

10,000 Degrees

Financial Statements

June 30, 2021

(with summarized comparative totals for June 30, 2020)

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INDEPENDENT AUDITORS' 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, 2021, 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.

Auditors' 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 auditors' 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, 2021, 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, 2020, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 12, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Baker Tilly US, LLP

San Francisco, California
March 28, 2022

10,000 DEGREES
STATEMENT OF FINANCIAL POSITION
June 30, 2021
(with summarized comparative totals at June 30, 2020)

ASSETS	2021	2020
CURRENT ASSETS		
Cash and cash equivalents	\$ 12,144,049	\$ 9,496,181
Investments	109,055	1,393,970
Grants and contributions receivable - net - current portion	3,545,435	3,925,310
Prepaid expenses	162,645	171,062
Beneficial interest in assets held by Marin		
Community Foundation - current portion	98,766	77,294
Total current assets	16,059,950	15,063,817
PROPERTY AND EQUIPMENT - net	131,001	132,403
OTHER ASSETS		
Cash held for endowments	-	14,478
Grants and contributions receivable - long-term - net	861,212	1,172,241
Beneficial interest in assets held by Marin		
Community Foundation - long-term	2,096,031	1,640,346
Deposits	14,667	18,357
Intangible assets, net	7,050	9,820
Total other assets	2,978,960	2,855,242
Total assets	\$ 19,169,911	\$ 18,051,462
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Education grants and scholarships payable	\$ 404,375	\$ 248,300
Accounts payable and accrued expenses	69,004	102,842
Accrued vacation pay	222,488	257,722
Capital lease - current	8,358	7,096
Deferred rent - current	21,435	13,798
Deferred revenue	-	12,605
Total current liabilities	725,660	642,363
LONG-TERM LIABILITIES		
Grant advance - Paycheck Protection Program (PPP)	-	1,039,000
Debt impact securities	1,690,000	-
Capital lease - long-term	30,539	38,897
Deferred rent - long-term	4,962	-
Total long-term liabilities	1,725,501	1,077,897
Total liabilities	2,451,161	1,720,260
NET ASSETS		
Without donor restrictions		
Board designated	1,200,000	1,000,000
Undesignated	987,524	764,072
Total net assets without donor restrictions	2,187,524	1,764,072
With donor restrictions		
Purpose restrictions	13,011,887	13,133,781
Perpetual in nature	1,519,339	1,433,349
Total net assets with donor restrictions	14,531,226	14,567,130
Total net assets	16,718,750	16,331,202
Total liabilities and net assets	\$ 19,169,911	\$ 18,051,462

10,000 DEGREES
STATEMENT OF ACTIVITIES
For the year ended June 30, 2021
(with summarized comparative totals for the year ended June 30, 2020)

	2021			2020
	Without Donor Restrictions	With Donor Restrictions	Total	Total
REVENUES AND SUPPORT:				
Grants and contributions	\$ 1,979,782	\$ 7,385,245	\$ 9,365,027	\$ 10,190,799
In-kind contributions	7,781	-	7,781	13,094
Special events - net of direct expenses of \$22,164 in 2021 and \$105,285 in 2020	1,243,890	-	1,243,890	1,328,637
Change in value of beneficial interest in assets held by Marin Community Foundation	62,445	412,674	475,119	(16,750)
Program service fees	285,000	-	285,000	350,739
Investment return - net	192,510	-	192,510	120,519
Lease termination settlement	-	-	-	600,822
Grant income - Paycheck Protection Program ("PPP")	1,039,000	-	1,039,000	-
	4,810,408	7,797,919	12,608,327	12,587,860
Net assets released from restrictions	6,553,843	(6,553,843)	-	-
Total revenues and support	11,364,251	1,244,076	12,608,327	12,587,860
EXPENSES:				
Program services	8,329,901	-	8,329,901	8,967,576
Management and general	1,269,597	-	1,269,597	1,621,826
Fundraising	1,341,301	-	1,341,301	1,275,046
Total expenses	10,940,799	-	10,940,799	11,864,448
CHANGE IN NET ASSETS BEFORE OTHER CHANGES	423,452	1,244,076	1,667,528	723,412
OTHER CHANGES IN NET ASSETS:				
Net assets transferred out (Note 18)	-	(1,279,980)	(1,279,980)	-
CHANGE IN NET ASSETS	423,452	(35,904)	387,548	723,412
NET ASSETS - beginning of year	1,764,072	14,567,130	16,331,202	15,607,790
NET ASSETS - end of year	\$ 2,187,524	\$ 14,531,226	\$ 16,718,750	\$ 16,331,202

10,000 DEGREES
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2021
(with summarized comparative totals for the year ended June 30, 2020)

	Program Services				Total Program Services	Supportive Services			Total Expenses 2021	Total Expenses 2020
	Scholarships	College Access	College Success	Other Programs		Management and General	Fundraising	Shared Costs		
Grants and scholarships	\$ 4,160,541	\$ -	\$ -	\$ -	\$ 4,160,541	\$ -	\$ -	\$ -	\$ 4,160,541	\$ 4,121,826
Less: modifications	(810,855)	-	-	-	(810,855)	-	-	-	(810,855)	(685,420)
Net grants and scholarships	3,349,686	-	-	-	3,349,686	-	-	-	3,349,686	3,436,406
Salaries	309,171	1,634,564	1,311,241	153,122	3,408,098	669,059	853,059	-	4,930,216	5,458,635
Payroll taxes and benefits	67,231	387,456	330,775	32,254	817,716	162,893	203,305	-	1,183,914	1,138,921
Consultants and contractors	23,460	2,571	84,266	12,115	122,412	149,911	65,179	73,839	411,341	342,523
Computer maintenance	679	2,098	2,172	2,773	7,722	12,606	18,414	185,857	224,599	183,281
Grants to Marin Promise	-	-	-	170,977	170,977	-	-	-	170,977	-
Rent	1,985	40,378	19,759	9,000	71,122	32,541	22,198	24,280	150,141	277,379
Advertising	1,001	2,970	5,947	-	9,918	32,318	37,946	4,075	84,257	146,823
Accounting and audit	-	-	-	-	-	69,293	-	-	69,293	68,853
Telephone and internet	348	13,432	15,283	-	29,063	3,384	795	20,000	53,242	60,278
Depreciation and amortization	-	-	-	1,871	1,871	-	-	49,810	51,681	65,150
Other	-	-	-	-	-	6,576	32,194	7,712	46,482	42,867
Insurance	-	-	-	-	-	19,691	-	22,454	42,145	44,673
Office supplies	2,461	3,584	2,925	-	8,970	5,007	4,994	22,803	41,774	59,414
Printing and copying	-	-	-	16	16	2,224	36,884	-	39,124	58,170
Special events expenses	-	-	-	-	-	-	22,164	-	22,164	105,285
Equipment rental	-	-	-	131	131	-	11,500	5,123	16,754	16,939
Postage and delivery	-	-	497	8	505	63	9,562	5,477	15,607	13,901
Recruiting and training	375	2,238	1,361	255	4,229	2,000	704	8,000	14,933	7,466
Dues, memberships, conference fees	2,128	537	655	1,053	4,373	6,304	2,201	1,163	14,041	51,462
Legal	-	-	-	-	-	12,810	-	-	12,810	50,889
Moving expenses	-	-	-	-	-	-	12,232	-	12,232	19,010
Meals and catering	127	537	196	28	888	134	2,615	-	3,637	71,564
Local mileage and transportation	-	594	117	-	711	93	489	-	1,293	77,751
Travel	-	-	-	408	408	102	-	-	510	50,798
Board expenses	-	-	-	-	-	110	-	-	110	4,116
Honorarium stipends	-	-	-	-	-	-	-	-	-	65,205
Loss on disposal of leasehold improvements	-	-	-	-	-	-	-	-	-	51,974
Shared costs	18,705	181,781	115,521	5,078	321,085	70,246	39,262	(430,593)	-	-
Total expenses by function	3,777,357	2,272,740	1,890,715	389,089	8,329,901	1,269,597	1,363,465	-	10,962,963	11,969,733
Less: expenses included with revenues on the statement of activities										
Special events expenses	-	-	-	-	-	-	(22,164)	-	(22,164)	(105,285)
Total Expenses	\$ 3,777,357	\$ 2,272,740	\$ 1,890,715	\$ 389,089	\$ 8,329,901	\$ 1,269,597	\$ 1,341,301	\$ -	\$ 10,940,799	\$ 11,864,448

10,000 DEGREES
STATEMENT OF CASH FLOWS
For the year ended June 30, 2021
(with summarized comparative totals for the year ended June 30, 2020)

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 387,548	\$ 723,412
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	51,681	65,150
Realized and unrealized loss (gain) on investments	(167,224)	3,234
Donation of furniture and equipment to Marin Promise	21,867	-
Loss on disposal of leasehold improvements	-	51,974
Change in value of beneficial interest in assets held by Marin Community Foundation	(475,119)	16,750
Contributions made directly to funds held by Marin Community Foundation	(85,990)	(60,500)
Changes in operating assets and liabilities:		
Grants and contributions receivable	690,904	314,448
Other receivables	-	63,106
Prepaid expenses	8,417	(6,738)
Deposits	3,690	726
Education grants and scholarships payable	156,076	66,411
Accounts payable and accrued expenses	(33,838)	(63,722)
Accrued vacation pay	(35,234)	84,794
Grant advance - Paycheck Protection Program	(1,039,000)	1,039,000
Deferred revenue	(12,605)	(20,078)
Deferred rent	12,599	(99,842)
	<u>(516,228)</u>	<u>2,178,125</u>
Net cash (used in) provided by operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Distribution from beneficial interest in assets held by Marin Community Foundation	83,951	83,742
Proceeds from matured certificates of deposit	416,283	1,009,328
Investment in certificates of deposit	-	(13,901)
Proceeds from sale of investments	1,320,693	782,344
Purchase of investments	(284,837)	(671,229)
Purchase of property and equipment	(64,526)	(38,006)
Purchase of intangible assets	(4,850)	-
	<u>1,466,714</u>	<u>1,152,278</u>
Net cash provided by investing activities		
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on capital lease	(7,096)	(4,073)
Proceeds from issuance of debt securities	1,690,000	-
	<u>1,682,904</u>	<u>(4,073)</u>
Net cash provided by (used in) financing activities		
NET INCREASE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	2,633,390	3,326,330
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - beginning of year	<u>9,510,659</u>	<u>6,184,329</u>
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - end of year	<u>\$ 12,144,049</u>	<u>\$ 9,510,659</u>
NON-CASH TRANSACTIONS		
Purchase of capital lease	<u>\$ -</u>	<u>\$ 50,066</u>
Reconciliation of totals in the statement of cash flows related to captions in the statement of financial position		
Cash and cash equivalents	\$ 12,144,049	\$ 9,496,181
Cash held for endowments	-	14,478
Total cash and restricted cash	<u>\$ 12,144,049</u>	<u>\$ 9,510,659</u>

10,000 DEGREES
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

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-to-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 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’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 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, 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, 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, 2021

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 college preparation, mentoring, 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 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, 2021, they 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 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 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. 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 and San Francisco from individuals, foundations, and government.

10,000 DEGREES
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

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

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.

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 11). 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. 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, 2021

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, 2021, 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, 2021

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, 2021.

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 0.07% - 0.46% 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 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.

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.

10,000 DEGREES
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

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

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, 2021.

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.

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, 2021

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, 2021

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.

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, 2021, the Organization received donated goods and services consisting of the following:

Pro-bono legal	\$ 875
Food	<u>6,906</u>
	<u>\$ 7,781</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, 2020 from which the summarized information was derived.

10,000 DEGREES
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

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

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 September 2020, FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. ASU 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 standard will be required to be applied retrospectively for annual periods beginning after June 15, 2021.

The Organization is currently assessing the effect of these Accounting Standard Updates will have on its financial statements.

Subsequent Events

The Organization has evaluated subsequent events through March 28, 2022, which represents the date the financial statements were available to be issued.

2. NEW ACCOUNTING PRONOUNCEMENT

On August 18, 2016, FASB issued ASU 2014-09, *Revenue from Contracts with Customers*, which replaces most existing revenue recognition guidance in U.S. GAAP and is intended to improve and converge with international standards the financial reporting requirements for revenue from contracts with customers. ASU 2014-09 and its amendments were included primarily in ASC 606. The Organization has adjusted the presentation of its financial statements accordingly.

The core principle of ASC 606 is that an entity should recognize revenue for the transfer of goods or services equal to the amount that it expects to be entitled to receive for those goods or services. Revenue is recognized when control of the promised goods or services is transferred to customers. ASC 606 also requires additional disclosures about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments used. The Organization adopted ASC 606 effective July 1, 2020, using the modified retrospective method applied to all customer contracts that were not complete at the date of initial application. The adoption of ASC 606 did not have a material effect on the Organization’s financial position or results of operations and there was no cumulative effect adjustment to the opening balance of net assets as of July 1, 2020, as a result of ASC 606 implementation.

10,000 DEGREES
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

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 11). This amount is invested to maximize earnings but remains available to be spent at the discretion of the Board.

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	\$ 12,144,049
Investments	109,055
Grants and contributions receivable	3,545,435
Beneficial interest in assets held by Marin Community Foundation	<u>98,766</u>
	<u>15,897,305</u>
Less: scholarship funds	<u>(7,685,029)</u>
	<u>(7,685,029)</u>
Financial assets available for general expenditures	<u><u>\$ 8,212,276</u></u>

10,000 DEGREES
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

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, 2021:

	<u>Fair Value</u>	<u>Fair Value Measurements Using</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Bonds	\$ 109,055	\$ -	\$ 109,055	\$ -

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	\$ 2,194,797	\$ -	Monthly	None

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, 2021, 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	\$ 3,545,435	\$ 900,000	\$ 4,445,435
Allowance for uncollectible amounts	-	(37,200)	(37,200)
Discount to net present value	-	(1,588)	(1,588)
	<u>\$ 3,545,435</u>	<u>\$ 861,212</u>	<u>\$ 4,406,647</u>

10,000 DEGREES
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

6. PROPERTY AND EQUIPMENT

As of June 30, 2021 property and equipment consists of the following:

Office furniture and equipment	\$	299,861
Capital lease		50,066
Leasehold improvements		19,683
		<u>369,610</u>
Less: accumulated depreciation and amortization		<u>(253,374)</u>
		116,236
Construction in progress		14,765
	\$	<u><u>131,001</u></u>

For the year ended June 30, 2021, depreciation expense amounted to \$44,061.

7. INTANGIBLE ASSETS

At June 30, 2021, 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>(135,760)</u>
	\$	<u><u>7,050</u></u>

The future estimated annual amortization expense is as follows:

<u>Year ending June 30,</u>		
2022	\$	4,086
2023		1,617
2024		1,347
		<u>7,050</u>
	\$	<u><u>7,050</u></u>

For the year ended June 30, 2021, amortization expense amounted to \$7,620.

10,000 DEGREES
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

8. GRANT ADVANCE – PAYCHECK PROTECTION PROGRAM

On April 21, 2020, the Organization received loan proceeds in the amount of \$1,039,000 under the Paycheck Protection Program (“PPP”) which was established as part of the Coronavirus Aid, Relief and Economic Security (“CARES”) Act and is administered through the Small Business Administration (“SBA”). The PPP provides loans to qualifying businesses in amounts up to 2.5 times their average monthly payroll expenses and was designed to provide a direct financial incentive for qualifying businesses to keep their workforce employed during the Coronavirus crisis. PPP loans are uncollateralized and guaranteed by the SBA and are forgivable after a “covered period” (eight or twenty-four weeks) as long as the borrower maintains its payroll levels and uses the loan proceeds for eligible expenses, including payroll, benefits, mortgage interest, rent, and utilities. The forgiveness amount will be reduced if the borrower terminates employees or reduces salaries and wages more than 25% during the covered period. Any unforgiven portion is payable over 2 years if issued before, at an interest rate of 1% with payments deferred until the SBA remits the borrower’s loan forgiveness amount to the lender, or, if the borrower does not apply for forgiveness, ten months after the end of the covered period. PPP loan terms provide for customary events of default, including payment defaults, breaches of representations and warranties, and insolvency events and may be accelerated upon the occurrence of one or more of these events of default. Additionally, PPP loan terms do not include prepayment penalties.

As of June 30, 2021, the Organization had expended all of the PPP funds received on qualified expenses and believes that it met all of the conditions attached to the PPP, therefore, the Organization has recorded grant revenue of \$1,039,000 within its statement of activities for the year-end June 30, 2021.

The Organization received legal release from the SBA on March 8, 2021. The SBA reserves the right to audit any PPP loan, regardless of size. These audits may occur after forgiveness has been granted. In accordance with the CARES Act, all borrowers are required to maintain their PPP loan documentation for six years after the PPP loan was forgiven or repaid in full and to provide that documentation to the SBA upon request.

9. DEBT IMPACT SECURITIES

During the year ended June 30, 2021, the Organization entered into a debt impact securities agreement with a donor impact fund in the amount of \$1,690,000. 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. 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. At June 30, 2021, the Organization has not yet met these metrics, and accordingly has recorded a liability.

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, 2021

9. DEBT IMPACT SECURITIES (continued)

At June 30, 2021, the maximum returns on the debt impact securities amounted to \$301,700. Due to the contingent nature of the returns, they are not recorded in the Organization's financial statements until the achievement of predetermined impact metrics have been met.

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, 2021, the Organization contributed \$201,712 to the Plan.

11. BOARD DESIGNATED NET ASSETS

At June 30, 2021 board designated net assets consist of the following:

Board designated operating reserve	\$ 500,000
Board designated for long-term purposes	<u>700,000</u>
	<u>\$ 1,200,000</u>

12. NET ASSETS WITH DONOR RESTRICTIONS - PURPOSE RESTRICTED

At June 30, 2021 net assets with donor restrictions - purpose restricted consist of the following:

Scholarships	\$ 7,685,029
General and scholarship support	2,265,797
College Access & Success Programs	<u>3,061,061</u>
	<u>\$ 13,011,887</u>

10,000 DEGREES
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

12. NET ASSETS WITH DONOR RESTRICTIONS - PURPOSE RESTRICTED (continued)

Net assets with donor restrictions - purpose restricted, released from restriction during the year ended June 30, 2021 consist of the following:

Scholarships	\$ 2,654,687
General and scholarship support	1,416,449
Marin Promise	109,839
College Access & Success Programs	<u>2,372,868</u>
Total net assets with donor restrictions released	<u>\$ 6,553,843</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.

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, 2021

13. ENDOWMENTS (continued)

Investment Return Objectives, Risk Parameters, and Strategies

The Organization adopted investment and spending policies which are consistent with Marin Community Foundation 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, 2021, 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, 2021 are as follows:

	Unappropriated endowment earnings	Net assets with donor restrictions - endowments
Endowment net assets - July 1, 2020	\$ 32,536	\$ 1,433,349
Contributions	-	85,990
Investment return - net	412,674	-
Amounts appropriated for expenditure	(64,347)	-
Endowment net assets - June 30, 2021	\$ 380,863	\$ 1,519,339

10,000 DEGREES
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

14. 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, 2021, accounts receivable balances from two major donors comprised 52% of total accounts receivable.

At June 30, 2021, the grants and contribution revenue balance from one grantor comprised 12% 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 \$2,194,797 at June 30, 2021, is invested in pooled funds maintained by the MCF that are subject to market fluctuation.

15. COMMITMENTS

In February 2021, the Organization entered into a new operating lease 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. 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.

10,000 DEGREES
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

15. COMMITMENTS (continued)

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

<u>Year ending June 30,</u>	
2022	\$ 169,157
2023	116,069
2024	107,918
2025	111,156
2026	<u>95,031</u>
	<u>\$ 599,331</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 estimated productive life. Amortization of the asset under the capital lease is included in depreciation expense for the year ended June 30, 2021.

Minimum future lease payments under the capital lease as of June 30, 2021, were as follows:

<u>Year ending June 30,</u>	
2022	\$ 14,808
2023	14,808
2024	14,808
2025	<u>8,638</u>
Net minimum lease payments	53,062
Less: amount representing interest	<u>(14,165)</u>
Present value of net minimum lease payments	38,897
Less: current portion	<u>(8,358)</u>
Long-term portion	<u>\$ 30,539</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.

10,000 DEGREES
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

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.

18. FISCAL SPONSORSHIP

Effective July 31, 2020, the Board of Directors resolved to terminate its fiscal sponsorship agreement with Marin Promise. During the year ended June 30, 2021, the Organization completed its transfer of net assets to Marin Promise of approximately \$1.3 million.