



Financial Statements
August 31, 2010

Admission Possible, Inc.

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Independent Auditor's Report

The Board of Directors
Admission Possible, Inc.
St. Paul, Minnesota

We have audited the accompanying statement of financial position of Admission Possible, Inc. (the Organization) as of August 31, 2010, and the related statements of activities, cash flows and functional expenses for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Organization's 2009 financial statements and, in our report dated December 10, 2009, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above, present fairly, in all material respects, the financial position of the Organization as of August 31, 2010, and the changes in its net assets, functional expenses, and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2010, on our consideration of the Organization's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Minneapolis, Minnesota
December 8, 2010

www.eidebailly.com

	<u>2010</u>	<u>2009</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 4,981,010	\$ 4,402,776
Accounts receivable	6,584	22,358
Grants receivable	594,901	330,000
Prepaid expenses	58,116	43,094
Total current assets	<u>5,640,611</u>	<u>4,798,228</u>
Other Assets		
Investments	567,356	-
Grants receivable	-	84,075
	<u>567,356</u>	<u>84,075</u>
Equipment and Leasehold Improvements		
Computer software and equipment	113,491	171,338
Furniture and equipment	87,438	85,438
Leasehold improvements	51,070	46,169
	<u>251,999</u>	<u>302,945</u>
Less accumulated depreciation	150,075	175,725
	<u>101,924</u>	<u>127,220</u>
	<u>\$ 6,309,891</u>	<u>\$ 5,009,523</u>

See Notes to Financial Statements

Admission Possible, Inc.
Statement of Financial Position
August 31, 2010 (with Comparative Totals for 2009)

	2010	2009
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 23,424	\$ 36,095
Accrued expenses	320,963	213,592
Deferred revenue	-	12,500
Total current liabilities	344,387	262,187
Long Term Liabilities		
Accrued expenses - deferred compensation	35,000	20,000
	379,387	282,187
Net Assets		
Unrestricted		
Undesignated	2,518,323	2,504,800
Board designated		
Program continuation funds	1,655,656	1,511,111
	4,173,979	4,015,911
Temporarily restricted	1,756,525	711,425
	5,930,504	4,727,336
	\$ 6,309,891	\$ 5,009,523

Admission Possible, Inc.
Statement of Activities
Year Ended August 31, 2010 (with Comparative Totals for 2009)

	2010			2009
	Unrestricted	Temporarily Restricted	Total	
Support and Revenue				
Fee revenue				
Consortium fees	\$ 50,000	\$ -	\$ 50,000	\$ 75,000
Service fees	51,000	-	51,000	-
Total fee revenue	<u>101,000</u>	<u>-</u>	<u>101,000</u>	<u>75,000</u>
Support				
Contributions and grants	1,449,926	1,671,525	3,121,451	2,301,162
Government grants	968,023	-	968,023	635,734
In-kind contributions	89,173	-	89,173	109,257
Total support	<u>2,507,122</u>	<u>1,671,525</u>	<u>4,178,647</u>	<u>3,046,153</u>
Investment income	33,039	-	33,039	55,666
Net assets released from restrictions	<u>626,425</u>	<u>(626,425)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>3,267,586</u>	<u>1,045,100</u>	<u>4,312,686</u>	<u>3,176,819</u>
Expenses				
Program services	2,522,786	-	2,522,786	2,115,910
General and administrative	320,689	-	320,689	233,707
Fundraising	266,043	-	266,043	177,867
Total expenses	<u>3,109,518</u>	<u>-</u>	<u>3,109,518</u>	<u>2,527,484</u>
Change in Net Assets	158,068	1,045,100	1,203,168	649,335
Net Assets, Beginning of Year	<u>4,015,911</u>	<u>711,425</u>	<u>4,727,336</u>	<u>4,078,001</u>
Net Assets, End of Year	<u>\$ 4,173,979</u>	<u>\$ 1,756,525</u>	<u>\$ 5,930,504</u>	<u>\$ 4,727,336</u>

Admission Possible, Inc.
Statement of Cash Flows
Year Ended August 31, 2010 (with Comparative Totals for 2009)

	2010	2009
Operating Activities		
Change in net assets	\$ 1,203,168	\$ 649,337
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	30,346	48,648
Loss on disposal of computer equipment	4,901	-
Changes in operating assets and liabilities		
Accounts receivable	15,774	(17,573)
Grants receivable	(180,826)	344,072
Prepaid expenses	(15,021)	(22,621)
Accounts payable	(12,671)	9,898
Accrued expenses	122,372	72,686
Deferred revenue	(12,500)	(12,500)
Net Cash from Operating Activities	1,155,543	1,071,947
Investing Activity		
Purchase of equipment	(9,953)	(58,311)
Purchase of investments	(567,356)	-
Net Cash used for Investing Activity	(577,309)	(58,311)
Net Change in Cash and Cash Equivalents	578,234	1,013,636
Cash and Cash Equivalents, Beginning of Year	4,402,776	3,389,140
Cash and Cash Equivalents, End of Year	\$ 4,981,010	\$ 4,402,776

Admission Possible, Inc.
Statement of Functional Expenses
Year Ended August 31, 2010 (with Comparative Totals for 2009)

	2010				2009
	Program Services	General and Administrative	Fundraising	Total	
Personnel costs					
Payroll	\$ 1,621,753	\$ 125,743	\$ 155,989	\$ 1,903,485	\$ 1,463,227
Payroll taxes	128,918	8,629	10,694	148,241	117,794
Employee benefits	190,841	18,426	14,298	223,565	168,022
Total personnel costs	1,941,512	152,798	180,981	2,275,291	1,749,043
Teaching materials	60,051	-	-	60,051	65,954
Training	44,635	3,891	1,399	49,925	34,613
Transportation	34,424	703	1,147	36,274	42,676
Hiring costs	11,207	28,295	24,651	64,153	12,290
Recognition	20,121	1,560	894	22,575	20,727
Meetings	11,370	851	3,687	15,908	24,837
Uniforms	10,840	199	154	11,193	9,904
Telephone	21,604	1,414	1,146	24,164	19,039
Postage	18,817	477	11,169	30,463	26,004
Printing	23,520	692	10,524	34,736	23,416
Dues and subscriptions	5,228	2,358	1,749	9,335	10,882
Maintenance	30,390	3,300	8,104	41,794	35,495
Professional fees	10,531	32,775	-	43,306	27,450
ACT waivers	34,774	-	-	34,774	34,514
Rent	109,300	6,929	5,508	121,737	113,833
Marketing	3,108	-	-	3,108	20,556
Consulting	51,049	49,788	6,907	107,744	115,898
Equipment	13,016	26,012	563	39,591	30,285
Office supplies	19,135	1,106	752	20,993	37,477
Insurance	7,467	789	789	9,045	8,262
Bank and service fees	10,408	4,268	3,435	18,111	15,679
Depreciation	25,378	2,484	2,484	30,346	48,648
Loss on disposal	4,901	-	-	4,901	-
Total expenses	<u>\$ 2,522,786</u>	<u>\$ 320,689</u>	<u>\$ 266,043</u>	<u>\$ 3,109,518</u>	<u>\$ 2,527,482</u>
	<u>81%</u>	<u>10%</u>	<u>9%</u>	<u>100%</u>	

Note 1 - Nature of Organization and Summary of Significant Accounting Policies

Principal Organization Activity

Admission Possible, Inc. (the Organization) is a nonprofit organization dedicated to helping promising, low-income young people prepare for and earn admission to college. Their mission is to identify low-income young people with the potential and the motivation for college and then provide them with four critical services: (1) ACT and SAT test preparation, (2) intensive guidance in preparing college applications, (3) help in obtaining financial aid and (4) guidance in transition to college. The program served approximately 1,400 low-income students at 19 Twin Cities area high schools, 140 students in three Milwaukee area high schools and 2,300 program alumni.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities in accordance with accounting principles generally accepted in the United States of America.

Basis of Presentation

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Organization has no permanently restricted net assets at August 31, 2010.

Cash and Cash Equivalents

The Organization considers all investments, including debt securities with an original maturity of three months or less to be cash equivalents. At times, cash and cash equivalents may be in excess of FDIC insurance limits.

Receivables

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in the future years are recorded at the present value of their estimated future cash flows. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Uncollectible Receivables

The Organization uses the allowance method to account for uncollectible contributions, grants and accounts receivable. The allowance is based on prior years' experience and management's analysis of the outstanding receivables. This method provides allowances for doubtful receivables equal to the estimated losses that will be incurred in the collection of receivables. At August 31, 2010, the Organization believes all balances are collectible; therefore, no allowance is necessary.

Equipment and Leasehold Improvements

Equipment and leasehold improvements are valued at cost. Expenditures for the acquisition of equipment and leasehold improvements equal to or greater than \$1,500 and a life greater than one year are capitalized. Contributed equipment and leasehold improvements are recorded at fair value at the date of donation. Depreciation of equipment is provided using the straight-line method over the estimated useful lives of the assets.

Income Tax Status

The Organization has been recognized by the Internal Revenue Service as a tax-exempt nonprofit organization under Section 501(c)(3) of the Internal Revenue Code and has been classified as an organization that is not a private foundation under Section 509(a).

The Organization has adopted the provisions of FASB Accounting Standards Codification Topic ASC 740-10 (previously Financial Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*). The implementation of this standard had no impact on the financial statements. As of both the date of adoption, and as of August 31, 2010, the unrecognized tax benefit accrual was zero.

The Organization will recognize future accrued interest and penalties related to unrecognized tax benefits in income tax expense if incurred. The Organization is no longer subject to Federal and State tax examinations by tax authorities for the years before 2007.

Support Recognition

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Donated Materials and Services

In-kind contributions are reflected as support in the financial statements at their estimated values on the date of donation. Donated services are recognized as contributions, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills and would otherwise be purchased by the Organization. Volunteers also provided services throughout the year that are not recognized as contributions in the financial statements since the criteria were not met.

Functional Expense Allocation

The costs of providing the Organization's various programs and supporting services have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Use of Estimates

The preparation of the 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 the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from the estimates.

Comparative Financial Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. 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 August 31, 2009, from which the summarized information was derived.

Reclassification

Certain amounts from the prior year have been reclassified to conform to the current year's presentation.

Subsequent Events

The Organization has evaluated subsequent events through December 8, 2010, which is the date that the financial statements were approved and available to be issued.

Note 2 - Temporarily Restricted Net Assets

At August 31, 2010, temporarily restricted net assets are restricted based on:

Time restrictions	\$ 1,679,827
Minneapolis low income students	60,000
Financial system upgrade	11,698
Financial literacy	5,000
	<hr/>
Total	<u>\$ 1,756,525</u>

Note 3 - Net Assets Released from Restrictions

Net assets were released by incurring expenses satisfying the following restricted purposes or the passing of time specified by donors at August 31, 2010:

Time restrictions	\$ 450,000
Purpose restrictions	<u>176,425</u>
Total	<u><u>\$ 626,425</u></u>

Note 4 - Designated Net Assets

At August 31, 2010, Board designated net assets are available for the following purposes:

Program continuation funds	<u><u>\$ 1,655,656</u></u>
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The Board established a policy to maintain a reserve sufficient to fund ongoing operations for at least six months, and when possible, fund 100% of the remaining costs of the full two-year program for the students enrolled. The balance at August 31, 2010 is the minimum reserve for six months of operations, but the target to cover the full two-year program for students enrolled at August 31, 2010 was \$3,930,814.

Note 5 - In-Kind Contributions

The value of in-kind contributions at estimated fair value at the date of donation for the year ended August 31, 2010 is as follows:

Program fees	\$ 34,733
Technology consulting	24,000
Teaching materials	12,593
Furniture and fixtures	1,710
Office supplies	865
Audit	3,500
Staff recognition	1,620
Dues and subscriptions	1,485
Communications	5,389
Website	2,000
Training	<u>1,278</u>
Total	<u><u>\$ 89,173</u></u>

In addition, donated services with an estimated value of \$30,888 by VISTA volunteers to the Organization's program services and fundraising efforts were not recognized in the financial statements because they did not meet the criteria for recognition.

Note 6 - Operating Lease

The Organization leases its St. Paul operating facilities under a three-year operating lease expiring July 2013. The lease allows for cancellation after August 1, 2011, with six months advance notice.

The Organization leases its Milwaukee operating facilities under a month-to-month operating lease.

The future minimum rental payments required under the leases are as follows:

<u>Years Ending August 31,</u>	<u>Amount</u>
2011	\$ 135,036
2012	135,036
	<u>\$ 270,072</u>

Total rent expense was \$112,866 for the year ended August 31, 2010.

Note 7 - Contingencies

The continuation of funding from federal and other sources is contingent upon availability of funds and project performance. The funds are awarded annually based either upon receipt and approval of a program application or upon completion of a performance review. In addition, expenditures made under federal grants are subject to review and audit by the grantor agencies. Management believes that any liability for reimbursement, which may arise as a result of these audits, is not material.

Note 8 - Conditional Grants

The Organization has received conditional grants of \$91,942 for 2010. As of August 31, 2010, these conditional grants required a match of support raised from new donors or increased contributions from current donors. Since these grants represent conditional promises to give, they are not recognized as support until the matching condition is met.

Note 9 - Joint Costs

For the year ended August 31, 2010, the Organization has allocated joint costs for its newsletter. The costs have been allocated as follows; \$12,311 to program services, \$788 to general and administrative and \$5,950 to fundraising.

Note 10 - Line of Credit

The Organization has a line of credit arrangement under which it may borrow up to \$200,000 through January 18, 2011. The interest rate on this note is variable and indexed to the prime rate as published by Bloomberg. The minimum interest rate is 4.5% per annum. The credit is secured by all assets of the Organization.

Note 11 - Retirement Plan

A Safe Harbor 401(k) plan was implemented on September 1, 2007. Employees are eligible to participate in the plan if they have completed 30 days of service, have attained age 18 and are expected to work 1,000 hours in twelve consecutive months. The Organization will make matching contributions in two different ways. The Safe Harbor match is equal to the sum of 100% of the amount of the salary reductions that are not in excess of 3% of compensation, plus 50% of the amount of the salary reductions that exceed 3% of compensation but not in excess of 5% of compensation. The Discretionary Match is subject to delayed entry (entry after one year of service) and a step-vesting schedule. The Discretionary Match is 50% of the salary reduction amounts that exceed 5% of compensation but not in excess of 9% of compensation. Employees can opt out of the plan or change their contribution at any time. Employer contributions for the 401(k) plan were \$42,201 for the year ended August 31, 2010.

Note 12 - Fair Value of Financial Instruments

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 920-10, *Fair Value Measurements and Disclosure* (previously FASB Statement No. 157, *Fair Value Measurements*), defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Organization uses various valuation methods including the market, income and cost approaches. Based on the observability of inputs used in the valuation methods, the Organization is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Assets and liabilities measured, reported and/or disclosed at fair value, will be classed and disclosed in one of the following three categories:

- Level 1 – Quoted market prices in active markets for identical assets or liabilities
- Level 2 – Observable market based inputs or unobservable inputs that are corroborated by market data
- Level 3 – Unobservable inputs that are not corroborated by market data

Investments consist of the following as of August 31, 2010:

	2010
Money markets	\$ 14,807
Equity securities	222,644
Fixed income	329,905
Total assets	\$ 567,356

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of August 31, 2010:

	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)
	<u> </u>	<u> </u>
Money markets	\$ 14,807	\$ -
Equity securities	222,644	-
Fixed income	<u>-</u>	<u>329,905</u>
 Total assets	 <u><u>\$ 237,451</u></u>	 <u><u>\$ 329,905</u></u>

Assets measured at fair value on a non-recurring basis at August 31, 2010 are as follows:

	Unobservable Inputs (Level 3)
	<u> </u>
Grants receivable	<u><u>\$ 594,901</u></u>