

## **College Now Greater Cleveland**

YEARS ENDED JULY 31, 2020 AND 2019

# COLLEGE NOW GREATER CLEVELAND

## SINGLE AUDIT REPORT

YEARS ENDED JULY 31, 2020 AND 2019

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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, 2020 and 2019, 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, 2020 and 2019, 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.

**Emphasis of Matter**

As discussed in Note 1 to the financial statements, effective August 1, 2019 the Organization adopted Accounting Standards Codification (ASC) Topic 606, *Revenue from Contracts with Customers*, ASC Topic 230, *Statement of Cash Flows* and ASC Topic 958, *Not-for-Profit Entities* (Topic 958), *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to these matters.

**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 19, 2020, 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.



Cleveland, Ohio  
November 19, 2020

# COLLEGE NOW GREATER CLEVELAND

## STATEMENTS OF FINANCIAL POSITION

JULY 31, 2020 AND 2019

### ASSETS

	2020	2019
<b>Current assets:</b>		
Cash and cash equivalents	\$ 7,543,879	\$ 5,362,700
Accounts receivable	885,737	1,237,409
Unconditional promises to give	1,789,768	2,173,964
Investments restricted for permanent endowment	273,120	261,739
Prepaid expenses	88,878	94,245
Total current assets	10,581,382	9,130,057
<b>Property and equipment, net</b>	335,312	397,838
<b>Other assets:</b>		
Unconditional promises to give, net of current portion	831,139	973,481
Investments	2,733,918	2,557,361
Cash and cash equivalents restricted for permanent endowment	99,679	177,975
Investments restricted for permanent endowment	5,338,636	5,205,581
Beneficial interest in perpetual trust	245,013	244,809
Other	755,457	644,361
	10,003,842	9,803,568
<b>Total assets</b>	<b>\$ 20,920,536</b>	<b>\$ 19,331,463</b>

### LIABILITIES AND NET ASSETS

<b>Current liabilities:</b>		
Accounts payable	\$ 279,070	\$ 115,536
Scholarship awards payable	2,501,725	2,114,676
Accrued liabilities	178,304	198,507
Agency liability	670,337	
Deferred revenue	26,999	53,325
Note payable - Footnote 11	724,700	
Total current liabilities	4,381,135	2,482,044
<b>Net assets:</b>		
Without donor restrictions	2,289,763	1,352,940
With donor restrictions	14,249,638	15,496,479
Total net assets	16,539,401	16,849,419
<b>Total liabilities and net assets</b>	<b>\$ 20,920,536</b>	<b>\$ 19,331,463</b>

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

# COLLEGE NOW GREATER CLEVELAND

## STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED JULY 31, 2020

(with summarized financial information for the year ended July 31, 2019)

	Without Donor Restrictions	With Donor Restrictions	Total	
			2020	2019
<b>SUPPORT AND REVENUE:</b>				
Student awards and grants raised	\$ 3,813,683	\$ 1,327,402	\$ 5,141,085	\$ 3,940,046
Less: Student awards and grants designated by donors for specific beneficiaries	(1,126,653)		(1,126,653)	
	<u>2,687,030</u>	<u>1,327,402</u>	<u>4,014,432</u>	<u>3,940,046</u>
Contributions	2,207,718	3,542,693	5,750,411	4,611,785
Government grants	4,192,153		4,192,153	4,189,485
Contracted fee for service	1,199,900		1,199,900	1,248,220
Fiscal agent administration	1,805,614		1,805,614	
Less: Amounts representing fiscal agent reimbursement	(1,740,514)		(1,740,514)	
	<u>65,100</u>		<u>65,100</u>	
Investment return, net	175,539	229,168	404,707	116,661
Other	4,839		4,839	19,867
Net assets released from restrictions	<u>4,893,507</u>	<u>(4,893,507)</u>		
Total support and revenue	<u>15,425,786</u>	<u>205,756</u>	<u>15,631,542</u>	<u>14,126,064</u>

(Continued)

# COLLEGE NOW GREATER CLEVELAND

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

YEAR ENDED JULY 31, 2020

(with summarized financial information for the year ended July 31, 2019)

	Without Donor Restrictions	With Donor Restrictions	Total	
			2020	2019
<b>EXPENSES:</b>				
<b>Program services:</b>				
Financial Aid:				
Student awards	5,588,318		5,588,318	3,763,137
Less: Student awards and grants designated by donors for specific beneficiaries	(1,126,653)		(1,126,653)	
Other	845,934		845,934	675,861
Advisors:				
Student fees	7,066		7,066	19,179
Other	2,950,595		2,950,595	2,528,290
Adult Programs	563,938		563,938	624,142
Retention	721,203		721,203	501,362
Gaining Early Awareness and Readiness for Undergraduate Programs	662,294		662,294	599,972
AmeriCorps Programs	1,140,795		1,140,795	1,130,916
21st Century	1,612,303		1,612,303	1,665,072
Upward Bound	575,822		575,822	583,354
Talent search	331,674		331,674	305,765
<b>Total program services</b>	<b>13,873,289</b>		<b>13,873,289</b>	<b>12,397,050</b>
<b>Supporting services:</b>				
Fundraising	816,267		816,267	575,064
General and administrative	581,606		581,606	563,965
<b>Total supporting services</b>	<b>1,397,873</b>		<b>1,397,873</b>	<b>1,139,029</b>
<b>Total expenses</b>	<b>15,271,162</b>		<b>15,271,162</b>	<b>13,536,079</b>
<b>Increase in net assets</b>	<b>154,624</b>	<b>205,756</b>	<b>360,380</b>	<b>589,985</b>
<b>Net assets, beginning of year</b>	<b>1,352,940</b>	<b>15,496,479</b>	<b>16,849,419</b>	<b>16,259,434</b>
<b>Net asset reclassification</b>	<b>782,199</b>	<b>(782,199)</b>		
<b>Cumulative effect of adoption of ASU 2014-09</b>		<b>(670,398)</b>	<b>(670,398)</b>	
	<b>782,199</b>	<b>(1,452,597)</b>	<b>(670,398)</b>	
<b>Net assets, end of year</b>	<b>\$ 2,289,763</b>	<b>\$ 14,249,638</b>	<b>\$ 16,539,401</b>	<b>\$ 16,849,419</b>

(Continued)

# COLLEGE NOW GREATER CLEVELAND

## STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED JULY 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT AND REVENUE:</b>			
Student awards and grants raised	\$ 1,778,817	\$ 2,161,229	\$ 3,940,046
Contributions	1,492,482	3,119,303	4,611,785
Government grants	4,189,485		4,189,485
Contracted fee for service	1,248,220		1,248,220
Investment return, net	67,900	48,761	116,661
Other	19,867		19,867
Net assets released from restrictions	<u>4,651,483</u>	<u>(4,651,483)</u>	
Total support and revenue	<u>13,448,254</u>	<u>677,810</u>	<u>14,126,064</u>

(Continued)



# COLLEGE NOW GREATER CLEVELAND

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

YEAR ENDED JULY 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
<b>EXPENSES:</b>			
<b>Program services:</b>			
Financial Aid:			
Student awards	3,763,137		3,763,137
Other	675,861		675,861
Advisors:			
Student fees	19,179		19,179
Other	2,528,290		2,528,290
Adult Programs	624,142		624,142
Retention	501,362		501,362
Gaining Early Awareness and Readiness for			
Undergraduate Programs	599,972		599,972
AmeriCorps Programs	1,130,916		1,130,916
21st Century	1,665,072		1,665,072
Upward Bound	583,354		583,354
Talent search	305,765		305,765
Total program services	12,397,050		12,397,050
<b>Supporting services:</b>			
Fundraising	575,064		575,064
General and administrative	563,965		563,965
Total supporting services	1,139,029		1,139,029
Total expenses	13,536,079		13,536,079
<b>Increase (decrease) in net assets</b>	(87,825)	677,810	589,985
<b>Net assets, beginning of year</b>	1,440,765	14,818,669	16,259,434
<b>Net assets, end of year</b>	<u>\$ 1,352,940</u>	<u>\$ 15,496,479</u>	<u>\$ 16,849,419</u>

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

# COLLEGE NOW GREATER CLEVELAND

## STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JULY 31, 2020

	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	2020	2019
Expenses:														
Student awards and grants	\$ 5,588,318												\$ 5,588,318	\$ 3,763,137
Less: Student awards designated by donors for specific beneficiaries	(1,126,653)												(1,126,653)	
Student fees		\$ 7,066											7,066	19,179
Salaries:														
Advisors	46,681	823,245	\$ 2,795	\$ 1,625	\$ 127,845	\$ 802,456	\$ 110,002	\$ 384,468	\$ 89,572				2,388,689	2,389,816
Administration	371,436	955,628	248,106	294,033	164,133	149,153	105,141	448,329	199,231	\$ 430,866	\$ 124,009	\$ 61,650	3,551,715	2,868,140
Support	204,614	111,052	103,038	163,174	54,549	24,565	12,881	147,678	50,773	72,206	33,811	25,132	1,003,473	989,334
Payroll taxes	41,287	135,112	23,370	31,432	22,783	52,676	16,471	68,096	20,991	26,955	8,794	5,816	453,783	419,649
Employee benefits	73,083	245,281	41,064	57,068	70,518	16,496	46,403	199,251	69,251	57,934	19,121	9,972	905,442	810,924
Equipment	2,159	9,139	1,403	1,312	1,155	2,427	1,449	11,034	3,761	1,846	2,651	342	38,678	38,801
Telephone	2,263	15,736	3,667	2,135	2,286	4,831	935	4,694	1,718	2,889	584	285	42,023	31,727
Postage	1,234	1,495	141	34	120	160	30	943	167	4,328	350	31	9,033	13,280
Professional fees and dues	2,452	5,921	11,684	790	1,645	2,343	1,273	738	3,983	2,069	14,903	923	48,724	33,021
Accounting and legal	5,350	14,800	3,685	4,101	5,041	19,576	2,907	10,149	3,767	4,577	3,178	773	77,904	71,792
Travel and meetings	3,689	52,647	7,013	4,658	4,476	7,182	1,160	22,241	15,825	91,509	21,163	3,634	235,197	243,425
Student activities	1,525	322,924	1,406	33,617	112,271		15,869	131,413	62,619	375			682,019	624,434
Supplies	1,426	9,084	1,052	934	2,278	2,809	753	6,753	906	1,972	867	241	29,075	30,711
Consulting	27,910	71,624	65,519	37,646	6,907	820	36	19,575	25,172	12,640	7,739	2,690	278,278	309,121
Bank fees	181	61		148						8,211	2,643		11,244	10,152
Rent and utilities	32,377	90,798	22,245	24,852	18,161	18,000	11,227	108,200	19,302	27,789	6,204	4,588	383,743	289,004
Community outreach	2,713	8,149	3,768	6,508	533	971	167	3,452	249	25,626	1,243	65,541	118,920	231,405
Information technology services	8,205	21,578	13,312	44,350	66,074	23,858	4,115	39,704	7,244	11,536	17,567	1,804	259,347	171,066
Other	4,875	12,811	2,354	2,151	1,519	12,472	855	5,585	1,291	20,902	125,251	212	190,278	92,497
Depreciation and amortization	12,474	43,510	8,316	10,635						12,037	5,146	2,748	94,866	85,464
Total expenses	<u>\$ 5,307,599</u>	<u>\$ 2,957,661</u>	<u>\$ 563,938</u>	<u>\$ 721,203</u>	<u>\$ 662,294</u>	<u>\$ 1,140,795</u>	<u>\$ 331,674</u>	<u>\$ 1,612,303</u>	<u>\$ 575,822</u>	<u>\$ 816,267</u>	<u>\$ 395,224</u>	<u>\$ 186,382</u>	<u>\$ 15,271,162</u>	<u>\$ 13,536,079</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			
	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	\$ 3,763,137												\$ 3,763,137
Student fees		\$ 19,179											19,179
Salaries:													
Advisors	765	733,138	\$ 48,781	7,850	\$ 115,076	\$ 879,412	\$ 108,462	\$ 394,702	\$ 101,297		\$ 333		2,389,816
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
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
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
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
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
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
Postage	2,195	580	85	36	48	289	52	2,767	248	6,044	356	580	13,280
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
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
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
Student activities	13,053	166,360	690	33,017	82,112	20	12,766	174,026	141,686	200		504	624,434
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
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
Bank fees	810	10		154						3,570	5,608		10,152
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
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
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
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
Depreciation and amortization	10,719	40,098	9,899	7,952						9,120	4,326	3,350	85,464
Total expenses	\$ 4,438,998	\$ 2,547,469	\$ 624,142	\$ 501,362	\$ 599,972	\$ 1,130,916	\$ 305,765	\$ 1,665,072	\$ 583,354	\$ 575,064	\$ 272,743	\$ 291,222	\$ 13,536,079

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

# COLLEGE NOW GREATER CLEVELAND

## STATEMENTS OF CASH FLOWS

YEARS ENDED JULY 31, 2020 AND 2019

	2020	2019
<b>Cash flows from operating activities:</b>		
Increase in net assets	\$ 360,380	\$ 589,985
Cumulative effect of adoption of ASU 2014-09	(670,398)	
Adjustments to reconcile increase in net assets to net cash from operating activities:		
Depreciation and amortization	94,866	85,464
Loss on disposal of fixed assets	46,234	
Net realized and unrealized (gains) losses on investments	(288,799)	73,690
Contributions restricted for permanent endowment	(107,908)	(203,675)
Beneficial interest in perpetual trusts	(204)	5,943
Increase in allowance for doubtful accounts	50,000	20,000
Changes in assets and liabilities:		
Decrease (increase) in unconditional promises to give	476,538	(205,276)
Decrease (increase) in accounts receivable	351,672	(416,431)
Decrease (increase) in prepaid expenses	5,367	(16,752)
Increase in accounts payable	163,534	8,997
Increase (decrease) in scholarship awards payable	387,049	(148,234)
(Decrease) increase in accrued liabilities	(20,203)	114,912
Increase in agency liability	670,337	
(Decrease) increase in deferred revenue	(26,326)	46,575
Net cash provided by (used in) operating activities	<u>1,492,139</u>	<u>(44,802)</u>
<b>Cash flows from investing activities:</b>		
Purchases of property and equipment	(78,574)	(347,056)
Proceeds from sale of investments	2,425,580	700,599
Purchases of investments	(2,457,774)	(720,473)
Increase in other assets	(111,096)	(102,266)
Net cash used in investing activities	<u>(221,864)</u>	<u>(469,196)</u>
<b>Cash flows from financing activities:</b>		
Proceeds from note payable - Footnote 11	724,700	
Receipts from contributions restricted for permanent endowment	107,908	203,675
Net cash provided by financing activities	<u>832,608</u>	<u>203,675</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>2,102,883</b>	<b>(310,323)</b>
<b>Cash and cash equivalents, unrestricted and restricted for permanent endowment, beginning</b>	<u><b>5,540,675</b></u>	<u><b>5,850,998</b></u>
<b>Cash and cash equivalents, unrestricted and restricted for permanent endowment, ending</b>	<u><u><b>\$ 7,643,558</b></u></u>	<u><u><b>\$ 5,540,675</b></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, 2020 AND 2019

### 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 185 Northeast Ohio venues across five counties: schools, community-based organizations, businesses and our downtown Cleveland Resource Center. Additionally, College Now awards approximately \$4.5 million in need-based scholarships to approximately 1,850 traditional and nontraditional students. Since 1967, College Now has served hundreds of thousands of individuals and awarded over \$84 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 pronouncements:

In June 2018, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2018-08, *Not-for-Profit Entities* (Topic 958). *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. The objective of this ASU is to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958 or as exchange (reciprocal) transactions subject to other guidance, and (2) determining whether a contribution is conditional. This ASU is effective for years beginning after December 15, 2018 for contributions received and December 15, 2019 for contributions made; therefore, the Organization adopted ASU No. 2018-08 for contributions received for the year ended July 31, 2020. In accordance with the ASU the Organization has determined that the implementation had no significant impact on the Organization's financial statements for the year ended July 31, 2020.

In May 2014, FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers* (Topic 606). For nonpublic companies, ASU No. 2014-09 became effective for annual reporting periods beginning after December 15, 2018. The Organization adopted ASU No. 2014-09 for the year ended July 31, 2020 using the modified retrospective method applied to all contracts as of August 1, 2019. Results for reporting periods beginning after August 1, 2019 are presented under ASU No. 2014-09 while prior period amounts continue to be reported in accordance with legacy GAAP. The cumulative effect of adoption of ASU No. 2014-09 as of August 1, 2019 was \$670,398 and is presented as a decrease in net assets with donor restrictions on the statement of activities and changes in net assets.

# COLLEGE NOW GREATER CLEVELAND

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JULY 31, 2020 AND 2019

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

#### Recently adopted 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 should be included with cash and cash equivalents when reconciling beginning-of-year and end-of-year total amounts presented on the statement of cash flows. The Organization adopted the provisions of this ASU effective for the year ended July 31, 2020 using the retrospective method thereby restating (increasing) cash and cash equivalents, and cash and cash equivalents and cash and cash equivalents restricted for permanent endowment on the statement of cash flows at August 1, 2018 by \$128,732.

#### 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 year ended July 31, 2020 was \$1,796,990. Of these amounts received, \$1,126,653 have been awarded to identified recipients during the fiscal year ended July 31, 2020 with the remaining amounts of \$670,337 included in agency fund liability on the statement of financial position at July 31, 2020.

#### Contributions and unconditional promises 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.

# COLLEGE NOW GREATER CLEVELAND

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JULY 31, 2020 AND 2019

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

#### Contributions and unconditional promises to give (continued):

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 2020 and \$50,000 in 2019 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. Revenue is recorded when performance obligations are met under the governmental contract agreement.

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, 2020 and 2019 receivables due from government entities totaled \$770,765 and \$1,049,508, respectively. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position. At July 31, 2020 and 2019, the Organization had no refundable advances under cost-reimbursable 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.

# COLLEGE NOW GREATER CLEVELAND

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JULY 31, 2020 AND 2019

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

**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 "Agency transactions"). Generally, the Organization bills schools in the month the services are provided and bills foundations once administrative 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, 2020 and 2019, receivables due from contracted fee for service revenue totaled \$114,972 and \$187,901, respectively.

**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. No amounts have been recorded for salaries or related expenses related to these employees. Recognizing that fiscal agent administration (agency transactions) is a significant element of activities, amounts representing fiscal agent reimbursement 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 revenue was \$1,805,614 for the year ended July 31, 2020, which has been reduced by \$1,740,514 for amounts representing reimbursement under the fiscal agent agreement.



# COLLEGE NOW GREATER CLEVELAND

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JULY 31, 2020 AND 2019

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

#### **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 \$5.3 million permanent endowment fund maintained by The Cleveland Foundation. A percentage of the interest earned on these funds is available to the Organization for scholarships annually through the year ending July 31, 2021.

#### **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.

#### **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, 2020 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.

# COLLEGE NOW GREATER CLEVELAND

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JULY 31, 2020 AND 2019

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

#### 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:

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, 2020 AND 2019

### 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 2019 financial statements were reclassified to conform to the 2020 presentation.

#### Recent accounting pronouncements:

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.

In June 2020, FASB issued ASU No. 2020-05, *Revenue from Contracts with Customers* (Topic 606) and *Leases* (Topic 842) which deferred the implementation date of these standards for an additional year. 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.

### 2. Cash and cash equivalents:

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

	<u>2020</u>	<u>2019</u>
Without donor restrictions	\$ 7,543,879	\$ 5,362,700
With donor restrictions for permanent endowment	<u>99,679</u>	<u>177,975</u>
	<u>\$ 7,643,558</u>	<u>\$ 5,540,675</u>

# COLLEGE NOW GREATER CLEVELAND

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JULY 31, 2020 AND 2019

### 2. Cash and cash equivalents (continued):

Included in cash and cash equivalents at July 31, 2020 and 2019 are money market funds of approximately \$119,400 and \$218,600, 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, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Leasehold improvements	\$ 56,600	\$ 153,679
Office furniture and equipment	386,958	404,225
Computer equipment and software	<u>174,982</u>	<u>494,538</u>
	618,540	1,052,442
Accumulated depreciation and amortization	<u>(283,228)</u>	<u>(654,604)</u>
Net property and equipment	<u>\$ 335,312</u>	<u>\$ 397,838</u>

### 4. Unconditional promises to give:

Unconditional promises to give are primarily made by foundations, corporations, and individuals. Promises to give to be received after July 31, 2020 are discounted at rates varying from .18% 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>2020</u>	<u>2019</u>
With and without donor restrictions – available for operating expenses	<u>\$ 2,620,907</u>	<u>\$ 3,147,445</u>

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

	<u>2020</u>	<u>2019</u>
Receivable in less than one year	\$ 1,789,768	\$ 2,233,964
Receivable in one to five years	<u>941,834</u>	<u>998,500</u>
	2,731,602	3,232,464
Less discounts to net present value	10,695	35,019
Less allowance for doubtful accounts	<u>100,000</u>	<u>50,000</u>
Net unconditional promises to give	<u>\$ 2,620,907</u>	<u>\$ 3,147,445</u>

Approximately 78% of the gross amount of unconditional promises to give was due from four donors at July 31, 2020 and 75% was due from five donors at July 31, 2019.

# COLLEGE NOW GREATER CLEVELAND

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JULY 31, 2020 AND 2019

### 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, 2020, by the valuation hierarchy set forth by generally accepted accounting principles:

	Fair Value at July 31, 2020	Level 1	Level 2	Level 3
Investments:				
Cash equivalents	\$ 448,225	\$ 328,779	\$ 119,446	
Mutual funds:				
Domestic equity funds	3,589,175	3,589,175		
International equity funds	2,285,122	2,285,122		
Bond funds	<u>1,410,521</u>	<u>1,410,521</u>		
Total mutual funds	7,284,818	7,284,818		
Beneficial interest in perpetual trust	<u>245,013</u>			\$ 245,013
Net assets in the fair value hierarchy	7,978,056	<u>\$ 7,613,597</u>	<u>\$ 119,446</u>	<u>\$ 245,013</u>
Investments reported at net asset value (A)	<u>1,060,856</u>			
	<u>\$ 9,038,912</u>			

# COLLEGE NOW GREATER CLEVELAND

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JULY 31, 2020 AND 2019

### 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>			

(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:

	2020	2019
Hedge funds:		
Hirtle Callaghan Total Return Offshore Fund	<u>\$ 767,543</u>	<u>\$ 791,773</u>

# COLLEGE NOW GREATER CLEVELAND

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JULY 31, 2020 AND 2019

### 5. Fair value (continued):

	<u>2020</u>	<u>2019</u>
Limited partnerships:		
Hirtle Callaghan Private Equity VI Offshore Fund	108,812	131,440
Hirtle Callaghan Private Equity VII Offshore Fund	137,535	177,013
Hirtle Callaghan Private Equity XII Offshore Fund	<u>46,966</u>	<u>          </u>
	<u>293,313</u>	<u>308,453</u>
	<u>\$ 1,060,856</u>	<u>\$ 1,100,226</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.

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, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Beneficial interest in perpetual trust:		
Beginning balance	\$ 244,809	\$ 250,752
Increase (decrease) in beneficial interest (B)	<u>204</u>	<u>(5,943)</u>
Ending balance	<u>\$ 245,013</u>	<u>\$ 244,809</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, 2020 and 2019.

# COLLEGE NOW GREATER CLEVELAND

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JULY 31, 2020 AND 2019

### 6. Investments:

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

	<u>2020</u>	<u>2019</u>
Without donor restrictions – available for operating expenses	\$ 2,733,918	\$ 2,557,361
With donor restrictions- for permanent endowment	<u>5,611,756</u>	<u>5,467,320</u>
	<u>\$ 8,345,674</u>	<u>\$ 8,024,681</u>

Investments consisted of the following at July 31:

	<u>2020</u>		<u>2019</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Fixed income funds,				
capital trust	\$ 1,308,336	\$ 1,410,521	\$ 1,416,307	\$ 1,441,502
Equity funds	5,150,199	5,874,297	4,644,169	5,482,953
Alternative investment funds:				
Private equity funds	51,692	293,313	5,595	308,453
Hedge funds	<u>656,226</u>	<u>767,543</u>	<u>656,226</u>	<u>791,773</u>
	<u>\$ 7,166,453</u>	<u>\$ 8,345,674</u>	<u>\$ 6,722,297</u>	<u>\$ 8,024,681</u>

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

### 7. Net assets with donor restrictions:

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

	<u>2020</u>	<u>2019</u>
Subject to expenditure for specified purpose:		
Financial aid	\$ 4,291,675	\$ 6,194,564
Advisors	2,466,797	1,628,704
Adult Programs	973,465	949,011
General and administration	666,923	542,059
Retention	<u>107,450</u>	<u>232,037</u>
	<u>8,506,310</u>	<u>9,546,375</u>
Subject to the passage of time:		
Beneficial interest in perpetual trusts	245,013	244,809
Assets held in perpetuity for:		
Permanently restricted endowment fund	<u>5,498,315</u>	<u>5,705,295</u>
	<u>5,743,328</u>	<u>5,950,104</u>
	<u>\$ 14,249,638</u>	<u>\$ 15,496,479</u>



# COLLEGE NOW GREATER CLEVELAND

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JULY 31, 2020 AND 2019

### 7. Net assets with donor restrictions (continued):

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

	<u>2020</u>	<u>2019</u>
Satisfaction of purpose restriction:		
Financial aid	\$ 2,321,752	\$ 2,054,921
Advisors	1,542,032	1,450,509
Adult Programs	587,636	576,637
General and administration	130,000	320,000
Retention	<u>312,087</u>	<u>249,416</u>
	<u>\$ 4,893,507</u>	<u>\$ 4,651,483</u>

### 8. Endowment:

Changes in endowment net assets included in net assets with donor restrictions for fiscal years ended July 31, 2020 and 2019 were as follows:

	<u>2020</u>	<u>2019</u>
Endowment net assets, beginning of year	<u>\$ 5,705,295</u>	<u>\$ 5,714,600</u>
Investment return:		
Investment income, net	70,493	151,092
Net realized/unrealized appreciation	<u>158,675</u>	<u>(102,331)</u>
Total investment return, net	<u>229,168</u>	<u>48,761</u>
Appropriation of endowment assets for expenditure	(273,120)	(261,739)
Contributions	107,908	203,673
Net asset reclassification	<u>(270,936)</u>	<u></u>
Endowment net assets, end of year	<u>\$ 5,498,315</u>	<u>\$ 5,705,295</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, 2020, the endowment had an original value of \$6,437,544, a current value of \$5,771,435, and a deficiency of \$939,229. 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. 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.

# COLLEGE NOW GREATER CLEVELAND

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JULY 31, 2020 AND 2019

### 8. Endowment (continued):

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 \$273,120 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

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.

# COLLEGE NOW GREATER CLEVELAND

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JULY 31, 2020 AND 2019

### 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 \$343,493 in 2020 and \$344,867 in 2019.

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

Year ending July 31,

2021	\$ 348,561
2022	355,005
2023	356,796
2024	356,776
2025	363,962
Thereafter	<u>1,430,238</u>
	<u>\$ 3,211,338</u>

The Organization could be subject to legal proceedings and claims that arise in the ordinary course of business. As of July 31, 2020 and 2019, management was not aware of any pending litigation against the Organization that could have a material effect on the financial statements.

### 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, 2020 and 2019.

# COLLEGE NOW GREATER CLEVELAND

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JULY 31, 2020 AND 2019

**11. Paycheck Protection Program note payable:**

The Paycheck Protection Program (PPP) established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act, was implemented by the United States Small Business Administration (SBA) with support from the United States Department of the Treasury. The Organization applied for the PPP and was provided \$724,700 of funds under this program which is being presented as a PPP note payable at July 31, 2020 on the statement of financial position. These funds were provided in the form of a loan that can be forgiven by the SBA when used for eligible costs such as payroll, interest on mortgages, rent, and utilities. No collateral was required to obtain this loan. The Organization expects the entire loan amount, including accrued interest, to be forgiven; however, the loan proceeds are recorded as a note payable until forgiveness has been approved by the SBA. For any portion of the loan amount not forgiven, the remaining balance due on the loan is payable on or before the loan maturity date of April 18, 2022 bearing interest at 1%. Interest accrues on the loan during the time between the disbursement of the loan and the SBA remittance of the forgiveness amount.

**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, 2020 and 2019, the Organization's aggregate contributions were approximately \$265,600 and \$206,160, 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, 2020 and 2019.

**14. Liquidity and availability:**

The Organization's financial assets available within one year of the statements of financial position as of July 31, 2020 and 2019 for general expenditures are as follows:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 7,543,879	\$ 5,362,700
Accounts receivable	885,737	1,237,409
Unconditional promises to give	1,789,768	2,173,964
Investments	<u>2,733,918</u>	<u>2,557,361</u>
	12,953,302	11,331,434

# COLLEGE NOW GREATER CLEVELAND

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JULY 31, 2020 AND 2019

**14. Liquidity and availability (continued):**

	<u>2020</u>	<u>2019</u>
Less: unconditional promises to give, current	1,789,768	2,173,964
Cash and cash equivalents for restricted uses	<u>3,663,598</u>	<u>3,127,936</u>
	<u>\$ 7,499,936</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, 2020 and 2019.

**15. COVID-19:**

On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic with multiple jurisdictions in the United States declaring a state of emergency. Certain states, including Ohio, have issued "stay-at-home" orders for non-essential businesses, as defined. The Organization has determined it qualifies as an essential business. Accordingly, there has been no immediate significant impact to the Organization's operations to date. However, the Organization's statement of financial position, statement of activities and changes in net assets, and cash flows could be impacted in the near future. In the fiscal year ended July 31, 2020, the Organization received funding as part of the CARES Act to assist with ongoing operations. Management has, and will continue to, monitor the situation and make changes to its operations in an attempt to minimize any future financial impact.

**16. Subsequent events:**

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through November 19, 2020, 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, 2020

<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	\$ 1,176,149
U.S. Department of Education (TRIO Cluster): Talent Search	84.044		324,758
Upward Bound	84.047		<u>580,429</u>
Subtotal			905,187
Pass-Through Ohio Department of Education: 21 <sup>st</sup> Century Learning Centers	84.287	31-1334820	812,137
Pass-Through Wellington Exempted Village School District: 21 <sup>st</sup> Century Learning Centers	84.287	34-6003026	167,771
Pass-Through Warrensville City School District: 21 <sup>st</sup> Century Learning Centers	84.287	34-6002991	161,701
Pass-Through Lorain City School District: 21 <sup>st</sup> Century Learning Centers	84.287	34-6001701	297,234
Pass-Through Boys and Girls Clubs Of Cleveland: 21 <sup>st</sup> Century Learning Centers	84.287	34-1856214	<u>163,091</u>
Subtotal			1,601,934
Pass-Through Ohio Department of Higher Education: Gaining Early Awareness and Readiness For Undergraduate Programs	84.334	34-6002163	648,910
Pass-Through Cleveland Heights-University Heights City School District: Gaining Early Awareness and Readiness For Undergraduate Programs	84.334	34-6000687	<u>187,678</u>
Subtotal			836,588
U.S. Department of Housing and Urban Development: Pass-Through the City of Cleveland: Community Development Block Grant	14.218	34-6000646	<u>10,000</u>
			<u>\$ 4,529,858</u>

## COLLEGE NOW GREATER CLEVELAND

### SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)

YEAR ENDED JULY 31, 2020

#### COLLEGE NOW GREATER CLEVELAND NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JULY 31, 2020

**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, 2020, 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 19, 2020.

**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.

HW&Co.

Cleveland, Ohio  
November 19, 2020

**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, 2020. 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, 2020.

### **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.

A handwritten signature in black ink that reads "H W & Co." with a period at the end.

Cleveland, Ohio  
November 19, 2020

# COLLEGE NOW GREATER CLEVELAND

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JULY 31, 2020

### 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 | _____ <u>X</u> _____ | No            |
| ♦ Significant deficiency(ies) identified that are not considered to be material weaknesses? | _____ | Yes | _____ <u>X</u> _____ | None reported |

Noncompliance material to financial statements noted?

\_\_\_\_\_ Yes \_\_\_\_\_ X \_\_\_\_\_ No

#### Federal Award

Internal control over major programs:

- |   |       |     |                      |               |
|---|-------|-----|----------------------|---------------|
| ♦ Material weakness(es) identified?       | _____ | Yes | _____ <u>X</u> _____ | No            |
| ♦ Significant deficiency(ies) identified? | _____ | Yes | _____ <u>X</u> _____ | 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

Name of Federal Program or Cluster

94.006

AmeriCorps

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

\$ 750,000

- |  |                      |     |             |    |
|--|----------------------|-----|-------------|----|
| ♦ Auditee qualified as low-risk auditee? | _____ <u>X</u> _____ | Yes | _____ _____ | No |
|--|----------------------|-----|-------------|----|

# **COLLEGE NOW GREATER CLEVELAND**

## **SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**

**YEAR ENDED JULY 31, 2020**

### **Section II – Financial Statement Findings**

No findings were noted.

### **Section III – Federal Award Findings and Questioned Costs**

No findings were noted.