

# **First Graduate**

Financial Statements &  
Independent Auditor's Report  
for the Year Ended  
June 30, 2015

**COOK &  
COMPANY**

A PROFESSIONAL ACCOUNTANCY CORPORATION

## TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT .....	3
FINANCIAL STATEMENTS .....	4
Statement of Financial Position .....	4
Statement of Activities and Changes in Net Assets .....	5
Statement of Functional Expenses .....	6
Statement of Cash Flows .....	7
Notes to Financial Statements .....	8

# COOK & COMPANY

A PROFESSIONAL ACCOUNTANCY CORPORATION

## Independent Auditor's Report

To the Board of Directors  
First Graduate  
San Francisco, California

We have audited the accompanying financial statements of First Graduate (a nonprofit organization), which comprise the statement of financial position as of June 30, 2015, 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.

### *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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 an assessment of the risks of the 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 entity'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 entity'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 First Graduate as of June 30, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Report on Summarized Comparative Information*

We have previously audited the June 30, 2014, financial statements of First Graduate and our report dated January 15, 2015, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.



A Professional Accountancy Corporation  
December 23, 2015

# First Graduate

## Statement of Financial Position June 30, 2015 with Comparative Totals for June 30, 2014

	<u>6/30/15</u>	<u>6/30/14</u> <u>(Note 2)</u>
<b>ASSETS</b>		
Current Assets:		
Cash & equivalents	\$ 550,034	\$ 712,037
Grants & pledges receivable, current (Note 3)	286,000	372,735
Other receivables	10,948	4,677
Prepaid expenses	25,166	18,240
Total current assets	872,148	1,107,689
Grants receivable, long-term (Note 3)	279,178	130,309
Deposits	11,030	9,350
Property & equipment, net of accumulated depreciation of \$31,317 at 6/15 and \$49,573 at 6/14	37,731	21,076
TOTAL ASSETS	\$ 1,200,087	\$ 1,268,424
<b>LIABILITIES &amp; NET ASSETS</b>		
Current Liabilities:		
Accounts payable	\$ 48,791	\$ 46,742
Accrued vacation pay	56,843	44,508
Scholarship obligation	23,000	37,000
Deferred rent, current (Note 4)	1,596	-
Other liabilities	6,142	4,546
Total current liabilities	136,372	132,796
Deferred rent (Note 4)	19,997	19,818
TOTAL LIABILITIES	156,369	152,614
Net Assets		
Unrestricted	131,280	279,880
Temporarily restricted (Note 5)	912,438	835,930
TOTAL NET ASSETS	1,043,718	1,115,810
TOTAL LIABILITIES & NET ASSETS	\$ 1,200,087	\$ 1,268,424

See accompanying notes to financial statements  
and independent auditor's report.

## First Graduate

### Statement of Activities and Changes in Net Assets for the Year Ended June 30, 2015 with Comparative Totals for the Year Ended June 30, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>6/30/15 Total</u>	<u>6/30/14 Total (Note 2)</u>
Support & Revenue:				
Grants	\$ 251,639	\$ 984,587	\$ 1,236,226	\$ 969,790
Donations	571,768		571,768	537,697
Net assets released from restriction:				
Satisfaction of donor requirements	1,005,481	(1,005,481)	-	-
In-kind support (Note 7)	7,960		7,960	80,672
Special event, net of direct donor benefits of \$75,504 in 14/15 and \$87,963 in 13/14	96,071	97,402	193,473	265,925
Other income	17,949		17,949	6,673
	1,950,868	76,508	2,027,376	1,860,757
Expenses:				
Program services	1,563,440		1,563,440	1,113,862
General & administrative	272,560		272,560	261,800
Fundraising	263,468		263,468	274,822
	2,099,468	-	2,099,468	1,650,484
CHANGE IN NET ASSETS	(148,600)	76,508	(72,092)	210,273
NET ASSETS, July 1	279,880	835,930	1,115,810	905,537
	\$ 131,280	\$ 912,438	\$ 1,043,718	\$ 1,115,810

See accompanying notes to financial statements  
and independent auditor's report.

## First Graduate

### Statement of Functional Expenses for the Year Ended June 30, 2015 with Comparative Totals for the Year ended June 30, 2014

	Program Services	General & Administrative	Fundraising	6/30/2015 Total	6/30/2014 Total (Note 2)
Salaries	\$ 773,404	\$ 133,777	\$ 176,981	\$ 1,084,162	\$ 788,819
Payroll taxes	61,435	8,529	14,197	84,161	62,279
Employee benefits	90,361	12,645	14,569	117,575	75,366
Staff development	6,916	7,548	367	14,831	23,123
Consultants & contractors	107,906	69,745	1,772	179,423	191,153
Rent	102,899	12,357	13,868	129,124	124,863
Office supplies	15,233	2,207	4,213	21,653	20,177
Telephone	7,487	345	388	8,220	7,531
Postage	2,978	897	401	4,276	4,992
Printing & copying	6,509	1,603	6,921	15,033	12,369
Repairs & maintenance	12,795	1,458	1,620	15,873	9,228
Travel & meetings	40,310	881	601	41,792	24,346
Dues & subscriptions	3,835	2,996	2,517	9,348	5,988
Insurance	3,675	6,040	495	10,210	9,005
Books & materials	4,690	5	5	4,700	5,038
Program facility rental	27,152			27,152	21,800
Student fees & admissions	13,665			13,665	11,801
Student/mentor meals & snacks	23,446	2,662	526	26,634	25,886
Scholarships awarded	224,006			224,006	174,182
Awards & honoraria	23,466	6	7	23,479	3,609
Special event expenses			14,468	14,468	28,302
Depreciation	9,652	1,159	1,301	12,112	7,292
Other	1,620	7,700	8,251	17,571	13,335
<b>Total expenses</b>	<b>\$ 1,563,440</b>	<b>\$ 272,560</b>	<b>\$ 263,468</b>	<b>\$ 2,099,468</b>	<b>\$ 1,650,484</b>

See accompanying notes to financial statements  
and independent auditor's report.

# First Graduate

## Statement of Cash Flows for the Year Ended June 30, 2015 with Comparative Totals for the Year Ended June 30, 2014

	<u>6/30/15</u>	<u>6/30/14</u> <u>(Note 2)</u>
<b><i>Cash flows from operating activities:</i></b>		
Change in net assets	\$ (72,092)	\$ 210,273
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation expense	12,112	7,292
Loss on disposal of fixed assets	1,165	1,278
Changes in assets and liabilities:		
(Increase) decrease in grants & pledges receivable	(62,134)	51,045
(Increase) decrease in other receivables	(6,271)	(4,677)
(Increase) decrease in prepaid expenses & deposits	(8,606)	4,087
Increase (decrease) in accounts payable	2,049	19,307
Increase (decrease) in accrued vacation pay	12,335	9,407
Increase (decrease) in deferred rent	1,775	19,818
Increase (decrease) in scholarship obligation	(14,000)	(22,000)
Increase (decrease) in other liabilities	<u>1,596</u>	<u>4,546</u>
<b>Cash provided (used) by operating activities:</b>	<b>(132,071)</b>	<b>300,376</b>
<b><i>Cash flows from investing activities:</i></b>		
Purchase of fixed assets	<u>(29,932)</u>	<u>(22,871)</u>
<b>Cash provided (used) by investing activities:</b>	<b>(29,932)</b>	<b>(22,871)</b>
<b>Cash provided (used) during year</b>	<b>(162,003)</b>	<b>277,505</b>
Cash & cash equivalents:		
<b>Beginning of year, July 1</b>	<u>712,037</u>	<u>434,532</u>
<b>End of year, June 30</b>	<u><u>\$ 550,034</u></u>	<u><u>\$ 712,037</u></u>

See accompanying notes to financial statements  
and independent auditor's report.

# First Graduate

## Notes to Financial Statements for the Year Ended June 30, 2015

### 1. The Organization

#### Nature of activities

First Graduate (the Organization) was incorporated in November 2000 to help students finish high school and become the first in their families to graduate from college. From the seventh grade through college, the Organization makes a ten-year commitment to each student in its program to ensure that they enter college prepared to succeed, and stay until they graduate.

Program services consist of:

- One-on-one mentoring,
- Academic instruction, tutoring and support,
- High school and college counseling,
- Family engagement activities,
- Eligibility for annual scholarships, and
- Long-term case management

First Graduate is a nonprofit organization exempt from income taxes under Internal Revenue Code Section 501(c)(3) and section 23701(d) of the California Revenue and Taxation Code. The Organization is governed by a board of directors.

#### Funding

Funding is received from foundations, corporations and individuals. The Organization also holds an annual gala fundraising event.

### 2. Summary of Significant Accounting Policies

#### Basis of Accounting

The accompanying financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Under the accrual basis of accounting, support is recognized when it is awarded, revenue is recognized when it is earned and expenses are recognized when they are incurred.

#### Basis of Presentation

Net assets, revenues, expenses, gains, and losses are classified based upon the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

**Unrestricted net assets**, which includes resources not subject to donor-imposed restrictions.

**Temporarily restricted net assets**, which includes resources subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time.

**Permanently restricted net assets**, which includes resources subject to donor-imposed restrictions that they be maintained permanently by the Organization. The Organization does not currently have any permanently restricted net assets.

(continued)



# First Graduate

## Notes to Financial Statements for the Year Ended June 30, 2015

(continued)

### Accounting for Restricted Support

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

The Organization reports gifts of fixed assets as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service.

### Cash and Cash Equivalents

Cash and cash equivalents consist of a bank money market account, as well as cash funds held with a brokerage firm.

### Grants & Pledges Receivable

Grants and pledges receivable are recorded based on formal promises received from donors. Amounts due within one year of the balance sheet date are stated at face value, while amounts due beyond one year are discounted to present value using an annual rate of 0.28%.

### Fair Value of Financial Instruments

The carrying amounts of cash and cash equivalents, accounts receivable, and accounts payable approximate fair value because of the short maturity of these instruments.

### Property & Equipment

First Graduate capitalizes all computers (regardless of cost), as well as other office equipment and furnishings with an initial cost of at least \$1,400. Purchased items are stated at cost, while donated fixed assets are stated at their fair market value at the time of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets, which range from 3 to 5 years for fixed assets currently on the books.

### Scholarship Obligation

The scholarship obligation consists of awards that have been formally approved and promised to students, but not yet paid to the recipient or educational institution.

### In-kind Support

In-kind contributions are reflected in the financial statements at the estimated fair market value at the date of receipt. When skilled and professional-level volunteer time is donated, it is valued at the rates First Graduate would otherwise need to pay for such services.

### Functional Expenses

Expenses are allocated on a functional basis among First Graduate's program and support services. Expenses that can be identified with a specific activity or support service are allocated directly. Expenses that are common to several functions are allocated based on formulas developed by management.

(continued)

# First Graduate

## Notes to Financial Statements for the Year Ended June 30, 2015

(continued)

### Income Taxes

As a public charity organized under Internal Revenue Code Section 501(c)(3), First Graduate is exempt from income taxes, except on activities unrelated to its mission. As management believes that all of the Organization's revenue is exempt from federal and state income tax, no provision has been made for income tax expense. The Organization's federal *Return of Organization Exempt from Income Tax* (Form 990) filings for the tax years ending in 2013 through 2015 are subject to examination by the Internal Revenue Service, generally for three years after they were filed. The Organization's California *Exempt Organization Annual Information Return* (Form 199) filings for the tax years ending in 2012 through 2015 are subject to examination by the Internal Revenue Service, generally for four years after they were filed.

### Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

### Comparative Data

The financial statement information for the year ended June 30, 2014, presented for comparative purposes, is not intended to be a complete financial statement presentation. For a complete presentation, please refer to the financial statements for that year.

### 3. Grants & Pledges Receivable

	<u>Due within One Year</u>	<u>Due in 1 – 5 Years</u>	<u>Total</u>
Grants & pledges receivable, at face value	\$286,000	\$280,500	\$566,500
Present value discount, at 0.28%	_____	(1,322)	(1,322)
Grants & pledges receivable, net	\$286,000	\$279,178	\$565,178

### 4. Deferred Rent

When the Organization moved to its current premises, two months of rent were provided "free". This amount was deferred to future periods so that rent expense is properly recorded on a straight-line basis over the term of the lease. Deferred rent will be fully amortized at the end of the lease in January 2019.

# First Graduate

## Notes to Financial Statements for the Year Ended June 30, 2015

### 5. Temporarily Restricted Net Assets

Temporarily restricted net assets represent donations and grants to First Graduate that have been restricted for a specific purpose or time period. Details are as follows:

Scholarships for college	\$515,164
General operating support for future periods	300,000
Program support for future periods	41,750
<i>Promise Scholarship</i> program	34,815
Capacity building	13,861
Other activities	<u>6,848</u>
Total temporarily restricted net assets at June 30, 2015	\$912,438

### 6. Operating Leases

The Organization rents its San Francisco office under a five-year operating lease expiring in January 2019. The lease agreement establishes minimum monthly rent at \$9,250 during 2015 (after a two-month rent abatement as described in Note 4), followed by annual increases of approximately 3% for the remainder of the lease term. The lease also calls for the tenant's pro rata share of increases in building insurance and property taxes.

Future minimum rent payments are as follows:

<u>Fiscal Year Ending</u>	
June 30, 2016	\$115,759
June 30, 2017	119,232
June 30, 2018	122,809
June 30, 2019	<u>72,877</u>
Total future minimum lease payments	\$430,677

### 7. Contingencies

#### Satisfaction of Donor Requirements

First Graduate receives grants that are restricted for a specific program or purpose. If such restrictions are not met in accordance with the funding source agreement, there is the possibility that funds would have to be returned to the donor. It is management's opinion that all donor conditions have been met for grants that have been released from temporarily restricted net assets or recorded directly to unrestricted net assets.

#### Cash Deposits in Excess of FDIC Insurance Limits

From time to time, the Organization's bank deposits may exceed federally insured limits. As of June 30, 2015, First Graduate held cash deposits that exceeded FDIC insurance limits by approximately \$150,000.

# **First Graduate**

## **Notes to Financial Statements for the Year Ended June 30, 2015**

### **8. Management's Review of Subsequent Events**

In preparing these financial statements, management has evaluated events for potential recognition or disclosure through December 23, 2015, the date the financial statements were available to be issued.