

College Now Greater Cleveland

YEARS ENDED JULY 31, 2011 AND 2010



Howard, Wershbale & Co.
CPAs & Advisors

COLLEGE NOW GREATER CLEVELAND

YEARS ENDED JULY 31, 2011 AND 2010

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Independent Auditors' Report

Board of Directors
College Now Greater Cleveland
Cleveland, Ohio

We have audited the accompanying statements of financial position of College Now Greater Cleveland as of July 31, 2011 and 2010, and the related statements of activities and net assets and cash flows for the years then ended. These financial statements are the responsibility of College Now Greater Cleveland's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of College Now Greater Cleveland as of July 31, 2011 and 2010, and the changes in net assets and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Howard, Wershale & Co.

November 16, 2011

COLLEGE NOW GREATER CLEVELAND

STATEMENTS OF FINANCIAL POSITION

JULY 31, 2011 AND 2010

ASSETS

	<u>2011</u>	<u>2010</u>
Cash and cash equivalents	\$ 1,929,938	\$ 2,191,094
Investments	1,948,296	2,464,559
Unconditional promises to give	1,883,282	1,413,604
Prepaid expenses and other assets	446,788	206,646
Cash and cash equivalents restricted for permanent endowment	192,421	37,670
Investments restricted for permanent endowment	4,419,374	4,207,692
Property and equipment, net	56,977	70,799
Beneficial interest in perpetual trust	<u>213,344</u>	<u></u>
Total assets	<u>\$ 11,090,420</u>	<u>\$ 10,592,064</u>

LIABILITIES AND NET ASSETS

Accounts payable	\$ 92,803	\$ 58,829
Scholarship awards payable	1,333,881	1,789,055
Accrued liabilities	124,535	367,631
Deferred revenue	<u>17,928</u>	<u>98,559</u>
Total liabilities	<u>1,569,147</u>	<u>2,314,074</u>
Net assets:		
Unrestricted	(7,813)	(536,540)
Temporarily restricted	4,081,876	3,580,819
Permanently restricted	<u>5,447,210</u>	<u>5,233,711</u>
Total net assets	<u>9,521,273</u>	<u>8,277,990</u>
Total liabilities and net assets	<u>\$ 11,090,420</u>	<u>\$ 10,592,064</u>

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

COLLEGE NOW GREATER CLEVELAND

STATEMENT OF ACTIVITIES AND NET ASSETS

YEAR ENDED JULY 31, 2011

(with summarized financial information for the year ended July 31, 2010)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
				2011	2010
SUPPORT AND REVENUE:					
Support:					
Contributions	\$ 1,499,834	\$ 2,096,834	\$ 213,499	\$ 3,810,167	\$ 4,121,277
Government grants	853,281			853,281	742,692
Managed scholarships	159,426	300,460		459,886	298,543
Total support	2,512,541	2,397,294	213,499	5,123,334	5,162,512
Revenue:					
Reimbursements by schools	455,441			455,441	421,061
Administration fees	77,214			77,214	54,440
Interest and dividends	132,236			132,236	134,685
Net realized and unrealized gain on investments	799,505			799,505	610,712
Other	655			655	90
Net assets released from restrictions	1,896,237	(1,896,237)			
Total revenue	3,361,288	(1,896,237)		1,465,051	1,220,988
Total support and revenue	5,873,829	501,057	213,499	6,588,385	6,383,500

(Continued)

COLLEGE NOW GREATER CLEVELAND

STATEMENT OF ACTIVITIES AND NET ASSETS (CONTINUED)

YEAR ENDED JULY 31, 2011

(with summarized financial information for the year ended July 31, 2010)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
				2011	2010
Total support and revenue (from previous page)	<u>5,873,829</u>	<u>501,057</u>	<u>213,499</u>	<u>6,588,385</u>	<u>6,383,500</u>
EXPENSES:					
Program services:					
Financial Aid:					
Awards and fees	1,132,192			1,132,192	1,851,435
Other	449,018			449,018	492,542
Advisors:					
Awards and fees	35,907			35,907	45,649
Other	916,770			916,770	895,799
Early Awareness	61,095			61,095	72,500
Adult Learner:					
Awards and fees	314,267			314,267	498,315
Other	150,006			150,006	157,080
Resource Center	132,395			132,395	143,471
Managed Scholarships:					
Awards and fees	432,839			432,839	103,159
Other	57,631			57,631	85,952
Assets for Independence					
Awards and fees	22,500			22,500	
Other	19,483			19,483	21,621

(Continued)

COLLEGE NOW GREATER CLEVELAND

STATEMENT OF ACTIVITIES AND NET ASSETS (CONTINUED)

YEAR ENDED JULY 31, 2011

(with summarized financial information for the year ended July 31, 2010)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
				2011	2010
EXPENSES (continued):					
Program services (continued):					
TRIO	263,070			263,070	249,639
GEAR UP:					
Awards and fees	2,255			2,255	1,445
Other	575,986			575,986	470,580
Endowment:					
Awards and fees	183,955			183,955	217,635
Other	37,862			37,862	41,480
Total program services	4,787,231			4,787,231	5,348,302
Supporting services:					
Fundraising	281,212			281,212	336,597
General and administrative	276,659			276,659	388,713
Total supporting services	557,871			557,871	725,310
Total expenses	5,345,102			5,345,102	6,073,612
Increase in net assets	528,727	501,057	213,499	1,243,283	309,888
Net assets, beginning of year	(536,540)	3,580,819	5,233,711	8,277,990	7,968,102
Net assets, end of year	<u>\$ (7,813)</u>	<u>\$ 4,081,876</u>	<u>\$ 5,447,210</u>	<u>\$ 9,521,273</u>	<u>\$ 8,277,990</u>

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

COLLEGE NOW GREATER CLEVELAND
STATEMENT OF ACTIVITIES AND NET ASSETS
YEAR ENDED JULY 31, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE:				
Support:				
Contributions	\$ 2,502,021	\$ 1,615,217	\$ 4,039	\$ 4,121,277
Government grants	742,692			742,692
Managed scholarships	<u>69,993</u>	<u>228,550</u>		<u>298,543</u>
Total support	<u>3,314,706</u>	<u>1,843,767</u>	<u>4,039</u>	<u>5,162,512</u>
Revenue:				
Reimbursements by schools	421,061			421,061
Administration fees	54,440			54,440
Interest and dividends	134,685			134,685
Net realized and unrealized loss on investments	610,712			610,712
Other	90			90
Net assets released from restrictions	<u>1,593,482</u>	<u>(1,593,482)</u>		
Total revenue	<u>2,814,470</u>	<u>(1,593,482)</u>		<u>1,220,988</u>
Total support and revenue	<u>6,129,176</u>	<u>250,285</u>	<u>4,039</u>	<u>6,383,500</u>

(Continued)

COLLEGE NOW GREATER CLEVELAND

STATEMENT OF ACTIVITIES AND NET ASSETS (CONTINUED)

YEAR ENDED JULY 31, 2010

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Total support and revenue (from previous page)	<u>6,129,176</u>	<u>250,285</u>	<u>4,039</u>	<u>6,383,500</u>
EXPENSES:				
Program services:				
Financial Aid:				
Awards and fees	1,851,435			1,851,435
Other	492,542			492,542
Advisors:				
Awards and fees	45,649			45,649
Other	895,799			895,799
Early Awareness	72,500			72,500
Adult Learner:				
Awards and fees	498,315			498,315
Other	157,080			157,080
Resource Center	143,471			143,471
Managed Scholarships:				
Awards and fees	103,159			103,159
Other	85,952			85,952
Assets for Independence:				
Awards and fees				
Other	21,621			21,621

(Continued)

COLLEGE NOW GREATER CLEVELAND

STATEMENT OF ACTIVITIES AND NET ASSETS (CONTINUED)

YEAR ENDED JULY 31, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
EXPENSES (continued):				
Program services (continued):				
TRIO	249,639			249,639
GEAR UP:				
Awards and fees	1,445			1,445
Other	470,580			470,580
Endowment:				
Awards and fees	217,635			217,635
Other	41,480			41,480
Total program services	<u>5,348,302</u>			<u>5,348,302</u>
Supporting services:				
Fundraising	336,597			336,597
General and administrative	388,713			388,713
Total supporting services	<u>725,310</u>			<u>725,310</u>
Total expenses	<u>6,073,612</u>			<u>6,073,612</u>
Increase (decrease) in net assets	55,564	250,285	4,039	309,888
Net assets, beginning of year	(865,104)	3,330,534	5,502,672	7,968,102
Net assets reclassifications (Note 7)	<u>273,000</u>		<u>(273,000)</u>	
Net assets, end of year	<u><u>\$ (536,540)</u></u>	<u><u>\$ 3,580,819</u></u>	<u><u>\$ 5,233,711</u></u>	<u><u>\$ 8,277,990</u></u>

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

COLLEGE NOW GREATER CLEVELAND

STATEMENTS OF CASH FLOWS

YEARS ENDED JULY 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Increase in net assets	\$ 1,243,283	\$ 309,888
Adjustments to reconcile increase (decrease) in net assets to net cash from operating activities:		
Depreciation and amortization	37,529	41,867
Net realized and unrealized losses (gains) on investments	(799,505)	(610,712)
Contributions restricted for permanent endowment	(155)	(4,039)
Beneficial interest in perpetual trusts	(213,344)	
Changes in assets and liabilities:		
Increase in unconditional promises to give	(469,678)	(112,155)
(Increase) decrease in prepaid expenses and other assets	(240,142)	168,742
Increase in accounts payable	33,974	23,520
(Decrease) increase in scholarship awards payable	(455,174)	112,048
(Decrease) increase in accrued liabilities	(243,096)	218,379
(Decrease) increase in deferred revenue	(80,631)	98,559
	<u>(1,186,939)</u>	<u>246,097</u>
Net cash provided by (used in) operating activities		
Cash flows from investing activities:		
Purchases of property and equipment	(23,707)	(9,785)
Proceeds from sale of investments	1,223,453	781,933
Purchases of investments	(119,367)	(128,526)
Net decrease (increase) in cash and cash equivalents restricted for permanent endowment	<u>(154,751)</u>	<u>(10,850)</u>
Net cash provided by investing activities	<u>925,628</u>	<u>632,772</u>
Cash flows provided by financing activities; receipts from contributions restricted for permanent endowment	<u>155</u>	<u>4,039</u>
Net increase (decrease) in cash and cash equivalents	(261,156)	882,908
Cash and cash equivalents, beginning	<u>2,191,094</u>	<u>1,308,186</u>
Cash and cash equivalents, ending	<u><u>\$ 1,929,938</u></u>	<u><u>\$ 2,191,094</u></u>

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

COLLEGE NOW GREATER CLEVELAND

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2011 AND 2010

1. Description of Organization and summary of significant accounting policies:

Nature of activities:

College Now Greater Cleveland's (formerly Cleveland Scholarship Program, Inc.) (the "Organization") mission is to increase college attainment through college access and success advising, financial aid counseling and scholarship services. For 45 years, the Organization has paved the way for high school students and adult learners to prepare for, finance and graduate from college. The Organization's advisors work with students and families one-on-one and in groups in more than 65 Greater Cleveland middle and high schools, in the Organization's Resource Center, and in community-based settings.

Basis of accounting:

The financial statements of the Organization have been prepared on the accrual basis of accounting.

Basis of presentation:

Financial statement presentation follows the recommendations of generally accepted accounting principles, which require the Organization to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Contributions:

The Organization accounts for contributions in accordance with the recommendations of generally accepted accounting principles. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets.

COLLEGE NOW GREATER CLEVELAND

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JULY 31, 2011 AND 2010

1. Summary of significant accounting policies (continued):

Promises to give:

Unconditional promises to give are recognized as revenue or support in the period the promise is received. Unconditional promises to give due in the next year are recorded at their net realizable value. Unconditional promises to give in subsequent years are recorded at their present value using an appropriate discount rate commensurate with the risks involved. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

In evaluating the collectability of amounts receivable, the Organization considers a number of factors, including the age of the accounts, changes in collection patterns, terms of the grant or pledge and general industry conditions. An allowance for doubtful accounts is recorded based upon a consideration of the likelihood that amounts will not be collected in full. As specific accounts receivable are deemed uncollectible, they are written off against the allowance for doubtful accounts. No allowance was deemed necessary for the years ended July 31, 2011 and 2010.

Beneficial interests in perpetual trust:

Beneficial interests in perpetual trusts are resources held and administered, at the direction of the resource provider, by an outside trustee for the benefit of the Organization. These trusts are irrevocable and the accounts are reported at estimated fair value of the assets in the trust with changes in value included in the statement of activities and net assets.

Trusts and wills:

The Organization, from time to time, is named as a beneficiary in certain conditional revocable wills and trusts. The Organization does not hold the rights to the underlying assets of these wills and trusts and, accordingly, does not record their value in the statements of financial position and statements of activities.

The Organization is named the income beneficiary of a \$4.8 million permanent endowment fund maintained by The Cleveland Foundation. A percentage of the interest earned on these funds is available to the Organization for scholarships and advisory services annually.

COLLEGE NOW GREATER CLEVELAND

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JULY 31, 2011 AND 2010

1. Summary of significant accounting policies (continued):

Donated property and equipment, materials and services:

Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. No amounts have been reflected in the financial statements for donated services since the criteria for recognition of such volunteer effort under generally accepted accounting principles has not been satisfied.

Government grants and contracts:

The Organization receives an Educational Talent Search grant (TRIO) from the United States Department of Education, a Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR UP), a grant from the Ohio Board of Regents (OBR) and a Community Development Block Grant (CDBG) from the City of Cleveland. Compliance with terms and conditions specified in the grant and contract agreements are subject to audit by the grantor and contract agencies. Government grants are reported as an increase in unrestricted or temporarily restricted net assets in the reporting period in which the terms and conditions specified in the grant agreement are satisfied.

Cash and cash equivalents:

For purposes of the statement of cash flows, the Organization considers unrestricted or short-term temporarily restricted, highly liquid investments with an initial maturity of three months or less to be cash equivalents. Cash and cash equivalents designated for long-term purposes or received with donor imposed restrictions limiting their use to long-term purposes are not considered cash and cash equivalents for purposes of the statements of cash flows.

At July 31, 2011 and periodically throughout the year, the Organization maintained balances in their accounts in excess of federally insured limits. The Organization does not expect to incur any losses resulting from cash held in financial institutions.

Investments:

In accordance with generally accepted accounting principles, investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the statements of financial position. Investment income or loss (including gains and losses on investments, interest, and dividends) is included in the statement of activities as increases or decreases in unrestricted net assets unless the income or loss is restricted by donor or law.

COLLEGE NOW GREATER CLEVELAND

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JULY 31, 2011 AND 2010

1. Summary of significant accounting policies (continued):

Investments (continued):

Additionally, the Organization has alternative investments within their portfolio. The alternative investments, which are not readily marketable, are carried at estimated fair values as provided by the investment managers. The Organization reviews and evaluates the values provided by the investment managers and agrees with the valuation methods and assumptions used in determining the fair value of the alternative investments. Those estimated fair values may differ significantly from the values that would have been used had a ready market for these securities existed. Alternative investments include off-shore investment funds. These financial instruments, which involve varying degrees of off-balance sheet risk, may result in loss due to changes in the market.

Property and equipment:

Property and equipment are recorded at cost or, if donated, at the approximate fair value at the date of donation. The Organization depreciates such items over their estimated useful lives on a straight-line basis. Leasehold improvements are amortized over the lease term or the service lives of the improvements, whichever is shorter. Office furniture and equipment and computer equipment and software are depreciated over three to five years.

Income taxes:

The Organization is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and consequently does not provide for Federal income taxes on related income. In addition, the Internal Revenue Service has determined that the Organization is not a private foundation within the meaning of Section 509(a) of the Code.

The Organization is no longer subject to Federal income tax examinations by tax authorities for years before 2007.

Use of estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent 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.

COLLEGE NOW GREATER CLEVELAND

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JULY 31, 2011 AND 2010

1. Summary of significant accounting policies (continued):

Reclassification:

Certain amounts in the 2010 financial statements have been reclassified to conform to the 2011 presentation.

2. Cash and cash equivalents:

Cash and cash equivalents consisted of the following at July 31:

	<u>2011</u>	<u>2010</u>
Unrestricted	\$ 1,929,938	\$ 2,191,094
Restricted for permanent endowment	<u>192,421</u>	<u>37,670</u>
	<u>\$ 2,122,359</u>	<u>\$ 2,228,764</u>

Included in cash and cash equivalents at July 31, 2011 and 2010 are additional money market funds of approximately \$261,000 and \$94,000, respectively, which are not covered by FDIC insurance and are subject to market risk.

3. Property and equipment, net:

Property and equipment consists of the following at July 31, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Leasehold improvements	\$ 102,911	\$ 101,310
Office furniture and equipment	166,973	162,431
Computer equipment and software	<u>410,442</u>	<u>392,878</u>
	680,326	656,619
Accumulated depreciation	<u>(623,349)</u>	<u>(585,820)</u>
Net property and equipment	<u>\$ 56,977</u>	<u>\$ 70,799</u>

COLLEGE NOW GREATER CLEVELAND

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JULY 31, 2011 AND 2010

4. Unconditional promises to give:

Unconditional promises to give are primarily made by foundations, corporations, and individuals in the greater Cleveland area. Unconditional promises to give restricted for permanent endowment were made in response to the Organization's endowment campaign. Promises to give to be received after July 31, 2012 are discounted at rates varying from .4% to 1.5% based upon the time that the promise to give was made. Unconditional promises to give consisted of the following at July 31:

	<u>2011</u>	<u>2010</u>
Short-term purposes:		
Unrestricted and temporarily restricted –		
available for operating expenses	<u>\$ 1,883,282</u>	<u>\$ 1,413,604</u>

Unconditional promises to give are to be received by the Organization as follows:

Receivable in less than one year	\$ 1,565,687
Receivable in one to five years	<u>321,175</u>
	1,886,862
Less discounts to net present value	<u>3,580</u>
Net unconditional promises to give	<u>\$ 1,883,282</u>

Approximately 64% and 81% of the gross amount of unconditional promises to give was due from three donors at July 31, 2011 and 2010, respectively.

5. Fair value measurement:

The following table represents the financial instruments carried at fair value as of July 31, 2011, by the valuation hierarchy set forth by generally accepted accounting principles:

	Fair Value at July 31, <u>2011</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments:				
Cash equivalents	<u>\$ 324,169</u>		<u>\$ 324,169</u>	
Alternative investments:				
Hedge funds	\$ 757,338			\$ 757,338
Private equity funds	<u>514,992</u>			<u>514,992</u>
Total alternative investments	<u>\$ 1,272,330</u>			<u>\$ 1,272,330</u>

COLLEGE NOW GREATER CLEVELAND

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JULY 31, 2011 AND 2010

5. Fair value measurement (continued):

	Fair Value at July 31, 2011	Level 1	Level 2	Level 3
Mutual funds:				
Domestic equity funds	\$ 1,709,733	\$ 1,709,733		
International equity funds	1,765,312	1,765,312		
Bond funds	1,221,382	1,221,382		
Real estate funds	132,618	132,618		
Other	<u>266,295</u>	<u>266,295</u>		
Total mutual funds	<u>\$ 5,095,340</u>	<u>\$ 5,095,340</u>		
Beneficial interest in perpetual trust				<u>\$ 213,344</u>

The following table represents the financial instruments carried at fair value as of July 31, 2010, by the valuation hierarchy set forth by generally accepted accounting principles:

	Level 1	Level 2	Level 3
Cash equivalents		\$ 420,807	
Investments, equity funds	\$ 3,998,720		
Investments, fixed income	1,528,567		
Alternative investments			\$ 1,144,964

The following is a description of the Organization's valuation methodologies for assets and liabilities measured at fair value. Fair value for Level 1 is based upon quoted market prices for identical assets. Fair value for Level 2 is based on significant other observable inputs. Fair value for alternative investments and beneficial interest in perpetual trusts is based on estimated values of comparable investments in active and inactive markets.

The following table is a reconciliation of the beginning and ending balances, separately for each major category of assets and liabilities, measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended July 31, 2011 and 2010:

	2011	2010
Alternative investments:		
Beginning balance	\$ 1,144,964	\$ 959,426
Unrealized gains	69,273	48,118
Purchases	<u>58,093</u>	<u>137,420</u>
Ending balance	<u>\$ 1,272,330</u>	<u>\$ 1,144,964</u>

COLLEGE NOW GREATER CLEVELAND

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JULY 31, 2011 AND 2010

5. Fair value measurement (continued):

	<u>2011</u>	<u>2010</u>
Beneficial interest in perpetual trust:		
Beginning balance	\$ -	
Increase in beneficial interest	<u>213,344</u>	
Ending balance	<u>\$ 213,344</u>	

6. Investments:

Investments are presented in the financial statements at market value as follows:

	<u>2011</u>	<u>2010</u>
Unrestricted – available for operating expenses	\$ 1,948,296	\$ 2,464,559
Restricted for permanent endowment	<u>4,419,374</u>	<u>4,207,692</u>
	<u>\$ 6,367,670</u>	<u>\$ 6,672,251</u>

Investments consisted of the following at July 31:

	<u>2011</u>		<u>2010</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Fixed income funds,				
capital trust	\$ 1,187,296	\$ 1,221,382	\$ 1,531,949	\$ 1,528,567
Equity funds	3,568,270	3,873,958	4,547,856	3,998,720
Alternative investment				
funds:				
Private equity funds	488,236	514,992	422,773	412,179
Hedge funds	<u>800,000</u>	<u>757,338</u>	<u>800,000</u>	<u>732,785</u>
	<u>\$ 6,043,802</u>	<u>\$ 6,367,670</u>	<u>\$ 7,302,578</u>	<u>\$ 6,672,251</u>

The Organization invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could have a material effect on the Organization's statements of financial position, activities and net assets, and cash flows.

COLLEGE NOW GREATER CLEVELAND

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JULY 31, 2011 AND 2010

7. Restrictions on net assets:

Temporarily restricted net assets:

Temporarily restricted net assets are required to be used for the following purposes:

	<u>2011</u>	<u>2010</u>
Financial Aid	\$ 2,161,455	\$ 1,686,431
Resource Center	30,000	63,334
Advisors	768,408	653,775
Managed Scholarships	397,239	386,289
General and Administrative	119,474	172,332
Adult Learner	<u>605,300</u>	<u>618,658</u>
	<u>\$ 4,081,876</u>	<u>\$ 3,580,819</u>

Temporarily restricted net assets were released from restrictions during fiscal years 2011 and 2010 by incurring expenditures satisfying the purpose or time restrictions specified by donors as follows:

	<u>2011</u>	<u>2010</u>
Financial Aid	\$ 554,202	\$ 801,012
Resource Center	63,334	
Advisors	643,775	272,250
Managed Scholarships	289,510	49,965
General and Administrative	60,116	157,949
Adult Learner	<u>285,300</u>	<u>312,306</u>
	<u>\$ 1,896,237</u>	<u>\$ 1,593,482</u>

Permanently restricted net assets:

Permanently restricted net assets at July 31, 2011 and 2010 totaling \$5,447,210 and \$5,233,711, respectively, consist of endowment fund assets to be held in perpetuity and beneficial interests in perpetual trusts and are detailed as follows:

	<u>2011</u>	<u>2010</u>
Permanently restricted endowment fund	\$ 5,233,866	\$ 5,233,711
Beneficial interest in perpetual trusts	<u>213,344</u>	<u>-</u>
	<u>\$ 5,447,210</u>	<u>\$ 5,233,711</u>

COLLEGE NOW GREATER CLEVELAND

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JULY 31, 2011 AND 2010

7. Restrictions on net assets (continued):

Permanently restricted net assets (continued):

The income from these assets may be used to primarily support financial aid activities of the Organization. In accordance with generally accepted accounting principles, permanently restricted net assets have been recorded at historic dollar value and unrealized gains and losses on the underlying endowment investments have been reflected as an increase or decrease to unrestricted net assets. From time to time, the fair value of assets associated with donor-restricted endowment funds may fall below the level the donor requires the Organization to retain as a fund of perpetual duration. These deficits resulted from unfavorable market fluctuations and totaled approximately \$622,000 at July 31, 2011 and approximately \$988,000 at July 31, 2010. During 2010, management determined that \$273,000 previously classified as permanently restricted net assets should be reclassified to unrestricted net assets based on the intention of the donors. This reclassification is reflected in the 2010 statement of activities and net assets.

Changes in endowment net assets for fiscal year ended July 31, 2011 were as follows:

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ (988,349)	\$ 5,233,711	\$ 4,245,362
Investment return:			
Investment income	79,169		79,169
Net appreciation/depreciation (realized and unrealized)	<u>514,649</u>	<u> </u>	<u>514,649</u>
Total investment return	<u>593,818</u>	<u> </u>	<u>593,818</u>
Appropriation of endowment assets for expenditure	(227,540)		(227,540)
Contributions	<u> </u>	<u>155</u>	<u>155</u>
Endowment net assets, end of year	\$ (622,071)	\$ 5,233,866	\$ 4,611,795

Changes in endowment net assets for fiscal year ended July 31, 2010 were as follows:

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ (1,223,805)	\$ 5,502,672	\$ 4,278,867
Investment return:			
Investment income	81,450		81,450
Net appreciation/depreciation (realized and unrealized)	<u>381,368</u>	<u> </u>	<u>381,368</u>
Total investment return	<u>462,818</u>	<u> </u>	<u>462,818</u>

COLLEGE NOW GREATER CLEVELAND

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JULY 31, 2011 AND 2010

7. Restrictions on net assets (continued):

Permanently restricted net assets (continued):

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Appropriation of endowment assets for expenditure	(227,362)		(227,362)
Contributions		4,039	4,039
Net asset reclassification based on clarification of donor intent		(273,000)	(273,000)
Endowment net assets, end of year	<u>\$ (988,349)</u>	<u>\$ 5,233,711</u>	<u>\$ 4,245,362</u>

The Organization's Board has interpreted the State of Ohio's Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of the interpretation, the Organization classifies as permanently restricted, (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- 1) General economic conditions
- 2) The possible effect of inflation or deflation
- 3) The expected tax consequences, if any, of investment decisions or strategies
- 4) The role that each investment or course of action plays within the overall investment portfolio of the fund
- 5) The expected total return from income and the appreciation of investments
- 6) Other resources of the Organization
- 7) The need of the Organization and of the fund to make distributions and preserve capital
- 8) An asset's special relationship or special value, if any, to the charitable purposes of the Organization

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity. Under this policy, as approved by the Organization's Board, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of various market indices based on type of investments while assuming a moderate level of investment risk. Actual returns in any given year may vary from these indices.

COLLEGE NOW GREATER CLEVELAND

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JULY 31, 2011 AND 2010

7. Restrictions on net assets (continued):

Permanently restricted net assets (continued):

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

8. Commitments and contingencies:

The Organization leases its office facility and certain equipment under non-cancelable operating leases.

The Organization entered into a rental agreement for office space commencing November 2002. The lease agreement calls for scheduled rent increases with monthly payments ranging from \$12,031 to \$13,781 through October 2012. The accompanying statements of activities reflect rent expense on a straight-line basis over the term of the office lease and, as a result, a deferred rental obligation is included in accrued liabilities in the accompanying statements of financial position as of July 31, 2011 and 2010.

Total rent expense for all leases, excluding utilities, was approximately \$182,700 in 2011 and \$179,000 in 2010.

Commitments for future rental payments under all operating leases are as follows:

Year ending July 31,

2012	\$ 182,480
2013	54,922
2014	13,787
2015	13,127
2016	<u>3,936</u>
	<u>\$ 268,252</u>

The Organization could be subject to legal proceedings and claims that arise in the ordinary course of its business. As of July 31, 2011 and 2010, management was not aware of any pending litigation against the Organization.

COLLEGE NOW GREATER CLEVELAND

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JULY 31, 2011 AND 2010

9. Line of credit:

In 2010, the Organization entered into a line of credit agreement with a bank which provided for borrowings of up to \$500,000. Any borrowings against the line are collateralized by certain investments. Interest is payable quarterly at the bank's prime rate of interest plus 1% (4.25% at July 31, 2011 and 2010). There were no borrowings against the line as of July 31, 2011 and 2010.

10. Retirement plan:

The Organization administers a 401(k) retirement plan for all eligible employees. The Organization is required to match up to a maximum of 5% of employee contributions. Matching contributions to the plan are on a graduated vesting schedule whereas contributions for employees with five years or more of service are 100% vested. For the years ended July 31, 2011 and 2010, the Organization's aggregate contributions were approximately \$44,900 and \$47,500, respectively.

11. General and professional liability insurance:

The Organization has an agreement with a multi-provider risk retention group for its general and professional liability insurance. The risk retention group insurance coverage is an occurrence based policy. The policy includes a reimbursement provision of \$1,000,000 per each claim and \$2,000,000 in aggregate claims per the term of the policy. Based on internal and external evaluations of the merits of the individual claims, analysis of claim history and the estimated reserves assigned by the Organization's third-party risk manager, the Organization management has determined an accrual is not necessary at July 31, 2011 and 2010. Although the Organization's management believes an accrual for potential losses is not necessary at July 31, 2011 and 2010, a liability may result and it could be material.

12. Subsequent events:

Subsequent to year end, the Organization has been notified by the Ohio Board of Regents that the seven-year renewal grant for Gaining Early Awareness and Readiness for Undergraduate Programs, (GEAR UP) was not funded by the US Department of Education. For the past six years the Organization has received approximately \$460,000 annually from the Ohio Board of Regents in pass through GEAR UP grants. In July 2011, the Ohio Board of Regents approved a \$151,500 extension GEAR UP grant on the existing six-year award to the Organization; however, this amount has been since reduced by \$47,300 for fiscal year 2012.

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through November 16, 2011, the date the Organization's financial statements were available to be issued.