

Mission Graduates

Financial Statements

June 30, 2018
(With Comparative Totals for 2017)



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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Mission Graduates
San Francisco, California

We have audited the accompanying financial statements of Mission Graduates (a California nonprofit corporation) (the "Organization"), which comprise the statement of financial position as of June 30, 2018, 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 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, 2018, 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.

Report on Summarized Comparative Information

The financial statements of Mission Graduates as of June 30, 2017, were audited by other auditors whose report dated October 30, 2017, expressed an unmodified opinion on those statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in black ink that reads "Armanino LLP". The signature is written in a cursive, flowing style.

Armanino^{LLP}
San Francisco, California

December 11, 2018

Mission Graduates
Statement of Financial Position
June 30, 2018
(With Comparative Totals for 2017)

	2018	2017
ASSETS		
Current assets		
Cash and cash equivalents	\$ 333,889	\$ 349,743
Contributions and grants receivable	653,553	436,253
Other accounts receivable	25,292	1,375
Prepaid expenses	<u>72,244</u>	<u>11,210</u>
Total current assets	<u>1,084,978</u>	<u>798,581</u>
Noncurrent assets		
Contributions receivable, net of current portion	138,000	-
Property and equipment, net	2,876	5,477
Deposits	<u>5,677</u>	<u>2,977</u>
Total noncurrent assets	<u>146,553</u>	<u>8,454</u>
Total assets	<u>\$ 1,231,531</u>	<u>\$ 807,035</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 77,475	\$ 55,609
Accrued expenses	23,096	3,471
Accrued vacation	<u>61,088</u>	<u>60,257</u>
Total current liabilities	<u>161,659</u>	<u>119,337</u>
Net assets		
Unrestricted	563,206	330,816
Temporarily restricted	<u>506,666</u>	<u>356,882</u>
Total net assets	<u>1,069,872</u>	<u>687,698</u>
Total liabilities and net assets	<u>\$ 1,231,531</u>	<u>\$ 807,035</u>

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

Mission Graduates
Statement of Activities
For the Year Ended June 30, 2018
(With Comparative Totals for 2017)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2018 Total</u>	<u>2017 Total</u>
Revenues, gains and other support				
Government grants	\$ 2,186,471	\$ -	\$ 2,186,471	\$ 1,647,408
Foundation, corporate and nonprofit grants	502,429	608,000	1,110,429	950,755
Individual contributions	178,353	-	178,353	199,480
Program fees	520,510	-	520,510	176,403
In-kind contributions	5,661	-	5,661	-
Investment earnings and other income	142	-	142	471
Net assets released from restriction	<u>458,216</u>	<u>(458,216)</u>	<u>-</u>	<u>-</u>
Total revenues, gains and other support	<u>3,851,782</u>	<u>149,784</u>	<u>4,001,566</u>	<u>2,974,517</u>
Functional expenses				
Program services				
Extended Day Program	1,721,998	-	1,721,998	1,225,263
Mission Community Beacon	638,323	-	638,323	554,911
College Access	597,431	-	597,431	570,802
Parent Partner	<u>214,629</u>	<u>-</u>	<u>214,629</u>	<u>248,422</u>
Total program services	<u>3,172,381</u>	<u>-</u>	<u>3,172,381</u>	<u>2,599,398</u>
Support services				
Management and general	279,767	-	279,767	196,448
Fundraising	<u>167,244</u>	<u>-</u>	<u>167,244</u>	<u>166,608</u>
Total support services	<u>447,011</u>	<u>-</u>	<u>447,011</u>	<u>363,056</u>
Total functional expenses	<u>3,619,392</u>	<u>-</u>	<u>3,619,392</u>	<u>2,962,454</u>
Change in net assets	232,390	149,784	382,174	12,063
Net assets, beginning of year	<u>330,816</u>	<u>356,882</u>	<u>687,698</u>	<u>675,635</u>
Net assets, end of year	<u>\$ 563,206</u>	<u>\$ 506,666</u>	<u>\$ 1,069,872</u>	<u>\$ 687,698</u>

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

Mission Graduates
Statement of Functional Expenses
For the Year Ended June 30, 2018
(With Comparative Totals for 2017)

	Extended Day Program	Mission Community Beacon	College Access	Parent Partner	Total Program Services	Management and General	Fundraising	2018 Total	2017 Total
Personnel expenses									
Salaries and wages	\$ 1,181,794	\$ 339,650	\$ 287,096	\$ 100,193	\$ 1,908,733	\$ 171,937	\$ 110,728	\$ 2,191,398	\$ 1,640,865
Payroll taxes	<u>255,101</u>	<u>74,716</u>	<u>52,675</u>	<u>18,118</u>	<u>400,610</u>	<u>23,213</u>	<u>15,180</u>	<u>439,003</u>	<u>355,647</u>
Total personnel expenses	1,436,895	414,366	339,771	118,311	2,309,343	195,150	125,908	2,630,401	1,996,512
Accounting fees	15	-	6,008	2,327	8,350	70,690	1,460	80,500	73,365
Professional services	104,495	98,457	14,500	14,650	232,102	-	2,001	234,103	252,736
Management fees	1,500	33,453	-	-	34,953	-	-	34,953	37,092
Program operating expenses	59,961	66,547	193,002	51,964	371,474	2,179	3,251	376,904	356,593
Office supplies	8,604	1,429	1,247	461	11,741	3,510	6,846	22,097	18,634
Occupancy	47,315	8,999	26,113	2,481	84,908	3,364	1,496	89,768	88,243
Technology and communications	11,306	3,056	3,391	20,979	38,732	710	6,062	45,504	36,881
Equipment rental	13,737	2,938	4,670	680	22,025	2,642	284	24,951	14,108
Staff training	13,590	4,477	3,314	786	22,167	2,406	3,745	28,318	24,402
Marketing expenses	-	-	-	-	-	-	9,830	9,830	8,781
Business expenses	9,164	1,295	2,411	593	13,463	(14,613)	5,502	4,352	23,031
Insurance	14,113	3,046	2,744	1,137	21,040	7,808	599	29,447	24,660
Depreciation and amortization	1,303	260	260	260	2,083	260	260	2,603	7,416
Contributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,661</u>	<u>-</u>	<u>5,661</u>	<u>-</u>
	<u>\$ 1,721,998</u>	<u>\$ 638,323</u>	<u>\$ 597,431</u>	<u>\$ 214,629</u>	<u>\$ 3,172,381</u>	<u>\$ 279,767</u>	<u>\$ 167,244</u>	<u>\$ 3,619,392</u>	<u>\$ 2,962,454</u>

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

Mission Graduates
Statement of Cash Flows
For the Year Ended June 30, 2018
(With Comparative Totals for 2017)

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities		
Change in net assets	\$ 382,174	\$ 12,063
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation and amortization	2,603	7,416
Changes in operating assets and liabilities		
Contributions and grants receivable	(355,300)	(122,805)
Other accounts receivable	(23,917)	-
Prepaid expenses	(61,034)	21,291
Deposits	(2,700)	-
Accounts payable	21,864	3,220
Accrued payroll and payroll taxes	-	(80,379)
Accrued expenses	19,625	-
Accrued vacation	831	16,058
Net cash used in operating activities	<u>(15,854)</u>	<u>(143,136)</u>
Cash flows from financing activities		
Purchase of property and equipment	-	(7,808)
Net cash provided by (used in) financing activities	<u>-</u>	<u>(7,808)</u>
Net decrease in cash and cash equivalents	(15,854)	(150,944)
Cash and cash equivalents, beginning of year	<u>349,743</u>	<u>500,687</u>
Cash and cash equivalents, end of year	<u>\$ 333,889</u>	<u>\$ 349,743</u>

Supplemental disclosures of cash flow information

Cash paid during the year for		
Interest	\$ 319	\$ 230
Taxes	\$ 348	\$ -

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

Mission Graduates
Notes to Financial Statements
June 30, 2018

1. NATURE OF OPERATIONS

Mission Graduates (the "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, Missions 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 their mission through a continuous pipeline of K-12 after-school, in-school, and summer programs, they provided services to over 3,300 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 the Organization's programs.

Extended Day Program (EDP)

The EDP provides afterschool and summer education at Bryant, Flynn, Marshall, and Sanchez Elementary Schools and Thomas Edison Charter Academy that helps over 950 students develop their English language skills and increase literacy levels, and shore up academic skills for under-performing 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 their 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 for programming that meets more than just the academic or social needs of youth at Everett Middle School, it also creates a space for youth to develop into leaders in their community. In 2014, the Organization 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 474 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.

Mission Graduates
Notes to Financial Statements
June 30, 2018

1. NATURE OF OPERATIONS (continued)

College Access

- College Connect (CC) - CC is a family-based college access and success program that launched in Spring 2008. CC annually recruits twenty-five four 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 personnel 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 that state average of 23%. They have had great success in ensuring that finances are not a barrier to a college. Their 126 college students and alumni raised over \$3 million in college scholarships, as well as applying for all federal, state, and school financial aid.

- John O'Connell College and Career Center (JOCCC) - The Organization'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 the 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 third full year of the program, they have seen consistent program outcomes for O'Connell students. Of the entire graduating senior class, 92% were accepted into college, 88% were eligible for 4 year universities, and the class raised \$1.4 million 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 the Organization's 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 will 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.

Mission Graduates
Notes to Financial Statements
June 30, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The financial statements for Mission Graduates have been prepared on the accrual basis of accounting.

Basis of presentation

In accordance with accounting principles generally accepted in the United States of America ("GAAP"), the Organization reports its financial position and operating activities in three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

- *Unrestricted net assets* - Net assets not subject to donor-imposed stipulations.
- *Temporarily restricted net assets* - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. 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.
- *Permanently restricted net assets* - Net assets subject to donor-imposed stipulations that they will be maintained permanently by the Organization. There were no permanently restricted net assets at June 30, 2018.

Cash and cash equivalents

The Organization considers all highly liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2018, the Organization did not have any cash equivalents. The Organization places its cash with high credit quality institutions. Periodically, such investments may be in excess of federally insured limits.

Contributions and grants receivables

Contributions and grants receivables represent billed and uncollected service revenues provided under government and private company contracts. Receivables are stated at the amount management expects to collect from outstanding balances. Management has established an allowance for doubtful receivables based on prior collections experience and aging status of outstanding receivables. At June 30, 2018, there was no allowance for doubtful receivables.

Mission Graduates
Notes to Financial Statements
June 30, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment

Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that much be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor.

Depreciation and amortization of property and equipment is computed using the straight-line method over 3 years for furniture and fixtures. Leasehold improvements are amortized over the lesser of the estimated useful lives or the remaining term of the lease.

Contributions

Unrestricted contributions 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 with donor restrictions are generally recognized as restricted revenue. Generally, donors place restrictions on contributions for a specific time period and/or a specific use or purpose. Once donor restrictions have been satisfied, temporarily restricted revenue is released and reclassified to unrestricted revenue.

Revenue recognition

The Organization recognizes revenue from government grants as the services are provided.

Donated goods and services

The Organization recognizes the value of donated goods at fair value. The Organization recognizes the fair value of donated services if the services enhance a non financial asset or if the services meet the recognition criteria which include a) requiring specialized skills; b) provided by someone with those skills; and c) would have to be purchased if they were not donated. For the year ended June 30, 2018, donated goods and services recognized in the statement of activities amounted to \$5,661.

Mission Graduates
Notes to Financial Statements
June 30, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax status

The Organization is exempt from income tax under Section 501(c)(3) of the U.S. 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 \$348 on unrelated business income in the year ended June 30, 2018.

GAAP 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 the Organization 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 examinations for three years from the date of filing.

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. Those expenses which cannot be specifically identified by function type have been allocated to functions based upon management's best estimate of usage.

Use of estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Advertising costs

The Organization's policy is to expense advertising costs as the costs are incurred. Advertising costs for the year ended June 30, 2018 totaled \$6,795.

Mission Graduates
Notes to Financial Statements
June 30, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Comparative financial information

The financial statements include certain prior-year summarized comparative information in total but not by net asset classification. 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, 2017, from which the summarized information was derived. Certain amounts in the 2017 financial statements have been reclassified to conform to the 2018 presentation. These reclassifications had no effect on net assets or changes in net assets.

Subsequent events

Management has evaluated subsequent events through December 11, 2018, the date on which the financial statements were available to be issued. No subsequent events were identified that required adjustment to or disclosure in the financial statements.

Concentration of credit risk

Contribution and grants receivable from two customers comprise 74% of the Organization's total contribution and grants receivable balance as of June 30, 2018.

3. CONTRIBUTIONS RECEIVABLE

Future collections of contributions receivable are expected as follows:

Year ending June 30,

2019		\$ 653,553
2020		94,000
2021		<u>44,000</u>
		<u>\$ 791,553</u>

4. PROPERTY AND EQUIPMENT, NET

Property and equipment, net consist of the following:

Furniture and fixtures		\$ 53,868
Leasehold improvements		<u>25,507</u>
		79,375
Accumulated depreciation and amortization		<u>(76,499)</u>
		<u>\$ 2,876</u>

Mission Graduates
Notes to Financial Statements
June 30, 2018

4. PROPERTY AND EQUIPMENT, NET (continued)

Depreciation and amortization expense for the year ended June 30, 2018 amounted to \$2,603.

5. LINE OF CREDIT

The Organization has a line of credit with a bank, with a borrowing limit of \$250,000 and bears interest at 12%. There was no outstanding balance on the line of credit at June 30, 2018.

6. COMMITMENTS AND CONTINGENCIES

The Organization leases its facilities and equipment under various long-term operating lease agreements that expire at various dates through August 2023. The facilities lease calls for escalating rent payments. Rent expense is recognized on a straight-line basis over the term of the lease agreement.

The scheduled minimum lease payments under the lease terms are as follows:

<u>Year ending June 30,</u>	
2019	\$ 62,932
2020	59,380
2021	6,532
2022	6,532
2023	5,483
Thereafter	<u>41</u>
	<u>\$ 140,900</u>

Rent expense amounted to approximately \$89,000 for the year ended June 30, 2018.

7. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following:

College Access	\$ 331,666
John O'Connell College and Career Center	150,000
Mission Community Beacon	<u>25,000</u>
	<u>\$ 506,666</u>

Mission Graduates
Notes to Financial Statements
June 30, 2018

7. TEMPORARILY RESTRICTED NET ASSETS (continued)

Temporarily restricted net assets released from restriction during the year were as follows:

College Access	\$	365,550
Extended Day Program		59,666
Parent Partner Program		<u>33,000</u>
	\$	<u><u>458,216</u></u>