



CPAs & Advisors

## **College Now Greater Cleveland**

YEARS ENDED JULY 31, 2014 AND 2013

# **COLLEGE NOW GREATER CLEVELAND**

YEARS ENDED JULY 31, 2014 AND 2013

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## **Independent Auditors' Report**

Board of Directors  
College Now Greater Cleveland  
Cleveland, Ohio

### **Report on the Financial Statements**

We have audited the accompanying financial statements of College Now Greater Cleveland, which comprise the statements of financial position as of July 31, 2014 and 2013, and the related statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization'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 Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of College Now Greater Cleveland as of July 31, 2014 and 2013, and changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Reports Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2014, on our consideration of College Now Greater Cleveland's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering College Now Greater Cleveland's internal control over financial reporting and compliance.

HWC : 6.

Cleveland, Ohio  
December 4, 2014

# COLLEGE NOW GREATER CLEVELAND

## STATEMENTS OF FINANCIAL POSITION

JULY 31, 2014 AND 2013

### ASSETS

	2014	2013
Cash and cash equivalents	\$ 3,387,520	\$ 2,394,808
Investments	2,144,282	1,941,637
Unconditional promises to give	2,721,767	3,335,969
Prepaid expenses and other assets	535,407	492,051
Cash and cash equivalents restricted for permanent endowment	157,642	173,499
Investments restricted for permanent endowment	5,174,680	4,805,934
Property and equipment, net	241,142	214,902
Beneficial interest in perpetual trust	245,377	234,905
<b>Total assets</b>	<b>\$ 14,607,817</b>	<b>\$ 13,593,705</b>

### LIABILITIES AND NET ASSETS

Accounts payable	\$ 98,079	\$ 82,983
Scholarship awards payable	1,941,105	1,906,365
Accrued liabilities	79,703	57,785
Deferred revenue	88,200	39,417
<b>Total liabilities</b>	<b>2,207,087</b>	<b>2,086,550</b>
<b>Net assets:</b>		
Unrestricted	962,329	381,840
Temporarily restricted	5,667,428	5,477,428
Permanently restricted	5,770,973	5,647,887
<b>Total net assets</b>	<b>12,400,730</b>	<b>11,507,155</b>
<b>Total liabilities and net assets</b>	<b>\$ 14,607,817</b>	<b>\$ 13,593,705</b>

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

# COLLEGE NOW GREATER CLEVELAND

## STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED JULY 31, 2014

(with summarized financial information for the year ended July 31, 2013)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
				2014	2013
<b>SUPPORT AND REVENUE:</b>					
<b>Support:</b>					
Contributions	\$ 2,298,231	\$ 2,901,900	\$ 87,523	\$ 5,287,654	\$ 5,238,035
Government grants	1,698,596			1,698,596	993,925
Managed scholarships	439,559	182,011		621,570	663,322
Total support	4,436,386	3,083,911	87,523	7,607,820	6,895,282
<b>Revenue:</b>					
Program service fees	624,826			624,826	428,175
Administration fees	83,930			83,930	98,535
Interest and dividends	227,078			227,078	196,520
Net realized and unrealized gain on investments	526,340			526,340	657,295
Other	11,173			11,173	5,512
Net assets released from restrictions	2,890,715	(2,890,715)			
Total revenue	4,364,062	(2,890,715)		1,473,347	1,386,037
Total support and revenue	8,800,448	193,196	87,523	9,081,167	8,281,319

(Continued)

# COLLEGE NOW GREATER CLEVELAND

## STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS (CONTINUED)

YEAR ENDED JULY 31, 2014

(with summarized financial information for the year ended July 31, 2013)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
				2014	2013
<b>EXPENSES:</b>					
Program services:					
Financial Aid:					
Awards and fees	1,519,955			1,519,955	1,532,622
Other	471,648			471,648	438,713
Advisors:					
Awards and fees	31,719			31,719	28,510
Other	1,684,796			1,684,796	1,392,032
Early Awareness	74,110			74,110	72,208
Adult Learner:					
Awards and fees	284,284			284,284	289,908
Other	139,074			139,074	127,518
Retention	314,269			314,269	130,664
Resource Center	147,485			147,485	119,480
Managed Scholarships:					
Awards and fees	636,724			636,724	647,466
Other	59,610			59,610	59,380
Assets for Independence:					
Awards and fees	13,500			13,500	13,500
Other	8,525			8,525	23,124
AmeriCorps Ohio College Guides Program	953,718			953,718	
21st Century	377,723			377,723	415,065
Upward Bound:					
Awards and fees	1,630			1,630	
Other	241,101			241,101	224,334

(Continued)

# COLLEGE NOW GREATER CLEVELAND

## STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS (CONTINUED)

YEAR ENDED JULY 31, 2014

(with summarized financial information for the year ended July 31, 2013)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
				2014	2013
<b>EXPENSES (continued):</b>					
Program services (continued):					
Talent search	240,070			240,070	255,355
Endowment:					
Awards and fees	194,806			194,806	187,792
Other	39,475			39,475	36,487
Total program services	7,434,222			7,434,222	5,994,158
Supporting services:					
Fundraising	419,632			419,632	346,061
General and administrative	333,738			333,738	265,553
Total supporting services	753,370			753,370	611,614
Total expenses	8,187,592			8,187,592	6,605,772
Increase in net assets	612,856	193,196	87,523	893,575	1,675,547
Net assets, beginning of year	381,840	5,477,428	5,647,887	11,507,155	9,831,608
Net asset reclassifications based on donor intent	(32,367)	(3,196)	35,563		
Net assets, end of year	<u>\$ 962,329</u>	<u>\$ 5,667,428</u>	<u>\$ 5,770,973</u>	<u>\$ 12,400,730</u>	<u>\$ 11,507,155</u>

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



# COLLEGE NOW GREATER CLEVELAND

## STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED JULY 31, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>SUPPORT AND REVENUE:</b>				
<b>Support:</b>				
Contributions	\$ 1,875,235	\$ 3,332,028	\$ 30,772	\$ 5,238,035
Government grants	993,925			993,925
Managed scholarships	432,847	230,475		663,322
Total support	3,302,007	3,562,503	30,772	6,895,282
<b>Revenue:</b>				
Program service fees	428,175			428,175
Administration fees	98,535			98,535
Interest and dividends	196,520			196,520
Net realized and unrealized gain on investments	657,295			657,295
Other	5,512			5,512
Net assets released from restrictions	2,527,067	(2,527,067)		
Total revenue	3,913,104	(2,527,067)		1,386,037
Total support and revenue	7,215,111	1,035,436	30,772	8,281,319

(Continued)

# COLLEGE NOW GREATER CLEVELAND

## STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS (CONTINUED)

YEAR ENDED JULY 31, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>EXPENSES:</b>				
Program services:				
Financial Aid:				
Awards and fees	1,532,622			1,532,622
Other	438,713			438,713
Advisors:				
Awards and fees	28,510			28,510
Other	1,392,032			1,392,032
Early Awareness	72,208			72,208
Adult Learner:				
Awards and fees	289,908			289,908
Other	127,518			127,518
Retention	130,664			130,664
Resource Center	119,480			119,480
Managed Scholarships:				
Awards and fees	647,466			647,466
Other	59,380			59,380
Assets for Independence:				
Awards and fees	13,500			13,500
Other	23,124			23,124
21st Century	415,065			415,065
Upward Bound	224,334			224,334

(Continued)

# COLLEGE NOW GREATER CLEVELAND

## STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS (CONTINUED)

YEAR ENDED JULY 31, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>EXPENSES (continued):</b>				
Program services (continued):				
TRIO	255,355			255,355
Endowment:				
Awards and fees	187,792			187,792
Other	36,487			36,487
Total program services	5,994,158			5,994,158
Supporting services:				
Fundraising	346,061			346,061
General and administrative	265,553			265,553
Total supporting services	611,614			611,614
<b>Total expenses</b>	<b>6,605,772</b>			<b>6,605,772</b>
<b>Increase in net assets</b>	609,339	1,035,436	30,772	1,675,547
<b>Net assets, beginning of year</b>	(227,499)	4,441,992	5,617,115	9,831,608
<b>Net assets, end of year</b>	<b>\$ 381,840</b>	<b>\$ 5,477,428</b>	<b>\$ 5,647,887</b>	<b>\$ 11,507,155</b>

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

# COLLEGE NOW GREATER CLEVELAND

## STATEMENTS OF CASH FLOWS

YEARS ENDED JULY 31, 2014 AND 2013

	2014	2013
<b>Cash flows from operating activities:</b>		
Increase in net assets	\$ 893,575	\$ 1,675,547
Adjustments to reconcile increase in net assets to net cash from operating activities:		
Depreciation and amortization	45,512	53,973
Net realized and unrealized gains on investments	(526,340)	(657,295)
Contributions restricted for permanent endowment	(77,051)	(14,969)
Beneficial interest in perpetual trusts	(10,472)	(15,803)
Increase in allowance for doubtful accounts	20,000	
Changes in assets and liabilities:		
Decrease (increase) in unconditional promises to give	594,202	(967,350)
Increase in prepaid expenses and other assets	(43,356)	(307,042)
Increase (decrease) in accounts payable	15,096	(61,473)
Increase in scholarship awards payable	34,740	253,384
Increase in accrued liabilities	21,918	21,599
Increase in deferred revenue	48,783	26,242
Net cash provided by operating activities	1,016,607	6,813
<b>Cash flows from investing activities:</b>		
Purchases of property and equipment	(71,752)	(136,295)
Proceeds from sale of investments	935,663	934,489
Purchases of investments	(980,714)	(856,969)
Net decrease (increase) in cash and cash equivalents restricted for permanent endowment	15,857	(16,128)
Net cash used in investing activities	(100,946)	(74,903)
<b>Cash flows provided by financing activities; receipts from contributions restricted for permanent endowment</b>	77,051	14,969
<b>Net increase (decrease) in cash and cash equivalents</b>	992,712	(53,121)
<b>Cash and cash equivalents, beginning</b>	2,394,808	2,447,929
<b>Cash and cash equivalents, ending</b>	<u>\$ 3,387,520</u>	<u>\$ 2,394,808</u>

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

# COLLEGE NOW GREATER CLEVELAND

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2014 AND 2013

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

#### Nature of activities:

College Now Greater Cleveland's (formerly Cleveland Scholarship Program, Inc.) mission is to increase college attainment through college access and college success advising; financial aid counseling; and scholarship services. Highly trained professionals deliver our integrated services that annually reach more than 25,000 traditional and nontraditional students and individuals in more than 200 Northeast Ohio venues: schools, community centers, businesses and our downtown Cleveland Resource Center. Additionally, College Now awards approximately \$2.7 million in need-based scholarships to nearly 2,000 traditional and non-traditional students. Since 1966, College Now has helped thousands of Northeast Ohio students prepare for, finance and graduate from college.

#### 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:

Accounting principles generally accepted in the United States require contributions received to be 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.

#### 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.



# **COLLEGE NOW GREATER CLEVELAND**

## **NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**YEARS ENDED JULY 31, 2014 AND 2013**

### **1. Summary of significant accounting policies (continued):**

#### **Promises to give (continued):**

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. An allowance for doubtful accounts of \$20,000 is included in unconditional promises to give as of July 31, 2014. No allowance was considered necessary for the year ended July 31, 2013.

#### **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 \$5.3 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 annually.

#### **Donated property, equipment, and software materials and services:**

Donations of property, equipment, and software 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.

# COLLEGE NOW GREATER CLEVELAND

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JULY 31, 2014 AND 2013

**1. Summary of significant accounting policies (continued):**

**Government grants and contracts:**

The Organization receives an Educational Talent Search grant and Upward Bound grant from the United States Department of Education; 21<sup>st</sup> Century Community Learning Center grants from the Ohio Department of Education; an AmeriCorps Ohio College Guides grant from the Ohio Commission on service and volunteerism; 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, 2014 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.

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.

# COLLEGE NOW GREATER CLEVELAND

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JULY 31, 2014 AND 2013

### 1. Summary of significant accounting policies (continued):

#### 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 2010.

#### 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.

### 2. Cash and cash equivalents:

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

	<u>2014</u>	<u>2013</u>
Unrestricted	\$ 3,387,520	\$ 2,394,808
Restricted for permanent endowment	<u>157,642</u>	<u>173,499</u>
	<u>\$ 3,545,162</u>	<u>\$ 2,568,307</u>

Included in cash and cash equivalents at July 31, 2014 and 2013 are additional money market funds of approximately \$170,000 and \$213,000, respectively, which are not covered by FDIC insurance and are subject to market risk.

# COLLEGE NOW GREATER CLEVELAND

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JULY 31, 2014 AND 2013

### 3. Property and equipment, net:

Property and equipment consists of the following at July 31, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Leasehold improvements	\$ 120,590	\$ 120,590
Office furniture and equipment	191,042	323,911
Computer equipment and software	<u>270,710</u>	<u>482,157</u>
	582,342	926,658
Accumulated depreciation and amortization	<u>(341,200)</u>	<u>(711,756)</u>
Net property and equipment	<u>\$ 241,142</u>	<u>\$ 214,902</u>

### 4. Unconditional promises to give:

Unconditional promises to give are primarily made by foundations, corporations, and individuals. Promises to give to be received after July 31, 2014 are discounted at rates varying from .23% to .37% based upon the time that the promise to give was made. Unconditional promises to give consisted of the following at July 31:

	<u>2014</u>	<u>2013</u>
Unrestricted and temporarily restricted – available for operating expenses	<u>\$ 2,741,767</u>	<u>\$ 3,335,969</u>

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

Receivable in less than one year	\$ 2,112,834
Receivable in one to five years	<u>632,100</u>
	2,744,934
Less discounts to net present value	3,167
Less allowance for doubtful accounts	<u>20,000</u>
Net unconditional promises to give	<u>\$ 2,721,767</u>

Approximately 53% and 45% of the gross amount of unconditional promises to give was due from three donors at July 31, 2014 and 2013.

# COLLEGE NOW GREATER CLEVELAND

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JULY 31, 2014 AND 2013

### 5. Fair value:

FASB ASC 820 *Fair Value Measurements and Disclosure* establishes a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

- Level 1 – inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 – inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3 – inputs to the valuation methodology are unobservable and significant to the fair value measurement.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The following table represents the financial instruments carried at fair value as of July 31, 2014, by the valuation hierarchy set forth by generally accepted accounting principles:

	Fair Value at July 31, 2014	Level 1	Level 2	Level 3
Investments:				
Cash equivalents	<u>\$ 1,115,292</u>	<u>\$ 945,792</u>	<u>\$ 169,500</u>	
Alternative investments:				
Hedge funds	\$ 870,123			\$ 870,123
Private equity funds	<u>744,813</u>			<u>744,813</u>
Total alternative investments	<u>\$ 1,614,936</u>			<u>\$ 1,614,936</u>
Mutual funds:				
Domestic equity funds	\$ 1,571,370	\$ 1,571,370		
International equity funds	2,314,453	2,314,453		
Bond funds	1,279,240	1,279,240		
Other	<u>538,963</u>	<u>538,963</u>		
Total mutual funds	<u>\$ 5,704,026</u>	<u>\$ 5,704,026</u>		
Beneficial interest in perpetual trust				<u>\$ 245,377</u>



# COLLEGE NOW GREATER CLEVELAND

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JULY 31, 2014 AND 2013

### 5. Fair value (continued):

The following table represents the financial instruments carried at fair value as of July 31, 2013, by the valuation hierarchy set forth by generally accepted accounting principles:

	Fair Value at July 31, 2013	Level 1	Level 2	Level 3
Investments:				
Cash equivalents	<u>\$ 635,219</u>	<u>\$ 422,252</u>	<u>\$ 212,967</u>	
Alternative investments:				
Hedge funds	\$ 819,712			\$ 819,712
Private equity funds	<u>713,435</u>			<u>713,435</u>
Total alternative investments	<u>\$ 1,533,147</u>			<u>\$ 1,533,147</u>
Mutual funds:				
Domestic equity funds	\$ 1,610,003	\$ 1,610,003		
International equity funds	2,119,313	2,119,313		
Bond funds	1,068,131	1,068,131		
Other	<u>416,977</u>	<u>416,977</u>		
Total mutual funds	<u>\$ 5,214,424</u>	<u>\$ 5,214,424</u>		
Beneficial interest in perpetual trust				<u>\$ 234,905</u>

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 face value which approximates fair value for money market funds.

Fair value for beneficial interest in trusts (Level 3) is based on the Organization's percentage of fair value of the assets contributed to the trust which the Organization believes approximates the present value of the expected future cash flow.

Alternate investments include investments in hedge funds. The funds will invest substantially all of its assets in underlying funds that are generally not registered as investment companies under the 1940 Act and, therefore, the funds will not have the benefit of various protections provided under the 1940 Act with respect to an investment in those underlying funds. The underlying funds may engage in speculative investment strategies and practices, such as the use of leverage, short sales, and derivatives transactions, which can increase the risk of investment loss. The funds provide limited liquidity, and units in the funds are not transferable. In determining the value of these investments, the funds' management use a variety of reference data and assumptions, including estimates of existing market conditions and risks, and independent third-party valuation firm reviews. The estimated value may differ from the values that would have been used had a ready market for the securities existed, and the difference could be material.

# COLLEGE NOW GREATER CLEVELAND

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JULY 31, 2014 AND 2013

### 5. Fair value (continued):

The fair value of these hedge funds have been estimated by the funds' management using the estimated net asset value (NAV) of the investments (Level 3). In using NAV, certain attributes of the investment that may impact the fair value of the investment are not considered in measuring fair value. The estimated NAV may differ from the values that would have been used had a ready market for the securities existed, and the difference could be material.

Accounting Standards Update No. 2011-04 *Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and International Financial Reporting Standards* ("IFRS") ("ASU 2011-04") includes common requirements for measurement of and disclosure about fair value between U.S. GAAP and IFRS. ASU 2011-04 requires reporting entities to disclose quantitative information about the unobservable inputs used in the fair value measurements categorized within Level 3 of the fair value hierarchy.

The following is a summary of quantitative information about significant unobservable valuation inputs for Level 3 fair value measurements for the investments held as of July 31, 2014 and 2013:

<u>Level 3 Investments</u>	<u>Fair Value at July 31, 2014</u>	<u>Valuation Techniques</u>
Hedge Funds:		
Hirtle Callaghan Absolute Return Offshore Fund	\$ 210,233	NAV as practical expedient*
Hirtle Callaghan Total Return Offshore Fund	<u>659,890</u>	NAV as practical expedient*
	<u>870,123</u>	
Limited Partnerships:		
Hirtle Callaghan Private Equity VI Offshore Fund	342,799	NAV as practical expedient*
Hirtle Callaghan Private Equity VII Offshore Fund	<u>402,014</u>	NAV as practical expedient*
	<u>744,813</u>	
	<u>\$ 1,614,936</u>	

\* Unobservable input

# COLLEGE NOW GREATER CLEVELAND

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JULY 31, 2014 AND 2013

### 5. Fair value (continued):

<u>Level 3 Investments</u>	<u>Fair Value at July 31, 2013</u>	<u>Valuation Techniques</u>
Hedge Funds:		
Hirtle Callaghan Absolute Return Offshore Fund	\$ 199,143	NAV as practical expedient*
Hirtle Callaghan Total Return Offshore Fund	<u>620,569</u>	NAV as practical expedient*
	<u>819,712</u>	
Limited Partnerships:		
Hirtle Callaghan Private Equity VI Offshore Fund	366,152	NAV as practical expedient*
Hirtle Callaghan Private Equity VII Offshore Fund	<u>347,283</u>	NAV as practical expedient*
	<u>713,435</u>	
	<u>\$ 1,533,147</u>	

\* Unobservable input

No adjustments were made to the NAV provided by the investment manager or administrator of the funds. Adjustment to the NAV provided by the investment manager or administrator of the funds would be considered if the practical expedient NAV was not as of the funds' measurement date; it was probable that the funds would be sold at a value materially different than the reported expedient NAV; or it was determined in accordance with the funds' valuation procedures that the funds are not being reported at fair value.

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, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Alternative investments:		
Beginning balance	\$ 1,533,147	\$ 1,379,765
Unrealized gains (A)	41,325	59,137
Purchases	<u>40,464</u>	<u>94,245</u>
Ending balance	<u>\$ 1,614,936</u>	<u>\$ 1,533,147</u>

# COLLEGE NOW GREATER CLEVELAND

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JULY 31, 2014 AND 2013

### 5. Fair value (continued):

	<u>2014</u>	<u>2013</u>
Beneficial interest in perpetual trust:		
Beginning balance	\$ 234,905	\$ 219,102
Increase in beneficial interest (B)	<u>10,472</u>	<u>15,803</u>
Ending balance	<u>\$ 245,377</u>	<u>\$ 234,905</u>

(A) These amounts represent total unrealized gains for the period included in changes in unrestricted net assets attributable to the change in unrealized gains relating to assets held at July 31, 2014 and 2013.

(B) These amounts represent total increases in value for the period included in changes in permanently restricted net assets attributable to the change in values relating to beneficial interest in perpetual trusts still held at July 31, 2014 and 2013.

### 6. Investments:

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

	<u>2014</u>	<u>2013</u>
Unrestricted – available for operating expenses	\$ 2,144,282	\$ 1,941,637
Restricted for permanent endowment	<u>5,174,680</u>	<u>4,805,934</u>
	<u>\$ 7,318,962</u>	<u>\$ 6,747,571</u>

Investments consisted of the following at July 31:

	<u>2014</u>		<u>2013</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Fixed income funds, capital trust	\$ 1,250,195	\$ 1,279,240	\$ 1,062,887	\$ 1,068,131
Equity funds	3,429,967	4,424,786	3,488,019	4,146,293
Alternative investment funds:				
Private equity funds	495,785	744,813	548,093	713,435
Hedge funds	<u>800,000</u>	<u>870,123</u>	<u>800,000</u>	<u>819,712</u>
	<u>\$ 5,975,947</u>	<u>\$ 7,318,962</u>	<u>\$ 5,898,999</u>	<u>\$ 6,747,571</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 such changes could have a material effect on the Organization's statements of financial position, activities and changes in net assets, and cash flows.

# COLLEGE NOW GREATER CLEVELAND

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JULY 31, 2014 AND 2013

### 7. Restrictions on net assets:

#### Temporarily restricted net assets:

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

	2014	2013
Financial aid	\$ 2,543,114	\$ 2,348,785
Advisors	1,456,462	1,292,237
Adult learner	842,894	764,579
Retention	376,950	437,117
Managed scholarships	310,242	326,721
Early awareness	82,766	168,444
Resource center	30,000	38,000
General and administrative	25,000	101,545
	<u>\$ 5,667,428</u>	<u>\$ 5,477,428</u>

Temporarily restricted net assets were released from restrictions during fiscal years 2014 and 2013 by incurring expenditures satisfying the purpose or time restrictions specified by donors as follows:

	2014	2013
Advisors	\$ 1,151,778	\$ 889,549
Financial aid	810,848	896,535
Adult learner	292,209	260,488
Retention	212,167	108,383
Managed scholarships	198,490	213,014
General and administrative	101,545	50,000
Early awareness	85,678	79,098
Resource center	38,000	30,000
	<u>\$ 2,890,715</u>	<u>\$ 2,527,067</u>

#### Permanently restricted net assets:

Permanently restricted net assets at July 31, 2014 and 2013 totaling \$5,770,973 and \$5,647,887, respectively, consist of endowment fund assets to be held in perpetuity and beneficial interests in perpetual trusts and are detailed as follows:

	2014	2013
Permanently restricted endowment fund	\$ 5,525,596	\$ 5,412,982
Beneficial interest in perpetual trusts	245,377	234,905
	<u>\$ 5,770,973</u>	<u>\$ 5,647,887</u>



# COLLEGE NOW GREATER CLEVELAND

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JULY 31, 2014 AND 2013

### 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 accounting principles generally accepted in the United States of America, 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 market fluctuations and totaled approximately \$193,000 at July 31, 2014 and \$434,000 at July 31, 2013. During 2014, management determined that \$35,563 previously classified as unrestricted and temporarily restricted net assets should be reclassified to permanently restricted net assets based on the intention of the donors. This reclassification is reflected in the 2014 statement of activities and changes in net assets.

Changes in endowment net assets for fiscal year ended July 31, 2014 were as follows:

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ (433,549)	\$ 5,412,982	\$ 4,979,433
Investment return:			
Investment income	211,208		211,208
Net appreciation/depreciation (realized and unrealized)	<u>260,581</u>	<u>                    </u>	<u>260,581</u>
Total investment return	<u>471,789</u>	<u>                    </u>	<u>471,789</u>
Appropriation of endowment assets for expenditure	(231,514)		(231,514)
Contributions		77,051	77,051
Net asset reclassification	<u>                    </u>	<u>35,563</u>	<u>35,563</u>
Endowment net assets, end of year	\$ (193,274)	\$ 5,525,596	\$ 5,332,322

# COLLEGE NOW GREATER CLEVELAND

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JULY 31, 2014 AND 2013

### 7. Restrictions on net assets (continued):

#### Permanently restricted net assets (continued):

Changes in endowment net assets for fiscal year ended July 31, 2013 were as follows:

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ (762,628)	\$ 5,398,013	\$ 4,635,385
Investment return:			
Investment income	120,456		120,456
Net appreciation/depreciation (realized and unrealized)	<u>434,305</u>		<u>434,305</u>
Total investment return	<u>554,761</u>		<u>554,761</u>
Appropriation of endowment assets for expenditure	(225,682)		(225,682)
Contributions		<u>14,969</u>	<u>14,969</u>
Endowment net assets, end of year	\$ <u>(433,549)</u>	\$ <u>5,412,982</u>	\$ <u>4,979,433</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

# COLLEGE NOW GREATER CLEVELAND

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JULY 31, 2014 AND 2013

### 7. Restrictions on net assets (continued):

#### Permanently restricted net assets (continued):

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.

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 August 2012, amended effective September 1, 2014 in conjunction with an office space expansion. The lease agreement calls for scheduled rent increases with monthly payments ranging from \$14,285 to \$17,574 through October 2022.

Total rent expense for all leases, excluding utilities, was approximately \$185,200 in 2014 and \$189,400 in 2013.

Commitments for future rental payments under all operating leases for the next five fiscal years are as follows:

#### Year ending July 31,

2015	\$ 215,003
2016	208,581
2017	210,366
2018	210,886
2019	<u>210,886</u>
	<u>\$ 1,055,722</u>

The Organization could be subject to legal proceedings and claims that arise in the ordinary course of business. As of July 31, 2014 and 2013, management was not aware of any pending litigation against the Organization that could have a material effect on the financial statements.

## **COLLEGE NOW GREATER CLEVELAND**

### **NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**YEARS ENDED JULY 31, 2014 AND 2013**

**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 LIBOR rate of interest plus 1.75%. There were no borrowings against the line as of July 31, 2014 and 2013.

**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 prior to January 1, 2011 are on a graduated vesting schedule whereas contributions for employees with five years or more of service are 100% vested. Matching contributions subsequent to January 1, 2011 are immediately vested. For the years ended July 31, 2014 and 2013, the Organization's aggregate contributions were approximately \$84,000 and \$66,000, 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 \$3,000,000 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, Organization management has determined an accrual is not necessary at July 31, 2014 and 2013. Although the Organization's management believes an accrual for potential losses is not necessary at July 31, 2014 and 2013, a liability may result and it could be material.

**12. Subsequent events:**

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through December 4, 2014, the date the Organization's financial statements were available to be issued.