

COLLEGE TRACK
(A NONPROFIT PUBLIC BENEFIT CORPORATION)

REPORT ON AUDIT OF FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014
(WITH SUMMARIZED FINANCIAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2013)

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INDEPENDENT AUDITORS' REPORT

November 25, 2014

Board of Directors
College Track
Oakland, California

We have audited the financial statements of College Track (a nonprofit organization), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities, functional expenses, 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 the financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 Track as of June 30, 2014, and the changes 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.

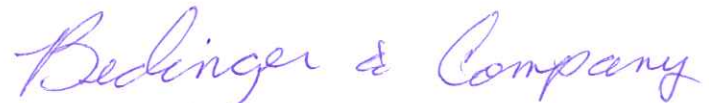
Other Matters

Supplementary Information

Our audit as conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplemental pro forma consolidating schedule of financial position and pro forma consolidating schedule of activities on pages 16 through 18 are presented for purposes of additional analysis and are 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 pro forma consolidated 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 financials 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 taken as a whole.

Report on Summarized Comparative Information

We have previously audited the College Track's 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 13, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013 is consistent, in all material respects, with the audited financial statements from which it has been derived.



Certified Public Accountants

COLLEGE TRACK
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2014
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2013)

<u>ASSETS</u>	Total	
	2014	2013
CURRENT ASSETS		
Cash and cash equivalents (Notes B and K)	\$ 3,753,767	\$ 1,219,178
Contributions and grants receivable (Notes B and C)	3,064,339	4,467,036
Other receivables	-	72,990
TOTAL CURRENT ASSETS	<u>6,818,106</u>	<u>5,759,204</u>
FIXED ASSETS, NET (Note E)	<u>4,055,469</u>	<u>3,725,920</u>
OTHER ASSETS		
Prepaid expenses	50,440	37,612
Deposits	24,495	2,047
Long-term promises to give and grants receivable (Note C)	6,615,000	2,070,000
Note receivable (Note D)	6,274,441	6,274,441
TOTAL OTHER ASSETS	<u>12,964,376</u>	<u>8,384,100</u>
TOTAL ASSETS	<u>\$ 23,837,951</u>	<u>\$ 17,869,224</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 796,370	\$ 531,602
Deferred revenue (Note D)	16,457	16,457
TOTAL CURRENT LIABILITIES	<u>812,827</u>	<u>548,059</u>
Deferred revenue-ground lease (Note D)	1,564,265	1,580,722
Note payable to related party (Note F)	1,800,000	1,800,000
Note payable (Note F)	-	300,000
TOTAL LIABILITIES	<u>4,177,092</u>	<u>4,228,781</u>
COMMITMENTS AND CONTINGENCIES (Note H)		
NET ASSETS		
Unrestricted	8,974,192	9,150,443
Temporarily restricted (Note G)	10,686,667	4,490,000
TOTAL NET ASSETS	<u>19,660,859</u>	<u>13,640,443</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 23,837,951</u>	<u>\$ 17,869,224</u>

See Notes to Financial Statements

COLLEGE TRACK
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2013)

	Unrestricted	Temporarily Restricted	Total All Funds	
			2014	2013
REVENUE AND SUPPORT				
Foundation grants	\$ -	\$ 10,912,786	\$ 10,912,786	\$ 4,405,750
Contributions		3,170,590	3,170,590	2,184,102
Government grants	278,773		278,773	236,998
Partnerships	54,000		54,000	312,837
Scholarships			-	78,787
Fundraising	1,708,544		1,708,544	2,738,308
Interest	50,937		50,937	64,717
In-kind support	400,402		400,402	884,867
Developer fees			-	45,660
Rental income	21,307		21,307	16,457
Other	6,784		6,784	65,933
	<u>2,520,747</u>	<u>14,083,376</u>	<u>16,604,123</u>	<u>11,034,416</u>
Net assets released from restrictions (Note G)	<u>7,886,709</u>	<u>(7,886,709)</u>	<u>-</u>	<u>-</u>
TOTAL REVENUE AND SUPPORT	<u>10,407,456</u>	<u>6,196,667</u>	<u>16,604,123</u>	<u>11,034,416</u>
EXPENSES:				
Program	8,650,739		8,650,739	7,214,012
General and administrative	904,279		904,279	815,850
Fundraising	1,028,689		1,028,689	1,164,204
TOTAL EXPENSES	<u>10,583,707</u>	<u>-</u>	<u>10,583,707</u>	<u>9,194,066</u>
CHANGE IN NET ASSETS	<u>(176,251)</u>	<u>6,196,667</u>	<u>6,020,416</u>	<u>1,840,350</u>
NET ASSETS, beginning of year	<u>9,150,443</u>	<u>4,490,000</u>	<u>13,640,443</u>	<u>11,800,093</u>
NET ASSETS, end of year	<u>\$ 8,974,192</u>	<u>\$ 10,686,667</u>	<u>\$ 19,660,859</u>	<u>\$ 13,640,443</u>

See Notes to Financial Statements

COLLEGE TRACK
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2014
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2013)

	Program	General and Administrative	Fundraising	Total All Funds	
				2014	2013
PERSONNEL COSTS:					
Compensation	\$ 3,806,114	\$ 393,987	\$ 456,029	\$ 4,656,130	\$ 3,436,353
Employee benefits and payroll taxes	773,759	88,665	86,831	949,255	806,325
TOTAL PERSONNEL COSTS	4,579,873	482,652	542,860	5,605,385	4,242,678
OPERATING EXPENSES:					
Program expense	784,139	-	-	784,139	643,956
Scholarship	1,021,324	-	-	1,021,324	1,016,010
Professional services	437,606	234,246	137,245	809,097	566,329
Occupancy	652,771	14,513	2	667,286	563,794
Fundraising	2,011	82	243,805	245,898	487,167
Travel	131,972	48,137	71,945	252,054	236,695
Equipment and maintenance	35,508	2,126	119	37,753	3,556
In-Kind services	11,762	5,041	-	16,803	623,322
In-Kind facilities use and goods	383,600	-	-	383,600	247,545
Vehicle expense	122,397	4,996	10,986	138,379	52,803
Office expenses	194,957	33,850	17,935	246,742	232,360
Depreciation	100,433	43,043	-	143,476	103,042
Interest and bank fees	22,071	10,946	5,077	38,094	24,898
Supplies	121,936	10,447	5,782	138,165	56,155
Insurance	38,248	15,757	-	54,005	68,582
Postage	-	-	-	-	5,204
Other	10,131	(1,557)	(7,067)	1,507	19,970
TOTAL OPERATING EXPENSES	4,070,866	421,627	485,829	4,978,322	4,951,388
TOTAL EXPENSES	\$ 8,650,739	\$ 904,279	\$ 1,028,689	\$ 10,583,707	\$ 9,194,066

COLLEGE TRACK**STATEMENT OF CASH FLOWS**

YEAR ENDED JUNE 30, 2014

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2013)

	Total	
	2014	2013
CASH PROVIDED BY OPERATING ACTIVITIES:		
Change in net assets	\$ 6,020,416	\$ 1,840,350
ADJUSTMENTS TO RECONCILE TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Depreciation	143,476	103,042
CHANGES IN CURRENT ASSETS AND CURRENT LIABILITIES:		
<Increase> decrease in:		
Contributions and grants receivable	(3,142,303)	(575,484)
Other receivables	72,990	(13,418)
Prepaid expenses	(12,828)	(28,564)
Deposits	(22,448)	12,482
Increase <decrease> in:		
Accounts payable and accrued liabilities	264,768	191,862
Deferred revenue	-	(45,669)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>3,324,071</u>	<u>1,484,601</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
<Purchase> disposal of property and equipment, net	<u>(473,025)</u>	<u>(1,386,743)</u>
NET CASH USED BY INVESTING ACTIVITIES	<u>(473,025)</u>	<u>(1,386,743)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
<Decrease> Increase in long term deferred revenue	(16,457)	(16,447)
<Repayment> on notes payable	<u>(300,000)</u>	<u>-</u>
NET CASH <USED> PROVIDED BY FINANCING ACTIVITIES	<u>(316,457)</u>	<u>(16,447)</u>
NET INCREASE <DECREASE> IN CASH	2,534,589	81,411
CASH, beginning of year	<u>1,219,178</u>	<u>1,137,767</u>
CASH, end of year	<u>\$ 3,753,767</u>	<u>\$ 1,219,178</u>
SUPPLEMENTAL INFORMATION:		
Interest paid	<u>\$ 21,840</u>	<u>\$ 24,898</u>

See Notes to Financial Statements

COLLEGE TRACK

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2013)

NOTE A – ORGANIZATION AND PURPOSE

College Track (Organization) is a not-for-profit public benefit corporation, incorporated in California in 1997. They have locations in California, Colorado and Louisiana.

College Track recruits students from underserved communities and works continuously with them from the summer before 9th grade through college graduation. The 10-year program provides the students with comprehensive academic support, leadership training, financial and college advising, and scholarships. The Organization has four core service areas – Academic Affairs, College Affairs, Student Life, and College Success. The College Track model is intended to support students through every step of high school and college through college graduation.

NOTE B – SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting – The financial statements of the Organization are prepared on the accrual basis of accounting.

Financial Statement Presentation – Under ASC 958, the Organization is required to report information regarding their financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. The Organization had no permanently restricted net assets as of June 30, 2014.

Estimates – In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management must make estimates based on future events that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities as of the date of the financial statements, and revenues and expenses during the reporting period. Actual results could differ from these estimates.

Cash and Cash Equivalents – Cash and cash equivalents include all monies in banks and highly liquid investments with maturity dates of less than three months. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

Contributions and Grants Receivable – The Organization considers all grants and accounts receivable to be fully collectible; however, the Organization has created allowance for doubtful accounts in the amount of \$20,000.

COLLEGE TRACK

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2013)

NOTE B – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions and Revenue – The Organization receives contributions and grants from corporations, governmental entities, charitable organizations and individuals. In accordance with ASC 958, contributions received are recorded as either temporarily or permanently restricted support, if they are received with donor stipulations that limit the use of the contribution or grant. When a temporary restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities as net assets released from restrictions. As permitted by ASC 958, donor-restricted contributions whose restrictions are met in the same year are reported as unrestricted support. All other contributions are recognized upon receipt.

Donated Facilities Use, Equipment, Supplies and Services (In-kind) – The Organization records donated facilities use, equipment, supplies or services at their estimated fair value on the date of receipt if they meet the criteria for recognition. In-kind services, use of facilities and supplies or equipment was \$884,867, for the year ended June 30, 2014, as reflected in the accompanying financial statements.

Fixed Assets – Fixed assets are stated at cost and depreciated straight-line over estimated useful lives of five to thirty years. Maintenance, repairs and minor renewals are charged to expense as incurred.

Income Tax Status – The Organization is exempt from federal income tax under Internal Revenue Code Section 501(c)(3) and from California franchise and/or income tax under the Revenue and Taxation Code Section 23701(d).

The Organization has adopted the accounting guidance related to uncertain tax positions, and has evaluated its tax positions and believes that all of the positions taken by the Organization in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination. The Organization returns for years ended June 30, 2013, 2012, and 2011 are subject to examination by federal and state taxing authorities generally for three years after they are filed.

COLLEGE TRACK
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2013)

NOTE B – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value of Financial Instruments – The Organization's financial instruments include cash and cash equivalents. The carrying amount of these financial instruments has been estimated by management to approximate fair value. The Organization adheres to Accounting Standards Codification (ASC) 820—10. Under ASC 820-10, fair value is defined as “the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.” ASC 820-10 establishes a hierarchy to prioritize the inputs to valuation techniques to measure fair value. The hierarchy gives the highest ranking to fair values determined using unadjusted quoted prices in active markets for identical assets (Level 1) and the lowest ranking to fair values determined using methodologies and models with unobservable inputs (Level 3). Observable inputs are those that market participants would use in pricing the asset based on market data obtained from sources independent of the Organization. Unobservable inputs reflect the Organization's assumption about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1— Values are unadjusted quoted prices for identical assets and liabilities in active markets. The Organization has level one instruments in cash and cash equivalents at June 30, 2014.

Level 2—Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument. Such inputs include market interest rates and volatilities, spreads and yield curves. The Organization did not have any level two instruments at June 30, 2014.

Level 3—Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect the Organization's best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date. The Organization did not have any level three instruments at June 30, 2014.

COLLEGE TRACK**NOTES TO FINANCIAL STATEMENTS**

YEAR ENDED JUNE 30, 2014

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2013)

NOTE C – CONTRIBUTIONS AND GRANTS RECEIVABLE

Contributions and grants receivable that are expected to be collected within one to three years are recorded at their net realizable value. Contributions and grants receivable at June 30 are listed below:

	<u>2014</u>	<u>2013</u>
<u>Amount due within One Year</u>		
Grants and Contributions receivable	\$ 3,064,339	\$4,467,036
<u>Due beyond One Year</u>		
Grants and Contributions receivable	<u>6,695,000</u>	<u>2,070,000</u>
	<u>\$9,759,339</u>	<u>\$ 6,537,036</u>

The grants and contributions receivable that are due beyond two years are accrued at the present value.

NOTE D – NEW MARKET TAX CREDIT PROJECT

In July 2011, College Track executed agreements and related documents as necessary in connection with the closing of the New Markets Tax Credit ("NMTC") financing transaction for the San Francisco College Track project. The facility houses programs assisting low-income high school students in San Francisco realize increased levels of high school graduation, college eligibility and enrollment, and college graduation rates.

The NMTC program, enacted by Congress and administered by the U.S. Department of the Treasury, was created to promote economic development in distressed areas. Each year, the Treasury's Community Development Financial Institution Fund competitively allocates tax credits to eligible organizations referred to as Community Development Entities ("CDEs"). CDEs solicit private equity investments in exchange for federal income tax credits over a seven-year compliance period totaling 39% of the qualified equity investment made into a qualified active low-income business ("QALICB") that sponsors a project benefiting its community.

The financing structure requires the Organization to divest its ownership interest in the project for a minimum period of seven years through a ground lease of the San Francisco property with the San Francisco College Track QALICB, Inc. (SFCTQ), an independent nonprofit corporation formed by College Track in June 2011. The structure also requires the Organization to serve several key capacities as the leverage lender, developer, ground lessor, and master tenant.

COLLEGE TRACK

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2013)

NOTE D – NEW MARKET TAX CREDIT PROJECT (Continued)

College Track, acting in the capacity of leverage lender, lent a total of \$6,274,441 to College Track Investment Fund, LLC (CTIF) in exchange for a promissory note bearing interest at 1% per annum and maturing July 19, 2051. During the year ended June 30, 2014, College Track recognized \$47,058 in interest income from the promissory note.

CTIF, which is wholly owned by U.S. Bancorp Community Development Corporation, invested the College Track funds, with San Francisco Community Investment Fund (SFCIF). SFCIF ultimately invested \$8,526,000 in the form of loans to SFCTQ for a full seismic upgrade and interior renovation of the building.

During the year ended June 30, 2014 the construction was complete and College Track began occupying the facility and paying rent to SFCTQ as master tenant, pursuant to the sublease executed as part of the NMTC financing.

As part of the NMTC financing transaction, SFCTQ paid \$1,630,101 to College Track in advance for the 99-year ground lease and \$350,000 for a developer fee. The developer fee is designed to compensate College Track for pre-development and construction related activities. The term of the developer fee is from the inception of the project through the opening of the facility to the public, which is November 2010 through September 2012.

During the fiscal year ended June 30, 2014, College Track recognized \$16,457 in ground lease income with \$1,580,722 remaining in deferred revenue at June 30, 2014.

College Track has chosen not to consolidate the financial statements with those of SFCTQ. However, pro forma consolidating statements of financial position and net assets are included as supplementary information to this report. As part of the pro forma consolidation, all intercompany transactions were eliminated.

COLLEGE TRACK
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2013)

NOTE E – FIXED ASSETS

Fixed assets at June 30 are comprised of the following:

	<u>2014</u>	<u>2013</u>
Land	\$1,100,000	\$1,100,000
Building	594,074	594,074
Furniture & fixtures	401,241	275,308
Equipment	192,226	158,732
Vehicles	168,286	153,086
Leasehold improvements	2,423,821	2,125,423
Total	<u>4,879,648</u>	<u>4,406,623</u>
Less: accumulated depreciation	<u><824,179></u>	<u><680,703></u>
	<u>\$ 4,055,469</u>	<u>\$ 3,725,920</u>

Depreciation expense for the years ended June 30, 2014 and 2013 was \$143,476 and \$103,042, respectively.

NOTE F – LONG-TERM NOTES PAYABLE

During the year ended June 30, 2012, the Organization borrowed \$1,800,000 from a related party and \$600,000 from an unrelated party to assist in the financing of the San Francisco renovation project.

Unsecured note payable to a related party in the amount of \$1,800,000 with interest only payments bearing 2% interest per annum through July 31, 2013 and 0.88% interest per annum thereafter, due in full August 2021.

	<u>\$1,800,000</u>
Total	<u>\$1,800,000</u>

During the year ended June 30, 2014, the Organization repaid the final \$300,000 on the note to the unrelated party.

Interest expense related to the notes is \$21,840 for the year ended June 30, 2014.

COLLEGE TRACK
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2013)

NOTE G – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30, 2014 and 2013 were comprised of the following:

	<u>2014</u>	<u>2013</u>
San Francisco Redevelopment grant	\$1,000,000	\$1,000,000
Future Operations	9,616,667	3,350,000
Scholarships	70,000	140,000
Total	<u>\$10,686,667</u>	<u>\$4,490,000</u>

During the year ended June 30, 2012, the Organization received a \$1,000,000 grant from the Redevelopment Agency of the City and County of San Francisco for use in the seismic upgrades and renovation of the San Francisco College Track facility. The amount will remain a grant as long as College Track abides by the terms and conditions as outlined in the development agreement, and the use of the San Francisco College Track property is devoted to assisting low-income high school students in San Francisco realize increased levels of high school graduation, college eligibility and enrollment, and college graduation rates.

Temporarily restricted net assets were released from donor restrictions satisfied by the passage of time or other occurrences during the years ended June 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Operations	\$7,816,709	\$1,830,000
Technology	0	100,000
Scholarships	70,000	70,000
Total	<u>\$7,886,709</u>	<u>\$2,000,000</u>

COLLEGE TRACK
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2013)

NOTE H – COMMITMENTS AND CONTINGENCIES

Commitments

The Organization leases program and office spaces in Aurora, CO, Denver, CO, New Orleans, LA, East Palo Alto, CA, Oakland, CA, and Sacramento, CA.

In addition, as part of the NMTC financing, the Organization entered into a sub-lease agreement with San Francisco College Track QALICB, Inc. (SFCTQ) for the twenty-year period of July 2013 through December 2031. The sublease allows the Organization to renew the lease for an additional ten-year period with existing agreed upon lease rates.

Future commitments for the next five fiscal years with regard to these agreements for the year ended June 30 are as follows

<u>Year Ended June 30</u>	
2015	\$613,433
2016	\$578,224
2017	\$520,170
2018	\$429,703
2019	\$325,174

Rent expense for the year ended June 30, 2014 is \$496,651.

Contingencies

Grant awards require the fulfillment of certain conditions as set forth in the instruments of grant. Failure to fulfill the conditions could result in the return of the funds to the grantors. The Organization deems this contingency remote since by accepting the grants it is compelled to adjust its objectives and policies to accommodate the terms of the grants.

Management is of the opinion that the Organization has complied with the terms of all grants.

COLLEGE TRACK

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2013)

NOTE I – EMPLOYEE BENEFITS

In 2006, the Organization adopted a 401(k) Profit Sharing plan. All full time employees are eligible for coverage under the plan after completing the required hours and length of service. The plan matches 25% of 4% of employee deferrals. Employees gain a vested right to employer matching or profit sharing contributions over a two-year vesting period. The Organization may contribute to the plan through the profit sharing option. In 2014, the Organization matched employee deferrals only. Total pension expense for the year ended June 30, 2014 was \$7,599.

The Organization accrues vacation expense for full-time staff members. Total accrued vacation payable liability at June 30, 2014 is \$165,880 and is reflected in the accrued expenses in the accompanying Statement of Financial Position.

NOTE J – LINE OF CREDIT

The Organization has a line of credit from a bank with a maximum available amount of \$350,000. The line renews annually with a variable interest rate of 1.75% over the bank index, but not less than 5% per annum. The outstanding balance on the line at June 30, 2014 is \$0 with an interest rate of 6%.

NOTE K – CONCENTRATION OF CREDIT RISK

At June 30, 2014, the Organization had deposits of approximately \$3,060,605 in banks in excess of federally insured limits. These amounts have not been reduced by items recorded in the accounts not yet clearing the bank.

NOTE L – SUBSEQUENT EVENTS

Subsequent to year end, the Organization opened its seventh site in Sacramento, California which began serving students in August 2014. In addition, the Organization obtained a line of credit from Bank of America in the amount of \$1,000,000, which may renew in January 2015. The line of credit carries an interest rate of 0.25% over the Bank's Prime Rate.

In accordance with FASB Accounting Standards Codification Topic 855, Subsequent Events, the Organization has evaluated subsequent events through November 25, 2014, which is the date these financial statements were available to be issued. All subsequent events requiring recognition as of June 30, 2014, have been incorporated into these financial statements herein.

SUPPLEMENTAL INFORMATION

COLLEGE TRACK
PRO FORMA CONSOLIDATING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2014

<u>ASSETS</u>	College Track	San Francisco College Track QALICB, Inc.	Eliminations	Total
CURRENT ASSETS				
Cash and cash equivalents (Notes A and I)	\$ 3,753,767	\$ 234,339	\$ -	\$ 3,988,106
Contributions and grants receivable (Note C)	3,064,339			3,064,339
TOTAL CURRENT ASSETS	6,818,106	234,339	-	7,052,445
FIXED ASSETS, NET (Note E)	4,055,469	6,011,660	(350,000)	9,717,129
OTHER ASSETS				
Prepaid expenses	50,440			50,440
Deposits	24,495			24,495
Long-term promises to give and grants receivable (Note C)	6,615,000			6,615,000
Prepaid ground lease (Note D)		1,580,722	(1,580,722)	-
Note receivable (Note D)	6,274,441			6,274,441
TOTAL OTHER ASSETS	12,964,376	1,580,722	(1,580,722)	12,964,376
TOTAL ASSETS	\$ 23,837,951	\$ 7,826,721	\$ (1,930,722)	\$ 29,733,950
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts payable and accrued liabilities	\$ 796,370	\$ 15,688	\$ -	\$ 812,058
Deferred revenue from ground lease (Note D)	16,457		(16,457)	-
TOTAL CURRENT LIABILITIES	812,827	15,688	(16,457)	812,058
Long-term deferred revenue-ground lease (Note D)	1,564,265		(1,564,265)	-
Note payable to related party (Note F)	1,800,000			1,800,000
Long-term notes payable (Note D)		8,526,000		8,526,000
TOTAL LIABILITIES	4,177,092	8,541,688	(1,580,722)	11,138,058
COMMITMENTS AND CONTINGENCIES (Note H)				
NET ASSETS				
Unrestricted	8,974,192	(714,967)	(350,000)	7,909,225
Temporarily restricted (Note G)	10,686,667			10,686,667
TOTAL NET ASSETS	19,660,859	(714,967)	(350,000)	18,595,892
TOTAL LIABILITIES AND NET ASSETS	\$ 23,837,951	\$ 7,826,721	\$ (1,930,722)	\$ 29,733,950

COLLEGE TRACK
PRO FORMA CONSOLIDATING STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014

	College Track	San Francisco College Track QALICB, Inc.	Eliminations	TOTAL
REVENUE AND SUPPORT				
Foundation grants	\$ 10,912,786	\$ -	\$ -	\$ 10,912,786
Contributions	3,170,590			3,170,590
Government grants	278,773			278,773
Partnerships	54,000			54,000
Fundraising	1,708,544			1,708,544
Interest	50,937	330		51,267
In-kind support	400,402			400,402
Rental income	21,307	65,000	(81,457)	4,850
Other	6,784			6,784
	<u>16,604,123</u>	<u>65,330</u>	<u>(81,457)</u>	<u>16,587,996</u>
Net assets released from restrictions (Note F)	-		-	-
TOTAL REVENUE AND SUPPORT	<u>16,604,123</u>	<u>65,330</u>	<u>(81,457)</u>	<u>16,587,996</u>
EXPENSES:				
Program	8,650,739		(65,000)	8,585,739
General and administrative	904,279			904,279
Fundraising	1,028,689			1,028,689
Interest expense		65,586		65,586
Asset management		63,185		63,185
Rental expense		16,457	(16,457)	-
Depreciation		226,241		226,241
Miscellaneous		-		-
Bank fees		58		58
TOTAL EXPENSES	<u>10,583,707</u>	<u>371,527</u>	<u>(81,457)</u>	<u>10,873,777</u>
CHANGE IN NET ASSETS	6,020,416	(306,197)	-	5,714,219
NET ASSETS, beginning of year	<u>13,640,443</u>	<u>(408,770)</u>	<u>(350,000)</u>	<u>12,881,673</u>
NET ASSETS, end of year	<u>\$ 19,660,859</u>	<u>\$ (714,967)</u>	<u>\$ (350,000)</u>	<u>\$ 18,595,892</u>