



Certified Public Accountants
and Financial Advisors

10,000 DEGREES

Financial Statements

June 30, 2019

(with summarized comparative
totals for June 30, 2018)

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
10,000 Degrees

Report on the Financial Statements

We have audited the accompanying financial statements of 10,000 Degrees (a non-profit organization) (the "Organization"), which comprise the statement of financial position as of June 30, 2019, 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 controls 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 10,000 Degrees as of June 30, 2019, and the changes in its net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Organization's financial statements as of and for the year ended June 30, 2018, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 8, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

SQUAR MILNER LLP

San Francisco, California
December 13, 2019

10,000 DEGREES
STATEMENT OF FINANCIAL POSITION
June 30, 2019
(with summarized comparative totals at June 30, 2018)

ASSETS	2019	2018
CURRENT ASSETS		
Cash and cash equivalents	\$ 6,166,974	\$ 3,931,353
Investments	2,503,746	501,173
Grants and contributions receivable - net - current portion	4,330,369	4,944,021
Other receivables	63,106	11,998
Prepaid expenses	164,324	112,533
Beneficial interest in assets held by Marin Community Foundation - current portion	79,093	77,443
Total current assets	13,307,612	9,578,521
PROPERTY AND EQUIPMENT - net	153,668	191,756
OTHER ASSETS		
Cash held for endowment	17,355	10,853
Grants and contributions receivable - long-term - net	1,081,630	3,116,071
Beneficial interest in assets held by Marin Community Foundation - long-term	1,678,540	1,643,507
Deposits	19,083	18,455
Intangible assets, net	17,607	5,390
Total other assets	2,814,215	4,794,276
Total assets	\$ 16,275,495	\$ 14,564,553
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Education grants and scholarships payable	\$ 181,890	\$ 571,099
Accounts payable and accrued expenses	166,564	135,019
Accrued vacation pay	172,928	132,111
Deferred revenue	32,683	10,833
Total current liabilities	554,065	849,062
DEFERRED RENT	113,640	122,570
Total liabilities	667,705	971,632
NET ASSETS		
Without donor restrictions		
Board designated	475,588	394,473
Undesignated	1,144,566	161,597
Total net assets without donor restrictions	1,620,154	556,070
With donor restrictions		
Purpose restrictions	12,377,066	11,469,426
Perpetual in nature	1,610,570	1,567,425
Total net assets with donor restrictions	13,987,636	13,036,851
Total net assets	15,607,790	13,592,921
Total liabilities and net assets	\$ 16,275,495	\$ 14,564,553

10,000 DEGREES
STATEMENT OF ACTIVITIES
For the year ended June 30, 2019
(with summarized comparative totals for the year ended June 30, 2018)

	2019			2018
	Without Donor Restrictions	With Donor Restrictions	Total	Total
REVENUES AND SUPPORT:				
Grants and contributions	\$ 2,800,480	\$ 8,128,925	\$ 10,929,405	\$ 11,568,984
In-kind contributions	3,720	-	3,720	31,517
Special events - net of direct expenses of \$172,731 in 2019 and \$147,541 in 2018	1,388,615	-	1,388,615	684,550
Change in value of beneficial interest in assets held by Marin Community Foundation	1,894	43,370	45,264	115,550
Program service fees	441,221	-	441,221	263,171
Investment return - net	3,801	90,984	94,785	1,272
Other income	4,000	-	4,000	6,108
	<u>4,643,731</u>	<u>8,263,279</u>	<u>12,907,010</u>	<u>12,671,152</u>
Net assets released from restrictions	<u>7,312,494</u>	<u>(7,312,494)</u>	<u>-</u>	<u>-</u>
Total revenues and support	<u>11,956,225</u>	<u>950,785</u>	<u>12,907,010</u>	<u>12,671,152</u>
EXPENDITURES:				
Program services	8,314,590	-	8,314,590	7,136,099
Management and general	1,211,527	-	1,211,527	1,124,674
Fundraising	1,366,024	-	1,366,024	1,010,965
	<u>10,892,141</u>	<u>-</u>	<u>10,892,141</u>	<u>9,271,738</u>
CHANGE IN NET ASSETS	1,064,084	950,785	2,014,869	3,399,414
NET ASSETS - beginning of year	<u>556,070</u>	<u>13,036,851</u>	<u>13,592,921</u>	<u>10,193,507</u>
NET ASSETS - end of year	<u>\$ 1,620,154</u>	<u>\$ 13,987,636</u>	<u>\$ 15,607,790</u>	<u>\$ 13,592,921</u>

10,000 DEGREES
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2019
(with summarized comparative totals for the year ended June 30, 2018)

	Program Services		Supportive Services		Total Expenses 2019	Total Expenses 2018
	Programs	General & Administrative	Fundraising	Shared Costs		
Grants and scholarships	\$ 4,068,931	\$ -	\$ -	\$ -	\$ 4,068,931	\$ 3,789,208
Less: modifications	(700,248)	-	-	-	(700,248)	(533,057)
Net grants & scholarships	3,368,683	-	-	-	3,368,683	3,256,151
Salaries	3,253,422	655,066	857,864	-	4,766,352	3,689,000
Payroll taxes and benefits	656,418	143,493	193,740	69	993,720	811,015
Consultants and contractors	285,743	30,344	86,509	2,186	404,782	230,771
Rent	125,307	80,668	42,282	350	248,607	295,150
Special events expenses	-	-	172,731	-	172,731	147,541
Computer maintenance	52,996	10,697	11,257	60,323	135,273	89,528
Advertising	10,536	73,571	29,706	-	113,813	92,734
Local mileage and transportation	96,730	2,751	7,221	-	106,702	71,234
Honorariums stipends	88,410	-	386	-	88,796	76,865
Office supplies	40,420	7,946	24,674	15,062	88,102	89,464
Meals and catering	57,258	3,305	9,088	2,233	71,884	106,605
Accounting and audit	-	69,839	-	-	69,839	67,032
Travel	51,376	3,287	3,305	-	57,968	29,860
Equipment rental	154	-	28,583	25,414	54,151	42,609
Dues, memberships, conference fees	32,366	12,277	8,600	553	53,796	64,366
Depreciation and amortization	-	-	-	61,126	61,126	46,934
Printing and copying	5,789	15,951	28,047	-	49,787	47,306
Telephone and internet	17,248	2,140	1,144	26,051	46,583	55,834
Insurance	-	17,305	-	23,638	40,943	31,850
Other	185	26,259	4,848	-	31,292	30,168
Postage and delivery	58	1,604	7,454	3,000	12,116	9,826
Legal	-	11,996	-	-	11,996	21,122
Recruiting and training	7,282	375	910	-	8,567	4,947
Board expenses	-	5,965	1,298	-	7,263	3,923
Staff development	-	-	-	-	-	99
Public relations	-	-	-	-	-	7,345
Shared costs	164,209	36,688	19,108	(220,005)	-	-
Total expenses by function	8,314,590	1,211,527	1,538,755	-	11,064,872	9,419,279
Less expenses included with revenues on the statement of activities						
Special events expenses	-	-	(172,731)	-	(172,731)	(147,541)
Total Expenses	\$ 8,314,590	\$ 1,211,527	\$ 1,366,024	\$ -	\$ 10,892,141	\$ 9,271,738

10,000 DEGREES
STATEMENT OF CASH FLOWS
For the year ended June 30, 2019
(with summarized comparative totals for the year ended June 30, 2018)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 2,014,869	\$ 3,399,414
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	61,126	54,887
Realized and unrealized gain on investments	(36,883)	-
Change in value of beneficial interest in assets held by Marin Community Foundation	(45,264)	(115,551)
Non-cash contributions	(2,261,895)	-
Changes in operating assets and liabilities:		
Grants and contributions receivable	3,398,016	(3,084,550)
Other receivables	(45,634)	(11,986)
Prepaid expenses and deposits	(48,131)	17,914
Education grants and scholarships payable	(391,981)	526,239
Accounts payable and accrued expenses	31,545	65,108
Accrual of deferred rent	(8,930)	(2,294)
Accrued vacation pay	40,817	39,148
Deferred revenue	21,850	10,833
Net cash provided by operating activities:	2,729,505	899,162
CASH FLOWS FROM INVESTING ACTIVITIES		
Distribution from beneficial interest in assets held by Marin Community Foundation	69,081	77,843
Reclassification of cash held for long-term purposes	(6,502)	(1,553)
Investment in certificates of deposit	(904,384)	(250)
Proceeds from sale of investments	503,656	-
Purchase of investments	(120,479)	-
Purchase of property and equipment	(13,051)	(57,222)
Purchase of intangible assets	(22,205)	-
Net cash (used in) provided by investing activities	(493,884)	18,818
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,235,621	917,980
CASH AND CASH EQUIVALENTS - beginning of year	3,931,353	3,013,373
CASH AND CASH EQUIVALENTS - end of year	\$ 6,166,974	\$ 3,931,353
NON-CASH TRANSACTIONS		
Transfer of Assets from Meritus College Fund	2,201,395	-
Non-cash contributions to beneficial interest in assets held by Marin Community Foundation	60,500	-
Total non-cash transactions	\$ 2,261,895	\$ -

10,000 DEGREES
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

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. They help students from low-income backgrounds gain access to and complete higher education to positively impact their communities and the world. Specifically, they deliver near-peer advising around college access, enrollment, and graduation as well as one-one-one financial aid support and management. They also provide comprehensive college success programming and financial aid support after students enroll in college. Their 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 9,000 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’s three times the national average. The Organization welcomes all students. Program participation is not limited by academic requirements or test scores. They 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 office hours at our local community colleges and local state universities, near-peer advising, and the development of a campus community fostering campus connections and assisting students in activating resources and navigating opportunities. They also offer regular public workshops on financial aid, time management skills, and career development.

In addition to college success support, 10,000 Degrees 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, they have administered the Donor Advised Scholarships of the Marin Community Foundation. Likewise, since 2014, they have administered the Donor Advised Scholarships for the Community Foundation of Sonoma County.

10,000 DEGREES
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

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. They also seek to create an environment that promotes educational equity via community activities. The Organization's comprehensive college access program provides intensive college preparation, mentoring, college and financial aid counseling, college campus tours, and FAFSA and California Dream Act completion among a series of other public workshops, making sure students and families enroll in college successfully. Through their 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, they have been able to effectively scale their programs without compromising their college success metrics. For the year ended June 30, 2019, they reached more than 10,000 students and their families through the programs. This includes direct support to over 2,200 college students. The Organization is currently working in 27 high schools, 34 community colleges and over 50 four-year colleges and universities across the nation.

Fellowship Program

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

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

Funding

The Organization receives major funding in the form of grants from the Marin Community Foundation (MCF) and its affiliates. Additional funding is received from private foundations, individuals, corporations and community organizations. Over the past few years, the Organization has begun receiving a substantial amount of support in Sonoma County from local citizens, government and other organizations.

Relationship to Marin Community Foundation

The Organization operated as a supporting organization to the MCF between 1986 and 2015. In April 2015, the board of directors of 10,000 Degrees voted to change the Organization's corporate structure so that it would be an independent nonprofit public benefit corporation and no longer be a supporting organization to the MCF. This change was effective November 1, 2015 for financial reporting purposes.

10,000 DEGREES
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

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 a portion of this class of net assets (refer to Note 11). The amounts designated are not available for the Organizations' operations without Board of Directors' approval.

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. 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 expenditures during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

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. Cash held for endowment is cash held for underwater endowments.

10,000 DEGREES
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

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

Investments

The Organization's investments consist of certificates of deposit with an initial maturity greater than 3 months, bonds and mutual funds. All certificates of deposits mature within one year of the Statement of Financial Position date.

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, 2019, there have been no changes in the methodologies used.

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

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-adjusted rate (currently ranging from 1.71% to 1.92%, based on the Daily Treasury Yield Curve Rate).

10,000 DEGREES
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

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

Beneficial Interest in Assets Held by Marin Community Foundation

Beneficial interest in assets held by MCF consists of assets transferred 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 purposes 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.

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.

Intangible Assets

Intangible assets consist of the cost of videos developed for current and future marketing purposes, as well as investments in the development of the Organization's website infrastructure. Amortization expense is computed using the straight-line method over the estimated useful lives of the assets in their current form, which is three years.

Revenue Recognition

Contributions

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

10,000 DEGREES
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

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

Contributions (continued)

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 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.

Program fees

The Organization negotiates funding for program workshops and other services from the school districts in which they serve. Program fees are earned when services are provided.

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 either a percent of time or the full time equivalents 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.

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.

10,000 DEGREES
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

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

Income Taxes (continued)

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.

Donated Materials and Services

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.

For the year ended June 30, 2019, the Organization received donated goods and services consisting of the following:

Computers	\$ 1,270
Food	<u>2,450</u>
	<u>\$ 3,720</u>

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, 2018 from which the summarized information was derived.

Certain reclassifications have been made to the prior period financial statements to conform to the current period presentation. The reclassifications have no impact on previously reported change in net assets.

Recently Issued Accounting Standards

The Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, Revenue from Contracts with Customers (Topic 606) ("ASU 2014-09"). The new standard is based on principles that govern the recognition of revenue at an amount an entity expects to be entitled when products are transferred to customers. The new standard will be effective for the Organization for the year ending June 30, 2020. The Organization is currently evaluating its impact on its financial statements.

10,000 DEGREES
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

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

Recently Issued Accounting Standards (continued)

In June 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2018-08, *clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made* (Topic 958). These amendments clarify and improve the scope and accounting guidance around contributions of cash and other assets received and made by all entities, including business entities. The amendments should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions), or as exchange (reciprocal) transactions and (2) determining whether a contribution is conditional or unconditional. The new ASU does not apply to transfers of assets from governments to business.

The new standard will be effective for the Organization for the year ending June 30, 2020. The Organization is currently assessing the potential impact of this guidance on its financial statements.

The FASB also issued ASU No. 2016-02, Leases (Topic 842) (“ASU 2016-02”) for lease accounting to increase transparency and comparability among companies by requiring the recognition of lease assets and lease liabilities by lessees. The new standard will be effective for the Organization for the fiscal year ending June 30, 2021. The Organization is currently evaluating the timing of its adoption and its impact on its financial statements.

Although there are several other new accounting pronouncements issued or proposed by the FASB which the Organization will adopt as applicable, the Organization does not believe any of those accounting pronouncements will have a material impact on its financial statements.

Subsequent Events

Management has evaluated events and transactions for potential recognition or disclosure through December 13, 2019, which represents the date the financial statements were available to be issued.

2. NEW ACCOUNTING PRONOUNCEMENT

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The Organization has adjusted the presentation of its financial statements accordingly. The new standards change the following aspects of the Organization’s financial statements:

1. The unrestricted net asset class has been renamed net assets without donor restrictions.
2. The temporarily and permanently restricted net asset classes have been combined to a single net asset class called net assets with donor restrictions.
3. The notes to the financial statements include a new disclosure about liquidity and availability of financial assets (refer to Note 3).
4. Underwater funds are no longer classified from unrestricted net assets.

10,000 DEGREES
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

2. NEW ACCOUNTING PRONOUNCEMENT (continued)

The changes have the following effect on net assets at June 30, 2018:

<u>Net Asset Class</u>	<u>Before Adoption of ASU 2016-14</u>	<u>After Adoption of ASU 2016-14</u>
Unrestricted net assets	\$ 556,070	\$ -
Temporarily restricted net assets	11,469,426	-
Permanently restricted net assets	1,567,425	-
Net assets without donor restrictions	-	556,070
Net assets with donor restrictions	-	13,036,851
	<u>\$ 13,592,921</u>	<u>\$ 13,592,921</u>

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 and equity 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. Donor Advised Scholarship funds are not included in the analysis as those funds are solely used for scholarship awards at the discretion of the donor individual or entity and are, 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 11). 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, 2019

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 and cash equivalents	\$ 6,184,329
Investments	2,503,746
Grants and contributions receivable	5,411,999
Other receivables	63,106
Beneficial interest in assets held by Marin Community Foundation	<u>1,757,633</u>
	<u>15,920,813</u>
Less: cash held for long-term investment	(17,355)
Less: grants and contributions receivable - long-term	(1,081,630)
Less: beneficial interest in assets held by Marin Community Foundation - long-term	(1,678,540)
Less: net assets with donor restrictions	<u>(12,377,066)</u>
	<u>(15,154,591)</u>
Financial assets available for general expenditures	<u><u>\$ 766,222</u></u>

4. TRANSFER OF ASSETS OF MERITUS COLLEGE FUND

Effective July 1, 2018, substantially all the assets and operations of Meritus College Fund, another nonprofit organization with a similar mission as the Organization, were transferred to the Organization. The assets and operations of Meritus College Fund are now included in the Organization's financial statements. The integration of this program and scholarship fund has increased the Organization's budget by approximately 19% for the fiscal year ending June 30, 2019 and has increased the number of students supported by the programs by over 250.

10,000 DEGREES
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

4. TRANSFER OF ASSETS OF MERITUS COLLEGE FUND (continued)

The following are assets and liabilities assumed in connection with this transfer:

Cash	\$ 1,598,661
Investments	1,444,482
Other Receivables	5,474
Grants and contributions receivable	749,923
Deposits	4,288
Total Assets	<u>\$ 3,802,828</u>
Accounts Payable and accrued expenses	<u>\$ 2,771</u>
Contributions received	<u>\$ 3,800,057</u>

5. INVESTMENTS/FAIR VALUE MEASUREMENTS

The Organization's investments consist of certificates of deposit, bonds, mutual funds 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 major categories of investments measured at fair value on a recurring basis at June 30, 2019:

	Fair Value	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Certificates of deposit	\$ 1,405,557	\$ -	\$ 1,405,557	\$ -
Bonds	203,138	-	203,138	-
Mutual funds	895,051	895,051	-	-
	<u>\$ 2,503,746</u>	<u>\$ 895,051</u>	<u>\$ 1,608,695</u>	<u>\$ -</u>

Certificates of deposits and mutual funds have been valued using a market approach. The bonds are valued using broker or dealer quotations.

10,000 DEGREES
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

5. INVESTMENTS/FAIR VALUE MEASUREMENTS (continued)

The following table summarizes how the beneficial interest in assets held by Marin Community Foundation's net asset values per unit were calculated, along 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	\$ 1,757,633	\$ -	Monthly	None

The total gain for the year attributable to beneficial interest assets still held by the Organization at year-end is \$45,264.

6. GRANTS AND CONTRIBUTIONS RECEIVABLE

At June 30, 2019, 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 (net of allowance for uncollectible amounts of \$43,058)	\$ 4,330,369	\$ 1,108,586	\$ 5,438,955
Discount to net present value	-	(26,956)	(26,956)
	<u>\$ 4,330,369</u>	<u>\$ 1,081,630</u>	<u>\$ 5,411,999</u>

7. PROPERTY AND EQUIPMENT

As of June 30, 2019 property and equipment consists of the following:

Office furniture and equipment	\$ 325,873
Leasehold improvements	127,779
	453,652
Less: accumulated depreciation and amortization	(299,984)
	<u>\$ 153,668</u>

For the year ended June 30, 2019, depreciation and amortization expense amounted to \$51,138.

10,000 DEGREES
NOTES TO FINANCIAL STATEMENTS
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8. INTANGIBLE ASSETS

At June 30, 2019, intangible assets consists of the following:

Videos	\$	93,851
Website		38,609
Trademark		<u>5,500</u>
		137,960
Less: accumulated amortization		<u>(120,353)</u>
Remaining book value	\$	<u><u>17,607</u></u>

The future estimated annual amortization expense is as follows:

<u>Year ending June 30,</u>		
2020	\$	7,184
2021		6,592
2022		1,593
2023		325
2024		325
Thereafter		<u>1,588</u>
	\$	<u><u>17,607</u></u>

For the year ended June 30, 2019, amortization expense amounted to \$9,988.

9. DEFERRED RENT

The Organization received a two-month rent abatement on its premises in San Rafael. Generally accepted accounting principles require rent to be recorded on a straight-line basis over the life of the lease. Accordingly, accrued rent is recorded to the extent that rent expense exceeds amounts paid through June 30, 2019. Deferred rent will be fully amortized at the end of the lease term in December 2023.

10. 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, 2019, the Organization contributed \$175,833 to the Plan.

10,000 DEGREES
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

11. BOARD DESIGNATED NET ASSETS

At June 30, 2019 board designated net assets consist of the following:

Board designated operating reserve	\$ 425,000
Board designated for long-term purposes	<u>50,588</u>
	<u>\$ 475,588</u>

12. NET ASSETS WITH DONOR RESTRICTIONS - PURPOSE RESTRICTED

At June 30, 2019 net assets with donor restrictions - purpose restricted consist of the following:

Scholarships	\$ 7,091,361
General and scholarship support	1,606,712
Marin Promise Partnership (sponsored program)	1,075,336
College Access & Success Programs	2,624,600
Other	<u>6,013</u>
	12,404,022
Less: present value discount	<u>(26,956)</u>
	<u>\$ 12,377,066</u>

Net assets with donor restrictions - purpose restricted, released from restriction during the year ended June 30, 2019 consist of the following:

Scholarships	\$ 3,331,221
General and scholarships support	1,510,786
Marin Promise Partnership (sponsored program)	865,234
College Access & Success Programs	1,591,404
Other	<u>13,849</u>
	<u>\$ 7,312,494</u>

13. 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.

10,000 DEGREES
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

13. ENDOWMENTS (continued)

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 a) the original value of gifts donated to the permanent endowment, b) the original value of subsequent gifts to the permanent endowment, and c) accumulations to the permanent 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 purpose 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. At June 30, 2019, the fair market value of endowment assets was less than the required corpus of the funds by \$17,355.

Investment Return Objectives, Risk Parameters, and Strategies

The Organization has adopted investment and spending policies, 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 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 had a policy of appropriating for distribution each year 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, 2019, 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.

10,000 DEGREES
NOTES TO FINANCIAL STATEMENTS
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13. ENDOWMENTS (continued)

Endowment net assets comprise the following as of June 30, 2019:

Original donor gift amount and amounts required to be maintained in perpetuity by donor	\$ 1,627,925
Accumulated investment losses (for two endowment funds)	<u>(17,355)</u>
	<u>\$ 1,610,570</u>

The Organization had two of their several endowments go underwater as of June 30, 2019.

Changes in endowment net assets for the year ended June 30, 2019 are as follows:

	<u>Unappropriated endowment earnings</u>	<u>Net assets with donor restrictions - endowments</u>
Endowment net assets - July 1, 2018	\$ 104,052	\$ 1,567,425
Contributions	-	60,500
Investment return - net	60,725	-
Accumulated investment losses	-	(17,355)
Amounts appropriated for expenditure	<u>(68,303)</u>	<u>-</u>
Endowment net assets - June 30, 2019	<u>\$ 96,474</u>	<u>\$ 1,610,570</u>

14. CONCENTRATIONS

Cash and Cash Equivalents

Financial instruments that potentially subject the Company 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 Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk.

Funding

At June 30, 2019, accounts receivable balances from two major customers comprised 35% of total accounts receivable.

Investments

The Organization's Beneficial Interest in MCF, which was valued at approximately \$1,757,600 at June 30 2019, is invested in pooled funds maintained by the MCF that are subject to market fluctuation.

10,000 DEGREES
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

15. COMMITMENTS

The Organization rents its San Rafael office under a 10-year non-cancelable operating lease that commenced in 2014. The agreement provides for an initial monthly rent of \$10,532, with annual increases of 3%. In addition, the Organization is responsible for its pro-rata share of increases in building operating expenses and property taxes. The lease expires in December 2023 and there is an option to extend the lease for an additional 60 months at the prevailing fair market rent.

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. The lease expires in August 2022 and there is an option to extend the lease for an additional 60 months at the prevailing fair market rent.

The Organization also leases two copy machines, a printer and a postage meter under operating leases with various terms.

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

<u>Year ending June 30,</u>	
2020	\$ 234,642
2021	241,681
2022	248,932
2023	198,237
2024	<u>94,852</u>
	<u>\$ 1,018,344</u>

16. 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.