



FINANCIAL STATEMENTS

**FOR THE YEAR ENDED AUGUST 31, 2019
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2018)**

AIM HIGH FOR HIGH SCHOOL

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Aim High for High School

Report on the Financial Statements

We have audited the accompanying financial statements of Aim High for High School, which comprise the statement of financial position as of August 31, 2019, and 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.

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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Aim High for High School as of August 31, 2019, 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.

Report on Summarized Comparative Information

We have previously audited Aim High for High School's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 5, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Marcum LLP

San Francisco, California
January 29, 2020

AIM HIGH FOR HIGH SCHOOL

STATEMENT OF FINANCIAL POSITION

AUGUST 31, 2019

(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2018)

	2019	2018
Assets		
Cash and cash equivalents	\$ 2,122,027	\$ 1,944,392
Promises to give, net	1,754,587	890,936
Grants receivable	262,487	634,125
Other receivable	2,661	--
Investments	5,361,843	--
Deposits and prepaid expenses	88,472	85,859
Property and equipment, net	<u>189,833</u>	<u>264,709</u>
Total Assets	<u>\$ 9,781,910</u>	<u>\$ 3,820,021</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued liabilities	<u>\$ 165,538</u>	<u>\$ 99,400</u>
Total Liabilities	<u>165,538</u>	<u>99,400</u>
Net Assets		
Without donor restrictions	7,599,298	2,149,645
With donor restrictions	<u>2,017,074</u>	<u>1,570,976</u>
Total Net Assets	<u>9,616,372</u>	<u>3,720,621</u>
Total Liabilities and Net Assets	<u>\$ 9,781,910</u>	<u>\$ 3,820,021</u>

The accompanying notes are an integral part of these financial statements.

AIM HIGH FOR HIGH SCHOOL

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

**FOR THE YEAR ENDED AUGUST 31, 2019
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2018)**

	2019		2018	
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenue, Gains, and Other Support				
Contributions and gifts	\$ 8,200,755	\$ 3,656,290	\$ 11,857,045	\$ 5,155,905
Grants	--	262,487	262,487	634,125
In-kind contributions	189,770	--	189,770	174,392
Other income	55,288	--	55,288	53,883
Interest income	6,284	--	6,284	2,679
Net unrealized and realized gain on investments	338,284	--	338,284	--
Net assets released from restrictions	<u>3,472,679</u>	<u>(3,472,679)</u>	<u>--</u>	<u>--</u>
Total Revenue, Gains, and Other Support	<u>12,263,060</u>	<u>446,098</u>	<u>12,709,158</u>	<u>6,020,984</u>
Expenses				
Programs	4,971,712	--	4,971,712	4,434,824
Fundraising and development	1,315,078	--	1,315,078	1,066,681
General and administrative	<u>526,617</u>	<u>--</u>	<u>526,617</u>	<u>670,338</u>
Total Expenses	<u>6,813,407</u>	<u>--</u>	<u>6,813,407</u>	<u>6,171,843</u>
Change in Net Assets	5,449,653	446,098	5,895,751	(150,859)
Net Assets - Beginning	<u>2,149,645</u>	<u>1,570,976</u>	<u>3,720,621</u>	<u>3,871,480</u>
Net Assets - Ending	<u>\$ 7,599,298</u>	<u>\$ 2,017,074</u>	<u>\$ 9,616,372</u>	<u>\$ 3,720,621</u>

The accompanying notes are an integral part of these financial statements.

AIM HIGH FOR HIGH SCHOOL

STATEMENT OF FUNCTIONAL EXPENSES

**FOR THE YEAR ENDED AUGUST 31, 2019
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2018)**

	2019								2018
	Programs					Supporting Services			Total
	Summer	Teaching and Learning	Outdoor Education	Admissions and Student Opportunities	Total	Fundraising and Development	General and Administrative	Total	
Salaries and related expenses	\$ 2,768,055	\$ 290,990	\$ 88,879	\$ 566,761	\$ 3,714,685	\$ 714,459	\$ 438,121	\$ 4,867,265	\$ 4,413,107
Special events	--	--	--	--	--	348,531	664	349,195	281,959
Curriculum	234,043	20,047	3,592	4,199	261,881	8,870	1,034	271,785	292,093
Facility rent	184,955	12,173	7,360	23,834	228,322	29,418	18,040	275,780	260,865
General office expenses	89,746	7,763	1,266	15,425	114,200	52,345	6,238	172,783	158,444
Professional services	91,297	9,574	2,805	17,888	121,564	35,574	13,828	170,966	156,106
Transportation	115,439	19,744	24,025	1,618	160,826	6,394	1,443	168,663	196,628
In-kind facility rent	168,000	--	--	--	168,000	--	--	168,000	156,000
Technology	22,292	3,992	--	206	26,490	21,156	32,582	80,228	58,606
Depreciation	79,836	--	--	--	79,836	--	--	79,836	11,264
Consultants	3,510	26,702	750	2,669	33,631	17,887	1,050	52,568	48,281
Insurance	30,976	2,519	769	4,906	39,170	6,185	3,793	49,148	46,418
Food	2,334	17,158	103	3,382	22,977	6,853	6,594	36,424	48,950
Other in-kind contributions	--	--	--	--	--	21,770	--	21,770	18,392
All others	130	--	--	--	130	45,636	3,230	48,996	24,730
Total	<u>\$ 3,790,613</u>	<u>\$ 410,662</u>	<u>\$ 129,549</u>	<u>\$ 640,888</u>	<u>\$ 4,971,712</u>	<u>\$ 1,315,078</u>	<u>\$ 526,617</u>	<u>\$ 6,813,407</u>	<u>\$ 6,171,843</u>

The accompanying notes are an integral part of these financial statements.

AIM HIGH FOR HIGH SCHOOL

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED AUGUST 31, 2019
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2018)

	2019	2018
Cash Flows From Operating Activities		
Change in net assets	\$ 5,895,751	\$ (150,859)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Donated marketable securities	(5,044,750)	--
Allowance for uncollectible promises to give	47,833	23,792
Change in discount on promises to give	180,064	13,039
Net unrealized and realized gain on investments	(338,284)	--
Depreciation	79,836	11,264
Changes in operating assets and liabilities:		
Grants receivable	371,638	(10,125)
Promises to give	(1,091,348)	336,246
Other receivable	(2,861)	2,545
Deposits and prepaid expenses	(2,613)	(15,055)
Accounts payable and accrued liabilities	<u>66,138</u>	<u>25,432</u>
Net Cash Provided by Operating Activities	<u>161,404</u>	<u>236,279</u>
Cash Flows From Investing Activities		
Purchase of fixed assets	(4,960)	--
Proceeds from the sale of investments	5,076,083	--
Purchase of investments	(5,054,892)	--
Payments for software	<u>--</u>	<u>(132,070)</u>
Net Cash Provided by (Used in) Investing Activities	<u>16,231</u>	<u>(132,070)</u>
Net Increase in Cash and Cash Equivalents	177,635	104,209
Cash and Cash Equivalents - Beginning	<u>1,944,392</u>	<u>1,840,183</u>
Cash and Cash Equivalents - Ending	<u>\$ 2,122,027</u>	<u>\$ 1,944,392</u>

The accompanying notes are an integral part of these financial statements.

AIM HIGH FOR HIGH SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2019

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PURPOSE AND ORGANIZATION

Aim High for High School (“Aim High”), is a not-for-profit (“NFP”) organization providing a tuition-free summer enrichment program serving urban middle school students in the San Francisco Bay Area and Truckee/Tahoe, California. Founded in 1986, Aim High’s headquarters are located in San Francisco, California.

Aim High’s mission statement is as follows:

“Our mission at Aim High is to create life-changing opportunities during the summer and beyond. Our community: NURTURES the promise and potential of middle school students from low-income neighborhoods. PREPARES students for high school, setting them on the path to college and future success. INSPIRES the next generation of teachers and educational leaders.”

The Board of Directors serves as an oversight and policy-making body for Aim High.

BASIS OF ACCOUNTING

Aim High prepares its financial statements in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”), which involves the application of accrual accounting. Accordingly, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred regardless of the timing of cash flows.

CLASSIFICATION OF NET ASSETS

U.S. GAAP requires that Aim High report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. Accordingly, the net assets of the Aim High are classified and reported as described below:

Without Donor Restrictions

Those net assets and activities which represent the portion of expendable funds that are available to support Aim High’s operations. A portion of these net assets may be designated by the Board of Directors for specific purposes.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2019

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CLASSIFICATION OF NET ASSETS (CONTINUED)

With Donor Restrictions

Those net assets and activities which are donor-restricted for (a) support of specific operating activities; (b) investment for a specified term; (c) use in a specified future period; (d) the acquisition of long-lived assets; (e) assets donated with stipulations that they be used for a specified purpose, be preserved, and not be sold; or (f) assets donated with stipulations that they be invested to provide a permanent source of income.

ESTIMATES

The preparation of financial statements in conformity with U.S. GAAP 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 those estimates.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts of cash and cash equivalents, receivables, and accounts payable approximate fair value because of the short maturity of these instruments. The carrying amounts of long-term receivables approximate fair value as these receivables are discounted based on the prevailing rates.

CASH AND CASH EQUIVALENTS

Aim High considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

GRANTS RECEIVABLE

Grants receivable represent uncollateralized obligations related to Aim High's grant contracts. Grants receivable are due under the terms of the grant agreements.

PROMISES TO GIVE

Unconditional promises to give are recognized as revenues or gains in the period such promises are made by the donor. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. Unconditional promises to give which are scheduled to be received after one year are discounted at rates commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue in accordance with the donor-imposed restrictions, if any.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2019

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

PROMISES TO GIVE (CONTINUED)

Aim High uses the allowance method to account for uncollectible unconditional promises to give. The allowance is based on prior years' experience and management's analysis of specific promises made.

INVESTMENTS

Investments in marketable securities are carried at fair value based upon quoted market prices. Purchases and sales of securities are recorded on a trade-date basis. Realized and unrealized gains and losses and investment income and losses derived from investment transactions are included as revenue in the year earned.

Aim High's Finance Committee is responsible for establishing investment criteria and overseeing Aim High's investments.

PROPERTY AND EQUIPMENT

Aim High capitalizes acquisitions of property and equipment with a cost or value in excess of \$1,000 and with an estimated useful life beyond one year. Purchased assets are recorded at cost; donated assets are recorded at estimated fair value or appraised value at the date of acquisition. Maintenance and repairs are charged to expense as incurred; major renewals and betterments are capitalized. The cost and accumulated depreciation of assets sold or retired are removed from the respective accounts and any gain or loss is reflected in the statement of activities and changes in net assets.

Depreciation is calculated using the straight-line method over the following estimated useful lives:

	<u>Estimated Useful Lives</u>
Computer equipment	3 - 5 years
Program supplies	3 - 10 years
Leasehold improvement	5 years

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2019

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

PROPERTY AND EQUIPMENT (CONTINUED)

Aim High continually evaluates whether events and circumstances have occurred that may warrant revision of the estimated useful life of its long-lived assets or whether the remaining balance of its long-lived assets should be evaluated for possible impairment. If and when such factors, events or circumstances indicate that long-lived assets should be evaluated for possible impairment, Aim High will determine the fair value of the asset by making an estimate of expected future cash flows over the remaining lives of the respective assets and compare that fair value with the carrying value of the assets in measuring their recoverability. There were no impairment losses recognized during the year ended August 31, 2019.

REVENUE RECOGNITION

Grants

Aim High is a direct recipient of grants from the City and County of San Francisco, the City of Oakland, and other government agencies. Grants revenue is recognized when Aim High has unconditional right to reimbursement of funds per the grant agreement for the contracted services being delivered to targeted units and the related eligible costs are incurred.

Contributions

Contributions are recognized as revenue when they are received or unconditionally promised, regardless of compliance with restrictions. Contributions are recognized based on the existence or absence of donor-imposed restrictions.

The satisfaction of a donor-imposed restriction on a contribution is recognized when the corresponding expenditures are incurred or when the time restriction expires. This occurs by increasing one class of net assets and decreasing another in the statement of activities and changes in net assets. Such transactions are recorded as net assets released from restrictions and are reported separately from other transactions.

Contributed Goods and Services

Donated material and equipment are recorded as contributions at their estimated value on the date of receipt. Such donations are reported as support without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use are reported as support with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, Aim High reports expirations of donor restrictions when the donated or acquired assets are placed in service, as instructed by the donor. Aim High reclassifies net assets with donor restrictions to net assets without donor restrictions at that time. Aim High records contribution revenue for certain services received at the fair value of those services, if the services (a) create or enhance nonfinancial assets, or (b) require specialized skills, are provided by individuals possessing those skills, and would be purchased if not donated.

AIM HIGH FOR HIGH SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2019

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing educational programs, fundraising and development, and general and administrative services have been summarized in the statements of activities and changes in net assets and reported by functional expenses on the statement of functional expenses. Accordingly, expenses have been allocated based on an allocation of time for salaries and related expenses, square footage for depreciation and related costs, specific identification for certain expenses including professional services, and estimates made by management for other expenses.

INCOME TAXES

Aim High is a qualified organization exempt from federal income taxes under §501(c)(3) of the Internal Revenue Code (“IRC”) and franchise taxes under §23701d of the California Revenue and Taxation Code, respectively. Accordingly, it is exempt from federal and California income taxes and is not liable for federal unemployment taxes.

U.S. GAAP requires management to evaluate the tax positions taken and recognize a tax liability (or asset) if Aim High has taken an uncertain position that is more-likely-than-not would not be sustained upon examination by taxing authorities. Management evaluated the Aim High’s tax positions and concluded that it maintained its tax-exempt status and had taken no uncertain tax positions that would require adjustment to the financial statements. Therefore, no provision or liability for income taxes has been included in the financial statements. Aim High’s tax returns are subject to examination by federal and state taxing authorities; however, there are no examinations in progress nor are there any pending.

CONCENTRATIONS OF RISK

Financial Instruments

Financial instruments which potentially subject Aim High to concentrations of credit risk consist principally of cash and cash equivalents, promises to give, grants receivable, and investments. Aim High maintains its cash in various bank deposit accounts which, at times, may exceed federally insured limits. Aim High has not experienced any losses in such accounts. Concentrations of credit risk with respect to promises to give are limited because the promises are from numerous corporations and individuals. Concentration of credit risk with respect to grants receivable are limited as Aim High has not historically experienced any issues in receiving the grant. Aim High attempts to limit its credit risk associated with investments by utilizing outside investment managers to place Aim High’s investments with highly rated corporate and financial institutions. Management believes that Aim High is not exposed to any significant credit risk related to concentrations.

AIM HIGH FOR HIGH SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2019

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CONCENTRATIONS OF RISK (CONTINUED)

Contracts

Instructors and key administrative staff are employed on a contract basis. Instructor contracts cover the summer period from June through July, during which the summer program takes place. Administrative contracts cover the year September 1 through August 31. Generally, Aim High has been able to retain the services of desired instructors and key administrators and has not experienced any decline in its programs due to this concentration.

Concentration of Contributions

One donor comprised 59% of the total contributions for the year ended August 31, 2019. This donor's contribution was used to establish a board-designated endowment.

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 U.S. GAAP. Accordingly, such information should be read in conjunction with Aim High's financial statements as of and for the year ended August 31, 2018, from which the summarized information was derived.

ADOPTED ACCOUNTING PRONOUNCEMENT

On August 18, 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the classification of net assets, information about liquidity, availability of resources, information about the types of expenses, and investment return for nonprofit organizations.

Aim High adopted ASU 2016-14 and presented, as new key information, the liquidity and financial resources disclosure, and presented two classes of net assets instead of three classes. This ASU has been applied retrospectively to all periods presented.

RECENT ACCOUNTING PRONOUNCEMENTS

In January 2016, the FASB issued ASU 2016-01, *Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*, to make targeted improvements to U.S. GAAP on accounting for financial instruments.

AIM HIGH FOR HIGH SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2019

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

RECENT ACCOUNTING PRONOUNCEMENTS (CONTINUED)

The guidance in ASU 2016-01 makes targeted improvements to how entities (i) account for equity investments; (ii) present and disclose financial instruments and (iii) measure the valuation allowance on deferred tax assets related to available-for-sale debt securities. The guidance in ASU 2016-01 is effective for “public business entities,” as defined, for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. For all other entities, including not-for-profit entities and employee benefit plans within the scope of ASC 960 through 965 on plan accounting, the guidance is effective for fiscal years beginning after December 15, 2018 and for interim periods within fiscal years beginning after December 15, 2019. Management is evaluating the impact of this new guidance.

In February 2016, the FASB issued its new lease accounting guidance in ASU 2016-02, *Leases (Topic 842)*. ASU 2016-02 will require lessees to recognize for all leases (with terms of more than 12 months) at the commencement date the following: a) a lease liability, which is a lessee’s obligation to make lease payments arising from a lease, measured on a discounted basis, and b) a right-of-use asset, which is an asset that represents the lessee’s right to use, or control the use of, a specified asset for the lease term. The new lease guidance also simplified the accounting for sale and leaseback transactions primarily because lessees must recognize lease assets and lease liabilities.

On August 15, 2019, FASB issued an exposure draft to delay the effective date of this ASU 2016-02. ASU 2016-02 will be effective for fiscal years beginning after December 15, 2020 under the proposed delay. Early application is permitted. Management is evaluating the impact of this guidance.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which adds a new Topic 326 to the Codification and removes the thresholds that entities apply to measure credit losses on financial instruments measured at amortized cost, such as loans, receivables, and held-to-maturity debt securities. Under current U.S. GAAP, entities generally recognize credit losses when it is probable that the loss has been incurred. The revised guidance will remove all recognition thresholds and will require companies to recognize an allowance for credit losses for the difference between the amortized cost basis of a financial instrument and the amount of amortized cost that the company expects to collect over the instrument’s contractual life. ASU 2016-13 also amends the credit loss measurement guidance for available-for-sale debt securities and beneficial interests in securitized financial assets. The guidance in ASU 2016-13 is effective for all non-public entities, including not-for-profit entities and employee benefit plans within the scope of

AIM HIGH FOR HIGH SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2019

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

RECENT ACCOUNTING PRONOUNCEMENTS (CONTINUED)

ASC 960 through 965 on plan accounting, for fiscal years beginning after December 15, 2020 and for interim periods within fiscal years beginning after December 15, 2021. Early adoption of the guidance is permitted for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Management is evaluating the impact of this new guidance.

On June 21, 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958) Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 applies to all entities, including business entities that receive or make contributions of cash and other assets (except for transfers of assets from government entities to business entities).

ASU 2018-08 provides guidance on determining whether a transaction should be accounted for as a contribution or as an exchange transaction. A primary aspect of this determination is whether the two parties receive and sacrifice commensurate value. Making this determination is important because distinguishing between contributions and exchange transactions determines which guidance is applied. For contributions, an entity should follow the guidance in FASB ASC 958-605, *Not-for-Profit Entities—Revenue Recognition*, whereas, for exchange transactions, an entity should follow other guidance (for example, FASB ASC 606, *Revenue from Contracts with Customers*).

ASU 2018-08 could result in more grants and contracts being accounted for as contributions (often conditional contributions) than under current U.S. GAAP. Accounting for the grant or contract as a contribution is expected to be less costly than applying FASB ASC 606 (including the additional disclosure requirements). ASU 2018-08 also provides guidance on determining whether a contribution is conditional, helping entities better distinguish a donor-imposed condition from a donor-imposed restriction. The ASU requires entities to determine whether a contribution is conditional on the basis of whether an agreement includes a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets.

Additionally, ASU 2018-08 modifies the simultaneous release option currently in U.S. GAAP, which allows a not-for-profit organization to recognize a restricted contribution directly in net assets without donor restrictions, if the restriction is met in the same period that the revenue is recognized. This election may now be made for all restricted contributions that were initially classified as conditional without having to elect it for all other restricted contributions and investment returns.

AIM HIGH FOR HIGH SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2019

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

RECENT ACCOUNTING PRONOUNCEMENTS (CONTINUED)

A not-for-profit organization that has issued, or is a conduit bond obligor for, securities that are traded, listed, or quoted on an exchange or an over-the-counter market would apply the new standard for transactions in which the entity serves as a resource recipient to annual reporting periods beginning after June 15, 2018, including interim periods within that annual period. Other organizations would apply the standard to annual reporting periods beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2019. Management is evaluating the impact of this new guidance.

RECLASSIFICATIONS

Certain amounts in the 2018 financial statements have been reclassified to conform to 2019 presentation. These reclassifications have no effect on previously reported net assets or change in net assets.

NOTE 2 - FAIR VALUE MEASUREMENTS

Aim High's financial assets or liabilities carried at fair value have been classified, for disclosure purposes, based on a hierarchy that gives the highest ranking to fair values determined using unadjusted quoted prices in active markets for identical assets (Level 1) and the lowest ranking to fair values determined using methodologies and models with unobservable inputs (Level 3). An asset's or a liability's classification is based on the lowest level input that is significant to its measurement.

Level 1

Inputs are unadjusted quoted prices for identical assets in active markets accessible at the measurement date.

Level 2

Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities from those willing to trade in markets that are not active, or inputs that are derived principally from or corroborated by observable market data by correlation or other means for the term of the instrument.

AIM HIGH FOR HIGH SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2019

NOTE 2 - FAIR VALUE MEASUREMENTS (CONTINUED)

Level 3

Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect Aim High's best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. Fair value measurements require judgement and are exposed to various risk, such as market and credit risks, and are subject to change.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at August 31, 2019.

MUTUAL FUNDS

Valued at the daily closing price as reported by the fund. Mutual funds held by Aim High are open-ended mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value and to transact at that price. The mutual funds held by Aim High are deemed to be actively traded.

The following table provides information as of August 31, 2019, about Aim High's financial assets measured at fair value on a recurring basis:

	Level 1	Level 2	Level 3	Total
Moderate growth	\$ 2,691,218	\$ --	\$ --	\$ 2,691,218
Growth	<u>2,670,625</u>	<u>--</u>	<u>--</u>	<u>2,670,625</u>
Total	<u>\$ 5,361,843</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 5,361,843</u>

AIM HIGH FOR HIGH SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2019

NOTE 3 - PROMISES TO GIVE

Unconditional promises to give at August 31, 2019, consist of the following:

	Due in Less Than 1 Year	Due in 1 to 5 Years	Total
With donor restrictions:			
Inherent time restriction:			
Individuals	\$ 440,818	\$ 601,666	\$ 1,042,484
Foundations	285,000	155,000	440,000
Discount on promises to give	--	(124,808)	(124,808)
Allowance for doubtful accounts	(17,246)	(18,483)	(35,729)
	<u>708,572</u>	<u>613,375</u>	<u>1,321,947</u>
Purpose and inherent time restrictions:			
Tahoe	75,000	50,000	125,000
Gala	10,000	--	10,000
Napa	80,000	--	80,000
North bay	--	225,000	225,000
South bay	--	60,000	60,000
Discount on promises to give	--	(55,256)	(55,256)
Allowance for doubtful accounts	(3,921)	(8,183)	(12,104)
	<u>161,079</u>	<u>271,561</u>	<u>432,640</u>
Promises to Give, Net	<u>\$ 869,651</u>	<u>\$ 884,936</u>	<u>\$ 1,754,587</u>

All long-term promises to give are stated at their present values. Management has discounted these promises to give at 5%. Promises to give without purpose restrictions, such as individuals, foundations, and public promises to give are recorded as net assets with donor restrictions due to inherent time restrictions. These donors have not imposed restrictions on the usage of these funds and the promises to give will be reclassified as net assets without donor restrictions by reporting the cash receipts as net assets released from restrictions when the promises to give became due.

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FOR THE YEAR ENDED AUGUST 31, 2019

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment at August 31, 2019, consist of the following:

FileMaker software	\$ 260,794
Program supplies	28,658
Leashold improvements	<u>24,105</u>
	313,557
Less: accumulated depreciation	<u>(123,724)</u>
Total	<u><u>\$ 189,833</u></u>

For the year ended August 31, 2019, depreciation expense was \$79,836

NOTE 5 - NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions at August 31, 2019, are as follows:

Board designated endowment	\$ 5,361,843
Net investment in property and equipment	189,833
Undesignated	<u>2,047,622</u>
Total	<u><u>\$ 7,599,298</u></u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2019

NOTE 6 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at August 31, 2019, may be expended for:

Promises to give - inherent time restrictions	\$ 1,321,947
Promises to give - Gala and inherent time restrictions	10,000
Promises to give - Napa and inherent time restrictions	76,079
Promises to give - North Bay and inherent time restrictions	189,189
Promises to give - South Bay and inherent time restrictions	46,186
Promises to give - Tahoe and inherent time restrictions	111,186
Grants - San Francisco	217,487
Grants - Oakland	<u>45,000</u>
Total	<u><u>\$ 2,017,074</u></u>

NOTE 7 - CONTRIBUTIONS, GIFTS, AND GRANTS

Contributions, gifts, and grants for the year ended August 31, 2019, were as follows:

Foundations	\$ 2,411,968
Individuals	8,407,450
Corporate	745,713
Public	667,427
Partners	54,000
Discount on promises to give	<u>(167,026)</u>
Total	<u><u>\$ 12,119,532</u></u>

NOTE 8 - IN-KIND CONTRIBUTIONS

During the year ended August 31, 2019, Aim High conducted its summer program at eighteen locations. For fourteen of the locations, Aim High was granted the use of these facilities at no cost. The fair value of the in-kind contributed rent for the year ended August 31, 2019, was \$168,000. There were also other in-kind contributions with a total value of \$21,770 for the year ended August 31, 2019.

AIM HIGH FOR HIGH SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2019

NOTE 9 - NET ASSETS RELEASED FROM RESTRICTIONS

Net assets released from restrictions for the year ended August 31, 2019, were as follows:

Program sites	\$ 1,803,705
Expiration of inherent time restrictions on promises to give	<u>1,668,974</u>
Total	<u>\$ 3,472,679</u>

NOTE 10 - ENDOWMENT

Aim High's endowment consists of one Board designated fund established for the long-term financial benefit of Aim High and its educational goals and objectives by providing annual support for to Aim High. As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

INTERPRETATION OF RELEVANT LAW

The Board of Directors have interpreted California's enacted version of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the School classifies as permanent net assets with restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the endowment fund.

The remaining portion of the donor-restricted endowment fund that is not classified in permanent endowment is classified as expendable net assets with restrictions until those amounts are appropriated for expenditure by Aim High in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, Aim High considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the School and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of Aim High
- (7) The investment policies of Aim High

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FOR THE YEAR ENDED AUGUST 31, 2019

NOTE 10 - ENDOWMENT (CONTINUED)

ENDOWMENT ROLLFORWARD

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets - Beginning	\$ --	\$ --	\$ --
Investment return:			
Investment income	6,284	--	6,284
Net appreciation (realized and unrealized)	310,809	--	310,809
Total investment return	317,093	--	317,093
Contributions	5,044,750	--	5,044,750
Endowment Net Assets - Ending	\$ 5,361,843	\$ --	\$ 5,361,843

RETURN OBJECTIVES AND RISK PARAMETERS

Aim High has adopted investment and spending policies to obtain a long-term investment return at least equal to the Endowment's spending rate plus the rate of inflation, thereby preserving the real market value of the Endowment over time. Actual returns in any given year may vary from this amount. Investment will be made to target a mix of asset classes including equity, debt, and others with distinct risk characteristics to provide broad diversification and to not expose the endowment to unacceptable levels of risk.

STRATEGIES EMPLOYED FOR ACHIEVING OBJECTIVES

Endowment assets are to be invested in a diverse portfolio that includes common stocks, preferred stocks, debt obligations, commingled vehicles, and cash. Mutual funds and exchange traded funds comprised of these investments are also permitted. No more than 5% of the endowment market value is to be invested in the securities of a single issuer with the exception of mutual funds and exchange traded funds.

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FOR THE YEAR ENDED AUGUST 31, 2019

NOTE 10 - ENDOWMENT (CONTINUED)

SPENDING POLICY AND INVESTMENT OBJECTIVES

The endowment policy provides that distributions to the general operating fund for the next year are equal to 70% of the current year distributions adjusted by the inflation rate plus 1.2% of the endowment's market value. As the endowment was being established in the current year, no funds were appropriated for spending as of June 30, 2019.

NOTE 11 - RETIREMENT PLAN

Aim High established a defined contribution retirement plan (the "Plan"), through the Teachers Insurance and Annuity Association ("TIAA"). The Plan covers all employees who are 21 years of age or older. Aim High makes an equal matching contribution of up to 5% of each eligible employee's annual compensation to the Plan, to a fully-funded, immediately vested TIAA retirement annuity contract for each individual participating in the Plan. The participating employees may contribute additional, unmatched amounts, up to the maximum amount allowable by the IRC. During the year ended August 31, 2019, Aim High contributed \$93,993 to the Plan.

AIM HIGH FOR HIGH SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2019

NOTE 12 - COMMITMENTS AND CONTINGENCIES

Aim High leases its office facility under a monthly operating lease expiring in March 2025. Aim High also leases its various facility locations on a month-to-month basis. In addition, Aim High had a non-cancelable operating lease agreement for equipment through October 2024. Future minimum rental payments for Aim High's office facility and equipment for the years ending August 31, are as follows:

For the Years Ending August 31,	Office Facility	Equipment	Total
2020	\$ 200,179	\$ 11,556	\$ 211,735
2021	209,650	11,556	221,206
2022	213,276	11,556	224,832
2023	215,941	11,556	227,497
2024	219,672	11,556	231,228
Thereafter	<u>128,142</u>	<u>1,926</u>	<u>130,068</u>
Total	<u>\$ 1,186,860</u>	<u>\$ 59,706</u>	<u>\$ 1,246,566</u>

For the year ended August 31, 2019, total rent expense for office facility and equipment incurred by Aim High was \$426,852.

Aim High is subleasing office space to two tenants. One of these tenants is a member of the Board of Directors. The Board member's lease is at a monthly amount of \$500. The lease agreement commenced in August 2011 and is on a month-to-month basis. During the year ended August 31, 2019, Aim High received \$55,070 of rental income, \$6,000 of which was received from the Board member.

Aim High receives funding under annual grants and contracts from local agencies. If a significant reduction in the level of funding provided by these governmental agencies were to occur, it may have an effect on Aim High's programs and activities. Grants which are derived from restricted funding provided by government grants and contracts, are subject to audit by the governmental agencies. Should such an audit disclose unallowed costs, Aim High may be liable to the funding agency for reimbursement of such costs. In management's opinion, the effect of any potential unallowed costs would be immaterial to the financial statements as of August 31, 2019, and for the year then ended.

AIM HIGH FOR HIGH SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2019

NOTE 13 - SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

During the year ended August 31, 2019, \$260,794 was transferred from work in progress to FileMaker software upon completion of the project.

NOTE 14 - LIQUIDITY AND FINANCIAL RESOURCES

As part of Aim High's liquidity management, it structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. To meet liquidity needs, Aim High has cash and cash equivalents available. Contributions receivable that are considered current are expected to be collected from donors within one year from the date of the statement of financial position, however some amounts are donor-restricted.

The Board meets quarterly to review Aim High's statement of financial position and discuss what may be a reasonable cash position to maintain.

Financial assets available as of August 31, 2019, to meet cash needs for general expenditures within one year are as follows:

Cash and cash equivalents	\$ 2,122,027
Promises to give and grants receivable, current portion	1,132,138
Other receivable	2,661
Investments	<u>5,361,843</u>
Total Financial Assets	8,618,669
Investments held for Board designated endowment	(5,361,843)
Other donor restrictions	<u>(695,127)</u>
Financial Assets Available to Meet General Expenditures Within One Year	<u><u>\$ 2,561,699</u></u>

NOTE 15 - SUBSEQUENT EVENTS

Aim High has evaluated all subsequent events through January 29, 2020, the date the financial statements were available to be issued. No events requiring recognition or disclosure in the financial statements have been identified.