

# **10,000 Degrees**

Financial Statements

June 30, 2020

(with summarized comparative totals for June 30, 2019)

## INDEX TO FINANCIAL STATEMENTS

Independent Auditor's Report .....	1
Statement of Financial Position .....	3
Statement of Activities .....	4
Statement of Functional Expenses .....	5
Statement of Cash Flows .....	6
Notes to Financial Statements .....	7



## INDEPENDENT AUDITOR'S REPORT

**Board of Directors**  
**10,000 Degrees**

### **Report on the Financial Statements**

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, 2020, 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 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 10,000 Degrees as of June 30, 2020, 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**

We have previously audited the Organization's financial statements as of and for the year ended June 30, 2019, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 13, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

**Baker Tilly US, LLP**

San Francisco, California  
March 12, 2021

**10,000 DEGREES**  
**STATEMENT OF FINANCIAL POSITION**  
**June 30, 2020**  
**(with summarized comparative totals at June 30, 2019)**

ASSETS	<u>2020</u>	<u>2019</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 9,496,181	\$ 6,166,974
Investments	1,393,970	2,503,746
Grants and contributions receivable - net - current portion	3,925,310	4,330,369
Other receivables	-	63,106
Prepaid expenses	171,062	164,324
Beneficial interest in assets held by Marin		
Community Foundation - current portion	<u>77,294</u>	<u>79,093</u>
Total current assets	<u>15,063,817</u>	<u>13,307,612</u>
<b>PROPERTY AND EQUIPMENT - net</b>	<u>132,403</u>	<u>153,668</u>
<b>OTHER ASSETS</b>		
Cash held for endowments	14,478	17,355
Grants and contributions receivable - long-term - net	1,172,241	1,081,630
Beneficial interest in assets held by Marin		
Community Foundation - long-term	1,640,346	1,678,540
Deposits	18,357	19,083
Intangible assets, net	<u>9,820</u>	<u>17,607</u>
Total other assets	<u>2,855,242</u>	<u>2,814,215</u>
<b>Total assets</b>	<u>\$ 18,051,462</u>	<u>\$ 16,275,495</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Education grants and scholarships payable	\$ 248,300	\$ 181,890
Accounts payable and accrued expenses	102,842	166,564
Accrued vacation pay	257,722	172,928
Capital lease - current	7,096	-
Deferred rent - current	13,798	-
Deferred revenue	<u>12,605</u>	<u>32,683</u>
Total current liabilities	<u>642,363</u>	<u>554,065</u>
<b>LONG-TERM LIABILITIES</b>		
Deferred rent - long-term	-	113,640
Grant advance - Paycheck Protection Program (PPP)	1,039,000	-
Capital lease - long-term	<u>38,897</u>	<u>-</u>
Total long-term liabilities	<u>1,077,897</u>	<u>113,640</u>
Total liabilities	<u>1,720,260</u>	<u>667,705</u>
<b>NET ASSETS</b>		
Without donor restrictions		
Board designated	1,000,000	475,588
Undesignated	<u>764,072</u>	<u>1,144,566</u>
Total net assets without donor restrictions	<u>1,764,072</u>	<u>1,620,154</u>
With donor restrictions		
Purpose restrictions	13,133,781	12,377,066
Perpetual in nature	<u>1,433,349</u>	<u>1,610,570</u>
Total net assets with donor restrictions	<u>14,567,130</u>	<u>13,987,636</u>
Total net assets	<u>16,331,202</u>	<u>15,607,790</u>
<b>Total liabilities and net assets</b>	<u>\$ 18,051,462</u>	<u>\$ 16,275,495</u>

**10,000 DEGREES**  
**STATEMENT OF ACTIVITIES**  
**For the year ended June 30, 2020**  
**(with summarized comparative totals for the year ended June 30, 2019)**

	<b>2020</b>			<b>2019</b>
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>	<b>Total</b>
<b>REVENUES AND SUPPORT:</b>				
Grants and contributions	\$ 1,504,295	\$ 8,686,504	\$ 10,190,799	\$ 10,929,405
In-kind contributions	13,094	-	13,094	3,720
Special events - net of direct expenses of \$105,285 in 2020 and \$172,731 in 2019	1,328,637	-	1,328,637	1,388,615
Change in value of beneficial interest in assets held by Marin Community Foundation	2,431	(19,181)	(16,750)	45,264
Program service fees	350,739	-	350,739	441,221
Investment return - net	121,846	(1,327)	120,519	94,785
Lease termination settlement	600,822	-	600,822	-
Other income	-	-	-	4,000
	<u>3,921,864</u>	<u>8,665,996</u>	<u>12,587,860</u>	<u>12,907,010</u>
Net assets released from restrictions	<u>8,086,502</u>	<u>(8,086,502)</u>	<u>-</u>	<u>-</u>
Total revenues and support	<u>12,008,366</u>	<u>579,494</u>	<u>12,587,860</u>	<u>12,907,010</u>
<b>EXPENSES:</b>				
Program services	8,967,576	-	8,967,576	8,314,590
Management and general	1,621,826	-	1,621,826	1,211,527
Fundraising	1,275,046	-	1,275,046	1,366,024
	<u>11,864,448</u>	<u>-</u>	<u>11,864,448</u>	<u>10,892,141</u>
<b>CHANGE IN NET ASSETS</b>	143,918	579,494	723,412	2,014,869
<b>NET ASSETS - beginning of year</b>	<u>1,620,154</u>	<u>13,987,636</u>	<u>15,607,790</u>	<u>13,592,921</u>
<b>NET ASSETS - end of year</b>	<u>\$ 1,764,072</u>	<u>\$ 14,567,130</u>	<u>\$ 16,331,202</u>	<u>\$ 15,607,790</u>

**10,000 DEGREES**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the year ended June 30, 2020**  
**(with summarized comparative totals for the year ended June 30, 2019)**

	Program Services				Total Program Services	Supportive Services			Total Expenses 2020	Total Expenses 2019
	Scholarships	College Access	College Success	Marin Promise		General and Administrative	Fundraising	Shared Costs		
Grants and scholarships	\$ 4,113,136	\$ -	\$ 8,690	\$ -	\$ 4,121,826	\$ -	\$ -	\$ -	\$ 4,121,826	\$ 4,068,931
Less: modifications	(685,420)	-	-	-	(685,420)	-	-	-	(685,420)	(700,248)
Net grants and scholarships	3,427,716	-	8,690	-	3,436,406	-	-	-	3,436,406	3,368,683
Salaries	298,188	1,448,600	1,160,134	871,494	3,778,416	882,103	798,116	-	5,458,635	4,766,352
Payroll taxes and benefits	62,945	319,265	292,192	123,371	797,773	161,451	179,697	-	1,138,921	993,720
Consultants and contractors	12,780	-	68,901	98,850	180,531	80,735	72,390	8,867	342,523	404,782
Rent	8,328	91,133	35,439	22,542	157,442	76,865	38,006	5,066	277,379	248,607
Computer maintenance	-	3,280	3,263	8,848	15,391	21,453	20,179	126,258	183,281	135,273
Advertising	-	6,675	5,873	-	12,548	107,493	26,782	-	146,823	113,813
Local mileage and transportation	208	45,621	22,705	1,094	69,628	3,030	5,093	-	77,751	106,702
Meals and catering	600	33,036	13,929	6,704	54,269	3,400	10,140	3,755	71,564	71,884
Accounting and audit	-	-	-	-	-	68,853	-	-	68,853	69,839
Honorarium stipends	-	10,000	55,005	-	65,005	-	200	-	65,205	88,796
Telephone and internet	533	9,078	16,928	1,126	27,665	3,234	1,916	27,463	60,278	46,583
Office supplies	1,257	13,431	12,249	5,565	32,502	6,711	8,402	11,799	59,414	88,102
Printing and copying	-	1,219	710	7,087	9,016	14,028	35,126	-	58,170	49,787
Depreciation and amortization	-	-	-	-	-	-	-	65,150	65,150	61,126
Loss on disposal of leasehold improvements	-	-	-	-	-	-	-	51,974	51,974	-
Dues, memberships, conference fees	3,080	2,935	7,463	15,262	28,740	14,196	7,572	954	51,462	53,796
Legal	-	-	-	8,293	8,293	42,596	-	-	50,889	11,996
Travel	2,695	9,501	6,249	19,679	38,124	10,909	1,765	-	50,798	57,968
Insurance	-	-	-	125	125	19,691	-	24,857	44,673	40,943
Other	-	-	-	-	-	10,951	26,117	5,799	42,867	31,292
Moving expenses	-	-	-	-	-	19,010	-	-	19,010	-
Equipment rental	-	150	-	323	473	283	1,200	14,983	16,939	54,151
Postage and delivery	-	53	647	86	786	784	9,831	2,500	13,901	12,116
Recruiting and training	-	1,036	315	4,844	6,195	581	690	-	7,466	8,567
Board expenses	-	-	-	-	-	3,571	545	-	4,116	7,263
Special events expenses	-	-	-	-	-	-	105,285	-	105,285	172,731
Shared costs	17,794	124,482	73,861	32,111	248,248	69,898	31,279	(349,425)	-	-
Total expenses by function	3,836,124	2,119,495	1,784,553	1,227,404	8,967,576	1,621,826	1,380,331	-	11,969,733	11,064,872
Less: expenses included with revenues on the statement of activities										
Special events expenses	-	-	-	-	-	-	(105,285)	-	(105,285)	(172,731)
Total Expenses	\$ 3,836,124	\$ 2,119,495	\$ 1,784,553	\$ 1,227,404	\$ 8,967,576	\$ 1,621,826	\$ 1,275,046	\$ -	\$ 11,864,448	\$ 10,892,141

**10,000 DEGREES**  
**STATEMENT OF CASH FLOWS**  
**For the year ended June 30, 2020**  
**(with summarized comparative totals for the year ended June 30, 2019)**

	<b>2020</b>	<b>2019</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 723,412	\$ 2,014,869
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	65,150	61,126
Realized and unrealized loss (gain) on investments	3,234	(36,883)
Loss on disposal of leasehold improvements	51,974	-
Change in value of beneficial interest in assets held by Marin Community Foundation	16,750	(45,264)
Contributions made directly to funds held by Marin Community Foundation	(60,500)	(60,500)
Transfer of Assets from Meritus College Fund	-	(2,201,395)
Changes in operating assets and liabilities:		
Grants and contributions receivable	314,448	3,398,016
Other receivables	63,106	(45,634)
Prepaid expenses	(6,738)	(48,131)
Deposits	726	-
Education grants and scholarships payable	66,411	(391,981)
Accounts payable and accrued expenses	(63,722)	31,545
Accrued vacation pay	84,794	40,817
Grant advance - Paycheck Protection Program	1,039,000	-
Deferred revenue	(20,078)	21,850
Deferred rent	(99,842)	(8,930)
<b>Net cash provided by operating activities:</b>	<b>2,178,125</b>	<b>2,729,505</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Distribution from beneficial interest in assets held by Marin Community Foundation	83,742	69,081
Proceeds from matured certificates of deposit	1,009,328	-
Investment in certificates of deposit	(13,901)	(904,384)
Proceeds from sale of investments	782,344	503,656
Purchase of investments	(671,229)	(120,479)
Purchase of property and equipment	(38,006)	(13,051)
Purchase of intangible assets	-	(22,205)
<b>Net cash provided by (used in) investing activities</b>	<b>1,152,278</b>	<b>(487,382)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments on capital lease	(4,073)	-
<b>Net cash used in financing activities</b>	<b>(4,073)</b>	<b>-</b>
<b>NET INCREASE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH</b>	<b>3,326,330</b>	<b>2,242,123</b>
<b>CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - beginning of year</b>	<b>6,184,329</b>	<b>3,942,206</b>
<b>CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - end of year</b>	<b>\$ 9,510,659</b>	<b>\$ 6,184,329</b>
<b>NON-CASH TRANSACTIONS</b>		
Purchase of capital assets	<b>\$ 50,066</b>	<b>\$ -</b>
Reconciliation of totals in the statements of cash flows related to captions in the statements of financial position		
Cash and cash equivalents	\$ 9,496,181	\$ 6,166,974
Cash held for endowments	14,478	17,355
<b>Total cash and restricted cash</b>	<b>\$ 9,510,659</b>	<b>\$ 6,184,329</b>

---

**10,000 DEGREES**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

---

**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 Organization is a leading college success nonprofit in California. They help students from low-income backgrounds gain access to and complete higher education to positively impact their communities and the world. Specifically, they deliver near-peer advising around college access, enrollment, and graduation as well as one-to-one financial aid support and management. They also provide comprehensive college success programming and financial aid support after students enroll in college. Their college success support includes scholarship grants as well as on-campus office hours, near-peer advising, an innovative texting platform, leadership development opportunities, and paid summer internships for current college students.

10,000 Degrees was founded in 1981 and is a nationally recognized college access and success organization serving over 12,000 students and families annually from low-income backgrounds in the San Francisco Bay Area.

***Key Elements of Programs***

**College Success and Scholarship Programs**

The Organization’s College Success programming supports students from low-income backgrounds to and through college to achieve a baccalaureate and graduate career-ready. With this support, over 80% of 10,000 Degrees four-year college students earn bachelor’s degrees, compared to 31% of their peers nationally. For those who start at community college, the Organization’s students transfer to and graduate from four-year colleges at a rate that’s three times the national average. The Organization welcomes all students. Program participation is not limited by academic requirements or test scores. They trust and believe in each students’ strengths and goals as they help them achieve their dream of graduating from college.

Specifically, the Organization’s services include on-campus office hours at our local community colleges and local state universities, near-peer advising, and the development of a campus community fostering campus connections and assisting students in activating resources and navigating opportunities. They also offer regular public workshops on financial aid, college knowledge and resources, and career development.

In addition to college success support, 10,000 Degrees awards undergraduate scholarships as well as administers additional scholarships for more than 65 foundations, civic organizations, and individuals. Additionally, the Organization administers profile-specific scholarships for qualifying undergraduates, including scholarships for teacher and vocational training as well as scholarships to help cover the cost of childcare while in school. Since 1986, they have administered the Donor Advised Scholarships of the Marin Community Foundation. Likewise, since 2014, they have administered the Donor Advised Scholarships for the Community Foundation of Sonoma County.

---

**10,000 DEGREES**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

---

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

***Key Elements of Programs*** (continued)

**College Access Programs**

10,000 Degrees college access programming provides the preparation, relevant information, and financial resources to help students get to college. They also seek to create an environment that promotes educational equity via community activities. The Organization's comprehensive college access program provides intensive college preparation, mentoring, college and financial aid counseling, college campus tours, and FAFSA and California Dream Act completion among a series of other public workshops, making sure students and families enroll in college successfully. Through their Community College Success programming, 10,000 Degrees staff work on campus with community college-bound high school seniors ensuring they are prepared and supported to succeed at community college.

Through the Organization's innovative model, they have been able to effectively scale their programs without compromising their college success metrics. For the year ended June 30, 2020, they reached more than 12,000 students and their families through the programs. This includes direct support to over 2,200 college students. The Organization is currently working in 31 high schools, 26 community colleges and 130 four-year colleges and universities across the nation.

**Fellowship Program**

The Organization's program success is powered by their Fellowship Program. These Fellows are recent college graduates from low-income backgrounds, most of whom are alumni of 10,000 Degrees programs. They come back to serve in two- to three-year Fellowships in program leadership roles where they support students and families throughout their college journeys.

10,000 Degrees Fellows gain hands-on leadership experience which contributes to the success and efficacy of our programs. As recent college graduates from low-income backgrounds, the Fellows have deep content expertise and cultural awareness of the challenges students face. Their near-peer role modeling helps our students understand, navigate and manage the entire college success process.

***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 and San Francisco from local citizens, government and other organizations.

---

**10,000 DEGREES**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

---

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

***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 Accounting***

The financial statements of the Organization have been prepared using the accrual basis of accounting, which involves the recognition of revenues and gains when earned and expenses and losses when incurred.

***Basis of Presentation***

Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

***Net Assets Without Donor Restrictions***

Those net assets and activities which represent the portion of expendable funds that have no use or time restrictions. The Board of Directors has designated portions of this class of net assets (refer to Note 10). The amounts designated are not available for the Organization's operations without approval of or notification to the Board of Directors.

***Net Assets With Donor Restrictions***

Those net assets that are subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when specified conditions are met.

***Use of 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.

---

**10,000 DEGREES**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

---

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

***Cash, Cash Equivalents, and Restricted Cash***

For the purpose of the statement of cash flows, the Organization considers all highly liquid investments, with an initial maturity of three months or less to be cash equivalents. Cash held for endowment is cash held for underwater endowments.

***Investments***

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

***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.

*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, 2020, there have been no changes in the methodologies used. Financial instruments measured using net asset value per share (NAV) or its equivalent are not required to be categorized in the fair value hierarchy.

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

---

**10,000 DEGREES**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

---

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

***Long-Lived Assets***

The Organization evaluates long-lived assets, such as property and equipment or intangibles, for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets held and used is measured by comparison of the carrying amount of an asset or an asset group to estimated undiscounted future net cash flows expected to be generated by the asset or asset group. If the carrying amount of an asset exceeds these estimated future cash flows, an impairment charge is recognized for the amount by which the carrying amount of the assets exceeds the fair value of the asset or asset group, based on discounted cash flows.

***Grants and Contributions Receivable***

Grants and contributions receivable consist of unconditional 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-free rate (currently ranging from 0.16% - 0.31% 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 the Organization.

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.

Beneficial interests in assets held by MCF are reported at fair value based on their net asset values. Investment income consists of interest and dividend income, realized gains and losses and unrealized gains and losses and is included in the change in net assets in the statement of activities.

***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. The cost of maintenance and repairs is charged to operations when incurred.

---

**10,000 DEGREES**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

---

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

***Intangible Assets***

Intangible assets are amortized using the straight-line method over the estimated useful lives of the assets in their current form, which is three years.

***Deferred rent***

Generally accepted accounting principles require rent to be recorded on a straight-line basis over the life of the lease. Accordingly, deferred rent is recorded to the extent that rent expense exceeds amounts paid through June 30, 2020. Deferred rent will be fully amortized at the end of the lease term in August 2022.

***Revenue Recognition***

***Contributions***

Unconditional contributions and pledges are recognized at fair value when promised.

Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met.

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, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

The Organization reports gifts of property and equipment at fair value on the date of donation as net assets without donor restrictions 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 net assets with donor restrictions. 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.

***Program fees***

The Organization negotiates funding for program workshops and other services from the school districts in which they serve. Program fees are earned when services are provided.

---

**10,000 DEGREES**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

---

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

***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.

***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.

---

**10,000 DEGREES**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

---

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

***Donated Materials and Services*** (continued)

For the year ended June 30, 2020, the Organization received donated goods and services consisting of the following:

Computers	\$	9,190
Pro-bono legal		2,100
Food		<u>1,804</u>
	\$	<u>13,094</u>

***Summarized Comparative Financial Information***

The financial statements include certain prior year summarized comparative information in total but not by net asset classification. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2019 from which the summarized information was derived.

***Recently Issued Accounting Standards***

The Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2020-05 *Revenue from Contracts with Customers* (Topic 606) and *Leases* (Topic 842) to defer the effective date of the following ASUs; the deferral of the effective dates are reflected in the following paragraphs:

The Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers* (Topic 606) ("ASU 2014-09"). The new standard is based on principles that govern the recognition of revenue at an amount an entity expects to be entitled when products or services are transferred to customers. The new standard will be effective for the Organization for the year ending June 30, 2021. The Organization is currently evaluating its impact on its financial statements.

The FASB also issued ASU 2016-02, *Leases* (Topic 842) ("ASU 2016-02") for lease accounting to increase transparency and comparability among companies by requiring the recognition of lease assets and lease liabilities by lessees. The new standard will be effective for the Organization for the fiscal year ending June 30, 2023. The Organization is currently evaluating the timing of its adoption and its impact on its financial statements.

---

**10,000 DEGREES**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

---

**2. NEW ACCOUNTING PRONOUNCEMENT**

In June 2018, the Financial Accounting Standards Board (FASB) ASU 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made* (Topic 958). The ASU clarified and improved the scope and accounting guidance around contributions of cash and other assets received and made by all entities, including business entities. The ASU assists entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions), or as exchange (reciprocal) transactions and (2) determining whether a contribution is conditional or unconditional. The adoption of ASU 2018-08 under the prospective method effective July 1, 2019 did not have a material effect on the Organization's financial position or results of operations.

The Organization adopted ASU 2016-19, *Restricted Cash*. As a result, restricted cash is now included with cash and cash equivalents in the statement of cash flows. The required changes have been reflected in the Organization's statements of cash flows using retrospective adoption.

**3. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

10,000 Degrees regularly monitors liquidity required to meet its operating needs and other contractual commitments, while striving to maximize the investment of its available funds. The Organization has various sources of liquid assets at its disposal, including cash, cash equivalents and marketable debt and equity securities.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, 10,000 Degrees considers all expenditures related to its ongoing programming and scholarship administration as well as the conduct of services undertaken to support those activities to be general expenditures. Donor Advised Scholarship funds are not included in the analysis as those funds are solely used for scholarship awards at the discretion of the donor individual or entity and are, therefore not available to meet current operating needs.

In addition to financial assets available to meet general expenditures over the next 12 months, 10,000 Degrees operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

10,000 Degrees' Board of Directors has designated a portion of its unrestricted resources as board designated (refer to Note 10). This amount is invested to maximize earnings but remains available to be spent at the discretion of the Board.

**10,000 DEGREES**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

**3. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS (continued)**

The Organization's financial assets available within one year of the Statement of Financial Position date for general expenditures are as follows:

Cash, cash equivalents, and restricted cash	\$	9,510,659
Investments		1,393,970
Grants and contributions receivable		3,925,310
Beneficial interest in assets held by Marin Community Foundation		77,294
		<u>14,907,233</u>
Less: cash held for long-term investment		(14,478)
Less: net assets with donor restrictions		(13,133,781)
		<u>(13,148,259)</u>
Financial assets available for general expenditures	\$	<u>1,758,974</u>

**4. INVESTMENTS/FAIR VALUE MEASUREMENTS**

The Organization's investments consist of certificates of deposit, bonds, mutual funds 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 the major categories of investments measured at fair value on a recurring basis at June 30, 2020:

	Fair Value	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Certificates of deposit	\$ 410,130	\$ -	\$ 410,130	\$ -
Bonds	184,404	-	184,404	-
Mutual funds	799,436	799,436	-	-
	<u>\$ 1,393,970</u>	<u>\$ 799,436</u>	<u>\$ 594,534</u>	<u>\$ -</u>

Certificates of deposits and mutual funds have been valued using a market approach. The bonds are valued using broker or dealer quotations.

**10,000 DEGREES**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

**4. INVESTMENTS/FAIR VALUE MEASUREMENTS** (continued)

The following table summarizes how the beneficial interest in assets held by Marin Community Foundation's net asset values per unit were calculated, along with their related unfunded commitments and redemption features:

	<u>Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (if currently eligible)</u>	<u>Redemption Notice Period</u>
<b>Beneficial interest in assets held by Marin Community Foundation</b>	\$ 1,717,640	\$ -	Monthly	None

The total loss for the year attributable to beneficial interest assets still held by the Organization at year-end is \$16,750.

**5. GRANTS AND CONTRIBUTIONS RECEIVABLE**

At June 30, 2020, unconditional promises to give are as follows:

	<u>Current</u>	<u>Due in 2 to 5 Years</u>	<u>Total</u>
Grants and contributions receivable (net of allowance for uncollectible amounts of \$40,771)	\$ 3,925,310	\$ 1,176,229	\$ 5,101,539
Discount to net present value	-	(3,988)	(3,988)
	<u>\$ 3,925,310</u>	<u>\$ 1,172,241</u>	<u>\$ 5,097,551</u>

**6. PROPERTY AND EQUIPMENT**

As of June 30, 2020 property and equipment consists of the following:

Office furniture and equipment	\$ 280,868
Capital lease	50,066
Leasehold improvements	<u>14,075</u>
	345,009
Less: accumulated depreciation and amortization	(213,495)
Constuction in progress	<u>889</u>
	<u>\$ 132,403</u>

For the year ended June 30, 2020, depreciation expense amounted to \$57,363.

---

**10,000 DEGREES**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

---

**7. INTANGIBLE ASSETS**

At June 30, 2020, intangible assets consists of the following:

Videos	\$	93,851
Website		38,609
Trademark		5,500
		<u>137,960</u>
Less: accumulated amortization		<u>(128,140)</u>
Remaining book value	\$	<u>9,820</u>

The future estimated annual amortization expense is as follows:

<u>Year ending June 30,</u>		
2021	\$	6,592
2022		1,893
2023		325
2024		325
2025		325
Thereafter		360
	\$	<u>9,820</u>

For the year ended June 30, 2020, amortization expense amounted to \$7,787.

**8. GRANT ADVANCE – PAYCHECK PROTECTION PROGRAM**

On April 21, 2020, the Organization received a note payable in the amount of \$1,039,000 which bears interest at 1%, under the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”). The maturity date is two years from the date of first disbursement (which has been extended to five years with the subsequent passing of the Paycheck Protection Program Flexibility Act of 2020). Monthly payments of principal and interest are deferred until June 2021 or later as determined by the Small Business Administration. Interest accrues during the deferment period. The Organization has elected to classify PPP proceeds as a grant advance. As provided for in the CARES Act, the Organization will apply for forgiveness for the full \$1,039,000 proceeds covering certain qualifying costs incurred during the 24 week period.

---

**10,000 DEGREES**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

---

**9. 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, 2020, the Organization contributed \$198,862 to the Plan.

**10. BOARD DESIGNATED NET ASSETS**

At June 30, 2020 board designated net assets consist of the following:

Board designated operating reserve	\$ 350,000
Board designated for long-term purposes	650,000
	<u>\$ 1,000,000</u>

**11. NET ASSETS WITH DONOR RESTRICTIONS - PURPOSE RESTRICTED**

At June 30, 2020 net assets with donor restrictions - purpose restricted consist of the following:

Scholarships	\$ 6,348,288
General and scholarship support	2,552,247
Marin Promise Partnership (sponsored program)	1,188,330
College Access & Success Programs	3,008,670
Other	40,234
	<u>13,137,769</u>
Less: present value discount	(3,988)
	<u>\$ 13,133,781</u>

---

**10,000 DEGREES**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

---

**11. NET ASSETS WITH DONOR RESTRICTIONS - PURPOSE RESTRICTED** (continued)

Net assets with donor restrictions - purpose restricted, released from restriction during the year ended June 30, 2020 consist of the following:

Scholarships	\$ 3,384,195
General and scholarship support	1,211,764
Marin Promise Partnership (sponsored program)	1,224,306
College Access & Success Programs	2,033,078
Other	<u>9,916</u>
Total net assets with donor restrictions - purpose restricted released	<u>7,863,259</u>
Donor release of endowment to expendable	<u>223,243</u>
Total net assets with donor restrictions released	<u><u>\$ 8,086,502</u></u>

**12. ENDOWMENTS**

The Organization's endowments consist of approximately 10 individual funds established for a variety of purposes. As required by generally accepted accounting principles, net assets associated with endowment funds 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 net assets with donor restrictions – perpetual in nature 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 perpetual in nature, is classified as donor 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. The Organization has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required by law. At June 30, 2020, the fair market value of endowment assets was less than the required corpus of the funds by \$14,478.

---

**10,000 DEGREES**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

---

**12. 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 year 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. For June 30, 2020, the percentage was 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 assets comprise the following as of June 30, 2020:

Original donor gift amount and amounts required to be maintained in perpetuity by donor	\$ 1,447,827
Accumulated investment losses (for three endowment funds)	<u>(14,478)</u>
	<u>\$ 1,433,349</u>

The Organization had three of their several endowments go underwater as of June 30, 2020.

**10,000 DEGREES**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

**12. ENDOWMENTS** (continued)

Changes in endowment net assets for the year ended June 30, 2020 are as follows:

	<b>Unappropriated endowment earnings</b>	<b>Net assets with donor restrictions - endowments</b>
<b>Endowment net assets - July 1, 2019</b>	\$ 96,474	\$ 1,610,570
Contributions	-	60,500
Donor release of endowment to expendable	-	(223,243)
Investment return - net	(2,863)	-
Accumulated investment losses	-	(14,478)
Amounts appropriated for expenditure	(61,075)	-
<b>Endowment net assets - June 30, 2020</b>	<b>\$ 32,536</b>	<b>\$ 1,433,349</b>

**13. CONCENTRATIONS**

***Cash and Cash Equivalents***

Financial instruments that potentially subject the Organization 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 Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk.

***Funding***

At June 30, 2020, accounts receivable balances from three major donors comprised 63% of total accounts receivable.

***Investments***

Investments in general are exposed to various risks, such as interest rate, credit and overall market volatility. Investments are insured up to the limit set by the Securities Investor Protection Corporation ("SIPC"). As of June 30, 2020, the Organization held investments in excess of the SIPC insurance limits (currently \$500,000 per depositor).

The Organization's Beneficial Interest in MCF, which was valued at approximately \$1,717,640 at June 30 2020, is invested in pooled funds maintained by the MCF that are subject to market fluctuation.

---

**10,000 DEGREES**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

---

**14. COMMITMENTS**

The Organization rented its San Rafael office under a 10-year non-cancelable operating lease that commenced in 2014. The agreement provided for an initial monthly rent of \$10,532, with annual increases of 3%. In addition, the Organization was responsible for its pro-rata share of increases in building operating expenses and property taxes. The lease was terminated during the year ended June 30, 2020 and a rent refund of \$597,320 was provided to the Organization. The Organization then entered into a short-term operating lease in San Rafael for monthly rent of \$3,010, which ended in November 2020 and went to a month-to-month lease. In February 2021, the Organization entered into a new operating lease in San Rafael for monthly rent of \$8,393, with annual increases of 3%, which expires in April 2026.

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 lease expires in August 2022 and there is an option to extend the lease for an additional 60 months at the prevailing fair market rent.

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

<u>Year ending June 30,</u>	
2021	\$ 99,042
2022	169,157
2023	116,069
2024	107,918
2025	111,156
Thereafter	<u>95,031</u>
	<u>\$ 698,373</u>

**15. CAPITAL LEASE**

The Organization is the lessee of office equipment under a capital lease expiring in January 2025. The asset and liability under the capital lease is recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. The asset is amortized over the estimated productive life. Amortization of the asset under the capital lease is included in depreciation expense for the year ended June 30, 2020.

---

**10,000 DEGREES**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

---

**15. CAPITAL LEASE** (continued)

Minimum future lease payments under the capital lease as of June 30, 2020, were as follows:

<u>Year ending June 30,</u>	
2021	\$ 14,808
2022	14,808
2023	14,808
2024	14,808
2025	<u>8,638</u>
Net minimum lease payments	67,870
Less: amount representing interest	<u>(21,877)</u>
Present value of net minimum lease payments	<u>\$ 45,993</u>

The interest rate on the capitalized lease is 1.5% and is imputed based on the lower of the Organization's incremental borrowing rate at the inception of the lease or the lessor's implicit rate of return.

**16. 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.

**17. RISKS AND UNCERTAINTIES**

On March 11, 2020, the World Health Organization declared the novel coronavirus ("COVID-19") outbreak a pandemic. The California State Governor ordered the closure of the physical location of every business, except those identified in the "critical infrastructure sectors," for a limited period of time. While the disruption is currently expected to be temporary, there is uncertainty around the duration. The outbreak has caused fluctuations in the value of marketable securities and the long term impact cannot be reasonably estimated at this time. A prolonged decline in the value of marketable securities could impact the amount of scholarships that can be made by the Organization. While the Organization expects this matter not to negatively impact its business, results of operations, and financial position, the related financial impact cannot be reasonably estimated at this time.

---

**10,000 DEGREES**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

---

**18. SUBSEQUENT EVENTS**

On September 16, 2020, the Board of Directors resolved to terminate its fiscal sponsorship agreement with Marin Promise. As of the date of the financial statements were available to be issued, the Organization was nearing completion of transferring net assets to Marin Promise of approximately \$1.1 million.

The Organization has evaluated subsequent events through March 12, 2021, which represents the date the financial statements were available to be issued.