



Admission Possible, Inc.

ADMISSION POSSIBLE, INC.

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CPAs & BUSINESS ADVISORS

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Admission Possible, Inc.
St. Paul, Minnesota

We have audited the accompanying statement of financial position of **Admission Possible, Inc.**, (the Organization) as of August 31, 2009, and the related statements of activities, cash flows and functional expenses for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Organization's 2008 financial statements and in our report dated January 5, 2009, we expressed an unqualified opinion on those financial statements.

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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we do not express such an opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above, present fairly, in all material respects, the financial position of **Admission Possible, Inc.**, as of August 31 2009, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2009, on our consideration of **Admission Possible, Inc.**'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Eide Bailly LLP

Minneapolis, Minnesota
December 10, 2009

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ADMISSION POSSIBLE, INC.
STATEMENT OF FINANCIAL POSITION
AUGUST 31, 2009 (WITH COMPARATIVE TOTALS FOR 2008)

	<u>2009</u>	<u>2008</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 4,402,776	\$ 3,389,140
Accounts receivable	22,358	4,785
Grants receivable	330,000	690,000
Prepaid expenses	43,094	20,473
Total current assets	<u>4,798,228</u>	<u>4,104,398</u>
OTHER ASSETS		
Grants receivable	<u>84,075</u>	<u>68,147</u>
EQUIPMENT AND LEASEHOLD IMPROVEMENTS		
Computer software and equipment	171,338	129,580
Furniture and equipment	85,438	70,504
Leasehold improvements	46,169	44,552
	<u>302,945</u>	<u>244,636</u>
Less accumulated depreciation	<u>175,725</u>	<u>127,077</u>
	<u>127,220</u>	<u>117,559</u>
	<u>\$ 5,009,523</u>	<u>\$ 4,290,104</u>
 LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 36,095	\$ 26,197
Accrued expenses	213,592	150,906
Deferred revenue	12,500	25,000
Total current liabilities	<u>262,187</u>	<u>202,103</u>
LONG TERM LIABILITIES		
Accrued expenses - deferred compensation	<u>20,000</u>	<u>10,000</u>
	<u>282,187</u>	<u>212,103</u>
NET ASSETS		
Unrestricted		
Undesignated	2,504,799	2,199,211
Board designated		
Program continuation funds	1,511,112	1,118,790
	<u>4,015,911</u>	<u>3,318,001</u>
Temporarily restricted	711,425	760,000
	<u>4,727,336</u>	<u>4,078,001</u>
	<u>\$ 5,009,523</u>	<u>\$ 4,290,104</u>

ADMISSION POSSIBLE, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2009 (WITH COMPARATIVE TOTALS FOR 2008)

	2009			2008
	Unrestricted	Temporarily Restricted	Total	
SUPPORT AND REVENUE				
Fee revenue				
Consortium fees	\$ 75,000	\$ -	\$ 75,000	\$ 50,000
Service fees	-	-	-	2,000
Total fee revenue	<u>75,000</u>	<u>-</u>	<u>75,000</u>	<u>52,000</u>
Support				
Contributions and grants	1,659,737	641,425	2,301,162	1,649,245
Government grants	635,734	-	635,734	652,411
In-kind contributions	109,257	-	109,257	78,362
Total support	<u>2,404,728</u>	<u>641,425</u>	<u>3,046,153</u>	<u>2,380,018</u>
Interest income	55,666	-	55,666	104,942
Net assets released from restrictions	<u>690,000</u>	<u>(690,000)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>3,225,394</u>	<u>(48,575)</u>	<u>3,176,819</u>	<u>2,536,960</u>
EXPENSES				
Program services	2,115,910	-	2,115,910	1,715,552
General and administrative	233,707	-	233,707	152,601
Fundraising	177,865	-	177,865	130,307
Total expenses	<u>2,527,482</u>	<u>-</u>	<u>2,527,482</u>	<u>1,998,460</u>
CHANGE IN NET ASSETS	697,912	(48,575)	649,337	538,500
NET ASSETS, BEGINNING OF YEAR	<u>3,318,001</u>	<u>760,000</u>	<u>4,078,001</u>	<u>3,539,501</u>
NET ASSETS, END OF YEAR	<u>\$ 4,015,913</u>	<u>\$ 711,425</u>	<u>\$ 4,727,338</u>	<u>\$ 4,078,001</u>

ADMISSION POSSIBLE, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED AUGUST 31, 2009 (WITH COMPARATIVE TOTALS FOR 2008)

	<u>2009</u>	<u>2008</u>
OPERATING ACTIVITIES		
Change in net assets	\$ 649,337	\$ 538,500
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	48,648	36,547
Loss on disposal of computer equipment	-	823
Changes in operating assets and liabilities		
Accounts receivable	(17,573)	(2,217)
Grants receivable	344,072	508,322
Prepaid expenses	(22,621)	(6,102)
Accounts payable	9,898	2,946
Accrued expenses	72,686	116,706
Deferred revenue	(12,500)	25,000
NET CASH FROM OPERATING ACTIVITIES	<u>1,071,947</u>	<u>1,220,525</u>
INVESTING ACTIVITY		
Purchase of equipment	<u>(58,311)</u>	<u>(75,797)</u>
NET CASH USED FOR INVESTING ACTIVITY	<u>(58,311)</u>	<u>(75,797)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	1,013,636	1,144,728
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>3,389,140</u>	<u>2,244,412</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 4,402,776</u></u>	<u><u>\$ 3,389,140</u></u>

ADMISSION POSSIBLE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2009 (WITH COMPARATIVE TOTALS FOR 2008)

	2009				2008
	Program Services	General and Administrative	Fundraising	Total	
Personnel costs					
Payroll	\$ 1,277,104	\$ 87,084	\$ 99,039	\$ 1,463,227	\$ 1,186,540
Payroll taxes	95,979	7,109	7,842	110,930	93,717
Employee benefits	142,789	12,971	12,262	168,022	132,644
Total personnel costs	1,515,872	107,164	119,143	1,742,179	1,412,901
Teaching materials	65,954	-	-	65,954	65,893
Training	22,666	3,790	8,157	34,613	13,377
Transportation	39,662	1,886	1,128	42,676	55,388
Hiring costs	11,175	1,115	-	12,290	18,639
Food	-	-	-	-	8,148
Recognition	19,251	846	630	20,727	-
Meetings	18,282	1,749	2,621	22,652	-
Uniforms	9,904	-	-	9,904	11,938
Telephone	14,871	2,281	1,887	19,039	14,326
Postage	20,314	531	5,159	26,004	24,441
Printing	17,593	755	5,068	23,416	42,669
Office	29,273	4,490	3,714	37,477	77,883
Maintenance	26,761	2,850	5,884	35,495	-
Professional fees	53,823	82,192	7,333	143,348	27,200
ACT waivers	34,514	-	-	34,514	-
Rent	102,975	7,706	3,152	113,833	66,445
Marketing	20,389	139	28	20,556	784
Consulting	-	-	-	-	68,172
Equipment	25,306	4,266	713	30,285	23,983
Subscriptions	7,259	1,424	2,199	10,882	8,436
Insurance	11,815	1,812	1,499	15,126	13,542
Utilities	1,792	275	227	2,294	3,532
Bank and service fees	6,275	2,608	4,502	13,385	-
Depreciation	37,999	5,828	4,821	48,648	36,547
Loss on disposal	-	-	-	-	823
Miscellaneous	2,185	-	-	2,185	3,393
Total expenses	\$ 2,115,910	\$ 233,707	\$ 177,865	\$ 2,527,482	\$ 1,998,460
	84%	9%	7%	100%	

ADMISSION POSSIBLE, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2009

NOTE 1 - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principal Organization Activity

Admission Possible, Inc. (the Organization) is a nonprofit organization dedicated to helping promising, low-income young people prepare for and earn admission to college. Their mission is to identify low-income young people with the potential and the motivation for college and then provide them with four critical services: (1) ACT and SAT test preparation; (2) intensive guidance in preparing college applications; (3) help in obtaining financial aid and; (4) guidance in transition to college. The program served approximately 1,300 low-income students at seventeen Twin Cities area high schools, 60 students in three Milwaukee area high schools and 1,700 program alumni.

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 liabilities in accordance with accounting principles generally accepted in the United States of America.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Organization has no permanently restricted net assets at August 31, 2009.

Cash and Cash Equivalents

The Organization considers all highly liquid investments in debt securities with an original maturity of three months or less to be cash equivalents. At times, cash and cash equivalents may be in excess of FDIC insurance limits.

Receivables

Unconditional promises to give are recognized as revenues or gains in the period received, and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

NOTES TO FINANCIAL STATEMENTS

Uncollectible Receivables

The Organization uses the allowance method to account for uncollectible contributions, grants and accounts receivable. The allowance is based on prior years' experience and management's analysis of the outstanding receivables. This method provides allowances for doubtful receivables equal to the estimated losses that will be incurred in the collection of receivables. At August 31, 2009, the Organization believes all balances are collectible; therefore, no allowance is necessary.

Equipment and Leasehold Improvements

Equipment and leasehold improvements are valued at cost. Expenditures for the acquisition of equipment and leasehold improvements equal to or greater than \$1,500 and a life greater than one year are capitalized. Contributed equipment and leasehold improvements are recorded at fair value at the date of donation. Depreciation of equipment is provided using the straight-line method over the estimated useful lives of the assets.

Income Tax Status

The Organization has been recognized by the Internal Revenue Service as a tax-exempt nonprofit organization under Section 501(c)(3) of the Internal Revenue Code and has been classified as an organization that is not a private foundation under Section 509(a).

In accordance with FSP FIN48-3, the Organization has elected to defer until next year the implementation of FASB Interpretation 48 (FIN 48), *Accounting for Uncertainty in Income Taxes an Interpretation of FASB Statement No. 109*. Management believes the Organization does not have any significant uncertain tax provisions and therefore does not expect FIN 48 to have a significant effect on the Organization.

The Organization undergoes an annual analysis of its various tax positions, assessing the likelihood of those positions being upheld upon examination with relevant tax authorities, as defined by FIN No. 48.

Support Recognition

In accordance with SFAS No. 116, *Contributions Received and Contributions Made*, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished); temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

NOTES TO FINANCIAL STATEMENTS

Donated Materials and Services

In-kind contributions are reflected as support in the financial statements at their estimated values on the date of donation. Donated services are recognized as contributions in accordance with SFAS No. 116, *Accounting for Contributions Received and Contributions Made*, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills and would otherwise be purchased by the Organization. Volunteers also provided services throughout the year that are not recognized as contributions in the financial statements since the criteria for SFAS No. 116 are not met.

Functional Expense Allocation

The costs of providing the Organization's various programs and supporting services have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

New Accounting Pronouncements

Effective September 1, 2008, the Organization adopted FASB Statement No. 157, *Fair Value Measurements* (SFAS No. 157), subject to the deferral provisions of FASB Staff Position FSP 157-2, *Effective Date of FASB Statement No. 157*, which provides a framework for measuring, reporting and disclosing fair value under generally accepted accounting principles. SFAS No. 157 applies to all assets and liabilities that are measured, reported and/or disclosed on a fair value basis. The adoption of this standard has no impact on the Organization's statement of financial position or statement of activities for the year ended August 31, 2009. The required disclosures under SFAS 157 are included in Note 13.

In February 2007, the FASB issued Statement on Financial Accounting Standards No. 159 (SFAS 159), *The Fair Value Option for Financial Assets and Financial Liabilities – including an Amendment of FASB Statement No. 115*, which provides all entities with an option to report selected financial assets and liabilities at fair value. Certain specified items are eligible for the irrevocable fair value measurement option as established by SFAS 159. SFAS 159 is effective for the Organization's fiscal year ended August 31, 2009. The adoption of this standard had no impact on the Organization's statement of financial position or statement of activities as the Organization did not elect to record any financial instruments at fair value that are currently not carried at fair value.

Use of Estimates

The preparation of the 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 the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from the estimates.

NOTES TO FINANCIAL STATEMENTS

Comparative Financial Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with 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 August 31, 2008, from which the summarized information was derived.

Reclassification

Certain amounts from the prior year have been reclassified to conform to the current year's presentation.

Subsequent Events

The Organization has evaluated subsequent events through December 10, 2009, which is the date that the financial statements were approved and available to be issued.

NOTE 2 - GRANTS RECEIVABLE

Grants receivable, which are unconditional promises to give, are summarized as follows:

Grants receivable expected to be collected in:

Less than one year	\$ 330,000
One to five years	85,000
	<u>415,000</u>
Discounts to net present value at 1.1%	<u>(925)</u>
Net contributions receivable	<u>\$ 414,075</u>

NOTE 3 - TEMPORARILY RESTRICTED NET ASSETS

At August 31, 2009, temporarily restricted net assets are restricted based on:

Time restrictions	\$ 535,000
MSL and South Class of 2011	60,000
Financial Literacy	16,425
Twin Cities' college program	25,000
Coon Rapids	<u>75,000</u>
Total	<u>\$ 711,425</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 4 - NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released by incurring expenses satisfying the following restricted purposes or the passing of time specified by donors at August 31, 2009:

Time restrictions	\$ 665,000
Purpose restrictions	<u>25,000</u>
Total	<u><u>\$ 690,000</u></u>

NOTE 5 - DESIGNATED NET ASSETS

At August 31, 2009, Board designated net assets are available for the following purposes:

Program continuation funds	<u><u>\$ 1,511,112</u></u>
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The Board established a policy to maintain a reserve sufficient to fund ongoing operations for at least six months, and when possible, fund 100 percent of the remaining costs of the full two-year program for the students enrolled. The balance at August 31, 2009, is the minimum reserve for six months of operations, but the target to cover the full two-year program for students enrolled at the end of the fiscal year was \$3,586,897.

NOTE 6 - IN-KIND CONTRIBUTIONS

The value of in-kind contributions at estimated fair value at the date of donation for the year ended August 31, 2009 is as follows:

Program fees	\$ 34,454
Technology consulting	24,194
Teaching materials	19,674
Furniture and fixtures	12,105
Office supplies	8,610
Audit	6,000
Staff recognition	1,730
Software and equipment	1,250
Dues and subscriptions	890
Training	<u>350</u>
Total	<u><u>\$ 109,257</u></u>

In addition, donated services with an estimated value of \$55,000 by VISTA volunteers to the Organization's program services and fundraising efforts were not recognized in the financial statements because they did not meet the criteria for recognition under SFAS No. 116.

NOTES TO FINANCIAL STATEMENTS

NOTE 7 - OPERATING LEASE

The Organization leases its St. Paul operating facilities under a three-year operating lease expiring May 2011. The lease allows for cancellation after January 1, 2009, with six months advance notice.

The Organization leases its Milwaukee operating facilities under a non-cancelable two-year operating lease expiring September 2010.

The future minimum rental payments required under the leases are as follows:

<u>Years Ending August 31,</u>	<u>Amount</u>
2010	\$ 110,181
2011	<u>77,903</u>
	<u>\$ 188,084</u>

Total rent expense was \$99,190 for the year ended August 31, 2009.

NOTE 8 - CONTINGENCIES

The continuation of funding from federal and other sources is contingent upon availability of funds and project performance. The funds are awarded annually based either upon receipt and approval of a program application or upon completion of a performance review. In addition, expenditures made under federal grants are subject to review and audit by the grantor agencies. Management believes that any liability for reimbursement, which may arise as a result of these audits, is not material.

NOTE 9 - CONDITIONAL GRANTS

The Organization has received conditional grants of \$30,000 for 2010. As of August 31, 2009, these conditional grants required a match of support raised from new donors or increased contributions from current donors. Since these grants represent conditional promises to give, they are not recognized as support until the matching condition is met.

NOTE 10 - JOINT COSTS

For the year ended August 31, 2009, the Organization has allocated joint costs for its newsletter. The costs have been allocated as follows; \$10,844 to program services, \$514 to general and administrative and \$4,622 to fundraising.

NOTES TO FINANCIAL STATEMENTS

NOTE 11 - LINE OF CREDIT

The Organization has a line of credit arrangement under which it may borrow up to \$200,000 through January 12, 2010. The interest rate on this note is variable and indexed to the prime rate as published by Bloomberg. The minimum interest rate is 4.500 percent per annum. The credit is secured by all assets of the Organization.

NOTE 12 - RETIREMENT PLAN

A Safe Harbor 401(k) plan was implemented on September 1, 2007. Employees are eligible to participate in the plan if they have completed 30 days of service, have attained age 18 and are expected to work 1000 hours in twelve consecutive months. The Organization will make matching contributions in two different ways. The Safe Harbor match is equal to the sum of 100 percent of the amount of the salary reductions that are not in excess of 3 percent of compensation, plus 50 percent of the amount of the salary reductions that exceed 3 percent of compensation but not in excess of 5 percent of compensation. The Discretionary Match is subject to delayed entry (entry after one year of service) and a step-vesting schedule. The Discretionary Match is 50 percent of the salary reduction amounts that exceed 5 percent of compensation but not in excess of 9 percent of compensation. Employees can opt out of the plan or change their contribution at any time. Employer contributions for the 401(k) plan were \$40,320 for the year ended August 31, 2009.

NOTE 13 – FAIR VALUE OF FINANCIAL INSTRUMENTS

As defined in SFAS No. 157, fair value is the price that would be received to sell an assets or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Organization uses various valuation methods including the market, income and cost approaches. Based on the observability of inputs used in the valuation methods, the Organization is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Assets and liabilities measured, reported and/or disclosed at fair value, will be classed and disclosed in one of the following three categories:

- Level 1 – Quoted market prices in active markets for identical assets or liabilities
- Level 2 – Observable market based inputs or unobservable inputs that are corroborated by market data
- Level 3 – Unobservable inputs that are not corroborated by market data

Assets Measured at Fair Value on a Recurring Basis

The carrying value of short term investments (certificates of deposit) in the amount of \$2.7 million at August 31, 2009, approximates fair value due to the short term nature of the securities. Fair values of certificates of deposit instruments that do not trade on a regular basis in active markets are classified as Level 2.

Assets Measured at Fair Value on a Non-Recurring Basis

The fair value of grants receivable in the amount of \$414,075 at August 31, 2009, is determined based upon future cash flows. Fair values of grants receivable have unobservable inputs and are not corroborated by market data and are therefore classified as Level 3.