

H E A L Y A N D A S S O C I A T E S

C E R T I F I E D P U B L I C A C C O U N T A N T

COLLEGE TRACK
(A NONPROFIT PUBLIC BENEFIT CORPORATION)

REPORT ON AUDIT OF FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016
(WITH SUMMARIZED FINANCIAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2015)

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INDEPENDENT AUDITOR'S REPORT

September 30, 2016

Board of Directors
College Track
Oakland, California

I have audited the financial statements of College Track (a nonprofit organization), which comprise the statement of financial position as of June 30, 2016, 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of College Track as of June 30, 2016, 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

My 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 15 through 17 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 financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my 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

College Track's 2015 financial statements were audited by other auditors, and in their opinion dated October 9, 2015 they expressed an unmodified audit opinion on those audited financial statements. In my opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Healy and Associates

Healy and Associates
Concord, California

COLLEGE TRACK
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2016
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2015)

<u>ASSETS</u>	Total	
	<u>2016</u>	<u>2015</u>
CURRENT ASSETS		
Cash and cash equivalents (Notes B and J)	\$ 5,122,031	\$ 3,776,835
Contributions and grants receivable (Notes B and C)	6,203,949	8,575,875
Other receivables	-	405
TOTAL CURRENT ASSETS	<u>11,325,980</u>	<u>12,353,115</u>
FIXED ASSETS, net of accumulated depreciation of \$1,387,842 and \$1,085,618, respectively, (Note E)	<u>5,140,954</u>	<u>4,613,259</u>
OTHER ASSETS		
Prepaid expenses	181,733	111,286
Deposits	82,535	24,864
Long-term promises to give and grants receivable (Note C)	4,410,000	7,270,003
Note receivable (Note D)	6,274,441	6,274,441
TOTAL OTHER ASSETS	<u>10,948,709</u>	<u>13,680,594</u>
TOTAL ASSETS	<u>\$ 27,415,643</u>	<u>\$ 30,646,968</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 1,502,226	\$ 1,400,749
Deferred revenue (Note D)	16,457	16,457
TOTAL CURRENT LIABILITIES	1,518,683	1,417,206
Deferred revenue-ground lease (Note D)	<u>1,531,351</u>	<u>1,547,808</u>
TOTAL LIABILITIES	<u>3,050,034</u>	<u>2,965,014</u>
COMMITMENTS AND CONTINGENCIES (Note G)		
NET ASSETS		
Unrestricted	15,288,463	14,583,809
Temporarily restricted (Note F)	9,077,146	13,098,145
TOTAL NET ASSETS	<u>24,365,609</u>	<u>27,681,954</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 27,415,643</u>	<u>\$ 30,646,968</u>

See Notes to Financial Statements

COLLEGE TRACK**STATEMENT OF ACTIVITIES**

YEAR ENDED JUNE 30, 2016

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2015)

	Unrestricted	Temporarily Restricted	Total All Funds	
			2016	2015
REVENUE AND SUPPORT				
Individual donations	\$ 5,153,669	\$ 248,750	\$ 5,402,419	\$ 12,530,198
Foundation and trust support	2,238,836	236,500	2,475,336	3,245,649
Corporate support	459,923	281,750	741,673	1,280,143
Government grants and contracts	489,457		489,457	479,248
Events				
Gross proceeds	4,116,108			
Less: event expenses	<u>(419,939)</u>			
Net event revenue	3,696,169		3,696,169	4,365,012
Interest	62,968		62,968	65,564
In-kind support (Note B)	309,430		309,430	204,800
Rental income	16,457		16,457	16,457
Other	224		224	23,496
	<u>12,427,133</u>	<u>767,000</u>	<u>13,194,133</u>	<u>22,210,567</u>
Net assets released from restrictions (Note F)	<u>4,787,999</u>	<u>(4,787,999)</u>	<u>-</u>	<u>-</u>
TOTAL REVENUE AND SUPPORT	<u>17,215,132</u>	<u>(4,020,999)</u>	<u>13,194,133</u>	<u>22,210,567</u>
EXPENSES:				
Program	13,343,782		13,343,782	11,251,014
General and administrative	1,602,205		1,602,205	1,667,461
Fundraising	1,564,491		1,564,491	1,270,997
TOTAL EXPENSES	<u>16,510,478</u>	<u>-</u>	<u>16,510,478</u>	<u>14,189,472</u>
CHANGE IN NET ASSETS	704,654	(4,020,999)	(3,316,345)	8,021,095
NET ASSETS, beginning of year	<u>14,583,809</u>	<u>13,098,145</u>	<u>27,681,954</u>	<u>19,660,859</u>
NET ASSETS, end of year	<u>\$ 15,288,463</u>	<u>\$ 9,077,146</u>	<u>\$ 24,365,609</u>	<u>\$ 27,681,954</u>

See Notes to Financial Statements

COLLEGE TRACK
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2016
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2015)

	Program	General and Administrative	Fundraising	Total All Funds	
				2016	2015
PERSONNEL COSTS:					
Compensation	\$ 6,209,675	\$ 694,536	\$ 763,201	\$ 7,667,412	\$ 6,472,438
Payroll taxes	522,797	51,250	54,988	629,035	538,754
Employee benefits and payroll taxes	694,056	68,404	72,718	835,178	621,371
TOTAL PERSONNEL COSTS	7,426,528	814,190	890,907	9,131,625	7,632,563
OPERATING EXPENSES:					
Scholarships	1,593,766	-	-	1,593,766	1,553,489
Staff development and recruitment	252,868	74,664	28,404	355,936	182,334
Professional services	584,439	445,063	353,226	1,382,728	1,254,065
Office expense	564,812	12,088	53,008	629,908	586,888
Information technology	212,072	39,796	29,149	281,017	211,709
Occupancy	1,576,655	65,544	51,983	1,694,182	1,453,622
Fleet and transportation	164,013	-	-	164,013	133,286
Travel and Hospitality	572,018	71,046	107,233	750,297	632,306
General and administrative	396,611	79,814	50,581	527,006	549,210
TOTAL OPERATING EXPENSES	5,917,254	788,015	673,584	7,378,853	6,556,909
TOTAL EXPENSES	\$ 13,343,782	\$ 1,602,205	\$ 1,564,491	\$ 16,510,478	\$ 14,189,472

COLLEGE TRACK

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2016

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2015)

	Total	
	<u>2016</u>	<u>2015</u>
CASH PROVIDED BY OPERATING ACTIVITIES:		
Change in net assets	\$ (3,316,345)	\$ 8,021,095
ADJUSTMENTS TO RECONCILE TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Depreciation	302,224	261,439
CHANGES IN CURRENT ASSETS AND CURRENT LIABILITIES:		
(Increase) decrease in:		
Contributions and grants receivable	5,231,929	(6,166,539)
Other receivables	405	(405)
Prepaid expenses	(70,447)	(60,846)
Deposits	(57,671)	(369)
Increase (decrease) in:		
Accounts payable and accrued liabilities	101,477	604,379
Deferred revenue	(16,457)	(16,457)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>2,175,115</u>	<u>2,642,297</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
(Purchase) disposal of property and equipment, net	<u>(829,919)</u>	<u>(819,229)</u>
NET CASH USED BY INVESTING ACTIVITIES	<u>(829,919)</u>	<u>(819,229)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
(Repayment) on notes payable	<u>-</u>	<u>(1,800,000)</u>
NET CASH USED BY FINANCING ACTIVITIES	<u>-</u>	<u>(1,800,000)</u>
NET INCREASE IN CASH	1,345,196	23,068
CASH, beginning of year	<u>3,776,835</u>	<u>3,753,767</u>
CASH, end of year	<u>\$ 5,122,031</u>	<u>\$ 3,776,835</u>
SUPPLEMENTAL INFORMATION:		
Interest paid	<u>\$ -</u>	<u>\$ 15,840</u>

See Notes to Financial Statements

COLLEGE TRACK

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2015)

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 Completion. 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 FASB ASC Subtopic 958-205, *Not-For-Profit Entities—Presentation of Financial Statements*, the Agency is required to report information regarding their financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted net assets. The Organization does not have any permanently restricted net assets.

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 \$140,000.

COLLEGE TRACK

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2015)

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 \$309,430, for the year ended June 30, 2016, 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, 2015, 2014, and 2013 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, 2016

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2015)

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. 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.” When determining the inputs used to measure fair value, the highest priority is given to observable inputs and lowest priority is given to unobservable inputs. Accounting Standards Codification (ASC) 820-10, *Fair Value Measurement*, establishes a fair value hierarchy to prioritize the inputs used in measuring fair value.

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

Level 1— Quoted prices for identical assets and liabilities in active markets.

Level 2—Observable inputs other than Level 1, which 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.

Level 3—Unobservable inputs that are supported by little or no market activity and that are significant to the fair values of the assets and liabilities.

The Organization measured the fair value of cash and cash equivalents using Level 1 inputs.

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:

Grants and Contributions receivable:	2016	2015
Amount due within One Year	\$ 6,203,949	\$ 8,575,875
Due beyond One Year	4,410,000	7,270,003
	<u>\$10,613,949</u>	<u>\$15,845,878</u>

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

COLLEGE TRACK

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2015)

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, 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, 2016, College Track recognized \$62,744 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, 2012 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.

COLLEGE TRACK**NOTES TO FINANCIAL STATEMENTS**

YEAR ENDED JUNE 30, 2016

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2015)NOTE D – NEW MARKET TAX CREDIT PROJECT (Continued)

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, 2016, College Track recognized \$16,457 in ground lease income with \$1,547,808 remaining in deferred revenue at June 30, 2016.

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.

NOTE E – FIXED ASSETS

Fixed assets at June 30 are comprised of the following:

	<u>2016</u>	<u>2015</u>
Land	\$1,100,000	\$1,100,000
Building	594,074	594,074
Furniture and fixtures	902,186	761,779
Equipment	377,803	222,976
Vehicles	239,889	221,617
Leasehold improvements	3,314,844	2,798,431
Total	<u>6,528,796</u>	<u>5,698,877</u>
Less: accumulated depreciation	<u>(1,387,842)</u>	<u>(1,085,618)</u>
	<u>\$ 5,140,954</u>	<u>\$ 4,613,259</u>

Depreciation expense for the years ended June 30, 2016 and 2015 was \$302,224 and \$261,439, respectively.

COLLEGE TRACK**NOTES TO FINANCIAL STATEMENTS**

YEAR ENDED JUNE 30, 2016

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2015)

NOTE F – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30, 2016 and 2015 were comprised of the following:

	<u>2016</u>	<u>2015</u>
San Francisco Redevelopment grant	\$1,000,000	\$1,000,000
Future operations	8,055,146	12,098,145
Scholarships	22,000	-
Total	<u>\$9,077,146</u>	<u>\$13,098,145</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, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Operations	<u>\$4,787,999</u>	<u>\$3,313,100</u>

NOTE G – 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 2011 through December 2031. The sublease allows the Organization to renew the lease for an additional ten-year period with existing agreed upon lease rates.

COLLEGE TRACK

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2015)

NOTE G – COMMITMENTS AND CONTINGENCIES (Continued)

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>	
2017	\$1,001,635
2018	\$1,095,401
2019	\$1,041,949
2020	\$1,011,482
2021	\$ 866,026

Rent expense for the year ended June 30, 2016 is \$752,340.

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.

NOTE H – EMPLOYEE BENEFITS

In 2006, the Organization adopted a 401(k) Profit Sharing plan. All employees are eligible for coverage under the plan after completing the required hours and length of service. The plan matches \$0.25 per \$1.00 up to 4% for participating employees. Employees gain a vested right to employer matching or profit sharing contributions at a rate of 25% for the first year and 100% after the first year period. The Organization may contribute to the plan through the profit sharing option. In 2016, the Organization matched employee deferrals only. Total pension expense for the year ended June 30, 2016 was \$57,485.

The Organization accrues vacation expense for full-time staff members. Total accrued vacation payable liability at June 30, 2016 is \$401,036 and is reflected in the accrued expenses in the accompanying Statement of Financial Position.

COLLEGE TRACK

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2015)

NOTE I – LINE OF CREDIT

The Organization has a line of credit from a bank with a maximum available amount of \$3,000,000. The line renews annually with a variable interest rate of 0.25% over the Bank's Prime Rate. The outstanding balance on the line at June 30, 2016 is \$0 with an interest rate of 3%.

NOTE J – CONCENTRATION OF CREDIT RISK

At June 30, 2016, the Organization had deposits of approximately \$4,442,973 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 K – SUBSEQUENT EVENTS

Subsequent to year end, the Organization opened its ninth site in Denver, Colorado which began serving students in September 2016.

In September 2016, the Organization leased its current national office space at 112 Linden Street in Oakland and moved from its previous office location at 111 Broadway Suite 101, 102 and 103 Oakland. Subsequent to the move, the organization subleased the 111 Broadway space for the duration of the lease period, which ends November 2020. In addition, the Organization also signed two new leases in September 2016 in Denver Colorado and Los Angeles, CA for our regional office teams.

The Organization has evaluated subsequent events through September 30, 2016, which is the date these financial statements were available to be issued. All subsequent events requiring recognition as of June 30, 2016, have been incorporated into these financial statements herein.

SUPPLEMENTAL INFORMATION

COLLEGE TRACK
PRO FORMA CONSOLIDATING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2016

<u>ASSETS</u>	<u>College Track</u>	San Francisco College Track QALICB, Inc.	<u>Eliminations</u>	<u>Total</u>
CURRENT ASSETS				
Cash and cash equivalents (Notes B and J)	\$ 5,122,031	\$ 155,023	\$ -	\$ 5,277,054
Contributions and grants receivable (Notes B and C)	6,203,949			6,203,949
TOTAL CURRENT ASSETS	<u>11,325,980</u>	<u>155,023</u>	<u>-</u>	<u>11,481,003</u>
FIXED ASSETS, NET (Note E)	<u>5,140,954</u>	<u>5,559,178</u>	<u>(350,000)</u>	<u>10,350,132</u>
OTHER ASSETS				
Prepaid expenses	181,733			181,733
Deposits	82,535			82,535
Long-term promises to give and grants receivable (Note C)	4,410,000			4,410,000
Prepaid ground lease (Note D)		1,547,808	(1,547,808)	-
Note receivable (Note D)	6,274,441			6,274,441
TOTAL OTHER ASSETS	<u>10,948,709</u>	<u>1,547,808</u>	<u>(1,547,808)</u>	<u>10,948,709</u>
TOTAL ASSETS	<u>\$ 27,415,643</u>	<u>\$ 7,262,009</u>	<u>\$ (1,897,808)</u>	<u>\$ 32,779,844</u>
<u>LIABILITIES AND NET ASSETS</u>				
CURRENT LIABILITIES				
Accounts payable and accrued liabilities	\$ 1,502,226	\$ 26,562	\$ -	\$ 1,528,788
Deferred revenue from ground lease (Note D)	16,457		(16,457)	-
TOTAL CURRENT LIABILITIES	1,518,683	26,562	(16,457)	1,528,788
Long-term deferred revenue-ground lease (Note D)	1,531,351		(1,531,351)	-
Long-term notes payable (Note D)		8,526,000		8,526,000
TOTAL LIABILITIES	<u>3,050,034</u>	<u>8,552,562</u>	<u>(1,547,808)</u>	<u>10,054,788</u>
COMMITMENTS AND CONTINGENCIES (Note G)				
NET ASSETS				
Unrestricted	15,288,463	(1,290,553)	(350,000)	13,647,910
Temporarily restricted (Note F)	9,077,146			9,077,146
TOTAL NET ASSETS	<u>24,365,609</u>	<u>(1,290,553)</u>	<u>(350,000)</u>	<u>22,725,056</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 27,415,643</u>	<u>\$ 7,262,009</u>	<u>\$ (1,897,808)</u>	<u>\$ 32,779,844</u>

COLLEGE TRACK
PRO FORMA CONSOLIDATING STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016

	College Track	San Francisco College Track QALICB, Inc.	Eliminations	TOTAL
REVENUE AND SUPPORT				
Individual donations	\$ 5,402,419	\$ -	\$ -	\$ 5,402,419
Foundation and trust support	2,475,336			2,475,336
Corporate support	741,673			741,673
Government grants and contracts	489,457			489,457
Events, net of expenses	3,696,169			3,696,169
Interest	62,968	94		63,062
In-kind support	309,430			309,430
Rental income	16,457	100,000	(116,457)	-
Other	224			224
	<u>13,194,133</u>	<u>100,094</u>	<u>(116,457)</u>	<u>13,177,770</u>
Net assets released from restrictions (Note F)	<u>-</u>		<u>-</u>	<u>-</u>
TOTAL REVENUE AND SUPPORT	<u>13,194,133</u>	<u>100,094</u>	<u>(116,457)</u>	<u>13,177,770</u>
EXPENSES:				
Program	13,343,782		(100,000)	13,243,782
General and administrative	1,602,205			1,602,205
Fundraising	1,564,491			1,564,491
Interest expense		62,751		62,751
Asset management		51,000		51,000
Rental expense		16,457	(16,457)	-
Depreciation		226,241		226,241
Miscellaneous		14,643		14,643
Bank fees		48		48
	<u>16,510,478</u>	<u>371,140</u>	<u>(116,457)</u>	<u>16,765,161</u>
CHANGE IN NET ASSETS	<u>(3,316,345)</u>	<u>(271,046)</u>	<u>-</u>	<u>(3,587,391)</u>
NET ASSETS, beginning of year	<u>27,681,954</u>	<u>(1,019,507)</u>	<u>(350,000)</u>	<u>26,312,447</u>
NET ASSETS, end of year	<u>\$ 24,365,609</u>	<u>\$ (1,290,553)</u>	<u>\$ (350,000)</u>	<u>\$ 22,725,056</u>

See Notes to Financial Statements