

College Forward
Independent Auditors' Report
And
Financial Statements
June 30, 2009 and 2008

College Forward

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Padgett Stratemann & Co. LLP

CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

Independent Auditors' Report

To the Board of Directors
and Management of College Forward

We have audited the accompanying statement of financial position of College Forward, as of June 30, 2009 and 2008 and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of College Forward's management. 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. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of College Forward's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of College Forward as of June 30, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Padgett, Stratemann + Co., LLP

Certified Public Accountants
May 12, 2010

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Financial Statements

College Forward

Statements of Financial Position

June 30, 2009 and 2008

	Assets	
	<u>2009</u>	<u>2008</u>
Cash and cash equivalents	\$ 198,791	\$ 537,332
Costs in excess of reimbursements	54,294	-
Receivables	54,806	84,500
Property and equipment, net of accumulated depreciation of \$6,422 and \$2,955	<u>20,992</u>	<u>5,943</u>
Total assets	<u>\$ 328,883</u>	<u>\$ 627,775</u>
Liabilities and Net Assets		
Accounts payable and accrued liabilities	<u>\$ 249,689</u>	<u>\$ 195,147</u>
Net Assets		
Unrestricted	27,983	94,939
Temporarily restricted	<u>51,211</u>	<u>337,689</u>
Total net assets	<u>79,194</u>	<u>432,628</u>
Total liabilities and net assets	<u>\$ 328,883</u>	<u>\$ 627,775</u>

Notes to financial statements form an integral part of this statement

College Forward

Statement of Activities

Year Ended June 30, 2009

	Unrestricted	Temporarily Restricted	Total
Public Support and Revenue			
Contributions	\$ 677,790	\$ 175,759	\$ 853,549
In-kind support	53,303	-	53,303
Interest income	4,068	-	4,068
Other income	8,228	-	8,228
Net assets released from restrictions program expenditures	444,737	(444,737)	-
Total public support and revenue	1,188,126	(268,978)	919,148
Expenses			
Program Services	932,592	-	932,592
Supporting Services:			
Management and general	157,965	-	157,965
Fundraising	46,125	-	46,125
Total supporting services	204,090	-	204,090
Total expenses	1,136,682	-	1,136,682
Change in net assets	51,444	(268,978)	(217,534)
Net assets, beginning of the year as originally stated	94,939	337,689	432,628
Prior period adjustment	(118,400)	(17,500)	(135,900)
Net assets, beginning of year as restated	(23,461)	320,189	296,728
Net assets, end of the year	\$ 27,983	\$ 51,211	\$ 79,194

Notes to financial statements form an integral part of this statement

College Forward

Statement of Activities

Year Ended June 30, 2008

	Unrestricted	Temporarily Restricted	Total
Public Support and Revenue			
Contributions	\$ 369,954	\$ 473,673	\$ 843,627
In-kind support	42,553	-	42,553
Interest income	7,103	-	7,103
Other income	7,664	-	7,664
Net assets released from restrictions		-	
program expenditures	183,834	(183,834)	-
Total public support and revenue	611,108	289,839	900,947
Expenses			
Program Services	500,435	-	500,435
Supporting Services:			
Management and general	160,593	-	160,593
Fundraising	2,099	-	2,099
Total supporting services	162,692	-	162,692
Total expenses	663,127	-	663,127
Change in net assets	(52,019)	289,839	237,820
Net assets, beginning of year	146,958	47,850	194,808
Net assets, end of the year	\$ 94,939	\$ 337,689	\$ 432,628

Notes to financial statements form an integral part of this statement

College Forward

Statement of Functional Expenses

Year Ended June 30, 2009

	Supporting Services			Total Supporting Services	Total Expenses
	Program Services	Management and General	Fundraising		
Salaries and related expenses	\$ 618,572	\$ 41,702	\$ 34,751	\$ 76,453	\$ 695,025
Staff expenses	10,058	678	565	1,243	11,301
Accounting fees	8,610	4,241	-	4,241	12,851
Legal fees	6,724	3,312	-	3,312	10,036
Supplies	23,972	11,807	-	11,807	35,779
Telephone	12,843	6,326	-	6,326	19,169
Postage	4,124	2,031	-	2,031	6,155
Printing	15,994	7,877	-	7,877	23,871
Subscriptions	3,103	1,528	-	1,528	4,631
Rent	42,229	20,799	-	20,799	63,028
Utilities	3,832	1,887	-	1,887	5,719
Rentals	4,884	2,406	-	2,406	7,290
Travel	42,242	2,848	2,373	5,221	47,463
Conferences	18,115	1,221	1,018	2,239	20,354
Miscellaneous	36,340	17,899	-	17,899	54,239
Insurance	20,151	9,925	-	9,925	30,076
Advertising	15,272	7,522	-	7,522	22,794
Miscellaneous equipment	15,310	7,541	-	7,541	22,851
Professional fees	27,894	5,271	7,418	12,689	40,583
Total expenses before depreciation	930,269	156,821	46,125	202,946	1,133,215
Depreciation	2,323	1,144	-	1,144	3,467
Total expenses	<u>\$ 932,592</u>	<u>\$ 157,965</u>	<u>\$ 46,125</u>	<u>\$ 204,090</u>	<u>\$ 1,136,682</u>

Notes to financial statements form an integral part of this statement

College Forward

Statement of Functional Expenses

Year Ended June 30, 2008

	Supporting Services				Total Expenses
	Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries and related expenses	\$ 321,397	\$ 107,675	\$ 860	\$ 108,535	\$ 429,932
Staff expenses	2,904	513	-	513	3,417
Accounting fees	4,090	722	-	722	4,812
Supplies	18,789	3,316	229	3,545	22,334
Telephone	5,125	904	-	904	6,029
Postage	4,082	720	-	720	4,802
Printing	11,698	2,064	273	2,337	14,035
Subscriptions	7,669	1,353	-	1,353	9,022
Rent	15,549	22,377	-	22,377	37,926
Utilities	1,660	1,984	-	1,984	3,644
Rentals	7,047	1,243	-	1,243	8,290
Travel	34,987	6,174	24	6,198	41,185
Conferences	23,008	4,881	-	4,881	27,889
Miscellaneous	7,849	1,385	713	2,098	9,947
Insurance	5,449	962	-	962	6,411
Advertising	1,615	285	-	285	1,900
Miscellaneous equipment	3,180	561	-	561	3,741
Professional fees	23,212	3,275	-	3,275	26,487
	499,310	160,394	2,099	162,493	661,803
Total expenses before depreciation					
Depreciation	1,125	199	-	199	1,324
Total expenses	\$ 500,435	\$ 160,593	\$ 2,099	\$ 162,692	\$ 663,127

Notes to financial statements form an integral part of this statement

College Forward

Statements of Cash Flows

Years Ended June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Cash Flows from Operating Activities		
Change in net assets	\$ (217,534)	\$ 237,820
Adjustments to reconcile change in net assets to cash provided by (used by) operating activities:		
Depreciation	3,467	1,324
Change in:		
Receivables	(24,600)	(84,500)
Accounts payable and accrued liabilities	<u>(81,358)</u>	<u>191,803</u>
Net cash provided by (used by) operating activities	<u>(320,025)</u>	<u>346,447</u>
Cash Flows from Investing Activities		
Acquisition of equipment	<u>(18,516)</u>	<u>(1,180)</u>
Net cash used by investing activities	<u>(18,516)</u>	<u>(1,180)</u>
Net change in cash and cash equivalents	(338,541)	345,267
Cash and cash equivalents at beginning of year	<u>537,332</u>	<u>192,065</u>
Cash and cash equivalents and end of year	<u>\$ 198,791</u>	<u>\$ 537,332</u>
Non-Cash effect of Prior Period Adjustments to Accrued liabilities	<u>\$ (135,900)</u>	<u>\$ -</u>

Notes to financial statements form an integral part of this statement

Notes to Financial Statements

College Forward

Notes to Financial Statements

1: Activities and Significant Accounting Policies

Organization and Nature of Activities

College Forward provides college preparatory and retention services to motivated, economically-disadvantaged students in order to facilitate their transition to college and make the process exciting and rewarding. We believe that access to higher education is the right of every young Texan.

College Forward was incorporated as a voluntary non-profit corporation of the state of Texas and registered with the Secretary of State's office in Austin, Texas on March 12, 2003 as Admission Control. October 21, 2005 Admission Control's board of directors approved to change Admission Control's name to College Forward. On May 17, 2006, board members voted for the name change to become effective as of July 1, 2006. Effective April 14, 2009, the Office of the Secretary of State certified the assumed name certificate for College Forward.

College Forward accomplishes its mission by providing:

- Orientation to the college experience
- Preparation for college entrance examinations
- Assistance in completing college applications
- Assistance in securing financial aid
- College retention support

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting applicable to not-for-profit organizations in accordance with accounting principles generally accepted in the United States of America.

College Forward

Notes to Financial Statements

1: Activities and Significant Accounting Policies (continued)

Basis of Presentation

The statements of financial position and activities focus on College Forward as a whole and reports the amounts of its total assets, liabilities, net assets and changes in net assets in accordance with the Statement of Financial Accounting Standards (“SFAS”) No. 117, *Financial Statements of Not-for-Profit Organizations*. Accordingly, net assets of College Forward and changes therein are classified and reported as follows:

Unrestricted Net Assets

Unrestricted net assets consist of net assets that are not subject to donor-imposed restrictions. Property and equipment are included in unrestricted net assets.

Temporarily Restricted Net Assets

Temporarily restricted net assets consist of net assets that are subject to donor-imposed stipulations that require the passage of time or the occurrence of a specific event. When the donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently Restricted Net Assets

Permanently restricted net assets consist of net assets subject to donor-imposed stipulations that are maintained permanently. Generally, the donors of these net assets permit the use of all or part of the income earned on any related investments for general or specific purposes. College Forward has no permanently restricted net assets at June 30, 2009 and 2008.

Cash and Cash Equivalents

For purposes of the statement of cash flows, College Forward includes both cash deposit accounts and short-term investments with maturities of less than three months from the date they were purchased as cash and cash equivalents.

College Forward

Notes to Financial Statements

1: Activities and Significant Accounting Policies (continued)

Revenue / Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions. As donor or time restrictions are satisfied, net assets are reclassified to unrestricted net assets. Contributions received with donor-imposed restrictions that are met in the same year in which the contributions are received are classified as unrestricted contributions.

All donor-restricted contributions are reported as increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Property and Equipment

Property and equipment are valued at historical cost. Depreciation of property and equipment is provided over the estimated useful lives of the respective assets using the straight-line method, principally three to seven years.

In-Kind Contributions and Donated Services

Donated materials and services are recorded at their fair value. For the years ended June 30, 2009 and 2008, College Forward received \$53,303 and \$42,553, respectively of in-kind contributions and donated services.

Contributed Services

During the years ended June 30, 2009 and 2008, College Forward received volunteer services to assist with programs, administration and fundraising functions. These services do not meet the requirements for recognition in the financial statements under the provision of SFAS No. 116. Therefore, the value of these services has not been recognized in these financial statements.

Use of Estimates and Assumptions

The preparation of the 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 amounts of and disclosures. Actual results could differ from those estimates.

College Forward

Notes to Financial Statements

1: Activities and Significant Accounting Policies (continued)

Functional Allocation of Expenses

Expenses are categorized by functions in the statement of activities as either program services or supporting services. Expenses that are specifically identifiable to a function are allocated entirely to that function. Expenses that are not specifically identifiable to a function are allocated based upon management's estimate of time and resources devoted to the function.

Subsequent Events

College Forward has evaluated subsequent events that occurred after June 30, 2009 through the filing of this report on May 12, 2010. Any material subsequent events that occurred during this time have been properly recognized or disclosed in the financial statements.

2: Tax Exempt Status

College Forward is exempt from federal income tax under Internal Revenue Code Section 501(a) as a publicly supported charitable organization described in Section 501(c)(3). Therefore, no provision for income taxes has been included in these financial statements.

3: Concentration of Credit Risk

As of year end, June 30, 2009, College Forward maintained cash balances at two financial institutions located in Austin, Texas. Accounts at these institutions are insured by the Federal Deposit Insurance Corporation up to \$250,000. As of June 30, 2009, College Forward's cash balance was fully insured.

As of year end, June 30, 2008, College Forward maintained cash balances at two financial institutions located in Austin, Texas. Accounts at these institutions are insured by the Federal Deposit Insurance Corporation up to \$100,000. As of June 30, 2008, College Forward's uninsured cash balance totaled \$343,286.

College Forward

Notes to Financial Statements

4: Property and Equipment

Property and equipment consists of the following:

	June 30,	
	2009	2008
Property and equipment	\$ 27,414	\$ 8,898
Accumulated depreciation	<u>(6,422)</u>	<u>(2,955)</u>
	<u>\$ 20,992</u>	<u>\$ 5,943</u>

Depreciation expense was \$3,467 and \$1,324 for the year ended June 30, 2009 and 2008, respectively.

5: Lease Commitments

College Forward entered into lease agreements for office space. The lease agreements commence from October 1, 2007 through June 30, 2012. The following is a schedule of future minimum lease payments:

Year ending June 30,	
2010	\$ 30,745
2011	15,000
2012	<u>15,000</u>
	<u>\$ 60,745</u>

College Forward incurred rental expenses of \$63,028 and \$39,463 for office space for the years ended June 30, 2009 and 2008, respectively.

In addition to an office lease agreement, College Forward entered into a copier lease agreement on March 27, 2007. The copier lease agreement commences from April 1, 2007 through March 31, 2010. Lease payments of \$1,665 are due during the year ending June 30, 2010 for this lease.

College Forward incurred copier rental expense of \$2,800 and \$2,220 for the years ended June 30, 2009 and 2008, respectively.

College Forward

Notes to Financial Statements

6: Temporarily Restricted Net Assets

Temporarily restricted net assets that are restricted to balance arising from contributions for which restrictions that have not been met consists of the following:

	June 30,	
	2009	2008
A Glimmer of Hope Foundation	\$ -	\$ 10,000
Impact Austin	-	82,861
Lola Wright Foundation	1,073	7,519
Points of Light/Hands-on Network	-	500
Rachael and Ben Vaughan	-	197
TG AmeriCorps	-	7,148
TG Getting in Initiative	66	-
TG Research	49,788	42,072
Youth Service America	284	42
The Long Foundation	-	10,000
Sooch Foundation	-	25,000
KDK Harman Foundation	-	34,850
Texas Pioneer Foundation	-	117,500
	<u>\$ 51,211</u>	<u>\$ 337,689</u>

7: Related Party

As of June 30, 2009 and 2008, College Forward had an outstanding payable in the amount of \$244,280 and \$194,627 for unreimbursed payroll and insurance costs to Medical Research Consultants ("MRC"), respectively. MRC is majority owned by a member of College Forward's Board of Directors. From the inception of College Forward in 2003 through January 22, 2010, MRC facilitated the administration of College Forward's payroll and made payments on behalf of College Forward to a third party payroll processor. College Forward has made and continues to make periodic reimbursement payments of such costs to MRC.

College Forward

Notes to Financial Statements

8: Prior Period Adjustment

During fiscal year 2009, College Forward identified errors in the 2007 and 2008 financial statements and made the following corrections:

- During the current fiscal year, it came to the attention of management that contributions recorded in fiscal year 2007 for in-kind contributions relating to payroll costs were recorded in error. As a result of this, in-kind contributions of approximately \$151,000 were reversed decreasing beginning net assets and an offsetting liability was recognized for the amount of payroll costs incurred during fiscal year 2007. See note 7 for further description of liability.
- During the current fiscal year, College Forward discovered that contribution revenue of \$15,000 should have been recognized in the previous year. As a result, revenues of approximately \$15,000 was recorded as an increase to beginning net assets during fiscal year 2009.