10,000 Degrees

Financial Statements

June 30, 2023

Independent Auditors' Report

To the Board of Directors of
10,000 Degrees

Report on the Financial Statements

Opinion

We have audited the financial statements of 10,000 Degrees (the Organization), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

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

Report on Summarized Comparative Information

We have previously audited the Organization's financial statements as of and for the year ended June 30, 2022, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 18, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Baker Tilly US, LLP

San Francisco, California
December 1, 2023

10,000 Degrees

Statement of Financial Position
June 30, 2023
(With Summarized Comparative Totals at June 30, 2022)

	2023	2022
Assets		
Current Assets		
Cash and cash equivalents	$ 15,149,452	$ 14,047,474
Investments	4,691,427	109,767
Grants and contributions receivable, net, current portion	7,324,019	7,419,995
Employee Retention Credit receivable	405,112	-
Other receivables	-	167,407
Prepaid expenses	326,538	230,714
Beneficial interest in assets held by Marin:		
Community Foundation, current portion	87,564	82,076
Total current assets	27,984,112	22,057,433
Property and Equipment, Net	84,446	128,902
Other Assets		
Grants and contributions receivable, long-term, net	1,009,622	3,484,284
Beneficial interest in assets held by Marin		
Community Foundation, long-term	1,858,298	1,741,845
Deposits	28,647	22,242
Intangible assets, net	2,864	2,964
Operating lease right-of-use assets	563,607	-
Total other assets	3,463,038	5,251,335
Total assets	$ 31,531,596	$ 27,437,670
Liabilities and Net Assets		
Current Liabilities		
Education grants and scholarships payable, net of allowance	$ 4,273,900	$ 691,980
Accounts payable and accrued expenses	677,828	148,273
Accrued vacation pay	381,352	251,558
Deferred rent, current	-	2,027
Deferred revenue	99,046	90,000
Operating lease liabilities	174,251	-
Finance lease liabilities	11,032	10,143
Total current liabilities	5,617,409	1,193,981
Long-Term Liabilities		
Debt impact securities	507,000	1,248,000
Deferred rent, long-term	-	19,408
Grant advance	14,510	36,740
Operating lease liabilities, noncurrent	412,061	-
Finance lease liabilities, noncurrent	10,154	20,270
Total long-term liabilities	943,725	1,324,418
Total liabilities	6,561,134	2,518,399
Net Assets		
Without donor restrictions:		
Board designated	2,250,000	1,600,000
Undesigned	3,245,558	1,591,657
Total net assets without donor restrictions	5,495,558	3,191,657
With donor restrictions:		
Purpose restrictions	17,884,190	20,187,773
Perpetual in nature	1,590,714	1,539,841
Total net assets with donor restrictions	19,474,904	21,727,614
Total net assets	24,970,462	24,919,271
Total liabilities and net assets	$ 31,531,596	$ 27,437,670

See notes to financial statements

10,000 Degrees

Statement of Activities
Year Ended June 30, 2023
(With Summarized Comparative Totals at June 30, 2022)

	2023			2022
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenues and Support				
Grants and contributions	$ 8,001,993	$ 12,044,130	$ 20,046,123	$ 20,300,251
Special events, net of costs of direct benefit to donors $89,208 in 2023 and $143,263 in 2022	1,036,251	-	1,036,251	921,117
Change in value of beneficial interest in assets held by Marin Community Foundation	113,679	50,873	164,552	(312,628)
Program service fees	273,574	-	273,574	487,008
Investment return, net	352,963	-	352,963	2,076
Employee Retention Credit income	405,112		405,112	-
Lease termination settlement	-	-	-	1,500
	10,183,572	12,095,003	22,278,575	21,399,324
Net assets released from restrictions	14,347,713	(14,347,713)	-	-
Total revenues and support	24,531,285	(2,252,710)	22,278,575	21,399,324
Expenses				
Program services	17,743,583	-	17,743,583	10,190,698
Management and general	2,510,740	-	2,510,740	1,485,352
Fundraising	1,973,061	-	1,973,061	1,522,753
Total expenses	22,227,384	-	22,227,384	13,198,803
Change in net assets	2,303,901	(2,252,710)	51,191	8,200,521
Net Assets, Beginning	3,191,657	21,727,614	24,919,271	16,718,750
Net Assets, Ending	$ 5,495,558	$ 19,474,904	$ 24,970,462	$ 24,919,271

See notes to financial statements

10,000 Degrees

Statement of Functional Expenses
Year Ended June 30, 2023
(With Summarized Comparative Totals at June 30, 2022)

	Program Services					Supportive Services				
	Donor Scholarships	College Access	College Success	Other Programs	Total Program Services	Management and General	Fundraising	Shared Costs	Total Expenses 2023	Total Expenses 2022
Grants and scholarships	$ 11,024,158	$ -	$ -	$ -	$ 11,024,158	$ -	$ -	$ -	$ 11,024,158	$ 5,240,886
Less modifications	(1,449,527)	-	-	-	(1,449,527)	-	-	-	(1,449,527)	(983,054)
Net grants and scholarships	9,574,631	-	-	-	9,574,631	-	-	-	9,574,631	4,257,832
Salaries	419,225	2,650,576	1,919,736	904,563	5,894,100	1,312,319	1,220,439	-	8,426,858	6,021,007
Payroll taxes and benefits	77,219	516,474	442,753	166,499	1,202,945	322,840	262,349	-	1,788,134	1,358,732
Consultants and contractors	4,860	-	21,923	3,690	30,473	106,454	125,458	100,280	362,665	301,636
Computer maintenance and software licenses	1,042	5,441	5,821	4,006	16,310	67,869	15,200	201,653	301,032	264,565
Occupancy	4,997	137,435	86,121	8,290	236,843	10,472	38,764	647	286,726	205,863
Meals and catering	579	57,752	15,042	1,483	74,856	36,530	52,777	72	164,235	44,865
Accounting and audit	-	-	-	-	-	155,034	-	-	155,034	102,216
Office supplies	1,854	50,838	10,548	1,468	64,708	60,350	21,468	2,799	149,325	49,414
Advertising	3,487	8,478	13,623	-	25,588	72,214	19,934	3,679	121,415	121,961
Recruiting and training	134	4,277	993	794	6,198	113,090	-	-	119,288	64,480
Dues, memberships and conference fees	6,508	10,095	13,999	7,307	37,909	55,764	13,335	1,863	108,871	42,031
Other	-	-	-	-	-	38,834	46,124	4,347	89,305	60,516
Special events expenses	-	-	-	-	-	-	89,208	-	89,208	143,263
Student equipment expense	89,049	-	-	-	89,049	-	-	-	89,049	-
Local mileage and transportation	823	42,442	21,335	2,377	66,977	6,911	7,917	-	81,805	16,508
Telephone and internet	66	2,816	18,067	169	21,118	12,778	341	36,052	70,289	60,235
Equipment rental	-	-	-	-	-	-	62,199	4,742	66,941	31,709
Depreciation and amortization	-	-	-	11,834	11,834	-	-	52,458	64,292	59,615
Printing and copying	55	3,026	1,469	129	4,679	14,678	40,411	-	59,768	40,842
Travel	761	9,178	11,838	8,544	30,321	18,907	1,296	-	50,524	1,490
Insurance	-	-	-	-	-	21,922	-	25,338	47,260	39,308
Legal	-	10,599	2,438	-	13,037	6,015	3,000	805	22,857	20,451
Postage and delivery	3,347	132	2,775	-	6,254	1,208	8,936	4,000	20,398	13,578
Board expenses	-	-	-	-	-	5,928	134	-	6,062	8,949
Moving expenses	-	-	-	-	-	620	-	-	620	-
Grants to other organizations	-	-	-	-	-	-	-	-	-	11,000
Shared costs	20,409	167,565	120,473	27,306	335,753	70,003	32,979	(438,735)	-	-
Total expenses by function	10,209,046	3,677,124	2,708,954	1,148,459	17,743,583	2,510,740	2,062,269	-	22,316,592	13,342,066
Less expenses included with revenues on the statement of activities:										
Cost of direct benefit to donors	-	-	-	-	-	-	(89,208)	-	(89,208)	(143,263)
Total expenses	$ 10,209,046	$ 3,677,124	$ 2,708,954	$ 1,148,459	$ 17,743,583	$ 2,510,740	$ 1,973,061	$ -	$ 22,227,384	$ 13,198,803

See notes to financial statements

10,000 Degrees

Statement of Cash Flows
Year Ended June 30, 2023
(With Summarized Comparative Totals at June 30, 2022)

	2023	2022
Cash Flows From Operating Activities		
Change in net assets	$ 51,191	$ 8,200,521
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	64,292	59,615
Realized and unrealized loss (gain) on investments	(49,588)	14,706
Noncash lease expense	22,705	-
Change in value of beneficial interest in assets held by Marin Community Foundation	(164,552)	312,628
Contributions for endowments	(50,873)	(20,500)
Changes in operating assets and liabilities:		
Grants and contributions receivable	2,165,526	(6,497,632)
Other receivables	174,207	(167,407)
Prepaid expenses	(95,825)	(68,069)
Deposits	(6,405)	(7,575)
Education grants and scholarships payable	3,581,920	287,605
Accounts payable and accrued expenses	522,755	79,269
Accrued vacation pay	129,794	29,070
Grant advances	(22,230)	36,740
Deferred revenue	9,046	90,000
Deferred rent	(21,435)	(4,962)
Net cash provided by operating activities	6,310,528	2,344,009
Cash Flows From Investing Activities		
Distribution from beneficial interest in assets held by Marin Community Foundation	42,611	58,248
Proceeds from sale of investments	10,109,858	26,003
Purchase of investments	(14,641,929)	(41,421)
Purchase of property and equipment	(19,736)	(53,430)
Net cash used in investing activities	(4,509,196)	(10,600)
Cash Flows From Financing Activities		
Payments on finance lease	(9,227)	(8,484)
Payments on debt securities as a result of achieving units of impact	(741,000)	(442,000)
Contributions for endowments	50,873	20,500
Net cash used in financing activities	(699,354)	(429,984)
Net increase in cash and cash equivalents	1,101,978	1,903,425
Cash and Cash Equivalents, Beginning	14,047,474	12,144,049
Cash and Cash Equivalents, Ending	$ 15,149,452	$ 14,047,474

See notes to financial statements

1. Description of Organization and Summary of Significant Accounting Policies

Nature of Activities

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

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

Key Elements of Programs

College Success and Scholarship Programs

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

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

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

College Access Programs

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

Through the Organization's innovative model, the Organization has been able to effectively scale the programs without compromising their college success metrics. For the year ended June 30, 2023, the Organization reached more than 12,000 students and their families through the programs. This includes direct support to almost 3,000 college students. The Organization is currently working in 42 high schools, 40 community colleges and 166 four-year colleges and universities across the nation.

Fellowship Program

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

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

Funding

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

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 in accordance with accounting principles generally accepted in the United States of America for not-for-profit organizations (US GAAP).

Basis of Presentation

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

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

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

Use of Estimates

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

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.

Investments

The Organization's investments consist of bonds and treasury bills valued at fair value 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, 2023, there were no changes in the methodologies used.

Debt Impact Securities

Impact securities are debt securities issued by a nonprofit organization, foundation, government, or supranational entity, featuring variable returns that are contingent on the achievement of predetermined impact metrics. The Organization uses the investor capital from the sale of impact securities to run their programs and conduct impact measurements. Over time, impact is reported by the Organization and independently verified. Periodic payment amounts are entirely dependent on successful Units of Impact. If impact is not achieved, there is no obligation to make payments to holders since the security does not provide for or guarantee a return of principal. See Note 8.

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, 2023.

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 4.13% - 5.40% based on the Daily Treasury Yield Curve Rate).

Beneficial Interest in Assets Held by Marin Community Foundation

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

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. In accordance with ASC 958-605, assets transferred that are reciprocal in nature are recognized on the financial statements of the Organization.

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 seven years. Leasehold improvements are amortized over the shorter of the lease term or the useful life of the improvement. The cost of maintenance and repairs is charged to operations when incurred.

Intangible Assets

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

Revenue Recognition

Contributions

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

Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met. At June 30, 2023, the Organization had $14,510 in conditional contributions which are reported as grant advances on the statement of financial position.

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

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

Contributed nonfinancial assets - The Organization records various types of in-kind contributions. Contributed services are recognized at fair value if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at fair value when received. The amounts reflected in the accompanying financial statements as in-kind contributions are offset by like amounts included in expenses or additions to property and equipment. Unless otherwise noted, contributed nonfinancial assets do not have donor-imposed restrictions. At June 30, 2023, there were no material contributed nonfinancial assets.

Program fees

Revenue recognition for program fee income is evaluated under Accounting Standards Codification (ASC) No. 606 through the following five steps:

1. identification of the contract or contracts with a customer;
2. identification of the performance obligations in the contract;
3. determination of the transaction price;
4. allocation of the transaction price in the contract; and
5. 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). Amounts are reflected net of estimated awards that will be rescinded due to changes in the recipient student's situation. Total recissions during the year ended June 30, 2023 amounted to $1,449,527.

Education grants and scholarships payable consist of amounts approved in the current fiscal year for the next fiscal year, or amounts awaiting payment on the individual or educational institution, net of an allowance for recissions of $675,000 as June 30, 2023.

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.

Income Taxes

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

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

Summarized Comparative Financial Information

The financial statements include certain prior year summarized comparative information in total but not by net asset classification. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2022 from which the summarized information was derived.

Recently Issued Accounting Standards

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

Subsequent Events

The Organization has evaluated subsequent events through December 1, 2023, which represents the date the financial statements were available to be issued.

2. New Accounting Pronouncement

Effective July 1, 2022, the Organization adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842),* and all related amendments using the modified retrospective approach. The Organization's 2022 financial statements continue to be accounted for under the FASB's Topic 840 and have not been adjusted.

ASU No. 2016-02 requires lessees to recognize the assets and liabilities that arise from leases on the statement of financial position. At lease inception, leases are classified as either finance leases or operating leases with the associated right-of-use asset and lease liability measured at the net present value of future lease payments. Operating leases are expensed on a straight-line basis as lease expense over the non-cancelable lease term. Expenses for finance leases are comprised of the amortization of the right-of-use asset and interest expense recognized based on the effective interest method. At the date of adoption, the Organization recorded operating lease right-of-use assets and lease liabilities of $729,866 and $750,037, respectively. On the date of adoption, deferred rent liability amounting to $21,435 was netted against right-of-use assets.

The new standard provides for several optional practical expedients. Upon transition to Topic 842, the Organization elected:

- The package of practical expedients permitted under the transition guidance which does not require the Organization to reassess prior conclusions regarding whether contracts are or contain a lease, lease classification and initial direct lease costs;

- The practical expedient to use hindsight in determining the lease term (that is, when considering options to extend or terminate the lease or to purchase the underlying asset) and in assessing impairment of the Organization's right-of-use assets.

The new standard also provides for several accounting policy elections, as follows:

- The Organization has elected the policy not to separate lease and nonlease components for all asset classes;

- When the rate implicit in the lease is not determinable, rather than use the Organization's incremental borrowing rate, the Organization elected to use a risk-free discount rate for the initial and subsequent measurement of lease liabilities for all asset classes;

- The Organization elected not to apply the recognition requirements to all leases with an original term of 12 months or less, for which the Organization is not likely to exercise a renewal option or purchase the asset at the end of the lease; rather, short-term leases will continue to be recorded on a straight-line basis over the lease term;

- The Organization elected to account for its equipment leases using the portfolio approach; as such, leases that have similar commencement dates, length of terms, renewal options or other contract terms have been combined into a lease portfolio whereby the resulting accounting at the portfolio level does not differ materially from that at the individual lease level.

Additional required disclosures for Topic 842 are contained in Note 14.

3. Liquidity and Availability of Financial Assets

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

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

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

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

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	$ 15,149,452
Investments	4,691,427
Grants and contributions receivable	8,333,641
Beneficial interest in assets held by Marin Community Foundation	87,564
	28,262,084
Less time and purpose restricted net assets	(17,884,190)
Financial assets available for general expenditures	$ 10,337,894

4. Investments and Fair Value Measurements

The Organization's investments consist of bonds and treasury bills. In addition, they have 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, 2023:

	Fair Value Measurements Using			
	Fair Value	**Level 1**	**Level 2**	**Level 3**
Corporate bonds	$ 102,403	$ -	$ 102,403	$ -
Treasury bills	4,589,024	-	4,589,024	-
	$ 4,691,427	$ -	$ 4,691,427	$ -

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:

	Value	**Unfunded Commitments**	**Redemption Frequency (if currently eligible)**	**Redemption Notice Period**
Beneficial interest in assets held by Marin Community Foundation	$ 1,945,862	$ -	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, 2023, unconditional promises to give are as follows:

	Current	Due in 2 to 5 Years	Total
Grants and contributions receivable	$ 7,324,019	$ 1,103,958	$ 8,427,977
Allowance for uncollectible amounts	-	(4,888)	(4,888)
Discount to net present value	-	(89,448)	(89,448)
Total	$ 7,324,019	$ 1,009,622	$ 8,333,641

6. Property and Equipment

As of June 30, 2023 property and equipment consists of the following:

Office furniture and equipment	$ 435,759
Leasehold improvements	19,683
	455,442
Less accumulated depreciation	(370,996)
Total	$ 84,446

For the year ended June 30, 2023, depreciation expense amounted to $62,092.

7. Intangible Assets

At June 30, 2023, intangible assets consists of the following:

Videos	$ 93,851
Website	38,609
Logo	4,850
Trademark	7,600
	144,910
Less accumulated amortization	142,046
Total	$ 2,864

For the year ended June 30, 2023, amortization expense amounted to $2,200.

8. Debt Impact Securities

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

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

At June 30, 2023, the Organization has met some of these metrics, and accordingly repaid a portion of the liability. The Organization achieved 34 units of impact, where for each unit achieved, the Organization will pay $13,000 per unit of impact for the first 130 units of impact (1-130) and $6,500 per unit of impact, representing interest, for the next 30 units of impact (131-160).

At June 30, 2023, the impact repayments are as follows:

	Units Achieved	Amount per Unit Achieved	Payment
Graduates (1-130)	57	$ 13,000	$ 741,000
Graduates (131-160)	-	6,500	-
Total			$ 741,000

At June 30, 2023, the remaining liability is as follows:

Balance at June 30, 2022	$ 1,248,000
Less payments	(741,000)
Balance due	$ 507,000

9. Retirement Plan

The Organization has a defined contribution plan (the Plan) that provides for employer contributions of 5% of each eligible employee's annual salary. Eligible employees include those individuals who work at least 20 hours per week and are employed by the Organization for at least one year. Employees are also permitted to make voluntary contributions to the Plan, to the extent allowed by law. All contributions to the Plan are fully vested when received. During the year ended June 30, 2023, the Organization contributed $265,615 to the Plan.

10. Board Designated Net Assets

The Board of Directors has designated certain funds for use in times of severe fiscal stress and the Operating Reserve to manage short term cash shortfalls and unexpected expenses.

A rollforward of activity for the year ended June 30, 2023 for board-designated net assets is as follows:

	Operating Reserve	Long-Term Reserve	Total
Balance, July 1, 2022	$ 900,000	$ 700,000	$ 1,600,000
Designated to the fund	450,000	200,000	650,000
Balance, June 30, 2023	$ 1,350,000	$ 900,000	$ 2,250,000

11. Net Assets With Donor Restrictions, Purpose Restricted

At June 30, 2023 net assets with donor restrictions - purpose restricted consist of the following:

	Restrictions Subject to:		
	Purpose and Time Restrictions	Spending Policy and Appropriations	Total
Scholarships	$ 5,920,992	$ 110,677	$ 6,031,669
General and scholarship support	393,738	-	393,738
College Access and Success Programs	3,125,142	-	3,125,142
	9,439,872	110,677	9,550,549
Contributions receivable restricted for:			
Scholarships	1,164,676	-	1,164,676
General and scholarship support	1,790,004	-	1,790,004
College Access and Success Programs	5,378,961	-	5,378,961
	8,333,641	-	8,333,641
Total	$ 17,773,513	$ 110,677	$ 17,884,190

Net assets with donor restrictions - purpose restricted, released from restriction during the year ended June 30, 2023 consist of the following:

Scholarships	$ 10,349,024
General and scholarship support	944,942
College Access and Success Programs	3,053,747
Total net assets with donor restrictions released	$ 14,347,713

12. Endowments

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

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

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

Investment Return Objectives, Risk Parameters and Strategies

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

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

Spending Policy

The Organization is subject to investment and spending policies of Marin Community Foundation, appropriating for distribution each year 4.5% - 5% of its endowment fund's average fair value of the prior 12 quarters through calendar year-end proceeding the fiscal year in which the distribution is planned. For June 30, 2023, 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, 2023 are as follows:

	Unappropriated Endowment Earnings	Net Assets with Donor Restrictions - Endowments	Totals
Endowment Net Assets, July 1, 2022	$ 37,998	$ 1,539,841	$ 1,577,839
Contributions	-	50,873	50,873
Investment return, net	146,175	-	146,175
Amounts appropriated for expenditure	(73,496)	-	(73,496)
Endowment Net Assets, June 30, 2023	$ 110,677	$ 1,590,714	$ 1,701,391

13. Concentrations

Cash and Cash Equivalents

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

Funding

At June 30, 2023, accounts receivable balances from three major donors comprised 67% of total accounts receivable.

For the year ended June 30, 2023, the grants and contribution revenue from one donor comprised 25% of total grants and contributions revenue.

Investments

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

The Organization's Beneficial Interest in MCF, which was valued at $1,945,862 at June 30, 2023, is invested in pooled funds maintained by the MCF that are subject to market fluctuation.

14. Leases

The Organization rents an office space in San Rafael for monthly rent of $8,393, with annual increases of 3%, which expires in April 2026.

The Organization also rents an office in Santa Rosa under a seven year lease that commenced in 2015. The initial monthly base rent is $4,729, with annual increases of 3%. An amendment to reduce the base rent and to extend the lease term to August 2027 was signed during 2022.

Right-of-use assets represent the Organization's right to use an underlying asset for the lease term, while lease liabilities represent the Organization's obligation to make lease payments arising from the lease. Right-of-use assets and lease liabilities are recognized at the commencement date of a lease based on the net present value of lease payments over the lease term.

Certain of the Organization's leases include options to renew or terminate the lease. The exercise of lease renewal or early termination options is at the Organization's sole discretion. The Organization regularly evaluates the renewal and early termination options and when they are reasonably certain of exercise, the Organization includes such options in the lease term.

In determining the discount rate used to measure the right-of-use assets and lease liabilities, the Organization uses the rate implicit in the lease, or if not readily available, the Organization uses a risk-free rate based on U.S. Treasury notes or bond rates for a similar term.

Right-of-use assets are assessed for impairment in accordance with the Organization's long-lived asset policy. The Organization reassesses lease classification and remeasures right-of-use assets and lease liabilities when a lease is modified and that modification is not accounted for as a separate new lease or upon certain other events that require reassessment in accordance with Topic 842.

The Organization made significant assumptions and judgments in applying the requirements of Topic 842. In particular, the Organization:

- Evaluated whether a contract contains a lease, by considering factors such as whether the Organization obtained substantially all rights to control an identifiable underlying asset and whether the lessor has substantive substitution rights;

- Determined whether contracts contain embedded leases;

- Evaluated leases with similar commencement dates, lengths of term, renewal options or other contract terms, which therefore meet the definition of a portfolio of leases, whether to apply the portfolio approach to such leases;

- Determined for leases that contain a residual value guarantee, whether a payment at the end of the lease term was probable and, accordingly, whether to consider the amount of a residual value guarantee in future lease payments;

The Organization does not have any material leasing transactions with related parties.

The following table summarizes the operating lease right-of-use assets and operating lease liabilities as of June 30, 2023:

Operating lease right-of-use assets	$ 563,607
Operating lease liabilities:	
Current	174,251
Long-term	412,061
Total operating lease liabilities	$ 586,312

The table below summarizes the Organization's scheduled future minimum lease payments for years ending after June 30, 2023:

Years ending June 30:		
2024	$	188,337
2025		179,461
2026		165,162
2027		70,373
2028		11,787
Total lease payments		615,120
Less present value discount		(28,808)
Total lease liabilities		586,312
Less current portion		(174,251)
Long-term lease liabilities	$	412,061

The following table includes supplemental cash flow and noncash information related to the leases for the year ended June 30, 2023:

Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$	181,422
Operating lease right-of-use assets obtained in exchange for lease liabilities	$	750,037

15. Employee Retention Credit

The Employee Retention Credit (ERC), which was included as part of the Coronavirus Aid, Relief and Economic Security (CARES) Act and amended by the Consolidated Appropriations Act (CAA), the American Rescue Plan Act (ARPA), and the Infrastructure Investment and Jobs Act (IIJA), incentivizes employers severely impacted by the COVID-19 pandemic to retain their employees when they might otherwise find it difficult to do so. The fully refundable tax credit is allowed against the employer's share of employment taxes for qualified wages paid after March 12, 2020 and before October 1, 2021. Credits in excess of the tax amounts paid by an employer are treated as overpayments and are also refunded to the employer. The ERC is calculated as a percentage of qualified wages (as defined in the CARES Act, as amended) paid by an eligible employer. The Organization qualified for ERC as its operations were partially suspended during the second calendar quarter of 2020 due to orders from the California State Government limiting certain of its activities due to COVID-19. The Organization averaged less than 100 full-time employees (FTEs) during 2019, therefore, it was considered a small employer. As a small employer, all of the Organization's otherwise qualified wages were eligible for the ERC. For 2020, the ERC equaled 50% of an employee's qualified wages up to $10,000 per employee per calendar quarter with a maximum annual credit for each employee of $5,000. For 2021, the ERC equaled 70% of an employee's qualified wages up to $10,000 per employee per calendar quarter with a maximum annual credit of $21,000 for each employee.

The Organization accounts for this federal funding in accordance with the FASB ASC 958-605 guidance for conditional contributions and, accordingly, revenues are measured and recognized when barriers are substantially met. The Organization claimed credits totaling $405,112 on amended 2020 quarterly forms 941. The full credit was recognized in revenue at June 30, 2023.

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.

17. Related Party Transactions

Board member donations totaled $469,769 for the year ended June 30, 2023.