
**A MILLION STARS, INC.
D/B/A COLLEGE BOUND**

**FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**



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Phone 314.862.2070 | Fax 314.862.1549 | www.muellerprost.com
St. Louis | 7733 Forsyth Blvd. | Suite 1200 | St. Louis | MO | 63105
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To the Board of Directors
A Million Stars, Inc. d/b/a College Bound
St. Louis, Missouri

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of *A Million Stars, Inc. d/b/a College Bound* (a Missouri Non-Profit Organization) (the "Organization"), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years 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 audits. We conducted our audits 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 the Organization as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

June 28, 2019
St. Louis, Missouri

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Certified Public Accountants
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A MILLION STARS, INC. D/B/A COLLEGE BOUND
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2018 AND 2017

<u>ASSETS</u>	<u>2018</u>	<u>2017</u>
Current Assets		
Cash and cash equivalents	\$ 1,567,681	\$ 721,958
Current portion of grants receivable	570,851	81,599
Current portion of unconditional promises to give	399,960	495,963
Prepaid expenses	<u>69,873</u>	<u>40,315</u>
Total Current Assets	<u>2,608,365</u>	<u>1,339,835</u>
Other Assets		
Investments	1,828,473	2,021,347
Grants receivable, net of current portion	345,100	-
Unconditional promises to give, net of current portion	<u>108,000</u>	<u>214,000</u>
Total Other Assets	<u>2,281,573</u>	<u>2,235,347</u>
Property and Equipment, Net of Accumulated Depreciation	<u>997,450</u>	<u>981,374</u>
Total Assets	\$ <u>5,887,388</u>	\$ <u>4,556,556</u>
 <u>LIABILITIES AND NET ASSETS</u> 		
Current Liabilities		
Current portion of mortgage payable	\$ 20,932	\$ 18,389
Accounts payable and accruals	33,633	30,824
Accrued payroll	<u>59,632</u>	<u>44,654</u>
Total Current Liabilities	<u>114,197</u>	<u>93,867</u>
Long-Term Liabilities		
Mortgage payable	<u>595,680</u>	<u>612,508</u>
Total Long-Term Liabilities	<u>595,680</u>	<u>612,508</u>
Total Liabilities	<u>709,877</u>	<u>706,375</u>
Net Assets		
Without donor restrictions	3,801,883	3,071,928
With donor restrictions	<u>1,375,628</u>	<u>778,253</u>
Total Net Assets	<u>5,177,511</u>	<u>3,850,181</u>
Total Liabilities and Net Assets	\$ <u>5,887,388</u>	\$ <u>4,556,556</u>

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

A MILLION STARS, INC. D/B/A COLLEGE BOUND
STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and Revenue			
Contribution income, including in-kind	\$ 1,485,982	\$ 1,099,104	\$ 2,585,086
Governmental funding	259,902	-	259,902
Special events, including contributions received	1,033,119	-	1,033,119
Fee income from programs and software	12,500	-	12,500
Investment losses	(186,272)	-	(186,272)
Miscellaneous income	2,150	-	2,150
	<u>2,607,381</u>	<u>1,099,104</u>	<u>3,706,485</u>
 Net assets released from restrictions			
Expenses and transfers	501,729	(501,729)	-
Total Support and Revenue	<u>3,109,110</u>	<u>597,375</u>	<u>3,706,485</u>
 Functional Expenses			
Program	1,740,488	-	1,740,488
General and administrative	268,390	-	268,390
Fundraising	370,277	-	370,277
Total Functional Expenses	<u>2,379,155</u>	<u>-</u>	<u>2,379,155</u>
 Increase/(Decrease) in Net Assets	<u>729,955</u>	<u>597,375</u>	<u>1,327,330</u>
 Net Assets - Beginning of the Year	<u>3,071,928</u>	<u>778,253</u>	<u>3,850,181</u>
 Net Assets - End of the Year	<u>\$ 3,801,883</u>	<u>\$ 1,375,628</u>	<u>\$ 5,177,511</u>

A MILLION STARS, INC. D/B/A COLLEGE BOUND
STATEMENTS OF ACTIVITIES (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and Revenue			
Contribution income, including in-kind	\$ 693,672	\$ 422,585	\$ 1,116,257
Governmental funding	271,914	-	271,914
Special events, including contributions received	932,727	-	932,727
Fee income from programs and software	8,131	-	8,131
Investment income	227,950	-	227,950
Miscellaneous income	10,284	-	10,284
	<u>2,144,678</u>	<u>422,585</u>	<u>2,567,263</u>
 Net assets released from restrictions			
Expenses and transfers	<u>301,928</u>	<u>(301,928)</u>	<u>-</u>
Total Support and Revenue	<u>2,446,606</u>	<u>120,657</u>	<u>2,567,263</u>
 Functional Expenses			
Program	2,028,274	-	2,028,274
General and administrative	318,696	-	318,696
Fundraising	337,271	-	337,271
Total Functional Expenses	<u>2,684,241</u>	<u>-</u>	<u>2,684,241</u>
 Increase/(Decrease) in Net Assets	<u>(237,635)</u>	<u>120,657</u>	<u>(116,978)</u>
 Net Assets - Beginning of the Year	<u>3,309,563</u>	<u>657,596</u>	<u>3,967,159</u>
 Net Assets - End of the Year	<u>\$ 3,071,928</u>	<u>\$ 778,253</u>	<u>\$ 3,850,181</u>

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

A MILLION STARS, INC. D/B/A COLLEGE BOUND
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Program</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Functional Expenses				
Salaries and related expenses	\$ 1,230,692	\$ 160,603	\$ 228,285	\$ 1,619,580
Special events	42,556	-	97,959	140,515
Miscellaneous	50,923	26,282	7,030	84,235
Depreciation	49,960	5,652	4,090	59,702
Tuition and fees	43,842	-	-	43,842
Contract labor	25,374	2,876	15,588	43,838
Data Management system	42,859	-	-	42,859
Professional fees	-	38,711	-	38,711
Supplies	22,665	12,257	1,075	35,997
Student transportation	29,579	51	448	30,078
Meals	27,387	482	244	28,113
Other program costs	26,552	-	964	27,516
Repairs and maintenance	20,736	4,891	1,692	27,319
Interest expense	21,347	2,026	1,701	25,074
Utilities	20,301	1,971	1,648	23,920
Printing, duplicating and postage	15,448	330	3,544	19,322
Telephone	14,834	1,229	1,254	17,317
Insurance	14,414	1,390	1,196	17,000
Travel	11,663	3,930	829	16,422
Dues and subscriptions	7,770	2,516	2,123	12,409
Rent	8,146	575	221	8,942
Standardized test preparation	7,009	-	-	7,009
Conferences	3,772	265	20	4,057
Advertising	848	2,353	366	3,567
Student participation support	1,811	-	-	1,811
Total Functional Expenses	<u>\$ 1,740,488</u>	<u>\$ 268,390</u>	<u>\$ 370,277</u>	<u>\$ 2,379,155</u>

A MILLION STARS, INC. D/B/A COLLEGE BOUND
STATEMENTS OF FUNCTIONAL EXPENSES (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Program</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Functional Expenses				
Salaries and related expenses	\$ 1,255,648	\$ 198,910	\$ 205,315	\$ 1,659,873
Special events	41,932	-	79,553	121,485
Miscellaneous	24,887	16,562	8,766	50,215
Depreciation	196,548	5,024	4,210	205,782
Tuition and fees	-	-	-	-
Contract labor	33,401	2,610	11,577	47,588
Data Management system	-	-	-	-
Professional fees	25,000	67,784	12,594	105,378
Supplies	25,237	9,581	1,283	36,101
Student transportation	55,352	33	578	55,963
Meals	43,095	35	-	43,130
Other program costs	61,766	-	-	61,766
Repairs and maintenance	20,396	6,459	1,622	28,477
Interest expense	23,705	2,092	1,767	27,564
Utilities	18,046	1,738	1,456	21,240
Printing, duplicating and postage	16,363	460	4,198	21,021
Telephone	14,585	1,007	1,036	16,628
Insurance	13,170	811	807	14,788
Travel	11,015	898	38	11,951
Dues and subscriptions	36,707	2,653	2,195	41,555
Rent	17,729	171	172	18,072
Standardized test preparation	71,625	-	-	71,625
Conferences	4,578	400	-	4,978
Advertising	1,629	1,468	104	3,201
Student participation support	15,860	-	-	15,860
Total Functional Expenses	\$ 2,028,274	\$ 318,696	\$ 337,271	\$ 2,684,241

A MILLION STARS, INC. D/B/A COLLEGE BOUND
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Cash Flows From Operating Activities		
Increase/(decrease) in net assets	\$ <u>1,327,330</u>	\$ <u>(116,978)</u>
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities		
Depreciation/amortization	59,702	205,782
Realized and unrealized (gain)/loss on investments, including reinvested interest and dividends	198,462	(219,530)
Donated investments	(160,009)	(104,179)
Change in assets - (increase) decrease		
Grants receivable	(834,352)	79,052
Unconditional promises to give	202,003	(158,035)
Prepaid expenses	(29,558)	4,602
Change in liabilities - increase (decrease)		
Accounts payable and accruals	2,809	(33,297)
Accrued payroll	14,978	44,654
Total Adjustments	<u>(545,965)</u>	<u>(180,951)</u>
Net Cash Provided (Used) by Operating Activities	<u>781,365</u>	<u>(297,929)</u>
Cash Flows from Investing Activities		
Purchase of property and equipment	(75,779)	(22,471)
Sale of donated investments	<u>154,421</u>	<u>129,643</u>
Net Cash Provided by Investing Activities	<u>78,642</u>	<u>107,172</u>
Cash flows from Financing Activities		
Payments on mortgage payable	<u>(14,284)</u>	<u>(19,547)</u>
Net Cash Used by Financing Activities	<u>(14,284)</u>	<u>(19,547)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	845,723	(210,304)
Cash and Cash Equivalents - Beginning of Year	<u>721,958</u>	<u>932,262</u>
Cash and Cash Equivalents - End of Year	\$ <u>1,567,681</u>	\$ <u>721,958</u>
Cash Flow Disclosures:		
Cash paid for interest	\$ 25,074	\$ 27,564

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

A MILLION STARS, INC. D/B/A COLLEGE BOUND
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of certain significant accounting policies followed in the preparation of these financial statements.

Nature of Operations

A Million Stars, Inc. d/b/a College Bound, a Missouri Non-Profit, (the "Organization"), incorporated on April 26, 2006, operates for the purpose of locating under-resourced, college-capable students attending high school in the United States and providing them, their school, or their social service agency with readiness tools and academic curricula that prepares students for, and gives students access to, four-year colleges. Once enrolled, the Organization continues to provide support so as to assist the student in obtaining his or her degree. The Organization has one overarching program, which is a comprehensive admissions, preparation, placement and persistence college guidance program.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting standards generally accepted in the United States of America.

Use of Estimates

The preparation of financial statements 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 revenue and expenses during the reporting period. Actual results could differ from estimated amounts.

Cash and Cash Equivalents

The Organization considers all short-term investments with original maturities of less than three months from the date of purchase to be cash equivalents.

Concentrations of Credit Risk Arising from Cash Deposits in Excess of Insured Limits

The Organization maintains cash balances at three financial institutions as of December 31, 2018. The balances are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000 per financial institution. At various times during the years ended December 31, 2018 and 2017, the Organization's total cash balance exceeded the FDIC's threshold.

Grants Receivable

Grants receivable consists of grants receivable from foundations, state and local agencies, and other not-for-profit organizations. The Organization uses the direct write-off method, which, for the Organization, is not considered to be materially different from the allowance method. The Organization recognized bad debt of \$0 and \$5,408 related to grants receivable for the years ended December 31, 2018 and 2017, respectively.

A MILLION STARS, INC. D/B/A COLLEGE BOUND
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Promises to Give

Unconditional promises to give are recognized as revenue or gains in the period the promise is received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. The Organization uses the direct write-off method, which, for the Organization, is not considered to be materially different from the allowance method. The Organization recognized bad debt of \$1,241 and \$350 related to unconditional promises to give for the years ended December 31, 2018 and 2017, respectively. The Organization records unconditional promises to give at the full promise amount, which is not deemed to be materially different than the net present value for promises to be received in over one year. Unconditional promises to give that are expected to be received in less than one year are classified as current on the statements of financial position. Unconditional promises to give that are expected to be received in one to four years are classified as long-term on the statements of financial position.

Property and Equipment

Property and equipment are stated at cost, if purchased, or at fair market value as of the date of the contribution if donated. Expenditures that extend the useful lives of assets are capitalized, while maintenance and repairs are expensed. The building is depreciated using the straight-line method over 40 years. Building improvements are depreciated using the straight-line method over lives ranging from 15 to 40 years. Equipment, furniture, and fixtures are depreciated using the straight-line method over lives ranging from 3 to 7 years.

Upon sale or retirement, the cost of the asset and related accumulated depreciation are eliminated from the respective accounts and the resulting gain or loss is included in current operations.

Net Assets

Net assets, revenue, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restriction expires within the same reporting period in which the contribution is received. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. Restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

A MILLION STARS, INC. D/B/A COLLEGE BOUND
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Board Designated Net Assets

A Million Stars, Inc. d/b/a College Bound governing board has designated net assets without donor restrictions for the following purposes as of December 31:

	<u>2018</u>	<u>2017</u>
Investment (Operating) Reserve	\$ 1,828,473	\$ 2,021,347

Per the governing board's approval, the amount of the designated net assets for the operating reserve are to equal the investments held by the Organization. Changes in the designated net assets, other than related to the change in the investment balance, must be approved by the governing board.

Concentration of Contributions or Grants

There were no individual contributions or grants greater than 10% of revenue for the years ended December 31, 2018 and 2017.

Description of Functional Expenses

Program

Includes those expenditures that enable the Organization to fulfill its mission of assisting the Organization's students by preparing and giving them access to four-year colleges, guiding them through degree completion, and developing workforce readiness skills.

Management and General

Includes the functions necessary to maintain an equitable employment program, ensure an adequate working environment, provide coordination and articulation of the Organization's program mission, secure proper administrative functioning of the Board of Directors, and manage the financial and budgetary responsibilities of the Organization.

Fundraising

Provides the structure necessary to encourage and secure government grants and private financial support from corporations, foundations and individuals through various fundraising events and activities.

Donated Services

Donated services are recognized as contributions in accordance with "Financial Accounting Standards Board Accounting Standards Codification 958-605-15, Contributions Received", if the services which, (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. However, a substantial number of volunteers have donated significant amounts of their time to the Organization's fundraising events and programs; the value of their time is not included in the financial statements. Donated services recognized in the financial statements include professional services such as legal and consulting.

A MILLION STARS, INC. D/B/A COLLEGE BOUND
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Donated Materials

Various materials are donated to the Organization. Donated materials that meet the criteria for recognition under the provisions of accounting for contributions received and contributions made in regard to financial statements of not-for-profit organizations, as discussed under this topic of the FASB Accounting Standards Codification, are recorded at fair market value as of the date of donation.

Functional Expense Allocation

Expenses which directly benefit programs, management and general, or fundraising are charged to the respective functional area on the basis of actual costs. Other expenses are charged and allocated to program, management and general, and fundraising based on an appropriate allocation method that would include expenses in the following categories: overhead expenses, salaries, benefits and payroll taxes which are allocated on estimates of time and effort. Certain building related expenses such as utilities, depreciation and repairs and maintenance are allocated based on square footage. Management and general expenses include those expenses that are not directly identifiable with any other specific function or program, but provide for the overall support and mission of the Organization.

Tax Status

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state law. Therefore, there are no provisions for income taxes reflected in these financial statements. Management does not believe there are any uncertain tax positions as of December 31, 2018 and 2017, including the consideration of unrelated business income tax.

Advertising

The Organization follows the policy of charging the costs of advertising to expenses as costs are incurred. Advertising expense was \$3,567 and \$3,201 for the years ended December 31, 2018 and 2017, respectively.

Special Events

The gross revenue for special events includes contributions for the events and event ticket revenue, as presented on the statements of activities. Payments made in the current year for special events to be held in the next year are presented as prepaid expenses on the statements of financial position. These items are recognized on the statements of activities when the event is held.

A MILLION STARS, INC. D/B/A COLLEGE BOUND
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of Accounting Pronouncement

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The ASU addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has implemented ASU 2016-14 and has adjusted the presentation in these financial statements accordingly.

Future Accounting Pronouncements

In May 2014, the FASB issued Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers. This standard will be effective for the calendar year ending December 31, 2019 for entities other than public business entities and outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts and customers. ASU 2014-09 supersedes most current revenue recognition guidance, including industry-specific guidance, and outlines a five-step process for revenue recognition that focuses on transfer of control, as opposed to transfer of risk and reward. Major provisions include determining which goods and services are distinct and represent separate performance obligations, how variable consideration (which may include change orders and claims) is recognized, whether revenue should be recognized at a point in time or over time and ensuring the time value of money is considered in the transaction price. ASU 2014-09 can be applied either retrospectively to each prior period presented or as a cumulative-effect adjustment as of the date of adoption. Management is currently evaluating the impact of adopting ASU 2014-09 on the Organization's financial statements, and related disclosures.

On June 21, 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2018-08, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. This standard is intended to address questions stemming from FASB ASU No. 2014-09, Revenue from Contracts with Customers, regarding its implications on the grants and contracts of not-for-profit organizations. Entities should apply the amendments for transactions in which the entity serves as the resource recipient for the calendar year ending December 31, 2019, and interim periods within annual periods beginning the calendar year ending December 31, 2020. For nonreciprocal transactions (contributions), the next point to consider for both parties is whether conditions have been placed on the resources provided. The presence of conditions affects the timing of revenue and expense recognition by the resource recipient and resource provider, respectively. Management is currently evaluating the impact of adopting ASU 2018-08 on the Organization's financial statements and related disclosures.

In February 2016, the FASB issued ASU 2016-02, Leases: Amendments to the FASB Accounting Standards Codification, which amends the existing guidance on accounting for leases, and will be effective for the calendar year ending December 31, 2020 for entities other than public business entities. This ASU requires the recognition of lease assets and liabilities on the statements of financial position and the disclosure of key information about leasing arrangements. Early adoption is permitted and modified retrospective application is required for leases that exist or are entered into after the beginning of the earliest comparative period in the financial statements. Management is currently evaluating the impact of adopting ASU 2016-02 on the Organization's financial statements and related disclosures.

A MILLION STARS, INC. D/B/A COLLEGE BOUND
NOTES TO FINANCIAL STATEMENTS

NOTE 2 LIQUIDITY AND AVAILABILITY

Governing Board designations

The organization's governing board has designated, from net assets without donor restrictions of \$3,801,883, net assets for the following purposes as of December 31, 2018:

Operating reserve in case of financial distress of organization	\$ 1,828,473
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Availability of Financial Assets

The following reflects the organization's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of donor-imposed restrictions within one year of the statement of financial position date.

Financial assets, at December 31, 2018:	\$ 4,820,065
Less those unavailable for general expenditures with one year, due to:	
Net assets with donor restrictions:	
Purpose restriction	(5,668)
Purpose and time restrictions	(377,500)
Long-term unconditional promises to give and grants receivable	(224,100)
Board designations:	
Amounts set aside for operating reserve in case of financial distress	<u>(1,828,473)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,384,324</u>

The organization is supported by restricted contributions. Because a donor's restrictions can require resources to be used in a particular manner or in a future period, some financial assets may not be available for general expenditure within one year. The board designates funds to the operating reserve, which was established by the governing board in the event of financial distress or an immediate liquidity need.

A MILLION STARS, INC. D/B/A COLLEGE BOUND
NOTES TO FINANCIAL STATEMENTS

NOTE 3 INVESTMENTS AND FAIR VALUE MEASUREMENTS

“FASB Accounting Standards Codification 820-10, Fair Value Measurements and Disclosures” establishes a framework for measuring fair value and establishes a fair value hierarchy based on the inputs used to measure fair value and enhances disclosure requirements for fair value measurements. The standard maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from independent sources. Unobservable inputs reflect management’s assumptions that market participants would use in pricing the asset or liability and are developed based on the best information available in the circumstances. This hierarchy consists of three broad levels:

Level I – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date.

Level II – Inputs other than quoted prices included within Level I that are observable for the asset or liability, either directly or indirectly. Level II inputs include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; inputs other than quoted prices that are observable for the asset or liability; and inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level III – Unobservable inputs for the asset or liability for which there is little, if any, market activity for the asset or liability at the measurement date. Unobservable inputs reflect the Organization’s own assumptions about what market participants would use to price the asset or liability. These inputs may include internally developed pricing models, discounted cash flow methodologies, as well as instruments for which the fair value determination requires significant management judgment.

The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The asset or liability’s fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

A MILLION STARS, INC. D/B/A COLLEGE BOUND
NOTES TO FINANCIAL STATEMENTS

NOTE 3 INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

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 December 31, 2018.

Equities: Valued daily at the closing price as reported by the fund. The mutual funds held by the Organization are deemed to be actively traded.

Unconditional Promises to give: Reported at net realizable value.

Fixed income securities: Valued based upon the present value of expected cash flows.

Exchange-traded funds: Marketable securities valued at the closing price on the exchange.

Fair Value Measurements at Reporting Date Using:

	Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2018:				
Money market	\$ 11,727	\$ 11,727	\$ -	\$ -
Exchange-traded funds	5,283	5,283	-	-
Equities	1,029,830	1,029,830	-	-
Fixed income securities	781,633	-	781,633	-
Total	<u>\$ 1,828,473</u>	<u>\$ 1,046,840</u>	<u>\$ 781,633</u>	<u>\$ -</u>

Items valued at net realizable value:

Unconditional promises to give - time restrictions	\$ 507,960	\$ -	\$ -	\$ 507,960
Total	<u>\$ 507,960</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 507,960</u>

	Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2017:				
Money market	\$ 57,721	\$ 57,721	\$ -	\$ -
Equities	1,216,545	1,216,545	-	-
Fixed income securities	747,081	-	747,081	-
Total	<u>\$ 2,021,347</u>	<u>\$ 1,274,266</u>	<u>\$ 747,081</u>	<u>\$ -</u>

Items valued at net realizable value:

Unconditional promises to give - time restrictions	\$ 709,963	\$ -	\$ -	\$ 709,963
Total	<u>\$ 709,963</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 709,963</u>

A MILLION STARS, INC. D/B/A COLLEGE BOUND
NOTES TO FINANCIAL STATEMENTS

NOTE 3 INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

The following table provides further details of the pledges receivable, shown above as “unconditional promises to give - time restrictions”:

Balance at December 31, 2016	\$ 551,928
Pledges promised	359,963
Pledges paid	<u>(201,928)</u>
Balance at December 31, 2017	709,963
Pledges promised	237,104
Pledges paid	<u>(439,107)</u>
Balance at December 31, 2018	<u><u>\$ 507,960</u></u>

NOTE 4 PROPERTY AND EQUIPMENT, NET

Property and equipment consist of the following:

	<u>2018</u>	<u>2017</u>
Land	\$ 119,133	\$ 119,133
Building and building improvements	1,020,704	1,004,661
Equipment	48,431	78,573
Furniture and fixtures	103,310	70,935
Less: accumulated depreciation	<u>(294,128)</u>	<u>(291,928)</u>
Property and Equipment, Net	<u><u>\$ 997,450</u></u>	<u><u>\$ 981,374</u></u>

Depreciation expense for the years ended December 31, 2018 and 2017 was \$59,702 and \$205,782, respectively.

NOTE 5 MORTGAGE PAYABLE

The Organization has a loan with a bank due on March 7, 2023. The note requires monthly principal and interest installments of \$3,950, including interest at a rate of 4.30% per annum for the remainder of the loan. The loan is secured by a Deed of Trust. The outstanding balance as of December 31, 2018 and 2017 was \$616,612 and \$630,897, respectively.

Maturities of long-term debt for the five years ending December 31 are as follows:

2019	\$ 20,932
2020	21,790
2021	22,832
2022	23,847
2023	<u>527,211</u>
Total	<u><u>\$ 616,612</u></u>

A MILLION STARS, INC. D/B/A COLLEGE BOUND
NOTES TO FINANCIAL STATEMENTS

NOTE 6 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at December 31:

	<u>2018</u>	<u>2017</u>
Time restrictions (promises to give and grants receivable)	\$ <u>1,299,960</u>	\$ <u>772,585</u>
Purpose and time restrictions		
Scholarships	<u>70,000</u>	<u>-</u>
Total Purpose and Time Restricted	<u>70,000</u>	<u>-</u>
Purpose restrictions		
Scholarships	<u>5,668</u>	<u>5,668</u>
Total Purpose Restrictions	<u>5,668</u>	<u>5,668</u>
Total Donor Restrictions	\$ <u>1,375,628</u>	\$ <u>778,253</u>

Restrictions released during 2018 and 2017 were \$501,729 and \$301,928, respectively.

NOTE 7 GOVERNMENTAL AGENCIES

During the years ended December 31, 2018 and 2017, the Organization received approximately 7% and 13%, respectively, of its total revenue from governmental agencies, which supported the Organization's programs and other program-related services.

NOTE 8 IN-KIND CONTRIBUTIONS

During the years ended December 31, 2018 and 2017, the Organization received various non-cash contributions from individuals and organizations. The contributions of stock are recorded as in-kind revenue and the contributions of various supplies for programs and fundraising activities, and in-kind services were treated as revenue and expenses in the cumulative amounts of \$201,041 and \$223,061 for the years ended December 31, 2018 and 2017, respectively. Stock donations were liquidated as soon as practicable, given market conditions at the time of donation receipt.

NOTE 9 RETIREMENT PLANS

During 2016, the Organization established a 401(k) plan for the benefit of their eligible employees. Employees over the age of 21 may begin elective deferrals and become eligible for matching contributions after 30 days of service. Employer discretionary matching contributions may be up to 50% of the employee's elective deferrals up to 6% of the employee's compensation. On the employee's two-year employment anniversary, the employees vest in 100% of their matching contributions in accordance with the vesting schedule set out in the plan documents.

A MILLION STARS, INC. D/B/A COLLEGE BOUND
NOTES TO FINANCIAL STATEMENTS

NOTE 9 RETIREMENT PLANS (CONTINUED)

The Organization made contributions of \$23,436 and \$18,515 to the plan for the years ended December 31, 2018 and December 31, 2017, respectively.

NOTE 10 SUBSEQUENT EVENTS

Management has evaluated subsequent events through the auditors' report date, the date the financial statements were available for issuance.