

# **COLLEGE FUTURES FOUNDATION**

---

## **FINANCIAL STATEMENTS**

December 31, 2023 and 2022

# COLLEGE FUTURES FOUNDATION

## T A B L E O F C O N T E N T S

---

	<b>Page(s)</b>
Independent Auditors' Report	1-2
Financial Statements:	
Statements of Financial Position	3
Statements of Activities and Changes in Net Assets	4
Statements of Cash Flows	5
Notes to Financial Statements	6-17



## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
College Futures Foundation

### Opinion

We have audited the financial statements of College Futures Foundation, which comprise the statements of financial position as of December 31, 2023 and 2022, the related statements of activities and changes in net assets, and cash flows for the fiscal years 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 College Futures Foundation as of December 31, 2023 and 2022, and the changes in its net assets and its cash flows for the fiscal years then ended in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

### Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("U.S. GAAS"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of College Futures Foundation 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.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP, 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.

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 College Futures Foundation's ability to continue as a going concern for one year after the date that the financial statements are issued.

### Auditors' 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 auditors' 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 U.S. 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 U.S. 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 College Futures Foundation'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 College Futures Foundation'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.

BPM LLP

San Jose, California  
September 27, 2024

# COLLEGE FUTURES FOUNDATION

## STATEMENTS OF FINANCIAL POSITION

As of December 31, 2023 and 2022

(In thousands)

	2023	2022
<b>ASSETS</b>		
Cash and cash equivalents	\$ 5,393	\$ 6,062
Net receivables from unsettled trades	176,210	13,000
Fixed assets, net	1,224	1,443
Other assets, net	1,856	1,989
Operating lease right-of-use asset, net	1,938	2,218
Investments, at fair value	349,540	481,314
Total assets	<u>\$ 536,161</u>	<u>\$ 506,026</u>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Accounts payable and accrued liabilities	\$ 1,271	\$ 1,171
Grants payable, net	10,723	9,073
Operating lease liability	2,442	2,770
Deferred federal excise tax liability	1,492	1,025
Total liabilities	<u>15,928</u>	<u>14,039</u>
Net assets without donor restrictions	520,233	491,749
Net assets with donor restrictions	<u>-</u>	<u>238</u>
Total net assets	<u>520,233</u>	<u>491,987</u>
Total liabilities and net assets	<u>\$ 536,161</u>	<u>\$ 506,026</u>

**COLLEGE FUTURES FOUNDATION**  
**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**  
For the years ended December 31, 2023 and 2022  
*(In thousands)*

	2023	2022
Income and support without donor restrictions:		
Investment income (loss), net	\$ 55,310	\$ (73,007)
Net investment income (loss) before excise and income tax (expense) benefit	55,310	(73,007)
Excise and income tax (expense) benefit	(845)	581
Net investment income (loss) after excise and income tax (expense) benefit	54,465	(72,426)
Net assets released from restrictions	238	3,612
Total income (loss) and support	54,703	(68,814)
Expenses:		
Program expenses:		
Grants awarded and direct charitable activities	19,214	23,488
Program-related expenses	4,556	4,312
Total program expenses	23,770	27,800
Management and general expenses	2,449	2,485
Total expenses	26,219	30,285
Change in net assets without donor restrictions	28,484	(99,099)
Income and support with donor restrictions:		
Net assets released from restrictions	(238)	(3,612)
Change in net assets with donor restrictions	(238)	(3,612)
Change in net assets	28,246	(102,711)
Net assets, beginning of year	491,987	594,698
Net assets, end of year	\$ 520,233	\$ 491,987

# COLLEGE FUTURES FOUNDATION

## STATEMENTS OF CASH FLOWS

For the years ended December 31, 2023 and 2022

(In thousands)

	2023	2022
Cash flows from operating activities:		
Change in net assets	\$ 28,246	\$ (102,711)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation of fixed assets	270	281
Net realized and unrealized (gain) loss on investments	(59,003)	70,799
Provision for loan losses	-	37
Amortization of right-of-use lease asset	280	237
Deferred federal excise tax	467	(1,129)
Changes in operating assets and liabilities:		
Contributions receivable	-	2,500
Other assets	133	(733)
Accounts payable and accrued liabilities	99	(120)
Grants payable	1,651	425
Lease liability	(327)	(308)
Net cash used in operating activities	<u>(28,184)</u>	<u>(30,722)</u>
Cash flows from investing activities:		
Proceeds from sale of investments	255,916	49,167
Purchases of investments	(65,139)	(23,223)
Net receivables from unsettled trades	(163,210)	2,000
Purchases of property and equipment	(52)	(9)
Net cash provided by investing activities	<u>27,515</u>	<u>27,935</u>
Net decrease in cash and cash equivalents	(669)	(2,787)
Cash and cash equivalents, beginning of year	<u>6,062</u>	<u>8,849</u>
Cash and cash equivalents, end of year	<u>\$ 5,393</u>	<u>\$ 6,062</u>
Supplemental disclosure of cash flow information:		
Cash paid for excise and income taxes	<u>\$ 310</u>	<u>\$ 1,477</u>
Non-cash investing and financing activities:		
Operating lease right-of-use asset obtained in exchange for operating lease liability	<u>\$ -</u>	<u>\$ 3,078</u>

# COLLEGE FUTURES FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

December 31, 2023 and 2022

(In thousands)

---

### 1. Organization and Business

College Futures Foundation (“College Futures”) is a private foundation working to realize an equitable system that creates the opportunity for all of California’s diverse students to pursue the future of their dreams through education.

Established in 2005, College Futures partners with organizations and leaders across the state to catalyze systemic change, increase post-secondary degree and certification completion, and close equity gaps so that educational opportunity becomes a reality for every student, regardless of skin color, zip code, or income.

### 2. Summary of Significant Accounting Policies

#### ***Basis of Presentation***

The financial statements of College Futures have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”), which require College Futures to report information regarding its financial position and activities according to the following net asset classifications:

**Net assets without donor restrictions** – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of College Futures’ management and the Board of Directors (“Board”).

**Net assets with donor restrictions** – Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of College Futures or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

#### ***Cash and Cash Equivalents***

Cash equivalents consist of demand deposits in banks and money market funds with original maturities of 90 days or less.

#### ***Investments***

Investments are stated at fair value. Net realized and unrealized gains or losses on investments are reflected as increases or decreases in net assets without donor restrictions. Gains and losses that result from market fluctuations are recognized in the period such fluctuations occur. Realized gains or losses are calculated based on purchase prices. Dividend income is recorded on ex-dividend dates. Interest income from investments is recorded on an accrual basis.

Debt and equity securities with readily determinable fair values are carried at estimated fair value, based on quoted market prices. College Futures invests in limited partnerships including diversified inflation hedges, fixed income and bond funds, multi-strategy endowment pools, and private equity funds that may not be immediately liquid nor have readily determinable fair values. These investments are valued at amounts reported to College Futures by the general partners of such entities, in accordance with their established guidelines. Further, management reviews the annual K-1 forms, the audited financial statements for the partnerships, reviews investment managers’ valuation policies, monitors news in the public domain in connection with its investment managers, meets periodically with investment managers, and participates in quarterly investor calls. Management believes these methods provide a reasonable basis for the fair value. These values may differ significantly from values that would have been used had a readily available market existed for such investments, and the differences could be material.



# COLLEGE FUTURES FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

December 31, 2023 and 2022

(In thousands)

---

### 2. Summary of Significant Accounting Policies, continued

*Investments*, continued

#### ***Net Receivables from Unsettled Trades***

Receivables from unsettled trades are amounts due from pending investment redemption requests made before December 31, 2023 and 2022. These trades were settled in January 2024 and January 2023, respectively.

#### ***Fixed Assets, Net***

College Futures capitalizes all acquisitions for property and equipment in excess of \$3. Equipment and furnishings are stated at cost and depreciated over three to seven years using the straight-line method. Leasehold improvements are stated at cost and are amortized over the remaining life of the lease.

#### ***Other Assets, Net***

Other assets, net include net student loans receivable, deferred compensation, prepaid expenses, and taxes.

#### ***Fair Value Measurements***

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, College Futures uses various valuation approaches. In accordance with U.S. GAAP, a hierarchy has been established for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of College Futures. Unobservable inputs are inputs that reflect College Futures' assumptions about what market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

College Futures classifies its financial assets and liabilities according to the following hierarchy, from (1) highest to (3) lowest in the use of observable inputs, and minimizes the use of unobservable inputs when measuring fair value:

*Level 1* – quoted prices in active markets for identical investments. The types of investments in Level 1 include listed equities held in the name of College Futures.

*Level 2* – pricing inputs, including broker quotes, are generally those other than exchange quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.

*Level 3* – pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. College Futures' assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and consideration of factors specific to the investment.

# COLLEGE FUTURES FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

December 31, 2023 and 2022

(In thousands)

---

### 2. Summary of Significant Accounting Policies, continued

#### **Contributions**

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities and changes in net assets as net assets released from restrictions.

#### **Grants**

Unconditional grants are recognized as grant expense and a liability when College Futures' Board approves the grants, or the President and Chief Executive Officer authorizes grants in accordance with Board-approved authority. Unconditional grants that are expected to be paid in less than one year are measured at net settlement value. Unconditional grants that are expected to be paid in more than one year are measured at the present value of the estimated future cash flows. Grant refunds are recorded as a reduction of grant expense at the time College Futures becomes aware the grant will be refunded. Conditional grants are recognized as grant expense in the period in which the recipient meets certain criteria or barriers.

#### **Income Taxes**

College Futures is a nonprofit organization exempt from income tax under Section 501(c)(3) of the Internal Revenue Code (the "Code") and Section 23701(d) of the Revenue and Taxation Code of the State of California. College Futures is a private foundation within the meaning of Section 509(a) of the Code. As such, College Futures is exempt from federal income taxes under Section 501(c)(3) of the Code and is exempt from California franchise and/or income taxes under Section 23701(d) of the Revenue and Taxation Code. However, College Futures is subject to federal excise taxes as well as federal and state unrelated business income tax.

College Futures recognizes interest and penalties accrued related to unrecognized tax benefits in management and general expenses on the statements of activities and changes in net assets. No interest or penalties have been accrued as of December 31, 2023 and 2022. College Futures follows guidance for the recognition of uncertain tax positions. Management has concluded there are no uncertain tax positions as of December 31, 2023 and 2022.

Tax returns will remain open for examination by federal and state taxing authorities for three and four years, respectively.

#### **Leases**

College Futures determines if an arrangement is or contains a lease at inception. Leases are included in operating lease right-of-use ("ROU") asset and operating lease liability in the statements of financial position. The obligations associated with leases are recognized as liabilities in the statements of financial position based on future lease payments, discounted using College Futures' incremental borrowing rate. Operating lease expense is recognized on a straight-line basis over the lease term. College Futures does not report ROU assets and lease liabilities for short-term leases (leases with a term of 12 months or less). Instead, lease payments made under short-term leases are reported when the expense is incurred. College Futures does not have any short-term lease contracts (leases with a term of 12 months or less).

# COLLEGE FUTURES FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

December 31, 2023 and 2022

(In thousands)

### 2. Summary of Significant Accounting Policies, continued

#### Leases, continued

Lease terms may include options to extend or terminate certain leases. The value of a lease extension or termination is reflected in the ROU asset and lease liability valuation if it is reasonably certain management will exercise an option to extend or terminate a lease.

#### Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions. These estimates and assumptions 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

#### Recent Accounting Pronouncements

Financial Accounting Standards Board Accounting Standards Update ("ASU") 2016-13, *Financial Instruments—Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments* ("ASU 2016-13"), and related amendments, replaces the incurred loss impairment methodology in current U.S. GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The new Current Expected Credit Losses ("CECL") model applies to financial assets at amortized cost, including trade receivables, contract assets and certain off-balance sheet credit exposures, such as loan commitments. ASU 2016-13 is effective for fiscal years beginning after December 31, 2022. The Foundation adopted ASU 2016-13 using the modified retrospective method for receivables. The adoption did not have a material effect on report assets, liabilities or net assets.

### 3. Liquidity

College Futures' financial assets available within one year to meet general expenditures include as of December 31:

	2023	2022
Cash and cash equivalents	\$ 5,393	\$ 6,062
Fixed income and bond funds	-	1,228
Mutual funds	15,022	4,972
Redemption ceiling from multi-strategy endowment pool	22,800	32,505
Net receivables from unsettled trades	176,210	13,000
Total	<u>\$ 219,425</u>	<u>\$ 57,767</u>

College Futures structures its financial assets to be available and liquid as its grants, general expenditures, liabilities, and other obligations become due. To achieve this, management forecasts its future cash flows, monitors liquidity on a monthly basis, and aggregates liquidity data to inform semi-annual redemption requests from the multi-strategy endowment pool. In addition to the available financial assets listed above, there are likely to be additional components of the investment portfolio that may be available and liquid within one year. These components generally include distributions from private equity and diversified inflation hedge holdings.

# COLLEGE FUTURES FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

December 31, 2023 and 2022

(In thousands)

### 4. Fair Value Measurements and Investments

The following tables summarize the valuation of College Futures' assets and liabilities measured on a recurring basis as of December 31:

	2023	2022
Assets:		
Fair value measurements:		
Cash equivalents—money market (Level 1)	\$ 2,866	\$ 98
Investments:		
Mutual funds (Level 1)	15,022	4,972
Investments measured using NAV:		
Fixed income and bond funds	-	1,228
Multi-strategy endowment pool	325,708	464,363
Diversified inflation hedges	579	1,159
Private equity funds	8,231	9,592
Total investments measured using NAV	334,518	476,342
Total investments, at fair value	349,540	481,314
Deferred compensation in mutual funds (Level 1)	644	601
Net receivables from unsettled trades (Level 2)	176,210	13,000
Total assets measured at fair value	\$ 529,260	\$ 495,013
Liabilities:		
Deferred compensation liabilities (Level 1)	\$ 644	\$ 601
Total liabilities measured at fair value	\$ 644	\$ 601

There were no significant transfers between Level 1, Level 2, and Level 3 of the fair value hierarchy during 2023 and 2022. College Futures recognizes transfers into and out of levels on their respective transaction dates.

# COLLEGE FUTURES FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

December 31, 2023 and 2022

(In thousands)

### 4. Fair Value of Measurements and Investments, continued

College Futures uses NAV to estimate the fair value of underlying investments that a) do not have readily determinable fair values and b) prepare their financial statements consistent with the measurement principles of an investment company or have attributes of an investment company. The following table lists investments in other investment companies (in partnership or trust format) by major class as of December 31, 2023 and 2022:

Strategy	2023 NAV in Funds	Number of Funds	2022 NAV in Funds	Number of Funds	2023 Unfunded Commitments	Remaining Life	Redemption Notice Period	Redemption Restrictions
Fixed income and bond funds:								
Short-term fixed income	\$ -	0	\$ 1,228	1	\$ -	NA	10 days	Redemptions only on last business day of any month.
Multi-strategy endowment pool:								
Multi-strategy <sup>(a)</sup>	325,708	1	464,363	1	-	NA	120 days	Full fund redemptions permitted annually, subject to a 10% holdback and side pockets for illiquid assets. College Futures can redeem up to 7% annually in aggregate during the specified redemption periods. There are no further restrictions on redemptions.
Diversified inflation hedges:								
Natural resources and real estate	579	3	1,159	4	491	2-3 years	NA	NA*
Private equity funds:								
Venture and buyout U.S. and international	8,231	6	9,592	6	1,019	2-4 years	NA	NA*
Total	<u>\$ 334,518</u>		<u>\$ 476,342</u>		<u>\$ 1,510</u>			

\* Private equity fund structures with no ability to redeem.

# COLLEGE FUTURES FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

December 31, 2023 and 2022

(In thousands)

### 4. Fair Value Measurements and Investments, continued

(a) The Multi-strategy endowment pool is one fund that includes investments in equities, real assets, commodities, natural resources, credit, fixed income, hedge funds, and direct hedges. Equity investments strategies include long-only and long-biased, public and private equities in both domestic and international markets. Real asset investment strategies include investments in real estate, power, infrastructure, and non-resource real assets. Commodities and natural resources investment strategies are focused on liquid commodities such as metals and agricultural products and private natural resources such as timber and mining interests. Credit investment strategies are primarily non-investment grade and distressed credit. Fixed income investment strategies are United States Treasuries and Treasury Inflation Protected securities, other sovereign debt, and investment grade credit. Hedge fund strategies include those that are event-driven, such as corporate merger activity and the use of long and offsetting short positions. Finally, the strategies for direct hedges include investments in currencies, gold, and options such as puts and calls.

The liquidity profile for the multi-strategy endowment pool is actively managed to maintain sufficient liquidity for limited partners. As of December 31, 2023, 42% and 53% of the pool was convertible to cash within one year and three years, respectively, and as of December 31, 2022, 41% and 53% of the pool was convertible to cash within one year and three years, respectively.

### 5. Grants Payable

Future minimum unconditional grants payable are scheduled as follows as of December 31, 2023:

Year ending December 31:	
2024	\$ 7,903
2025	2,322
2026	<u>842</u>
Total unconditional grants payable	11,067
Less: discounts to net present value	<u>(344)</u>
Net unconditional grants payable	<u>\$ 10,723</u>

### 6. Employee Benefits

College Futures sponsors a 403(b) plan to which eligible employees may voluntarily contribute a percentage of their compensation. College Futures also contributes matching amounts. College Futures' 403(b) plan expense was \$270 and \$266, respectively, for the years ended December 31, 2023 and 2022. College Futures also provides a contributory money purchase 401(a) plan for all eligible employees. The 401(a) plan is funded by College Futures only. College Futures' 401(a) plan expense was \$270 and \$266, respectively, for the years ended December 31, 2023 and 2022. Both plans are maintained by an independent trustee.

College Futures also has an unfunded deferred compensation plan for a select group of highly compensated or management level employees under Section 457(b) of the Code. Eligible employees may voluntarily contribute a percentage of their compensation to the plan. In addition, College Futures contributes to the plan on behalf of eligible employees that did not receive their full contributions through the 403(b) or 401(a) plans due to Internal Revenue Service ("IRS") limits covering those plans. As of December 31, 2023 and 2022, College Futures held \$644 and \$601, respectively, in other assets, net which are designated to pay an offsetting deferred compensation liability that is included in accounts payable and accrued liabilities on the statements of financial position.

# COLLEGE FUTURES FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

December 31, 2023 and 2022

(In thousands)

### 7. Excise and Income Taxes

#### **Excise Taxes**

In accordance with the applicable provisions of the Code, College Futures is required to distribute 5% of the average fair market value of its investment assets annually. Excess distributions may be carried forward up to 5 years to offset years with distributions below 5%. College Futures met this minimum pay out requirement in each of the years presented in these financial statements.

Private foundations are liable for federal excise taxes on investment income, excluding unrealized gains, at a 1.39% tax rate. College Futures' estimated tax provisions, both current and deferred, are recorded at the 1.39% rate. Adjustments to true-up differences between estimated and actual tax expense are made in each subsequent year following the financial statement date—the year the tax return is filed.

Deferred tax items are created when certain income and expense items are accounted for in different time periods for financial statement purposes than for tax purposes. College Futures' deferred federal excise tax liabilities arise primarily from unrealized gains on investments.

If taxes are due, current federal excise taxes payable are included in accounts payable and accrued liabilities on the statements of financial position. Conversely, if a refund is due, these accounts are included in other assets, net on the statements of financial position. For the years ended December 31, 2023 and 2022, current federal excise tax credits were included in other assets, net.

The provision for federal excise taxes and unrelated business income taxes are as follows as of December 31, 2023 and 2022:

	2023	2022
Current:		
Excise	\$ 170	\$ 315
Unrelated business income	209	233
Total	379	548
Deferred:		
Excise	466	(1,129)
Total excise and unrelated business income taxes	\$ 845	\$ (581)

#### **Unrelated Business Income Taxes**

Unrelated business income taxes arise primarily from income generated from certain types of investments, such as particular kinds of leveraged real estate investments. If taxes are due, federal and state unrelated business income taxes payable are included in accounts payable and accrued liabilities on the statements of financial position. Conversely, if a refund is due, these accounts are included in other assets, net on the statements of financial position. For the years ended December 31, 2023 and 2022, unrelated business income tax balances were included in other assets, net. As of December 31, 2023, College Futures estimated pre-tax unrelated business income of \$610. As of December 31, 2022, College Futures estimated pre-tax unrelated business income of \$1,016.

# COLLEGE FUTURES FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

December 31, 2023 and 2022

(In thousands)

### 8. Commitments, Contingencies, and Concentrations of Risk

#### Lease Commitments

College Futures leases office space under a non-cancelable operating lease with a lease term expiring in 2029.

Operating lease right-of-use asset, net of accumulated amortization was \$1,938 and \$2,218 as of December 31, 2023 and 2022, respectively.

The non-cancelable operating lease includes a five-year extension, available at College Futures' option, which College Futures is not reasonably certain to exercise. Therefore, the payments associated with the extension are not included in the operating lease ROU asset or operating lease liability recognized as of December 31, 2023.

As of December 31, 2023, future minimum lease commitments under the non-cancelable operating leases are:

Year ending December 31:		
2024	\$	540
2025		556
2026		573
2027		590
2028		608
Thereafter		<u>100</u>
Total undiscounted cash flows		2,967
Less: present value discount		<u>(525)</u>
Total lease liability, net		2,442
Current portion		<u>369</u>
Long-term portion	\$	<u>2,073</u>

Operating lease expense for the years ended December 31, 2023 and 2022 was \$508 and \$506, respectively. The remaining lease term is 5.2 years, and the discount rate is 7.5%, as of December 31 2023.

#### Contingencies

From time to time, College Futures may be involved as a party to certain legal proceedings and other claims arising in the normal course of its business. While litigation and claims resolution are subject to many uncertainties and cannot be predicted with assurance, it is management's opinion that any resulting losses would not have a material effect on College Futures' financial statements.

#### Concentrations of Risk

Financial instruments that potentially subject College Futures to credit risk consist primarily of cash, cash equivalents, net receivables from unsettled trades, investments, and student loan receivables. College Futures maintains cash and cash equivalents with two major financial institutions. At times, such amounts may exceed Federal Deposit Insurance Corporation limits.



# COLLEGE FUTURES FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

December 31, 2023 and 2022

*(In thousands)*

---

### 8. Commitments, Contingencies, and Concentrations of Risk, continued

#### **Concentrations of Risk**, continued

College Futures' credit risk is inherent principally in its investments. Adverse economic conditions either nationwide or internationally may result in a reduction of the investments' carrying amount. The maximum loss on the investments would be the carrying amount in the financial statements. As of December 31, 2023 and 2022, College Futures held investments in excess of the Securities Investor Protection Corporation insurance limits.

To address investment risk, College Futures maintains a formal investment policy that sets out risk management guidelines, performance criteria, investment and asset allocation guidelines, and requires review of the investment manager's performance. Investments are managed by investment managers who have responsibility for investing the funds in various investment classes. From time to time, an independent investment consultant is also utilized. This entire process is actively overseen by the Investment Committee of the Board.

### 9. Net Assets

Net assets with donor restrictions were \$0 and \$238 for December 31, 2023 and 2022, respectively. The restrictions as of December 31, 2022, consisted of \$152 for re-granting system-level, regional, and organizational capacity building investments and \$86 for indirect costs incurred by College Futures over the remaining life of the grant.

Net assets released from net assets with donor restrictions were \$238 and \$3,612 for December 31, 2023 and 2022, respectively. The releases from net assets with donor restrictions as of December 31, 2023 consist of the satisfaction of purpose restrictions for \$152, as this balance was re-granted for system-level, regional, and organizational capacity building investments, and \$86 for indirect costs incurred by College Futures during the year ended December 31, 2023. The releases from net assets with donor restrictions as of December 31, 2022 consist of the satisfaction of purpose restrictions for \$3,448, as this balance was re-granted for system-level, regional, and organizational capacity building investments, and \$164 for indirect costs incurred by College Futures during the year-ended December 31, 2022.

### 10. Analysis of Expenses

College Futures' expenses, where not directly attributable to one function, have been allocated between grantmaking, direct charitable, and management and general activities based on periodic time studies and estimates made by management of time spent by employees on various activities. Grantmaking expenses include grants awarded and program-related expenses that pertain to activities in support of grantmaking and grant-related activities. Direct charitable expenses pertain to charitable activities for the benefit of others initiated and conducted in whole or in part by College Futures. Management and general expenses include costs related to the management and operational support of College Futures. Investment related expenses are included in investment income, net on the statements of activities and changes in net assets and accordingly, are not included in the functional expense table below.

# COLLEGE FUTURES FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

December 31, 2023 and 2022

(In thousands)

### 10. Analysis of Expenses, continued

College Futures' functional expenses, displayed by natural expense classification, for the year ended December 31, 2023 were as follows:

	Program Expenses			Management and General	Total
	Grantmaking	Direct Charitable Activities	Total Program Expenses		
Grants awarded	\$ 17,647	\$ 1,260	\$ 18,907	\$ -	\$ 18,907
Employee expenses	3,287	233	3,520	1,595	5,115
Professional services	326	-	326	234	560
Occupancy	347	25	372	136	508
Board related expenses	-	-	-	307	307
Depreciation and amortization	184	14	198	72	270
Systems expenses	124	14	138	49	187
Communication expenses	89	16	105	-	105
Other expenses	199	5	204	56	260
Total expenses	<u>\$ 22,203</u>	<u>\$ 1,567</u>	<u>\$ 23,770</u>	<u>\$ 2,449</u>	<u>\$ 26,219</u>

College Futures' functional expenses, displayed by natural expense classification, for the year ended December 31, 2022 were as follows:

	Program Expenses			Management and General	Total
	Grantmaking	Direct Charitable Activities	Total Program Expenses		
Grants awarded	\$ 21,548	\$ 1,657	\$ 23,205	\$ -	\$ 23,205
Employee expenses	3,202	192	3,394	1,543	4,937
Professional services	165	-	165	324	489
Occupancy	347	18	365	142	507
Board related expenses	-	-	-	292	292
Depreciation and amortization	192	10	202	79	281
Systems expenses	114	11	125	47	172
Communication expenses	138	48	186	-	186
Other expenses	154	4	158	58	216
Total expenses	<u>\$ 25,860</u>	<u>\$ 1,940</u>	<u>\$ 27,800</u>	<u>\$ 2,485</u>	<u>\$ 30,285</u>

# COLLEGE FUTURES FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

December 31, 2023 and 2022

*(In thousands)*

---

### 11. Subsequent Events

College Futures evaluated subsequent events for recognition and disclosure through September 27, 2024, the date that these financial statements were issued. Management concluded that, other than stated below, no additional subsequent have occurred since December 31, 2023 that require recognition or disclosure in these financial statements.

During 2023, College Futures completed an Outsourced Chief Investment Officer (“OCIO”) Request for Proposal Process. This culminated with College Futures appointing the Agility business unit of Perella Weinberg Partners Capital Management LP (“PWPCM”) as the new OCIO effective January 1, 2024. On May 31, 2024, the Agility business unit of PWPCM was purchased by Cerity Partners LLC and renamed Cerity Partners OCIO.