



Financial Statements and  
Independent Auditor's Report

June 30, 2016 and 2015



# COLLEGE BOUND OPPORTUNITIES

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
College Bound Opportunities

We have audited the accompanying financial statements of College Bound Opportunities (“CBO”) (a nonprofit organization), which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities, functional expenses and cash flows for the years then and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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.

### *Emphasis of Matter*

As discussed in Note 2 to the financial statements, the organization changed its method of accounting for student financial assistance for the years ended June 30, 2016 and 2015. Our opinion is not modified with respect to this matter.

### *Opinion*

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

*FGMK, LLC*

Bannockburn, Illinois  
January 31, 2017

**COLLEGE BOUND OPPORTUNITIES**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2016 AND 2015**

**ASSETS**

	2016	2015
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 499,510	\$ 339,667
Investments	865,395	757,561
Contributions receivable	163,296	149,838
Other current assets	13,692	27,685
	1,541,893	1,274,751
<b>OTHER ASSETS</b>		
Property and equipment, net	531	870
Contributions receivable	97,996	173,884
	98,527	174,754
	\$ 1,640,420	\$ 1,449,505
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 21,747	\$ 7,115
Deferred revenue	23,450	54,165
Student financial assistance payable	523,391	535,898
	568,588	597,178
<b>LONG-TERM LIABILITIES</b>		
Student financial assistance payable, net of current portion	791,000	689,652
	1,359,588	1,286,830
<b>NET ASSETS</b>		
Unrestricted	( 166,698)	( 323,064)
Temporarily restricted	347,530	485,739
Permanently restricted	100,000	-
	280,832	162,675
	\$ 1,640,420	\$ 1,449,505

The accompanying notes are an integral part of these statements.

## COLLEGE BOUND OPPORTUNITIES

## STATEMENTS OF ACTIVITIES

## YEARS ENDED JUNE 30, 2016 AND 2015

	2016				2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>REVENUE AND SUPPORT</b>								
Contributions	\$ 676,083	\$ 10,625	\$ 100,000	\$ 786,708	\$ 342,612	\$ 310,962	\$ -	\$ 653,574
Special events	262,705	-	-	262,705	279,250	-	-	279,250
Investment return, net	8,171	-	-	8,171	7,243	-	-	7,243
Net assets released from restrictions	148,834	( 148,834)	-	-	179,951	( 179,951)	-	-
	<u>1,095,793</u>	<u>( 138,209)</u>	<u>100,000</u>	<u>1,057,584</u>	<u>809,056</u>	<u>131,011</u>	<u>-</u>	<u>940,067</u>
<b>EXPENSES</b>								
Program services	686,306	-	-	686,306	596,115	-	-	596,115
Fundraising	210,280	-	-	210,280	173,540	-	-	173,540
General and administrative	42,841	-	-	42,841	40,237	-	-	40,237
	<u>939,427</u>	<u>-</u>	<u>-</u>	<u>939,427</u>	<u>809,892</u>	<u>-</u>	<u>-</u>	<u>809,892</u>
<b>CHANGE IN NET ASSETS</b>	156,366	( 138,209)	100,000	118,157	( 836)	131,011	-	130,175
<b>NET ASSETS - BEGINNING OF YEAR</b>	( 323,064)	485,739	-	162,675	( 322,228)	354,728	-	32,500
<b>NET ASSETS - END OF YEAR</b>	<u>\$( 166,698)</u>	<u>\$ 347,530</u>	<u>\$ 100,000</u>	<u>\$ 280,832</u>	<u>\$( 323,064)</u>	<u>\$ 485,739</u>	<u>\$ -</u>	<u>\$ 162,675</u>

The accompanying notes are an integral part of these statements.

**COLLEGE BOUND OPPORTUNITIES**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**YEARS JUNE 30, 2016 AND 2015**

	2016				2015			
	Program Services	Fundraising	General and Administrative	Total	Program Services	Fundraising	General and Administrative	Total
Student financial assistance	\$ 394,971	\$ -	\$ -	\$ 394,971	\$ 374,000	\$ -	\$ -	\$ 374,000
Compensation	171,863	86,090	21,043	278,996	137,225	86,120	20,824	244,169
Fundraising	-	121,150	-	121,150	-	82,985	-	82,985
Student computers	40,880	-	-	40,880	32,868	-	-	32,868
Training and student support	38,287	-	-	38,287	28,919	-	-	28,919
Office expense and supplies	28,467	862	-	29,329	14,058	1,978	-	16,036
Professional fees	-	-	10,265	10,265	-	-	10,275	10,275
Insurance - liability	-	-	8,137	8,137	-	-	7,767	7,767
Student functions	5,071	-	-	5,071	5,342	-	-	5,342
Bank charges	-	2,178	55	2,233	-	2,457	61	2,518
Mentor support	3,237	-	-	3,237	2,851	-	-	2,851
Miscellaneous	-	-	3,341	3,341	-	-	1,310	1,310
Website	3,191	-	-	3,191	439	-	-	439
Depreciation	339	-	-	339	413	-	-	413
	<u>\$ 686,306</u>	<u>\$ 210,280</u>	<u>\$ 42,841</u>	<u>\$ 939,427</u>	<u>\$ 596,115</u>	<u>\$ 173,540</u>	<u>\$ 40,237</u>	<u>\$ 809,892</u>

The accompanying notes are an integral part of these statements.

**COLLEGE BOUND OPPORTUNITIES**

**STATEMENTS OF CASH FLOWS**

**YEARS ENDED JUNE 30, 2016 AND 2015**

	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 118,157	\$ 130,175
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	339	413
Unrealized loss on investments	11,395	5,901
Changes in operating assets and liabilities		
Contributions receivable	62,430	( 222,175)
Other current assets	13,993	( 20,263)
Accounts payable and accrued expenses	14,632	( 14,626)
Deferred revenue	( 30,715)	54,165
Student financial assistance payable	88,841	42,752
	<u>279,072</u>	<u>( 23,658)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of investments	( 119,229)	( 763,462)
Purchases of property and equipment	-	( 250)
	<u>( 119,229)</u>	<u>( 763,712)</u>
<b>NET CHANGE IN CASH</b>	159,843	( 787,370)
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<u>339,667</u>	<u>1,066,985</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 499,510</u>	<u>\$ 279,615</u>

The accompanying notes are an integral part of these statements.

## COLLEGE BOUND OPPORTUNITIES

## NOTES TO THE FINANCIAL STATEMENTS

## NOTE 1 – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Nature of Activities.** College Bound Opportunities (the “Organization”) is a nonprofit organization incorporated on April 25, 2006, to provide assistance to public high school students of limited means, and those whose cultural backgrounds may pose barriers, to gain entry into a college or university. The Organization assists in identifying financial support opportunities for these students and guides them toward successful experiences in higher education.

**Basis of Accounting.** The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other assets and liabilities. The Organization reports its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

**Management Estimates and Assumptions.** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (“GAAP”) requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates. Significant estimates and assumptions are used for, but not limited to: (1) recognition of contributions receivable and related support; and (2) recognition of awards made for educational assistance. Future events and their effects cannot be predicted with certainty; accordingly, accounting estimates require the exercise of judgment. Accounting estimates used in the preparation of these financial statements change as new events occur, as more experience is required, as additional information is obtained and the operating environment changes.

**Cash and Cash Equivalents.** Cash and cash equivalents consist of assets held in checking and short term savings accounts and excludes cash held for investment purposes. The Organization maintains cash in bank deposit accounts that, at times, may exceed Federal Deposit Insurance Corporation limits. The Organization has not experienced any losses in such accounts.

**Investments.** Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the statement of activities for the year. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis.

**Contributions Receivable.** Contributions receivable represent unconditional promises to give and are stated at the amounts that management expects to collect from balances outstanding at year end. Management believes that all contributions receivable reported as of June 30, 2016 and 2015 are fully collectible. As a result, the Organization does not consider a valuation allowance necessary.

**Property and Equipment.** Property and equipment are stated at cost. Depreciation is computed on a straight line basis over the estimated useful lives of the assets which are typically five years. The Organization capitalizes all acquisitions of property and equipment in excess of \$1,000. Expenditures that extend the useful lives of the assets are generally capitalized. Expenses for maintenance and repairs are charged to expense as incurred.

**Contributions.** Contributions are recognized as support when they are received or upon receipt of a promise to give by the donor and are recorded as unrestricted or restricted support depending on the existence or nature of any time or purpose restrictions imposed by donors on the use of the funds. Contributions received with donor imposed conditions are not recognized as revenue until donor-imposed conditions have been substantially met. Contributions related to special events are recognized as support in the fiscal year the event occurs. Amounts received in advance of the event are reported as deferred revenue at fiscal year-end.

Contributions reported as temporarily restricted support are released to unrestricted net assets when the restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished. Amounts released from restrictions are reported as such on the statement of activities. Restricted contributions expended for their restricted purposes in the year received are generally reported as unrestricted contributions.

(Continued)

**COLLEGE BOUND OPPORTUNITIES**  
**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 1 – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)**

***In-kind Contributions.*** In-kind contributions consist of donated goods and services. The Organization did not receive significant amounts of in-kind contributions for the fiscal years ended June 30, 2016 and 2015. Donated personal services of volunteers are not reflected in the accompanying financial statements because they do not meet the criteria for recognition under generally accepted accounting principles.

***Student Financial Assistance Expense.*** Financial assistance awards for students participating in the Organization's educational program are considered to be conditional contributions made. As the likelihood of significant non-compliance by students with program requirements is considered remote in the aggregate, the Organization recognizes the expense and obligation for total anticipated assistance in the initial year when students are admitted to the program.

***Functional Allocation of Expenses.*** The costs of providing the 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 program and supporting services on the basis of management estimates.

***Income Taxes.*** The Organization is a non-profit organization as described in Section 501(C)(3) of the Internal Revenue Code and is exempt from federal and state income taxes excluding any income not related to its tax exempt purpose. Accordingly, no provision for income taxes has been recorded in the financial statements.

***Reclassification.*** Certain amounts in the 2015 financial statements have been reclassified in order to conform with the 2016 presentation.

**NOTE 2 – CHANGE IN ACCOUNTING METHOD**

The Organization changed its method of measuring the likelihood of non-compliance with performance requirements for its student financial assistance program for the year ended June 30, 2016. The prior method involved assessment of specific academic performance criteria on an annual basis and resulted in recording of student financial assistance expense and obligations for the upcoming year only with commitments for future years not being recorded in the accounting records. The new method also considers the historical experience of the program and the Organization's commitment to the academic success of program participants and results in recognition of the full financial assistance expense for current and future years and the related obligation in the year that students first enter the program. Management believes that the new method provides a more meaningful presentation of the Organizations financial condition and operations as it more accurately reflects the obligations of the financial assistance program and the net assets available to fund those obligations.

The new method has been applied retrospectively. As a result, financial assistance expense increased by \$101,348 for the year ended June 30, 2016, financial assistance liabilities increased by \$791,000 as of June 30, 2016 and beginning unrestricted net assets as of July 1, 2015 decreased by \$689,652. The corresponding effects for the prior year were to increase financial assistance expense by \$60,052 for the year ended June 30, 2015, increase financial assistance liabilities by \$689,652 as of June 30, 2015 and decrease beginning net assets as of July 1, 2014 by \$629,600.

**NOTE 3 – CONTRIBUTIONS RECEIVABLE**

Contributions receivable consisted of the following as of June 30, 2016 and 2015:

<u>Amounts expected to be collected in:</u>	<u>2016</u>	<u>2015</u>
Less than one year	\$ 163,296	\$ 149,838
One to five years	<u>97,996</u>	<u>173,884</u>
	<u>\$ 261,292</u>	<u>\$ 323,722</u>

## COLLEGE BOUND OPPORTUNITIES

## NOTES TO THE FINANCIAL STATEMENTS

## NOTE 4 – INVESTMENTS

Financial Accounting Standards Board (“FASB”) *Accounting Standards Codification* (“ASC”) 820, *Fair Value Measurements and Disclosures*, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

**Level 1.** Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

**Level 2.** Inputs to the valuation methodology include the following:

- 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;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

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

The asset 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 use of observable inputs and minimize the use of unobservable inputs.

The Organization's investments are stated at fair value based on closing prices reported on the active market on which the individual securities are traded or the net value of shares held in the case of mutual funds. There have been no changes in the methodologies used as of June 30, 2016 and 2015. Management has determined that all investments held by the Organization are level 1 assets within the fair value hierarchy based on the lowest level of input that is significant to the fair value measurement.

Investments consisted of the following as of June 30:

	2016	2015
Short-Term Bond Fund	\$ 540,838	\$ 503,121
Common Stock	143,641	98,117
Certificate of Deposit	100,050	-
Mutual Funds - Equities	44,213	87,685
Mutual Funds - Other	25,986	12,797
Uninvested Cash	10,667	14,734
Mutual Funds – Non-Traditional	-	41,107
	<u>\$ 865,395</u>	<u>\$ 757,561</u>

Investment return consisted of the following for the years ended June 30:

	2016	2015
Interest and dividends	\$ 19,566	\$ 13,144
Net depreciation	<u>( 11,395)</u>	<u>( 5,901)</u>
	<u>\$ 8,171</u>	<u>\$ 7,243</u>

**COLLEGE BOUND OPPORTUNITIES**  
**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 5 – TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets arise from contributions that were restricted by donors for the following purposes:

	<u>2016</u>	<u>2015</u>
Student financial assistance	\$ 305,906	\$ 426,781
Funding of office lease expense	<u>41,624</u>	<u>58,958</u>
	<u>\$ 347,530</u>	<u>\$ 485,739</u>

Net assets of \$148,834 and \$179,951 were used for their restricted purposes during the years ended June 30, 2016 and 2015, respectively, and are reported as released from restrictions on the statement of activities.

**NOTE 6 – PERMANENTLY RESTRICTED NET ASSETS**

The Organization received a contribution of \$100,000 during the year ended June 30, 2016 to establish an endowment fund. Under the terms of the award, neither the endowment principal nor any appreciation of the principal may be withdrawn and only the earnings of the endowment may be used for expenditures that are consistent with the exempt status and purposes of the Organization. Endowment funds were held in an interest bearing bank account which is reported as a component of investments on the statement of financial position. There was no significant investment income from endowment funds for the year ended June 30, 2016.

**NOTE 7 – FINANCIAL SUPPORT OBLIGATIONS**

The approximate annual obligations for student financial assistance are estimated as follows as of June 30, 2016:

<u>Year Ending June 30</u>	<u>Amount</u>
2017	\$ 523,391
2018	330,500
2019	281,500
2020	<u>179,000</u>
	<u>\$ 1,314,391</u>

**NOTE 8 – LEASES**

The Organization leases its office space under an operating lease that expires April 30, 2018.

Future minimum lease payments under this lease as of June 30, 2016 are as follows:

<u>Years Ending June 30</u>	<u>Amount</u>
2017	\$ 21,154
2018	<u>18,070</u>
	<u>\$ 39,224</u>

Rent expense was \$17,727 and \$7,246 for the years ending June 30, 2016 and 2015, respectively.

**COLLEGE BOUND OPPORTUNITIES**

**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 9 – SUBSEQUENT EVENTS**

The Organization's management has evaluated all known subsequent events from June 30, 2016 through January 31, 2017, the date the accompanying financial statements were available to be issued, and is not aware of any material subsequent events occurring during this period.