

College Now Greater Cleveland

YEARS ENDED JULY 31, 2022 AND 2021

COLLEGE NOW GREATER CLEVELAND

SINGLE AUDIT REPORT

YEARS ENDED JULY 31, 2022 AND 2021

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Independent Auditor's Report

Board of Directors
College Now Greater Cleveland
Cleveland, Ohio

Opinion

We have audited the accompanying financial statements of College Now Greater Cleveland (the "Organization"), which comprise the statements of financial position as of July 31, 2022 and 2021, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of College Now Greater Cleveland as of July 31, 2022 and 2021, and the 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.

Basis for Opinion

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. 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 Now Greater Cleveland and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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.

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 Now Greater Cleveland's ability to continue as a going concern within one year after the date that the financial statements are available to be 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 generally accepted auditing standards and *Government Auditing Standards* 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 generally accepted auditing standards and *Government Auditing Standards*, 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 Now Greater Cleveland'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 Now Greater Cleveland's ability to continue as a going concern for a reasonable period of time.

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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of Federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of Federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2022 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 solely 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 effectiveness of College Now Greater Cleveland's 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.



Cleveland, Ohio
December 19, 2022

COLLEGE NOW GREATER CLEVELAND

STATEMENTS OF FINANCIAL POSITION

JULY 31, 2022 AND 2021

ASSETS

	2022	2021
Current assets:		
Cash and cash equivalents	\$ 8,397,231	\$ 7,232,570
Accounts receivable	3,385,700	1,105,186
Unconditional promises to give	2,638,595	2,678,519
Investments restricted for permanent endowment	337,042	288,005
Prepaid expenses	146,416	129,715
Total current assets	14,904,984	11,433,995
Property and equipment, net	577,275	231,066
Other assets:		
Unconditional promises to give, net of current portion	852,895	1,265,994
Investments	2,970,030	3,334,901
Cash and cash equivalents restricted for permanent endowment	140,824	180,668
Investments restricted for permanent endowment	6,905,651	6,685,173
Beneficial interest in perpetual trust	242,019	285,624
Other	953,904	853,893
	12,065,323	12,606,253
Total assets	\$ 27,547,582	\$ 24,271,314

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable	\$ 442,030	\$ 198,211
Scholarship awards payable	3,300,967	2,434,732
Accrued liabilities	141,247	153,667
Agency liability	2,594,272	1,753,639
Deferred revenue	157,839	64,875
Total current liabilities	6,636,355	4,605,124
Net assets:		
Without donor restrictions	4,470,619	3,931,699
With donor restrictions	16,440,608	15,734,491
Total net assets	20,911,227	19,666,190
Total liabilities and net assets	\$ 27,547,582	\$ 24,271,314

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, 2022

(with summarized financial information for the year ended July 31, 2021)

	Without Donor Restrictions	With Donor Restrictions	Total	
			2022	2021
SUPPORT AND REVENUE:				
Student awards and grants raised	\$ 6,373,052	\$ 1,776,520	\$ 8,149,572	\$ 6,544,988
Less: Student awards and grants designated by donors for specific beneficiaries	(1,431,407)		(1,431,407)	(1,047,347)
	<u>4,941,645</u>	<u>1,776,520</u>	<u>6,718,165</u>	<u>5,497,641</u>
Contributions	3,123,095	4,674,494	7,797,589	5,541,000
Government grants	5,666,820		5,666,820	4,038,427
Contracted fee for service	1,579,050		1,579,050	1,143,040
Fiscal agent administration	7,917,455		7,917,455	4,067,305
Less: Amounts representing fiscal agent reimbursement	(7,653,306)		(7,653,306)	(3,918,555)
	<u>264,149</u>	<u></u>	<u>264,149</u>	<u>148,750</u>
Investment return, net	(334,595)	(540,395)	(874,990)	2,102,288
Other	26,575		26,575	6,474
Net assets released from restrictions	<u>5,204,502</u>	<u>(5,204,502)</u>	<u></u>	<u></u>
Total support and revenue	<u>20,471,241</u>	<u>706,117</u>	<u>21,177,358</u>	<u>18,477,620</u>

(Continued)

COLLEGE NOW GREATER CLEVELAND

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS (CONTINUED)

YEAR ENDED JULY 31, 2022

(with summarized financial information for the year ended July 31, 2021)

	Without Donor Restrictions	With Donor Restrictions	Total	
			2022	2021
EXPENSES:				
Program services:				
Financial Aid:				
Student awards	7,508,638		7,508,638	5,883,112
Less: Student awards and grants designated by donors for specific beneficiaries	(1,431,407)		(1,431,407)	(1,047,347)
Other	1,063,141		1,063,141	995,110
Advisors:				
Student fees	5,000		5,000	9,452
Other	4,372,817		4,372,817	3,441,517
Adult Programs	575,896		575,896	604,835
Retention	804,020		804,020	737,402
Gaining Early Awareness and Readiness for Undergraduate Programs	860,891		860,891	583,598
AmeriCorps Programs	851,919		851,919	852,037
21st Century	2,190,664		2,190,664	1,803,575
Upward Bound	692,480		692,480	556,179
Talent Search	732,712		732,712	314,934
Total program services	18,226,771		18,226,771	14,734,404
Supporting services:				
Fundraising	919,496		919,496	733,124
General and administrative	786,054		786,054	608,003
Total supporting services	1,705,550		1,705,550	1,341,127
Total expenses	19,932,321		19,932,321	16,075,531
Other changes:				
Forgiveness of Paycheck Protection Program note payable - Footnote 11				724,700
Increase in net assets	538,920	706,117	1,245,037	3,126,789
Net assets, beginning of year	3,931,699	15,734,491	19,666,190	16,539,401
Net assets, end of year	<u>\$ 4,470,619</u>	<u>\$ 16,440,608</u>	<u>\$ 20,911,227</u>	<u>\$ 19,666,190</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, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE:			
Student awards and grants raised	\$ 4,818,905	\$ 1,726,083	\$ 6,544,988
Less: Student awards and grants designated by donors for specific beneficiaries	(1,047,347)		(1,047,347)
	3,771,558	1,726,083	5,497,641
Contributions	1,876,675	3,664,325	5,541,000
Government grants	4,038,427		4,038,427
Contracted fee for service	1,143,040		1,143,040
Fiscal agent administration	4,067,305		4,067,305
Less: Amounts representing fiscal agent reimbursement	(3,918,555)		(3,918,555)
	148,750		148,750
Investment return, net	608,214	1,494,074	2,102,288
Other	6,474		6,474
Net assets released from restrictions	5,399,629	(5,399,629)	
Total support and revenue	16,992,767	1,484,853	18,477,620

(Continued)

COLLEGE NOW GREATER CLEVELAND

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS (CONTINUED)

YEAR ENDED JULY 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
EXPENSES:			
Program services:			
Financial Aid:			
Student awards	5,883,112		5,883,112
Less: Student awards and grants designated by donors for specific beneficiaries	(1,047,347)		(1,047,347)
Other	995,110		995,110
Advisors:			
Student fees	9,452		9,452
Other	3,441,517		3,441,517
Adult Programs	604,835		604,835
Retention	737,402		737,402
Gaining Early Awareness and Readiness for Undergraduate Programs	583,598		583,598
AmeriCorps Programs	852,037		852,037
21st Century	1,803,575		1,803,575
Upward Bound	556,179		556,179
Talent Search	314,934		314,934
Total program services	14,734,404		14,734,404
Supporting services:			
Fundraising	733,124		733,124
General and administrative	608,003		608,003
Total supporting services	1,341,127		1,341,127
Total expenses	16,075,531		16,075,531
Other changes:			
Forgiveness of Paycheck Protection Program note payable - Footnote 11	724,700		724,700
Increase in net assets	1,641,936	1,484,853	3,126,789
Net assets, beginning of year	2,289,763	14,249,638	16,539,401
Net assets, end of year	<u>\$ 3,931,699</u>	<u>\$ 15,734,491</u>	<u>\$ 19,666,190</u>

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

COLLEGE NOW GREATER CLEVELAND

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JULY 31, 2022

	Primary Services				Special Services					Supporting Services			TOTAL	
	Financial Aid	Advisors	Adult Programs	Retention	GEAR UP	AmeriCorps Programs	21st Century	Upward Bound	Talent Search	Fund Raising	General and Administrative	Marketing and Communications	2022	2021
Expenses:														
Student awards and grants	\$ 7,508,638												\$ 7,508,638	\$ 5,883,112
Less: Student awards designated by donors for specific beneficiaries	(1,431,407)												(1,431,407)	(1,047,347)
Student fees		\$ 5,000											5,000	9,452
Salaries:														
Advisors	53,049	1,102,939			\$ 199,058	\$ 457,936	\$ 536,378	\$ 88,680	\$ 203,104		\$ 515	\$ 18	2,641,677	2,400,912
Administration	433,162	1,349,539	\$ 208,889	\$ 274,584	256,772	132,405	613,025	186,713	209,651	\$ 524,531	281,597	51,903	4,522,771	3,671,887
Support	274,708	240,296	130,581	227,533	29,103	22,395	167,306	76,064	42,883	62,205	26,200	38,337	1,337,611	1,095,752
Payroll taxes	52,287	194,341	23,566	35,877	33,497	32,817	89,511	23,932	32,747	31,462	17,101	6,370	573,508	490,252
Employee benefits	106,651	416,514	61,955	71,066	100,224	28,767	276,238	77,862	97,814	77,967	50,410	14,746	1,380,214	1,066,174
Equipment	6,553	47,951	9,378	3,076	5,457	2,381	20,038	5,541	8,806	5,462	46,873	1,343	162,859	63,616
Telephone	3,749	19,222	9,226	2,650	2,873	4,067	5,443	1,706	2,678	2,887	801	263	55,565	47,206
Postage	806	2,927	873	157	19	157	352	681	227	2,610	548	188	9,545	15,801
Professional fees and dues	1,730	3,707	7,747	1,282	15,890	1,251	7,399	10,393	1,966	3,810	10,747	1,024	66,946	50,581
Accounting and legal	6,324	23,421	6,830	4,615	5,467	15,224	13,149	4,653	6,210	5,372	3,661	842	95,768	70,542
Travel and meetings	8,959	90,114	5,341	5,807	25,416	6,974	29,871	16,863	4,699	133,100	30,756	936	358,836	122,040
Student activities	17,873	524,413	1,094	36,746	108,885		277,418	152,047	84,281	225		1,090	1,204,072	819,778
Supplies	909	19,583	2,115	718	4,844	3,668	3,481	1,316	1,036	1,006	1,600	390	40,666	25,697
Consulting	35,478	75,720	28,402	42,923	15,665	77,430	55,190	17,231		4,500	16,880	32,507	401,926	344,466
Bank fees	838	102		3						9,702	11,200		21,845	15,104
Rent and utilities	36,501	117,306	24,538	23,169	21,300	18,000	57,792	18,024	21,301	26,694	10,543	4,104	379,272	399,833
Community outreach	605	58,203	29,076	9,343	544	24,464	727	2,017	1,421	10,926	731	87,692	225,749	155,666
Information technology services	9,910	31,160	18,944	56,722	33,222	17,311	29,039	6,947	10,903	7,152	1,756	6,603	229,669	167,632
Other	5,446	24,121	3,223	1,999	2,655	6,672	8,307	1,810	2,985	3,312	19,712	446	80,688	131,145
Depreciation and amortization	7,603	31,238	4,118	5,750						6,573	3,829	1,792	60,903	76,230
Total expenses	<u>\$ 7,140,372</u>	<u>\$ 4,377,817</u>	<u>\$ 575,896</u>	<u>\$ 804,020</u>	<u>\$ 860,891</u>	<u>\$ 851,919</u>	<u>\$ 2,190,664</u>	<u>\$ 692,480</u>	<u>\$ 732,712</u>	<u>\$ 919,496</u>	<u>\$ 535,460</u>	<u>\$ 250,594</u>	<u>\$ 19,932,321</u>	<u>\$ 16,075,531</u>

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

COLLEGE NOW GREATER CLEVELAND

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JULY 31, 2021

	Primary Services				Special Services					Supporting Services			Total
	Financial Aid	Advisors	Adult Programs	Retention	GEAR UP	AmeriCorps Programs	21st Century	Upward Bound	Talent Search	Fund Raising	General and Administrative	Marketing and Communications	
Expenses:													
Student awards and grants	\$ 5,883,112												\$ 5,883,112
Less: Student awards designated by donors for specific beneficiaries	(1,047,347)												(1,047,347)
Student fees		\$ 9,452											9,452
Salaries:													
Advisors	49,748	994,684			\$ 127,496	\$ 534,847	\$ 489,124	\$ 98,130	\$ 106,554		\$ 329		2,400,912
Administration	422,034	1,033,462	\$ 278,838	\$ 314,643	157,490	150,945	427,606	161,175	93,387	\$ 421,645	147,170	\$ 63,492	3,671,887
Support	233,827	101,945	95,695	174,545	56,443	28,007	220,462	39,195	11,365	80,730	22,437	31,101	1,095,752
Payroll taxes	47,036	172,348	24,714	33,854	24,282	28,103	79,727	20,787	15,518	28,040	9,744	6,099	490,252
Employee benefits	96,948	319,801	50,670	67,459	69,786	14,896	230,964	62,228	43,513	68,538	26,895	14,476	1,066,174
Equipment	2,342	30,176	843	1,847	815	5,470	8,169	2,329	1,190	3,382	5,983	1,070	63,616
Telephone	3,214	12,713	9,437	2,622	2,787	4,907	4,873	1,833	986	2,995	559	280	47,206
Postage	975	3,798	636	254	2,717	289	2,942	541	129	2,865	532	123	15,801
Professional fees and dues	2,597	4,460	10,561	4,619	481	2,188	811	3,715	2,692	2,790	15,033	634	50,581
Accounting and legal	5,924	15,557	3,204	4,412	3,660	16,359	8,569	3,552	2,396	4,654	1,530	725	70,542
Travel and meetings	3,398	18,672	817	2,064	4,412	10,795	11,090	12,120	2,108	33,755	22,685	124	122,040
Student activities	30,800	413,700	4,463	27,085	83,530	24	151,465	87,415	18,323	1,650		1,323	819,778
Supplies	574	12,443	506	415	662	5,854	2,349	724	317	1,085	505	263	25,697
Consulting	30,590	89,659	81,196	14,003	13,054	1,100	52,890	31,774		16,000	11,305	2,895	344,466
Bank fees	778	40		-						3,078	11,208		15,104
Rent and utilities	37,360	106,877	20,044	27,881	19,338	18,000	79,200	18,320	11,450	29,500	27,517	4,346	399,833
Community outreach	1,534	35,270	2,729	6,503	379	6,086	1,269	4,194	580	13,667	174	83,281	155,666
Information technology services	7,683	20,864	12,205	44,457	14,646	19,157	26,600	6,364	3,471	7,011	3,708	1,466	167,632
Other	7,030	17,977	1,762	2,796	1,620	5,010	5,465	1,783	955	3,842	82,416	489	131,145
Depreciation and amortization	10,718	37,071	6,515	7,943						7,897	3,791	2,295	76,230
Total expenses	<u>\$ 5,830,875</u>	<u>\$ 3,450,969</u>	<u>\$ 604,835</u>	<u>\$ 737,402</u>	<u>\$ 583,598</u>	<u>\$ 852,037</u>	<u>\$ 1,803,575</u>	<u>\$ 556,179</u>	<u>\$ 314,934</u>	<u>\$ 733,124</u>	<u>\$ 393,521</u>	<u>\$ 214,482</u>	<u>\$ 16,075,531</u>

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

COLLEGE NOW GREATER CLEVELAND

STATEMENTS OF CASH FLOWS

YEARS ENDED JULY 31, 2022 AND 2021

	2022	2021
Cash flows from operating activities:		
Increase in net assets	\$ 1,245,037	\$ 3,126,789
Adjustments to reconcile increase in net assets to net cash from operating activities:		
Depreciation and amortization	60,903	76,230
Loss on disposal of fixed assets		41,615
Net realized and unrealized gains on investments	1,083,853	(2,020,761)
Contributions restricted for permanent endowment	(634,024)	(201,432)
Beneficial interest in perpetual trusts	43,605	(40,611)
Forgiveness of Paycheck Protection Program note payable		(724,700)
Changes in assets and liabilities:		
Decrease (increase) in unconditional promises to give	333,023	(1,343,606)
Increase in accounts receivable	(2,280,514)	(219,449)
Increase in prepaid expenses	(16,701)	(40,837)
Increase (decrease) in accounts payable	243,819	(80,859)
Increase (decrease) in scholarship awards payable	866,235	(66,993)
Decrease in accrued liabilities	(12,420)	(24,637)
Increase in agency liability	840,633	1,083,302
Increase in deferred revenue	92,964	37,876
Net cash provided by (used in) operating activities	1,866,413	(398,073)
Cash flows from investing activities:		
Purchases of property and equipment	(407,112)	(13,599)
Proceeds from sale of investments	2,318,796	1,654,076
Purchases of investments	(3,307,293)	(1,595,720)
Increase in other assets	(100,011)	(98,436)
Net cash used in investing activities	(1,495,620)	(53,679)
Cash flows from financing activities:		
Receipts from contributions restricted for permanent endowment	754,024	221,432
Net cash provided by financing activities	754,024	221,432
Net increase (decrease) in cash and cash equivalents	1,124,817	(230,320)
Cash and cash equivalents, unrestricted and restricted for permanent endowment, beginning	7,413,238	7,643,558
Cash and cash equivalents, unrestricted and restricted for permanent endowment, ending	<u>\$ 8,538,055</u>	<u>\$ 7,413,238</u>

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

COLLEGE NOW GREATER CLEVELAND

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2022 AND 2021

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

Nature of activities:

College Now Greater Cleveland's ("College Now" or the "Organization") mission is to increase post-secondary educational attainment through college and career access advising, financial aid counseling and scholarship and retention services. Highly trained professionals deliver our integrated services that annually reach more than 31,000 traditional and nontraditional students and individuals in more than 200 Northeast Ohio venues across five counties: schools, community-based organizations, businesses and our downtown Cleveland Resource Center. Additionally, College Now awards approximately \$7.5 million in need-based scholarships to approximately 2,300 traditional and nontraditional students. Since 1967, College Now has served hundreds of thousands of individuals and awarded over \$94.5 million in scholarships to Northeast Ohio students and adult learners.

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 two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Student awards and grants raised:

The Organization recognizes student awards and grants raised as a contribution when the Organization has an unconditional right to the assets contributed. Student awards and grants raised are considered to be available to pay scholarship awards as restricted by donors.

Student awards and grants raised where the beneficiary has been specified by the donor or the determination of the beneficiary is under the control of another third party are treated as agency transactions and are not reported as revenue or student awards and grants expense. Recognizing that designated scholarships (agency transactions) are a significant element of activities, they are included in student awards and grants raised and deducted from that amount to calculate net student awards and grants raised revenue. Total amounts of student awards and grants raised under these agreements during the years ended July 31, 2022 and 2021 was \$1,673,740 and \$1,150,529, respectively. Of these amounts received during the fiscal years ended July 31, 2022 and 2021, \$1,431,407 and \$1,047,347, respectively, have been awarded to identified recipients with the remaining amounts of \$1,015,851 and \$773,518 included in agency liability on the statement of financial position at July 31, 2022 and 2021, respectively.

COLLEGE NOW GREATER CLEVELAND

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JULY 31, 2022 AND 2021

1. Description of Organization and summary of significant accounting policies (continued):

Contributions and unconditional promised to give:

The Organization recognizes unconditional contributions when cash, securities, promises to give or notification of beneficial interest or other assets is received without condition. If there is a performance obligation to be met or other barrier and a right of return the contributions are not recognized until the conditions on which they depend have been met.

Contributions are considered to be available for unrestricted use, unless specifically restricted by the donor. Contributions whose restrictions are met in the same reporting period are classified as net assets without donor restrictions.

Awards to the Organization from private foundations are recorded as contributions when the value received by the foundation is incidental to the potential public benefit. Contributions that are conditioned upon services to be provided (and where uncertainty exists as to the likelihood of meeting the conditions) are not recorded as revenue until the conditions are met. The Organization records these awards as contribution revenue when the conditions are met.

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 unconditional promises to give, the Organization considers a number of factors, including the age of the promises, changes in collection patterns, terms of the 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 promises are deemed uncollectible, they are written off against the allowance for doubtful accounts. An allowance for doubtful accounts of \$100,000 in 2022 and 2021 is included in unconditional promises to give, net of current portion.

Government grants:

Awards to the Organization from governmental entities are recorded as government grants. The Organization receives grants from the United States Department of Education; the Ohio Department of Education; the Corporation for National and Community Service; the Ohio Department of Higher Education and the U.S. Department of Housing and Urban Development. Compliance with terms and conditions specified in the grant and contract agreements are subject to audit by the grantor and contract agencies. Revenue is recorded when performance obligations are met under the governmental contract agreement.

COLLEGE NOW GREATER CLEVELAND

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JULY 31, 2022 AND 2021

1. Description of Organization and summary of significant accounting policies (continued):

Government grants (continued):

A portion of the Organization's revenue is derived from cost-reimbursable Federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue as in increase in net assets without donor restrictions when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Receivables related to government grants where expenditures have been incurred but have yet to be reimbursed by government entities are included in accounts receivable. At July 31, 2022 and 2021, receivables due from government entities totaled \$1,408,104 and \$840,737, respectively. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position. The Organization had no deferred revenue under cost-reimbursable grants at July 31, 2022 or 2021.

Contracted fee for service:

Contracted fee for service revenue is reported at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for services provided. These amounts are due from schools for various services and foundations for administrative fees for certain scholarship funds managed by the Organization on their behalf where the Organization is considered an agent (see "Fiscal agent administration"). Generally, the Organization bills contracted fees once services are substantially complete. Revenue is recognized as performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by the Organization. The Organization's contracted services primarily represent services that are bundled and treated as a single performance obligation satisfied over time as services are provided. The Organization measures the performance obligation on a monthly basis as the services are provided.

Since all of the performance obligations relate to contracts with a duration of less than one year, the Organization has elected to apply the optional exemption provided in FASB ASC 606-10-50-14(a) and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period.

The Organization determines the transaction price based on contractually agreed-upon amounts or rates. The Organization assesses collectability on all accounts prior to providing services.

The Organization recognizes revenue in the statements of activities and changes in net assets and accounts receivable on the statements of financial position when the services have been provided. Since the Organization has performed its obligations under the contracts, it has unconditional rights to the consideration and, therefore, records billed amounts as accounts receivable. At July 31, 2022 and 2021, receivables due from contracted fee for service revenue totaled \$291,517 and \$167,085, respectively. At July 31, 2022 and 2021, the Organization had \$157,839 and \$64,875, respectively, in deferred revenue related to contracted fee for service.

COLLEGE NOW GREATER CLEVELAND

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JULY 31, 2022 AND 2021

1. Description of Organization and summary of significant accounting policies (continued):

Fiscal agent administration:

The Organization acts as a fiscal agent on behalf of another organization for a fee providing the administrative, human resources and information technology functions of their employees, including the administration and processing of payroll. Recognizing that fiscal agent administration (agency transactions) is significant for the Organization, amounts representing fiscal agent reimbursement for all salaries and related expenses have been included in fiscal agent administration revenue and deducted from that amount to calculate net fiscal agent administration revenue. The total gross amount of fiscal agent administration and fees was \$7,917,455 and \$4,067,305 for the years ended July 31, 2022 and 2021, respectively, which has been reduced by \$7,653,306 and \$3,918,555 for amounts representing reimbursement under the fiscal agent agreement. At July 31, 2022 and 2021, accounts receivable due from fiscal agent administration totaled \$1,686,079 and \$97,364, respectively, and agency liability totaled \$1,578,421 and \$980,121, respectively.

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 changes in 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 and changes in net assets.

The Organization was a named income beneficiary of a \$6.2 million endowment fund maintained by The Cleveland Foundation. A percentage of the interest earned on these funds was available to the Organization for scholarships annually through the year ended July 31, 2021. During the year ended July 31, 2022, the beneficiary was changed to another not-for-profit organization.

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, 2022 AND 2021

1. Description of Organization and summary of significant accounting policies (continued):

Cash and cash equivalents:

For purposes of the statements 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, 2022 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, dividends, and net of related investment expenses) is included in the statements of activities as increases or decreases in net assets without donor restrictions unless the income or loss is restricted by donor or law.

Additionally, the Organization maintains 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 investments in hedge funds and private equity 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, is not subject to 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.

COLLEGE NOW GREATER CLEVELAND

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JULY 31, 2022 AND 2021

1. Description of Organization and summary of significant accounting policies (continued):

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.

Classification of expenses:

Certain categories of expenses are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Salaries and wages are charged directly based on the hours worked for specific grants, contracts or other activities of the Organization such as administrative operations, fundraising or providing services to clients. Employee benefits are allocated based upon a percentage of total wages and their inclusion by function. Expenses such as telephone, postage, travel and meetings, supplies, printing, professional fees, student activities and fees are charged specifically to the department or program these costs are supporting if identifiable. Other costs such as rent, utilities, information technology, insurance, accounting, legal, and various general and administrative costs are allocated based on the ratio of each program or department's salary expense to total salary expense.

Reclassifications:

Certain amounts in the 2021 financial statements were reclassified to conform to the 2022 presentation.

Recently adopted accounting pronouncement:

In September 2020, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2020-07, *Not for Profit Entities* (Topic 958): Presentation and Disclosures by Not for Profit Entities for Contributed Nonfinancial Assets. This ASU is intended to increase transparency about contributed nonfinancial assets, including how the assets are used and valued. This ASU was effective for fiscal year-end July 31, 2022 and had no significant impact on the Organization's financial statements.

Recent accounting pronouncement:

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (Topic 842). This ASU requires lessees to recognize assets and liabilities on the balance sheet for lease terms greater than 12 months. The recognition, measurement and presentation of expenses and cash flows arising from a lease by a lessee primarily will depend on its classification as a finance or operating lease. This ASU amends current guidance that requires only capital leases to be recognized on the lessee's balance sheet. The ASU will also require additional disclosures on the amount, timing and uncertainty of cash flows arising from leases. As a result, the Organization is required to implement the lease standard for the year ending July 31, 2023. Management has yet to determine the impact this ASU will have on its financial statements and will adopt the provisions on its effective date.

COLLEGE NOW GREATER CLEVELAND

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JULY 31, 2022 AND 2021

2. Cash and cash equivalents:

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

	<u>2022</u>	<u>2021</u>
Without donor restrictions	\$ 8,397,231	\$ 7,232,570
With donor restrictions for permanent endowment	<u>140,824</u>	<u>180,668</u>
	<u>\$ 8,538,055</u>	<u>\$ 7,413,238</u>

Included in cash and cash equivalents at July 31, 2022 and 2021 are money market funds of approximately \$179,300 and \$199,100, 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, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Leasehold improvements	\$ 56,600	\$ 56,600
Office furniture and equipment	382,997	379,080
Computer equipment and software	99,762	90,852
Construction-in-progress	<u>394,285</u>	<u> </u>
	933,644	526,532
Accumulated depreciation and amortization	<u>(356,369)</u>	<u>(295,466)</u>
Net property and equipment	<u>\$ 577,275</u>	<u>\$ 231,066</u>

At July 31, 2022, \$394,285 of construction-in-progress consisted of database development costs related to a new student advising and scholarship administration platform and office reconfiguration, design and installation costs. The Organization anticipates placing these assets in service during fiscal year ending July 31, 2023.

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, 2022 and 2021 are discounted at rates varying from .12% to 2.37% and .12% to 2.38%, respectively, based upon the time that the promise to give was made. Unconditional promises to give consisted of the following at July 31:

	<u>2022</u>	<u>2021</u>
With and without donor restrictions – available for operating expenses	<u>\$ 3,491,490</u>	<u>\$ 3,944,513</u>

COLLEGE NOW GREATER CLEVELAND

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JULY 31, 2022 AND 2021

4. Unconditional promises to give (continued):

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

	<u>2022</u>	<u>2021</u>
Receivable in less than one year	\$ 2,638,595	\$ 2,678,519
Receivable in one to five years	<u>969,700</u>	<u>1,371,000</u>
	3,608,295	4,049,519
Less discounts to net present value	16,805	5,006
Less allowance for doubtful accounts	<u>100,000</u>	<u>100,000</u>
Net unconditional promises to give	<u>\$ 3,491,490</u>	<u>\$ 3,944,513</u>

Approximately 63% of the gross amount of unconditional promises to give was due from three donors at July 31, 2022 and 68% was due from five donors at July 31, 2021.

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, 2022, by the valuation hierarchy set forth by generally accepted accounting principles:

COLLEGE NOW GREATER CLEVELAND

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JULY 31, 2022 AND 2021

5. Fair value (continued):

	Fair Value at July 31, 2022	Level 1	Level 2	Level 3
Investments:				
Cash equivalents	\$ 1,147,137	\$ 967,820	\$ 179,317	
Mutual funds:				
Domestic equity funds	4,271,450	4,271,450		
International equity funds	2,312,274	2,312,274		
Bond funds	<u>2,315,021</u>	<u>2,315,021</u>		
Total mutual funds	8,898,745	8,898,745		
Beneficial interest in perpetual trust	<u>242,019</u>			\$ 242,019
Net assets in the fair value hierarchy	10,287,901	\$ 9,866,565	\$ 179,317	\$ 242,019
Investments reported at net asset value (A)	<u>1,313,978</u>			
	<u>\$ 11,601,879</u>			

The following table represents the financial instruments carried at fair value as of July 31, 2021, by the valuation hierarchy set forth by generally accepted accounting principles:

	Fair Value at July 31, 2021	Level 1	Level 2	Level 3
Investments:				
Cash equivalents	\$ 629,010	\$ 429,936	\$ 199,074	
Mutual funds:				
Domestic equity funds	4,069,764	4,069,764		
International equity funds	2,873,439	2,873,439		
Bond funds	<u>2,069,399</u>	<u>2,069,399</u>		
Total mutual funds	9,012,602	9,012,602		
Beneficial interest in perpetual trust	<u>285,624</u>			\$ 285,624
Net assets in the fair value hierarchy	9,927,236	\$ 9,442,538	\$ 199,074	\$ 285,624
Investments reported at net asset value (A)	<u>1,295,477</u>			
	<u>\$ 11,222,713</u>			

COLLEGE NOW GREATER CLEVELAND

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JULY 31, 2022 AND 2021

5. Fair value (continued):

(A) In accordance with Subtopic 820-10, alternative investments that are measured at NAV per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in these tables are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of financial position.

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.

Alternative investments include investments in hedge funds and limited partnerships. The detail of the alternative investment funds are as follows:

	<u>2022</u>	<u>2021</u>
Hedge funds:		
Hirtle Callaghan Total Return Offshore Fund	\$ 287,808	\$ 639,959
Limited partnerships:		
Hirtle Callaghan Private Equity VI Offshore Fund	135,541	154,846
Hirtle Callaghan Private Equity VII Offshore Fund	145,707	145,423
Hirtle Callaghan Private Equity XII Offshore Fund	576,686	298,907
Hirtle Callaghan Private Equity 2020 Fund	<u>168,236</u>	<u>56,342</u>
	<u>1,026,170</u>	<u>655,518</u>
	<u>\$ 1,313,978</u>	<u>\$ 1,295,477</u>

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 uses 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.

The fair value of these hedge funds have been estimated by the funds' management using the estimated net asset value (NAV) of the investments. 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.

COLLEGE NOW GREATER CLEVELAND

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JULY 31, 2022 AND 2021

5. Fair value (continued):

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, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Beneficial interest in perpetual trust:		
Beginning balance	\$ 285,624	\$ 245,013
(Decrease) increase in beneficial interest (B)	<u>(43,605)</u>	<u>40,611</u>
Ending balance	<u>\$ 242,019</u>	<u>\$ 285,624</u>

(B) These amounts represent total increases (decreases) in value for the period included in changes in net assets with donor restrictions attributable to the change in values relating to beneficial interest in perpetual trusts still held at July 31, 2022 and 2021.

6. Investments:

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

	<u>2022</u>	<u>2021</u>
Without donor restrictions – available for operating expenses	\$ 2,970,030	\$ 3,334,901
With donor restrictions- for permanent endowment	<u>7,242,693</u>	<u>6,973,178</u>
	<u>\$ 10,212,723</u>	<u>\$ 10,308,079</u>

Investments consisted of the following at July 31:

	<u>2022</u>		<u>2021</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Fixed income funds, capital trust	\$ 2,402,578	\$ 2,315,021	\$ 1,983,591	\$ 2,069,399
Equity funds	6,391,610	6,583,724	4,735,746	6,943,203
Alternative investment funds:				
Private equity funds	470,683	1,026,170	286,537	655,518
Hedge funds	<u>235,395</u>	<u>287,808</u>	<u>444,550</u>	<u>639,959</u>
	<u>\$ 9,500,266</u>	<u>\$ 10,212,723</u>	<u>\$ 7,450,424</u>	<u>\$ 10,308,079</u>

COLLEGE NOW GREATER CLEVELAND

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JULY 31, 2022 AND 2021

6. Investments (continued):

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.

7. Net assets with donor restrictions:

Net assets with donor-imposed restrictions are restricted for the following purposes or periods at July 31:

	<u>2022</u>	<u>2021</u>
Subject to expenditure for specified purpose:		
Financial aid	\$ 4,594,361	\$ 4,745,867
Advisors	3,116,090	2,660,496
Adult Programs	316,764	287,546
General and administration	60,000	77,999
Retention	<u>653,233</u>	<u>296,142</u>
	<u>8,740,448</u>	<u>8,068,050</u>
Subject to the passage of time:		
Beneficial interest in perpetual trusts	242,019	285,624
Assets held in perpetuity for:		
Permanently restricted endowment fund	<u>7,458,141</u>	<u>7,380,817</u>
	<u>7,700,160</u>	<u>7,666,441</u>
	<u>\$ 16,440,608</u>	<u>\$ 15,734,491</u>

Net assets released from net assets with donor restrictions during fiscal years are as follows:

	<u>2022</u>	<u>2021</u>
Satisfaction of purpose restriction:		
Financial aid	\$ 2,064,330	\$ 1,706,720
Advisors	2,520,983	2,113,895
Adult Programs	245,047	739,590
General and administration	151,000	616,924
Retention	<u>223,142</u>	<u>222,500</u>
	<u>\$ 5,204,502</u>	<u>\$ 5,399,629</u>

COLLEGE NOW GREATER CLEVELAND

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JULY 31, 2022 AND 2021

8. Endowment:

Endowment net asset composition by type of fund as of July 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Endowment funds with donor restrictions	\$ 7,458,141	\$ 7,380,817
Endowment funds without donor restrictions	<u>25,000</u>	<u>25,000</u>
Total funds	<u>\$ 7,483,141</u>	<u>\$ 7,405,817</u>

Changes in endowment net assets for the year ended July 31, 2022:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 25,000	\$ 7,380,817	\$ 7,405,817
Investment return:			
Investment income, net		869,066	869,066
Realized and unrealized losses on investments, net	<u> </u>	<u>(1,409,461)</u>	<u>(1,409,461)</u>
Total investment return	<u> </u>	<u>(540,395)</u>	<u>(540,395)</u>
Appropriation for expenditure		(337,042)	(337,042)
Transfer		200,738	200,738
Contributions	<u> </u>	<u>754,023</u>	<u>754,023</u>
Total change in endowment funds	<u> </u>	<u>617,719</u>	<u>617,719</u>
Endowment net assets, end of year	<u>\$ 25,000</u>	<u>\$ 7,458,141</u>	<u>\$ 7,483,141</u>

Changes in endowment net assets for the year ended July 31, 2021:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ <u> </u>	\$ 5,498,315	\$ 5,498,315
Investment return:			
Investment income, net		181,564	181,564
Realized and unrealized losses on investments, net	<u> </u>	<u>1,312,511</u>	<u>1,312,511</u>
Total investment return	<u> </u>	<u>1,494,075</u>	<u>1,494,075</u>

COLLEGE NOW GREATER CLEVELAND

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JULY 31, 2022 AND 2021

8. Endowment (continued):

	Without Donor Restrictions	With Donor Restrictions	Total
Appropriation for expenditure		(288,005)	(288,005)
Contributions	<u>25,000</u>	<u>676,432</u>	<u>701,432</u>
Total change in endowment funds	<u>25,000</u>	<u>1,882,502</u>	<u>1,907,502</u>
Endowment net assets, end of year	<u>\$ 25,000</u>	<u>\$ 7,380,817</u>	<u>\$ 7,405,817</u>

The income from endowment assets held in perpetuity 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, the endowment assets have been recorded at historic dollar value and unrealized gains and losses on the underlying investments have been reflected as an increase or decrease to net assets without donor restrictions.

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. At July 31, 2022, the endowment had an original value of \$8,097,158, a current value of \$7,483,141, and a deficit of \$614,017. At July 31, 2021, the endowment had an original value of \$7,138,976, a current value of \$7,405,817, and a surplus of \$266,841. These deficiencies in 2022 resulted from unfavorable market fluctuations that occurred shortly after the investment of new contributions for donor-restricted endowment funds and continued appropriation for certain programs that was deemed prudent by the Board of Directors.

The Organization has a policy of appropriating for distribution each year a percentage as approved by the Finance Committee of its endowment fund's average fair value over the prior 12 quarters through the fiscal year-end preceding the fiscal year in which the distribution is planned. In establishing this policy, the Organization considered the long-term expected return on its endowment. Accordingly, over the long term, the Organization expects the current spending policy to allow its endowment to grow at a level to meet the annual distribution plus cost of inflation. The Organization has a policy that permits spending from underwater endowment funds depending on the degree to which the fund is underwater, unless otherwise precluded by donor intent or relevant laws and regulations. The Organization's Finance Committee appropriated for expenditure \$337,042 from underwater endowment funds during the year ended July 31, 2022, which represents 5% of the 12-quarter moving average.

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 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:

COLLEGE NOW GREATER CLEVELAND

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JULY 31, 2022 AND 2021

8. Endowment (continued):

- 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.

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.

9. Commitments and contingencies:

The Organization leases its office facility and certain equipment under non-cancelable operating leases expiring on various dates through April 2029.

The Organization has an office lease with a term of ten (10) years and calls for scheduled rent increases with monthly payments ranging from \$27,332 to \$32,669 through April 2029.

Total rent expense for all leases, excluding utilities, was \$357,451 and \$350,795 for the years ended July 31, 2022 and 2021, respectively.

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

Year ending July 31,

2023	\$ 363,094
2024	370,088
2025	375,552
2026	382,310
2027	389,689
Thereafter	<u>683,025</u>
	<u>\$ 2,563,758</u>

COLLEGE NOW GREATER CLEVELAND

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JULY 31, 2022 AND 2021

10. Line of credit:

The Organization has 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, 2022 and 2021.

11. Paycheck Protection Program note payable:

During the year ended July 31, 2020, the Organization received a forgivable loan from the Small Business Administration's (SBA) Payroll Protection Program (PPP) totaling \$724,700. The loan funds were provided from the provisions of the Coronavirus Aid, Relief, and Economic Security (CARES) Act and were forgivable by the SBA, if amounts were used for eligible payroll costs and other eligible expenses as defined in the CARES Act and other SBA related issued guidance. In accordance with U.S. GAAP, the Organization recorded the forgivable loan in accordance with FASB ASC 470 (*Debt*) and, therefore had recorded the loan as a current liability at July 31, 2020 until the loan was forgiven by the SBA. The Organization applied and received approval for loan forgiveness from the financial institution and the SBA during the year ended July 31, 2021 and, accordingly, the Organization recognized forgiveness of Paycheck Protection Program note payable income totaling \$724,700 in the statements of activities and changes in net assets. The loan was an unsecured two-year note payable with interest at 1%, however, no interest was accrued on the note since the amount was not material.

12. 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 are immediately vested. For the years ended July 31, 2022 and 2021, the Organization's aggregate contributions were approximately \$489,400 and \$346,343, respectively.

13. 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. Additionally, the Organization maintains Privacy and Security Liability insurance with limits of \$1,000,000 and coverage up to 250,000 individuals. 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, 2022 and 2021.

COLLEGE NOW GREATER CLEVELAND

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JULY 31, 2022 AND 2021

14. Liquidity and availability:

The Organization's financial assets available within one year of the statements of financial position as of July 31, 2022 and 2021 for general expenditures are as follows:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 8,397,231	\$ 7,232,570
Accounts receivable	3,385,700	1,105,186
Unconditional promises to give	2,638,595	2,678,519
Investments	<u>2,970,030</u>	<u>3,334,901</u>
	17,391,556	14,351,176
Less: unconditional promises to give, current	2,638,595	2,678,519
Cash and cash equivalents for restricted uses	<u>5,971,826</u>	<u>4,058,796</u>
	<u>\$ 8,781,135</u>	<u>\$ 7,613,861</u>

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In the event of unanticipated liquidity needs, the Organization maintains a credit line in the amount of \$500,000 (Note 10).

15. COVID-19:

The COVID-19 pandemic has created economic uncertainties, which has contributed to significant volatility for businesses, including not-for-profits. While there remains external uncertainty around the impact of the pandemic entering fiscal year 2023, the Organization will continue to monitor the situation and believes it is well positioned to successfully navigate the challenges it will face as it has done since March 2020.

16. Subsequent events:

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through December 19, 2022, the date the Organization's financial statements were available to be issued.

COLLEGE NOW GREATER CLEVELAND

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JULY 31, 2022

<u>Federal Grantor/Program or Cluster Title</u>	<u>Federal AL Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
Corporation for National and Community Service: Pass-Through Ohio Commission on Service and Volunteerism: Americorps	94.006	31-1334820	\$ 1,046,469
U.S. Department of Education (TRIO Cluster): Talent Search	84.044		721,119
Upward Bound	84.047		684,026
Educational Opportunity Centers (EOC)	84.066		<u>330,376</u>
Subtotal			1,735,521
Pass-Through Ohio Department of Education: 21 st Century Learning Centers	84.287	31-1334820	1,107,406
Pass-Through Wellington Exempted Village School District: 21 st Century Learning Centers	84.287	34-6003026	77,249
Pass-Through Warrensville City School District: 21 st Century Learning Centers	84.287	34-6002991	298,541
Pass-Through Lorain City School District: 21 st Century Learning Centers	84.287	34-6001701	350,000
Pass-Through Boys and Girls Clubs Of Cleveland: 21 st Century Learning Centers	84.287	34-1856214	140,564
Pass-Through Garfield Heights Board of Education 21 st Century Learning Centers	84.287	34-6001196	<u>207,787</u>
Subtotal			2,181,547
Pass-Through Ohio Department of Higher Education: Gaining Early Awareness and Readiness For Undergraduate Programs	84.334	34-6002163	844,421
U.S. Department of Housing and Urban Development: Pass-Through the City of Cleveland: Community Development Block Grant	14.218	34-6000646	9,000
U.S. Department of Education (Education Stabilization Fund) Pass-Through Ohio Department of Education: Governor's Emergency Education Relief (GEER) Fund	84.425C	31-1334820	1,500,000
Emergency Education Relief (ESSER) Fund	84.425D	31-1334820	114,411
Governor's Emergency Education Relief (GEER) Fund	84.425C	31-1334820	<u>184,644</u>
Subtotal			<u>1,799,055</u>
			<u>\$ 7,616,013</u>

COLLEGE NOW GREATER CLEVELAND

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)

YEAR ENDED JULY 31, 2022

COLLEGE NOW GREATER CLEVELAND NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JULY 31, 2022

Note A – Basis of presentation:

The accompanying schedule of expenditures of Federal awards includes the Federal award activity of College Now Greater Cleveland and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the Schedule presents only a selected portion of the operations of College Now Greater Cleveland, it is not intended to and does not present the financial position, changes in net assets, or cash flows of College Now Greater Cleveland.

Note B – Summary of significant accounting policies:

- (1) Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the *Uniform Guidance*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- (2) College Now Greater Cleveland has not elected to use the 10% de minimis indirect cost rate as allowed under the *Uniform Guidance*, except when required by the granting agency

Independent Auditor's Report on Internal Control over Financial Reporting and
on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*

Board of Directors
College Now Greater Cleveland
Cleveland, Ohio

We have audited, in accordance with the 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, the financial statements of College Now Greater Cleveland (the "Organization"), which comprise the statement of financial position as of July 31, 2022, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 19, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered College Now Greater Cleveland's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of College Now Greater Cleveland's internal control. Accordingly, we do not express an opinion on the effectiveness of the College Now Greater Cleveland's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether College Now Greater Cleveland's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of College Now Greater Cleveland's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering College Now Greater Cleveland's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

HW&Co.

Cleveland, Ohio
December 19, 2022

Independent Auditor's Report on Compliance for Each Major Program
and on Internal Control over Compliance Required by the *Uniform Guidance*

Board of Directors
College Now Greater Cleveland
Cleveland, Ohio

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited College Now Greater Cleveland's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of College Now Greater Cleveland's major Federal programs for the year ended July 31, 2022. College Now Greater Cleveland's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, College Now Greater Cleveland complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended July 31, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of College Now Greater Cleveland and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major Federal program. Our audit does not provide a legal determination of College Now Greater Cleveland's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to College Now Greater Cleveland's Federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on College Now Greater Cleveland's compliance based on our audit. 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 generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about College Now Greater Cleveland's compliance with the requirements of each major Federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 College Now Greater Cleveland's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of College Now Greater Cleveland's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of College Now Greater Cleveland's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.


Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Cleveland, Ohio
December 19, 2022

COLLEGE NOW GREATER CLEVELAND

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JULY 31, 2022

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: unmodified

Internal control over financial reporting:

- ♦ Material weakness(es) identified? _____ Yes X No
- ♦ Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes X None reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal Award

Internal control over major programs:

- ♦ Material weakness(es) identified? _____ Yes X No
- ♦ Significant deficiency(ies) identified? _____ Yes X None reported

Type of auditor's report issued on compliance for major programs: unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)? _____ Yes X No

Identification of major programs:

AL Number

84.044, 84.047 and 84.066
84.334

84.425C and 84.425D

Name of Federal Program or Cluster

TRIO Cluster
Gaining Early Awareness and Readiness for
Undergraduate Programs
Education Stabilization Fund

Dollar threshold used to distinguish between type A and type B programs:

\$ 750,000

- ♦ Auditee qualified as low-risk auditee? X Yes _____ No

COLLEGE NOW GREATER CLEVELAND

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JULY 31, 2022

Section II – Financial Statement Findings

No findings were noted.

Section III – Federal Award Findings and Questioned Costs

No findings were noted.