

# PRESIDIO GRADUATE SCHOOL

JUNE 30, 2017

---

INDEPENDENT AUDITORS' REPORT

AND

FINANCIAL STATEMENTS

# Presidio Graduate School

## Independent Auditors' Report and Financial Statements

---

<b>Independent Auditors' Report</b>	1 - 2
-------------------------------------	-------

### **Financial Statements**

Statement of Financial Position	3
---------------------------------	---

Statement of Activities	4
-------------------------	---

Statement of Cash Flows	5
-------------------------	---

Notes to Financial Statements	6 - 16
-------------------------------	--------

### **Supplementary Information**

Schedule of Functional Expense	17
--------------------------------	----



A Century Strong

## **Independent Auditors' Report**

THE BOARD OF DIRECTORS  
PRESIDIO GRADUATE SCHOOL  
San Francisco, California

### **Report on the Financial Statements**

We have audited the accompanying financial statements of **Presidio Graduate School** (the School), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, 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 auditor's 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 Presidio Graduate School as of June 30, 2017, 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.

### **Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary schedules of functional expense on page 17 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Hood & Strong LLP*

San Francisco, California  
March 27, 2018

# Presidio Graduate School

## Statement of Financial Position

June 30, 2017

### Assets:

Cash and cash equivalents	\$	453,114
Tuitions receivable, net of allowance for doubtful accounts of \$108,000		210,039
Pledges receivable		93,975
Receivable from HotChalk Inc.		233,000
Other assets		20,556
Prepaid expenses		93,856
Security deposits		63,094
Refundable bond		250,000
Property and equipment, net		108,111

---

<b>Total Assets</b>	<b>\$</b>	<b>1,525,745</b>
---------------------	-----------	------------------

---

### Liabilities and Net Assets

#### Liabilities:

Accounts payable	\$	112,618
Accrued expenses		199,834
Deferred tuition revenue		73,923
Other liability		66,534
Notes payable		200,000
Acquisition indebtedness		334,549

---

Total liabilities		987,458
-------------------	--	---------

---

#### Net Assets:

Unrestricted		265,634
Temporarily restricted		272,653

---

Total net assets		538,287
------------------	--	---------

---

---

<b>Total Liabilities and Net Assets</b>	<b>\$</b>	<b>1,525,745</b>
---	-----------	------------------

---

See accompanying notes to financial statements.

# Presidio Graduate School

## Statement of Activities and Changes in Net Assets

*Year Ended June 30, 2017*

	Unrestricted	Temporarily Restricted		Total
<b>Revenues, Support and Gains (Losses):</b>				
Tuition and fees	\$ 4,855,846		\$	4,855,846
Institutional student aid	(566,717)			(566,717)
<hr/>				
Net tuition and fees	4,289,129			4,289,129
Contributions and grants	918,974	\$ 181,708		1,100,682
Loss due to pledge cancellation (Note 9)	-	(1,425,203)		(1,425,203)
Other income	351,539	-		351,539
Net assets released from restrictions	422,767	(422,767)		-
<hr/>				
Total revenue and support	5,982,409	(1,666,262)		4,316,147
<hr/>				
<b>Expenses:</b>				
Institutional support	1,890,623	-		1,890,623
Student services	1,187,460	-		1,187,460
Instruction	2,258,560	-		2,258,560
Academic support	471,228	-		471,228
<hr/>				
Total expenses	5,807,871	-		5,807,871
<hr/>				
<b>Total Change in Net Assets</b>	174,538	(1,666,262)		(1,491,724)
<hr/>				
<b>Net Assets, beginning of year</b>	91,096	1,938,915		2,030,011
<hr/>				
<b>Net Assets, end of year</b>	\$ 265,634	\$ 272,653	\$	538,287

See accompanying notes to financial statements.

# Presidio Graduate School

## Statement of Cash Flows

*Year Ended June 30, 2017*

<b>Operating Activities:</b>	
Change in net assets	\$ (1,491,724)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	90,488
Acquisition expense - Pinchot University	248,289
Changes in operating assets and liabilities:	
Tuitions receivable	15,155
Pledges receivable	1,838,939
Receivable from HotChalk Inc.	(233,000)
Other assets	78,214
Prepaid expense	(22,170)
Security deposits	(25,500)
Accounts payable	(326,238)
Accrued expenses	68,406
Deferred revenue	31,751
Other liabilities	66,534
Net cash provided by operating activities	339,144
<b>Investing Activities:</b>	
Acquisition cash received	79,851
Purchase of property and equipment	(46,341)
Net cash provided by investing activities	33,510
<b>Financing Activities:</b>	
Proceeds from borrowings	50,386
Payment of debt	(285,283)
Net cash used in financing activities	(234,897)
<b>Net Change in Cash and Cash Equivalents</b>	<b>137,757</b>
<b>Cash and Cash Equivalents, beginning of year</b>	<b>315,357</b>
<b>Cash and Cash Equivalents, end of year</b>	<b>\$ 453,114</b>
<b>Non-Cash Investing, and Financing Activities</b>	
Non-cash assets acquired from Pinchot University	\$ 274,177
Liabilities acquired from Pinchot University	\$ 602,318
<b>Supplemental Cash Flow Information:</b>	
Interest paid	\$ 36,652

See accompanying notes to financial statements.

# Presidio Graduate School

## Notes to Financial Statements

---

### Note 1 - Nature of Organization:

Presidio Graduate School (the “School”) is a private nonprofit institution of higher education organized under the laws of the State of California in 1990 and located in San Francisco, California. The School has pioneered the field of sustainable management education since 2003. The School also received authorization for Title IV funding from the Department of Education on January 2015. Presidio Graduate School offers degrees and certificates in Sustainable Management. Funding sources generally include tuition and fees charged to students and contributions and grants.

The School assists students in the financing of their education through private and institution awards as well as a federally-funded student loan program.

The School is accredited by the Western Association of Schools and Colleges (WASC), this accreditation is subject to periodic review and renewal.

The School’s mission is to educate and inspire a new generation of skilled, visionary and enterprising leaders to transform business and public policy and create a more just, prosperous and sustainable world; across a range of disciplines, industries and sectors to bridge the gap between commerce and the common good.

As of July 27, 2016, Presidio Graduate School acquired certain assets and as consideration for the assets assumed certain liabilities of Pinchot University (the “University”) under a purchase and sale agreement (the “Agreement”). The University is a Washington nonprofit corporation located in Seattle, Washington providing graduate and certificate programs in sustainability. Under the Agreement, the School has the right to matriculate all students attending the University and to assume the accreditations and licenses the University held to operate. The School matriculated students in the fall of 2016 and began holding classes in Seattle at that time.

### Note 2 - Summary of Significant Accounting Policies:

#### a. Basis of Accounting

The School’s financial statements are prepared on the accrual basis of accounting in accordance with generally accepted principles in the United States of America (GAAP). The School reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted.



# Presidio Graduate School

## Notes to Financial Statements

---

### Description of Net Assets

Under accounting principles applicable to not-for-profit organizations, net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the School and changes therein are classified and reported as follows:

*Unrestricted Net Assets* - net assets that are not subject to donor-imposed restrictions, unrestricted net assets may be designated for specific purposes by action of the Board of Directors or otherwise limited by contractual arrangements with outside parties.

*Temporarily Restricted Net Assets* - net assets that are subject to donor-imposed restrictions that can be fulfilled either by actions of the School pursuant to those specific restrictions and/or expire with the passage of time.

*Permanently Restricted Net Assets* - net assets that are subject to donor-imposed restrictions requiring the School to maintain the assets permanently. Such assets consist of the School's endowment funds. There are no permanently restricted net assets at June 30, 2017.

### b. Revenues and Expenses

Tuition revenue is recorded as earned on a pro rata basis over the applicable terms of the academic year, which consists of fall, spring, and summer terms. Tuition payments received for future academic terms are deferred as a liability until tuition revenue is earned.

Tuition and fee revenues are reduced by student financial aid provided in the form of institutional scholarships and grants and donor funded scholarships.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. The School reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the School reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service. Contributions of assets other than cash are recorded at their estimated fair value.

Expenses are reported as decreases in unrestricted net assets. Gains or losses on investments and other assets and liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor restrictions or by law. Expirations of temporary restrictions on net assets are reported as reclassifications between the applicable classes of net assets as the donor stipulated purposes are fulfilled and/or the stipulated time period elapses.

# Presidio Graduate School

## Notes to Financial Statements

---

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not contributions until the conditions on which they depend are substantially met. Unconditional promises to give are donor commitments that are supported by verifiable documentation, and contain no ambiguous conditions. Contributions with donor-imposed restrictions that are met in the same year as received are reported as reclassifications from temporarily restricted to unrestricted net assets.

c. Cash and Cash Equivalents

The School considers all instruments with a maturity of three months or less at the time of purchase to be cash equivalents.

d. Tuitions Receivable

Tuitions receivable are carried at the unpaid balance of the original amount billed to students. Students are required to have paid in full or agreed to a payment plan before being admitted for future terms.

Receivables are less an estimate made for doubtful accounts based on a review of all outstanding amounts.

e. Pledges Receivable

Pledges receivable that are expected to be collected after one year are recorded at net realizable value, if the discount is determined to be material. Management uses the allowance method when estimating uncollectible pledges and has determined that no allowance is necessary.

f. Property, Plant, and Equipment

Property, plant, and equipment are stated at cost at the date of acquisition or fair value at the date of donation in the case of gifts less accumulated depreciation. Depreciation is computed on the straight-line basis over the estimated useful lives of equipment, library books, software, furniture, and intangible assets of 3 to 7 years. Leasehold improvements are amortized over the useful life or the remaining term of the property lease, whichever is shorter. The School's policy is to capitalize items purchased or donated with a cost or fair value in excess of \$500. Maintenance and repairs are charged to expense as incurred.

g. Functional Expenses

The cost of providing program and supporting services have been summarized on a functional basis in the statement of activities and changes in net assets. Directly identifiable expenses are charged to the related program or service benefited. Indirect expenses are allocated to programs and services based principally on the percentage of personnel time spent in each area or management's estimate of usage. For the year ended June 30, 2017, \$60,563 of fundraising costs are included in Institutional Support in the Statement of Activities and Changes in Net Assets.

# Presidio Graduate School

## Notes to Financial Statements

---

### h. Advertising Costs

The School expenses costs incurred for advertising when incurred. Advertising for the purpose of generating tuition revenue amounted to \$74,457 for the year ended June 30, 2017.

### i. Income Taxes

The School is a tax-exempt organization under Internal Revenue Service Code section 501(c)(3) and the California tax code. The Financial Accounting Standards Board issued guidance on accounting for uncertainty in income taxes, which the School has adopted. Management evaluated the School's tax positions and concluded that the School had maintained its tax-exempt status and had taken no uncertain tax positions that required adjustment to the financial statements. Therefore, no provision or liability for income taxes has been included in the financial statements.

### j. Concentrations

The School has cash deposits, which are in excess of federally insured limits.

Contributions for the year ended June 30, 2017 are comprised on \$625,000 from one donor of which \$25,000 remains in pledges receivable at June 30, 2017. The contribution receivable is unrestricted. Subsequent to year-end, the same donor gave an unrestricted gift of \$1,000,000 to the School. With the receipt of this gift the board resolved that \$500,000 be placed into endowment for the benefit of Presidio Graduate School. Any earnings from investment of these funds may be used for student scholarships, but the corpus shall remain protected for future use of the School according to the board's direction.

### k. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses and other changes in net assets during the reporting period. The most significant estimates relate to allowances for doubtful accounts, the fair value of certain assets and liabilities, the collectability of pledges, and allocation of certain expenses to functional expense categories. Actual future results could differ materially from these estimates.

# Presidio Graduate School

## Notes to Financial Statements

---

### l. Recent Accounting Pronouncements

#### *Adopted:*

In August 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-15, Presentation of Financial Statements - Going Concern: Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern (Topic 205). The amendments in this update requires management to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the entity's ability to continue as a going concern, which is currently performed by the external auditors. Management is required to perform this assessment for both interim and annual reporting periods and must make certain disclosures if it concludes that substantial doubt exists. periods thereafter. The School adopted this standard for the year ending June 30, 2017. The adoption did not have any effect on the financial statements.

#### *Pronouncement effective in the future:*

In August 2016, the FASB issued ASU 2016-14 – *Not-For-Profit Entities (Topic 958): Presentation of Financial Statements of Not-For-Profit Entities*. The amendments in this ASU are designed to make improvements to the information provided in financial statements and accompanying notes of not-for-profit entities. The amendments set forth the FASB's improvements to net asset classification requirements and the information presented about a not-for-profit entity's liquidity, financial performance, and cash flows. The amendments in the update are effective for annual financial statements issued for fiscal years beginning after December 15, 2017. Early application of the amendments in the update is permitted. The School is currently evaluating the impact of this pronouncement on its financial statements.

In February 2016, the FASB issued ASU 2016-02 – *Leases (Topic 958)*. The new standard will supersede much of the existing authoritative literature for leases. This guidance requires lessees, among other things, to recognize right-of-use assets and liabilities on their balance sheet for all leases with lease terms longer than twelve months. The standard will be effective for the fiscal year beginning after December 15, 2019 with early application permitted. The School is currently evaluating the impact of this pronouncement on its financial statements.

### m. Subsequent Events

The School has reviewed the results of activities for the period of time from the end of its fiscal year on June 30, 2017 through March 27, 2018, the date the financial statements were issued. Except as described in Note 2j and 14, there were no material subsequent events that required recognition or additional disclosure in these financial statements.

# Presidio Graduate School

## Notes to Financial Statements

---

### **Note 3 - Pledges Receivable:**

At June 30, 2017, pledges receivable has a balance of \$93,975. All pledges are receivable in less than one year.

### **Note 4 - Receivable from HotChalk, Inc.:**

On November 16, 2015 the School entered into an Administrative Service Agreement with HotChalk, Inc. a Delaware Corporation with principal office located in Campbell, California. HotChalk provided bundled services and technology and made significant investments of capital in support of the School's goal to expand program offerings to include fully online programs.

On January 7, 2017, a settlement agreement was made between the School and HotChalk. The settlement agreement includes payments to the School totaling \$333,000 over the following nine months. It also entitles the School to a perpetual license to certain software packages and hosting in exchange for \$3,000 per quarter.

The settlement agreement releases both parties from claims and obligations under the Administrative Service Agreement. As of June 30, 2017, HotChalk owed a remaining balance of \$233,000 to the School, which was paid subsequent to year-end.

### **Note 5 - Refundable Bond:**

The School has a refundable bond for the benefit of Washington Higher Education Coordinating Board in the amount of \$250,000. The principal for the refundable bond is held by a surety company and is to be held for at least two years following the cancellation of the bond to cover any claims against the School. The principal currently earns interest at a rate of 0.4% annually. As of June 30, 2017, there is \$5,413 in accrued interest included in Other assets.

# Presidio Graduate School

## Notes to Financial Statements

---

### Note 6 - Property and Equipment:

Property and equipment consists the following at June 30, 2017:

Library	\$ 51,071
Furniture and fixtures	112,182
Computer and office equipment	146,904
Computer software	58,399
Intangibles	87,334
	<hr/>
	455,890
Less: accumulated depreciation and amortization	(347,779)
	<hr/>
Net property and equipment	\$ 108,111

Depreciation and amortization expense amounted to \$98,488 for the year ended June 30, 2017. All furniture and equipment is collateral for the note payable (see Note 7).

### Note 7 - Notes Payable:

The School has a business credit line available with Wells Fargo Bank for a total of \$50,000. The business credit line bears interest at 10.5%. There was no balance outstanding on the business credit line at June 30, 2017.

The School has a term loan agreement dated February 10, 2015 with Wells Fargo Bank. The note is secured by accounts receivable, inventory, property and equipment, and other assets. Interest accrues on the unpaid outstanding balance of credit as a fixed rate of 5.75%. Installments of principal commenced on March 15, 2015, continuing monthly through February 15, 2020. The balance outstanding at June 30, 2017 was \$186,920.

The School has a loan with Nonprofits Insurance Alliance of California with an outstanding balance of \$13,080 as of June 30, 2017. Interest accrues on the unpaid outstanding balance of credit at fixed rate of 6%. Re-payment of the loan began on September 1, 2016 with monthly installment payments until the loan matured on August 1, 2017.

# Presidio Graduate School

## Notes to Financial Statements

---

Payments due on the loans are as follows:

Year ending		
June 30,		
2018	\$	80,973
2019		71,902
2020		47,125
<hr/>		
Total	\$	200,000

### Note 8 - Acquisition Indebtedness:

The School assumed responsibility for payment of a Line of Credit (LOC) and the balance of a term loan under the agreement with Pinchot University.

The LOC is with Beneficial State Bank for \$170,000 and the full amount is outstanding as of June 30, 2017. The LOC matured on November 30, 2016 and has an interest rate of 3% annually.

The term loan agreement, dated December 20, 2013 with Beneficial State Bank, in the amount of \$470,000. Interest accrues on the unpaid outstanding balance of credit at a fixed rate of 5.375%. Installments of principal commenced on January 29, 2014, continuing monthly thereafter until the acquisition agreement date of July 27, 2016. On that date, the School was to assume the debt with an outstanding balance of \$250,979. The term loan to the Bank has had its monthly payments made by use of assets belonging to Pinchot University, subsequent to the date of the purchase and sale agreement. As of June 30, 2017, the outstanding balance on this loan is \$164,549.

The LOC was forebared by Beneficial State Bank (the Bank) after its maturity date. The Bank had not issued a Notice of Default through the date of these financial statements. The School is currently working with the Bank to formally assume the LOC and term loan or sign new loan agreements.

### Note 9 - Temporarily Restricted Net Assets:

Temporarily restricted net assets were released from donor restrictions during the year ended June 30, 2017 as follows:

Time	\$	35,000
Purpose		387,767
<hr/>		
Total	\$	422,767

# Presidio Graduate School

## Notes to Financial Statements

---

Temporarily restricted net assets are restricted for the following purposes as of June 30, 2017:

Time	\$ 85,450
Purpose	187,203
<hr/>	
Total	\$ 272,653

At June 30, 2016, there was a pledge receivable of \$2,000,000 that was temporarily restricted for purpose. During the year ended June 30, 2017, the School received \$500,000 from the donor - \$250,000 was restricted for faculty, academic, or online programs and \$250,000 was restricted for scholarships. The full amount of \$250,000 for programs was released from restriction on the statement of activities and \$94,356 was released for scholarships with \$155,644 remaining unreleased. Subsequent to the School's receipt of the funds, the donor cancelled \$1,500,000 of the remaining pledge receivable but allowed the School to keep the unreleased funds for future scholarships.

### Note 10 - Commitments:

#### Office Space - San Francisco

The School entered into a three-year lease agreement on June 6, 2015 for office space located in the Presidio of San Francisco. The agreement includes base monthly rent of \$12,621 to \$13,400 as well as operating charges billed monthly based on a percentage of actual charge incurred by the landlord.

#### Classroom Space - San Francisco

The School has an agreement with Alliant International University for classroom and office space through December 31, 2017 on an as needed basis. The agreement is cancellable with 30 days' notice by either party. The agreement was renewed with similar terms through May 31, 2018.

#### Classroom, Meeting, Office Space - Seattle

Related to the acquisition of the University, the School signed a three-year agreement for classroom, meeting and office space with HUB in Seattle with a minimum monthly rent of \$8,000. The rent escalates as enrollment increases in excess of 15 students with 30 students being \$12,500 per month.



# Presidio Graduate School

## Notes to Financial Statements

---

### Conference Center - Seattle

Also related to the acquisition, the School signed a three-year agreement with a conference center for lodging and meeting space to be used for the weekend intensive course sessions which are part of a degree program. The School typically pays a minimum of \$22,500 for each weekend session.

Future non-cancellable lease commitments as of June 30, 2017 are as follows:

Year ending	
June 30,	
2018	\$ 463,800
2019	321,000
2020	8,000
<hr/>	
Total future lease commitments	\$ 792,800

The School's rent expense under all lease agreements (including Presidio operating charges and agreements described above) amount to \$500,263 for the year ended June 30, 2017.

### **Note 11 - Retirement Plans:**

The School maintains a 401(k) retirement plan (the Plan). Employees may begin to participate in the Plan at their date of employment. The Plan is funded by employee and matching employer contributions. The School matches employee contributions up to 4% of compensation. The School's matching contribution money is vested immediately. Contributions made by the School amounted to \$30,280 for the year ended June 30, 2017.

### **Note 12 - Contingencies:**

Federal grants, including financial aid which the School administers and for which it receives reimbursements, which the University administers require the fulfillment of certain conditions as set forth in the grant instruments and are subject to audit and final acceptance by the U.S. Department of Education (the Department). Failure to fulfill the conditions could result in return of the funds to the Department. Management is of the opinion that the School has complied with the terms of all agreements and that the results of such audit will not have a significant effect on the financial position or results of activities of the School.

# Presidio Graduate School

## Notes to Financial Statements

---

### **Note 13 - Related Party Transactions:**

The School received contributions of \$832,314 from members of its Board of Directors, staff, companies and organizations for which they represent. Pledges outstanding at June 30, 2017 from these parties totaled \$25,000.

### **Note 14 - Subsequent Event:**

Effective February 22, 2018 the School signed a change of control agreement with an international education organization (the Organization). The agreement provides that the Organization will commit up to \$5 million in gifts and grants to the School over five years following the closing date of the agreement. The School will allow the Organization to appoint seven of its eleven board members. The closing date of the agreement is to occur after certain disclosures, warranties, consents from appropriate accrediting agencies, financial covenants and amended by-laws are fulfilled and exchanged. The agreement will terminate if closing has not occurred within one year from the effective date of the agreement.

**Presidio Graduate School**  
**Supplementary Schedule of Functional Expenses**  
(See Independent Auditors' Report)

Year Ended June 30, 2017

	Institutional Support	Student Services	Instruction	Academic Support	IT	Facility Maintenance and Operations	Total
<b>Payroll Expense</b>							
Staff salaries and wages	\$ 710,384	\$ 570,364	\$ 504,243	\$ 47,077	\$ 82,333	\$ -	\$ 1,914,401
Faculty salaries and wages	-	3,578	626,903	63,412	-	-	693,893
Employee benefits	100,455	59,280	59,693	5,868	8,146	-	233,442
Payroll taxes	63,999	47,033	103,736	12,259	1,581	-	228,608
<b>Total Payroll Expense</b>	<b>\$ 874,838</b>	<b>\$ 680,255</b>	<b>\$ 1,294,575</b>	<b>\$ 128,616</b>	<b>\$ 92,060</b>	<b>\$ -</b>	<b>\$ 3,070,344</b>
<b>Nonlabor Expense</b>							
Occupancy	\$ 6,617	\$ 742	\$ 309,206	-	\$ 2,645	\$ 181,053	\$ 500,263
Other professional services	117,623	129,749	68,730	\$ 6,175	-	3,868	326,145
Event facility rental	1,320	17,051	90,748	148,372	-	-	257,491
Acquisition grant expense	248,289	-	-	-	-	-	248,289
Info systems and tech consulting	8,039	55,671	5,095	-	127,875	-	196,680
Legal and accounting fees	179,001	-	-	-	-	-	179,001
Travel and conferences	45,356	39,135	81,567	9,408	1,110	-	176,576
Bad debt expense	144,497	-	-	-	-	-	144,497
Depreciation	-	-	-	-	67,229	23,260	90,489
Marketing and promotions	2,347	80,482	-	-	-	-	82,829
Food and catering	25,342	43,190	11,275	550	297	-	80,654
Licenses, taxes, and fees	9,414	13,130	33,470	6,065	-	-	62,079
Bank and merchant fees	51,641	226	4,245	-	-	-	56,112
Telephone and internet	5,878	240	-	-	31,745	6,100	43,963
Supplies and minor equipment	23,863	15,911	1,550	81	89	1,378	42,872
Accreditation fees	-	-	-	37,445	-	-	37,445
Interest expense	36,652	-	-	-	-	-	36,652
Membership dues and subscriptions	12,112	10,353	9,590	753	-	-	32,808
Books and research materials	-	-	-	31,160	-	-	31,160
Insurance expense	28,590	-	-	-	-	-	28,590
Instructional seminars/supplies	-	263	23,087	13	-	-	23,363
Miscellaneous expense	20,054	1,056	-	1,799	-	-	22,909
Staff development and training	10,130	5,169	7,155	-	-	-	22,454
Payroll and HR fees	7,206	-	-	-	-	-	7,206
Awards and grants to individuals	-	7,000	-	-	-	-	7,000
Allocation of facilities cost center	12,739	35,334	125,979	38,114	3,493	(215,659)	-
Allocation of IT cost center	19,075	52,503	192,288	62,677	(326,543)	-	-
<b>Total Expenses</b>	<b>\$ 1,890,623</b>	<b>\$ 1,187,460</b>	<b>\$ 2,258,560</b>	<b>\$ 471,228</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 5,807,871</b>