



**COLLEGE TRACK**  
**(A Nonprofit Public Benefit Corporation)**

**Financial Statements**  
**For the Years Ended June 30, 2022 and 2021**  
**With Independent Auditor's Report**



**MITCHELL TITUS**  
ACHIEVING EXCELLENCE TOGETHER

**COLLEGE TRACK**  
**(A Nonprofit Public Benefit Corporation)**  
Financial Statements  
For the Years Ended June 30, 2022 and 2021

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
College Track

### ***Opinion***

We have audited the financial statements of College Track (a nonprofit public benefit corporation), which comprise the statement of financial position as of June 30, 2022, the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of College Track as of June 30, 2022, 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.

### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of College Track and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Other Matter***

The financial statements of College Track for the year ended June 30, 2021 were audited by another auditor who expressed an unmodified opinion on those statements on October 29, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.

### ***Responsibilities of Management 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 and for 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.

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In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about College Track's ability to continue as a going concern for one year after the date that the financial statements are issued.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 College Track's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about College Track's ability to continue as a going concern for a reasonable period of time.



## MITCHELL TITUS

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

*Mitchell Titus, LLP*

November 1, 2022

**COLLEGE TRACK**  
**(A Nonprofit Public Benefit Corporation)**  
 Statements of Financial Position  
 June 30, 2022 and 2021

|   | <u>2022</u>                 | <u>2021</u>                 |
|---|-----------------------------|-----------------------------|
| <b>ASSETS</b>   |                             |                             |
| <i>Current assets</i>   |                             |                             |
| Cash and cash equivalents   | \$ 27,539,994               | \$ 30,628,071               |
| Short-term investments  | 3,234,823                   | -                           |
| Promises to give and grants receivable, net,<br>current portion   | 9,639,936                   | 13,180,587                  |
| Other receivables   | 5,059                       | 13,801                      |
| Prepaid expenses  | 556,440                     | 541,614                     |
| Total current assets  | <u>40,976,252</u>           | <u>44,364,073</u>           |
| Fixed assets, net   | <u>10,653,094</u>           | <u>10,814,361</u>           |
| <i>Other assets</i>   |                             |                             |
| Deposits  | 221,282                     | 221,282                     |
| Promises to give and grants receivable, net,<br>long-term portion | 12,525,087                  | 16,922,785                  |
| Total other assets  | <u>12,746,369</u>           | <u>17,144,067</u>           |
| <b>Total assets</b>   | <u><b>\$ 64,375,715</b></u> | <u><b>\$ 72,322,501</b></u> |
| <b>LIABILITIES AND NET ASSETS</b>                                 |                             |                             |
| <i>Current liabilities</i>  |                             |                             |
| Accounts payable and accrued liabilities                          | \$ 2,508,245                | \$ 3,353,804                |
| Student bank book, current portion                                | 1,902,185                   | 1,654,988                   |
| Deferred rent   | 838,568                     | 679,860                     |
| Total current liabilities   | <u>5,248,998</u>            | <u>5,688,652</u>            |
| Student bank book, long-term portion                              | <u>4,994,209</u>            | <u>5,351,264</u>            |
| Total liabilities   | <u>10,243,207</u>           | <u>11,039,916</u>           |
| <b>COMMITMENTS AND CONTINGENCIES</b>                              |                             |                             |
| <i>Net assets</i>   |                             |                             |
| Without donor restrictions  | 28,632,655                  | 27,858,579                  |
| With donor restrictions   | 25,499,853                  | 33,424,006                  |
| Total net assets  | <u>54,132,508</u>           | <u>61,282,585</u>           |
| <b>Total liabilities and net assets</b>                           | <u><b>\$ 64,375,715</b></u> | <u><b>\$ 72,322,501</b></u> |

The accompanying notes are an integral part of these financial statements.

**COLLEGE TRACK**  
**(A Nonprofit Public Benefit Corporation)**

Statement of Activities

For the Year Ended June 30, 2022

(With Summarized Financial Information for the Year Ended June 30, 2021)

|  | <b>Without<br/>Donor<br/>Restrictions</b> | <b>With<br/>Donor<br/>Restrictions</b> | <b>Total</b>         |                      |
|--|---|--|----------------------|----------------------|
|  |   |  | <b>2022</b>          | <b>2021</b>          |
| <b>REVENUE AND SUPPORT</b>               |   |  |                      |                      |
| Foundation and trust support             | \$ 19,130,940                             | \$ 2,949,674                           | \$ 22,080,614        | \$ 22,008,453        |
| Individual donations                     | 1,105,919                                 | 1,777,139                              | 2,883,058            | 16,075,104           |
| PPP loan and interest forgiveness        | -   | -                                      | -                    | 2,704,500            |
| Corporate support                        | 1,434,854                                 | 742,210                                | 2,177,064            | 876,891              |
| Realized gain (loss) on donated equities | (125,746)                                 | -                                      | (125,746)            | 649,643              |
| Government grants                        | 479,971                                   | 3,903                                  | 483,874              | 391,994              |
| In-kind support                          | 413,504                                   | -                                      | 413,504              | 207,672              |
| Rental income                            | 875                                       | -                                      | 875                  | 32,949               |
| Other                                    | 39,803                                    | -                                      | 39,803               | 8,754                |
|  | <u>22,480,120</u>                         | <u>5,472,926</u>                       | <u>27,953,046</u>    | <u>42,955,960</u>    |
| Net assets released from restrictions    | <u>13,397,079</u>                         | <u>(13,397,079)</u>                    | <u>-</u>             | <u>-</u>             |
| Total revenue and support                | <u>35,877,199</u>                         | <u>(7,924,153)</u>                     | <u>27,953,046</u>    | <u>42,955,960</u>    |
| <b>EXPENSES</b>                          |   |  |                      |                      |
| Program                                  | 27,614,860                                | -                                      | 27,614,860           | 22,591,623           |
| General and administrative               | 4,278,414                                 | -                                      | 4,278,414            | 3,353,864            |
| Fundraising                              | 3,209,849                                 | -                                      | 3,209,849            | 2,790,491            |
| Total expenses                           | <u>35,103,123</u>                         | <u>-</u>                               | <u>35,103,123</u>    | <u>28,735,978</u>    |
| Change in net assets                     | 774,076                                   | (7,924,153)                            | (7,150,077)          | 14,219,982           |
| Net assets, beginning of year            | <u>27,858,579</u>                         | <u>33,424,006</u>                      | <u>61,282,585</u>    | <u>47,062,603</u>    |
| <b>Net assets, end of year</b>           | <u>\$ 28,632,655</u>                      | <u>\$ 25,499,853</u>                   | <u>\$ 54,132,508</u> | <u>\$ 61,282,585</u> |

The accompanying notes are an integral part of these financial statements.

**COLLEGE TRACK**  
**(A Nonprofit Public Benefit Corporation)**  
Statement of Functional Expenses  
For the Year Ended June 30, 2022  
(With Summarized Financial Information for the Year Ended June 30, 2021)

|                                   | Program              | General and<br>Administrative | Fundraising         | Total                |                      |
|-----------------------------------|----------------------|-------------------------------|---------------------|----------------------|----------------------|
|                                   |                      |                               |                     | 2022                 | 2021                 |
| <b>PERSONNEL COSTS</b>            |                      |                               |                     |                      |                      |
| Compensation                      | \$ 14,550,222        | \$ 2,520,825                  | \$ 2,249,054        | \$ 19,320,101        | \$ 15,857,677        |
| Payroll taxes                     | 1,112,028            | 175,838                       | 157,660             | 1,445,526            | 1,175,192            |
| Employee benefits                 | 1,757,942            | 280,847                       | 269,513             | 2,308,302            | 1,938,190            |
| Total personnel costs             | 17,420,192           | 2,977,510                     | 2,676,227           | 23,073,929           | 18,971,059           |
| <b>OPERATING EXPENSES</b>         |                      |                               |                     |                      |                      |
| Occupancy                         | 3,179,395            | 189,427                       | 69,930              | 3,438,752            | 2,872,980            |
| Scholarships                      | 3,129,005            | -                             | -                   | 3,129,005            | 2,508,075            |
| Professional services             | 1,362,428            | 484,110                       | 220,115             | 2,066,653            | 1,713,325            |
| General and administrative        | 289,776              | 212,584                       | 58,195              | 560,555              | 864,337              |
| Depreciation and amortization     | 655,158              | 45,127                        | 11,792              | 712,077              | 655,500              |
| Information technology            | 311,148              | 177,596                       | 27,229              | 515,973              | 451,806              |
| Office expense                    | 458,648              | 68,714                        | 70,500              | 597,862              | 408,836              |
| Travel and hospitality            | 475,823              | 43,661                        | 53,168              | 572,652              | 152,726              |
| Staff development and recruitment | 176,756              | 79,673                        | 22,264              | 278,693              | 127,503              |
| Fleet and transportation          | 156,531              | 12                            | 429                 | 156,972              | 9,831                |
| Total operating expenses          | 10,194,668           | 1,300,904                     | 533,622             | 12,029,194           | 9,764,919            |
| <b>Total expenses</b>             | <b>\$ 27,614,860</b> | <b>\$ 4,278,414</b>           | <b>\$ 3,209,849</b> | <b>\$ 35,103,123</b> | <b>\$ 28,735,978</b> |

The accompanying notes are an integral part of these financial statements.



**COLLEGE TRACK**  
**(A Nonprofit Public Benefit Corporation)**  
 Statements of Cash Flows  
 For the Years Ended June 30, 2022 and 2021

|  | <u>2022</u>          | <u>2021</u>          |
|--|----------------------|----------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                  |                      |                      |
| Change in net assets   | \$ (7,150,077)       | \$ 14,219,982        |
| <i>Adjustments to reconcile to net cash provided by operating activities</i> |                      |                      |
| Depreciation and amortization  | 712,077              | 655,500              |
| PPP forgiveness  | -                    | (2,704,500)          |
| <i>Changes in current assets and current liabilities</i>                     |                      |                      |
| <i>(Increase) decrease in</i>  |                      |                      |
| Promises to give and grants receivable                                       | 7,938,349            | 1,910,109            |
| Other receivables  | 8,742                | 7,786                |
| Prepaid expenses   | (14,826)             | (163,590)            |
| Deposits   | -                    | 8,565                |
| <i>Increase (decrease) in</i>  |                      |                      |
| Accounts payable and accrued liabilities                                     | (845,559)            | 2,053,339            |
| Student bank book  | (109,858)            | (590,343)            |
| Deferred rent  | 158,708              | 547,457              |
| Deferred revenue   | -                    | (25,000)             |
| Net cash provided by operating activities                                    | <u>697,556</u>       | <u>15,919,305</u>    |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                                  |                      |                      |
| (Purchase) disposal of property and equipment, net                           | (550,810)            | (522,808)            |
| Short-term investments, net  | <u>(3,234,823)</u>   | <u>-</u>             |
| Net cash used in investing activities  | <u>(3,785,633)</u>   | <u>(522,808)</u>     |
| Net change in cash and cash equivalents                                      | (3,088,077)          | 15,396,497           |
| Cash and cash equivalents, at beginning of year                              | <u>30,628,071</u>    | <u>15,231,574</u>    |
| <b>Cash and cash equivalents, at end of year</b>                             | <u>\$ 27,539,994</u> | <u>\$ 30,628,071</u> |

The accompanying notes are an integral part of these financial statements.

**COLLEGE TRACK**  
**(A Nonprofit Public Benefit Corporation)**  
Notes to Financial Statements  
Years Ended June 30, 2022 and 2021

**NOTE 1 ORGANIZATION AND PURPOSE**

College Track (the Organization), a nonprofit public benefit corporation, was incorporated in California in 1997. Its locations are in California, Colorado, Louisiana, Maryland, and Washington, DC.

The Organization is a comprehensive college completion program that equips students confronting systemic barriers to earn a bachelor's degree in pursuit of a life of opportunity, choice, and power. At the core of the program model is a 10-year commitment made to every student, from ninth grade through college graduation, to provide students with academic support, leadership training, financial and college advising, and scholarships. The Organization focuses on three pillars of support – Academic Affairs, Student Life and College Completion – to prepare students for the expectations of college and beyond into meaningful employment.

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Accounting Method and Basis of Presentation

The accounting records of the Organization are maintained on the accrual basis of accounting. The financial statements of the Organization have been prepared in accordance with Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities*, which requires the Organization to report information regarding its financial position and activities according to the following net asset classifications:

*Net Assets Without Donor Restrictions:* Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the Board of Directors.

*Net Assets With Donor Restrictions:* Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

**COLLEGE TRACK**  
**(A Nonprofit Public Benefit Corporation)**  
Notes to Financial Statements  
Years Ended June 30, 2022 and 2021

**NOTE 2**      **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States (U.S. GAAP) requires the Organization to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, and those differences could be material.

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.

Short-Term Investments

Short-term investments include all monies in securities with maturity dates of greater than three months and less than one year. Short-term investments are stated at fair value in the statement of financial position. Unrealized gains and losses are included in the change in net assets. The Organization held \$3,234,823 and \$0 at June 30, 2022 and 2021, respectively, in U.S. government securities.

Promises to Give and Grants Receivable

Promises to give and grants receivable represent the net realizable amount the Organization expects to receive. The Organization has accrued an allowance for doubtful accounts in the amount of \$192,208 and \$231,284 at June 30, 2022 and 2021, respectively. In addition, the Organization has accrued a discount on long-term promises to give and grants in the amount of \$1,028,413 and \$1,119,840 at June 30, 2022 and 2021, respectively.

Fair Value Measurements

The Organization's financial instruments include cash and cash equivalents, and short-term investments, which are new for 2022. The carrying amount of these financial instruments has been estimated by management to approximate fair value using Level 1 inputs. Fair value is defined as "the price that would be received to sell an asset 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 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:

**COLLEGE TRACK**  
**(A Nonprofit Public Benefit Corporation)**  
Notes to Financial Statements  
Years Ended June 30, 2022 and 2021

**NOTE 2**      **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

Fair Value Measurements

- 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.

Fixed Assets

Fixed asset additions in excess of \$10,000 are recorded at cost, or if donated, at fair value on the date of donation. Significant property and equipment purchases are capitalized and depreciated over their respective useful lives which range from three to thirty years. Depreciation is computed on the straight-line method over the estimated useful lives of the related assets. Maintenance and repairs that do not extend the useful lives of the respective assets are expensed as incurred.

Revenue Recognition

The Organization receives contributions and grants from corporations, governmental entities, charitable organizations, and individuals.

The Organization recognizes contributions when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. Consequently, at June 30, 2022 and 2021, contributions of approximating \$875,000 and \$1,375,000, respectively, have not been recognized in the accompanying statement of activities because the condition(s) on which they depend have not yet been met.

A portion of the Organization's revenue is derived from cost-reimbursable government grants, which are conditioned upon the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statements of financial position. No amounts have been received in advance under the cost-reimbursable government grants.

**COLLEGE TRACK**  
**(A Nonprofit Public Benefit Corporation)**  
Notes to Financial Statements  
Years Ended June 30, 2022 and 2021

**NOTE 2**      **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

Donated Facilities Use, Equipment, Supplies and Services (In-kind)

The Organization records donated facilities use, equipment, and 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 \$413,504 (\$166,170 in program services and \$247,334 in program facilities usage) for the year ended June 30, 2022, as reflected in the accompanying financial statements.

Student Bank Book Balance

The Organization offers the opportunity for each student to earn \$5,600 for completing the program and other small incentives for volunteering. The funds can be drawn down by the student starting the spring semester of their high school senior year through college graduation for permissible education needs (e.g., tuition, books, and fees). The accrued balances of \$6,896,394 and \$7,006,252, represent the current and long-term amounts earned by students through June 30, 2022 and 2021, respectively, that are expected to be paid out to students.

Income Tax Status

The Organization has received exempt status under Section 501(c)(3) of the Internal Revenue Code, and Section 23701(d) of the State of California Revenue and Taxation Code. The Organization is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the Internal Revenue Service along with related state filings. The related tax returns are subject to examination by federal and state taxing authorities generally for three years after they are filed. The Organization has no unrelated business income, and management has analyzed tax positions taken and has concluded that, as of June 30, 2022, there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements.

Allocation of Expenses

The costs of providing program and supporting services have been summarized on a functional basis in the statements of functional expenses, which presents the natural classification of detail of expenses by function. Costs common to multiple functions have been allocated among the various functions benefited. General and administrative expenses include the costs that are not directly identifiable with any specific program, but which provide the overall support and direction of the Organization. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on time spent in the functional area.

**COLLEGE TRACK**  
**(A Nonprofit Public Benefit Corporation)**  
Notes to Financial Statements  
Years Ended June 30, 2022 and 2021

**NOTE 2**      **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

Comparative Financial Information and Reclassifications

The accompanying financial statements include certain prior-year summarized comparative information in total but not by net asset class. Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets. 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 audited financial statements for the year ended June 30, 2021, from which the summarized information was derived.

Recent Accounting Pronouncement

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The new standard establishes a comprehensive new lease accounting model. It clarifies the definition of a lease and causes lessees to recognize leases on the statement of financial position as a lease liability with a corresponding right-of-use asset for leases with a lease term of more than one year. It is effective for financial statements issued for fiscal years beginning after December 15, 2021, and interim periods within those fiscal years. Early adoption is permitted. The standard requires a modified retrospective transition for capital or operating leases existing at or entered into after the beginning of the earliest comparative period presented in the financial statements, but it does not require transition accounting for leases that expire prior to the date of initial application. The Organization is currently evaluating the impact of adopting this new guidance on its financial statements.

**COLLEGE TRACK**  
**(A Nonprofit Public Benefit Corporation)**  
Notes to Financial Statements  
Years Ended June 30, 2022 and 2021

**NOTE 3 PROMISES TO GIVE AND GRANTS RECEIVABLE**

Promises to give and grants receivable that are expected to be collected within one to three years are recorded at their net realizable value. Promises to give and grants receivable at June 30 are due as follows:

|   | <u>2022</u>          | <u>2021</u>          |
|---|----------------------|----------------------|
| <i>Promises to give and grants receivable</i>     |                      |                      |
| Amount due within one year                        | \$ 9,832,144         | \$ 13,411,871        |
| Allowance for doubtful accounts                   | (192,208)            | (231,284)            |
| Due within two to five years                      | 10,153,500           | 12,792,625           |
| Due within six to ten years                       | 3,400,000            | 5,250,000            |
| Discount on long-term receivables<br>(0.07%-2.8%) | <u>(1,028,413)</u>   | <u>(1,119,840)</u>   |
|   | <u>\$ 22,165,023</u> | <u>\$ 30,103,372</u> |

The promises to give and grants receivable that are due beyond three years are accrued at the present value.

**NOTE 4 FIXED ASSETS**

Fixed assets at June 30 are comprised of the following:

|  | <u>2022</u>          | <u>2021</u>          |
|--|----------------------|----------------------|
| Land   | \$ 1,100,000         | \$ 1,100,000         |
| Building   | 5,137,603            | 5,108,753            |
| Furniture and fixtures                             | 1,529,659            | 1,529,659            |
| Equipment  | 1,287,489            | 1,105,009            |
| Vehicles   | 462,175              | 404,262              |
| Leasehold improvements                             | 5,425,658            | 5,300,658            |
| Construction in progress                           | <u>159,492</u>       | <u>21,702</u>        |
| Total fixed assets                                 | 15,102,076           | 14,570,043           |
| Less: Accumulated depreciation and<br>amortization | <u>(4,448,982)</u>   | <u>(3,755,682)</u>   |
| <b>Total fixed assets, net</b>                     | <u>\$ 10,653,094</u> | <u>\$ 10,814,361</u> |

Depreciation and amortization expense for the years ended June 30, 2022 and 2021 is \$712,077 and \$655,500, respectively.

**COLLEGE TRACK**  
**(A Nonprofit Public Benefit Corporation)**  
Notes to Financial Statements  
Years Ended June 30, 2022 and 2021

**NOTE 5 NET ASSETS WITH DONOR RESTRICTIONS**

Activity for net assets with donor restrictions for the year ended June 30, 2022 is comprised of the following and reflects releases that are reflected in net assets without donor restrictions in the statement of activities:

|                    | <u>June 30, 2021</u> | <u>Awards</u>       | <u>Releases</u>        | <u>June 30, 2022</u> |
|--------------------|----------------------|---------------------|------------------------|----------------------|
| SF redevelopment   | \$ 1,000,000         | \$ -                | \$ -                   | \$ 1,000,000         |
| Future operations  | 31,333,630           | 4,199,003           | (12,755,547)           | 22,777,086           |
| General operations | 925,648              | 970,660             | (574,713)              | 1,321,595            |
| Student programs   | 138,828              | 303,263             | (45,419)               | 396,672              |
| Scholarships       | 25,900               | -                   | (21,400)               | 4,500                |
| <b>Total</b>       | <u>\$ 33,424,006</u> | <u>\$ 5,472,926</u> | <u>\$ (13,397,079)</u> | <u>\$ 25,499,853</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 the Organization 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.

**NOTE 6 COMMITMENTS AND CONTINGENCIES**

Commitments

The Organization leases program and office spaces in various locations throughout the United States. Future commitments for the next five fiscal years regarding these agreements are as follows:

| <u>Year Ended June 30,</u> |              |
|----------------------------|--------------|
| 2023                       | \$ 1,984,198 |
| 2024                       | 1,776,801    |
| 2025                       | 1,723,773    |
| 2026                       | 1,475,354    |
| 2027                       | 951,484      |

Rent expense for the years ended June 30, 2022 and 2021 was \$1,895,325 and \$1,193,160, respectively.



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**NOTE 6      COMMITMENTS AND CONTINGENCIES** *(continued)*

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 granters. 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.

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of non-essential businesses. While the Organization has returned to in-person program services, it remains uncertain as to how this matter will continue to impact its operating results. The related financial impact and duration cannot be reasonably estimated at this time.

**NOTE 7      DEFERRED RENT**

Deferred rent is the difference between actual cash paid and the straight-line expense of rent recorded over the life of the lease. At June 30, 2022 and 2021, the Organization accrued \$838,568 and \$679,860, respectively, in deferred rent in the accompany statement of financial position.

**NOTE 8      LINE OF CREDIT**

The Organization had a line of credit from a bank with a maximum available amount of \$5,000,000, which expired in March 2022 with a variable interest rate of 0.25% over the bank's prime rate. Instead of renewing the line of credit, the Organization is putting in place a loan management agreement with a credit facility up to \$20,000,000 secured and based upon the value of securities held. This will be in place for the year ending June 30, 2023.

**NOTE 9      CONCENTRATION OF CREDIT RISK**

At June 30, 2022 and 2021, the Organization had deposits of approximately \$12,498,890 and \$29,776,914, respectively, in banks exceeding federally insured limits. These amounts have not been reduced by items recorded in the accounts not yet clearing the bank.

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**NOTE 9      CONCENTRATION OF CREDIT RISK** *(continued)*

At June 30, 2022 and 2021, concentrations exist in accounts receivable as 65% and 65% of receivables, respectively are due from three funders each year. Additionally, 49% and 64% of the total revenue and support for the years ended June 30, 2022 and 2021, respectively, was contributed by three donors each year. The loss of this level of support could have an effect on the Organization's ability to continue operations in their current manner.

**NOTE 10      LIQUIDITY AND AVAILABILITY**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

|   |                                 |
|---|---------------------------------|
| Cash and cash equivalents   | \$ 27,539,994                   |
| Short-term investments  | 3,234,823                       |
| Promises to give and grants receivable  | <u>22,165,023</u>               |
| Total financial assets  | <u>52,939,840</u>               |
| <br><i>Less: Amounts not available to be used within one year</i>                                     |                                 |
| Promises to give and grants receivable due after one year   | (12,332,879)                    |
| Net assets with restrictions to be met in one year  | <u>(7,849,347)</u>              |
|   | <u>(20,182,226)</u>             |
| <br><b>Financial assets available to meet cash needs for<br/>general expenditures within one year</b> | <br><b><u>\$ 32,757,614</u></b> |

As part of the Organization's liquidity management, the Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Organization invests cash in excess of daily requirements, if available, in short-term investments.

**NOTE 11      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 2022 and 2021, the Organization matched employee deferrals only. Total employer match expense for the years ended June 30, 2022 and 2021 was \$541,696 and \$455,370, respectively.

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**NOTE 11**      **EMPLOYEE BENEFITS** *(continued)*

The Organization accrues vacation expense for full-time staff members. Total accrued vacation payable liability at June 30, 2022 and 2021 is \$1,040,854 and \$995,866, respectively, and is reflected in the accounts payable and accrued liabilities in the accompanying statement of financial position.

**NOTE 12**      **PPP PAYABLE**

In May 2020, the Organization received \$2,700,000 from the Payroll Protection Program, offered through the Small Business Administration, in response to COVID-19. The Organization received formal forgiveness of the small business grant in the fiscal year ended June 30, 2021. The Organization recognized income from forgiveness of \$2,700,000 plus the accrued \$4,500 in interest.

**NOTE 13**      **SUBSEQUENT EVENTS**

The Organization has evaluated subsequent events through November 1, 2022, which is the date these financial statements were available to be issued. All subsequent events requiring recognition as of June 30, 2022, have been incorporated into these financial statements herein.

