



Certified Public Accountants
and Financial Advisors

10,000 DEGREES
Financial Statements
June 30, 2018

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
10,000 Degrees
San Rafael, California

We have audited the accompanying financial statements of 10,000 Degrees (a non-profit organization) (the "Organization"), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, functional expenses and cash flows for the year 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 controls 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit 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 Organization'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 Organization'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 10,000 Degrees as of June 30, 2018, and the changes in its net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

The Organization's 2017 financial statements were audited by DZH Phillips, LLP, who merged with Squar Milner LLP as of January 1, 2018 and whose report dated October 30, 2017, expressed an unmodified opinion on those statements. The summarized comparative information is consistent, in all material respects, with the audited financial statements from which it has been derived.

SQUAR MILNER LLP

San Francisco, California

November 8, 2018

10,000 DEGREES
STATEMENT OF FINANCIAL POSITION
June 30, 2018 (with summarized comparative totals at June 30, 2017)

ASSETS	<u>2018</u>	<u>2017</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 3,931,353	\$ 3,013,373
Investments in certificates of deposit (Note 2)	501,173	500,923
Grants and contributions receivable - net - current portion (Note 3)	4,944,021	4,397,205
Other receivables	11,998	12
Prepaid expenses	112,533	131,434
Beneficial interest in assets held by Marin		
Community Foundation - current portion (Note 2)	77,443	79,954
Total current assets	<u>9,578,521</u>	<u>8,122,901</u>
PROPERTY AND EQUIPMENT - net (Note 4)	191,756	181,468
OTHER ASSETS		
Cash held for long-term investment	10,853	9,300
Grants and contributions receivable - long-term - net (Note 3)	3,116,071	578,336
Beneficial interest in assets held by Marin		
Community Foundation - long-term (Note 2)	1,643,507	1,603,288
Deposits	18,455	17,469
Intangible assets, net (Note 5)	<u>5,390</u>	<u>13,343</u>
Total other assets	<u>4,794,276</u>	<u>2,221,736</u>
Total Assets	<u><u>\$ 14,564,553</u></u>	<u><u>\$ 10,526,105</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Education grants and scholarships payable	\$ 571,099	\$ 44,861
Accounts payable and accrued expenses	135,019	69,910
Accrued vacation pay	132,111	92,963
Deferred revenue	<u>10,833</u>	<u>-</u>
Total current liabilities	849,062	207,734
DEFERRED RENT (Note 6)	<u>122,570</u>	<u>124,864</u>
Total liabilities	<u>971,632</u>	<u>332,598</u>
NET ASSETS		
Unrestricted (Note 8)	556,070	461,957
Temporarily restricted (Note 9)	11,469,426	8,224,625
Permanently restricted (Note 10)	<u>1,567,425</u>	<u>1,506,925</u>
Total net assets	<u>13,592,921</u>	<u>10,193,507</u>
Total Liabilities and Net Assets	<u><u>\$ 14,564,553</u></u>	<u><u>\$ 10,526,105</u></u>

10,000 DEGREES
STATEMENT OF ACTIVITIES
For the year ended June 30, 2018 (with summarized
comparative totals for the year ended June 30, 2017)

	2018			2017	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
REVENUES AND SUPPORT:					
Grants and contributions	\$ 1,434,248	\$ 10,074,236	\$ 60,500	\$ 11,568,984	\$ 8,362,441
In-kind contributions	31,517	-	-	31,517	55,530
Special events - net of direct expenses of \$147,541 in 2018 and \$167,710 in 2017	684,550	-	-	684,550	876,506
Change in value of beneficial interest in assets held by Marin Community Foundation	27,212	88,339	-	115,551	191,873
Program service fees	263,171	-	-	263,171	104,167
Investment return	1,272	-	-	1,272	5,464
Other income	6,108	-	-	6,108	45,929
	<u>2,448,077</u>	<u>10,162,575</u>	<u>60,500</u>	<u>12,671,152</u>	<u>9,641,910</u>
Net assets released from restrictions	<u>6,917,774</u>	<u>(6,917,774)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues and support	<u>9,365,851</u>	<u>3,244,801</u>	<u>60,500</u>	<u>12,671,152</u>	<u>9,641,910</u>
EXPENDITURES:					
Net grants and scholarships	3,256,151	-	-	3,256,151	2,555,392
Outreach programs and program support services	3,879,948	-	-	3,879,948	3,027,811
Total program expenses	7,136,099	-	-	7,136,099	5,583,203
Management and general	1,124,674	-	-	1,124,674	1,220,463
Fundraising	1,010,965	-	-	1,010,965	1,219,519
Total expenditures	<u>9,271,738</u>	<u>-</u>	<u>-</u>	<u>9,271,738</u>	<u>8,023,185</u>
CHANGE IN NET ASSETS	94,113	3,244,801	60,500	3,399,414	1,618,725
NET ASSETS - beginning of year	<u>461,957</u>	<u>8,224,625</u>	<u>1,506,925</u>	<u>10,193,507</u>	<u>8,574,782</u>
NET ASSETS - end of year	<u>\$ 556,070</u>	<u>\$ 11,469,426</u>	<u>\$ 1,567,425</u>	<u>\$ 13,592,921</u>	<u>\$ 10,193,507</u>

10,000 DEGREES
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2018 (with summarized
comparative totals for the year ended June 30, 2017)

	Program Services	Supportive Services			Total Expenses 2018	Total Expenses 2017
	Programs	General & Administrative	Fundraising	Shared Costs		
Grants & scholarships	\$ 3,789,208	\$ -	\$ -	\$ -	\$ 3,789,208	\$ 2,982,599
Less: modifications	(533,057)	-	-	-	(533,057)	(427,207)
Net grants & scholarships	3,256,151	-	-	-	3,256,151	2,555,392
Salaries	2,499,241	584,444	605,315	-	3,689,000	2,951,100
Payroll taxes & benefits	522,938	139,637	148,440	-	811,015	698,389
Rent	173,515	83,899	37,079	657	295,150	333,796
Staff Development	99	-	-	-	99	1,165
Honorariums Stipends	76,865	-	-	-	76,865	59,770
Recruiting & Training	4,033	914	-	-	4,947	18,003
Accounting & Audit	-	67,032	-	-	67,032	67,681
Legal	256	20,866	-	-	21,122	3,164
Consultants and contractors	124,207	25,641	71,470	9,453	230,771	508,663
Equipment Rental	2,667	-	13,893	26,049	42,609	66,930
Computer Maintenance	43,926	4,576	10,314	30,712	89,528	81,188
Telephone & Internet	14,472	2,936	491	37,935	55,834	54,980
Postage & Delivery	799	14	4,513	4,500	9,826	10,886
Insurance	-	15,569	-	16,281	31,850	-
Office Supplies	46,374	8,781	21,891	12,418	89,464	85,849
Dues, Memberships, Conf. fees	36,120	21,697	6,399	150	64,366	27,066
Printing & Copying	6,689	7,609	33,008	-	47,306	67,729
Travel	19,956	6,817	3,087	-	29,860	19,918
Local Mileage & Transportation	62,166	3,412	5,656	-	71,234	59,982
Meals & Catering	89,060	4,173	10,863	2,509	106,605	85,887
Advertising	10,954	71,840	9,940	-	92,734	-
Public Relations	5,000	845	1,500	-	7,345	159,949
Board expenses	-	3,923	-	-	3,923	7,901
Other	183	28,990	995	-	30,168	64,709
Depreciation	-	-	-	46,934	46,934	33,088
Shared Costs	140,428	21,059	26,111	(187,598)	-	-
Total Expenses	\$ 7,136,099	\$ 1,124,674	\$ 1,010,965	\$ -	\$ 9,271,738	\$ 8,023,185

10,000 DEGREES
STATEMENT OF CASH FLOWS
For the year ended June 30, 2018 (with summarized
comparative totals for the year ended June 30, 2017)

	2018	2017
CASH FLOWS PROVIDED BY OPERATING ACTIVITIES:		
Change in net assets	\$ 3,399,414	\$ 1,618,725
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	54,887	47,549
Accrual of deferred rent	(2,294)	14,233
Gains on beneficial interest in assets held by Marin Community Foundation	(115,551)	(27,468)
Changes in operating assets and liabilities:		
Grants and contributions receivable	(3,084,550)	(780,483)
Other receivables	(11,986)	7,488
Prepaid expenses and deposits	17,914	(14,721)
Grants and scholarships payable	526,238	(145,232)
Accounts payable and accrued expenses	65,108	(102,928)
Accrued vacation pay	39,148	(21)
Deferred revenue	10,833	(10,000)
Net cash provided by operating activities:	899,162	607,142
CASH FLOWS USED IN INVESTING ACTIVITIES		
(Investment in) distribution from beneficial interest in assets held by Marin Community Foundation, net	77,843	(364,306)
Liquidation of (investment in) cash held for long-term purposes	(1,553)	45,458
Investment in certificates of deposit	(250)	(251)
Purchase of property and equipment	(57,222)	(58,574)
Purchase of intangible assets	-	(2,250)
Net cash used in investing activities	18,818	(379,923)
NET INCREASE IN CASH AND CASH EQUIVALENTS	917,980	227,219
CASH AND CASH EQUIVALENTS - beginning of year	3,013,373	2,786,154
CASH AND CASH EQUIVALENTS - end of year	\$ 3,931,353	\$ 3,013,373

10,000 DEGREES
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

1. DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

10,000 Degrees (the “Organization”) is a nonprofit, 501(c)(3) public benefit organization incorporated in the State of California. The mission of the Organization is to achieve educational equity, and support students with need to access and complete higher education, to positively impact their communities and the world. Our vision is that regardless of race, ethnicity, and socioeconomic status, every student should have the support and resources to earn a college degree and achieve their potential.

10,000 Degrees was founded in 1981 and is a nationally recognized college access and success organization serving over 9,000 students and families annually from low-income backgrounds in the San Francisco Bay Area.

Key Elements of Programs

College Success Model

10,000 Degrees provides a comprehensive wrap-around support program including college and financial aid counseling, academic support, mentoring, scholarships and financial aid management and personal support throughout the high school and college journey. The key components include:

College Awareness - 10,000 Degrees College Awareness initiatives start in elementary and middle school to help establish a college-going culture and nurture a college success mindset through interactive events including in-school “college days” and local college campus tours.

College Access - 10,000 Degrees College Access support includes A-G course planning, in-school financial aid workshops, college application assistance, and year-round mentoring, highlighted by the 10,000 Degrees Institute, a 2-year college readiness program -- 99% of 10,000 Degrees high school students enroll in college within one year of graduation.

College Persistence - Through personalized support and renewable scholarships, the 10,000 Degrees College Persistence program helps students navigate and ultimately graduate from four-year colleges and includes Summer Bridge programs, financial aid advising, and four-year college transfer guidance – over 80% of 10,000 Degrees four-year college students earn bachelor’s degrees, compared to 31% of their peers nationally.

Leadership Development Program

10,000 Degrees alumni are embedded in all aspects of our program and service delivery. Starting in high school through college graduation and beyond, 10,000 Degrees students receive hands-on 21st-century leadership skills training, improving access and opportunity on school campuses and in their communities. Students serve in the Leadership Corps. supporting students at their respective high school and college students can serve as summer college advisors and college ambassadors on their respective college campuses.

10,000 DEGREES
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

1. DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

Fellowship Program

The Fellowship Program is a targeted leadership development opportunity for college graduates who are from low-income households and are first generation college graduates. Fellows are near-peer mentors who are trained with deep content expertise and help high school and college students navigate both in and out of school success factors throughout the high school and college success journey.

Funding

The Organization receives major funding in the form of grants from the Marin Community Foundation (MCF) and its affiliates. Additional funding is received from private foundations, individuals, corporations and community organizations. Over the past few years, the Organization has begun receiving a substantial amount of support in Sonoma County from local citizens, government and other organizations.

Relationship to Marin Community Foundation

The Organization operated as a supporting organization to the MCF between 1986 and 2015. In April 2015, the board of directors of 10,000 Degrees voted to change the Organization's corporate structure so that it would be an independent nonprofit public benefit corporation and no longer be a supporting organization to the MCF. This change was effective November 1, 2015 for financial reporting purposes.

A summary of significant accounting policies follows:

Basis of Presentation

The Organization maintains its records using the accrual method of accounting in accordance with generally accepted accounting principles in the United States of America.

Description of Net Assets

The Organization reports information regarding its financial position and activities according to three classes of net assets as follows:

Unrestricted Net Assets

The portion of net assets that is neither temporarily restricted nor permanently restricted by donor restriction.

Temporarily Restricted Net Assets

The portion of net assets for which use by the Organization is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization.

10,000 DEGREES
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

1. DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

Permanently Restricted Net Assets

Permanently restricted net assets are net assets for which use by the Organization is limited by donor-imposed stipulations that neither expire by passage of time nor can otherwise be removed by actions of the Organization.

Contributions

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. 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 statement of activities as net assets released from restrictions.

The Organization reports gifts of property and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed into service.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, the Organization considers all unrestricted, highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Investments

The Organization's investments consist of certificates of deposit with an initial maturity greater than 3 months. All certificates mature within one year of the Statement of Financial Position date.

Grants and Contributions Receivable

Grants and contributions receivable consist of amounts committed by donors that have not been received by the Organization. The vast majority of these are restricted for student scholarship awards. Amounts receivable beyond one year are classified as long-term and discounted to present value using a risk-adjusted rate (currently ranging from 2.33% to 2.73%, based on the Daily Treasury Yield Curve Rate).

Beneficial Interest in Assets Held by Marin Community Foundation

Beneficial interest in assets held by MCF consists of assets transferred to MCF for investment purposes, with the understanding that the income pertaining to these assets would be distributed to 10,000 Degrees.

10,000 DEGREES
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2018

1. DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

Beneficial Interest in Assets Held by Marin Community Foundation

Although 10,000 Degrees' board of directors recommends distributions from the fund, the trustees of MCF have the power to modify any restriction or condition on the distribution of funds for any specified charitable purposes or to a specified organization, if, in the sole judgment of the Board of Trustees, such restriction or condition becomes, in effect, unnecessary, incapable of fulfillment, or inconsistent with the needs of the community served by the Foundation.

The funds held by MCF consist of endowment funds as well as spendable funds. Asset allocations for the funds differ based on the investment policy for each fund.

Property and Equipment

Property and equipment with a cost of \$2,500 or more, with estimated useful lives in excess of one year are capitalized at cost if purchased, or fair market value, if donated. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The asset lives range from three to ten years. Leasehold improvements are amortized over the shorter of the lease term or the useful life of the improvement.

Intangible Assets

Intangible assets consist of the cost of videos developed for current and future marketing purposes, as well as investments in the development of the Organization's website infrastructure. Amortization expense is computed using the straight-line method over the estimated useful lives of the assets in their current form, which is three years. Amortization expense was \$7,953 for the year ended June 30, 2018.

Fair Value Measurements

The Organization is required to consider the use of market-based information over entity-specific information in valuing its financial assets measured at fair value, using a three-level hierarchy for fair value measurements based on the nature of inputs used in the valuation of an asset or liability as of the measurement date.

The three-level hierarchy for fair value measurements is defined as follows:

Level 1 inputs to the valuation methodology include unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, inputs other than quoted prices that are observable for the asset or liability, and inputs that are derived principally from or corroborated by observable market data by correlation or other means.

10,000 DEGREES
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2018

1. DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

Fair Value Measurements

Level 3 inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the observable inputs and minimize the use of unobservable inputs. At June 30, 2018, there have been no changes in the methodologies used.

The carrying amounts of cash and cash equivalents, receivables and accounts payable approximate fair value due to the short maturities of these financial instruments.

Grants and Scholarships

Grants and scholarships are recorded as expenses after the approval process is completed and recipients are notified. Scholarship modifications represent amounts rescinded by 10,000 Degrees, which occur primarily because recipient eligibility has changed (e.g., the student did not enroll for sufficient college coursework).

Education grants and scholarships payable consist of amounts approved, but awaiting payment to the individual or educational institution.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on either a percent of time or the full time equivalents determined by management. Office rent expenses are allocated based upon square footage. Shared costs are costs that are providing benefit to two or more departments in the Organization.

Income Taxes

The Organization is exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code, Section 23701d (or other states and code sections, as relevant). Accordingly, it has not provided for income taxes in these financial statements.

Each year, management considers whether any material tax position the Organization has taken is more likely than not to be sustained upon examination by the applicable taxing authority. Management believes that any positions the Organization has taken are supported by substantial authority and, hence, do not need to be measured or disclosed in these financial statements.

10,000 DEGREES
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2018

1. DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

Donated Materials and Services

The Organization records various types of in-kind contributions. Contributed services are recognized at fair value if the services received (a) create or enhance long-lived 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. Contributions of tangible assets are recognized at fair value when received. The amounts reflected in the accompanying financial statements as in-kind contributions are offset by like amounts included in expenses or additions to property and equipment.

For the year ended June 30, 2018, the Organization received donated goods and services consisting of the following:

Design services	\$	7,500
Computers		1,414
Food		21,413
Other		1,190
		<u>31,517</u>
	\$	<u>31,517</u>

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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Comparative Financial Information

The financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2017, from which the summarized information was derived.

Subsequent Events

Management has evaluated events and transactions for potential recognition or disclosure through November 8, 2018, which represents the date the financial statements were available to be issued.

10,000 DEGREES
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2018

2. INVESTMENTS/FAIR VALUE MEASUREMENTS

The Organization's investments consist of certificates of deposit and beneficial interests in assets held by MCF, which are invested in pooled funds consisting of an equity fund, fixed income fund, and enhanced cash fund.

The following are major categories of investments measured at fair value on a recurring basis at June 30, 2018.

	Fair Value	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Certificates of deposit	\$ 501,173	\$ 501,173	\$ -	\$ -
Beneficial interests in assets held by MCF	1,720,950		1,720,950	
	<u>\$ 2,222,123</u>	<u>\$ 501,173</u>	<u>\$ 1,720,950</u>	<u>\$ -</u>

All investments have been valued using a market approach. The fair value of Beneficial Interests in Assets held by MCF is calculated by MCF and predicated on the published fair value of the underlying investment funds' holdings at June 30, 2018.

The total gain for the year attributable to non-level 1 assets still held by the Organization at year-end is \$115,551.

3. GRANTS AND CONTRIBUTIONS RECEIVABLE

At June 30, 2018, unconditional promises to give are as follows:

	Current	Due in 2 to 5 Years	Total
Grants and contributions receivable (net of allowance for uncollectible amounts of \$17,459)	\$ 5,007,274	\$ 3,141,849	\$ 8,149,123
Discount to net present value	<u>(63,253)</u>	<u>(25,778)</u>	<u>(89,031)</u>
	<u>\$ 4,944,021</u>	<u>\$ 3,116,071</u>	<u>\$ 8,060,092</u>

10,000 DEGREES
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2018

4. PROPERTY AND EQUIPMENT

As of June 30, 2018 property and equipment consists of the following:

Office furniture and equipment	\$ 312,822
Leasehold improvements	<u>127,779</u>
	440,601
Less: accumulated amortization	<u>(248,845)</u>
	<u>\$ 191,756</u>

For the year ended June 30, 2018, depreciation and amortization expense amounted to \$46,934.

5. INTANGIBLE ASSETS

At June 30, 2018, intangible assets consisted of the following:

Videos	\$ 75,050
Website	38,609
Trademark	<u>2,250</u>
	115,909
Less: accumulated amortization	<u>(110,519)</u>
Remaining book value	<u>\$ 5,390</u>

The future estimated annual amortization expense is as follows:

Year ending June 30,	
2019	4,952
2020	<u>438</u>
Total	<u>\$ 5,390</u>

10,000 DEGREES
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2018

6. DEFERRED RENT

The Organization received a two-month rent abatement on its premises in San Rafael. Generally accepted accounting principles require rent to be recorded on a straight-line basis over the life of the lease. Accordingly, accrued rent is recorded to the extent that rent expense exceeds amounts paid through June 30, 2018. Deferred rent will be fully amortized at the end of the lease term in December 2023.

7. RETIREMENT PLAN

The Organization has a defined contribution plan (the "Plan") that provides for employer contributions of 5% of each eligible employee's annual salary. Eligible employees include those individuals who work at least 20 hours per week and are employed by the Organization for at least one year. Employees are also permitted to make voluntary contributions to the Plan, to the extent allowed by law. All contributions to the Plan are fully vested when received. During the year ended June 30, 2018, the Organization contributed \$130,666 to the Plan.

8. BOARD DESIGNATED NET ASSETS

At June 30, 2018 board designated net assets consist of the following:

Board designated operating reserve	\$ 345,000
Board designated for long-term purposes	<u>49,473</u>
	<u>\$ 394,473</u>

9. TEMPORARILY RESTRICTED NET ASSETS

At June 30, 2018 temporarily restricted net assets consist of the following:

Scholarships	\$ 4,894,702
General and scholarship support	2,910,000
Marin Promise Partnership (sponsored program)	923,125
College Access & Success Programs	2,828,089
Other	<u>20,000</u>
	11,575,916
Less: present value discount	<u>(106,490)</u>
	<u>\$ 11,469,426</u>

10,000 DEGREES
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2018

9. TEMPORARILY RESTRICTED NET ASSETS (continued)

Temporarily restricted net assets released from restriction during the year ended June 30, 2018 consist of the following:

Scholarships	\$ 3,263,346
General and scholarships support	1,640,000
Marin Promise Partnership (sponsored program)	692,795
College Access & Success Programs	1,301,633
Other	<u>20,000</u>
	<u>\$ 6,917,774</u>

10. ENDOWMENTS

The Organization's endowments consist of approximately 10 individual funds established for a variety of purposes. Its endowments include both donor-restricted funds and funds designated by the Board of Directors to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Organization is subject to the requirements of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) governing endowments. The Organization has interpreted this law as requiring the preservation of the fair value of the original gift as of the gift date of the donor restricted endowment funds, absent explicit donor stipulations to the contrary. As a result, the Organization classifies as permanently restricted net assets a) the original value of gifts donated to the permanent endowment, b) the original value of subsequent gifts to the permanent endowment, and c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at time the accumulation is added to the fund. The remaining portion of the donor restricted endowment fund, that is not classified as permanently restricted net assets, is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed under law.

From time to time, the fair market value of assets associated with the endowment funds may fall below the level required to be retained as funds of perpetual duration. At June 30, 2018, the fair market value of endowment assets was less than the required corpus of the funds by \$10,853.

10,000 DEGREES
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2018

10. ENDOWMENTS (continued)

Investment Return Objectives, Risk Parameters, and Strategies

The Organization has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate that has sufficient liquidity to make an annual distribution in accordance with the current spending policy, while growing the funds, if possible. Therefore, the Organization expects its endowment assets, over time, to produce an average rate of approximately 8% annually. Actual returns in any given may vary from this amount. Investment risk is measured in terms of total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Spending Policy

The Organization had a policy of appropriating for distribution each year 5% of its endowment fund's average fair value of the prior 12 quarters through calendar year-end proceeding the fiscal year in which the distribution is planned. Effective for the year ending June 30, 2018, this percentage was reduced to 4.75%. As of July 1, 2018, the percentage has been further reduced to 4.5%. In establishing this policy, the Organization considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, many of which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through new gifts and investment return.

Endowment net asset composition by type of fund as of June 30, 2018 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 114,906	\$ 1,556,572	\$ 1,671,478
Deficit in endowment funds	(10,853)	-	10,853	-
	<u>\$ (10,853)</u>	<u>\$ 114,906</u>	<u>\$ 1,567,425</u>	<u>\$ 1,671,478</u>

10,000 DEGREES
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2018

10. ENDOWMENTS (continued)

Spending Policy (continued)

Changes in endowment net assets for the year ended June 30, 2018 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets - July 1, 2017	\$ (9,300)	\$ 92,458	\$ 1,506,925	\$ 1,590,083
Contributions	-	-	60,500	60,500
Investment Income	3,665	15,698	-	19,362
Net Appreciation	20,386	72,642	-	93,028
Amounts appropriated for expenditure	(25,604)	(65,892)	-	(91,496)
Endowment net assets - June 30, 2018	<u>\$ (10,853)</u>	<u>\$ 114,905</u>	<u>\$ 1,567,425</u>	<u>\$ 1,671,478</u>

(0)

Due to cumulative investment losses incurred through June 30, 2018, the donor restricted endowment funds are \$10,853 less than the amount initially contributed by the donors. In accordance with the original donor agreements, such losses may not reduce the balance of permanently restricted net assets. As such, the deficiency is shown above as a reduction in unrestricted net assets.

11. CONCENTRATIONS

Cash and Cash Equivalents

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash and cash equivalents. Risks associated with cash and cash equivalents are mitigated by banking with creditworthy institutions. Such balances with any one institution may, at times, be in excess of federally insured amounts (currently \$250,000 per depositor). The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk.

Funding

For the year ended June 30, 2018, the Organization had one major customer which comprised 31% of total revenue. At June 30, 2018, accounts receivable balances from two major customers comprised 55% of total accounts receivable.

Investments

The Organization's Beneficial Interest in MCF, which was valued at approximately \$1,720,000 at June 30 2018, is invested in pooled funds maintained by the MCF that are subject to market fluctuation.

10,000 DEGREES
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2018

12. COMMITMENTS

The Organization rents its San Rafael office under a 10-year non-cancelable operating lease that commenced in 2014. The agreement provides for initial monthly rent of \$10,532, increased by 3% each year. In addition, the Organization is responsible for its pro-rata share of increases in building operating expenses and property taxes. At the end of the lease term, there is an option to extend the lease for an additional 60 months at the prevailing fair market rent.

The Organization rents an office in Santa Rosa under a 7-year lease that commenced in 2015. The initial monthly base rent is \$4,729, with annual increases of 3%. The Organization is also responsible for its pro-rata share of increases in building operating costs. The agreement includes an option to renew the lease for an additional 60 months at the prevailing fair market rent.

The Organization also leases two copy machines, a printer and a postage meter under operating leases with various terms.

The future minimum lease payments under the leases are as follows:

<u>Year ending June 30,</u>	
2019	\$ 227,808
2020	239,965
2021	241,841
2022	192,792
2023	<u>186,943</u>
	<u>\$ 1,089,348</u>

13. SIGNIFICANT ESTIMATE

Scholarships are awarded to students based on each student's anticipated enrollment status at the time of the award. Scholarship expense is recorded at the time the award is made. If a student's enrollment status changes, the amount of the scholarship will be reduced accordingly. This is reflected as a scholarship modification, which is a decrease to scholarship expense. Accordingly, scholarship expense is a significant estimate, subject to change.

14. SUBSEQUENT EVENT

Subsequent to year end, substantially all the assets and operations of Meritus College Fund, another nonprofit organization with a similar mission as the Organization, were transferred to the Organization. The integration of this program and scholarship fund has increased the Organization's budget by 19% for the fiscal year ending June 30, 2019 and has increased the number of students supported by the programs by over 250.