

10,000 Degrees

Financial Statements

June 30, 2022

(with summarized comparative totals for June 30, 2021)

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Independent Auditors' Report

To the Board of Directors of
10,000 Degrees

Report on the Financial Statements

Opinion

We have audited the financial statements of 10,000 Degrees (the "Organization"), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2022, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.



Report on Summarized Comparative Information

We have previously audited the Organization's financial statements as of and for the year ended June 30, 2021, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 28, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Baker Tilly US, LLP

Baker Tilly US, LLP

San Francisco, California

October 18, 2022

10,000 DEGREES
STATEMENT OF FINANCIAL POSITION
June 30, 2022
(with summarized comparative totals at June 30, 2021)

ASSETS	2022	2021
CURRENT ASSETS		
Cash and cash equivalents	\$ 14,047,474	\$ 12,144,049
Investments	109,767	109,055
Grants and contributions receivable - net - current portion	7,419,995	3,545,435
Other receivables	167,407	-
Prepaid expenses	230,714	162,645
Beneficial interest in assets held by Marin		
Community Foundation - current portion	82,076	98,766
Total current assets	22,057,433	16,059,950
PROPERTY AND EQUIPMENT - net	128,902	131,001
OTHER ASSETS		
Grants and contributions receivable - long-term - net	3,484,284	861,212
Beneficial interest in assets held by Marin		
Community Foundation - long-term	1,741,845	2,096,031
Deposits	22,242	14,667
Intangible assets, net	2,964	7,050
Total other assets	5,251,335	2,978,960
Total assets	\$ 27,437,670	\$ 19,169,911
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Education grants and scholarships payable	\$ 691,980	\$ 404,375
Accounts payable and accrued expenses	148,273	69,004
Accrued vacation pay	251,558	222,488
Capital lease - current	10,143	8,358
Deferred rent - current	2,027	21,435
Deferred revenue	90,000	-
Total current liabilities	1,193,981	725,660
LONG-TERM LIABILITIES		
Debt impact securities	1,248,000	1,690,000
Capital lease - long-term	20,270	30,539
Deferred rent - long-term	19,408	4,962
Grant advance	36,740	-
Total long-term liabilities	1,324,418	1,725,501
Total liabilities	2,518,399	2,451,161
NET ASSETS		
Without donor restrictions		
Board designated	1,600,000	1,200,000
Undesignated	1,591,657	987,524
Total net assets without donor restrictions	3,191,657	2,187,524
With donor restrictions		
Purpose restrictions	20,187,773	13,011,887
Perpetual in nature	1,539,841	1,519,339
Total net assets with donor restrictions	21,727,614	14,531,226
Total net assets	24,919,271	16,718,750
Total liabilities and net assets	\$ 27,437,670	\$ 19,169,911

10,000 DEGREES
STATEMENT OF ACTIVITIES
For the year ended June 30, 2022
(with summarized comparative totals for the year ended June 30, 2021)

	2022			2021
	Without Donor Restrictions	With Donor Restrictions	Total	Total
REVENUES AND SUPPORT:				
Grants and contributions	\$ 3,744,809	\$ 16,527,047	\$ 20,271,856	\$ 9,365,027
In-kind contributions	28,395	-	28,395	7,781
Special events - net of costs of direct benefit to donors \$143,263 in 2022 and \$22,164 in 2021	921,117	-	921,117	1,243,890
Change in value of beneficial interest in assets held by Marin Community Foundation	(40,513)	(272,115)	(312,628)	475,119
Program service fees	487,008	-	487,008	285,000
Investment return - net	2,076	-	2,076	192,510
Lease termination settlement	1,500	-	1,500	-
Grant income - Paycheck Protection Program ("PPP")	-	-	-	1,039,000
	<u>5,144,392</u>	<u>16,254,932</u>	<u>21,399,324</u>	<u>12,608,327</u>
Net assets released from restrictions	<u>9,058,544</u>	<u>(9,058,544)</u>	<u>-</u>	<u>-</u>
Total revenues and support	<u>14,202,936</u>	<u>7,196,388</u>	<u>21,399,324</u>	<u>12,608,327</u>
EXPENSES:				
Program services	10,190,698	-	10,190,698	8,329,901
Management and general	1,485,352	-	1,485,352	1,269,597
Fundraising	1,522,753	-	1,522,753	1,341,301
Total expenses	<u>13,198,803</u>	<u>-</u>	<u>13,198,803</u>	<u>10,940,799</u>
CHANGE IN NET ASSETS BEFORE OTHER CHANGES	1,004,133	7,196,388	8,200,521	1,667,528
OTHER CHANGES IN NET ASSETS:				
Net assets transferred out	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,279,980)</u>
CHANGE IN NET ASSETS	<u>1,004,133</u>	<u>7,196,388</u>	<u>8,200,521</u>	<u>387,548</u>
NET ASSETS - beginning of year	<u>2,187,524</u>	<u>14,531,226</u>	<u>16,718,750</u>	<u>16,331,202</u>
NET ASSETS - end of year	<u>\$ 3,191,657</u>	<u>\$ 21,727,614</u>	<u>\$ 24,919,271</u>	<u>\$ 16,718,750</u>

10,000 DEGREES
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2022
(with summarized comparative totals for the year ended June 30, 2021)

	Program Services				Total Program Services	Supportive Services			Total Expenses 2022	Total Expenses 2021
	Scholarships	College Access	College Success	Other Programs		Management and General	Fundraising	Shared Costs		
Grants and scholarships	\$ 5,240,886	\$ -	\$ -	\$ -	\$ 5,240,886	\$ -	\$ -	\$ -	\$ 5,240,886	\$ 4,160,541
Less: modifications	(983,054)	-	-	-	(983,054)	-	-	-	(983,054)	(810,855)
Net grants and scholarships	4,257,832	-	-	-	4,257,832	-	-	-	4,257,832	3,349,686
Salaries	360,649	2,030,556	1,234,696	637,362	4,263,263	810,324	947,420	-	6,021,007	4,930,216
Payroll taxes and benefits	74,087	423,121	320,046	115,668	932,922	197,641	228,169	-	1,358,732	1,183,914
Consultants and contractors	24,546	5,693	24,036	3,166	57,441	103,741	35,966	104,488	301,636	411,341
Computer maintenance	1,796	8,154	8,072	351	18,373	14,767	20,294	211,131	264,565	224,599
Occupancy	5,840	69,340	36,523	1,404	113,107	54,431	38,085	240	205,863	150,141
Special events expenses	-	-	-	-	-	-	143,263	-	143,263	22,164
Advertising	3,933	7,558	2,305	-	13,796	60,687	47,478	-	121,961	84,257
Accounting and audit	-	-	-	-	-	102,216	-	-	102,216	69,293
Recruiting and training	-	26,837	20,384	3,210	50,431	11,399	2,650	-	64,480	14,933
Other	24,989	-	-	-	24,989	672	28,531	6,324	60,516	46,482
Telephone and internet	623	9,555	7,870	965	19,013	9,435	774	31,013	60,235	53,242
Depreciation and amortization	-	-	-	11,834	11,834	-	-	47,781	59,615	51,681
Office supplies	3,399	11,127	6,686	48	21,260	6,996	6,232	14,926	49,414	41,774
Meals and catering	118	14,412	6,401	66	20,997	8,568	13,975	1,325	44,865	3,637
Dues, memberships, conference fees	1,325	372	305	96	2,098	22,225	16,667	1,041	42,031	14,041
Printing and copying	34	1,032	200	110	1,376	829	37,090	1,547	40,842	39,124
Insurance	-	-	-	-	-	19,691	-	19,617	39,308	42,145
Equipment rental	-	-	-	-	-	-	27,253	4,456	31,709	16,754
Legal	-	-	-	-	-	11,451	9,000	-	20,451	12,810
Local mileage and transportation	163	9,739	1,719	22	11,643	740	4,125	-	16,508	1,293
Postage and delivery	-	2,246	629	31	2,906	299	6,373	4,000	13,578	15,607
Grants to Other Organizations	-	5,000	5,000	-	10,000	-	1,000	-	11,000	-
Board expenses	-	-	-	-	-	733	8,216	-	8,949	110
Travel	751	-	-	-	751	739	-	-	1,490	510
Grants to Marin Promise	-	-	-	-	-	-	-	-	-	170,977
Moving expenses	-	-	-	-	-	-	-	-	-	12,232
Shared costs	23,525	191,716	116,886	24,539	356,666	47,768	43,455	(447,889)	-	-
Total expenses by function	4,783,610	2,816,458	1,791,758	798,872	10,190,698	1,485,352	1,666,016	-	13,342,066	10,962,963
Less: expenses included with revenues on the statement of activities	-	-	-	-	-	-	-	-	-	-
Costs of direct benefit to donors	-	-	-	-	-	-	(143,263)	-	(143,263)	(22,164)
Total Expenses	\$ 4,783,610	\$ 2,816,458	\$ 1,791,758	\$ 798,872	\$ 10,190,698	\$ 1,485,352	\$ 1,522,753	\$ -	\$ 13,198,803	\$ 10,940,799

10,000 DEGREES
STATEMENT OF CASH FLOWS
For the year ended June 30, 2022
(with summarized comparative totals for the year ended June 30, 2021)

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 8,200,521	\$ 387,548
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	59,615	51,681
Realized and unrealized loss (gain) on investments	14,706	(167,224)
Donation of furniture and equipment to Marin Promise	-	21,867
Change in value of beneficial interest in assets held by Marin Community Foundation	312,628	(475,119)
Contributions made directly to funds held by Marin Community Foundation	(20,500)	(85,990)
Changes in operating assets and liabilities:		
Grants and contributions receivable	(6,497,632)	690,904
Other receivables	(167,407)	-
Prepaid expenses	(68,069)	8,417
Deposits	(7,575)	3,690
Education grants and scholarships payable	287,605	156,076
Accounts payable and accrued expenses	79,269	(33,838)
Accrued vacation pay	29,070	(35,234)
Grant advances	36,740	(1,039,000)
Deferred revenue	90,000	(12,605)
Deferred rent	(4,962)	12,599
Net cash provided (used in) by operating activities	<u>2,344,009</u>	<u>(516,228)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Distribution from beneficial interest in assets held by Marin Community Foundation	58,248	(2,039)
Proceeds from matured certificates of deposit	-	416,283
Proceeds from sale of investments	26,003	1,320,693
Purchase of investments	(41,421)	(284,837)
Purchase of property and equipment	(53,430)	(64,526)
Purchase of intangible assets	-	(4,850)
Net cash provided by investing activities	<u>(10,600)</u>	<u>1,380,724</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on capital lease	(8,484)	(7,096)
Proceeds from issuance of debt securities	-	1,690,000
Payments on debt securities as a result of achieving units of impact	(442,000)	-
Contributions made directly to funds held by Marin Community Foundation	20,500	85,990
Net cash (used in) provided by financing activities	<u>(429,984)</u>	<u>1,768,894</u>
NET INCREASE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	1,903,425	2,633,390
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - beginning of year	<u>12,144,049</u>	<u>9,510,659</u>
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - end of year	<u>\$ 14,047,474</u>	<u>\$ 12,144,049</u>

10,000 DEGREES
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

1. DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

10,000 Degrees (the “Organization”) is a nonprofit, 501(c)(3) public benefit organization incorporated in the State of California. The Organization is a leading college success nonprofit in California that helps students from low-income backgrounds gain access to and complete higher education to positively impact their communities and the world. Specifically, the Organization delivers near-peer advising around college access, enrollment, and graduation as well as one-to-one financial aid support and management. The Organization also provides comprehensive college success programming and financial aid support after students enroll in college. The Organization’s college success support includes scholarship grants as well as on-campus office hours, near-peer advising, an innovative texting platform, leadership development opportunities, and paid summer internships for current college students.

10,000 Degrees was founded in 1981 and is a nationally recognized college access and success organization serving over 12,000 students and families annually from low-income backgrounds in the San Francisco Bay Area.

Key Elements of Programs

College Success and Scholarship Programs

The Organization’s College Success programming supports students from low-income backgrounds to and through college to achieve a baccalaureate and graduate career-ready. With this support, over 80% of 10,000 Degrees four-year college students earn bachelor’s degrees, compared to 31% of their peers nationally. For those who start at community college, the Organization’s students transfer to and graduate from four-year colleges at a rate that is three times the national average. The Organization welcomes all students. Program participation is not limited by academic requirements or test scores. The Success Program Teams trust and believe in each students’ strengths and goals as they help them achieve their dream of graduating from college.

Specifically, the Organization’s services include on-campus and virtual office hours at local community colleges and state universities, near-peer advising, and the development of a campus community fostering campus connections and assisting students in activating resources and navigating opportunities. The Organization also offers regular public workshops on financial aid, college knowledge and resources, and career development.

In addition to college success support, the Organization awards undergraduate scholarships as well as administers additional scholarships for more than 65 foundations, civic organizations, and individuals. Additionally, the Organization administers profile-specific scholarships for qualifying undergraduates, including scholarships for teacher and vocational training as well as scholarships to help cover the cost of childcare while in school. Since 1986, the Organization has administered the Donor Advised Scholarships of the Marin Community Foundation. Likewise, since 2014, the Organization has administered the Donor Advised Scholarships for the Community Foundation of Sonoma County.

10,000 DEGREES
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

1. DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

Key Elements of Programs (continued)

College Access Programs

10,000 Degrees college access programming provides the preparation, relevant information, and financial resources to help students get to college. The Access Program Teams also seek to create an environment that promotes educational equity via community activities. The Organization's comprehensive college access program provides college preparation, college and financial aid counseling, and FAFSA and California Dream Act completion among a series of other public workshops, ensuring that students and families enroll in college successfully. Through the Community College Success programming, 10,000 Degrees staff work on campus with community college-bound high school seniors ensuring they are prepared and supported to succeed at community college.

Through the Organization's innovative model, the Organization has been able to effectively scale the programs without compromising their college success metrics. For the year ended June 30, 2022, the Organization reached more than 12,000 students and their families through the programs. This includes direct support to over 2,400 college students. The Organization is currently working in 42 high schools, 40 community colleges and 166 four-year colleges and universities across the nation.

Fellowship Program

The Organization's program success is powered by its Fellowship Program. The Fellows are recent college graduates from low-income backgrounds, most of whom are alumni of 10,000 Degrees programs. The Fellows come back to serve in two- to three-year Fellowships in program leadership roles where they support students and families throughout their college journeys.

10,000 Degrees Fellows gain hands-on leadership experience which contributes to the success and efficacy of their programs. As recent college graduates from low-income backgrounds, the Fellows have deep content expertise and cultural awareness of the challenges students face. The Organization's near-peer role modeling helps students understand, navigate and manage the entire college success process.

Funding

Funding sources include private foundations, individuals, corporations, governments and community organizations. The Organization receives major funding in the form of grants from the Marin Community Foundation (MCF) and its affiliates. Additionally, over the past several years, the Organization has received substantial support for programs in Sonoma County and San Francisco as well as, more recently, in Napa and Santa Clara counties. Connections to a nationally recognized funding organization provided an opportunity to establish a pilot program to remotely support students outside of California as well.

10,000 DEGREES
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

1. DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

A summary of significant accounting policies follows:

Basis of Accounting

The financial statements of the Organization have been prepared using the accrual basis of accounting, which involves the recognition of revenues and gains when earned and expenses and losses when incurred.

Basis of Presentation

Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions

Those net assets and activities which represent the portion of expendable funds that have no use or time restrictions. The Board of Directors has designated portions of this class of net assets (refer to Note 10). The amounts designated are not available for the Organization's operations without approval of or notification to the Board of Directors.

Net Assets With Donor Restrictions

Those net assets that are subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Purpose and time donor-imposed restrictions are released when specified conditions are met.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

10,000 DEGREES
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

1. DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

Cash, Cash Equivalents, and Restricted Cash

For the purpose of the statement of cash flows, the Organization considers all highly liquid investments, with an initial maturity of three months or less to be cash equivalents.

Investments

The Organization's investments consist of bonds valued based on broker or dealer quotes.

Fair Value Measurements

The Organization is required to consider the use of market-based information over entity-specific information in valuing its financial assets measured at fair value, using a three-level hierarchy for fair value measurements based on the nature of inputs used in the valuation of an asset or liability as of the measurement date.

The three-level hierarchy for fair value measurements is defined as follows:

Level 1 inputs to the valuation methodology include unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, inputs other than quoted prices that are observable for the asset or liability, and inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the observable inputs and minimize the use of unobservable inputs. At June 30, 2022, there were no changes in the methodologies used. Financial instruments measured using net asset value per share (NAV) or its equivalent are not required to be categorized in the fair value hierarchy.

The carrying amounts of cash and cash equivalents, receivables and accounts payable approximate fair value due to the short maturities of these financial instruments.

10,000 DEGREES
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

1. DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

Long-Lived Assets

The Organization evaluates long-lived assets, such as property and equipment or intangibles, for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets held and used is measured by comparison of the carrying amount of an asset or an asset group to estimated undiscounted future net cash flows expected to be generated by the asset or asset group. If the carrying amount of an asset exceeds these estimated future cash flows, an impairment charge is recognized for the amount by which the carrying amount of the assets exceeds the fair value of the asset or asset group, based on discounted cash flows. There were no events or changes in circumstances requiring a consideration of impairment at June 30, 2022.

Grants and Contributions Receivable

Grants and contributions receivable consist of unconditional amounts committed by donors that have not been received by the Organization. The vast majority of these are restricted for student scholarship awards. Amounts receivable beyond one year are classified as long-term and discounted to present value using a risk-free rate (currently ranging from 2.8% - 2.99% based on the Daily Treasury Yield Curve Rate).

Beneficial Interest in Assets Held by Marin Community Foundation

Beneficial interest in assets held by MCF consists of assets transferred and subsequent contributions to MCF for investment purposes, with the understanding that the income pertaining to these assets would be distributed to the Organization.

Although 10,000 Degrees' Board of Directors recommends distributions from the fund, the Trustees of MCF have the power to modify any restriction or condition on the distribution of funds for any specified charitable purpose or to a specified organization, if, in the sole judgment of the Board of Trustees, such restriction or condition becomes, in effect, unnecessary, incapable of fulfillment, or inconsistent with the needs of the community served by the Foundation.

The funds held by MCF consist of endowment funds as well as spendable funds. Asset allocations for the funds differ based on the investment policy for each fund.

Beneficial interests in assets held by MCF are reported at fair value based on their net asset values. Investment income consists of interest and dividend income, realized gains and losses and unrealized gains and losses and is included in the change in net assets in the statement of activities.

10,000 DEGREES
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

1. DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

Property and Equipment

Property and equipment with a cost of \$2,500 or more, with estimated useful lives in excess of one year are capitalized at cost if purchased, or fair market value, if donated. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The asset lives range from three to ten years. Leasehold improvements are amortized over the shorter of the lease term or the useful life of the improvement. The cost of maintenance and repairs is charged to operations when incurred.

Intangible Assets

Intangible assets are amortized using the straight-line method over the estimated useful lives of the assets, which is three years.

Deferred rent

The Organization records rent on a straight-line basis over the life of the lease. Accordingly, deferred rent is recorded to the extent that rent expense exceeds amounts paid through June 30, 2022.

Revenue Recognition

Contributions

Unconditional contributions and pledges are recognized at fair value when promised.

Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met. At June 30, 2022, the Organization had \$36,740 in conditional contributions which are reported as grant advances on the statement of financial position.

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

The Organization reports gifts of property and equipment at fair value on the date of donation as net assets without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as net assets with donor restrictions. Absent explicit donor stipulations about how long those assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed into service.

10,000 DEGREES
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

1. DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

Revenue Recognition (continued)

Program fees

Revenue recognition for program fee income is evaluated under Accounting Standards Codification (“ASC”) 606 through the following five steps: (i) identification of the contract or contracts with a customer; (ii) identification of the performance obligations in the contract; (iii) determination of the transaction price; (iv) allocation of the transaction price in the contract; and (v) recognition of revenue when or as a performance obligation is satisfied. The Organization utilizes the portfolio approach practical expedient to account for program service income as the contracts and performance obligations have similar characteristics and the Organization reasonably expects that the effects on the financial statements from applying the portfolio method are not materially different than applying ASC 606 to the individual contracts.

The performance obligation related to program fee income is to provide consulting services to districts in which they serve including program workshops. The Organization recognizes program fee income over time in the period that services are rendered. The Organization bills for services either on a monthly or quarterly basis, depending on the agreement. Payment is typically due within 30 days after billing. Payments collected in excess of the related program fee income as of year-end are recorded as deferred revenue.

Grants and Scholarships

Grants and scholarships are recorded as expenses after the approval process is completed and recipients are notified. Scholarship modifications represent amounts rescinded by 10,000 Degrees, which occur primarily because recipient eligibility has changed (e.g., the student did not enroll for sufficient college coursework).

Education grants and scholarships payable consist of amounts approved but awaiting payment to the individual or educational institution.

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 based on a pro-rata allocation of time determined by management. Office rent expenses are allocated based upon square footage. Shared costs are costs that are providing benefit to two or more departments in the Organization.

10,000 DEGREES
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

1. DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

Income Taxes

The Organization is exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code, Section 23701d (or other states and code sections, as relevant). Accordingly, it has not provided for income taxes in these financial statements.

Each year, management considers whether any material tax position the Organization has taken is more likely than not to be sustained upon examination by the applicable taxing authority. Management believes that any positions the Organization has taken are supported by substantial authority and, hence, do not need to be measured or disclosed in these financial statements.

Summarized 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 accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2021 from which the summarized information was derived.

Recently Issued Accounting Standards

During February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-02, *Leases (Topic 842)*. ASU 2016-02 requires lessees to recognize the assets and liabilities that arise from leases on the statement of financial position. A lessee should recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. FASB has issued subsequent standards that deferred the implementation date. Topic 842 (as amended) is effective for annual periods beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022.

During June 2016, the FASB issued ASU No. 2016-13, "Measurement of Credit Losses on Financial Instruments." ASU No. 2016-13 requires financial assets measured at amortized cost to be presented at the net amount expected to be collected, through an allowance for credit losses that is deducted from the amortized cost basis. The measurement of expected credit losses is based on relevant information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount. FASB has issued subsequent standards to clarify, correct errors in or improve the guidance. ASU No. 2016-13 (as amended) is effective for the Organization for its fiscal year ending June 30, 2024 and early adoption is permitted. The Organization is currently assessing the effect that ASU No. 2016-13 will have on its financial statements.

Subsequent Events

The Organization has evaluated subsequent events through October 18, 2022, which represents the date the financial statements were available to be issued.

10,000 DEGREES
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

2. NEW ACCOUNTING PRONOUNCEMENT

During 2022, the Organization adopted Accounting Standards Update No. 2020-07, Not-for-Profit Entities (Topic 958) Presentation and Disclosures by *Not-for-Profit Entities for Contributed Nonfinancial Assets*. ASU No. 2020-07 improves financial reporting by providing new presentation and disclosure requirements about contributed nonfinancial assets, including additional disclosure requirements for recognized contributed services. The Organization has adjusted the presentation of these financial statements accordingly. ASU No. 2020-07 has been applied retrospectively to all periods presented.

3. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

10,000 Degrees regularly monitors liquidity required to meet its operating needs and other contractual commitments, while striving to maximize the investment of its available funds. The Organization has various sources of liquid assets at its disposal, including cash, cash equivalents and marketable debt securities.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, 10,000 Degrees considers all expenditures related to its ongoing programming and scholarship administration as well as the conduct of services undertaken to support those activities to be general expenditures. The Donor Advised Scholarship funds are considered restricted and therefore not available to meet current operating needs.

In addition to financial assets available to meet general expenditures over the next 12 months, 10,000 Degrees operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

10,000 Degrees' Board of Directors has designated a portion of its unrestricted resources as board designated (refer to Note 10). This amount is invested to maximize earnings but remains available to be spent at the discretion of the Board.

10,000 DEGREES
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

3. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS (continued)

The Organization's financial assets available within one year of the Statement of Financial Position date for general expenditures are as follows:

Cash, cash equivalents, and restricted cash	\$ 14,047,474
Investments	109,767
Grants and contributions receivable	7,419,995
Beneficial interest in assets held by Marin Community Foundation	82,076
Other receivables	<u>167,407</u>
	<u>21,826,719</u>
Less: scholarship funds	<u>(10,159,346)</u>
	<u>(10,159,346)</u>
Financial assets available for general expenditures	<u><u>\$ 11,667,373</u></u>

4. INVESTMENTS/FAIR VALUE MEASUREMENTS

The Organization's investments consist of bonds and beneficial interests in assets held by MCF, which are invested in pooled funds consisting of an equity fund, fixed income fund, and enhanced cash fund.

The following are the major categories of investments measured at fair value on a recurring basis at June 30, 2022:

	<u>Fair Value</u>	<u>Fair Value Measurements Using</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Corporate bonds	<u>\$ 109,767</u>	<u>\$ -</u>	<u>\$ 109,767</u>	<u>\$ -</u>

The following table summarizes how the beneficial interest in assets held by Marin Community Foundation are held at net asset value with their related unfunded commitments and redemption features:

	<u>Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (if currently eligible)</u>	<u>Redemption Notice Period</u>
Beneficial interest in assets held by Marin Community Foundation	<u>\$ 1,823,921</u>	<u>\$ -</u>	<u>Monthly</u>	<u>None</u>

10,000 DEGREES
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

4. INVESTMENTS/FAIR VALUE MEASUREMENTS (continued)

The beneficial interest in assets held by Marin Community Foundation are invested in a balance portfolio of equities and fixed income aimed at preserving the purchasing power of the investments over the long-term.

5. GRANTS AND CONTRIBUTIONS RECEIVABLE

At June 30, 2022, unconditional promises to give are as follows:

	<u>Current</u>	<u>Due in 2 to 5 Years</u>	<u>Total</u>
Grants and contributions receivable	\$ 7,419,995	\$ 3,614,731	\$ 11,034,726
Allowance for uncollectible amounts	-	(27,204)	(27,204)
Discount to net present value	-	(103,243)	(103,243)
	<u>\$ 7,419,995</u>	<u>\$ 3,484,284</u>	<u>\$ 10,904,279</u>

6. PROPERTY AND EQUIPMENT

As of June 30, 2022 property and equipment consists of the following:

Office furniture and equipment	\$ 368,056
Capital lease	50,066
Leasehold improvements	<u>19,683</u>
	437,805
Less: accumulated depreciation and amortization	<u>(308,903)</u>
	<u>\$ 128,902</u>

For the year ended June 30, 2022, depreciation expense amounted to \$55,529.

10,000 DEGREES
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

7. INTANGIBLE ASSETS

At June 30, 2022, intangible assets consists of the following:

Videos	\$	93,851
Website		38,609
Logo		4,850
Trademark		5,500
		<u>142,810</u>
Less: accumulated amortization		<u>(139,846)</u>
		<u>\$ 2,964</u>

The future estimated annual amortization expense is as follows:

<u>Year ending June 30,</u>		
2023	\$	1,617
2024		<u>1,347</u>
	\$	<u>2,964</u>

For the year ended June 30, 2022, amortization expense amounted to \$4,086.

8. DEBT IMPACT SECURITIES

During the year ended June 30, 2021, the Organization entered into a debt impact securities agreement with NPX Advisors, a donor impact fund, in the amount of \$1,600,000. The debt impact securities are issued by the Organization where the repayments of those securities are contingent on the achievement of predetermined impact metrics. The impact debt securities combine the contingent returns concept found in pay-for-success financings with an established, scalable, and tradable capital markets structure.

The Organization uses the funds from the debt impact securities to run their programs and conduct impact measurement. Over time, impact is reported by the Organization and undergoes independent evaluation. An impact report is made available on request. The donor impact fund will provide restricted donor contributions so it can meet repayment obligations to the investors. If the impact targets are not fully met, investors recognize a loss and the Organization records debt forgiveness income. The debt impact securities all mature on December 31, 2025 and bear variable interest up to 2.6% per annum, dependent on the impact achieved by the Organization.

10,000 DEGREES
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

8. DEBT IMPACT SECURITIES (continued)

At June 30, 2022, the Organization has met some of these metrics, and accordingly repaid a portion of the liability. The Organization achieved 34 units of impact, where for each unit achieved, the Organization will pay \$13,000 per unit of impact for the first 130 units of impact (1-130) and \$6,500 per unit of impact, representing interest, for the next 30 units of impact (131-160).

At June 30, 2022, the impact repayments are as follows:

	<u>Units Achieved</u>	<u>Amount per Unit Achieved</u>	<u>Payment</u>
Graduates (1-130)	34	\$ 13,000	\$ 442,000
Graduates (131-160)	-	6,500	-
			<u>\$ 442,000</u>

At June 30, 2022, the remaining liability is as follows:

Original loan	\$ 1,690,000
Less: payments	<u>(442,000)</u>
Balance due	<u>\$ 1,248,000</u>

9. RETIREMENT PLAN

The Organization has a defined contribution plan (the "Plan") that provides for employer contributions of 5% of each eligible employee's annual salary. Eligible employees include those individuals who work at least 20 hours per week and are employed by the Organization for at least one year. Employees are also permitted to make voluntary contributions to the Plan, to the extent allowed by law. All contributions to the Plan are fully vested when received. During the year ended June 30, 2022, the Organization contributed \$206,782 to the Plan.

10. BOARD DESIGNATED NET ASSETS

At June 30, 2022 board designated net assets consist of the following:

Board designated operating reserve	\$ 900,000
Board designated for long-term purposes	<u>700,000</u>
	<u>\$ 1,600,000</u>

10,000 DEGREES
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

11. NET ASSETS WITH DONOR RESTRICTIONS - PURPOSE RESTRICTED

At June 30, 2022 net assets with donor restrictions - purpose restricted consist of the following:

	Restrictions Subject to:		Total
	Purpose and Time Restrictions	Spending Policy and Appropriations	
Scholarships	\$ 10,159,346	\$ 37,998	\$ 10,197,344
General and scholarship support	1,966,775	-	1,966,775
College Access & Success Programs	8,023,654	-	8,023,654
	\$ 20,149,775	\$ 37,998	\$ 20,187,773

Net assets with donor restrictions - purpose restricted, released from restriction during the year ended June 30, 2022 consist of the following:

Scholarships	\$ 4,274,815
General and scholarship support	1,593,022
College Access & Success Programs	3,190,707
Total net assets with donor restrictions released	\$ 9,058,544

12. ENDOWMENTS

The Organization's endowments consist of approximately 10 individual funds established for a variety of purposes. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Organization is subject to the requirements of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) governing endowments. The Organization has interpreted this law as requiring the preservation of the fair value of the original gift as of the gift date of the donor restricted endowment funds, absent explicit donor stipulations to the contrary. As a result, the Organization classifies as net assets with donor restrictions – perpetual in nature to include a) the original value of gifts donated to the perpetual endowment, b) the original value of subsequent gifts to the perpetual endowment, and c) accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at time the accumulation is added to the fund. The remaining portion of the donor restricted endowment fund, that is not classified as perpetual in nature, is classified as donor restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed under law.

From time to time, the fair market value of assets associated with the endowment funds may fall below the level required to be retained as funds of perpetual duration. The Organization has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required by law.

10,000 DEGREES
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

12. ENDOWMENTS (continued)

Investment Return Objectives, Risk Parameters, and Strategies

The Organization adopted investment and spending policies which are consistent with Marin Community Foundation policies and approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets (all held at the Marin Community Foundation) are invested in a well-diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate that has sufficient liquidity to make an annual distribution in accordance with the current spending policy, while growing the funds, if possible. Therefore, the Organization expects its endowment assets, over time, to produce an average rate of approximately 8% annually. Actual returns in any given year may vary from this amount.

Investment risk is measured in terms of total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Spending Policy

The Organization is subject to investment and spending policies of Marin Community Foundation, appropriating for distribution each year 4.5% - 5% of its endowment fund's average fair value of the prior 12 quarters through calendar year-end proceeding the fiscal year in which the distribution is planned. For June 30, 2022, the percentage was 4.5%. In establishing this policy, the Organization considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, many of which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through new gifts and investment return.

Changes in endowment net assets for the year ended June 30, 2022 are as follows:

	Unappropriated endowment earnings	Net assets with donor restrictions - endowments
Endowment net assets - July 1, 2020	\$ 380,863	\$ 1,519,341
Contributions	-	20,500
Investment return - net	(272,115)	-
Amounts appropriated for expenditure	(70,750)	-
Endowment net assets - June 30, 2021	<u>\$ 37,998</u>	<u>\$ 1,539,841</u>

10,000 DEGREES
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

13. CONCENTRATIONS

Cash and Cash Equivalents

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents. Risks associated with cash and cash equivalents are mitigated by banking with creditworthy institutions. Such balances with any one institution may, at times, be in excess of federally insured amounts (currently \$250,000 per depositor). The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk.

Funding

At June 30, 2022, accounts receivable balances from two major donors comprised 77% of total accounts receivable.

For the year ended June 30, 2022, the grants and contribution revenue from two donors comprised 61% of total grants and contributions revenue.

Investments

Investments in general are exposed to various risks, such as interest rate, credit and overall market volatility.

The Organization's Beneficial Interest in MCF, which was valued at \$1,823,921 at June 30, 2022, is invested in pooled funds maintained by the MCF that are subject to market fluctuation.

14. CONTRIBUTED NONFINANCIAL ASSETS

The Organization records various types of in-kind contributions. Contributed services are recognized at fair value if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at fair value when received. The amounts reflected in the accompanying financial statements as in-kind contributions are offset by like amounts included in expenses or additions to property and equipment. Unless otherwise noted, contributed nonfinancial assets do not have donor-imposed restrictions.

Donated services may be utilized in staff or student trainings and workshops, production of marketing materials or fundraising events. Donated equipment may be utilized by staff or by students unless restricted by the donor.

The other contributions included sporting event tickets which were donated with the express purpose to use as a donor incentive to stimulate fundraising momentum at the annual OAN event.

Contributed food is consumed in the course of fundraising events. Gifts of wine are solicited for one of two purposes; either for consumption during a fundraising event or to be monetized as raffle prizes.

10,000 DEGREES
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

14. CONTRIBUTED NONFINANCIAL ASSETS (continued)

For the year ended June 30, 2022, contributed nonfinancial assets recognized in in-kind contributions in the statement of activities includes the following:

Food	\$	21,880
Pro-bono legal		3,750
Equipment		1,265
Other		1,500
		<u>1,500</u>
	\$	<u>28,395</u>

15. COMMITMENTS

In February 2021, the Organization entered into a new operating lease for office space in San Rafael for monthly rent of \$8,393, with annual increases of 3%, which expires in April 2026.

The Organization rents an office in Santa Rosa under a 7-year lease that commenced in 2015. The initial monthly base rent is \$4,729, with annual increases of 3%. The Organization is also responsible for its pro-rata share of increases in building operating costs. An amendment to reduce the base rent and to extend the lease term to August 2027 was signed during 2022.

Subsequent to year end, the Organization signed a lease for office space in San Jose with monthly rent of \$3,460 per month, which expires in November 2023.

The future minimum lease payments under the leases are as follows:

<u>Year ending June 30,</u>		
2023	\$	217,851
2024		172,320
2025		177,489
2026		163,354
2027		70,373
Thereafter		<u>11,786</u>
	\$	<u>813,173</u>

16. CAPITAL LEASE

The Organization is the lessee of office equipment under a capital lease expiring in January 2025. The asset and liability under the capital lease is recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. The asset is amortized over the lesser of the estimated productive life or lease term. Amortization of the asset under the capital lease is included in depreciation expense for the year ended June 30, 2022.

10,000 DEGREES
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

16. CAPITAL LEASE (continued)

Minimum future lease payments under the capital lease as of June 30, 2022, were as follows:

<u>Year ending June 30,</u>	
2023	\$ 14,808
2024	14,808
2025	<u>8,638</u>
Minimum lease payments	38,254
Less: amount representing interest	<u>(7,841)</u>
Present value of net minimum lease payments	30,413
Less: current portion	<u>(10,143)</u>
Long-term portion	<u><u>\$ 20,270</u></u>

The interest rate on the capitalized lease is 1.5% and is imputed based on the lower of the Organization's incremental borrowing rate at the inception of the lease or the lessor's implicit rate of return.

17. SIGNIFICANT ESTIMATE

Scholarships are awarded to students based on each student's anticipated enrollment status at the time of the award. Scholarship expense is recorded at the time the award is made. If a student's enrollment status changes, the amount of the scholarship will be reduced accordingly. This is reflected as a scholarship modification, which is a decrease to scholarship expense. Accordingly, scholarship expense is a significant estimate, subject to change.