

College Now Greater Cleveland

YEARS ENDED JULY 31, 2021 AND 2020

COLLEGE NOW GREATER CLEVELAND

SINGLE AUDIT REPORT

YEARS ENDED JULY 31, 2021 AND 2020

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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, 2021 and 2020, 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, 2021 and 2020, and changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

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

Other Reports Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2021, 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.

HW&Co.

Cleveland, Ohio
November 29, 2021

COLLEGE NOW GREATER CLEVELAND

STATEMENTS OF FINANCIAL POSITION

JULY 31, 2021 AND 2020

ASSETS

	2021	2020
Current assets:		
Cash and cash equivalents	\$ 7,232,570	\$ 7,543,879
Accounts receivable	1,105,186	885,737
Unconditional promises to give	2,678,519	1,789,768
Investments restricted for permanent endowment	288,005	273,120
Prepaid expenses	129,715	88,878
Total current assets	11,433,995	10,581,382
Property and equipment, net	231,066	335,312
Other assets:		
Unconditional promises to give, net of current portion	1,265,994	831,139
Investments	3,334,901	2,733,918
Cash and cash equivalents restricted for permanent endowment	180,668	99,679
Investments restricted for permanent endowment	6,685,173	5,338,636
Beneficial interest in perpetual trust	285,624	245,013
Other	853,893	755,457
	12,606,253	10,003,842
Total assets	\$ 24,271,314	\$ 20,920,536

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable	\$ 198,211	\$ 279,070
Scholarship awards payable	2,434,732	2,501,725
Accrued liabilities	153,667	178,304
Agency liability	1,753,639	670,337
Deferred revenue	64,875	26,999
Note payable - Footnote 11		724,700
Total current liabilities	4,605,124	4,381,135
Net assets:		
Without donor restrictions	3,931,699	2,289,763
With donor restrictions	15,734,491	14,249,638
Total net assets	19,666,190	16,539,401
Total liabilities and net assets	\$ 24,271,314	\$ 20,920,536

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

COLLEGE NOW GREATER CLEVELAND

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED JULY 31, 2021

(with summarized financial information for the year ended July 31, 2020)

	Without Donor Restrictions	With Donor Restrictions	Total	
			2021	2020
SUPPORT AND REVENUE:				
Student awards and grants raised	\$ 4,818,905	\$ 1,726,083	\$ 6,544,988	\$ 5,141,085
Less: Student awards and grants designated by donors for specific beneficiaries	(1,047,347)		(1,047,347)	(1,126,653)
	<u>3,771,558</u>	<u>1,726,083</u>	<u>5,497,641</u>	<u>4,014,432</u>
Contributions	1,876,675	3,664,325	5,541,000	5,750,411
Government grants	4,038,427		4,038,427	4,192,153
Contracted fee for service	1,143,040		1,143,040	1,199,900
Fiscal agent administration	4,067,305		4,067,305	1,805,614
Less: Amounts representing fiscal agent reimbursement	(3,918,555)		(3,918,555)	(1,740,514)
	<u>148,750</u>		<u>148,750</u>	<u>65,100</u>
Investment return, net	608,214	1,494,074	2,102,288	404,707
Other	6,474		6,474	4,839
Net assets released from restrictions	<u>5,399,629</u>	<u>(5,399,629)</u>		
Total support and revenue	<u>16,992,767</u>	<u>1,484,853</u>	<u>18,477,620</u>	<u>15,631,542</u>

(Continued)

COLLEGE NOW GREATER CLEVELAND

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS (CONTINUED)

YEAR ENDED JULY 31, 2021

(with summarized financial information for the year ended July 31, 2020)

	Without Donor Restrictions	With Donor Restrictions	Total	
			2021	2020
EXPENSES:				
Program services:				
Financial Aid:				
Student awards	5,883,112		5,883,112	5,588,318
Less: Student awards and grants designated by donors for specific beneficiaries	(1,047,347)		(1,047,347)	(1,126,653)
Other	995,110		995,110	845,934
Advisors:				
Student fees	9,452		9,452	7,066
Other	3,441,517		3,441,517	2,950,595
Adult Programs	604,835		604,835	563,938
Retention	737,402		737,402	721,203
Gaining Early Awareness and Readiness for Undergraduate Programs	583,598		583,598	662,294
AmeriCorps Programs	852,037		852,037	1,140,795
21st Century	1,803,575		1,803,575	1,612,303
Upward Bound	556,179		556,179	575,822
Talent Search	314,934		314,934	331,674
Total program services	14,734,404		14,734,404	13,873,289
Supporting services:				
Fundraising	733,124		733,124	816,267
General and administrative	608,003		608,003	581,606
Total supporting services	1,341,127		1,341,127	1,397,873
Total expenses	16,075,531		16,075,531	15,271,162
Other changes:				
Forgiveness of Paycheck Protection Program note payable - Footnote 11	724,700		724,700	
Increase in net assets	1,641,936	1,484,853	3,126,789	360,380
Net assets, beginning of year	2,289,763	14,249,638	16,539,401	16,849,419
Cumulative effect of adoption of ASC 606				(670,398)
Net assets, end of year	<u>\$ 3,931,699</u>	<u>\$ 15,734,491</u>	<u>\$ 19,666,190</u>	<u>\$ 16,539,401</u>

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

COLLEGE NOW GREATER CLEVELAND

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED JULY 31, 2020

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

(Continued)

COLLEGE NOW GREATER CLEVELAND

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS (CONTINUED)

YEAR ENDED JULY 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
EXPENSES:			
Program services:			
Financial Aid:			
Student awards	5,588,318		5,588,318
Less: Student awards and grants designated by donors for specific beneficiaries	(1,126,653)		(1,126,653)
Other	845,934		845,934
Advisors:			
Student fees	7,066		7,066
Other	2,950,595		2,950,595
Adult Programs	563,938		563,938
Retention	721,203		721,203
Gaining Early Awareness and Readiness for Undergraduate Programs	662,294		662,294
AmeriCorps Programs	1,140,795		1,140,795
21st Century	1,612,303		1,612,303
Upward Bound	575,822		575,822
Talent Search	331,674		331,674
Total program services	13,873,289		13,873,289
Supporting services:			
Fundraising	816,267		816,267
General and administrative	581,606		581,606
Total supporting services	1,397,873		1,397,873
Total expenses	15,271,162		15,271,162
Increase in net assets	154,624	205,756	360,380
Net assets, beginning of year	1,352,940	15,496,479	16,849,419
Net asset reclassification	782,199	(782,199)	
Cumulative effect of adoption of ASC 606		(670,398)	(670,398)
	782,199	(1,452,597)	(670,398)
Net assets, end of year	\$ 2,289,763	\$ 14,249,638	\$ 16,539,401

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

COLLEGE NOW GREATER CLEVELAND

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JULY 31, 2021

	Primary Services				Special Services					Supporting Services			TOTAL	
	Financial Aid	Advisors	Adult Programs	Retention	GEAR UP	AmeriCorps Programs	21st Century	Upward Bound	Talent Search	Fund Raising	General and Administrative	Marketing and Communications	2021	2020
Expenses:														
Student awards and grants	\$ 5,883,112												\$ 5,883,112	\$ 5,588,318
Less: Student awards designated by donors for specific beneficiaries	(1,047,347)												(1,047,347)	(1,126,653)
Student fees		\$ 9,452											9,452	7,066
Salaries:														
Advisors	49,748	994,684			\$ 127,496	\$ 534,847	\$ 489,124	\$ 98,130	\$ 106,554		\$ 329		2,400,912	2,388,689
Administration	422,034	1,033,462	\$ 278,838	\$ 314,643	157,490	150,945	427,606	161,175	93,387	\$ 421,645	147,170	\$ 63,492	3,671,887	3,551,715
Support	233,827	101,945	95,695	174,545	56,443	28,007	220,462	39,195	11,365	80,730	22,437	31,101	1,095,752	1,003,473
Payroll taxes	47,036	172,348	24,714	33,854	24,282	28,103	79,727	20,787	15,518	28,040	9,744	6,099	490,252	453,783
Employee benefits	96,948	319,801	50,670	67,459	69,786	14,896	230,964	62,228	43,513	68,538	26,895	14,476	1,066,174	905,442
Equipment	2,342	30,176	843	1,847	815	5,470	8,169	2,329	1,190	3,382	5,983	1,070	63,616	38,678
Telephone	3,214	12,713	9,437	2,622	2,787	4,907	4,873	1,833	986	2,995	559	280	47,206	42,023
Postage	975	3,798	636	254	2,717	289	2,942	541	129	2,865	532	123	15,801	9,033
Professional fees and dues	2,597	4,460	10,561	4,619	481	2,188	811	3,715	2,692	2,790	15,033	634	50,581	48,724
Accounting and legal	5,924	15,557	3,204	4,412	3,660	16,359	8,569	3,552	2,396	4,654	1,530	725	70,542	77,904
Travel and meetings	3,398	18,672	817	2,064	4,412	10,795	11,090	12,120	2,108	33,755	22,685	124	122,040	235,197
Student activities	30,800	413,700	4,463	27,085	83,530	24	151,465	87,415	18,323	1,650		1,323	819,778	682,019
Supplies	574	12,443	506	415	662	5,854	2,349	724	317	1,085	505	263	25,697	29,075
Consulting	30,590	89,659	81,196	14,003	13,054	1,100	52,890	31,774		16,000	11,305	2,895	344,466	278,278
Bank fees	778	40								3,078	11,208		15,104	11,244
Rent and utilities	37,360	106,877	20,044	27,881	19,338	18,000	79,200	18,320	11,450	29,500	27,517	4,346	399,833	383,743
Community outreach	1,534	35,270	2,729	6,503	379	6,086	1,269	4,194	580	13,667	174	83,281	155,666	118,920
Information technology services	7,683	20,864	12,205	44,457	14,646	19,157	26,600	6,364	3,471	7,011	3,708	1,466	167,632	259,347
Other	7,030	17,977	1,762	2,796	1,620	5,010	5,465	1,783	955	3,842	82,416	489	131,145	190,278
Depreciation and amortization	10,718	37,071	6,515	7,943						7,897	3,791	2,295	76,230	94,866
Total expenses	<u>\$ 5,830,875</u>	<u>\$3,450,969</u>	<u>\$ 604,835</u>	<u>\$ 737,402</u>	<u>\$ 583,598</u>	<u>\$ 852,037</u>	<u>\$ 1,803,575</u>	<u>\$ 556,179</u>	<u>\$ 314,934</u>	<u>\$ 733,124</u>	<u>\$ 393,521</u>	<u>\$ 214,482</u>	<u>\$16,075,531</u>	<u>\$15,271,162</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	21st Century	Upward Bound	Talent Search	Fund Raising	General and Administrative	Marketing and Communications	
Expenses:													
Student awards and grants	\$ 5,588,318												\$ 5,588,318
Less: Student awards designated by donors for specific beneficiaries	(1,126,653)												(1,126,653)
Student fees		\$ 7,066											7,066
Salaries:													
Advisors	46,681	823,245	\$ 2,795	\$ 1,625	\$ 127,845	\$ 802,456	\$ 384,468	\$ 89,572	\$ 110,002				2,388,689
Administration	371,436	955,628	248,106	294,033	164,133	149,153	448,329	199,231	105,141	\$ 430,866	\$ 124,009	\$ 61,650	3,551,715
Support	204,614	111,052	103,038	163,174	54,549	24,565	147,678	50,773	12,881	72,206	33,811	25,132	1,003,473
Payroll taxes	41,287	135,112	23,370	31,432	22,783	52,676	68,096	20,991	16,471	26,955	8,794	5,816	453,783
Employee benefits	73,083	245,281	41,064	57,068	70,518	16,496	199,251	69,251	46,403	57,934	19,121	9,972	905,442
Equipment	2,159	9,139	1,403	1,312	1,155	2,427	11,034	3,761	1,449	1,846	2,651	342	38,678
Telephone	2,263	15,736	3,667	2,135	2,286	4,831	4,694	1,718	935	2,889	584	285	42,023
Postage	1,234	1,495	141	34	120	160	943	167	30	4,328	350	31	9,033
Professional fees and dues	2,452	5,921	11,684	790	1,645	2,343	738	3,983	1,273	2,069	14,903	923	48,724
Accounting and legal	5,350	14,800	3,685	4,101	5,041	19,576	10,149	3,767	2,907	4,577	3,178	773	77,904
Travel and meetings	3,689	52,647	7,013	4,658	4,476	7,182	22,241	15,825	1,160	91,509	21,163	3,634	235,197
Student activities	1,525	322,924	1,406	33,617	112,271		131,413	62,619	15,869	375			682,019
Supplies	1,426	9,084	1,052	934	2,278	2,809	6,753	906	753	1,972	867	241	29,075
Consulting	27,910	71,624	65,519	37,646	6,907	820	19,575	25,172	36	12,640	7,739	2,690	278,278
Bank fees	181	61		148						8,211	2,643		11,244
Rent and utilities	32,377	90,798	22,245	24,852	18,161	18,000	108,200	19,302	11,227	27,789	6,204	4,588	383,743
Community outreach	2,713	8,149	3,768	6,508	533	971	3,452	249	167	25,626	1,243	65,541	118,920
Information technology services	8,205	21,578	13,312	44,350	66,074	23,858	39,704	7,244	4,115	11,536	17,567	1,804	259,347
Other	4,875	12,811	2,354	2,151	1,519	12,472	5,585	1,291	855	20,902	125,251	212	190,278
Depreciation and amortization	12,474	43,510	8,316	10,635						12,037	5,146	2,748	94,866
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>\$ 1,612,303</u>	<u>\$ 575,822</u>	<u>\$ 331,674</u>	<u>\$ 816,267</u>	<u>\$ 395,224</u>	<u>\$ 186,382</u>	<u>\$ 15,271,162</u>

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

COLLEGE NOW GREATER CLEVELAND

STATEMENTS OF CASH FLOWS

YEARS ENDED JULY 31, 2021 AND 2020

	2021	2020
Cash flows from operating activities:		
Increase in net assets	\$ 3,126,789	\$ 360,380
Cumulative effect of adoption of ASC 606		(670,398)
Adjustments to reconcile increase in net assets to net cash from operating activities:		
Depreciation and amortization	76,230	94,866
Loss on disposal of fixed assets	41,615	46,234
Net realized and unrealized gains on investments	(2,020,761)	(288,799)
Contributions restricted for permanent endowment	(201,432)	(107,908)
Beneficial interest in perpetual trusts	(40,611)	(204)
Increase in allowance for doubtful accounts		50,000
Forgiveness of Paycheck Protection Program note payable	(724,700)	
Changes in assets and liabilities:		
Decrease (increase) in unconditional promises to give	(1,343,606)	476,538
Decrease (increase) in accounts receivable	(219,449)	351,672
Decrease (increase) in prepaid expenses	(40,837)	5,367
Increase (decrease) in accounts payable	(80,859)	163,534
Increase (decrease) in scholarship awards payable	(66,993)	387,049
Decrease in accrued liabilities	(24,637)	(20,203)
Increase in agency liability	1,083,302	670,337
Increase (decrease) in deferred revenue	37,876	(26,326)
Net cash provided by (used in) operating activities	(398,073)	1,492,139
Cash flows from investing activities:		
Purchases of property and equipment	(13,599)	(78,574)
Proceeds from sale of investments	1,654,076	2,425,580
Purchases of investments	(1,595,720)	(2,457,774)
Increase in other assets	(98,436)	(111,096)
Net cash used in investing activities	(53,679)	(221,864)
Cash flows from financing activities:		
Proceeds from note payable		724,700
Receipts from contributions restricted for permanent endowment	221,432	107,908
Net cash provided by financing activities	221,432	832,608
Net increase (decrease) in cash and cash equivalents	(230,320)	2,102,883
Cash and cash equivalents, unrestricted and restricted for permanent endowment, beginning	7,643,558	5,540,675
Cash and cash equivalents, unrestricted and restricted for permanent endowment, ending	\$ 7,413,238	\$ 7,643,558

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

COLLEGE NOW GREATER CLEVELAND

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2021 AND 2020

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

Nature of activities:

College Now Greater Cleveland's ("College Now" or the "Organization") mission is to increase post secondary educational attainment through college and career access advising, financial aid counseling and scholarship and retention services. Highly trained professionals deliver our integrated services that annually reach more than 30,000 traditional and nontraditional students and individuals in more than 185 Northeast Ohio venues across five counties: schools, community-based organizations, businesses and our downtown Cleveland Resource Center. Additionally, College Now awards approximately \$5.8 million in need-based scholarships to approximately 1,800 traditional and nontraditional students. Since 1967, College Now has served hundreds of thousands of individuals and awarded over \$88 million in scholarships to Northeast Ohio students and adult learners.

Basis of accounting:

The financial statements of the Organization have been prepared on the accrual basis of accounting.

Basis of presentation:

Financial statement presentation follows the recommendations of generally accepted accounting principles, which require the Organization to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Student awards and grants raised:

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

Student awards and grants raised where the beneficiary has been specified by the donor or the determination of the beneficiary is under the control of another third party are treated as agency transactions and are not reported as revenue or student awards and grants expense. Recognizing that designated scholarships (agency transactions) are a significant element of activities, they are included in student awards and grants raised and deducted from that amount to calculate net student awards and grants raised revenue. Total amounts of student awards and grants raised under these agreements during the years ended July 31, 2021 and 2020 was \$1,820,865 and \$1,796,990, respectively. Of these amounts received during the fiscal years ended July 31, 2021 and 2020, \$1,047,347 and \$1,126,653, respectively, have been awarded to identified recipients with the remaining amounts of \$773,518 and \$670,337 included in agency liability on the statement of financial position at July 31, 2021 and 2020, respectively.

The cumulative effect of adoption of Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 606 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, 2021 AND 2020

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

Contributions and unconditional promised to give:

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

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

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

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

In evaluating the collectability of unconditional promises to give, the Organization considers a number of factors, including the age of the promises, changes in collection patterns, terms of the pledge and general industry conditions. An allowance for doubtful accounts is recorded based upon a consideration of the likelihood that amounts will not be collected in full. As specific promises are deemed uncollectible, they are written off against the allowance for doubtful accounts. An allowance for doubtful accounts of \$100,000 in 2021 and 2020 is included in unconditional promises to give, net of current portion.

Government grants:

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

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, 2021 and 2020 receivables due from government entities totaled \$840,737 and \$770,765, respectively. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position. At July 31, 2021 and 2020, the Organization had no refundable advances under cost-reimbursable grants.

COLLEGE NOW GREATER CLEVELAND

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JULY 31, 2021 AND 2020

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 "Fiscal agent administration"). Generally, the Organization bills contracted fees once services are substantially complete. Revenue is recognized as performance obligations are satisfied.

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

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

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

The Organization recognizes revenue in the statements of activities and changes in net assets and accounts receivable on the statements of financial position when the services have been provided. Since the Organization has performed its obligations under the contracts, it has unconditional rights to the consideration and, therefore, records billed amounts as accounts receivable. At July 31, 2021 and 2020, receivables due from contracted fee for service revenue totaled \$167,085 and \$114,972, 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. Recognizing that fiscal agent administration (agency transactions) is significant for the Organization, amounts representing fiscal agent reimbursement for all salaries and related expenses have been included in fiscal agent administration revenue and deducted from that amount to calculate net fiscal agent administration revenue. The total gross amount of fiscal agent administration and fees was \$4,067,305 and \$1,805,614 for the years ended July 31, 2021 and 2020, respectively, which has been reduced by \$3,918,555 and \$1,740,514 for amounts representing reimbursement under the fiscal agent agreement. At July 31, 2021, \$97,364 of accounts receivable and \$980,121 of agency liability related to fiscal agent administration were included in the statement of financial position.

COLLEGE NOW GREATER CLEVELAND

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JULY 31, 2021 AND 2020

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 \$6.6 million endowment fund maintained by The Cleveland Foundation. A percentage of the interest earned on these funds is available to the Organization for scholarships annually through the year ended July 31, 2021.

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, 2021 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, 2021 AND 2020

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:

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, 2021 AND 2020

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, printing, professional fees, student activities and fees are charged specifically to the department or program these costs are supporting if identifiable. Other costs such as rent, utilities, information technology, insurance, accounting, legal, and various general and administrative costs are allocated based on the ratio of each program or department's salary expense to total salary expense.

Reclassifications:

Certain amounts in the 2020 financial statements were reclassified to conform to the 2021 presentation.

Recent accounting pronouncements:

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

In September 2020, the FASB issued ASU No. 2020-07, *Not for Profit Entities* (Topic 958): Presentation and Disclosures by Not for Profit Entities for Contributed Nonfinancial Assets. This ASU is intended to increase transparency about contributed nonfinancial assets, including how the assets are used and valued. This ASU is effective for fiscal years beginning after June 15, 2021 (year-end July 31, 2022).

Management has yet to determine the impact these ASUs will have on its financial statements and will adopt the provisions on their effective dates.

2. Cash and cash equivalents:

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

	<u>2021</u>	<u>2020</u>
Without donor restrictions	\$ 7,232,570	\$ 7,543,879
With donor restrictions for permanent endowment	<u>180,668</u>	<u>99,679</u>
	<u>\$ 7,413,238</u>	<u>\$ 7,643,558</u>

COLLEGE NOW GREATER CLEVELAND

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JULY 31, 2021 AND 2020

2. Cash and cash equivalents (continued):

Included in cash and cash equivalents at July 31, 2021 and 2020 are money market funds of approximately \$199,100 and \$119,400, 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, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Leasehold improvements	\$ 56,600	\$ 56,600
Office furniture and equipment	379,080	386,958
Computer equipment and software	<u>90,852</u>	<u>174,982</u>
	526,532	618,540
Accumulated depreciation and amortization	<u>(295,466)</u>	<u>(283,228)</u>
Net property and equipment	<u>\$ 231,066</u>	<u>\$ 335,312</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, 2021 are discounted at rates varying from .12% 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>2021</u>	<u>2020</u>
With and without donor restrictions – available for operating expenses	<u>\$ 3,944,513</u>	<u>\$ 2,620,907</u>

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

	<u>2021</u>	<u>2020</u>
Receivable in less than one year	\$ 2,678,519	\$ 1,789,768
Receivable in one to five years	<u>1,371,000</u>	<u>941,834</u>
	4,049,519	2,731,602
Less discounts to net present value	5,006	10,695
Less allowance for doubtful accounts	<u>100,000</u>	<u>100,000</u>
Net unconditional promises to give	<u>\$ 3,944,513</u>	<u>\$ 2,620,907</u>

Approximately 68% of the gross amount of unconditional promises to give was due from five donors at July 31, 2021 and 78% was due from four donors at July 31, 2020.

COLLEGE NOW GREATER CLEVELAND

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JULY 31, 2021 AND 2020

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, 2021, by the valuation hierarchy set forth by generally accepted accounting principles:

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

COLLEGE NOW GREATER CLEVELAND

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JULY 31, 2021 AND 2020

5. Fair value (continued):

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>			

(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:

	2021	2020
Hedge funds:		
Hirtle Callaghan Total Return Offshore Fund	<u>\$ 639,959</u>	<u>\$ 767,543</u>

COLLEGE NOW GREATER CLEVELAND

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JULY 31, 2021 AND 2020

5. Fair value (continued):

	<u>2021</u>	<u>2020</u>
Limited partnerships:		
Hirtle Callaghan Private Equity VI Offshore Fund	154,846	108,812
Hirtle Callaghan Private Equity VII Offshore Fund	145,423	137,535
Hirtle Callaghan Private Equity XII Offshore Fund	298,907	46,966
Hirtle Callaghan Private Equity 2020 Fund	<u>56,342</u>	<u> </u>
	<u>655,518</u>	<u>293,313</u>
	<u>\$ 1,295,477</u>	<u>\$ 1,060,856</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, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Beneficial interest in perpetual trust:		
Beginning balance	\$ 245,013	\$ 244,809
Increase in beneficial interest (B)	<u>40,611</u>	<u>204</u>
Ending balance	<u>\$ 285,624</u>	<u>\$ 245,013</u>

(B) These amounts represent total increases in value for the period included in changes in net assets with donor restrictions attributable to the change in values relating to beneficial interest in perpetual trusts still held at July 31, 2021 and 2020.

COLLEGE NOW GREATER CLEVELAND

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JULY 31, 2021 AND 2020

6. Investments:

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

	<u>2021</u>	<u>2020</u>
Without donor restrictions – available for operating expenses	\$ 3,334,901	\$ 2,733,918
With donor restrictions- for permanent endowment	<u>6,973,178</u>	<u>5,611,756</u>
	<u>\$ 10,308,079</u>	<u>\$ 8,345,674</u>

Investments consisted of the following at July 31:

	<u>2021</u>		<u>2020</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Fixed income funds,				
capital trust	\$ 1,983,591	\$ 2,069,399	\$ 1,308,336	\$ 1,410,521
Equity funds	4,735,746	6,943,203	5,150,199	5,874,297
Alternative investment				
funds:				
Private equity funds	286,537	655,518	51,692	293,313
Hedge funds	<u>444,550</u>	<u>639,959</u>	<u>656,226</u>	<u>767,543</u>
	<u>\$ 7,450,424</u>	<u>\$ 10,308,079</u>	<u>\$ 7,166,453</u>	<u>\$ 8,345,674</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>2021</u>	<u>2020</u>
Subject to expenditure for specified purpose:		
Financial aid	\$ 4,745,867	\$ 4,438,500
Advisors	2,660,496	2,403,797
Adult Programs	287,546	739,590
General and administration	150,999	666,923
Retention	<u>223,142</u>	<u>257,500</u>
	<u>8,068,050</u>	<u>8,506,310</u>
Subject to the passage of time:		
Beneficial interest in perpetual trusts	285,624	245,013
Assets held in perpetuity for:		
Permanently restricted endowment fund	<u>7,380,817</u>	<u>5,498,315</u>
	<u>7,666,441</u>	<u>5,743,328</u>
	<u>\$ 15,734,491</u>	<u>\$ 14,249,638</u>

COLLEGE NOW GREATER CLEVELAND

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JULY 31, 2021 AND 2020

7. Net assets with donor restrictions (continued):

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

	<u>2021</u>	<u>2020</u>
Satisfaction of purpose restriction:		
Financial aid	\$ 1,706,720	\$ 2,321,752
Advisors	2,113,895	1,542,032
Adult Programs	739,590	587,636
General and administration	616,924	130,000
Retention	<u>222,500</u>	<u>312,087</u>
	<u>\$ 5,399,629</u>	<u>\$ 4,893,507</u>

8. Endowment:

Endowment net asset composition by type of fund as of July 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Endowment funds with donor restrictions	\$ 7,380,817	\$ 5,498,315
Endowment funds without donor restrictions	<u>25,000</u>	<u> </u>
Total funds	<u>\$ 7,405,817</u>	<u>\$ 5,498,315</u>

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

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ <u> </u>	\$ 5,498,315	\$ 5,498,315
Investment return:			
Investment income, net		181,564	181,564
Realized and unrealized gains on investments, net	<u> </u>	<u>1,312,511</u>	<u>1,312,511</u>
Total investment return	<u> </u>	<u>1,494,075</u>	<u>1,494,075</u>
Appropriation for expenditure		(288,005)	(288,005)
Contributions	<u>\$ 25,000</u>	<u>676,432</u>	<u>701,432</u>
Total change in endowment funds	<u>25,000</u>	<u>1,882,502</u>	<u>1,907,502</u>
Endowment net assets, end of year	<u>\$ 25,000</u>	<u>\$ 7,380,817</u>	<u>\$ 7,405,817</u>

COLLEGE NOW GREATER CLEVELAND

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JULY 31, 2021 AND 2020

8. Endowment (continued):

Changes in endowment net assets for the year ended July 31, 2020:

	<u>With Donor Restrictions</u>
Endowment net assets, beginning of year	\$ <u>5,705,295</u>
Investment return:	
Investment income, net	70,493
Realized and unrealized gains on investments, net	<u>158,675</u>
Total investment return	<u>229,168</u>
Appropriation for expenditure	(273,120)
Contributions	107,908
Net asset reclassification	<u>(270,936)</u>
Total change in endowment funds	<u>(206,980)</u>
Endowment net assets, end of year	<u>\$ 5,498,315</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, 2021, the endowment had an original value of \$7,138,976, a current value of \$7,405,841, and a surplus of \$266,865. 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. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new contributions for donor-restricted endowment funds and continued appropriation for certain programs that was deemed prudent by the Board of Directors.

The Organization has a policy of appropriating for distribution each year a percentage as approved by the Finance Committee of its endowment fund's average fair value over the prior 12 quarters through the fiscal year-end preceding the fiscal year in which the distribution is planned. In establishing this policy, the Organization considered the long-term expected return on its endowment. Accordingly, over the long term, the Organization expects the current spending policy to allow its endowment to grow at a level to meet the annual distribution plus cost of inflation. The Organization has a policy that permits spending from underwater endowment funds depending on the degree to which the fund is underwater, unless otherwise precluded by donor intent or relevant laws and regulations. The Organization's Finance Committee appropriated for expenditure \$273,120 from underwater endowment funds during the year ended July 31, 2020, which represents 5% of the 12-quarter moving average.

COLLEGE NOW GREATER CLEVELAND

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JULY 31, 2021 AND 2020

8. Endowment (continued):

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.

9. Commitments and contingencies:

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

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

Total rent expense for all leases, excluding utilities, was \$350,795 in 2021 and \$343,493 in 2020.

COLLEGE NOW GREATER CLEVELAND

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JULY 31, 2021 AND 2020

9. Commitments and contingencies (continued):

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

Year ending July 31,

2022	\$ 357,301
2023	359,092
2024	357,350
2025	363,962
2026	371,294
Thereafter	<u>1,058,944</u>
	<u>\$ 2,867,943</u>

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, 2021 and 2020.

11. Paycheck Protection Program note payable:

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

12. Retirement plan:

The Organization administers a 401(k) retirement plan for all eligible employees. The Organization is required to match up to a maximum of 5% of employee contributions. Matching contributions are immediately vested. For the years ended July 31, 2021 and 2020, the Organization's aggregate contributions were approximately \$346,343 and \$265,600, respectively.

COLLEGE NOW GREATER CLEVELAND

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JULY 31, 2021 AND 2020

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, 2021 and 2020.

14. Liquidity and availability:

The Organization's financial assets available within one year of the statements of financial position as of July 31, 2021 and 2020 for general expenditures are as follows:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 7,232,570	\$ 7,543,879
Accounts receivable	1,105,186	885,737
Unconditional promises to give	2,678,519	1,789,768
Investments	<u>3,334,901</u>	<u>2,733,918</u>
	14,351,176	12,953,302
Less: unconditional promises to give, current	2,678,519	1,789,768
Cash and cash equivalents for restricted uses	<u>4,058,796</u>	<u>3,663,598</u>
	<u>\$ 7,613,861</u>	<u>\$ 7,499,936</u>

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

15. COVID-19:

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 and shutting down major portions of the economy. The Organization immediately pivoted to using virtual platforms to continue to provide its advising, scholarship and mentoring services and therefore was able to successfully mitigate most of the impact of COVID-19 to College Now as a whole. During this challenging time, the Organization benefited from the continued generosity of its funders and also received funding as part of the CARES Act (Note 11) to assist with ongoing operations and staffing throughout the balance of fiscal years 2020 and 2021. While there remains external uncertainty around the impact of the pandemic entering fiscal year 2022, the Organization will continue to monitor the situation and believes it is well positioned to successfully navigate the challenges it will face as it has done since March 2020.

COLLEGE NOW GREATER CLEVELAND

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JULY 31, 2021 AND 2020

16. Subsequent events:

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through November 29, 2021, 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, 2021

<u>Federal Grantor/Program or Cluster Title</u>	<u>Federal AL Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
Corporation for National and Community Service: Pass-Through Ohio Commission on Service and Volunteerism: AmeriCorps	94.006	31-1334820	\$ 994,209
U.S. Department of Education (TRIO Cluster): Talent Search	84.044		307,963
Upward Bound	84.047		<u>532,962</u>
Subtotal			840,925
Pass-Through Ohio Department of Education: 21 st Century Learning Centers	84.287	31-1334820	783,685
Pass-Through Wellington Exempted Village School District: 21 st Century Learning Centers	84.287	34-6003026	107,060
Pass-Through Warrensville City School District: 21 st Century Learning Centers	84.287	34-6002991	302,182
Pass-Through Lorain City School District: 21 st Century Learning Centers	84.287	34-6001701	298,000
Pass-Through Boys and Girls Clubs Of Cleveland: 21 st Century Learning Centers	84.287	34-1856214	155,481
Pass-Through Garfield Heights Board of Education 21 st Century Learning Centers	84.287	34-6001196	<u>148,948</u>
Subtotal			1,795,356
Pass-Through Ohio Department of Higher Education: Gaining Early Awareness and Readiness For Undergraduate Programs	84.334	34-6002163	576,719
Pass-Through Cleveland Heights-University Heights City School District: Gaining Early Awareness and Readiness For Undergraduate Programs	84.334	34-6000687	<u>139,189</u>
Subtotal			715,908
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>
Pass-Through Cuyahoga County: Governor's Emergency Education Relief (GEER) Fund	84.425C	GEER-FASFA21	<u>71,116</u>
			<u>\$ 4,427,514</u>

COLLEGE NOW GREATER CLEVELAND

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)

YEAR ENDED JULY 31, 2021

COLLEGE NOW GREATER CLEVELAND NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JULY 31, 2021

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, 2021, 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 29, 2021.

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&C.

Cleveland, Ohio
November 29, 2021

**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, 2021. 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, 2021.

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.

HW&C.

Cleveland, Ohio
November 29, 2021

COLLEGE NOW GREATER CLEVELAND

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JULY 31, 2021

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:

AL Number

Name of Federal Program or Cluster

84.287

21st Century Learning Centers

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, 2021

Section II – Financial Statement Findings

No findings were noted.

Section III – Federal Award Findings and Questioned Costs

No findings were noted.