MISSION GRADUATES

FINANCIAL STATEMENTS

FOR THE YEAR ENDED
JUNE 30, 2017

This Page Left Intentionally Blank

INTRODUCTORY SECTION

This Page Left Intentionally Blank

MISSION GRADUATES
Financial Statements
For the Year Ended June 30, 2017

Table of Contents

MISSION GRADUATES

BOARD OF DIRECTORS AND MANAGEMENT PERSONNEL

JUNE 30, 2017

BOARD OF DIRECTORS

Olga Lozovskaya, President
Amelia Martinez, Vice President
Lillian Chen
Pete Gilligan
Jen Hamilton
Allen Li
Jennifer Ottovegio
Joey Castaneda
Christine Nash
Jewelea Rivas

MANAGEMENT

Edward Kaufman, Executive Director

FINANCIAL SECTION

This Page Left Intentionally Blank

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Mission Graduates
San Francisco, California

We have audited the accompanying financial statements of Mission Graduates (a nonprofit organization), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 the Mission Graduates as of June 30, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Accountancy Corporation
3478 Buskirk Avenue, Suite 215
Pleasant Hill, CA 94523

T 925.930.0902
F 925.930.0135
E maze@mazeassociates.com
W **mazeassociates.com**

Report on Summarized Comparative Information

We have previously audited the Organization's 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 21, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Maze & Associates

Pleasant Hill, California
October 30, 2017

MISSION GRADUATES
STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2017
WITH COMPARATIVE AMOUNTS AS OF JUNE 30, 2016

ASSETS	2017	2016
Current Assets		
Cash and cash equivalents (Note 2H)	$349,743	$500,687
Contracts and grants receivable	437,628	314,823
Prepaid expenses	11,210	32,501
Current Assets	798,581	848,011
Noncurrent Assets		
Furniture and equipment, net of accumulated depreciation (Note 3)	5,478	5,086
Deposits	2,975	2,975
Noncurrent Assets	8,453	8,061
Total Assets	$807,034	$856,072
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	$58,609	$55,389
Accrued payroll and payroll taxes		80,379
Accrued vacation	60,678	44,620
Total Liabilities	119,287	180,388
Net Assets		
Unrestricted	330,865	377,355
Temporarily restricted (Note 7)	356,882	298,329
Total Net Assets	687,747	675,684
Total Liabilities and Net Assets	$807,034	$856,072

See accompanying notes to financial statements.

MISSION GRADUATES
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017
WITH SUMMARIZED AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016

	Unrestricted	Temporarily Restricted	Totals 2017	Totals 2016
SUPPORT AND REVENUES				
Government grants	$1,647,408		$1,647,408	$1,517,495
Foundation, corporate and nonprofit grants	252,006	$698,749	950,755	932,182
Individual contributions	199,480		199,480	130,407
Fees and sales	176,403		176,403	107,966
Investment earnings and other income	471		471	2,817
Net assets released from donor restrictions (Note 7)	640,196	(640,196)		
Total Support and Revenues	2,915,964	58,553	2,974,517	2,690,867
EXPENSES				
Program services	2,599,398		2,599,398	2,470,160
Management and general	196,448		196,448	213,802
Fundraising	166,608		166,608	125,336
Total Expenses	2,962,454		2,962,454	2,809,298
CHANGE IN NET ASSETS	(46,490)	58,553	12,063	(118,431)
Net Assets, beginning of year	377,355	298,329	675,684	794,115
Net Assets, end of year	$330,865	$356,882	$687,747	$675,684

See accompanying notes to financial statements.

This Page Left Intentionally Blank

MISSION GRADUATES
STATEMENT OF FUNCTIONAL ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017
WITH SUMMARIZED AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016

	Program		
	Extended Day Program	Mission Community Beacon	College Access
SUPPORT AND REVENUES			
Government grants	$1,001,588	$435,494	
Foundations, corporations and nonprofits	35,162	34,500	$552,417
Individual support	527		4,105
Fees and sales	107,274	5,890	20,000
Investment earnings and other income			
Total Support and Revenues	1,144,551	475,884	576,522
FUNCTIONAL EXPENSES			
Salaries and wages	730,232	300,634	257,430
Fringe benefits	158,855	77,719	58,723
Total personnel expenses	889,087	378,353	316,153
Professional services	23,889	7,853	11,502
Program consultants	172,438	46,757	3,525
Subcontractor fee		20,368	
Program operating expenses	43,803	73,666	25,443
College scholarships			163,299
Office operating expenses	5,307	2,977	1,763
Occupancy expenses	43,566	7,819	27,711
Technology and communications	9,406	3,269	4,074
Equipment	6,251	2,613	1,951
Travel, meetings, staff development	7,916	4,112	6,932
Marketing Expenses			
Business expenses	8,313	2,263	3,603
Insurance	12,506	3,934	3,919
Depreciation (Note 3)	2,781	927	927
Total Expenses	1,225,263	554,911	570,802
EXCESS (DEFICIT) OF SUPPORT AND REVENUES OVER (UNDER) EXPENSES	($80,712)	($79,027)	$5,720

See accompanying notes to financial statements.

Program				Totals	
Parent Partner	Total Program Services	Management and General	Fundraising	2017	2016
$15,816	$1,452,898	$194,510		$1,647,408	$1,517,495
81,666	703,745		$247,010	950,755	932,182
250	4,882		194,598	199,480	130,407
43,239	176,403			176,403	107,966
		471		471	2,817
140,971	2,337,928	194,981	441,608	2,974,517	2,690,867
134,001	1,422,297	108,477	110,091	1,640,865	1,461,725
21,192	316,489	19,661	19,497	355,647	311,996
155,193	1,738,786	128,138	129,588	1,996,512	1,773,721
6,848	50,092	20,477	2,796	73,365	80,505
18,000	240,720	5,520	6,496	252,736	270,767
	20,368	16,724		37,092	79,010
37,694	180,606	11,532	1,156	193,294	390,101
	163,299			163,299	
1,179	11,226	1,654	5,754	18,634	18,864
4,907	84,003	2,259	1,981	88,243	70,355
18,634	35,383	484	1,014	36,881	40,473
1,178	11,993	535	1,580	14,108	15,573
943	19,903	2,992	1,507	24,402	19,829
		(504)	9,285	8,781	6,630
580	14,759	4,657	3,615	23,031	19,865
2,339	22,698	1,053	909	24,660	16,315
927	5,562	927	927	7,416	7,290
248,422	2,599,398	196,448	166,608	2,962,454	2,809,298
($107,451)	($261,470)	($1,467)	$275,000	$12,063	($118,431)

MISSION GRADUATES
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2017
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$12,063	($118,431)
Adjustments to reconcile to cash flows from operating activities:		
Depreciation	7,416	7,290
Change in assets and liabilities:		
Contracts and grants receivable	(122,805)	148,485
Prepaid expenses	21,291	(3,958)
Accounts payable	3,220	6,614
Accrued payroll and payroll taxes	(80,379)	13,754
Accrued vacation	16,058	1,827
Cash Flows Provided (Used) by Operating Activities	(143,136)	55,581
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(7,808)	
Cash Provided (Used) by Investing Activities	(7,808)	
Net Change in Cash and Cash Equivalents	(150,944)	55,581
Cash, beginning of year	500,687	445,106
Cash, end of year	$349,743	$500,687
Supplemental Disclosure:		
Interest paid during the year	$230	$627

See accompanying notes to financial statements.

NOTE 1 – NATURE OF ACTIVITIES

A. Description of Organization

Mission Graduates (Organization) is a California nonprofit benefit organization that increases the number of K-12 students in San Francisco's Mission District who are prepared for and complete a college education. Founded in 1972, initially called St. John's Educational Thresholds Center, Mission Graduates was founded by members of St. John's the Episcopal Church as a tutoring program for under-performing neighborhood children. Three decades later, Mission Graduates clarified its commitment to getting more youth from the Mission District into college as a means to achieve economic equity for Latino and immigrant families.

The organization has been a lifeline for San Francisco's Mission District residents for 45 years. Fulfilling our mission through a continuous pipeline of K-12 after-school, in-school, and summer programs, we provided services to over 2,400 low-income children, youth, and families this year. College education as an expectation and goal for every child is a theme woven throughout all of Mission Graduates' programs.

B. Organization Programs

Extended Day Program (EDP)
The EDP provides afterschool and summer education at Bryant, Marshall, and Flynn Elementary Schools help over 575 students develop their English language skills and increase literacy levels, and shore up academic skills for underperforming students. Our EDP programs extend the learning day to ensure students can transition to middle school with the English language, literacy, and academic skills necessary to excel. The program consists of five core components: academic enrichment and guided reading interventions; project-based electives that incorporate literacy-building opportunities throughout each cycle; sports and recreation; community-building activities that foster group cohesion, build social skills, and model resiliency; and our early college awareness curriculum that aims to prepare and motivate children to plan for college.

Mission Community Beacon (MCB)
Nearly 20 years ago, Mission Graduates partnered with the San Francisco Beacon Initiative to develop an innovative model of programming that meets more than just the academic or social needs of youth at Everett Middle School, it also creates a space for youth develop into leaders in their community. In 2014, Mission Graduates was awarded the contract to once again serve the middle school aged youth of the Mission through a comprehensive hub of services at Everett. The MCB serves over 600 youth and families, and expands the learning day beyond the school day, not only providing individualized academic interventions with credentialed teachers, but also an environment where future leaders can take ownership of their education, develop skills necessary to be successful, and begin working towards their goals of graduation and higher education.

NOTE 1 – NATURE OF ACTIVITIES (Continued)

College Access

College Connect (CC)
CC is a family-based college access and success program that launched in Spring 2008. CC annually recruits (25) 4-year college-bound high school juniors living, or attending school, in the Mission and Excelsior Districts of San Francisco who are the first generation to attend college. CC participants and their families receive support with: ACT preparation, Math and English Tutoring, personal statement and scholarship application coaching, obtaining financial assistance, choosing the best college that meets their personal and academic needs, and making a successful transition to college, with support through graduation.

Currently, CC has 178 participants spread across nine cohorts; 19 are alumni, 107 are college students, and 52 are high school juniors and seniors. 88% of the college students who have participated in the program are still persisting in college or have received their college degree, almost four times the state average of 23%. We have had great success in ensuring that finances are not a barrier to a college. Our 126 college students and alumni raised over $3 million in college scholarship, as well as applying for all federal, state, and school financial aid.

John O'Connell College and Career Center (JOCCC)
Mission Graduate's newest program, the JOCCC is an offshoot of the CC program and is an innovative partnership with John O'Connell High School, traditionally considered a vocational school, where our staff are embedded with teachers in the classroom. Being in the classroom during the school day allows staff to work with nearly 425 students every day, using the context of their relationship to discuss career and higher education aspirations. This model provides for a more integrated and holistic approach to assisting students with their future goals, as opposed to a separate college and career office that few students utilize.

Completing the second full year of the program, we have seen consistent program outcomes for O' Connell students. Of the entire graduating senior class, 92% were accepted into college, 65% were eligible for 4 year universities, and the class raised $402,000 in college scholarships.

Parent Partner Program (PPP)
The PPP increases the academic success and college prospects of Mission youth by nurturing a strong culture of parent engagement for over 600 parents at 7 school sites. This program complements Mission Graduates' other core programs, ensuring that parents understand the educational system, how they can be partners in supporting their children's academic growth and college dreams, and how to advocate best for their children's needs. The PPP provides parents with services that include: technology mentorship, ESL courses, ELAC coaching and advocacy preparation, parent success workshops, general family engagement consulting support, and school-wide meeting and planning preparation.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. 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).

B. Basis of Presentation

The Organization reports 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: Unrestricted net assets include expendable resources over which Mission Graduates Board of Directors has discretionary control and are used to carry out operations in accordance with its bylaws. Included in unrestricted net assets are funds used to account for fixed asset acquisitions, improvements and related activities.

Temporarily Restricted Net Assets: Temporarily restricted net assets include resources expendable only for those purposes specified by the donor or grantor. The restrictions are satisfied either by the passage of time or by actions of Mission Graduates.

Permanently Restricted Net Assets: Permanently restricted net assets, if any, include resources subject to donor-imposed stipulations that they be maintained permanently by Mission Graduates. The Organization has no permanently restricted net assets.

C. Revenue Recognition

Unrestricted contributions and grants are recorded as unrestricted revenue when received, or pledged when there is a reasonable expectation of collection. All contributions are considered to be available for the unrestricted use unless specifically restricted by the donor. Conditional promises to give are not recognized until they become unconditional; that is when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value at the date of receipt. 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Income Taxes

Mission Graduates is exempt from income tax under Section 501(c)(3) of U.S. the Internal Revenue Code. Accordingly, no provision for income taxes has been provided in these financial statements. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(a) and has been classified as an organization that is not a private foundation under Section 509(a)(1). Unrelated business income, if any, may be subject to income tax. The Organization paid no taxes on unrelated business income in the years ended June 30, 2017 and 2016.

Generally accepted accounting principles require the recognition, measurement, classification, and disclosure in the financial statements of uncertain tax positions taken or expected to be taken in the organization's tax returns. Management has determined that Mission Graduates does not have any uncertain tax positions and associated unrecognized benefits that materially impact the financial statements or related disclosures. Since tax matters are subject to some degree of uncertainty, there can be no assurance that the Organization's tax returns will not be challenged by the taxing authorities and that the Organization will not be subject to additional tax, penalties, and interest as a result of such challenge. Generally, the Organization's tax returns remain open for federal income tax examination for three years from the date of filing.

E. Donated Services

Donated services are recognized as contributions 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 years ended June 30, 2017 and 2016.

F. Estimates

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

G. Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Accounting standards set a framework for measuring fair value using a three tier hierarchy based on the extent to which inputs used in measuring fair value are observable in the market.

Level 1: Quoted prices in active markets for identical assets or liabilities.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or inputs (interest rates, currency exchange rates, commodity rates and yield curves) that are observable or corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3: Inputs that are not observable in the market and reflect the management's judgment about the assumptions that market participants would use in pricing the asset or liability.

H. Cash and Cash Equivalents

For purposes of reporting cash flows, Mission Graduates considers highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

I. Concentration of Credit Risk

The Federal Deposit Insurance Corporation ("FDIC") insures account balances at each insured institution. Mission Graduates maintains deposit accounts with a financial institution and frequently carries balances that exceed FDIC insurance limits. The risk is managed by maintaining all deposits in high quality financial institutions.

J. Contracts and Grants Receivable

The Organization considers all contracts and grants receivable to be fully collectible at June 30, 2017. Accordingly, no allowance for doubtful accounts was deemed necessary. If amounts become uncollectible, they are charged to expense in the period in which that determination is made.

K. Property and Equipment

Property and equipment are recorded at cost when purchased or at estimated fair value at the date of receipt, if donated. The cost of repairs and maintenance is expensed as incurred; major replacements and improvements are capitalized. The Organization's capitalization policy is to capitalize property and equipment with an original cost in excess of $1,000. Property and equipment is depreciated by using the straight-line method over the assets' estimated useful lives – 3 years for furniture and equipment and 5 years for leasehold improvements.

L. Functional Allocation of Expenses

The costs of providing the various programs and 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.

M. Advertising Costs

Advertising costs, if any, are expensed as incurred.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. 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 generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2016, from which the summarized information was derived.

O. Reclassification

Certain prior year amounts have been reclassified to the current year presentation.

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30:

	Balance at June 30, 2016	Additions	Balance at June 30, 2017
Furniture and equipment:			
Furniture and fixtures	$53,743		$53,743
Leasehold improvements	17,699	$7,808	25,507
Total fixed assets being depreciated	71,442	7,808	79,250
Less: accumulated depreciation	(66,356)	(7,416)	(73,772)
Furniture and equipment, net	$5,086	$392	$5,478

NOTE 4 – LINE OF CREDIT

As of June 30, 2017, 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 were no drawdowns or payments made during the fiscal year, and no balance due at June 30, 2017.

NOTE 5 – LEASE COMMITMENTS

The Organization is party to two leases for office space in San Francisco, California which expire in December 2017 and June 2020. Additionally, the Organization leases a copier which expires in September 2017. Future minimum operating lease payments are as follows for the fiscal years ending:

Fiscal year ending	Lease Payments
June 30, 2018	$53,604
June 30, 2019	56,862
June 30, 2020	32,484
	$142,950

Rent for the years ended June 30, 2017 and 2016 was $78,337 and $57,839, respectively.

NOTE 6 - CONTINGENCIES

The Organization receives a significant portion of its support from 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.

Grant awards require the fulfillment of certain conditions as set forth in the instrument of the 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

A. *Temporarily Restricted Net Assets*

Temporarily restricted net assets consisted of the following at June 30:

	2017	2016
College Access	$340,216	$286,848
Extended Day Program	16,666	
Parent Partner Program		11,481
	$356,882	$298,329

NOTE 7 - TEMPORARILY RESTRICTED NET ASSETS (Continued)

B. Temporarily Restricted Net Assets Released from Donor Restriction

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

	2017	2016
College Access	$499,049	$587,381
Extended Day Program	15,000	184,997
Parent Partner Program	93,147	261,639
Mission Community Beacon	33,000	
	$640,196	$1,034,017

NOTE 8 – SUBSEQUENT EVENT

Management has evaluated subsequent events through December 18, 2017 the date on which financial statements were available to be issued. No subsequent events were identified that required adjustment to or disclosure in the financial statements.