

College Now Greater Cleveland

YEARS ENDED JULY 31, 2019 AND 2018

COLLEGE NOW GREATER CLEVELAND

SINGLE AUDIT REPORT

YEARS ENDED JULY 31, 2019 AND 2018

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Independent Auditor's 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 (the "Organization"), which comprise the statements of financial position as of July 31, 2019 and 2018, 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.

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.

Auditor's 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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, 2019 and 2018, 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 Matters

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 of 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 information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reports Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 11, 2019, 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.

A handwritten signature in black ink that reads "H W & Co." with a period at the end. The letters are stylized and cursive.

Cleveland, Ohio
November 11, 2019

COLLEGE NOW GREATER CLEVELAND

STATEMENTS OF FINANCIAL POSITION

JULY 31, 2019 AND 2018

ASSETS

	2019	2018
Current assets:		
Cash and cash equivalents	\$ 5,362,700	\$ 5,722,266
Accounts receivable	1,237,409	820,978
Unconditional promises to give	2,173,964	2,436,775
Investments restricted for permanent endowment	261,739	249,522
Prepaid expenses	94,245	77,493
Total current assets	9,130,057	9,307,034
 Property and equipment, net	 397,838	 136,246
 Other assets:		
Unconditional promises to give, net of current portion	973,481	525,394
Investments	2,557,361	2,492,629
Cash and cash equivalents restricted for permanent endowment	177,975	128,732
Investments restricted for permanent endowment	5,205,581	5,336,346
Beneficial interest in perpetual trust	244,809	250,752
Other	644,361	542,095
	9,803,568	9,275,948
 Total assets	 \$ 19,331,463	 \$ 18,719,228

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable	\$ 115,536	\$ 106,539
Scholarship awards payable	2,114,676	2,262,910
Accrued liabilities	198,507	83,595
Deferred revenue	53,325	6,750
Total current liabilities	2,482,044	2,459,794
 Net assets:		
Without donor restrictions	1,352,940	1,440,765
With donor restrictions	15,496,479	14,818,669
Total net assets	16,849,419	16,259,434
 Total liabilities and net assets	 \$ 19,331,463	 \$ 18,719,228

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, 2019

(with summarized financial information for the year ended July 31, 2018)

	Without Donor Restrictions	With Donor Restrictions	Total	
			2019	2018
SUPPORT AND REVENUE:				
Support:				
Contributions	\$ 3,271,299	\$ 5,280,532	\$ 8,551,831	\$ 8,259,325
Government grants	4,189,485		4,189,485	3,356,284
Total support	7,460,784	5,280,532	12,741,316	11,615,609
Revenue:				
Contracted fee for service	1,248,220		1,248,220	1,026,786
Investment return, net	67,900	48,761	116,661	427,679
Other	19,867		19,867	12,520
Net assets released from restrictions	4,651,483	(4,651,483)		
Total revenue	5,987,470	(4,602,722)	1,384,748	1,466,985
Total support and revenue	13,448,254	677,810	14,126,064	13,082,594

(Continued)

COLLEGE NOW GREATER CLEVELAND

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS (CONTINUED)

YEAR ENDED JULY 31, 2019

(with summarized financial information for the year ended July 31, 2018)

	Without Donor Restrictions	With Donor Restrictions	Total	
			2019	2018
EXPENSES:				
Program services:				
Financial Aid:				
Student awards	3,763,137		3,763,137	3,591,596
Other	675,861		675,861	546,650
Advisors:				
Student fees	19,179		19,179	22,560
Other	2,528,290		2,528,290	2,592,133
Adult Programs	624,142		624,142	521,962
Retention	501,362		501,362	346,030
Gaining Early Awareness and Readiness for Undergraduate Programs	599,972		599,972	730,099
AmeriCorps Programs	1,130,916		1,130,916	1,076,147
21st Century	1,665,072		1,665,072	966,958
Upward Bound	583,354		583,354	450,261
Talent search	305,765		305,765	273,723
Total program services	12,397,050		12,397,050	11,118,119
Supporting services:				
Fundraising	575,064		575,064	616,112
General and administrative	563,965		563,965	417,436
Total supporting services	1,139,029		1,139,029	1,033,548
Total expenses	13,536,079		13,536,079	12,151,667
Increase (decrease) in net assets	(87,825)	677,810	589,985	930,927
Net assets, beginning of year	1,440,765	14,818,669	16,259,434	15,328,507
Net assets, end of year	<u>\$ 1,352,940</u>	<u>\$ 15,496,479</u>	<u>\$ 16,849,419</u>	<u>\$ 16,259,434</u>

(Continued)

COLLEGE NOW GREATER CLEVELAND

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED JULY 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE:			
Support:			
Contributions	\$ 3,368,688	\$ 4,890,637	\$ 8,259,325
Government grants	3,356,284		3,356,284
Total support	6,724,972	4,890,637	11,615,609
Revenue:			
Contracted fee for service	1,026,786		1,026,786
Investment return, net	138,364	289,315	427,679
Other	12,520		12,520
Net assets released from restriction	4,285,160	(4,285,160)	
Total revenue	5,462,830	(3,995,845)	1,466,985
Total support and revenue	12,187,802	894,792	13,082,594

(Continued)

COLLEGE NOW GREATER CLEVELAND

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS (CONTINUED)

YEAR ENDED JULY 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
EXPENSES:			
Program services:			
Financial Aid:			
Student awards	3,591,596		3,591,596
Other	546,650		546,650
Advisors:			
Student fees	22,560		22,560
Other	2,592,133		2,592,133
Adult Programs	521,962		521,962
Retention	346,030		346,030
Gaining Early Awareness and Readiness for Undergraduate Programs	730,099		730,099
AmeriCorps Programs	1,076,147		1,076,147
21st Century	966,958		966,958
Upward Bound	450,261		450,261
Talent search	273,723		273,723
Total program services	11,118,119		11,118,119
Supporting services:			
Fundraising	616,112		616,112
General and administrative	417,436		417,436
Total supporting services	1,033,548		1,033,548
Total expenses	12,151,667		12,151,667
Increase in net assets	36,135	894,792	930,927
Net assets, beginning of year	953,474	14,375,033	15,328,507
Net asset reclassification based on ASU 2016-14 implementation	451,156	(451,156)	
Net assets, end of year	<u>\$ 1,440,765</u>	<u>\$ 14,818,669</u>	<u>\$ 16,259,434</u>

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

COLLEGE NOW GREATER CLEVELAND

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JULY 31, 2019

	Primary Services				Special Services					Supporting Services			TOTAL	
	Financial Aid	Advisors	Adult Programs	Retention	GEAR UP	AmeriCorps Programs	TRIO	21st Century	Upward Bound	Fund Raising	General and Administrative	Marketing and Communications	2019	2018
Expenses:														
Student awards and grants	\$ 3,763,137												\$ 3,763,137	\$ 3,591,596
Student fees		\$ 19,179											19,179	22,560
Salaries:														
Advisors	765	733,138	\$ 48,781	\$ 7,850	\$ 115,076	\$ 879,412	\$ 108,462	\$ 394,702	\$ 101,297		\$ 333		2,389,816	2,148,756
Administration	314,597	832,910	186,712	201,892	156,401	104,450	100,265	382,779	124,803	\$ 301,202	98,079	\$ 64,050	2,868,140	2,469,313
Support	180,900	108,127	151,512	100,820	59,675	21,191	6,470	163,906	56,881	86,748	28,352	24,752	989,334	932,663
Payroll taxes	33,654	141,144	25,300	18,030	22,297	44,501	13,591	66,329	20,087	21,610	7,002	6,104	419,649	381,617
Employee benefits	55,614	241,439	45,754	37,127	67,389	2,191	43,793	191,490	57,135	45,845	12,884	10,263	810,924	660,091
Equipment	2,368	4,360	1,608	1,430	1,561	2,205	634	17,962	2,445	1,587	2,269	372	38,801	24,301
Telephone	1,842	8,847	2,298	1,283	2,347	4,151	1,668	4,160	1,452	2,558	767	354	31,727	32,828
Postage	2,195	580	85	36	48	289	52	2,767	248	6,044	356	580	13,280	13,758
Professional fees and dues	2,174	2,242	9,805	957	1,416	1,608	1,450	743	3,642	1,499	6,428	1,057	33,021	30,665
Accounting and legal	7,182	9,950	3,644	2,610	3,496	17,344	1,871	9,209	2,708	3,803	9,089	886	71,792	71,441
Travel and meetings	6,583	89,078	11,665	5,991	18,824	7,563	2,681	33,080	14,755	23,367	26,005	3,833	243,425	302,716
Student activities	13,053	166,360	690	33,017	82,112	20	12,766	174,026	141,686	200		504	624,434	528,147
Supplies	1,439	7,450	1,826	1,785	1,477	2,938	480	8,882	1,040	1,675	1,447	272	30,711	41,358
Consulting	7,273	23,116	82,973	24,693	13,769	1,100	83	77,783	37,341	21,669	15,976	3,345	309,121	220,520
Bank fees	810	10		154						3,570	5,608		10,152	17,564
Rent and utilities	19,049	75,350	16,754	11,538	12,000	6,000	6,000	104,273	9,458	12,944	12,179	3,459	289,004	258,277
Community outreach	2,166	18,496	1,496	20,327	3,606	2,113	777	2,993	495	11,212	2,028	165,696	231,405	164,499
Information technology services	6,604	14,860	21,501	22,521	36,693	20,208	3,799	25,586	6,594	4,048	7,089	1,563	171,066	118,351
Other	6,874	10,735	1,839	1,349	1,785	13,632	923	4,402	1,287	16,363	32,526	782	92,497	71,196
Depreciation and amortization	10,719	40,098	9,899	7,952						9,120	4,326	3,350	85,464	49,450
Total expenses	<u>\$ 4,438,998</u>	<u>\$2,547,469</u>	<u>\$ 624,142</u>	<u>\$ 501,362</u>	<u>\$ 599,972</u>	<u>\$ 1,130,916</u>	<u>\$ 305,765</u>	<u>\$ 1,665,072</u>	<u>\$ 583,354</u>	<u>\$ 575,064</u>	<u>\$ 272,743</u>	<u>\$ 291,222</u>	<u>\$13,536,079</u>	<u>\$12,151,667</u>

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

COLLEGE NOW GREATER CLEVELAND

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JULY 31, 2018

	Primary Services				Special Services					Supporting Services				
	Financial Aid	Advisors	Adult Programs	Retention	GEAR UP	AmeriCorps Programs	TRIO	21st Century	Upward Bound	Fund Raising	General and Administrative	Marketing and Communications	Total	
Expenses:														
Student awards and grants	\$ 3,591,596												\$ 3,591,596	
Student fees		\$ 22,560											22,560	
Salaries:														
Advisors	10,202	713,363	\$ 48,284		\$ 159,443	\$ 830,721	\$ 100,007	\$ 202,859	\$ 83,877				2,148,756	
Administration	193,772	897,519	168,441	\$ 117,473	193,931	92,306	80,906	265,749	112,811	\$ 200,455	\$ 79,397	\$ 66,553	2,469,313	
Support	201,742	102,985	144,791	101,779	49,812	39,458	4,546	74,233	41,561	118,174	16,401	37,181	932,663	
Payroll taxes	24,672	138,043	22,369	13,300	30,641	45,748	14,165	41,365	18,169	19,037	7,778	6,330	381,617	
Employee benefits	36,789	212,796	33,453	19,917	81,948	9,134	37,741	110,448	48,484	28,395	31,601	9,385	660,091	
Equipment	2,057	6,176	1,558	972	1,752	2,173	694	2,791	1,963	2,347	981	837	24,301	
Telephone	2,316	9,618	2,355	1,192	2,725	4,356	2,203	2,915	1,539	2,652	494	463	32,828	
Postage	2,190	1,264	135	396	405	785	621	1,286	121	6,054	442	59	13,758	
Professional fees and dues	1,407	2,280	8,840	609	1,897	1,949	844	20	3,754	1,647	6,743	675	30,665	
Accounting and legal	5,996	14,365	5,387	3,224	5,280	15,349	2,708	7,851	3,675	4,454	1,683	1,469	71,441	
Travel and meetings	2,314	69,925	11,372	1,108	36,374	6,795	1,803	23,070	20,671	103,472	22,416	3,396	302,716	
Student activities	11,563	201,277	1,810	32,870	97,236		11,961	111,688	58,028	215		1,499	528,147	
Supplies	1,999	13,445	1,816	1,786	2,766	1,619	799	5,454	1,183	9,831	469	191	41,358	
Consulting	5,628	51,630	34,035	10,012	10,393		1,638	55,955	34,631	11,861	260	4,477	220,520	
Bank fees	450			115						11,242	5,757		17,564	
Rent and utilities	24,338	85,236	21,915	12,812	14,400	6,000	6,000	48,372	12,609	15,397	5,245	5,953	258,277	
Community outreach	1,969	24,466	1,543	4,613	2,659	615	682	2,293	354	47,310	377	77,618	164,499	
Information technology services	6,403	11,875	6,794	19,260	36,384	13,236	5,478	7,599	5,514	2,885	2,015	908	118,351	
Other	5,501	10,540	1,964	1,211	2,053	5,903	927	3,010	1,317	24,664	13,588	518	71,196	
Depreciation and amortization	5,342	25,330	5,100	3,381						6,020	2,131	2,146	49,450	
Total expenses	\$ 4,138,246	\$ 2,614,693	\$ 521,962	\$ 346,030	\$ 730,099	\$ 1,076,147	\$ 273,723	\$ 966,958	\$ 450,261	\$ 616,112	\$ 197,778	\$ 219,658	\$ 12,151,667	

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

COLLEGE NOW GREATER CLEVELAND

STATEMENTS OF CASH FLOWS

YEARS ENDED JULY 31, 2019 AND 2018

	2019	2018
Cash flows from operating activities:		
Increase in net assets	\$ 589,985	\$ 930,927
Adjustments to reconcile increase in net assets to net cash from operating activities:		
Depreciation and amortization	85,464	49,450
Net realized and unrealized losses (gains) on investments	73,690	(241,143)
Contributions restricted for permanent endowment	(203,675)	(134,901)
Beneficial interest in perpetual trusts	5,943	(6,527)
Increase in allowance for doubtful accounts	20,000	
Changes in assets and liabilities:		
(Increase) decrease in unconditional promises to give	(205,276)	338,762
(Increase) decrease in accounts receivable	(416,431)	43,849
(Increase) decrease in prepaid expenses	(16,752)	6,677
Increase in accounts payable	8,997	13,551
(Decrease) increase in scholarship awards payable	(148,234)	115,330
Increase (decrease) in accrued liabilities	114,912	(89,188)
Increase in deferred revenue	46,575	
	<u>(44,802)</u>	<u>1,026,787</u>
 Cash flows from investing activities:		
Purchases of property and equipment	(347,056)	(14,784)
Proceeds from sale of investments	700,599	493,838
Purchases of investments	(720,473)	(678,934)
Net (increase) decrease in cash and cash equivalents restricted for permanent endowment	(49,243)	180,424
Increase in other assets	(102,266)	(97,520)
	<u>(518,439)</u>	<u>(116,976)</u>
 Cash flows provided by financing activities; receipts from contributions restricted for permanent endowment	 <u>203,675</u>	 <u>134,901</u>
 Net (decrease) increase in cash and cash equivalents	 <u>(359,566)</u>	 <u>1,044,712</u>
 Cash and cash equivalents, beginning	 <u>5,722,266</u>	 <u>4,677,554</u>
 Cash and cash equivalents, ending	 <u><u>\$ 5,362,700</u></u>	 <u><u>\$ 5,722,266</u></u>

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

COLLEGE NOW GREATER CLEVELAND

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2019 AND 2018

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 30,000 traditional and nontraditional students and individuals in more than 185 Northeast Ohio venues across four counties: schools, community-based organizations, businesses and our downtown Cleveland Resource Center. Additionally, College Now awards approximately \$3.8 million in need-based scholarships to nearly 1,900 traditional and nontraditional students. Since 1967, College Now has served more than 350,000 students and awarded over \$76 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.

Recently adopted accounting pronouncement:

During 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities*, (Topic 958) *Presentation of Financial Statements of Not-for-Profit Entities*. FASB issued the ASU to improve the current net asset classification requirements and the information presented in the financial statements and notes about a not-for-profit's liquidity, financial performance and cash flows. The Organization adopted the provisions of this ASU effective for the year ended July 31, 2019. These changes have been applied on a retrospective basis except for the disclosure related to liquidity and available resources. With the provision of the ASU being applied on a retrospective basis, net assets have been presented "with donor restrictions" and "without donor restrictions" in the statements of financial position as of July 31, 2019 and 2018 and in the statements of activities and changes in net assets for the years ended July 31, 2019 and 2018.

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.

Contributions:

Accounting principles generally accepted in the United States require contributions received to be recorded as without donor restrictions or with donor restrictions, depending on the existence or nature of any donor restrictions.

COLLEGE NOW GREATER CLEVELAND

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JULY 31, 2019 AND 2018

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

Contributions (continued):

Support that is restricted by the donor is reported as an increase in net assets with donor restrictions 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 net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions.

Accounts receivable and promises to give:

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

In evaluating the collectability of amounts receivable, the Organization considers a number of factors, including the age of the accounts, changes in collection patterns, terms of the grant or pledge and general industry conditions. An allowance for doubtful accounts is recorded based upon a consideration of the likelihood that amounts will not be collected in full. As specific accounts receivable are deemed uncollectible, they are written off against the allowance for doubtful accounts. An allowance for doubtful accounts of \$50,000 in 2019 and \$30,000 in 2018 is included in unconditional promises to give.

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 is a named income beneficiary of a \$5.4 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 through the year ended July 31, 2021.

COLLEGE NOW GREATER CLEVELAND

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JULY 31, 2019 AND 2018

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

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.

Government grants and contracts:

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. Government grants are reported as an increase in net assets without donor restrictions in the reporting period in which the terms and conditions specified in the grant agreement are satisfied. Amounts due from government grants and contracts are included in accounts receivable at July 31, 2019 and 2018.

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, 2019 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.

COLLEGE NOW GREATER CLEVELAND

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JULY 31, 2019 AND 2018

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

Investments (continued):

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:

The Organization follows the practice of capitalizing property and equipment over \$500. 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.

Use of estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

COLLEGE NOW GREATER CLEVELAND

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JULY 31, 2019 AND 2018

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

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, copying/printing, community outreach, professional fees/duties, 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, audit, 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 2018 financial statements were reclassified to conform to the 2019 presentation.

Recent accounting pronouncements:

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers* (Topic 606). The guidance in this ASU supersedes the revenue recognition requirements in Topic 605, Revenue Recognition, and most industry-specific guidance throughout the industry topics of the FASB Accounting Standards Codification (ASC). The core principle of this ASU is that an entity should recognize revenue to depict the transfer of promised goods or services in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve that core principle, an entity should apply the following steps, (1) identify the contract(s), (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when (or as) the entity satisfies a performance obligation. For nonpublic companies, ASU No. 2014-09, *Revenue from Contracts with Customers* is effective for annual reporting periods beginning after December 15, 2018 and therefore, the Organization will be required to adopt and implement this standard for the year ending July 31, 2020.

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 leases with 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. The guidance is effective for nonpublic entities for fiscal years beginning after December 15, 2020 and therefore, the Organization will be required to adopt and implement this standard for the year ending July 31, 2022.

COLLEGE NOW GREATER CLEVELAND

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JULY 31, 2019 AND 2018

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

Recent accounting pronouncements (continued):

In November 2016, FASB issued ASU No. 2016-18, *Statement of Cash Flows* (Topic 230). The amendments to this ASU require that a statement of cash flows detail the change during the period in total cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling beginning-of-period and end-of-period total amounts presented on the statement of cash flows. This ASU will be effective for nonpublic companies for the fiscal year beginning after December 15, 2018, therefore, the Organization will be required to adopt and implement this standard for the year ending July 31, 2020.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities* (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The objective of this ASU will assist entities in (1) evaluating whether transactions should be accounted for as contributions within the scope of Topic 958, *Not-for-Profit Entities*, or as exchange transactions subject to other guidance and (2) determining whether a contribution is conditional. For transactions in which an entity is the resource recipient, the ASU is effective for the fiscal year ending July 31, 2020. For transactions in which the entity serves as a resource provider, the ASU is effective for the fiscal year ending July 31, 2021.

The Organization is currently evaluating the impact that the above ASUs will have on its financial statements and will adopt the provisions upon the effective dates.

2. Cash and cash equivalents:

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

	2019	2018
Without donor restrictions	\$ 5,362,700	\$ 5,722,266
With donor restrictions for permanent endowment	177,975	128,732
	<u>\$ 5,540,675</u>	<u>\$ 5,850,998</u>

Included in cash and cash equivalents at July 31, 2019 and 2018 are money market funds of approximately \$218,600 and \$167,000, respectively, which are not covered by FDIC insurance and are subject to market risk.

3. Property and equipment, net:

Property and equipment consists of the following at July 31, 2019 and 2018:

	2019	2018
Leasehold improvements	\$ 153,679	\$ 128,828
Office furniture and equipment	404,225	216,891
Computer equipment and software	<u>494,538</u>	<u>359,667</u>
	1,052,442	705,386
Accumulated depreciation and amortization	<u>(654,604)</u>	<u>(569,140)</u>
Net property and equipment	<u>\$ 397,838</u>	<u>\$ 136,246</u>

COLLEGE NOW GREATER CLEVELAND

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JULY 31, 2019 AND 2018

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, 2020 are discounted at rates varying from .71% to 2.38% based upon the time that the promise to give was made. Unconditional promises to give consisted of the following at July 31:

	<u>2019</u>	<u>2018</u>
With and without donor restrictions – available for operating expenses	<u>\$ 3,147,445</u>	<u>\$ 2,962,169</u>

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

	<u>2019</u>	<u>2018</u>
Receivable in less than one year	\$ 2,233,964	\$ 2,436,775
Receivable in one to five years	<u>998,500</u>	<u>571,000</u>
	3,232,464	3,007,775
Less discounts to net present value	35,019	15,606
Less allowance for doubtful accounts	<u>50,000</u>	<u>30,000</u>
Net unconditional promises to give	<u>\$ 3,147,445</u>	<u>\$ 2,962,169</u>

Approximately 75% of the gross amount of unconditional promises to give was due from five donors at July 31, 2019 and July 31, 2018.

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.

COLLEGE NOW GREATER CLEVELAND

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JULY 31, 2019 AND 2018

5. Fair value (continued):

The following table represents the financial instruments carried at fair value as of July 31, 2019, by the valuation hierarchy set forth by generally accepted accounting principles:

	Fair Value at July 31, 2019	Level 1	Level 2	Level 3
Investments:				
Cash equivalents	\$ 748,818	\$ 530,247	\$ 218,571	
Mutual funds:				
Domestic equity funds	3,105,458	3,105,458		
International equity funds	2,274,557	2,274,557		
Bond funds	1,441,502	1,441,502		
Other	<u>102,938</u>	<u>102,938</u>		
Total mutual funds	6,924,455	6,924,455		
Beneficial interest in perpetual trust	<u>244,809</u>			\$ 244,809
Net assets in the fair value hierarchy	7,918,082	<u>\$ 7,454,702</u>	<u>\$ 218,571</u>	<u>\$ 244,809</u>
Investments reported at net asset value (A)	<u>1,100,226</u>			
	<u>\$ 9,018,308</u>			

The following table represents the financial instruments carried at fair value as of July 31, 2018, by the valuation hierarchy set forth by generally accepted accounting principles:

	Fair Value at July 31, 2018	Level 1	Level 2	Level 3
Investments:				
Cash equivalents	\$ 1,441,165	\$ 1,273,852	\$ 167,313	
Mutual funds:				
Domestic equity funds	2,069,269	2,069,269		
International equity funds	2,768,960	2,768,960		
Bond funds	1,496,289	1,496,289		
Other	<u>559,057</u>	<u>559,057</u>		
Total mutual funds	6,893,575	6,893,575		
Beneficial interest in perpetual trust	<u>250,752</u>			\$ 250,752
Net assets in the fair value hierarchy	8,585,492	<u>\$ 8,167,427</u>	<u>\$ 167,313</u>	<u>\$ 250,752</u>
Investments reported at net asset value (A)	<u>1,184,922</u>			
	<u>\$ 9,770,414</u>			

COLLEGE NOW GREATER CLEVELAND

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JULY 31, 2019 AND 2018

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>2019</u>	<u>2018</u>
Hedge funds:		
Hirtle Callaghan Total Return Offshore Fund	<u>\$ 791,773</u>	<u>\$ 785,694</u>
Limited partnerships:		
Hirtle Callaghan Private Equity VI Offshore Fund	131,440	182,472
Hirtle Callaghan Private Equity VII Offshore Fund	<u>177,013</u>	<u>216,756</u>
	<u>308,453</u>	<u>399,228</u>
	<u>\$ 1,100,226</u>	<u>\$ 1,184,922</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, 2019 AND 2018

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, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Beneficial interest in perpetual trust:		
Beginning balance	\$ 250,752	\$ 244,225
(Decrease) increase in beneficial interest (B)	<u>(5,943)</u>	<u>6,527</u>
Ending balance	<u>\$ 244,809</u>	<u>\$ 250,752</u>

(B) These amounts represent total (decreases) increases 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, 2019 and 2018.

6. Investments:

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

	<u>2019</u>	<u>2018</u>
Without donor restrictions – available for operating expenses	\$ 2,557,361	\$ 2,492,629
With donor restrictions- for permanent endowment	<u>5,467,320</u>	<u>5,585,868</u>
	<u>\$ 8,024,681</u>	<u>\$ 8,078,497</u>

Investments consisted of the following at July 31:

	<u>2019</u>		<u>2018</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Fixed income funds, capital trust	\$ 1,416,307	\$ 1,441,502	\$ 1,522,375	\$ 1,496,289
Equity funds	4,644,169	5,482,953	4,451,853	5,397,286
Alternative investment funds:				
Private equity funds	5,595	308,453	65,148	399,228
Hedge funds	<u>656,226</u>	<u>791,773</u>	<u>656,226</u>	<u>785,694</u>
	<u>\$ 6,722,297</u>	<u>\$ 8,024,681</u>	<u>\$ 6,695,602</u>	<u>\$ 8,078,497</u>

COLLEGE NOW GREATER CLEVELAND

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JULY 31, 2019 AND 2018

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>2019</u>	<u>2018</u>
Subject to expenditure for specified purpose:		
Financial aid	\$ 6,194,564	\$ 5,826,516
Advisors	1,628,704	1,665,923
Adult Programs	949,011	941,512
General and administration	542,059	320,000
Retention	<u>232,037</u>	<u>99,366</u>
	<u>9,546,375</u>	<u>8,853,317</u>
Subject to the passage of time:		
Beneficial interest in perpetual trusts	244,809	250,752
Assets held in perpetuity for:		
Permanently restricted endowment fund	<u>5,705,295</u>	<u>5,714,600</u>
	<u>5,950,104</u>	<u>5,965,352</u>
	<u>\$ 15,496,479</u>	<u>\$14,818,669</u>

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

	<u>2019</u>	<u>2018</u>
Satisfaction of purpose restriction:		
Financial aid	\$ 2,054,921	\$ 1,947,718
Advisors	1,450,509	1,421,116
Adult Programs	576,637	403,167
General and administration	320,000	265,658
Retention	<u>249,416</u>	<u>247,501</u>
	<u>\$ 4,651,483</u>	<u>\$ 4,285,160</u>

COLLEGE NOW GREATER CLEVELAND

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JULY 31, 2019 AND 2018

8. Endowment

Changes in endowment net assets for fiscal year ended July 31, 2019 were as follows:

	<u>With Donor Restrictions</u>
Endowment net assets, beginning of year	\$ <u>5,714,600</u>
Investment return:	
Investment income, net	151,092
Net realized/unrealized appreciation	<u>(102,331)</u>
Total investment return, net	<u>48,761</u>
Appropriation of endowment assets for expenditure	(261,739)
Contributions	<u>203,673</u>
Endowment net assets, end of year	<u>\$ 5,705,295</u>

Changes in endowment net assets for fiscal year ended July 31, 2018 were as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ <u>(451,156)</u>	\$ <u>6,159,251</u>	\$ <u>5,708,095</u>
Net asset reclassification based on ASU 2016-14 implementation	451,156	(451,156)	
Investment return:			
Investment income, net		157,410	157,410
Net realized/unrealized appreciation	<u> </u>	<u>131,905</u>	<u>131,905</u>
Total investment return, net	<u> </u>	<u>289,315</u>	<u>289,315</u>
Appropriation of endowment assets for expenditure		(249,522)	(249,522)
Contributions		134,901	134,901
Net asset reclassification	<u> </u>	<u>(168,189)</u>	<u>(168,189)</u>
Endowment net assets, end of year	<u>\$ </u>	<u>\$ 5,714,600</u>	<u>\$ 5,714,600</u>

COLLEGE NOW GREATER CLEVELAND

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JULY 31, 2019 AND 2018

8. Endowment (continued):

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, 2019, the endowment had an original value of \$6,329,638, a current value of \$5,705,295, and a deficiency of \$624,343. At July 31, 2018, the endowment had an original value of \$6,125,963, a current value of \$5,714,600, and a deficiency of \$411,363. These deficiencies 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 5% 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 governing board appropriated for expenditure \$261,739 from underwater endowment funds during the year, 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:

- 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, 2019 AND 2018

8. Endowment (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.

9. 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 October 28, 2015 in conjunction with an office space expansion. The lease agreement calls for scheduled rent increases with monthly payments ranging from \$14,285 to \$18,424 through October 2022. The Organization terminated the existing lease and entered in a new office lease with the same landlord as of October 25, 2018 which began on May 1, 2019 after completion of construction and renovation of the new office space. The new office lease has 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 \$344,867 in 2019 and \$241,851 in 2018.

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

Year ending July 31,

2020	\$ 343,493
2021	348,561
2022	355,005
2023	356,796
2024	356,776
Thereafter	<u>1,794,201</u>
	<u>\$ 3,554,832</u>

The Organization could be subject to legal proceedings and claims that arise in the ordinary course of business. As of July 31, 2019 and 2018, 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, 2019 AND 2018

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, 2019 and 2018.

11. 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, 2019 and 2018, the Organization's aggregate contributions were approximately \$206,160 and \$148,335, respectively.

12. 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, 2019 and 2018.

13. Liquidity and availability:

The Organization's financial assets available within one year of the statement of financial position as of July 31, 2019 for general expenditures are as follows:

Cash and cash equivalents	\$ 5,362,700
Accounts receivable	1,237,409
Unconditional promises to give	2,173,964
Investments	<u>2,557,361</u>
	11,331,434
Less: unconditional promises to give, current	2,173,964
Cash and cash equivalents for restricted uses	<u>3,127,936</u>
	<u>\$ 6,029,534</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. To help manage unanticipated liquidity needs, the Organization maintains a credit line in the amount of \$500,000 although there were no borrowings against the line as of July 31, 2019 and 2018.

COLLEGE NOW GREATER CLEVELAND

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JULY 31, 2019 AND 2018

14. Subsequent events:

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through November 11, 2019, 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, 2019

<u>Federal Grantor/Program or Cluster Title</u>	<u>Federal CFDA 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	\$ 1,109,778
U.S. Department of Education (TRIO Cluster): Talent Search	84.044		306,385
Upward Bound	84.047		<u>592,426</u>
Subtotal			898,811
Pass-Through Ohio Department of Education: 21 st Century Learning Centers	84.287	31-1334820	1,020,550
Pass-Through Wellington Exempted Village School District: 21 st Century Learning Centers	84.287	34-6003026	165,884
Pass-Through Warrensville City School District: 21 st Century Learning Centers	84.287	34-6002991	184,252
Pass-Through Lorain City School District: 21 st Century Learning Centers	84.287	34-6001701	149,000
Pass-Through Boys and Girls Clubs Of Cleveland: 21 st Century Learning Centers	84.287	34-1856214	<u>184,958</u>
Subtotal			1,704,644
Pass-Through Ohio Department of Higher Education: Gaining Early Awareness and Readiness For Undergraduate Programs	84.334	34-6002163	583,294
Pass-Through Cleveland Heights-University Heights City School District: Gaining Early Awareness and Readiness For Undergraduate Programs	84.334	34-6000687	<u>147,483</u>
Subtotal			730,777
U.S. Department of Housing and Urban Development: Pass-Through the City of Cleveland: Community Development Block Grant	14.218	34-6000646	<u>46,750</u>
			<u>\$ 4,490,760</u>

COLLEGE NOW GREATER CLEVELAND

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)

YEAR ENDED JULY 31, 2019

COLLEGE NOW GREATER CLEVELAND NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JULY 31, 2019

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 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, 2019, and the related statements of activities and changes in net assets and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 11, 2019.

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) to determine the 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 Organization'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 may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether College Now Greater Cleveland's financial statements are free of 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 determination of financial statement amounts. 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 the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "H W & Co." with a period at the end. The letters are stylized and connected.

Cleveland, Ohio
November 11, 2019

**Independent Auditor's Report on Compliance for Each Major Federal 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

We have audited College Now Greater Cleveland's (the "Organization") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on College Now Greater Cleveland's major Federal programs for the year ended July 31, 2019. 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.

Management's Responsibility

Management is responsible for compliance with Federal statutes, regulations, and terms and conditions of its Federal awards applicable to its Federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of College Now Greater Cleveland's major Federal programs based on our audit of the types of compliance requirements referred to above. 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)*. Those standards and the *Uniform Guidance* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about College Now Greater Cleveland's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance with each major Federal program. However, our audit does not provide a legal determination of College Now Greater Cleveland's compliance.

Opinion on Each Major Federal Program

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, 2019.

Report on Internal Control Over Compliance

Management of College Now Greater Cleveland is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered College Now Greater Cleveland's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of College Now Greater Cleveland's 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 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 first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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
November 11, 2019

COLLEGE NOW GREATER CLEVELAND

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JULY 31, 2019

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:

CFDA Number

84.044 & 84.047
84.334

Name of Federal Program or Cluster

TRIO Cluster
Gaining Early Awareness and Readiness for Undergraduate Programs

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, 2019

Section II – Financial Statement Findings

No findings were noted.

Section III – Federal Award Findings and Questioned Costs

No findings were noted.