Mission Graduates

FINANCIAL STATEMENTS

June 30, 2013

(WITH COMPARATIVE TOTALS FOR JUNE 30, 2012)

CROSBY & KANEDA
Certified Public Accountants

Dedicated to Nonprofit Organizations

Mission Graduates

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Mission Graduates
San Francisco, California

Report on the Financial Statements

We have audited the accompanying financial statements of Mission Graduates, which comprise the statement of financial position as of June 30, 2013, and the related statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mission Graduates as of June 30, 2013, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Mission Graduates' June 30, 2012 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 8, 2012. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Report on Other Legal and Regulatory Requirements

In accordance with Government Auditing Standards, we have **also** issued our report dated September 23, 2013 on our consideration of Mission Graduates' 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* and should be considered in assessing the results of our audit.

Crosby & Kaneda
Certified Public Accountants
Oakland, California
September 23, 2013

Mission Graduates

Statement of Financial Position
June 30, 2013
(With Comparative Totals for June 30, 2012)

	2013	2012
Assets		
Current Assets		
Cash	$ 302,225	$ 273,860
Contracts and grants receivable	269,999	342,040
Prepaid expenses	19,284	15,382
Current Assets	591,508	631,282
Property and equipment, net (Note 3)	7,507	15,382
Deposits	2,975	3,257
Total Assets	$ 601,990	$ 649,921
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued liabilities	$ 75,170	$ 75,667
Accrued vacation	31,846	32,447
Total Liabilities	107,016	108,114
Commitments and Contingencies (Notes 5 and 6)		
Net Assets		
Unrestricted	289,640	388,236
Temporarily Restricted (Note 7)	205,334	153,571
Total Net Assets	494,974	541,807
Total Liabilities and Net Assets	$ 601,990	$ 649,921

Mission Graduates

Statement of Activities
For the Year Ended June 30, 2013
(With Comparative Totals for the Year Ended June 30, 2012)

	Unrestricted	Temporarily Restricted	Total 2013	Total 2012
Support and Revenue				
Government grants	$ 719,102	$	$ 719,102	$ 828,581
Contributions	121,713		121,713	66,062
Foundation and corporate grants	75,185	506,890	582,075	470,787
In-kind contributions	135		135	-
Fees and sales	46,746		46,746	48,394
Interest	170		170	381
Miscellaneous	857		857	9,379
Net assets released from donor restrictions: (Note 7)	455,127	(455,127)	-	-
Total Support and Revenue	1,419,035	51,763	1,470,798	1,423,584
Expenses				
Program	1,239,250		1,239,250	1,350,759
Management and general	130,595		130,595	114,636
Fundraising	147,786		147,786	82,926
Total Expenses	1,517,631	-	1,517,631	1,548,321
Change in Net Assets	(98,596)	51,763	(46,833)	(124,737)
Net Assets, beginning of year	388,236	153,571	541,807	666,544
Net Assets, end of year	$ 289,640	$ 205,334	$ 494,974	$ 541,807

Mission Graduates

Statement of Cash Flows
For the Year Ended June 30, 2013
(With Comparative Totals for the Year Ended June 30, 2012)

	2013	2012
Cash flows from operating activities:		
Change in net assets	$ (46,833)	$ (124,737)
Adjustments to reconcile change in net assets to net cash provided (used) in operating activities		
Depreciation	7,875	10,723
Changes in assets and liabilities:		
Contracts and grants receivable	72,041	(52,136)
Prepaid expenses	(3,902)	(1,896)
Deposits	282	(1,857)
Accounts payable and accrued expenses	(497)	16,906
Accrued vacation	(601)	9,847
Net cash provided (used) by operating activities	28,365	(143,150)
Cash flows from investing activities:		
Purchase of property and equipment	-	(4,697)
Net cash used by investing activities	-	(4,697)
Net change in cash	28,365	(147,847)
Cash		
Beginning of year	273,860	421,707
End of year	$ 302,225	$ 273,860
Supplemental Disclosure:		
Interest paid during the year	$ 168	$ 1,225

Mission Graduates

Statement of Functional Expenses
For the Year Ended June 30, 2013
(With Comparative Totals for the Year Ended June 30, 2012)

	Program							Total	
	Extended Day Program	College Access	Scholarship Program	Parent Education	Total Program	Management and General	Fundraising	2013	2012
Salaries	$ 451,906	$ 139,033	$	$ 123,966	$ 714,905	$ 55,250	$ 97,392	$ 867,547	$ 860,057
Payroll taxes	48,053	14,830		12,856	75,739	6,873	10,598	93,210	89,592
Employee benefits	50,950	12,077		10,468	73,495	2,818	2,254	78,567	86,314
Total personnel	550,909	165,940	-	147,290	864,139	64,941	110,244	1,039,324	1,035,963
Accounting						56,690	-	56,690	44,288
Other professional services	47,722	16,210		20,608	84,540	434	13,480	98,454	132,011
Advertising and promotion	998	207		223	1,428	72	1,124	2,624	834
Office expenses	45,636	12,597		6,465	64,698	1,802	8,614	75,114	140,037
Telephone	7,146	3,272		4,140	14,558	391	905	15,854	7,728
Information technology	1,118	346		237	1,701	544	217	2,462	3,035
Occupancy	34,533	24,748		5,143	64,424	1,991	4,614	71,029	49,426
Travel, meals and entertainment	4,263	1,004		593	5,860	15	3,209	9,084	7,321
Conferences, conventions, meetings	4,559	3,353		905	8,817	1,751	1,331	11,899	16,776
Interest						168	-	168	1,225
Depreciation	4,546	1,101		968	6,615	380	880	7,875	10,723
Insurance	1,095	266		233	1,594	91	213	1,898	1,744
Dues, licenses, service fees	2,843	1,118		605	4,566	1,325	2,587	8,478	7,484
Scholarships	21,795	6,839	66,180	21,206	116,020		-	116,020	88,073
Miscellaneous	150	140			290		368	658	1,653
Total Expenses	$ 727,313	$ 237,141	$ 66,180	$ 208,616	$ 1,239,250	$ 130,595	$ 147,786	$ 1,517,631	$ 1,548,321

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2012)

NOTE 1: NATURE OF ACTIVITIES

Mission Graduates (the Organization) is a California nonprofit benefit corporation, formed to increase the number of K-12 students in San Francisco's Mission District who are prepared for and complete a college education, in collaboration with schools, parents, and community agencies.

Organization Programs:

***Extended Day* (ED)** – provides after school academic support and summer programming at both Marshall and Bryant Elementary Schools in San Francisco, focuses on positive youth development outcomes and helping struggling children excel academically. The ED serves 250 children across both sites, spanning K-5th grades, and infuses a foundation of literacy and English Language Development throughout all lessons and activities. The ED has five central program components: 1) Academic enrichment and guided reading interventions; 2) Project-based "elective" activities that incorporate literacy-building opportunities throughout each project cycle; 3) Sports and Recreation; 4) Community-building activities that help to foster group cohesion, build social skills, and model resiliency; and 5) Believing the College Dream, our early college awareness program that aims to prepare and motivate children to plan for college.

College Access - Our College Connect program identifies high school juniors who would be the first in their family to attend college, surround them with caring adult experts in college admissions as well as a cohort of peers who are just as committed to attending college, and supports them and their families all the way through college graduation. While participating in our program, students are provided training on college entrance exams, coaching in developing a personal statement, support in navigating the world of financial aid and scholarships, and suggestions on colleges and universities that will best meet their needs. We ensure that students are not only accepted into college, but that they acquire the financial means to attend, and the support to ensure they receive their diploma. This year, 106 students participated in the program spread across six cohorts; 56 are college students, 25 are high school seniors, and this fall, we will select 25 high school juniors.

Scholarship Program - The Mission Graduates Scholarship program provides scholarships for first generation Mission District students who are participating in the College Connect Program. These scholarships ensure that finances are not a barrier for our students to attend college.

Parent Education - The Parent Partner program is designed to increase the academic success and college prospects of Mission youth by nurturing a strong culture of parent engagement across Mission schools. This program complements MG's other core programs that similarly work to increase the college success rates of youth from our community. There are large bodies of evidence that show that parent involvement is a key component in bridging the achievement gap for minority youth, yet there is often a lack of meaningful opportunities for parents in public schools to get involved. The Parent Partner program accomplishes this through trainings on school governance, peer-to-peer education and support, and network building.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

Basis of Presentation

The Organization presents information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The three classes are differentiated by donor restrictions.

Unrestricted net assets – consist of resources which have not been specifically restricted by a donor. Unrestricted net assets may be designated for specific purposes by the Organization or may be limited by contractual agreements with outside parties.

Temporarily restricted net assets – are subject to donor stipulations that expire by the passage of time or can be fulfilled or removed by actions pursuant to the stipulations.

Permanently restricted net assets – are subject to donor stipulations requiring that they be maintained permanently, thereby restricting the use of principal. Usually, donor stipulations allow part or all of the income earned to be used currently for a restricted purpose. There were no permanently restricted net assets as of June 30, 2013.

Contributions

Contributions, including unconditional pledges, are recognized as revenues when donors' commitments are received. Contributions other than cash are recorded at their estimated fair value at the date of the gift. Conditional pledges become unconditional and recognized as revenues when the conditions are substantially met. Contributions to be received after one year are discounted at an appropriate rate commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

All donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

The Organization considers all contributions to be fully collectible at June 30, 2013.

Income Taxes

The Internal Revenue Service and the California Franchise Tax Board have determined that the Organization is exempt from federal and state income taxes under Internal Revenue Code Section 501 (c) (3) and the California Revenue and Taxation Code Section 23701(d). The Organization has evaluated its current tax positions as of June 30, 2013 and is not aware of any significant uncertain tax positions for which a reserve would be necessary. The Organization's tax returns are generally subject to examination by federal and state taxing authorities for three and four years, respectively after they are filed.

Contributed Services

Contributed services are reflected in the financial statements at the fair value of the services received only if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. There were no contributed services that met the criteria for recognition for the year ended June 30, 2013.

Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all money market funds and other highly liquid investments with original maturities of three months or less when purchased to be cash equivalents.

Fair Value Measurements

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Organization determines the fair values of its assets and liabilities based on a fair value hierarchy that includes three levels of inputs that may be used to measure fair value.

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date. An active market is a market in which transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

- Level 2 inputs are inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the assets or liability. Unobservable inputs reflect the Organization's own assumptions about the assumptions market participants would use in pricing the asset or liability (including assumptions about risk). Unobservable inputs are developed based on the best information available in the circumstances and may include the Organization's own data.

The Organization had no assets or liabilities recorded at fair value on June 30, 2013.

Property and Equipment

Property and equipment purchased by the Organizations are recorded at cost. The Organizations capitalize all expenditures for property and equipment over $1,000; the fair value of donated fixed assets is similarly capitalized. Depreciation is computed using the straight-line method over the estimated useful lives on the property and equipment or the related lease terms as follows:

Furniture and equipment	3 years
Leasehold improvements	5 years

Expenditures for major renewals and betterments that extend the useful lives of the property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

Management reviews long-lived assets for impairment when circumstances indicate the carrying amount of the asset may not be recoverable. Impairment is recognized if the sum of the undiscounted estimated future cash flows expected to result from the use of the asset is less than the carrying value. When an impairment loss is recognized, the asset's carrying value is reduced to its estimated fair value.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Prior Year Summarized Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2012, from which the summarized information was derived.

Reclassifications

Certain accounts in the prior year's summarized information have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

Subsequent Events

The Organization has evaluated subsequent events and has concluded that as of September 23, 2013, the date that the financial statements were available to be issued, there were no significant subsequent events to disclose.

NOTE 3: PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30:

	2013	2012
Furniture and equipment	$ 30,854	$ 203,419
Leasehold improvements	17,699	17,699
Less accumulated depreciation	(41,046)	(205,736)
Total	$ 7,507	$ 15,382

NOTE 4: LINE OF CREDIT

As of June 30, 2013 the Organization had a $150,000 unsecured line of credit with a local bank to be drawn down as needed, with interest of 10%. There was no outstanding balance at June 30, 2013.

NOTE 5: COMMITMENTS

The Organization is party to two leases for office space San Francisco, California, which expire in December, 2013 and June, 2015. Additionally, the Organization leases a copier which expires in September, 2017. At June 30, 2013, future minimum operating lease payments were as follows for the years ending June 30:

2014	$ 40,404
2015	32,323
2016	3,576
2017	3,576
2018	894
Total	$ 80,773

Rent for the years ended June 30, 2013 and 2012 was $44,974 and $38,808, respectively.

NOTE 6: CONTINGENCIES

Compliance with donor restrictions

Grant awards require the fulfillment of certain conditions as set forth in the instrument of grant. Failure to fulfill the conditions could result in the return of the funds to the grantors. The Organization deems this contingency remote since by accepting the grants and their terms, it has accommodated the objectives of the Organization to the provisions of the grants. The Organization's management is of the opinion that the Organization has complied with the terms of all grants.

NOTE 7: TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets were available as follows at June 30:

	2013	2012
College Access	$ 10,588	$ 57,839
College Scholarship Stipends	194,746	73,926
Extended Day Program	-	21,806
Total	$ 205,334	$ 153,571

Temporarily restricted net assets were released from donor restriction by incurring expenses satisfying the purposes specified by donors as follows during the year ended June 30:

	2013	2012
College Access	$ 237,141	$ 182,886
College Scholarship Stipends	66,180	85,557
Extended Day Program	21,806	54,034
Parent Education and Empowerment	130,000	152,473
Environmental Education	-	38,121
Total	$ 455,127	$ 513,071

NOTE 8: CONCENTRATIONS

Revenue concentrations and receivables

The Organization receives a portion of its support from federal, state, and local governments. A significant reduction in the level of this support, if this were to occur, may have an effect on the Organization's program and activities.

NOTE 9: CONDITIONAL PROMISE TO GIVE

The Organization received two conditional grants totaling $348,000 during the two years ended June 30, 2012. Each grant was conditioned upon providing $10,000 per year in tuition to four students who attended college beginning in the fall of 2011 and 2012, respectively, and included $14,000 for administrative costs. As of June 30, 2013 the Organization met all conditions and during the year then ended recognized $87,000.

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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
Mission Graduates
San Francisco, California

We have audited the financial statements of Mission Graduates as of and for the year ended June 30, 2013, and have issued our report thereon dated September 23, 2013. We conducted our audit 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.

Internal Control Over Financial Reporting

Management of Mission Graduates is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Mission Graduates' internal control over financial reporting as a basis for designing our auditing procedures. We have audited the financial statements of Mission Graduates as of and for the year ended June 30, 2013, which collectively comprise Mission Graduates' basic financial statements and have issued our report thereon dated September 23, 2013 for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Mission Graduates' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Mission Graduates' internal control over financial reporting.

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 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Mission Graduates' 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*.

We noted certain matters that we reported to management of Mission Graduates in a separate letter dated September 23, 2013.

This report is intended solely for the information and use of management, the Board of Directors, others within the entity, and San Francisco Unified School District, and the City and County of San Francisco Department of Children Youth and Families and is not intended to be and should not be used by anyone other than these specified parties.

Crosby & Kaneda
Certified Public Accountants
Oakland, California
September 23, 2013