



Financial Statements

For the Years Ended April 30, 2016 and 2015



**and
Report Thereon**



COLLEGE SUMMIT, INC.

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For the Years Ended April 30, 2016 and 2015

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Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
College Summit, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of College Summit, Inc. (College Summit), which comprise the statements of financial position as of April 30, 2016 and 2015, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of College Summit, Inc. as of April 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Raffa, P.C.

Raffa, P.C.

Washington, DC
September 30, 2016

COLLEGE SUMMIT, INC.

STATEMENTS OF FINANCIAL POSITION
April 30, 2016 and 2015

	2016	2015
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 2,837,630	\$ 238,854
Accounts receivable, net of allowance for doubtful accounts of \$225,209 and \$165,209, respectively	254,485	438,691
Grants and pledges receivable, current portion	3,340,223	3,702,699
Prepaid expenses	124,600	133,157
Total Current Assets	6,556,938	4,513,401
Grants and pledges receivable, net of current portion	5,049,438	5,772,949
Property and equipment, net	47,421	41,785
Land and building, net – held for sale	-	3,729,614
Deposits	17,825	46,159
TOTAL ASSETS	\$ 11,671,622	\$ 14,103,908
LIABILITIES AND NET ASSETS		
Liabilities		
Current Liabilities		
Accounts payable and accrued expenses	\$ 818,265	\$ 911,119
Deferred revenue	337,432	423,774
Line of credit	-	1,700,000
Total Current Liabilities	1,155,697	3,034,893
Security deposit	-	26,719
TOTAL LIABILITIES	1,155,697	3,061,612
Net Assets		
Unrestricted	2,637,056	(731,683)
Temporarily restricted	7,878,869	11,773,979
TOTAL NET ASSETS	10,515,925	11,042,296
TOTAL LIABILITIES AND NET ASSETS	\$ 11,671,622	\$ 14,103,908

The accompanying notes are an integral part of these financial statements.

COLLEGE SUMMIT, INC.

STATEMENTS OF ACTIVITIES
For the Years Ended April 30, 2016 and 2015

	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Operating Revenue and Support						
Grants and contributions						
Foundations, states, corporations and individuals	\$ 1,434,002	\$ 4,271,032	\$ 5,705,034	\$ 2,656,633	\$ 10,272,200	\$ 12,928,833
Federal grants	915,359	-	915,359	1,196,360	-	1,196,360
Special event	819,108	-	819,108	-	-	-
Program income						
School district, agency and school fees	2,446,357	-	2,446,357	3,376,183	-	3,376,183
College in-kind facilities	181,722	-	181,722	144,838	-	144,838
Donated facilities and services	1,365,983	-	1,365,983	1,221,638	-	1,221,638
Rental and other income	239,350	-	239,350	594,441	-	594,441
Net assets released from restrictions:						
Satisfaction of purpose restriction	2,692,629	(2,692,629)	-	3,040,815	(3,040,815)	-
Satisfaction of time restriction	2,750,000	(2,750,000)	-	1,600,000	(1,600,000)	-
Satisfaction of Growth Fund restriction	2,723,513	(2,723,513)	-	827,013	(827,013)	-
TOTAL OPERATING REVENUE AND SUPPORT	15,568,023	(3,895,110)	11,672,913	14,657,921	4,804,372	19,462,293
Operating Expenses						
Program Services						
12th Grade and Launch	8,419,538	-	8,419,538	10,505,456	-	10,505,456
Innovation	1,476,728	-	1,476,728	1,159,401	-	1,159,401
Total Program Services	9,896,266	-	9,896,266	11,664,857	-	11,664,857
Supporting Services						
Management and general	1,256,751	-	1,256,751	1,216,748	-	1,216,748
Development and fundraising	3,267,532	-	3,267,532	3,327,736	-	3,327,736
Fundraising – cost of direct benefit to donors	22,490	-	22,490	-	-	-
Total Development and Fundraising	3,290,022	-	3,290,022	3,327,736	-	3,327,736
Total Supporting Services	4,546,773	-	4,546,773	4,544,484	-	4,544,484
TOTAL OPERATING EXPENSES	14,443,039	-	14,443,039	16,209,341	-	16,209,341
Change in net assets from operations	1,124,984	(3,895,110)	(2,770,126)	(1,551,420)	4,804,372	3,252,952
Nonoperating Activities						
Gain on sale of property	2,243,755	-	2,243,755	-	-	-
Losses on pledge contributions	-	-	-	-	(309,170)	(309,170)
Total Nonoperating Activities	2,243,755	-	2,243,755	-	(309,170)	(309,170)
Change in Net Assets	3,368,739	(3,895,110)	(526,371)	(1,551,420)	4,495,202	2,943,782
Net Assets, Beginning of Year	(731,683)	11,773,979	11,042,296	819,737	7,278,777	8,098,514
Net Assets, End of Year	\$ 2,637,056	\$ 7,878,869	\$ 10,515,925	\$ (731,683)	\$ 11,773,979	\$ 11,042,296

The accompanying notes are an integral part of these financial statements.

COLLEGE SUMMIT, INC.

STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended April 30, 2016

	Program Services			Supporting Services			Total
	12th Grade and Launch	Innovation	Total Program Services	Management and General	Development and Fundraising	Total Supporting Services	
Personnel and benefits	\$ 3,153,479	\$ 923,687	\$ 4,077,166	\$ 498,545	\$ 764,782	\$ 1,263,327	\$ 5,340,493
Consulting and temporary services	558,790	287,540	846,330	243,088	1,877,201	2,120,289	2,966,619
Donated facilities and services	1,238,724	44,160	1,282,884	164,986	99,835	264,821	1,547,705
College hosting and program catering	714,221	15,996	730,217	726	110,271	110,997	841,214
Travel	375,869	69,396	445,265	39,024	106,677	145,701	590,966
Rent and other related fees	263,976	12,992	276,968	36,175	21,572	57,747	334,715
Bad debt	327,885	1,534	329,419	126	75	201	329,620
Other expenses	139,989	20,225	160,214	40,255	74,163	114,418	274,632
Evaluation	274,203	-	274,203	-	-	-	274,203
Stipends	262,918	83	263,001	310	185	495	263,496
Programmatic software	248,887	-	248,887	-	-	-	248,887
Building operations and taxes	117,270	17,145	134,415	64,054	38,197	102,251	236,666
Marketing	132,293	20,883	153,176	1,861	74,487	76,348	229,524
Printing and shipping	222,512	2,578	225,090	-	1,389	1,389	226,479
Professional fees	95,283	15,013	110,296	56,091	33,448	89,539	199,835
Technology	58,564	19,489	78,053	27,829	20,333	48,162	126,215
Depreciation and amortization	52,380	9,187	61,567	34,323	20,468	54,791	116,358
Interest expense	43,567	7,641	51,208	28,549	17,024	45,573	96,781
Telephone and internet	54,190	3,450	57,640	9,921	8,240	18,161	75,801
Supplies	57,657	1,790	59,447	1,603	14,209	15,812	75,259
Other employee expense	17,256	3,939	21,195	9,285	7,466	16,751	37,946
Web design	9,625	-	9,625	-	-	-	9,625
TOTAL OPERATING EXPENSES	\$ 8,419,538	\$ 1,476,728	\$ 9,896,266	\$ 1,256,751	\$ 3,290,022	\$ 4,546,773	\$ 14,443,039

The accompanying notes are an integral part of these financial statements.

COLLEGE SUMMIT, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended April 30, 2015**

	Program Services			Supporting Services			Total
	12th Grade and Launch	Innovation	Total Program Services	Management and General	Development and Fundraising	Total Supporting Services	
Personnel and benefits	\$ 4,226,543	\$ 567,886	\$ 4,794,429	\$ 358,089	\$ 969,512	\$ 1,327,601	\$ 6,122,030
Consulting and temporary services	927,147	336,698	1,263,845	373,220	2,011,790	2,385,010	3,648,855
Donated facilities and services	1,274,260	15,380	1,289,640	48,513	28,323	76,836	1,366,476
College hosting and program catering	731,638	26,854	758,492	9,748	10,812	20,560	779,052
Travel	509,841	49,142	558,983	25,030	47,030	72,060	631,043
Rent and other related fees	511,749	6,422	518,171	31,575	18,434	50,009	568,180
Printing and shipping	356,226	2,022	358,248	-	1,898	1,898	360,146
Building operations and taxes	191,627	17,360	208,987	85,348	49,828	135,176	344,163
Stipends	283,146	6,035	289,181	1,894	1,106	3,000	292,181
Evaluation	274,203	-	274,203	-	-	-	274,203
Programmatic software	270,572	5	270,577	-	115	115	270,692
Professional fees	103,541	11,100	114,641	54,572	31,860	86,432	201,073
Other expenses	143,780	21,538	165,318	31,612	34,173	65,785	231,103
Other employee expense	118,902	16,130	135,032	37,684	22,745	60,429	195,461
Bad debt	107,851	6,736	114,587	33,116	19,334	52,450	167,037
Telephone and internet	125,130	3,274	128,404	15,284	13,095	28,379	156,783
Marketing	93,529	39,138	132,667	2,726	2,824	5,550	138,217
Technology	65,995	15,063	81,058	31,023	18,112	49,135	130,193
Depreciation and amortization	64,283	6,892	71,175	33,881	19,780	53,661	124,836
Interest expense	47,130	5,053	52,183	24,840	14,502	39,342	91,525
Supplies	49,996	3,632	53,628	3,642	3,734	7,376	61,004
Web design	28,367	3,041	31,408	14,951	8,729	23,680	55,088
TOTAL OPERATING EXPENSES	\$ 10,505,456	\$ 1,159,401	\$ 11,664,857	\$ 1,216,748	\$ 3,327,736	\$ 4,544,484	\$ 16,209,341

The accompanying notes are an integral part of these financial statements.

COLLEGE SUMMIT, INC.

STATEMENTS OF CASH FLOWS
For the Years Ended April 30, 2016 and 2015
Increase (Decrease) in Cash and Cash Equivalents

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (526,371)	\$ 2,943,782
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation and amortization	116,358	124,836
Losses on pledge contribution	-	309,170
Bad debt expense	329,620	167,037
Gain on sale of property	(2,243,755)	-
Change in assets and liabilities		
Accounts receivable	(145,414)	(113,137)
Grants and pledges receivable	1,085,987	(5,205,442)
Prepaid expenses	8,557	(35,612)
Deposits	28,334	57,578
Accounts payable and accrued expenses	(92,854)	253,215
Deferred revenue	(86,342)	63,940
Security deposit	(26,719)	-
	(1,552,599)	(1,434,633)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net proceeds from sale of property	5,888,619	-
Purchases of property and equipment	(37,244)	(38,433)
	5,851,375	(38,433)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from line of credit	1,550,000	5,660,872
Repayments of line of credit	(3,250,000)	(4,710,872)
	(1,700,000)	950,000
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,598,776	(523,066)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	238,854	761,920
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 2,837,630	\$ 238,854
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid	\$ 96,781	\$ 91,525

The accompanying notes are an integral part of these financial statements.

COLLEGE SUMMIT, INC.

**NOTES TO FINANCIAL STATEMENTS
For the Years Ended April 30, 2016 and 2015**

1. Organization and Summary of Significant Accounting Policies

Organization

College Summit, Inc. (College Summit) was incorporated in the District of Columbia in December 1996 and is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (the IRC). College Summit's mission is to increase the college enrollment rate of low-income students. To date, College Summit has impacted some 250,000 students in high schools across the nation. Currently, College Summit is making a programmatic delivery shift from regional offices to serving schools from one hub through a hybrid of in-person and remote coaching, maximizing technology to operate efficiently and scale more easily. Program activities are funded primarily by grants and contributions, as well as school district, agency and school fees.

College Summit's program activities include the following:

12th Grade and Launch

This program helps high schools raise their college enrollment rates by providing all students with a course in postsecondary planning, training teachers and counselors to build a college-ready culture, enabling the most influential students in the school to help their peers apply to college, and helping school leaders track results. By equipping educators and students alike, College Summit builds the capacity and excitement to promote college enrollment at all levels.

Innovation

This program designs and explores new ways to help all students in low-income communities navigate the college-going process by collaborating with government, technology companies, businesses, foundations and policy organizations. It creates new ways to reach students, such as the development of mobile applications that guide students and families through the college access process and support program alumni by providing information and encouragement to stay on track while in college.

Cash Equivalents

Cash equivalents consist of highly liquid investments with initial maturities of three months or less.

Accounts Receivable

College Summit uses the allowance method to record potentially uncollectible accounts receivable.

Property and Equipment and Related Depreciation and Amortization

Property and equipment are recorded at cost. Depreciation and amortization are provided for on a straight-line basis over the estimated useful lives of the assets, which range from three to seven years for equipment; three to five years for software; and thirty years for the building and building improvements. The cost of property and equipment retired or disposed of is removed from the accounts along with the related accumulated depreciation or amortization,

Continued

COLLEGE SUMMIT, INC.

NOTES TO FINANCIAL STATEMENTS
For the Years Ended April 30, 2016 and 2015

1. Organization and Summary of Significant Accounting Policies (continued)

Property and Equipment and Related Depreciation and Amortization (continued)

and any gain or loss is reflected in revenue and support or expense in the accompanying statements of activities. Major additions are capitalized, while replacements, maintenance and repairs that do not improve or extend the lives of the respective assets are expensed as incurred.

Net Assets

College Summit's net assets are classified as follows:

- Unrestricted net assets represent funds that are available for support of College Summit's operations.
- Temporarily restricted net assets represent funds that are subject to either donor-imposed restrictions to be used for a particular purpose, within a specific time period, or in accordance with a donor-acknowledged prospectus related to the use of College Summit's Growth Fund proceeds.

Restrictions on Use of Growth Fund Proceeds

Proceeds were raised from philanthropic investors providing equity-like capital to meet the requirements for the College Summit Growth Plan for the years 2010 through 2016. Such proceeds were temporarily restricted until April 30, 2016, but could be available for use by College Summit before 2016 as follows: At the end of each fiscal year, College Summit may provisionally calculate its change in unrestricted net assets as if no releases were to be made from the temporarily restricted Growth Fund proceeds. If this provisional calculation yields a positive change in unrestricted net assets of a magnitude greater than 5% of the fiscal year's operating expenses, then Growth Fund proceeds may not, in that fiscal year, be released. Otherwise, Growth Fund proceeds can be released toward achieving a positive change in unrestricted net assets for the fiscal year with a magnitude of up to 5% of the fiscal year's operating expenses. As of April 30, 2016, all of the remaining Growth Fund proceeds totaling \$2,723,513 were released from donor restrictions. Accordingly, there were no remaining balances as of April 30, 2016.

Revenue Recognition

Grants and contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted support. When a donor 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 accompanying statements of activities as net assets released from restrictions. Conditional promises to give are not included as support until the conditions are substantially met.

COLLEGE SUMMIT, INC.

NOTES TO FINANCIAL STATEMENTS
For the Years Ended April 30, 2016 and 2015

1. Organization and Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

Federal grants are pass-through grants from U.S. government agencies. Revenue from these grants is recognized as costs are incurred on the basis of direct costs plus allowable indirect costs. Direct and indirect expenses incurred but not reimbursed under these grants are included in grants and pledges receivable in the accompanying statements of financial position.

College Summit earns program income by providing training, workshop and counseling services to educational institutions at various sites throughout the country for an agreed-upon fee. This revenue is recognized upon the delivery of services. Billings that have been presented to educational institutions that have not been paid are included in the accompanying statements of financial position as accounts receivable. Payments received in advance of providing the services are included in the accompanying statements of financial position as deferred revenue.

Donated Facilities and Services

In-kind contributions of facilities and services are recognized as donated revenue and support and expense in the accompanying financial statements at their estimated fair value as provided by the donor at the date of receipt.

Functional Allocation of Expenses

The costs of providing the program and other activities have been summarized on a functional basis in the accompanying statements of activities and statements of functional expenses. Accordingly, certain costs have been allocated based on the actual general and administrative (overhead) rate determined for the period applied to direct expenses for function or program area.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

COLLEGE SUMMIT, INC.

NOTES TO FINANCIAL STATEMENTS
For the Years Ended April 30, 2016 and 2015

2. Grants and Pledges Receivable

Grants and pledges receivable represent unconditional promises to give, as well as conditional promises whose conditions have been fulfilled during the year. The discount rates used to calculate the present value component of grants and pledges receivable was between 0.77% and 1.83% for the years ended April 30, 2016 and 2015.

As of April 30, 2016 and 2015, College Summit's grants and pledges receivable were due to be received as follows:

	2016	2015
Due in less than one year	\$ 3,340,223	\$ 3,702,699
Due in one to five years	5,144,117	5,899,117
Gross Grants and Pledges Receivable	8,484,340	9,601,816
Less: Discount on Multiyear Grants and Pledges	(94,679)	(126,168)
Net Grants and Pledges Receivable	8,389,661	9,475,648
Less: Grants and Pledges Receivable, Current Portion	(3,340,223)	(3,702,699)
Grants and Pledges Receivable, Net of Current Portion	\$ 5,049,438	\$ 5,772,949

All amounts are considered fully collectible as of April 30, 2016 and 2015.

College Summit has received various grants contingent upon the achievement of certain goals and milestones that were mutually agreed upon with the donors. As of April 30, 2016 and 2015, College Summit conditional grants from funders totaled \$643,000 and \$1,391,000, respectively. The grants will be paid and recognized as revenue upon College Summit's achievement of the agreed-upon milestones.

3. Property and Equipment and Accumulated Depreciation and Amortization

Property and equipment consisted of the following at April 30, 2016 and 2015:

	2016	2015
Software	\$ -	\$ 1,201,383
Equipment	135,938	452,659
Total Property and Equipment	135,938	1,654,042
Less: Accumulated Depreciation and Amortization	(88,517)	(1,612,257)
Property and Equipment, Net	\$ 47,421	\$ 41,785

Continued

COLLEGE SUMMIT, INC.

NOTES TO FINANCIAL STATEMENTS
For the Years Ended April 30, 2016 and 2015

3. Property and Equipment and Accumulated Depreciation and Amortization (continued)

Depreciation and amortization expense totaled \$116,358 and \$124,836 for the years ended April 30, 2016 and 2015, respectively. Included in depreciation and amortization expense is \$92,161 and \$105,327 for the years ended April 30, 2016 and 2015, respectively, which relates to building and improvements held for sale in 2015 and sold in 2016.

During the fiscal year 2016, College Summit changed its software platform to a cloud-based system, retiring and disposing fully depreciated software totaling \$1,201,383.

During fiscal year 2015, the Board of Directors unanimously approved the sale of College Summit's main office space, which comprised of land, building and building improvements located at 1763 Columbia Road, NW, Washington, DC. The property was immediately available for sale and was actively marketed for sale at a reasonable price in relation to its current fair value. As of April 30, 2015, the carrying amount of the land and building and improvements was \$3,729,614.

On July 13, 2015, College Summit entered into a purchase and sale agreement for the sale and lease back of the above-referenced property. The purchase price totaled \$6,292,000 and, under the terms of the agreement, College Summit is leasing the property for two years effective March 15, 2016. The monthly rent is \$20,625 per month subject to a 3% annual escalation. The purchase and sale agreement was amended multiple times and extended the close to March 15, 2016, and also removed the original provision of a \$1,000,000 purchase money deed of trust note.

4. Lines of Credit

On December 22, 2011, College Summit obtained a \$3,250,000 line of credit with a bank. This line was secured by a first deed of trust on the building owned and occupied by College Summit in Washington, DC. Funds drawn on the line of credit bore interest at the bank's prime rate plus 0.75%, but at no time will the interest rate be below 5%. On August 21, 2014, the line of credit was extended through January 5, 2015.

On October 24, 2014, College Summit obtained a new line of credit from a bank in the amount of \$3,250,000, which was secured by a first deed of trust on the building owned and occupied by College Summit in Washington, DC. Funds were drawn on the new line of credit and used to pay off the outstanding balance of \$2,550,000 on the previous line of credit. Interest accrued on funds drawn on the line of credit at the bank's prime rate plus 0.5%. The line of credit was subject to continuation based on satisfactory annual review commencing on the anniversary date of October 24, 2015. As of April 30, 2015, College Summit had an outstanding balance of \$1,700,000 and all bank covenants required with the line were met or waived. There was no outstanding balance on the line as of April 30, 2016.

COLLEGE SUMMIT, INC.

NOTES TO FINANCIAL STATEMENTS
For the Years Ended April 30, 2016 and 2015

5. Donated Facilities and Services

College Summit receives in-kind contributions from host colleges of lodging, food, classrooms and the use of the colleges' computers at summer workshops. During the years ended April 30, 2016 and 2015, College Summit recognized in-kind revenue totaling \$181,722 and \$144,838, respectively, which is included in the accompanying statements of activities as program income and in the accompanying statements of functional expenses as donated facilities and services.

During the years ended April 30, 2016 and 2015, College Summit received donated office space in St. Louis, Missouri, totaling \$30,420. College Summit also received donated services and goods from various corporations and individuals. The donated goods are for sale at fundraising events. These services and goods were valued at fair value and/or the cost it would take to acquire the services from similar providers of the services. For the years ended April 30, 2016 and 2015, College Summit recognized revenue of \$1,335,563 and \$1,191,218, respectively, for these services and goods. Donated office space and donated services have been included in donated facilities and services in the accompanying statements of activities and in the accompanying statements of functional expenses as donated facilities and services.

6. Net Assets

As of April 30, 2016 and 2015, net assets were restricted for use as follows:

	<u>2016</u>	<u>2015</u>
Time restriction	\$ 5,300,000	\$ 5,550,000
Purpose restriction:		
Growth Fund	-	2,723,513
Innovation	997,869	1,613,036
Peer Forward (a)	<u>1,581,000</u>	<u>1,887,430</u>
Total Temporarily Restricted Net Assets	<u>\$ 7,878,869</u>	<u>\$ 11,773,979</u>

(a) During fiscal year 2016, College Summit prepared for the implementation of its new programmatic delivery model, *Peer Forward*. The new business model will shift from regional offices to serving schools from one hub through a hybrid of in-person and remote coaching, maximizing technology to operate efficiently and achieve economies of scale more easily. Accordingly, certain regional offices were closed during the year. The new *Peer Forward* model will be fully implemented for the fiscal year 2017. Any unspent net assets associated with regional offices as of April 30, 2016, were reclassified, with the donors' permission, to *Peer Forward*.

COLLEGE SUMMIT, INC.

NOTES TO FINANCIAL STATEMENTS
For the Years Ended April 30, 2016 and 2015

7. Commitments

Office Leases

College Summit has operating leases in Washington, DC, and Miami, Florida, through February 2018. As part of the sale of its Washington, DC, building (see Note 3), College Summit entered into an operating lease with the purchaser for a period of two years that includes an option to terminate with a six-month written notice to the other party. The two operating leases expire in fiscal year 2018, with required minimum lease payments of \$125,277 for the fiscal year ending April 30, 2017. If College Summit continues to lease both offices through the lease term, then the annual amount with contingent lease payments would be \$277,517 and \$239,789 for the years ending April 30, 2017 and 2018, respectively.

During the year ended April 30, 2016, the programmatic offices located in California and New York were converted to monthly leasing arrangements, while the programmatic offices located in Indiana, Colorado and Connecticut either expired or were terminated in order to prepare for the programmatic shift from regional offices.

In addition, College Summit leases certain equipment under noncancelable operating leases that expire in fiscal year 2017. Required minimum lease payments for the year ending April 30, 2017, are \$16,152.

Rent expense totaled \$242,147 and \$466,223 for the years ended April 30, 2016 and 2015, respectively, and is included in rent and other related fees in the accompanying statements of functional expenses.

8. Risks and Contingencies

Concentration of Credit Risk

College Summit's cash is held in a financial institution. College Summit has never experienced nor does management anticipate any losses on its funds. As of April 30, 2016 and 2015, College Summit held \$2,808,877 and \$573,000, respectively, in the financial institution, exceeding the \$250,000 per depositor per institution Federal Deposit Insurance Corporation (FDIC) insured limit.

Office of Management and Budget Uniform Guidance

College Summit has instructed its independent auditors to audit its federal programs for the year ended April 30, 2016, in compliance with Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance), issued by the U.S. Office of Management and Budget (OMB). Until such audit is reviewed and accepted by the contracting or granting agencies, there exists a contingent liability to refund any amounts received in excess of allowable costs. Management believes that matters arising from the federal agency's review of the independent auditor's report for 2016 will not have a material effect on the financial position of College Summit as of April 30, 2016, or its results of operations for the year then ended.

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9. Pension Plan

College Summit sponsors a defined contribution pension plan under Section 401(k) of the IRC which covers substantially all full-time employees. Employees may elect to defer and contribute to the plan a portion of their compensation in amounts up to the maximum permitted by law. During the years ended April 30, 2016 and 2015, College Summit contributed \$100,626 and \$100,583, respectively, to the plan.

10. Income Taxes

Under Section 501(c)(3) of the IRC, College Summit is exempt from federal taxes on income other than net unrelated business income. No provision for income taxes was required as of April 30, 2016 and 2015, as College Summit had no net unrelated business income.

College Summit follows the authoritative guidance relating to accounting for uncertainty in income taxes included in Financial Accounting Standards Board Accounting Standards Codification Topic 740, *Income Taxes*. These provisions provide consistent guidance for the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribe a threshold of "more likely than not" for recognition and derecognition of tax positions taken or expected to be taken in a tax return. College Summit performed an evaluation of uncertain tax positions for the years ended April 30, 2016 and 2015, and determined that there were no matters that require recognition in the financial statements or that may have any effect on its tax-exempt status. As of April 30, 2016, the statute of limitations for tax years 2012 through 2015 remains open with the U.S. federal jurisdiction or the various states and local jurisdictions in which College Summit files tax returns. It is College Summit's policy to recognize interest and/or penalties related to uncertain tax positions, if any, in income tax expense. As of April 30, 2016 and 2015, College Summit had no accruals for interest and/or penalties.

11. Reclassification

Certain 2015 amounts have been reclassified to conform to the 2016 financial statement presentation.

12. Subsequent Events

College Summit's management has evaluated events and transactions for potential recognition or disclosure through September 30, 2016, the date the financial statements were available to be issued. There were no other subsequent events identified that require recognition or disclosure in these financial statements.