MISSION GRADUATES

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022
(WITH COMPARATIVE TOTALS FOR 2021)

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INDEPENDENT AUDITOR'S REPORT

November 23, 2022

Board of Directors
Mission Graduates
San Francisco, California

Opinion
We have audited the accompanying financial statements of Mission Graduates (the Organization), which comprise the statement of financial position as of June 30, 2022, the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion
We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 1 to the financial statements, the Organization has elected to adopt Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)* for the year ended June 30, 2022. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

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In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control–related matters that we identified during the audit.

Report on Summarized Comparative Information

The financial statements of the Organization, as of and for the year ended June 30, 2021, were audited by other auditors, whose report, dated January 27, 2022, expressed an unmodified opinion on those statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Atherton & Associates, LLP

ASSETS

	2022	2021
CURRENT ASSETS		
Cash and cash equivalents	$ 1,747,878	$ 2,346,166
Grants receivable	682,485	584,635
Contributions receivable, current portion	890,767	1,138,519
Other accounts receivable	4,489	6,350
Prepaid expenses	75,661	126,025
Total current assets	3,401,280	4,201,695
PROPERTY AND EQUIPMENT		
Leasehold improvements	16,523	16,523
Equipment	98,784	94,810
Furniture and fixtures	15,773	15,773
	131,080	127,106
Less accumulated depreciation	67,211	30,802
Total property and equipment, net	63,869	96,304
OTHER ASSETS		
Contributions receivable, net of current portion	418,500	271,977
Deposits	-	19,349
Total other assets	418,500	291,326
TOTAL ASSETS	$ 3,883,649	$ 4,589,325

LIABILITIES AND NET ASSETS

	2022	2021
CURRENT LIABILITIES		
Accounts payable	$ 83,876	$ 60,157
Accrued payroll, bonuses, and vacation	205,357	367,715
Accrued employer contribution	161,968	213,803
Accrued expenses	4,410	1,462
Deferred revenue	22,500	-
Economic Injury Disaster loan	-	10,000
Paycheck Protection Program loan	-	1,992,487
Total current liabilities	478,111	2,645,624
NET ASSETS		
Without donor restrictions	1,590,026	(547,049)
With donor restrictions	1,815,512	2,490,750
Total net assets	3,405,538	1,943,701
TOTAL LIABILITIES AND NET ASSETS	$ 3,883,649	$ 4,589,325

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2022 (WITH COMPARATIVE TOTALS FOR 2021)

	Without Donor Restrictions	With Donor Restrictions	2022 Total	2021 Total
REVENUE AND SUPPORT				
Government grants	$ 6,195,988	$ -	$ 6,195,988	$ 4,644,738
Contributions	74,942	3,815,487	3,890,429	3,791,552
Program service fees	1,021,074	-	1,021,074	23,431
Special events	107,539	-	107,539	76,446
Total revenue and support	7,399,543	3,815,487	11,215,030	8,536,167
OTHER REVENUE				
Investment and interest income	4,912	-	4,912	4
Other income	99,511	-	99,511	-
Total other revenue	104,423	-	104,423	4
RECLASSIFICATIONS				
Net assets released from restriction	4,490,725	(4,490,725)	-	-
Total revenue and support, other revenue, and reclassifications	11,994,691	(675,238)	11,319,453	8,536,171
EXPENSES				
Program services				
Extended Day	2,464,633	-	2,464,633	1,838,317
Beacon Centers	3,542,190	-	3,542,190	3,016,183
College Access	1,683,065	-	1,683,065	1,336,055
Parent Partner	575,193	-	575,193	508,451
Support services				
Fundraising	598,006	-	598,006	991,698
General and administrative	994,529	-	994,529	516,305
Total expenses	9,857,616	-	9,857,616	8,207,009
Change in net assets from operations	2,137,075	(675,238)	1,461,837	329,162
CONTRIBUTION FROM ACQUISTION	-	-	-	609,893
Change in net assets	2,137,075	(675,238)	1,461,837	939,055
NET ASSETS (DEFICIT) AT BEGINNING OF YEAR	(547,049)	2,490,750	1,943,701	1,004,646
NET ASSETS AT END OF YEAR	$ 1,590,026	$ 1,815,512	$ 3,405,538	$ 1,943,701

	Extended Day	Beacon Centers	College Access	Parent Partner	Total Program Expenses	Fundraising	General and Administrative	2022 Total	2021 Total
Personnel expenses									
Salaries and wages	$ 1,621,448	$ 2,051,575	$ 887,002	$ 363,991	$ 4,924,016	$ 390,137	$ 671,728	$ 5,985,881	$ 5,282,704
Payroll taxes and benefits	345,941	456,930	210,977	78,005	1,091,853	86,944	158,671	1,337,468	1,082,974
	1,967,389	2,508,505	1,097,979	441,996	6,015,869	477,081	830,399	7,323,349	6,365,678
Other expenses									
Depreciation	10,163	12,332	5,550	1,599	29,644	2,972	3,794	36,410	11,759
Equipment	3,612	5,820	2,246	712	12,390	1,173	5,008	18,571	16,722
General business	50,296	54,484	17,715	2,475	124,970	10,467	53,794	189,231	127,973
Insurance	7,521	9,757	4,310	1,456	23,044	2,447	3,156	28,647	32,161
Marketing	5,408	6,332	4,705	2,075	18,520	45,111	4,391	68,022	13,125
Occupancy	23,301	29,910	13,244	4,490	70,945	7,606	17,889	96,440	173,310
Office supplies	11,048	15,720	3,947	2,282	32,997	4,017	8,481	45,495	52,762
Professional services	26,932	33,958	15,043	6,209	82,142	16,376	41,499	140,017	83,836
Program consultants	125,865	460,827	88,567	8,200	683,459	13,440	-	696,899	681,516
Program operating expenses	181,212	337,876	398,039	91,746	1,008,873	1,047	409	1,010,329	458,877
Technology and communications	35,053	47,164	23,055	8,762	114,034	10,942	18,953	143,929	128,297
Travel and staff development	16,833	19,505	8,665	3,191	48,194	5,327	6,756	60,277	60,993
	497,244	1,033,685	585,086	133,197	2,249,212	120,925	164,130	2,534,267	1,841,331
TOTAL EXPENSES	$ 2,464,633	$ 3,542,190	$ 1,683,065	$ 575,193	$ 8,265,081	$ 598,006	$ 994,529	$ 9,857,616	$ 8,207,009

MISSION GRADUATES
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2022 (WITH COMPARATIVE TOTALS FOR 2021)

	2022	2021
OPERATING ACTIVITIES		
Change in net assets	$ 1,461,837	$ 939,055
Adjustment to reconcile changes in net assets to net cash provided (consumed) by operating activities:		
Depreciation	36,410	11,759
Gain on extinguishment	(2,002,487)	-
(Increase) decrease in operating assets:		
Grants receivable	(97,850)	-
Contributions receivable	101,229	(184,697)
Other accounts receivable	1,861	(69)
Prepaid expenses	50,364	(6,198)
Deposits	19,349	-
Increase (decrease) in operating liabilities:		
Accounts payable	23,719	30,147
Accrued payroll, bonuses, and vacation	(162,358)	282,792
Accrued employer contribution	(51,835)	-
Accrued expenses	2,948	(18,379)
Deferred revenue	22,500	-
Net cash provided (consumed) by operating activities	(594,313)	1,054,410
INVESTING ACTIVITIES		
Purchases of property and equipment	(3,975)	-
Net cash consumed by investing activities	(3,975)	-
FINANCING ACTIVITIES		
Proceeds from Paycheck Protection Program	-	1,082,860
Net cash provided by financing activities	-	1,082,860
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(598,288)	2,137,270
Cash and cash equivalents at beginning of year	2,346,166	208,896
Cash and cash equivalents at end of year	$ 1,747,878	$ 2,346,166

SUPPLEMENTAL CASH FLOW INFORMATION

	2022	2021
Cash paid for interest	$ 13,258	$ -

NOTES TO FINANCIAL STATEMENTS

Note 1 Summary of Significant Accounting Policies

Nature of Organization Mission Graduates (the Organization) is a California nonprofit benefit organization that increases the number of K-12 students in San Francisco who are prepared for and complete a college education. Founded in 1972, initially called St. John's Educational Threshold Center, Mission Graduates was founded by member of the St. John's Episcopal Church as a tutoring program for under-performing neighborhood children. Three decades later, the Organization clarified their commitment to getting more youth into college as a means to achieve economic equity for Latino, immigrant, and Black families.

The Organization has been a lifeline for San Francisco's Latino and immigrant residents for 50 years. Fulfilling their mission through a continuous pipeline of programming that starts in kindergarten and goes past college graduation into career, they provided services to almost 5,000 low-income youth and families during the year ended June 30, 2022. College education as an expectation and goal for every child is a theme woven throughout all of the Organization's programs.

Extended Day Program (EDP) The EDP provides afterschool and summer education to Alvarado, Cleveland, and Marshall Elementary Schools and the Thomas Edison Charter Academy, and helps almost 1,375 students develop their English Language skills and increase literacy levels, as well as shore up academic skills for students who are below grade in certain academic competencies. The EDP extends the learning day to ensure students can transition to middle school with the English language, literacy, and academic skills necessary to excel. The program consists of five core components: academic enrichment and guided reading interventions; project-based elective that incorporate literacy-building opportunities throughout each cycle; sports and recreation; community-building activities that foster group cohesion, build social skills, and model resiliency; and an early college awareness curriculum that prepares and motivates children to plan for college.

The Organization is in their third year of implementing the EDP at Mission High School and just completed its' first year at June Jordan School for Equity. Both programs reach the entire student body to provide opportunities for positive youth development, support students' academic competencies and college aspirations, and ensure more high school students are college ready. Through these two sites, they were able to support 893 students.

Beacon Centers Almost 30 years ago, the Organization partnered with the San Francisco Beacon Initiative and city and county funders to develop an innovative model for programming that meets more than just the academic or social needs of youth at Everett Middle School, it also creates a space for youth to develop into leaders in their community. Beacon Centers have been expanded to 27 sites in San Francisco, including the Organization's sites at Bessie Carmichael, Bryant, Flynn, and Sanchez Elementary School, in addition to the existing Everett Beacon. Overlaying the programming of the Extended Day Programs, the Beacon Centers implement a Community School model approach by providing a comprehensive hub of services during the school day and after school. The Beacon Centers served 1,233 youth during the year ended June 30, 2022, and expands the learning day beyond the school day, providing individualized academic interventions, but also an environment where future leaders can take ownership of their education, develop skills necessary to be successful, and begin working on their goals of graduation and higher education.

Note 1 Summary of Significant Accounting Policies (Continued)

Nature of Organization (Continued)

College to Career

College Connect (CC) CC is a family-based college access and success program that launched in Spring 2008. CC annually recruits 25 four-year college bound high school juniors living, or attending school, in the Mission and Excelsior Districts of San Francisco who are the first generation to attend college. CC participants and their families receive support with ACT Preparation, Math and English tutoring, personal statements and scholarship application coaching, obtaining financial assistance, choosing the best college that meets their personal and academic needs, and making a successful transition to college with support through graduation.

Currently, CC has 297 participants spread across 14 cohorts; 101 are alumni, 146 are college students, and 50 are high school juniors and seniors. 81% of the college students who have participated in the program are still persisting in college or have received their college degree, over three times the California average of 23%. 89% of students in the program graduate within 5 years of college entry. They have had great success in ensuring that finances are not a barrier to a college. Their college students and alumni raised over $6,200,000 in college scholarships, as well as applying for all federal state, and school financial aid.

John O'Connell College and Career Center (JOCCC) JOCCC is an innovative partnership with John O'Connell High School, traditionally considered a vocational school, where the staff are embedded with teachers in the classroom. Being in the classroom during the school day allows staff to work with the entire school population of 650, using the context of their relationship to discuss career and higher education aspirations. This model provides for a more integrated and holistic approach to assisting students with their future goals, as opposed to a separate college and career office that few students utilize.

Mission College and Career Program (MCCP) (formerly ASAP) Mission College and Career Program is located on the Mission High School campus and provides college access persistence programming to the entire student body of the school. Staff provide individualized support to 300 students in writing personal statements, completing college applications, submitting scholarship and financial aid applications, and ensuring students successfully transition to college. In-class support occurs through Advancement Via Individual Determination (AVID), a college preparatory program for students in the "academic middle". Further, MCCP provides college exploration activities including campus visits and summer residential academic/leadership programs on college campuses.

Impact Gen Impact Gen was launched as a series of networking events for first generation, third- and fourth-year college students looking to expand their career exploration efforts and be competitive for career-level occupations. In its fourth year implementing a cohort-based model of structured activities, it has evolved into a community of students and young professionals of color who have graduated from San Francisco Unified School District schools, alongside career mentors from local companies. Ultimately, Impact Gen is connecting young people with opportunities to access living wage careers so they and their family can stay and thrive in San Francisco.

Note 1 Summary of Significant Accounting Policies (Continued)

Nature of Organization (Continued)

College to Career (Continued)

Parent Partner Program The Parent Partner Program increases the academic success and college prospects of Latino and immigrant youth by nurturing a strong culture of parent engagement to 827 parents across 11 school sites. This program complements the Organization's other core programs, ensuring that parents understand the educational system, how they can be partners in supporting their children's academic growth and college dreams, and how to advocate best for their children's needs. The Parent Partner Program provides parents with services that include: technology mentorship, English as a Second Language courses, English Learner Advisory Committee coaching and advocacy preparation, parent success workshops, general family engagement consulting support, and school-wide meeting and planning preparation. During the year ended June 30, 2022, recognizing that parents were still not allowed on school campuses, the program focused on virtual support that could be provided technology support, family wellness calls, and weekly Facebook Live sessions providing an array of topics on supporting students in their educational journey and dealing with the continued impact of COVID-19.

Basis of Accounting The Organization's financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets and 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:

a) Net assets without donor restrictions are those currently available at the discretion of the Board of Directors for use in the Organization.
b) Net assets with donor restrictions are those whose use has been limited by donors to a specific time period or use or those restricted by donors for specific operating purposes; or those not currently available for use until commitments regarding their use have been fulfilled.

Adoption of New Accounting Standards In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The ASU and all subsequently issued clarifying ASU's replaced most existing revenue recognition guidance in accordance with accounting principles generally accepted in the United States of America. The ASU also required expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The Organization adopted the new standard effective July 1, 2021, the first day of the Organization's fiscal year using the modified retrospective approach.

As part of the adoption of the ASU, the Organization elected the following transition practical expedients: 1) to reflect the aggregate of all contract modifications that occurred prior to the date of initial application when identifying satisfied and unsatisfied performance obligations, determining the transaction price, and allocating the transaction price; and 2) to apply the standard only to contracts that are not completed at the initial date of application. Because contract modifications are minimal, there is not a significant impact as a result of electing these practical expedients.

The adoption of this ASU did not have a significant impact on the Organization's financial statements. The majority of the Organization's revenue arrangements generally consist of a single performance obligation to transfer promised goods or services. Based on the Organization's evaluation process and review of its contracts

Note 1 Summary of Significant Accounting Policies (Continued)

Adoption of New Accounting Standards (Continued) with customers, the timing and amount of revenue recognized previously is consistent with how revenue is recognized under the new standard. No changes were required to previously reported revenues as a result of the adoption.

Cash and Cash Equivalents The Organization has defined cash and cash equivalents as all short-term, highly liquid investments. The Organization places its cash with high credit quality institutions.

Grants and Contributions Receivables The Organization uses the direct write-off method for determining the uncollectible portion of grants and contributions receivable. Accounting principles generally accepted in the United States of America require that receivables be presented net of an allowance for uncollectible accounts. No allowance for uncollectible receivables was recorded at June 30, 2022.

Property and Equipment Acquisitions of property and equipment and expenditures for repairs and maintenance are carried at cost or if donated, at the approximate fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use, and contributions of cash that must be used to acquire property and equipment, are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. It is the Organization's policy to capitalize property and equipment over $2,000. Depreciation is charged to operating expense over the estimated useful lives using the straight-line method of depreciation of the assets over three years. Leasehold improvements are depreciated over the lesser of the estimated useful lives or the remaining term of the lease.

Impairment of Long-Lived Assets On an ongoing basis, the Organization reviews long-lived assets for impairment whenever events or circumstances indicate that the carrying amounts may be overstated. The Organization recognizes impairment losses if the undiscounted cash flows expected to be generated by the asset are less than the carrying value of the related asset. The impairment loss adjusts the assets to fair value. As of June 30, 2022, management believes that no impairments exist.

Revenue Recognition In accordance with FASB ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made,* contributions received by the Organization are not considered an exchange transaction as no commensurate value is exchanged. The Organization receives unconditional contributions without donor restrictions and unconditional contributions with donor restrictions. The Organization also receives contributions with donor restrictions which are considered conditional contributions as there is a right of return and a barrier to overcome in order to recognize revenue. Conditional contributions are not recognized until the conditions on which they depend on have been met. A portion of the Organization's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as deferred revenue in the statement of financial position. The cost-reimbursable grants are considered both conditional and unconditional contributions with donor restrictions.

The Organization received conditional contributions with donor restrictions of $2,002,487 for the year ended June 30, 2022 and unconditional contributions with donor restrictions of $1,813,000 for the year ended June 30, 2022. The Organization received unconditional contributions without donor restrictions of $74,942 for the year ended June 30, 2022.

Note 1 Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Continued) The Organization recognizes government grants and program service fee revenue in accordance with FASB Accounting Standards Codification (ASC) Topic 606, *Revenue from Contracts with Customers*, which provides a five-step model for recognizing revenue from contracts with customers as follows:

1) Identify the contract with a customer
2) Identify the performance obligations in the contract
3) Determine the transaction price
4) Allocate the transaction price to the performance obligations in the contract
5) Recognize revenue when or as performance obligations are satisfied

Incidental items that are immaterial in the context of the contract are recognized as an expense. The Organization does not have any significant financing components as payment is received within a reasonable amount of time after the service is provided. Costs incurred to obtain a contract are expensed as incurred. The following is a summary of the significant revenue streams offered by the Organization:

Government Grants The Organization's major contracts with customers are San Francisco Unified School District and San Francisco Department of Children, Youth, and their Families. The Organization assesses the contract term as the period in which the parties to the contract have presently enforceable rights and obligations. The contract term can differ from the stated term in contracts that include certain termination or renewal rights, depending on whether there are penalties associated with those rights. Customer contracts generally are standardized and non-cancellable for the duration of the stated contract term.

Revenues are recognized over time as the customer consumes the benefits of the services the Organization performs. The timing of revenue recognition is based on an input measure, which is based on labor and material costs incurred to date as they relate to the estimated total cost to complete the engagement. Estimates of total engagement revenue and cost of services are monitored regularly during the term of the engagement. Related fulfillment costs are expensed as incurred.

The Organization generates revenue under fixed-fee billing arrangements. The customer in fixed-fee arrangements generally is invoiced based on the contractual agreement between the parties, typically on a monthly basis, with net-30-day terms.

Certain contracts may include explicit options to renew services at a stated price. These options generally are priced in line with the standalone selling price and therefore do not provide a material right to the customer.

The transaction price is the amount of consideration to which the Organization expects to be entitled in exchange for transferring goods and services to the customer. Revenue is recorded based on the transaction price, which includes fixed consideration and estimates of variable consideration. The amount of variable consideration included in the transaction price is constrained and is included only to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. Such forms of variable consideration include agreements in which customers can receive service credits, and in certain cases, service refunds, when defined service levels are not met and secondly, expense reimbursements. The

Note 1 Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

Government Grants (Continued) Organization estimates the amount of variable consideration at the expected value based on its assessment of legal enforceability, anticipated performance, and a review of specific transactions, The Organization historically has not experienced any material amounts affecting the defined levels of reliability and performance as required by the contracts.

Program Service Fees The Organization recognizes revenue from program service fees during the year in which the related services are provided to the students. The performance obligation of delivering after school academic/enrichment classes is simultaneously received and consumed by the students; therefore, the revenue is recognized ratably over the course of the academic year. Any program fees collected in advance for future periods will be recorded as deferred income by Mission Graduates and later recognized as income during the designated period in which services are to be provided for each student.

The timing of revenue recognition is based on an input measure, which is based on labor and costs incurred to date as they relate to the estimated total cost to complete the service. Estimates of total revenue and cost of services are monitored regularly during the term of the engagement. Related fulfillment costs are expensed as incurred.

The transaction price is the amount of consideration to which the Organization expects to be entitled in exchange for transferring goods and services to the student. Revenue is recorded based on the transaction price, which includes fixed consideration and estimates of variable consideration. The amount of variable consideration included in the transaction price is constrained and is included only to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

Payment arrangements for customers are paid at invoice price. Amounts received by the Organization are applied to customer balances by outstanding invoice or to the oldest invoice if not specifically noted. Payments are generally due from customers within 30 days of service. The Organization does not charge interest on past due accounts.

The Organization has elected the practical expedient that permits an entity not to recognize a significant financing component if the time between the transfer of a good or service and payment is one year or less. The Organization does not enter into contracts in which the period between payment by the customer and the transfer of the promised goods or services to the customer is greater than 12 months.

The Organization records accounts receivable when it has the unconditional right to issue an invoice and receive payment, regardless of whether revenue has been recognized. The Organization does not recognize revenue in advance of the right to invoice and therefore has not recorded a contract asset. If revenue has not yet been recognized, a contract liability (deferred revenue) is also recorded. Total grants receivable at July 1, 2021 was $584,635. There was no deferred revenue at July 1, 2021.

Donated Goods and Services The Organization recognizes the value of donated goods at fair value. Donations of services are recognized as contributions in accordance with ASC Section 958-605 *Not-for-Profit Entities, Revenue Recognition,* if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased if not provided by donation.

Advertising The Organization expenses advertising costs in the period in which they are incurred. Total advertising costs expensed for the year ended June 30, 2022 was $55,142.

Note 1 Summary of Significant Accounting Policies (Continued)

Functional Allocation of Expenses The cost of providing the Organization's program and supporting services has been summarized on a functional basis in the statement of activities and changes in net assets and in the statement of functional expenses. Expenses that can be identified with a specific program are charged directly to that program. Costs common to multiple functions have been allocated among the various functions benefited on the basis of periodic time and effort. General and administrative expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the Organization.

Fair Value of Financial Instruments The carrying amounts of financial instruments, including cash, receivables, accounts payable, and accrued expenses, approximate fair value.

Income Taxes The Organization is a not for profit corporation and is exempt from income taxes under section 501(a)(3) of the Internal Revenue Code of the California Revenue and Taxation Code. The Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(a) and has been classified as an organization that is not a private foundation under Section 509(a)(1). Unrelated business income, if any, may be subject to income tax.

Management has evaluated the Organization's tax positions and concluded that the Organization had taken no uncertain tax positions that require adjustment to the financial statements. Therefore, no provision or liability for income taxes has been included in the financial statements. With few exceptions, the Organization is no longer subject to income tax examinations by the U.S. federal, state, or local tax authorities for the tax years ending June 30, 2018 and before.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Risks and Uncertainties On March 11, 2020, the World Health Organization characterized coronavirus (COVID-19) as a pandemic, and on March 13, 2020, the President of the United States declared a national emergency relating to the disease. In addition to the President's declaration, state and local authorities have recommended social distancing and have imposed quarantine and isolation measures on large portions of the population. These measures are designed to protect the overall public health; however, they are expected to have material adverse impacts on domestic and foreign economies and may result in the United States entering a period of recession.

Recent Accounting Pronouncements In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842).* The guidance in this ASU supersedes the leasing guidance in Topic 840, Leases. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities and changes in net assets. In July 2018, the FASB issued ASU 2018-10, *Codification Improvements to Topic 842, Leases*, which makes narrow scope improvements to the standard for specific issues. In July 2018, the FASB also issued ASU 2018-11, *Leases (Topic 842): Targeted Improvements*, which provides an optional transition method allowing the standard to be applied at the adoption date. In March 2019, the FASB issued ASU 2019-01, *Leases (Topic 842) Codification Improvements*, which exempts entities from having to provide the interim disclosures required by ASC 250-10-50-3 in the fiscal year in

Note 1 Summary of Significant Accounting Policies (Continued)

Recent Accounting Pronouncements (Continued) which an entity adopts the new leases standard. In November 2021, the FASB issued ASU 2021-09, *Leases (Topic 842): Discount Rate for Lessees That Are Not Public Business Entities*, which allows lessees that are not public business entities to make the ASC 842 risk-free discount rate accounting policy election by class of underlying asset, rather than at the entity-wide level.

The new standard provides a number of practical expedients. Upon adoption, the Organization expects to elect the transition package of practical expedients permitted within the new standard, which among other things, allows the carryforward of the historical lease classification. Further, upon implementation of the new guidance, the Organization intends to elect the practical expedients to combine lease and non-lease components for all asset classes, to not recognize right-of-use assets and lease liabilities for short-term leases for all asset classes, and to use hindsight in determining the lease term and assessing impairment of right-of-use assets. The new standard is effective for the year ended June 30, 2023. The Organization is currently evaluating the impact of its pending adoption of the new standard on its financial statements.

Subsequent Events In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through November 23, 2022, the date the financial statements were available to be issued.

Note 2 Concentration of Credit Risk

The Organization maintains cash balances at a financial institution, which at times may exceed federally insured limits. The Organization had uninsured cash of $1,684,649 as of June 30, 2022.

As of June 30, 2022, two vendors comprised approximately 100% of grants receivable, one donor comprised approximately 62% of contributions receivable, and two vendors comprised approximately 97% of grant revenue.

Note 3 Availability and Liquidity

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following at June 30, 2022:

Cash and cash equivalents	$1,747,878
Grants receivable	682,485
Contributions receivable	890,767
Other receivables	4,489
	3,325,619
Less net assets with donor restrictions	(1,815,512)
	$1,510,107

The Organization has two lines of credit available totaling $500,000 to meet cash flow needs (see Note 7).

Note 4 Grants and Contributions Receivable

Future collections of grants and contributions receivable are expected as follows for the years ending:

2023	$1,573,252
2024	324,250
2025	94,250
	$1,991,752

The fair value of contributions receivable is measured on a nonrecurring basis by estimating future cash flows, based on history of the Organization's collection, and discounting the carrying amount to present value using the 5-year treasury yield rate which is 3.01% at June 30, 2022 (Level 2 inputs). The unamortized present value discount on the contributions receivable balance is not considered material for financial statement purposes at June 30, 2022.

Note 5 Related Party Transactions

The Organization conducts transactions with various related parties, including key employees, board members, and related foundations that help support the Organization. The Organization has contributions receivable from a key employee of $23,848 at June 30, 2022. The Organization has special event revenue from a key employee of $15,000 for the year ended June 30, 2022.

Note 6 Paycheck Protection Program and Economic Injury Disaster Loan

The Organization received loan proceeds in the amount of $909,627 in April 2020 and $1,082,860 in February 2021 under the Paycheck Protection Program ("PPP"), established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"). The loan and accrued interest are forgivable if the proceeds are used for eligible purposes. Eligible purposes include payroll costs, group health care benefits cost, mortgage payments, rent, utilities, and interest on other debt obligations. The Organization used the entire loan proceeds for qualifying expenses. In August 2021, the Organization received notice from the bank and the Small Business Administration (SBA) that the first loan was fully forgiven. In February 2022, the Organization received notice from the bank and the SBA that the second loan was fully forgiven.

The Organization also received proceeds in the amount of $10,000 under the Economic Injury Disaster Loan ("EIDL") to use as working capital to alleviate economic injury caused by COVID-19. During the year ended June 30, 2022, the Organization recognized $2,002,487 as a conditional contribution with donor restrictions that have been satisfied and released from restriction.

Note 7 Lines of Credit

The Organization has a $350,000 revolving line of credit agreement with Community Vision Capital & Consulting with a maturity date of April 2025. Interest is calculated at a fixed rate of 6.75%. The line of credit is secured by receivables and equipment. There was no outstanding balance as of June 30, 2022. The line of credit contains various covenants and restrictions.

Note 7 Lines of Credit (Continued)

The Organization had a $150,000 revolving line of credit agreement with First Republic Bank. The line of credit matured in July 2022 and was not renewed. Interest is calculated at the prime rate with a floor of 3.25% (4.75% at June 30, 2022). The line of credit was secured by receivables and equipment. There was no outstanding balance as of June 30, 2022. The line of credit contained various covenants and restrictions.

Note 8 Net Assets with Donor Restrictions

Net assets with donor restrictions consist of the following as of June 30, 2022:

Promise Scholars	$ 187,762
College Access	1,144,000
Parent Partner Program	70,000
Extended Day Program	170,000
Time restricted	243,750
	$1,815,512

Note 9 Net Assets Released from Restriction

Reclassifications on the statement of activities and changes in net assets represent net assets with donor restrictions, which have been utilized in accordance with the donor restrictions.

Donor restriction reclassifications for the year ended June 30, 2022 are summarized as follows:

Contribution - Paycheck Protection Program	$1,992,487
Contribution - EIDL Grant	10,000
Summer Together Initiative	1,000,000
Promise Scholars	178,154
College Access	669,000
Parent Partner Program	70,000
Extended Day Program	95,834
Time restricted	475,250
	$4,490,725

Note 10 Operating Lease

The Organization leases its facilities and equipment under various long-term operating lease agreements that expire at various dates from December 2022 to March 2025. Rent expense for the leases for the year ended June 30, 2022 was $87,170.

Note 10 Operating Lease (Continued)

Minimum future rental payments under non-cancellable operating leases having remaining terms in excess of one year as of June 30, 2022, for each of the next three years and in the aggregate are:

2023	$ 17,702
2024	1,562
2025	1,057
	$ 20,321

Note 11 Retirement Plan

The Organization participates in a defined contribution plan that covers substantially all full-time employees. The Organization contributes up to 3% of employee compensation after completion of one year of employment for employees who are employed on the last day of the plan year. The Organization also offers a discretionary contribution up to 5% of employee compensation under their leadership retention policy. Employer contributions and leadership retention contributions were $127,631 and $164,012, respectively, for the year ended June 30, 2022.

Note 12 Fair Value Measurements

The framework for measuring fair value 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). Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

The three levels of the fair value hierarchy are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices in active markets for identical assets or liabilities that the Organization can access at the measurement date.

Level 2 Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, such as and for the year ended:

- 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.

Note 12 Fair Value Measurements (Continued)

Level 3 Inputs that are unobservable inputs for the asset or liability.

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 maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

There have been no changes in the methodologies used at June 30, 2022.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets measured at fair value as of:

	June 30, 2022			
	Level 1	Level 2	Level 3	Total
Money market funds	$1,000,521	$ -	$ -	$1,000,521
Total assets in the fair value hierarchy	$1,000,521	$ -	$ -	$1,000,521