100% of the government grant revenues and receivables. Also, during the years ended June 30, 2016 and 2015, two grantors comprised 83% of the private grant receivables and four grantors comprised 92% of private receivables, respectively. There were no such significant revenue concentrations in private grants revenue during the years ended June 30, 2016 and 2015.

4. GRANT RECEIVABLES

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

	2016	2015
Amounts due in:		
Less than one year	$ 502,766	$ 1,175,173
One to two years	-	135,000
Total	$ 502,766	$ 1,310,173

5. PROPERTY AND EQUIPMENT

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

	2016	2015
Equipment	$ 154,059	$ 137,614
Furniture and fixtures	57,942	57,942
Leasehold improvements	15,150	15,150
	227,151	210,706
Less accumulated depreciation	(165,960)	(131,668)
Total	$ 61,191	$ 79,038

6. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets were available for the following purposes at June 30:

	2016	2015
Access/Completion Program - Central Texas	$ 42,351	$ 231,698
Success Partnership	-	426,816
Co-Pilot Program	-	355,465
Access/Completion Program/Success Partnership	-	307,147
Operations/Program/Success Partnership - Houston	-	249,841
Time restrictions	-	40,406
Other programs	-	48,950
	$ 42,351	$ 1,660,323

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, should 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, 2016 and 2015, the Organization received contributions of \$40,998 and \$42,018, respectively from various members of the Board of Directors. These amounts represent actual cash contributions received and are included in contributions in the accompanying statement of activities.

During the year ended June 30, 2016, two members of management of the Organization loaned personal funds totaling \$71,000 to the Organization. A total of \$31,000 was repaid from the Organization during the year ended June 30, 2016. The remaining \$40,000 outstanding at June 30, 2016 is included in accounts payable in the statement of financial position, and was paid in full in September 2016.

9. COMMITMENTS AND CONTINGENCIES

The Organization has lease agreements for office space and various equipment leases. Rent expense under these agreements was \$317,165 and \$223,656 for the years ended June 30, 2016 and 2015, respectively. Future minimum lease payments for the office space and equipment leases at June 30, 2016 are as follows:

2017	$	259,684
2018		157,017
2019		49,785
2020		2,074
Total	$	468,560

10. SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through January 31, 2017 (the date the financial statements were available to be issued). In September and October 2016, the Organization executed multiple promissory notes (the “Promissory Notes”) to support its Co-Pilot program totaling \$200,000 in the aggregate. Terms include quarterly payments of interest (fixed at either 1.5% or 4%) and principal beginning March 31, 2017 until the stated maturity date of September 30, 2021. Principal payments are due based on a stated percentage of incremental revenue collected during the respective quarter resulting from Co-Pilot program contracts signed after the date of the Promissory Notes.

SUPPLEMENTARY INFORMATION

COLLEGE FORWARD

SUPPLEMENTAL SCHEDULE OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2016
(with summarized comparative totals for the year ended June 30, 2015)

	Program Services	Management and General	Fundraising and communications	2016 Total	2015 Total
Salaries and related expenses	$ 1,855,907	161,119	408,447	2,425,473	2,209,525
Professional fees	215,516	65,987	63,402	344,905	318,494
Rent	266,488	40,863	9,814	317,165	223,656
Insurance	179,088	30,089	32,716	241,893	201,853
Travel	134,882	22,800	21,642	179,324	124,847
Miscellaneous	59,985	10,143	10,708	80,836	63,708
Business expenses	56,747	9,592	8,269	74,608	79,156
Subscriptions	50,814	8,589	8,642	68,045	55,320
Communication	39,882	6,115	1,469	47,466	26,081
Supplies	31,013	5,242	5,134	41,389	36,767
Rentals	27,889	4,714	4,044	36,647	32,604
Staff expenses	23,427	3,960	4,046	31,433	27,099
Accounting and legal fees	-	23,839	-	23,839	17,900
Conferences	11,529	1,949	3,547	17,025	10,873
Postage	3,931	664	570	5,165	3,444
Printing	3,258	551	964	4,773	10,792
Miscellaneous equipment	2,801	473	753	4,027	4,122
Total expenses before depreciation	2,963,157	396,689	584,167	3,944,013	3,446,241
Depreciation	28,812	4,418	1,061	34,291	34,359
Total expenses including depreciation	2,991,969	401,107	585,228	3,978,304	3,480,600
Donated goods and services	2,822	477	409	3,708	13,400
TOTAL EXPENSES	$ 2,994,791	401,584	585,637	3,982,012	3,494,000

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 communications	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
Miscellaneous	52,897	2,906	7,905	63,708	60,604
Business expenses	71,412	3,924	3,820	79,156	60,522
Subscriptions	41,975	2,306	11,038	55,320	47,159
Communication	21,840	3,349	892	26,081	23,780
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
Accounting and legal fees	-	17,900	-	17,900	17,300
Conferences	9,544	524	805	10,873	3,291
Postage	3,093	170	181	3,444	2,278
Printing	9,567	526	700	10,792	13,177
Miscellaneous equipment	3,706	203	213	4,122	2,786
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