

# **Project GRAD Houston**

Financial Statements  
and Independent Auditors' Report  
for the years ended June 30, 2019 and 2018

# Project GRAD Houston

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## Independent Auditors' Report

To the Board of Directors of  
Project GRAD Houston:

We have audited the accompanying financial statements of Project GRAD Houston, which comprise the statements of financial position as of June 30, 2019 and 2018 and the related statements of activities, of functional expenses, and of 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.

### Auditors' 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 our 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 auditors' 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 Project GRAD Houston as of June 30, 2019 and 2018 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.

### **Adoption of New Accounting Standard**

As discussed in Note 2 to the financial statements, Project GRAD Houston adopted the amendments of Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, as of and for the year ended June 30, 2019. These amendments have been applied on a retrospective basis to the financial statements as of and for the year ended June 30, 2018, except that certain information has been omitted as permitted by the ASU. Our opinion is not modified with respect to this matter.

*Blazek & Vetterling*

November 13, 2019

## Project GRAD Houston

Statements of Financial Position as of June 30, 2019 and 2018

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	<u>2019</u>	<u>2018</u>
ASSETS		
Cash	\$ 176,084	\$ 773,724
Accounts receivable	42,975	42,714
Prepaid and other assets	11,393	11,290
Contributions receivable, net ( <i>Note 4</i> )	715,399	1,958,274
Property, net ( <i>Note 5</i> )	<u>73,797</u>	<u>          </u>
TOTAL ASSETS	<u>\$ 1,019,648</u>	<u>\$ 2,786,002</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 240,666	\$ 185,452
Note payable ( <i>Note 6</i> )	<u>          </u>	<u>723,000</u>
Total liabilities	<u>240,666</u>	<u>908,452</u>
Net assets:		
Without donor restrictions	6,482	340,069
With donor restrictions ( <i>Note 7</i> )	<u>772,500</u>	<u>1,537,481</u>
Total net assets	<u>778,982</u>	<u>1,877,550</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,019,648</u>	<u>\$ 2,786,002</u>

*See accompanying notes to financial statements.*

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## Project GRAD Houston

Statement of Activities for year ended June 30, 2019

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	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Contributions ( <i>Note 4</i> )	\$ 676,845	\$ 477,148	\$ 1,153,993
Grants and contracts	178,072		178,072
Other income	<u>5,441</u>		<u>5,441</u>
Total revenue	860,358	477,148	1,337,506
Net assets released from donor restrictions:			
Program expenditures	1,187,129	(1,187,129)	
Expiration of time restrictions	<u>55,000</u>	<u>(55,000)</u>	
Total	<u>2,102,487</u>	<u>(764,981)</u>	<u>1,337,506</u>
EXPENSES:			
Program services	1,959,930		1,959,930
Management and general	202,330		202,330
Fundraising	<u>273,814</u>		<u>273,814</u>
Total expenses	<u>2,436,074</u>		<u>2,436,074</u>
CHANGES IN NET ASSETS	(333,587)	(764,981)	(1,098,568)
Net assets, beginning of year	<u>340,069</u>	<u>1,537,481</u>	<u>1,877,550</u>
Net assets, end of year	<u>\$ 6,482</u>	<u>\$ 772,500</u>	<u>\$ 778,982</u>

*See accompanying notes to financial statements.*

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## Project GRAD Houston

Statement of Activities for year ended June 30, 2018

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	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Contributions ( <i>Note 4</i> )	\$ 522,382	\$ 2,139,069	\$ 2,661,451
Grants and contracts	589,301		589,301
Loss on valuation of contributions receivable		(77,000)	(77,000)
Other income	<u>10,447</u>	<u></u>	<u>10,447</u>
Total revenue	1,122,130	2,062,069	3,184,199
Net assets released from donor restrictions:			
Program expenditures	1,176,874	(1,176,874)	
Expiration of time restrictions	<u>1,184,099</u>	<u>(1,184,099)</u>	<u></u>
Total	<u>3,483,103</u>	<u>(298,904)</u>	<u>3,184,199</u>
EXPENSES:			
Program services	1,886,332		1,886,332
Management and general	324,966		324,966
Fundraising	<u>213,980</u>	<u></u>	<u>213,980</u>
Total expenses	<u>2,425,278</u>	<u></u>	<u>2,425,278</u>
CHANGES IN NET ASSETS	1,057,825	(298,904)	758,921
Net assets, beginning of year ( <i>Note 2</i> )	<u>(717,756)</u>	<u>1,836,385</u>	<u>1,118,629</u>
Net assets, end of year	<u>\$ 340,069</u>	<u>\$ 1,537,481</u>	<u>\$ 1,877,550</u>

*See accompanying notes to financial statements.*

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## Project GRAD Houston

### Statement of Functional Expenses for the year ended June 30, 2019

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<u>EXPENSES</u>	<u>PROGRAM SERVICES</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	<u>TOTAL</u>
Salaries, related taxes, and benefits	\$ 1,168,871	\$ 137,922	\$ 213,178	\$ 1,519,971
Scholarship awards	456,590			456,590
Professional fees and contract services	62,737	30,840	34,835	128,412
Rent	82,195	4,835	14,065	101,095
Supplies	44,081	1,678	1,599	47,358
Travel	40,080	3,112	521	43,713
Food, meals and snacks	30,504	4,008	834	35,346
Dues and subscriptions	24,693	1,658	1,879	28,230
Communications	14,907	2,750	788	18,445
Depreciation	8,687	511	1,487	10,685
Insurance	7,273	428	1,245	8,946
Other	<u>19,312</u>	<u>14,588</u>	<u>3,383</u>	<u>37,283</u>
Total expenses	<u>\$ 1,959,930</u>	<u>\$ 202,330</u>	<u>\$ 273,814</u>	<u>\$ 2,436,074</u>

*See accompanying notes to financial statements.*

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## Project GRAD Houston

### Statement of Functional Expenses for the year ended June 30, 2018

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<u>EXPENSES</u>	<u>PROGRAM SERVICES</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	<u>TOTAL</u>
Salaries, related taxes, and benefits	\$ 1,048,361	\$ 181,057	\$ 184,507	\$ 1,413,925
Scholarship awards	517,769			517,769
Professional fees and contract services	86,561	95,467	1,503	183,531
Rent	97,106	6,035	17,556	120,697
Supplies	26,847	1,438	1,657	29,942
Travel	26,395	1,995	456	28,846
Food, meals and snacks	37,892	1,245	1,306	40,443
Dues and subscriptions	20,237	1,251	1,644	23,132
Communications	13,288	3,260	755	17,303
Insurance	7,009	436	1,267	8,712
Interest		24,911		24,911
Other	<u>4,867</u>	<u>7,871</u>	<u>3,329</u>	<u>16,067</u>
Total expenses	<u>\$ 1,886,332</u>	<u>\$ 324,966</u>	<u>\$ 213,980</u>	<u>\$ 2,425,278</u>

*See accompanying notes to financial statements.*

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## Project GRAD Houston

### Statements of Cash Flows for the years ended June 30, 2019 and 2018

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	<u>2019</u>	<u>2018</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Changes in net assets	\$ (1,098,568)	\$ 758,921
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	10,685	
Changes in operating assets and liabilities:		
Accounts receivable	(261)	2,987
Prepaid and other assets	(103)	(2,776)
Contributions receivable	1,242,875	(254,879)
Accounts payable and accrued expenses	<u>55,214</u>	<u>98,557</u>
Net cash provided by operating activities	<u>209,842</u>	<u>602,810</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of property	<u>(84,482)</u>	
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Principal repayments of note payable	<u>(723,000)</u>	<u>(77,000)</u>
<b>NET CHANGE IN CASH</b>	<b>(597,640)</b>	<b>525,810</b>
Cash, beginning of year	<u>773,724</u>	<u>247,914</u>
Cash, end of year	<u>\$ 176,084</u>	<u>\$ 773,724</u>
 <i>Supplemental disclosure of cash flow information:</i>		
Interest paid		\$24,911

*See accompanying notes to financial statements.*

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## Project GRAD Houston

Notes to Financial Statements for the years ended June 30, 2019 and 2018

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### NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization – Project GRAD Houston (Project GRAD) is a nonprofit organization incorporated in Texas in August 1994. Project GRAD’s mission is to improve lives in low-income communities by helping individuals develop and achieve their educational aspirations. Project GRAD provides proven cost-effective programming to support students and families at critical junctures of their educational path to make sure they graduate from high school, access college, and obtain a workforce certificate, associate’s degree, or bachelor’s degree. Project GRAD operates from community and school-based locations, offering free college and career planning services to anyone of any age, regardless of their school of enrollment. By leveraging partnerships with community-based organizations, public and charter schools, institutions of higher education, and public libraries, Project GRAD offers students rich college and career exploration programs and personalized counseling within welcoming café environments, giving students the desire, confidence, information, and support they need to succeed.

Federal income tax status – Project GRAD is exempt from federal income tax under §501(c)(3) of the Internal Revenue Code and is classified as a public charity under §509(a)(3) and §170(b)(1)(A)(vi).

Contributions receivable that are due within one year are reported at net realizable value. Amounts that are expected to be collected in future years are discounted, if material, to the present value of their estimated future cash flows.

Property is reported at cost if purchased or, if donated, at fair value at the date of gift. Purchases of \$5,000 or more with a useful life of more than one year are capitalized. Depreciation is calculated using the straight-line method over the assets’ estimated useful life.

Net asset classification – Net assets, revenue, gains, and losses are classified based on the existence or absence of donor-imposed restrictions, as follows:

- *Net assets without donor restrictions* are not subject to donor-imposed restrictions even though their use may be limited in other respects such as by contract or board designation.
- *Net assets with donor restrictions* are subject to donor-imposed restrictions. Restrictions may be temporary in nature, such as those that will be met by the passage of time or use for a purpose specified by the donor, or may be perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Net assets are released from restrictions when the stipulated time has elapsed, or purpose has been fulfilled, or both.

Contributions are recognized at fair value when an unconditional commitment is received from the donor. Contributions received with donor stipulations that limit their use are classified as restricted support. Conditional promises to give are included in contribution revenue when the conditions are substantially met.

Non-cash contributions – Donated materials and use of facilities are recognized at fair value as unrestricted contributions when an unconditional commitment is received from the donor. The related expense is recognized as the item is used. Contributions of services are recognized when services

received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. During the year ended June 30, 2019, Project GRAD recognized \$24,788 as in-kind contributions related to use of facilities.

Functional allocation of expenses – Expenses are reported by their functional classification as program services or supporting activities. Program services are the direct conduct or supervision of activities that fulfill the purposes for which the organization exists. Fundraising activities include the solicitation of contributions of money, securities, materials, facilities, other assets, and time. Management and general activities are not directly identifiable with specific program or fundraising activities. Expenses that are attributable to more than one program or supporting activity are allocated among the activities benefited. Salaries and related costs are allocated on the basis of estimated time and effort expended. Depreciation and occupancy costs are allocated based on square footage. While Project GRAD believes its allocation methods are appropriate, the use of different methods or assumptions could result in different allocated amounts.

Estimates – Management must make estimates and assumptions to prepare financial statements in accordance with generally accepted accounting principles. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, the amounts of reported revenue and expenses, and the allocation of expenses among various functions. Actual results could vary from the estimates that were used.

## **NOTE 2 – ADOPTION OF ACCOUNTING STANDARDS UPDATE 2016-14**

Project GRAD adopted the amendments of Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, as of and for the year ended June 30, 2019. These amendments have been applied on a retrospective basis to the financial statements for the year ended June 30, 2018, except that information regarding liquidity and availability of resources has been omitted as permitted by the ASU. Adoption of this ASU resulted in reclassification of previously reported activities and net assets to conform to the 2019 presentation but had no impact on total net assets or total changes in net assets for 2018.

## **NOTE 3 – LIQUIDITY AND AVAILABILITY OF RESOURCES**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use within one year of June 30, 2019 comprise the following:

Financial assets at June 30, 2019:	
Cash	\$ 176,084
Accounts receivable	42,975
Contributions receivable	<u>715,399</u>
Total financial assets	934,458
Less financial assets not available for general expenditure:	
Restricted cash	(29,886)
Contributions restricted for purpose or time	<u>(25,000)</u>
Total financial assets available for general expenditure	<u>\$ 879,572</u>

For purposes of analyzing resources available to meet general expenditures over a 12-month period, Project GRAD considers all expenditures related to its ongoing activities, as well as the conduct of services undertaken to support those activities, to be general expenditures. Project GRAD relies primarily on contributions from donors to provide for the expenditures related to providing its programs.

**NOTE 4 – CONTRIBUTIONS RECEIVABLE**

Contributions receivable are as follows:

	<u>2019</u>	<u>2018</u>
Contributions receivable	\$ 731,500	\$ 1,974,375
Discount to net present value at 1.50% to 2.52%	<u>(16,101)</u>	<u>(16,101)</u>
Contributions receivable, net	<u>\$ 715,399</u>	<u>\$ 1,958,274</u>

Contributions receivable at June 30, 2019 are expected to be collected as follows:

2020	\$ 676,500
2021	<u>55,000</u>
Total contributions receivable	<u>\$ 731,500</u>

*Concentration* – In 2019, approximately 55% of contributions were from six donors. In 2018, approximately 65% of contributions were from four donors. At June 30, 2019, approximately 77% of contributions receivable were due from three donors. At June 30, 2018, approximately 86% of contributions receivable were due from three donors.

**NOTE 5 – PROPERTY**

Property at June 30, 2019 is comprised of the following:

Leasehold improvements	\$ 84,482
Furniture and fixtures	<u>26,411</u>
Total property, at cost	110,893
Accumulated depreciation	<u>(37,096)</u>
Property, net	<u>\$ 73,797</u>

**NOTE 6 – NOTE PAYABLE**

Project GRAD had a term loan with a bank for \$927,000; the loan was repaid in full in 2019 with proceeds from a contribution receivable.

**NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions are restricted as follows:

	<u>2019</u>	<u>2018</u>
GRADuation Aspirations	\$ 480,000	\$ 997,320
Scholarship awards	128,500	147,250
Bridge to College and Career Success Program	80,000	232,026
Use in future periods	80,000	85,000
GRADcafé		75,885
Other	<u>4,000</u>	<u>          </u>
Total net assets with donor restrictions	<u>\$ 772,500</u>	<u>\$ 1,537,481</u>

**NOTE 8 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through November 13, 2019, which is the date that the financial statements were available for issuance. As a result of this evaluation, no events were identified that are required to be disclosed or would have a material impact on reported net assets or changes in net assets.

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