

COLLEGE FORWARD

**Financial Statements
as of and for the Years Ended
June 30, 2019 and 2018 and
Independent Auditors' Report**





MAXWELL LOCKE & RITTER LLP

Accountants and Consultants

An Affiliate of CPAmerica International

tel (512) 370 3200 fax (512) 370 3250
www.mlrpc.com

Austin: 401 Congress Avenue, Suite 1100
Austin, TX 78701

Round Rock: 411 West Main Street, Suite 300
Round Rock, TX 78664

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, 2019 and 2018, and the related statements of activities, functional expenses, 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.

Affiliated Company

ML&R WEALTH MANAGEMENT LLC

"A Registered Investment Advisor"

This firm is not a CPA firm

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, 2019 and 2018, 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.

Emphasis of Matter

As discussed in Note 2 to the financial statements, the Organization adopted Financial Accounting Standards Board Accounting Standards Update ("ASU") No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, as of and for the year ended June 30, 2019. The requirements of the ASU have been applied retrospectively to all periods presented. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited the Organization's financial statements as of and for the year ended June 30, 2018, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 19, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, 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 our report dated January 15, 2020 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 solely 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 effectiveness of the Organization's 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.



Austin, Texas
January 15, 2020

COLLEGE FORWARD

STATEMENTS OF FINANCIAL POSITION JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Cash and cash equivalents	\$ 1,228,799	\$ 713,129
Government grant receivables	147,450	77,491
Private grant receivables, net	1,605,993	465,994
Accounts receivable	133,059	71,333
Prepaid expenses and other assets	86,042	69,146
Property and equipment, net	95,505	32,432
TOTAL ASSETS	<u><u>\$ 3,296,848</u></u>	<u><u>\$ 1,429,525</u></u>
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable	\$ 210,690	\$ 332,556
Accrued liabilities	99,857	67,751
Deferred revenue	55,985	245,414
Long term debt	1,146,807	163,220
Total liabilities	1,513,339	808,941
NET ASSETS:		
Without donor restrictions	(202,542)	(322,288)
With donor restrictions	1,986,051	942,872
Total net assets	1,783,509	620,584
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 3,296,848</u></u>	<u><u>\$ 1,429,525</u></u>

See notes to financial statements.

COLLEGE FORWARD

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2019

(with summarized comparative totals for the year ended June 30, 2018)

	2019			2018 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
REVENUES AND NET ASSETS RELEASED FROM RESTRICTIONS:				
Earned income	\$ 1,477,194	-	1,477,194	929,152
Government grants	829,121	-	829,121	1,011,664
Private grants and contributions, net	10,400	2,413,931	2,424,331	389,365
In-kind contributions	4,340	-	4,340	3,760
Other income	4,624	-	4,624	19,463
Net assets released from restrictions	<u>1,370,752</u>	<u>(1,370,752)</u>	<u>-</u>	<u>-</u>
Total revenues and net assets released from restrictions	3,696,431	1,043,179	4,739,610	2,353,404
EXPENSES:				
Program services	2,594,778	-	2,594,778	2,968,975
Management and general	588,775	-	588,775	494,514
Fundraising and communications	<u>393,132</u>	<u>-</u>	<u>393,132</u>	<u>316,249</u>
Total expenses	<u>3,576,685</u>	<u>-</u>	<u>3,576,685</u>	<u>3,779,738</u>
CHANGE IN NET ASSETS	119,746	1,043,179	1,162,925	(1,426,334)
NET ASSETS, beginning of year	<u>(322,288)</u>	<u>942,872</u>	<u>620,584</u>	<u>2,046,918</u>
NET ASSETS, end of year	<u>\$ (202,542)</u>	<u>1,986,051</u>	<u>1,783,509</u>	<u>620,584</u>

See notes to financial statements.

COLLEGE FORWARD

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2018

(with summarized comparative totals for the year ended June 30, 2017)

	2018			2017 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
REVENUES AND NET ASSETS				
RELEASED FROM RESTRICTIONS:				
Earned income	\$ 929,152	-	929,152	1,206,940
Government grants	1,011,664	-	1,011,664	1,077,203
Private grants and contributions	150,691	238,674	389,365	3,216,440
In-kind contributions	3,760	-	3,760	6,370
Other income	19,463	-	19,463	8,197
Net assets released from restrictions	<u>1,405,897</u>	<u>(1,405,897)</u>	<u>-</u>	<u>-</u>
Total revenues and net assets released from restrictions	3,520,627	(1,167,223)	2,353,404	5,515,150
EXPENSES:				
Program services	2,968,975	-	2,968,975	3,044,300
Management and general	494,514	-	494,514	496,975
Fundraising and communications	316,249	-	316,249	373,183
Total expenses	<u>3,779,738</u>	<u>-</u>	<u>3,779,738</u>	<u>3,914,458</u>
CHANGE IN NET ASSETS	(259,111)	(1,167,223)	(1,426,334)	1,600,692
NET ASSETS, beginning of year	<u>(63,177)</u>	<u>2,110,095</u>	<u>2,046,918</u>	<u>446,226</u>
NET ASSETS, end of year	<u>\$ (322,288)</u>	<u>942,872</u>	<u>620,584</u>	<u>2,046,918</u>

See notes to financial statements.

COLLEGE FORWARD

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2019

(with summarized comparative totals for the year ended June 30, 2018)

	Program Services	Management and General	Fundraising and Communications	2019 Total	2018 Total
Salaries and related expenses	\$ 1,613,352	251,001	278,735	2,143,088	2,241,809
Rent	264,478	73,937	33,552	371,967	303,830
Insurance	160,796	34,624	21,918	217,338	282,903
Professional fees	123,474	66,443	12,951	202,868	380,735
Travel	100,386	21,409	10,772	132,567	151,069
Subscriptions	85,327	18,197	8,073	111,597	92,471
Accounting and legal fees	-	49,174	-	49,174	24,500
Business expenses	33,686	7,184	2,951	43,821	47,146
Communication	31,204	8,719	3,279	43,202	35,433
Rentals	16,834	3,590	1,887	22,311	21,601
Supplies	16,869	3,598	1,610	22,077	24,619
Interest expense	-	17,898	-	17,898	5,132
Staff expenses	11,350	2,421	2,274	16,045	23,996
Conferences	9,991	2,131	2,028	14,150	19,051
Postage	1,815	387	159	2,361	6,165
Miscellaneous equipment	1,247	266	118	1,631	5,178
Printing	1,756	374	-	2,130	3,289
Miscellaneous	98,342	20,973	11,023	130,338	83,233
Total expenses before depreciation and amortization	2,570,907	582,326	391,330	3,544,563	3,752,160
Depreciation and amortization	20,535	5,738	1,510	27,783	23,819
Total expenses including depreciation and amortization	2,591,442	588,064	392,840	3,572,346	3,775,979
Donated goods and services	3,336	711	292	4,339	3,759
TOTAL EXPENSES	\$ 2,594,778	588,775	393,132	3,576,685	3,779,738

COLLEGE FORWARD

STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED JUNE 30, 2018

(with summarized comparative totals for the year ended June 30, 2017)

	Program Services	Management and General	Fundraising and Communications	2018 Total	2017 Total
Salaries and related expenses	\$ 1,810,849	231,051	199,909	2,241,809	2,513,677
Rent	248,037	38,034	17,759	303,830	304,986
Insurance	208,038	43,923	30,942	282,903	257,703
Professional fees	290,799	67,151	22,785	380,735	209,023
Travel	114,173	24,349	12,547	151,069	186,810
Subscriptions	67,820	14,464	10,187	92,471	70,357
Accounting and legal fees	-	24,500	-	24,500	26,424
Business expenses	36,178	7,716	3,252	47,146	83,851
Communication	29,772	4,565	1,096	35,433	53,648
Rentals	16,605	3,541	1,455	21,601	22,372
Supplies	18,865	4,023	1,731	24,619	36,528
Interest expense	-	5,132	-	5,132	1,897
Staff expenses	17,865	3,810	2,321	23,996	13,952
Conferences	12,948	2,761	3,342	19,051	5,314
Postage	4,739	1,011	415	6,165	5,169
Miscellaneous equipment	3,965	846	367	5,178	1,994
Printing	2,523	538	228	3,289	4,915
Miscellaneous	62,896	13,414	6,923	83,233	78,112
Total expenses before depreciation and amortization	2,946,072	490,829	315,259	3,752,160	3,876,732
Depreciation and amortization	20,013	3,069	737	23,819	31,356
Total expenses including depreciation and amortization	2,966,085	493,898	315,996	3,775,979	3,908,088
Donated goods and services	2,890	616	253	3,759	6,370
TOTAL EXPENSES	\$ 2,968,975	494,514	316,249	3,779,738	3,914,458

COLLEGE FORWARD

STATEMENTS OF CASH FLOWS YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 1,162,925	\$ (1,426,334)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	27,783	23,819
Change in discount on private grant receivables	66,316	-
Changes in operating assets and liabilities that provided (used) cash:		
Government grant receivables	(69,959)	67,270
Private grant receivables	(1,206,315)	878,258
Accounts receivable	(61,726)	(47,122)
Prepaid expenses and other assets	(16,896)	7,410
Accounts payable	(121,866)	129,187
Accrued liabilities	32,106	(99,294)
Deferred revenue	(189,429)	242,414
Net cash used in operating activities	(377,061)	(224,392)
CASH FLOWS FROM INVESTING ACTIVITIES-		
Purchases of property and equipment	(90,856)	(11,923)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Borrowings from long-term debt	1,000,000	-
Payments on long-term debt	(16,413)	(26,900)
Net cash provided by (used in) financing activities	983,587	(26,900)
NET CHANGE IN CASH AND CASH EQUIVALENTS	515,670	(263,215)
CASH AND CASH EQUIVALENTS, beginning of year	713,129	976,344
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 1,228,799</u>	<u>\$ 713,129</u>
SUPPLEMENTAL CASH FLOW DISCLOSURES-		
Interest paid in cash	<u>\$ 17,897</u>	<u>\$ 5,132</u>

See notes to financial statements.

COLLEGE FORWARD

NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2019 AND 2018

1. NATURE OF OPERATIONS

College Forward (the “Organization”), a Texas nonprofit corporation, provides 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 in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) as defined by the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”).

Net Assets Classification - 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:

Without Donor Restrictions - These net assets not subject to donor-imposed stipulations. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on assets or liabilities are reported as increases or decreases in net assets without donor restrictions, unless their use is restricted by explicit donor stipulation or by law. Net assets without donor restrictions are those currently available for use by the Organization or at the discretion of the Board of Directors (the “Board”) for the Organization’s use.

With Donor Restrictions - These net assets subject to donor-imposed stipulations, which limit their use to a specific purpose and/or the passage of time, or which require them to be maintained permanently. Net assets which are required to be maintained permanently are not available for use in operations and limitations neither expire by fulfillment of a specific purpose nor the passage of time. 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.

Comparative Financial Statements - The 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 U.S. GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2018, from which the summarized information was derived.

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 - Government grant receivables are recorded when revenue is earned prior to cash being received. The Organization considers government grants receivable to be fully collectible; accordingly, no allowance for doubtful accounts has been recorded. The Organization recognizes revenue from government grants as allowable expenditures are incurred or services are rendered. Deferred revenue is recognized when cash is received prior to the revenue being earned.

Private Grant Receivables - Private grant receivables are recorded at the amount the Organization expects to receive from donors. Unconditional promises to give are recorded at fair value if expected to be collected in more than one year and at present value if expected to be collected in more than one year. Private grants receivable include amounts pledged over a periods of one to five years. The Organization records a discount to reflect the present value of receivables using approximate market rates applicable to the years in which the pledge is included in private grant revenue. No allowance for uncollectible private grant receivables has been recorded as, historically, the Organization has not experienced material uncollectible amounts.

Accounts Receivable - Accounts receivable are recorded at the value of the revenue earned and expected to be collected, and typically require payment within 30 days. Delinquent invoices do not accrue interest. The Organization continually monitors each customer's credit worthiness and recognizes allowances for estimated bad debts on customer accounts that are no longer estimated to be collectible. The Organization regularly adjusts any allowance for subsequent collections and final determination that an account receivable is no longer collectible. As of June 30, 2019 and 2018, there was no allowance for doubtful accounts as management deemed all outstanding balances to be collectible.

Property and Equipment - Property and equipment are recorded at cost if purchased or estimated at fair value if donated. The Organization capitalizes all acquisitions of property and equipment with a cost or donated value in excess of \$1,000. 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 twelve years. Amortization of leasehold improvements is calculated on a straight-line basis at the lesser of the estimated useful life of the lease, which is 3 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 statements 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.

Earned Income Revenue Recognition - Earned income represents database and contract services revenue and is recognized when persuasive evidence of an arrangement exists, performance of the service has occurred, the fee is fixed or determinable, collectability is probable and no significant obligations remain.

The Organization generates database revenue from professional services and from multiple element arrangements which include customer set-up fees, professional services, and subscription fees. As the revenue from customer set-up fees does not have standalone value under these multiple element arrangements and the on-going services being provided are essential to the customer receiving the expected benefit of the initial payment, customer set-up fee revenue is recognized over the contract period. However, professional services consists of training that has standalone value and is, therefore, accounted for as a separate deliverable. The Company allocates the arrangement consideration to the separate deliverables based on the relative-selling-price method and recognizes revenue when the revenue recognition criteria above are met. The allocation under the relative-selling-price method is based on vendor specific objective evidence (“VSOE”) of the fair value of the undelivered elements, if available, or third party evidence (“TPE”) of the selling price. If neither VSOE nor TPE are available, management must use its best estimate of a standalone selling price for the elements.

Contract services revenue is recognized as services are provided.

Customer advances and billed amounts due from customers in excess of earned income revenue recognized are recorded as deferred revenue.

Private Grants and Contributions Revenue Recognition - All contributions are recorded at their fair value and are considered to be available for operations of the Organization unless specifically restricted by the donor. Unconditional promises to give cash and other assets are reported as net assets with donor restrictions, if they are received with donor stipulations that limit the use of donated assets. When a restriction is satisfied or expires, the related restricted net assets are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire within the fiscal year in which the contributions are received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

In-Kind Contributions and Contributed Services - Non-cash items and other in-kind contributions are recorded at their fair value on the date they are received. Contributed services are recognized by the Organization if the services received (a) create or enhance non-financial assets and (b) require specialized skills, are provided by individuals possessing those 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 and recognized as revenue and expense in the period the services are provided.

Functional Allocation of Expenses - The accompanying financial statements present expenses by functional and natural classification. Natural expenses directly attributable to a specific functional area are reported as expenses of those functional areas. Certain costs have been allocated among the program and supporting services using a variety of cost allocation techniques, such as time and effort.

Federal 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, 2019 and 2018. 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 Adopted Accounting Pronouncement - In August 2016, the FASB issued Accounting Standards Update (“ASU”) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This guidance is intended to improve the net asset classification requirements and the information presented in the financial statements and notes about a not-for-profit entity’s liquidity, financial performance, and cash flows. The guidance 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 previously required three classes of net assets, unrestricted, temporarily restricted, and permanently restricted. Entities are also required to provide enhanced disclosures about liquidity, Board-designated amounts, and expense by both their natural and functional classification. The standard is effective for fiscal years beginning after December 15, 2017. During the year ended June 30, 2019, management implemented the new standard, the effect of which is reflected in the financial statements and within the footnotes.

As of June 30, 2018, reclassifications driven by the adoption of ASU 2016-14 consisted of amounts previously reported as unrestricted and temporarily restricted net assets, which are now presented as net assets without donor restrictions and with donor restrictions, respectively.

Recently Issued Accounting Pronouncements - In May 2014 and August 2015, the FASB issued 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 standard will have on its financial statements.

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, 2020 and early adoption is permitted. The Organization is currently evaluating the impact the standard will have on its financial statements.

3. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

As of June 30, 2019, College Forward’s financial assets available within one year for general expenditure were as follows:

Cash and cash equivalents	\$ 1,228,799
Private grants receivable due in one year	385,820
Accounts receivable	<u>133,059</u>
Total financial assets available to management for general expenditure within one year	<u>\$ 1,747,678</u>

The Board ensures the Organization’s financial stability by approving an annual budget prior to the start of each fiscal year. The Organization maintains financial policies to ensure funds are allocated in a manner consistent with the mission of the Organization.

Net assets with donor restrictions that are temporarily restricted as to purpose have not been removed from the balance disclosed as available for general expenditure within one year, as those restrictions can or will be met as part of general operations within the next year.

4. CONCENTRATIONS

Financial instruments which potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents and receivables. The Organization places its cash and cash equivalents with a limited number of high-quality financial institutions and may exceed the amount of insurance provided on such deposits. The Organization does not maintain collateral for its receivables and management does not believe a significant risk exists. During the years ended June 30, 2019 and 2018, one grantor comprised 100% of the government grant revenue and receivables. Also, during the year ended June 30, 2019, four grantors comprised 96% of private grant receivables. Four customers comprised 55% of accounts receivable as of June 30, 2019. Three grantors comprised of 85% of private grant and contribution revenue during the year ended June 30, 2019. As of June 30, 2018, two grantors comprised 76% of the private grant receivables, and three grantors comprised 68% of private grant and contribution revenue.

5. PRIVATE GRANT RECEIVABLES

The following schedule summarizes future expected payments on private grant receivables balances as of June 30:

	<u>2019</u>	<u>2018</u>
Amounts due in:		
Less than one year	\$ 385,820	\$ 409,253
One to five years	1,259,919	56,741
More than five years	<u>26,570</u>	<u>-</u>
	1,672,309	465,994
Less: discount to net present value	<u>(66,316)</u>	<u>-</u>
Private grant receivables, net	<u>\$ 1,605,993</u>	<u>\$ 465,994</u>

A discount rate of 2.5% was used to discount the anticipated cash flows on long-term unconditional private grant receivables as of June 30, 2019. The Organization did not record a net present value discount on private grant receivables as of June 30, 2018 as the amount was not significant.

6. PROPERTY AND EQUIPMENT

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

	<u>2019</u>	<u>2018</u>
Equipment	\$ 204,144	\$ 180,008
Furniture and fixtures	101,676	58,409
Leasehold improvements	<u>38,603</u>	<u>15,150</u>
	344,423	253,567
Less accumulated depreciation and amortization	<u>(248,918)</u>	<u>(221,135)</u>
Total	<u>\$ 95,505</u>	<u>\$ 32,432</u>

7. LONG-TERM DEBT

As of June 30, 2019, the Organization held six non-collateralized promissory notes payable to various individuals and nonprofit organizations totaling \$146,807. Principal payments are due based on a stated percentage of incremental revenue collected during the respective quarter resulting from database and contract services revenue contracts, and interest payments are due quarterly at fixed interest rates ranging from 1.5% to 4.0%, maturing on September 30, 2021. These six promissory notes were repaid by July 2019.

During the year ended June 30, 2019, the Organization entered into two new debt agreements totaling \$1,000,000 with nonprofit organizations. The loans bear interest at 2.5% per annum payable quarterly, with three equal principal payments due annually beginning August 2023. The loans mature August 2025.

Future scheduled principal payments as of June 30, 2019 were as follows:

2020	146,807
2021	-
2022	-
2023	-
2024	333,334
Thereafter	<u>666,666</u>
Total	<u>\$ 1,146,807</u>

During 2017, the Organization entered into a \$200,000 revolving line of credit with a financial institution, bearing interest at 4% per annum, secured by all accounts and maturing on June 9, 2018. There were no draws on the line of credit, and it was not renewed.

8. COMMITMENTS AND CONTINGENCIES

The Organization has lease agreements for office space. Rent expense under these agreements was \$371,967 and \$303,830 during the years ended June 30, 2019 and 2018, respectively. Future minimum lease payments for office space as of June 30, 2019 are as follows:

2020	\$ 201,874
2021	207,930
2022	214,168
2023	220,593
2024	227,211
Thereafter	<u>1,201,911</u>
Total	<u>\$ 2,093,686</u>

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.

9. DONOR RESTRICTED NET ASSETS

Donor restricted net assets were temporarily restricted for the following purposes as of June 30:

	<u>2019</u>	<u>2018</u>
Access/Completion Program - Central Texas	\$ 1,643,345	\$ 323,000
CoPilot Program	239,050	104,350
Time restrictions	53,656	163,855
College Forward Connect Mobile Application	50,000	-
Success Partnership	<u>-</u>	<u>351,667</u>
Total	<u>\$ 1,986,051</u>	<u>\$ 942,872</u>

10. RELATED PARTY TRANSACTIONS

During the years ended June 30, 2019 and 2018, the Organization received cash contributions of \$2,029 and \$117,000, respectively, from various members of the Board. These amounts represent actual cash contributions received and are included in contribution revenue in the accompanying statements of activities.

11. SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through January 15, 2020 (the date the financial statements were available to be issued), noting six promissory notes were repaid by July 2019, in advance of the stated maturity date (Note 7).