



**College Summit, Inc. d/b/a PeerForward  
Financial Statements**

*For the Years Ended April 30, 2018 and 2017*



**and  
Report Thereon**



**COLLEGE SUMMIT, INC.  
d/b/a PeerForward**

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For the Years Ended April 30, 2018 and 2017**

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*Certified Public Accountants*

## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors of  
College Summit, Inc.  
d/b/a PeerForward

We have audited the accompanying financial statements of College Summit, Inc. d/b/a PeerForward (PeerForward), which comprise the statements of financial position as of April 30, 2018 and 2017, 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. d/b/a PeerForward as of April 30, 2018 and 2017, 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 13, 2018

**COLLEGE SUMMIT, INC.**  
**d/b/a PeerForward**

**STATEMENTS OF FINANCIAL POSITION**  
**April 30, 2018 and 2017**

	2018	2017
<b>ASSETS</b>		
Cash and cash equivalents	\$ 967,587	\$ 1,930,347
Accounts receivable, net of allowance for doubtful accounts of \$6,625 and \$221,625, respectively	37,875	283,297
Grants and pledges receivable, net of discount of \$49,821 and \$74,088, respectively	2,894,945	5,316,272
Prepaid expenses	87,814	113,527
Property and equipment, net	646,521	20,600
Deposits	54,586	2,055
TOTAL ASSETS	\$ 4,689,328	\$ 7,666,098
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 356,092	\$ 232,169
Deferred rent and lease incentive	524,058	-
Deferred revenue	96,720	135,023
TOTAL LIABILITIES	976,870	367,192
<b>Net Assets</b>		
Unrestricted	208,774	1,657,534
Temporarily restricted	3,503,684	5,641,372
TOTAL NET ASSETS	3,712,458	7,298,906
TOTAL LIABILITIES AND NET ASSETS	\$ 4,689,328	\$ 7,666,098

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

**COLLEGE SUMMIT, INC.**  
**d/b/a PeerForward**

**STATEMENTS OF ACTIVITIES**  
**For the Years Ended April 30, 2018 and 2017**

	2018			2017		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>OPERATING REVENUE AND SUPPORT</b>						
Grants and contributions						
Foundations, states, corporations and individuals	\$ 487,722	\$ 914,727	\$ 1,402,449	\$ 754,470	\$ 1,742,856	\$ 2,497,326
Federal grants	7,990	-	7,990	62,209	-	62,209
Special event	725,489	-	725,489	751,995	-	751,995
Program income						
School district, agency and school fees	990,265	-	990,265	1,381,203	-	1,381,203
Donated services	565,508	-	565,508	970,762	-	970,762
Rental and other income	1,054	-	1,054	11	-	11
Net assets released from restrictions:						
Satisfaction of purpose restriction	1,502,415	(1,502,415)	-	2,180,353	(2,180,353)	-
Satisfaction of time restriction	1,550,000	(1,550,000)	-	1,800,000	(1,800,000)	-
<b>TOTAL OPERATING REVENUE AND SUPPORT</b>	<b>5,830,443</b>	<b>(2,137,688)</b>	<b>3,692,755</b>	<b>7,901,003</b>	<b>(2,237,497)</b>	<b>5,663,506</b>
<b>OPERATING EXPENSES</b>						
Program Services:						
PeerForward	4,917,152	-	4,917,152	5,501,054	-	5,501,054
Innovation	329,767	-	329,767	622,500	-	622,500
Total Program Services	5,246,919	-	5,246,919	6,123,554	-	6,123,554
Supporting Services:						
Management and general	576,631	-	576,631	683,755	-	683,755
Development and fundraising	1,299,674	-	1,299,674	2,051,766	-	2,051,766
Fundraising – cost of direct benefit to donors	30,855	-	30,855	21,450	-	21,450
Total Development and Fundraising	1,330,529	-	1,330,529	2,073,216	-	2,073,216
Total Supporting Services	1,907,160	-	1,907,160	2,756,971	-	2,756,971
<b>TOTAL OPERATING EXPENSES</b>	<b>7,154,079</b>	<b>-</b>	<b>7,154,079</b>	<b>8,880,525</b>	<b>-</b>	<b>8,880,525</b>
Change in net assets from operations	(1,323,636)	(2,137,688)	(3,461,324)	(979,522)	(2,237,497)	(3,217,019)
Nonoperating Activities						
Strategic rebranding costs	125,124	-	125,124	-	-	-
Total Nonoperating Activities	125,124	-	125,124	-	-	-
<b>CHANGE IN NET ASSETS</b>	<b>(1,448,760)</b>	<b>(2,137,688)</b>	<b>(3,586,448)</b>	<b>(979,522)</b>	<b>(2,237,497)</b>	<b>(3,217,019)</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>1,657,534</b>	<b>5,641,372</b>	<b>7,298,906</b>	<b>2,637,056</b>	<b>7,878,869</b>	<b>10,515,925</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 208,774</b>	<b>\$ 3,503,684</b>	<b>\$ 3,712,458</b>	<b>\$ 1,657,534</b>	<b>\$ 5,641,372</b>	<b>\$ 7,298,906</b>

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

**COLLEGE SUMMIT, INC.**  
d/b/a PeerForward

**STATEMENT OF FUNCTIONAL EXPENSES**  
For the Year Ended April 30, 2018

	Program Services			Supporting Services			Total
	PeerForward	Innovation	Total Program Services	Management and General	Development and Fundraising	Total Supporting Services	
Personnel and benefits	\$ 2,711,899	\$ 244,178	\$ 2,956,077	\$ 196,128	\$ 202,731	\$ 398,859	\$ 3,354,936
Consulting and temporary services	342,751	41,469	384,220	113,488	792,984	906,472	1,290,692
Donated services	438,783	9,312	448,095	76,663	40,750	117,413	565,508
Travel	411,830	2,382	414,212	5,871	38,112	43,983	458,195
College hosting and program catering	301,799	104	301,903	504	132,988	133,492	435,395
Rent and other related fees	202,227	8,049	210,276	63,527	32,477	96,004	306,280
Professional fees	50,818	3,301	54,119	26,050	13,317	39,367	93,486
Other expenses	49,582	1,925	51,507	14,982	30,854	45,836	97,343
Technology	50,910	9,917	60,827	15,257	7,800	23,057	83,884
Building operations and taxes	41,436	2,730	44,166	21,545	11,014	32,559	76,725
Marketing	72,444	-	72,444	433	2,000	2,433	74,877
Printing and shipping	59,173	-	59,173	-	-	-	59,173
Telephone and internet	34,487	1,785	36,272	14,089	8,046	22,135	58,407
Stipends	41,293	47	41,340	368	188	556	41,896
Other employee expense	23,242	1,697	24,939	4,696	2,451	7,147	32,086
Depreciation and amortization	16,877	1,111	17,988	9,146	4,482	13,628	31,616
Evaluation	28,289	-	28,289	-	-	-	28,289
Supplies	16,404	527	16,931	4,156	5,361	9,517	26,448
Bad debt	11,317	745	12,062	5,879	3,006	8,885	20,947
Interest expense	7,408	488	7,896	3,849	1,968	5,817	13,713
Web design	2,525	-	2,525	-	-	-	2,525
Programmatic software	1,658	-	1,658	-	-	-	1,658
<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 4,917,152</b>	<b>\$ 329,767</b>	<b>\$ 5,246,919</b>	<b>\$ 576,631</b>	<b>\$ 1,330,529</b>	<b>\$ 1,907,160</b>	<b>\$ 7,154,079</b>

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

**COLLEGE SUMMIT, INC.**  
**d/b/a PeerForward**

**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Year Ended April 30, 2017**

	Program Services			Supporting Services			Total
	PeerForward	Innovation	Total Program Services	Management and General	Development and Fundraising	Total Supporting Services	
Personnel and benefits	\$ 2,807,662	\$ 427,650	\$ 3,235,312	\$ 300,191	\$ 405,681	\$ 705,872	\$ 3,941,184
Consulting and temporary services	354,528	112,625	467,153	86,447	1,198,606	1,285,053	1,752,206
Donated services	822,800	15,297	838,097	77,323	55,342	132,665	970,762
Travel	388,473	10,834	399,307	7,966	51,931	59,897	459,204
College hosting and program catering	301,062	2,525	303,587	-	141,042	141,042	444,629
Rent and other related fees	195,273	15,468	210,741	78,188	51,514	129,702	340,443
Professional fees	78,602	8,608	87,210	43,511	28,667	72,178	159,388
Other expenses	85,273	4,476	89,749	21,260	41,939	63,199	152,948
Marketing	87,503	(86)	87,417	-	46,715	46,715	134,132
Technology	49,127	14,453	63,580	19,243	13,279	32,522	96,102
Building operations and taxes	36,243	4,084	40,327	20,644	13,602	34,246	74,573
Programmatic software	58,426	-	58,426	-	-	-	58,426
Telephone and internet	28,729	2,760	31,489	12,517	9,834	22,351	53,840
Printing and shipping	46,971	-	46,971	-	-	-	46,971
Other employee expense	26,575	2,236	28,811	8,880	6,913	15,793	44,604
Evaluation	42,202	-	42,202	-	-	-	42,202
Stipends	38,770	-	38,770	-	-	-	38,770
Supplies	22,316	213	22,529	725	3,631	4,356	26,885
Depreciation and amortization	11,993	1,357	13,350	6,860	4,520	11,380	24,730
Bad debt	10,176	-	10,176	-	-	-	10,176
Web design	8,350	-	8,350	-	-	-	8,350
<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 5,501,054</b>	<b>\$ 622,500</b>	<b>\$ 6,123,554</b>	<b>\$ 683,755</b>	<b>\$ 2,073,216</b>	<b>\$ 2,756,971</b>	<b>\$ 8,880,525</b>

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

**COLLEGE SUMMIT, INC.**  
d/b/a PeerForward

**STATEMENTS OF CASH FLOWS**  
**For the Years Ended April 30, 2018 and 2017**  
**Increase (Decrease) in Cash and Cash Equivalents**

	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (3,586,448)	\$ (3,217,019)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation and amortization	31,616	24,730
Change in the allowance for doubtful accounts	193,800	3,584
Loss on disposal of assets	-	7,100
Change in assets and liabilities		
Accounts receivable	51,622	(32,396)
Grants and pledges receivable	2,421,327	3,073,389
Prepaid expenses	25,713	11,073
Deposits	(52,531)	15,770
Accounts payable and accrued expenses	123,923	(586,096)
Deferred rent and lease incentive	524,058	-
Deferred revenue	(38,303)	(202,409)
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>(305,223)</b>	<b>(902,274)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment	(657,537)	(5,009)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(657,537)</b>	<b>(5,009)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from line of credit	495,525	-
Repayments of line of credit	(495,525)	-
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>-</b>	<b>-</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(962,760)	(907,283)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	1,930,347	2,837,630
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 967,587</b>	<b>\$ 1,930,347</b>
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Interest paid	\$ 13,879	\$ -

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



**COLLEGE SUMMIT, INC.**  
**d/b/a PeerForward**

**NOTES TO FINANCIAL STATEMENTS**  
**For the Years Ended April 30, 2018 and 2017**

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1. Organization and Summary of Significant Accounting Policies

**Organization**

College Summit, Inc. d/b/a PeerForward (PeerForward) 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). PeerForward's mission is to unleash the positive power of peer influence to transform the lives of youth living in low-income communities by connecting them to college and career. To date, PeerForward has impacted some 350,000 students in high schools across the nation and is continuing to pursue its core mission in a new configuration designed for scale, sustainability and significant impact. Through its premier program, PeerForward supports students through a hybrid of in-person and remote coaching, maximizing the promise of technology to achieve scale and impact. PeerForward is uniquely financed by a combination of philanthropy and shared costs with high schools. In this model, schools pay an affordable rate, while philanthropic dollars fuel growth. With this new, leaner structure, costs come down and more schools become partners. PeerForward hopes to grow its nationwide footprint from 100 to 1,000 schools in 10 years.

PeerForward program activities include the following:

**PeerForward**

This program trains influential high school students to build a college-going culture by persuading and coaching their classmates and friends through the college admissions process. These students are known as Peer Leaders, and they are trained in powerful summer workshops and school-year training sessions.

This program supports the Peer Leaders and select educators, in each partner high school, as they conduct activities that raise awareness and provide guidance about the key actions students can take that will greatly enhance the likelihood they will attend college. The PeerForward teams conduct three campaigns that have been confirmed, by third-party research, to boost college enrollment:

- Connecting career aspirations to academic choices and planning.
- Applying to at least three postsecondary institutions, which research shows greatly improves the likelihood of enrollment.
- Applying early for financial aid and scholarships. Early filing can double the amount of grant funds awarded, and completing the federal form for financial aid makes a student 50% more likely to enroll in college.

In addition, PeerForward offers schools a flexible curriculum which can be integrated into existing courses or conducted as a stand-alone, depending on how the school chooses to use it.

A recent study conducted by researchers at the University of Pittsburgh demonstrated that PeerForward high schools experienced 25% higher early FAFSA (Free Application for Federal Student Aid) completion rates than comparable schools without a peer-to-peer strategy. This rigorous third-party evaluation validates the significant impact of peer leadership on school wide results.

**Continued**

**COLLEGE SUMMIT, INC.**  
**d/b/a PeerForward**

**NOTES TO FINANCIAL STATEMENTS**  
**For the Years Ended April 30, 2018 and 2017**

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

**Organization (continued)**

**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 through mobile applications that guide students and families through the college access process and supporting alumni of our program with 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**

PeerForward 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 30 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, 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**

PeerForward's net assets are classified as follows:

- Unrestricted net assets represent funds that are available for support of PeerForward's operations.
- Temporarily restricted net assets represent funds that are subject to donor-imposed restrictions to be used either for a particular purpose or within a specific time period.

**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

**COLLEGE SUMMIT, INC.**  
**d/b/a PeerForward**

**NOTES TO FINANCIAL STATEMENTS**  
**For the Years Ended April 30, 2018 and 2017**

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

**Revenue Recognition (continued)**

donor restriction expires (that is, when a stipulated time restriction ends or purpose restriction is met), 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.

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.

PeerForward 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 Services**

In-kind contributions of 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 (GAAP) requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Measure of Operations**

PeerForward considers one-time expenses, which include strategic rebranding expenses, to be nonoperating in nature.

Continued

**COLLEGE SUMMIT, INC.**  
**d/b/a PeerForward**

**NOTES TO FINANCIAL STATEMENTS**  
**For the Years Ended April 30, 2018 and 2017**

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 fiscal year. The discount rates used to calculate the present value component of grants and pledges receivable were between 2.49% and 2.91% for the years ended April 30, 2018 and 2017, respectively.

As of April 30, 2018 and 2017, PeerForward's grants and pledges receivable were due to be received as follows:

	2018	2017
Due in less than one year	\$ 1,915,766	\$ 2,602,243
Due in one to five years	1,029,000	2,788,117
Gross Grants and Pledges Receivable	2,944,766	5,390,360
Less: Discount on Multiyear Grants and Pledges	(49,821)	(74,088)
Grants and Pledges Receivable, Net	\$ 2,894,945	\$ 5,316,272

All amounts were considered fully collectible as of April 30, 2018 and 2017.

PeerForward 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, 2018 and 2017, PeerForward's conditional grants from funders totaled approximately \$51,000 and \$47,000, respectively. The grants will be paid and recognized as revenue upon PeerForward'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, 2018 and 2017:

	2018	2017
Furniture	\$ 91,439	\$ -
Equipment	190,129	126,746
Leasehold Improvements	502,714	-
Total Property and Equipment	784,282	126,746
Less: Accumulated Depreciation and Amortization	(137,761)	(106,146)
Property and Equipment, Net	\$ 646,521	\$ 20,600

Depreciation and amortization expense totaled \$31,616 and \$24,730 for the years ended April 30, 2018 and 2017, respectively.

**COLLEGE SUMMIT, INC.**  
**d/b/a PeerForward**

**NOTES TO FINANCIAL STATEMENTS**  
**For the Years Ended April 30, 2018 and 2017**

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4. Line of Credit

PeerForward has a secured revolving line of credit with a financial institution in the amount of \$500,000. Interest on borrowed funds accrues at the one-month London Interbank Offered Rate (LIBOR) plus .75% per annum and is payable monthly. The line of credit is subject to continuation based on satisfactory annual review by the financial institution scheduled to occur 150 days after the fiscal year-end and an annual thirty-day clean up period, a pay down of the full outstanding principal balance. Existing and future liabilities associated with the line of credit are secured by blanket lien on all assets of PeerForward including but not limited to accounts receivable, inventory, equipment and general intangibles. The interest rate as of April 30, 2018, was 4.89%. During the fiscal year ended April 30, 2018, PeerForward borrowed and repaid a total of \$495,525 and, as of April 30, 2018, PeerForward had no outstanding balance under this line of credit. All bank covenants required by the line of credit were met as of April 30, 2018.

5. Donated Services

PeerForward received donated services from various corporations and individuals, primarily consisting of customer relationship management (CRM) services and strategic project services. These services 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, 2018 and 2017, PeerForward recognized revenue and expenses of \$565,508 and \$970,762, respectively, for these services.

6. Net Assets

As of April 30, 2018 and 2017, net assets were restricted for use as follows:

	<u>2018</u>	<u>2017</u>
Time restriction	\$ 2,150,000	\$ 3,700,000
Purpose restriction:		
Innovation	231,160	379,854
PeerForward Program	<u>1,122,524</u>	<u>1,561,518</u>
Total Temporarily Restricted Net Assets	<u>\$ 3,503,684</u>	<u>\$ 5,641,372</u>

7. Office Leases

PeerForward has operating leases in Washington, D.C., and Miami, Florida. As part of the sale and lease back of its Washington, D.C., office space building that occurred in July 2015, PeerForward entered into an operating lease with an effective date of March 15, 2016 for a period of two years that includes an option to terminate with a six-month written notice to the other party. The monthly rent was \$20,625 per month subject to a 3% annual escalation. The lease ended early, without penalty, in January 2018. The Miami office space lease is month-to-month.

Continued

**COLLEGE SUMMIT, INC.**  
**d/b/a PeerForward**

**NOTES TO FINANCIAL STATEMENTS**  
**For the Years Ended April 30, 2018 and 2017**

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7. Office Leases (continued)

On July 12, 2017, PeerForward entered into a new office space lease agreement in Washington, D.C., with a lease term of 130 months, which commenced in February 2018 and expires in November 2028. PeerForward is required to pay a monthly base rent of \$26,326 and provide a security deposit of \$52,651. The lease agreement contains a fixed escalation clause for increases in the annual minimum rent at a rate of 2.5% per year, along with certain incentives consisting of rent abatements and improvement allowances in the amount of \$451,495. The proportionate share of real estate taxes and operating and maintenance costs is included in the monthly base rent which may increase in future years.

Under GAAP, all lease incentives and fixed rent increases are recognized on a straight-line basis over the term of the lease. The difference between this expense and the required lease payments is reflected as deferred rent and lease incentive in the accompanying statement of financial position.

As of April 30, 2018, future minimum rental obligations under the operating lease were as follows:

<u>For the Year Ending</u> <u>April 30,</u>	
2019	\$ 134,261
2020	326,503
2021	334,666
2022	343,033
2023	351,609
Thereafter	<u>2,130,267</u>
Total	<u>\$ 3,620,339</u>

In addition, PeerForward leases certain equipment under noncancelable operating leases that expire in fiscal year 2019. Required minimum lease payments for the year ending April 30, 2019, are \$7,603.

Rent expense totaled \$283,713 and \$306,694 for the years ended April 30, 2018 and 2017, respectively, and is included in rent and other related fees in the accompanying statements of functional expenses.

8. Concentration of Credit Risk

PeerForward's cash is held in a financial institution. PeerForward has never experienced, nor does management anticipate, any losses on its funds. As of April 30, 2018 and 2017, PeerForward held \$782,024 and \$1,704,737, respectively, in the financial institution, exceeding the \$250,000 per depositor per institution Federal Deposit Insurance Corporation insured limit.

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**NOTES TO FINANCIAL STATEMENTS**  
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9. Pension Plan

PeerForward 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. The plan is funded by employer contributions equal to 3% of salary plus 50% of the employee's contributions between 3% and 5% of the employee's annual salary. During the years ended April 30, 2018 and 2017, PeerForward contributed \$108,785 and \$77,579, respectively, to the plan.

10. Management's Plan

PeerForward has made important structural changes to its operating model and program over the last two years in strategic response to changes in the low-income high school market and shifts in patterns of philanthropy. PeerForward now serves a significantly greater number of students at a much lower and more affordable cost. The restructuring of the organization through the introduction of an innovative, research-validated model enabled PeerForward to decrease operational costs by approximately 40%, increase efficiency, retire all debt and impact almost five times the number of students. The quality of the program and its proven results have driven an 89% renewal rate of PeerForward's paying school partners providing a stable recurring revenue stream from fees. Peerforward's model has been recognized and promoted by the Stanford Social Innovation Review, Nasdaq, the PBS NewsHour and the Bridgespan Group.

This innovative shift allows the organization to better diversify its philanthropic base and fundraising activities while reducing its current annual development overhead by 79% since 2016. Interest is growing across private and public sectors and foundations, as evidenced by the recent success of the Youth Activation Summit in partnership with Facebook Education and sponsored by Deloitte, Ford Foundation, Carnegie Corporation, Fossil Foundation and New Profit. Excited by the scalable nature of the new model, PeerForward has attracted the attention of a new generation of high-net-worth supporters and retained the engagement of many long-term supporters.

11. Income Taxes

Under Section 501(c)(3) of the IRC, PeerForward is exempt from the payment of taxes on income other than net unrelated business income. PeerForward reviews and assesses all activities annually to identify any changes in the scope of the activities and revenue sources and the tax treatment thereof to identify any uncertainty in income taxes. For the years ended April 30, 2018 and 2017, no provision for income taxes was made, as PeerForward had no net unrelated business income and did not identify any uncertainty in income taxes requiring recognition or disclosure in these financial statements. PeerForward tax returns are subject to possible examination by the taxing authorities. For federal purposes, the tax returns essentially remain open for possible examination for a period of three years after the respective filing deadlines of those returns.

Continued

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**NOTES TO FINANCIAL STATEMENTS**  
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12. Subsequent Events

PeerForward management has evaluated events and transactions for potential recognition or disclosure through September 13, 2018, the date the financial statements were available to be issued. There were no subsequent events identified that require recognition or disclosure in these financial statements.