BRIGHT PROSPECT

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

BRIGHT PROSPECT
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YEAR ENDED JUNE 30, 2018

INDEPENDENT AUDITORS' REPORT

Board of Directors
Bright Prospect
Pomona, California

We have audited the accompanying financial statements of Bright Prospect (the Organization), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Board of Directors
Bright Prospect

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2018, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Glendora, California
November 6, 2018

BRIGHT PROSPECT
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2018

ASSETS

CURRENT ASSETS	
Cash and Cash Equivalents	$ 1,624,816
Contribution Receivable	30,000
Prepaid	10,400
Investments	109,760
Total Current Assets	1,774,976
LONG-TERM ASSETS	
Property and Equipment, Net	180,808
Total Long-Term Assets	180,808
Total Assets	$ 1,955,784

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES	
Accounts Payable and Accrued Liabilities	$ 94,827
Total Current Liabilities	94,827
NET ASSETS	
Unrestricted	1,476,273
Temporarily Restricted	384,684
Total Net Assets	1,860,957
Total Liabilities and Net Assets	$ 1,955,784

See accompanying Notes to Financial Statements.

BRIGHT PROSPECT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018

	Unrestricted	Temporarily Restricted	Total
REVENUES			
Contributions	$ 2,421,817	$ 504,192	$ 2,926,009
Investment Income	1,853	-	1,853
Net Assets Released from Restriction	926,750	(926,750)	-
Total Revenues	3,350,420	(422,558)	2,927,862
EXPENSES			
Program Services	2,306,886	-	2,306,886
Management and General	396,579	-	396,579
Fundraising	149,492	-	149,492
Total Expenses	2,852,957	-	2,852,957
CHANGE IN NET ASSETS	497,463	(422,558)	74,905
Net Assets - Beginning of Year	978,810	807,242	1,786,052
NET ASSETS - END OF YEAR	$ 1,476,273	$ 384,684	$ 1,860,957

See accompanying Notes to Financial Statements.

BRIGHT PROSPECT
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2018

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in Net Assets	$ 74,905
Adjustments to Reconcile Change in Net Assets to Net Cash Flows from Operating Activities:	
Depreciation and Amortization Expenses	19,929
Write off of Uncollectible Notes Receivable	23,580
Unrealized Gain (Loss) on Investment	769
Change in Operating Assets:	
Prepaid Expenses	(10,400)
Contributions Receivable	232,000
Change in Operating Liabilities:	
Accounts Payable and Accrued Liabilities	61,580
Net Cash Provided by Operating Activities	402,363
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Notes Receivable	1,133
Proceeds from Sale of Investments	809,030
Purchase of Investments	(579,524)
Purchases of Property, Plant, and Equipment	(19,631)
Net Cash Provided by Investing Activities	211,008
NET CHANGE IN CASH AND CASH EQUIVALENTS	613,371
Cash and Cash Equivalents - Beginning of Year	1,011,445
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 1,624,816

See accompanying Notes to Financial Statements.

BRIGHT PROSPECT
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2018

	Program Services	Management and General	Fundraising	Total Expenses
STUDENT-SUPPORT EXPENSES				
Scholarships & Other Assistance to Individuals	$ 488,273	$ -	$ 988	$ 489,261
Staff Travel	22,140	1,944	1,918	26,002
Refreshments	75,491	-	27,931	103,422
Other Program Related Expenses	33,580	10,170	-	43,750
Total Student-Support Expenses	619,484	12,114	30,837	662,435
SALARIES AND RELATED EXPENSES				
Salaries and Wages	1,207,917	133,078	78,485	1,419,480
Pension Expense	19,600	1,075	-	20,675
Other Employee Benefits	162,671	27,043	20,819	210,533
Payroll Taxes	100,968	9,785	6,004	116,757
Total Salaries and Related Expenses	1,491,156	170,981	105,308	1,767,445
OFFICE & ADMINISTRATIVE EXPENSES				
Rent and Utilities	67,592	18,105	-	85,697
Technology Expenses	53,306	2,229	1,158	56,693
Supplies and Office Expenses	40,362	1,973	8,128	50,463
Insurance	-	22,613	-	22,613
Professional Fees	20,025	132,130	-	152,155
Amortization and Depreciation Expenses	-	35,527	-	35,527
Other expenses	14,961	907	4,061	19,929
Total Office-Related Expenses	196,246	213,484	13,347	423,077
Total Expenses	$ 2,306,886	$ 396,579	$ 149,492	$ 2,852,957

See accompanying Notes to Financial Statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Bright Prospect (the Organization) was organized in 2001 as the Bright Prospect Scholar Support Program and has been collaborating with high schools in urban areas to identify and nurture young people from low-income families to help them realize their dream of a college education. The program places high-achieving students into some of the nation's most prestigious colleges and universities and extends well beyond the scope of traditional scholarship programs by continuing to track and mentor students throughout their college years until graduation.

In fiscal year 2007, the Bright Prospect Academy of Young Scholars was launched to provide college guidance to a broader range of students; now in its sixth year of implementation, the program recruits students from the seven high schools it serves at the end of ninth grade, guiding them toward college readiness and through the application process.

On January 1, 2012, the two programs were officially merged into one.

The Organization recruits students from the seven high schools it serves at the end of ninth grade, guiding them toward college readiness and through the application process. The Organization continues to track and mentor students throughout their college years until they reach graduation. During fiscal year 2018, the Organization served 2,463 students—1,272 in high school students and 1,191 in college. A total of 120 students graduated from college in fiscal year 2018 and our overall college graduation rate was 86%. The Organization continued to add emphasis on career readiness, conducting its second Professional Development Week, as well as Career Exploration Day with college students in the Summer of 2016. Three organizations in other communities have moved ahead with their adoption and implementation of Bright Prospect's Crews® model: Bright Futures, Park City School District, Park City, Utah; Catalyst to College, ALearn, Santa Clara, California; and Future Grads, Boys and Girls Clubs of the Peninsula, Menlo Park, California.

Cash and Cash Equivalents

The Organization defines its cash and cash equivalents to include only cash on hand, demand deposits, and liquid investments with original maturities of three months or less.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosures. Accordingly, actual results could differ from those estimates.

Basis of Accounting

The financial statements have been prepared on the accrual method of accounting and accordingly reflect all significant receivables and liabilities.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Allocation of Expenses

Costs of providing the Organization's programs and other activities have been presented in the statement of functional expenses. During the year, such costs are accumulated into separate groupings as either direct or indirect. Indirect or shared costs are allocated among program and support services by a method that best measures the relative degree of benefit.

Basis of Presentation

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States as prescribed by the Financial Accounting Standards Board.

Net Asset Classes

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. Net assets of the Organization consist of the following:

Unrestricted

All resources over which the governing board has discretionary control to use in carrying on the general operations of the Organization. As a prudent fiscal steward, the board has also designated reserves, which are considered emergency operating reserves.

Temporarily Restricted

These net assets are restricted by donors to be used for specific purposes. The Organization has $354,684 of temporarily restricted net assets at June 30, 2018. Temporarily restricted net assets as of June 30, 2018 consisted of the following:

Contributions Receivable	$	30,000
Unspent Purpose Restricted Contributions		354,684
Total	$	384,684

Permanently Restricted

These net assets are permanently restricted by donors and cannot be used by the Organization. The Organization does not currently have any permanently restricted net assets.

Pledges Receivable

Unconditional promises to give expected to be received in one year or less are recorded as pledges receivable at net realizable value. Unconditional promises to give expected to be received in more than one year are recorded as contributions receivable at fair market value at the date of the promise. At June 30, 2018, the entire pledge/contribution receivable balance is expected to be received in one year or less.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

Property and equipment are stated at cost if purchased or at estimated fair market value if donated. Such donations are recorded as unrestricted 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. Depreciation is provided on a straight-line basis over the estimated useful lives of the asset. The Organization capitalizes all expenditures for land, buildings, and equipment in excess of $2,500.

Contributed Assets & Services

Contributions of donated noncash assets are recorded at fair value in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at fair values in the period received. During the year ended June 30, 2018, the Organization recognized $50,000 for in-kind legal services.

Investments

Investments are recorded at fair market value. Both unrealized gains and losses from the fluctuation of market value and realized gains and losses from the sale of investments are reflected in the statement of activities if they are material.

Compensated Absences

Accumulated unpaid employee vacation benefits are recognized as a liability of the Organization. The current portion of the liability, if material, is recognized at year-end. The entire compensated absences liability is reported under accrued liabilities in the statement of financial position.

Revenue Recognition

Revenues are received primarily from contributions. Unrestricted revenue is recognized as revenue in the year pledged. Contributions restricted by the donor for a specific purpose are deemed to be earned and reported as revenue when the gift is received or pledged. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The Organization is a nonprofit entity exempt from the payment of income taxes under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701d. Accordingly, no provision has been made for income taxes. Management has determined that all income tax positions are more likely than not of being sustained upon potential audit or examination; therefore, no disclosures of uncertain income tax positions are required. The Organization files informational returns in the U.S. federal jurisdiction, and the state of California. The statute of limitations for federal and California state purposes is generally three and four years, respectively.

Subsequent Events

The Organization has evaluated subsequent events through November 6, 2018, the date these financial statements were available to be issued.

NOTE 2 CONCENTRATION OF CREDIT RISK

The Organization maintains cash balances held in banks which are insured up to $250,000 by the Federal Deposit Insurance Corporation (FDIC). At times, cash in these accounts exceeds the insured amounts. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on its cash and cash equivalents.

NOTE 3 INVESTMENTS

Investments are as follows:

Money Market Funds	$ 78,991
Bond Funds (Short-Term)	30,769
Total	$ 109,760

Money market funds are carried at cost. Bond funds are carried at fair market value, and are considered a Level 1 investment.

NOTE 3 INVESTMENTS (CONTINUED)

The fair value level of measurement is determined as follows:

Level 1 – quoted prices in an active market for identical assets.

Level 2 – quoted prices for similar assets and market-corroborated inputs.

Level 3 – the Organization's own assumptions about market participation, including assumptions about risk, developed based on the best information available in the circumstances.

The following summarizes the return on investments for the year ended June 30, 2018:

Interest and Dividends	$	2,622
Unrealized Gain (Loss)		(769)
Total	$	1,853

NOTE 4 PROPERTY AND EQUIPMENT

Property and equipment as of June 30, 2018 consisted of the following:

Furniture, Fixtures, and Equipment	$	112,640
Leasehold Improvements		191,520
Total		304,160
Less: Accumulated Depreciation		(123,352)
Property and Equipment, Net	$	180,808

NOTE 5 PENSION PLAN

The Organization offers a SIMPLE IRA defined contribution pension plan for the benefit of its employees. The Organization matches employee contributions up to 3% of the employee's annual salary. During the year ended June 30, 2018 the Organization contributed $20,675 in matching contributions to the plan.

NOTE 6 LEASE COMMITMENTS

On July 1, 2014, the Organization entered into a Memorandum of Understanding with the Pomona Unified School District (District) whereby the Organization agreed to provide its program at all District high schools and the District would provide the Organization with free office and meeting space (approximately 5,500 square feet), bus transportation for its students to special events, and a per student support fee. Effective the same date, the Organization entered into a lease agreement to take possession of this space at no cost. The lease term is through June 30, 2019 and is renewable indefinitely. As a result of this agreement, during the year ended June 30, 2018 the Organization recognized $80,000 both in in-kind contributions and expenses for rent.

On September 1, 2016, the Organization entered into a sublease agreement for additional office space. The lease requires monthly payments of $313.25 for common area maintenance and has a term ending July 1, 2020.