Financial Statements
August 31, 2012

College Possible, Inc.

EideBailly
CPAs & BUSINESS ADVISORS

Independent Auditor's Report

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

We have audited the accompanying statement of financial position of College Possible, Inc., (Organization) as of August 31, 2012, 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 audits. The prior year summarized comparative information has been derived from the Organization's 2011 financial statements and in our report dated December 20, 2011 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. An audit also includes 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, 2012, 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 January 28, 2013, 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.

Eide Bailly LLP

Minneapolis, Minnesota
January 28, 2013

College Possible, Inc.

Statement of Financial Position

August 31, 2012 (With Comparative Totals for 2011)

		2012		2011
Assets				
Current Assets				
Cash and cash equivalents	$	5,307,138	$	5,079,932
Accounts receivable		67,296		64,809
Grants receivable		1,030,000		746,666
Prepaid expenses		141,117		39,346
Total current assets		6,545,551		5,930,753
Other Assets				
Investments		853,956		752,910
Grants receivable		997,589		1,304,305
		1,851,545		2,057,215
Equipment and Leasehold Improvements				
Computer software and equipment		115,605		108,415
Furniture and equipment		130,542		87,711
Leasehold improvements		64,355		55,645
		310,502		251,771
Less accumulated depreciation		206,691		176,314
		103,811		75,457
	$	8,500,907	$	8,063,425
Liabilities and Net Assets				
Current Liabilities				
Accounts payable	$	170,505	$	79,251
Accrued expenses		290,596		361,045
Total current liabilities		461,101		440,296
Long-term Liabilities				
Accrued expenses - deferred compensation		30,000		15,000
		491,101		455,296
Net Assets				
Unrestricted				
Undesignated		1,893,074		2,543,622
Board designated				
Program continuation funds		3,016,930		2,012,763
		4,910,004		4,556,385
Temporarily restricted		3,099,802		3,051,744
		8,009,806		7,608,129
	$	8,500,907	$	8,063,425

	2012			
	Unrestricted	Temporarily Restricted	Total	2011
Support and Revenue				
Fee revenue				
Consortium fees	$ 50,000	$ -	$ 50,000	$ 50,000
Service fees	157,029	-	157,029	72,157
Total fee revenue	207,029	-	207,029	122,157
Support				
Contributions and grants	1,461,350	2,536,225	3,997,575	4,325,702
Government grants	1,067,000	-	1,067,000	1,057,414
In-kind contributions	36,130	-	36,130	120,840
Total support	2,564,480	2,536,225	5,100,705	5,503,956
Investment income	75,854	-	75,854	76,689
Net assets released from restrictions	2,488,167	(2,488,167)	-	-
Total support and revenue	5,335,530	48,058	5,383,588	5,702,802
Expenses				
Program services	4,083,588	-	4,083,588	3,212,619
General and administrative	507,590	-	507,590	377,958
Fundraising	390,733	-	390,733	434,600
Total expenses	4,981,911	-	4,981,911	4,025,177
Change in Net Assets	353,619	48,058	401,677	1,677,625
Net Assets, Beginning of Year	4,556,385	3,051,744	7,608,129	5,930,504
Net Assets, End of Year	$ 4,910,004	$ 3,099,802	$ 8,009,806	$ 7,608,129

	2012	2011
Operating Activities		
Change in net assets	$ 401,677	$ 1,677,625
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	30,378	55,631
Loss on disposal of equipment	-	1,378
Donated stocks included in contributions	-	(45,035)
Net realized gains on investments	(5,517)	(8,875)
Net unrealized gains on investments	(70,337)	(20,740)
Changes in operating assets and liabilities		
Accounts receivable	(2,487)	(58,225)
Grants receivable	23,382	(1,456,070)
Prepaid expenses	(101,771)	18,770
Accounts payable	91,254	55,827
Accrued expenses	(55,449)	20,082
Net Cash from Operating Activities	311,130	240,368
Investing Activities		
Proceeds from sale of investments	402,117	142,571
Purchase of investments	(427,309)	(253,475)
Purchase of equipment	(58,732)	(31,242)
Proceeds from sale of assets	-	700
Net Cash used for Investing Activities	(83,924)	(141,446)
Net Change in Cash and Cash Equivalents	227,206	98,922
Cash and Cash Equivalents, Beginning of Year	5,079,932	4,981,010
Cash and Cash Equivalents, End of Year	$ 5,307,138	$ 5,079,932
Supplemental Disclosure of Noncash Operating Activities		
Stock donations	$ -	$ 45,035

	2012				
	Program Services	Fundraising	General and Administrative	Total	2011
Personnel Costs					
Salaries and stipends	$ 2,486,963	$ 250,006	$ 243,971	$ 2,980,940	$ 2,430,498
Payroll taxes	191,147	16,594	21,612	229,353	184,166
Employee benefits	239,751	25,725	52,773	318,249	258,637
Total personnel costs	2,917,861	292,325	318,356	3,528,542	2,873,301
Consulting	164,040	7,524	53,899	225,463	197,613
Professional fees	3,648	52	69,198	72,898	48,620
Service fees	53,588	18,806	8,100	80,494	138,832
Occupancy	179,977	10,879	8,762	199,618	153,692
Teaching materials and supplies	237,606	3,558	2,852	244,016	138,801
Telecommunication expenses	48,613	4,668	2,776	56,057	39,848
Insurance	3,685	409	2,693	6,787	10,630
Sta	178,372	6,380	19,760	204,512	162,550
Transportation and meetings	160,619	11,238	4,532	176,389	105,258
Communications	62,846	22,758	746	86,350	34,192
Maintenance	46,716	12,136	11,426	70,278	64,831
Other expenses	-	-	129	129	1,378
Depreciation expense	26,017	-	4,361	30,378	55,631
Total expenses	$ 4,083,588	$ 390,733	$ 507,590	$ 4,981,911	$ 4,025,177
	82%	8%	10%	100%	

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

Principal Organization Activity

College Possible, Inc. (Organization) is a nonprofit organization dedicated to making college admission and success possible for low-income students through an intensive curriculum of coaching and support. Their mission is to identify low-income young people with the potential and the motivation for college and then provide them with five critical services: (1) academic support through ACT/SAT test preparation; (2) college application assistance; (3) financial aid consulting; (4) guidance in transition to college; and, (5) support through college degree completion. The program served approximately 10,610 students in the 2011-12 academic year including 1,875 in its core high school program, 3,265 in its college program, and 5,470 through college planning workshops. The Organization is currently serving students in Minneapolis and St. Paul, Minnesota; Milwaukee, Wisconsin, and Omaha, Nebraska. College Possible, Inc. launched a program and will begin serving students in Portland, Oregon, in the fall of 2013.

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, 2012.

Cash and Cash Equivalents

The Organization considers all highly liquid investments in debt securities with an original maturity of three months or less to be cash equivalents.

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 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, 2012, 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 Taxes

The Organization is organized as a Minnesota not-for-profit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Internal Revenue Code Section 501(c)(3) and has been classified as an organization that is not a private foundation under Section 509(a). The Organization is required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS annually. In addition, the Organization is subject to income tax on any net income that is derived from business activities that are unrelated to their exempt purpose.

The Organization believes that it has appropriate support for any tax positions taken affecting its annual filing requirements, and, as such, does not have any uncertain tax positions that are material to the financial statements. The Organization would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense, if such interest and penalties are incurred.

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 those estimates.

Fair Value Measurements

The Organization has determined the fair value of certain assets and liabilities in accordance with generally accepted accounting principles, which provides a framework for measuring fair value.

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques should maximize the use of observable inputs and minimize the use of unobservable inputs.

A fair value hierarchy has been established, which prioritizes the valuation inputs into three broad levels. Level 1 inputs consist of quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the related assets or liability. Level 3 inputs are unobservable inputs related to the assets or liability.

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, 2011, from which the summarized information was derived.

Concentration of Credit Risk

The Organization maintains cash in U.S. bank deposit accounts which at times may exceed FDIC limits. The Organization has not experienced any losses on such accounts and the Organization believes they are not exposed to any significant credit risk on cash and cash equivalents.

Note 2 - Grants Receivable

Grants receivable, which are unconditional promises to give, are summarized as follows:

Grants receivable expected to be collected in:

Grants receivable in less than one year	$ 1,030,000
Grants receivable greater than one year	1,007,666
Total grants receivable	2,037,666
Less discount to net present value using a 1% discount	(10,077)
Grants receivable, net	$ 2,027,589

Note 3 - Temporarily Restricted Net Assets

At August 31, 2012, temporarily restricted net assets are restricted based on:

Time restrictions	$ 897,283
Purpose restrictions - expansion	1,993,279
Purpose restrictions - other	209,240
Total	$ 3,099,802

Note 4 - 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, 2012:

Time restrictions	$ 205,500
Purpose restrictions	2,262,667
Financial Literacy	20,000
Total	$ 2,488,167

Note 5 - Designated Net Assets

At August 31, 2012, Board designated net assets are available for the following purposes:

Program continuation funds	$ 3,016,930

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, 2012, is the minimum reserve for six months of operations, but the target to cover the full two-year program for students enrolled at the end of the fiscal year was $6,792,566.

Note 6 - In-kind Contributions

The value of in-kind contributions at estimated fair value at the date of donation for the year ended August 31, 2012 is as follows:

ACT preparation materials	$	15,120
Consulting services		21,010
Total	$	36,130

Note 7 - Operating Lease

The Organization leases its St. Paul, Minnesota, operating facilities under a three-year operating lease expiring July 2013. The lease allows for cancellation after August 1, 2012, with six months advance notice.

The Organization leases its Milwaukee, Wisconsin, space under a 40 month operating lease expiring December 2014.

The Organization leases its Omaha, Nebraska, space under a 39 month operating lease expiring January 2015.

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

Years Ending August 31,		Amount
2013	$	209,105
2014		57,600
2015		15,750
	$	282,455

Total rent expense was $198,491 for the year ended August 31, 2012.

Note 8 - 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 to the Organization’s financial statements.

Note 9 - Joint Costs

For the year ended August 31, 2012, the Organization has allocated joint costs for its newsletter. The costs have been allocated as follows: $14,230 to program services, $452 to general and administrative and $3,388 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 31, 2013. The interest rate on this note is variable and indexed to the prime rate as published by Bloomberg. The minimum interest rate is 4.50% per annum. The credit is secured by all assets of the Organization. No amounts are outstanding at August 31, 2012.

Note 11 - Retirement Plan

A Safe Harbor 401(k) plan was implemented on September 1, 2007. Employees are eligible to participate in the plan on the first of the month following 30 days of service, have attained age 18 and are expected to work 1000 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 and expense for the 401(k) plan were $76,037 for the year ended August 31, 2012.

Note 12 - Conditional Grants

The Organization received a conditional grant of $1,000,000 in 2012. The grant is conditional upon several financial and non-financial performance factors including the Organization meeting specified growth targets, and adherence to mutually agreed upon performance metrics established on an ongoing basis. Since the grant represents a conditional promise to give, it is not recognized as support until the conditions are met. As of August 31, 2012, $250,000 of the grant was received and conditions were met. As a result, contribution revenue of $250,000 was recognized in 2012.

Note 13 - Fair Value Measurement

Assets measured at fair value on a recurring basis at August 31, 2012 are as follows:

August 31, 2011	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Mutual funds:			
Domestic equity	$ 72,264	$ -	$ -
International equity	59,052	-	-
Asset allocation	11,746	-	-
Bonds	140,146	-	-
Money market mutual funds	20,108	-	-
Equity securities:			
U.S. corporate equity securities	145,501	-	-
Debt securities			
U.S. Treasury	89,352	-	-
U.S. agency	-	103,466	-
Municipal	-	53,964	-
Residential mortgage-backed securities	-	158,357	-
Grants receivable	-	-	2,027,589
Total assets	$ 538,169	$ 315,787	$ 2,027,589

Following is a reconciliation of activity at August 31, 2012 for assets measured at fair value based upon significant unobservable (non-market) information.

	2012
Grants receivable, beginning of year	$ 2,050,971
Contributions	1,138,000
Pledges received	(1,180,000)
Change in value of pledges receivable	18,618
Balance, end of year	$ 2,027,589

Note 14 - Subsequent Events

The Organization has evaluated subsequent events through January 28, 2013, the date the financial statements were available to be issued.