

PRESIDIO GRADUATE SCHOOL

JUNE 30, 2020

---

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 and Changes in Net Assets	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7 - 15



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 (PGS)**, which comprise the statement of financial position as of June 30, 2020, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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, 2020, and the changes in its net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

### **Report on Summarized Comparative Information**

We have previously audited PGS's June 30, 2019 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated March 9, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Hood & Strong LLP*

San Francisco, California  
March 10, 2021

# Presidio Graduate School

## Statement of Financial Position

<i>June 30, 2020 (with comparative totals for 2019)</i>	2020	2019
<b>Assets:</b>		
Cash and cash equivalents	\$ 853,332	\$ 348,560
Tuitions receivable, net of allowance for doubtful accounts of \$27,232 and \$66,746 respectively		2,514
Pledges receivable	503,000	1,048,000
Other receivables	18,340	32,533
Prepaid expenses	105,666	59,522
Security deposits	43,773	328,182
Property and equipment, net		20,653
<b>Total Assets</b>	<b>\$ 1,524,111</b>	<b>\$ 1,839,964</b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities:</b>		
Accounts payable	\$ 26,165	\$ 92,776
Accrued expenses	47,901	139,597
Deferred revenue	73,006	22,039
Student deposits and other liabilities	56,151	36,352
Refundable advances	57,452	
Note payable		48,038
<b>Total liabilities</b>	<b>260,675</b>	<b>338,802</b>
<b>Net Assets:</b>		
Without donor restrictions:		
Undesignated	561,794	80,472
Board designated		200,000
<b>Total without donor restrictions</b>	<b>561,794</b>	<b>280,472</b>
<b>With donor restrictions</b>	<b>701,642</b>	<b>1,220,690</b>
<b>Total net assets</b>	<b>1,263,436</b>	<b>1,501,162</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 1,524,111</b>	<b>\$ 1,839,964</b>

See accompanying notes to financial statements.

# Presidio Graduate School

## Statement of Activities and Changes in Net Assets

*Year Ended June 30, 2020 (with comparative totals for 2019)*

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenues, Support and Gains:</b>						
Tuition and fees	\$ 3,023,225		\$ 3,023,225	\$ 3,123,632		\$ 3,123,632
Institutional student aid	(201,643)		(201,643)	(263,249)		(263,249)
Net tuition and fees	2,821,582		2,821,582	2,860,383		2,860,383
Contributions and grants	729,206	\$ 133,200	862,406	1,317,073	\$ 1,110,450	2,427,523
Research and consulting services	345,865		345,865	132,383		132,383
Other income	11,850		11,850	85,944		85,944
Net assets released from restrictions	652,248	(652,248)	-	119,497	(119,497)	-
<b>Total revenue and support</b>	<b>4,560,751</b>	<b>(519,048)</b>	<b>4,041,703</b>	<b>4,515,280</b>	<b>990,953</b>	<b>5,506,233</b>
<b>Expenses:</b>						
Program Services:						
Academic support	619,276		619,276	423,245		423,245
Student services	1,562,786		1,562,786	1,773,723		1,773,723
Instruction	964,676		964,676	2,194,046		2,194,046
Research and consulting	329,913		329,913	140,776		140,776
Institutional support	604,483		604,483	582,155		582,155
Institutional advancement	198,295		198,295	175,810		175,810
<b>Total expenses</b>	<b>4,279,429</b>	<b>-</b>	<b>4,279,429</b>	<b>5,289,755</b>	<b>-</b>	<b>5,289,755</b>
<b>Total Change in Net Assets</b>	<b>281,322</b>	<b>(519,048)</b>	<b>(237,726)</b>	<b>(774,475)</b>	<b>990,953</b>	<b>216,478</b>
<b>Net Assets, beginning of year</b>	<b>280,472</b>	<b>1,220,690</b>	<b>1,501,162</b>	<b>1,054,947</b>	<b>229,737</b>	<b>1,284,684</b>
<b>Net Assets, end of year</b>	<b>\$ 561,794</b>	<b>\$ 701,642</b>	<b>\$ 1,263,436</b>	<b>\$ 280,472</b>	<b>\$ 1,220,690</b>	<b>\$ 1,501,162</b>

See accompanying notes to financial statements.

# Presidio Graduate School

## Statement of Functional Expenses

Year Ended June 30, 2020 (with comparative totals for 2019)

	2020								2019 Total
	Program Services				Total Program Services	Institutional Support	Institutional Advancement	Total	
	Academic Support	Student Services	Instruction	Research & Consulting					
<b>Payroll Expense:</b>									
Staff salaries and wages	\$ 403,541	\$ 909,942	\$ 105,205	\$ 145,995	\$ 1,564,683	\$ 263,732	\$ 114,021	\$ 1,942,436	\$ 1,770,633
Faculty salaries and wages	44,205		558,424		602,629			602,629	1,067,766
Payroll taxes	36,680	87,462	33,112	21,743	178,997	34,604	5,359	218,960	238,919
Employee benefits	36,443	79,641	57,447	11,764	185,295	23,268	7,633	216,196	241,327
<b>Total payroll expense</b>	<b>520,869</b>	<b>1,077,045</b>	<b>754,188</b>	<b>179,502</b>	<b>2,531,604</b>	<b>321,604</b>	<b>127,013</b>	<b>2,980,221</b>	<b>3,318,645</b>
<b>Nonlabor Expense:</b>									
Other professional services	5,993	97,430	232	134,516	238,171	14,524	45,696	298,391	181,732
Occupancy	20,558	133,089	109,763	6,765	270,175	11,565	5,674	287,414	628,672
Info systems and tech consulting	27,675	89,012	54,553	3,362	174,602	7,564	12,930	195,096	116,520
Legal and accounting fees	3,400	370			3,770	135,483		139,253	190,565
Marketing and promotions	466	53,106		300	53,872		163	54,035	100,608
Accreditation fees		44,957			44,957			44,957	13,260
Bank and merchant fees					-	39,082	357	39,439	30,492
Travel and conferences	21	9,235	23,577	1,128	33,961	879	834	35,674	151,872
Books and research materials	34,900				34,900		316	35,216	32,393
Insurance expense	716	2,100	3,955	2,340	9,111	18,517	204	27,832	31,001
Payroll and HR fees					-	26,529		26,529	32,452
Event facility rental		21,574			21,574		3,450	25,024	42,809
Food and catering	604	11,664	57	4	12,329	1,918	411	14,658	52,810
Telephone and internet	1,219	3,575	6,735	415	11,944	710	348	13,002	14,080
Depreciation	1,002	2,939	5,538	341	9,820	584	286	10,690	29,941
Supplies and minor equipment	100	6,976	553	59	7,688	2,537	65	10,290	20,020
Staff development and training	719	137	259	16	1,131	7,926	13	9,070	39,672
Membership dues and subscriptions	100	5,758	95	347	6,300	50	55	6,405	35,533
Instructional seminars/supplies		1,079	10		1,089			1,089	149,235
Licenses, taxes, and fees					-	451		451	60,245
Miscellaneous expense	934	2,740	5,161	818	9,653	14,560	480	24,693	17,198
<b>Total Expenses</b>	<b>\$ 619,276</b>	<b>\$ 1,562,786</b>	<b>\$ 964,676</b>	<b>\$ 329,913</b>	<b>\$ 3,476,651</b>	<b>\$ 604,483</b>	<b>\$ 198,295</b>	<b>\$ 4,279,429</b>	<b>\$ 5,289,755</b>

See accompanying notes to financial statements.

# Presidio Graduate School

## Statement of Cash Flows

<i>Year Ended June 30, 2020 (with comparative totals for 2019)</i>	2020	2019
<b>Operating Activities:</b>		
Change in net assets	\$ (237,726)	\$ 216,478
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	10,690	29,941
Allowance for doubtful accounts	(39,514)	(7,510)
Loss on disposal of property and equipment	9,963	
Changes in operating assets and liabilities:		
Tuitions receivable	42,028	35,439
Pledges receivable	545,000	(1,048,000)
Other receivables	14,193	(27,908)
Prepaid expense	(46,144)	44,838
Security deposits	284,409	(89,168)
Accounts payable	(66,611)	58,138
Accrued expenses	(91,696)	12,753
Deferred revenue	50,967	(44,145)
Student deposits and other liabilities	77,251	(30,182)
<b>Net cash provided by (used in) by operating activities</b>	<b>552,810</b>	<b>(849,326)</b>
<b>Investing Activities:</b>		
Proceeds from redemption of refundable bond		250,000
<b>Net cash provided by financing activities</b>	<b>-</b>	<b>250,000</b>
<b>Financing Activities:</b>		
Payment of debt	(48,038)	(249,588)
<b>Net cash provided by (used in) financing activities</b>	<b>(48,038)</b>	<b>(249,588)</b>
<b>Net Change in Cash and Cash Equivalents</b>	<b>504,772</b>	<b>(848,914)</b>
<b>Cash and Cash Equivalents, beginning of year</b>	<b>348,560</b>	<b>1,197,474</b>
<b>Cash and Cash Equivalents, end of year</b>	<b>\$ 853,332</b>	<b>\$ 348,560</b>
<b>Supplemental Cash Flow Information:</b>		
Interest paid	\$ 1,002	\$ 7,166

See accompanying notes to financial statements.



# Presidio Graduate School

## Notes to Financial Statements

---

### Note 1 - Nature of Organization:

Presidio Graduate School (PGS) 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. PGS has pioneered the field of sustainable management education since 2003.

Presidio Graduate School offers degrees and certificates in Sustainable Management. Funding sources generally include tuition and fees charged to students and contributions and grants.

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

PGS is accredited by the WASC Senior College and University Commission (WSCUC). This accreditation is subject to periodic review and renewal.

PGS'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.

On February 22, 2018, PGS signed a Change in Control agreement with an international education organization, Amity Global Education Organisation (AGEO). The effective date of closing was October 12, 2018, which is when all contingencies of closing were met. The agreement provided that AGEO commits up to \$5 million in unrestricted donations to PGS over five years (see Note 10). AGEO will also bolster international marketing for recruitment of international students.

In March 2019, the Board of Directors of PGS accepted management's recommendation to close the Seattle campus. The students enrolled at the Seattle campus were offered tuition discounts, travel vouchers, other credits to continue their programs in San Francisco in order to complete their degrees. Despite these expenses, as of June 30, 2020 there was a significant savings in expenses due to the closure of the campus. Based on the current enrollment projection by management, total future commitments of accommodations to be provided to the transferred students from the Seattle campus is approximately \$71,000 as of June 30, 2020.

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

#### a. Basis of Accounting

PGS financial statements are prepared on an accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) applicable to not-for-profit organizations. PGS's financial statements include two categories of net assets as follows.

# Presidio Graduate School

## Notes to Financial Statements

---

### Description of Net Assets:

*Net assets without donor restrictions* - the portion of net assets that are not subject to donor-imposed stipulations. These net assets are intended for use by management and the Board of Directors for educational programs, scholarships and general operations. In the fiscal year ended June 30, 2018, the Board of Directors designated \$500,000 for a quasi-endowment. In fiscal year ended June 30, 2020 and 2019, \$200,000 and \$300,000 of the designated funds were expended to support operations, respectively.

*Net assets with donor restrictions* - the portion of net assets of which use by PGS is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of PGS. Other donor-imposed restrictions are perpetual in nature where the donor stipulates that resources be maintained in perpetuity. PGS has no net assets which are donor restricted in perpetuity.

### 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 and spring 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.

Contributions and pledges are recognized at their fair value when received or unconditionally promised. Conditional promises to give are not contributions until the conditions on which they depend are substantially met. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending upon the nature of the restrictions. When a restriction expires or the purpose is satisfied, net asset with donor restrictions are reclassified to net assets without donor restrictions. Contributions that are to be received after a year or over a number of years are discounted at an applicable rate based on the date received. The discount is amortized and recorded as additional contribution revenue in accordance with the donor-imposed restrictions, if any.

Research and consulting services revenue is recorded as earned on a percentage of completion basis over the term of the contract. Payments received in advance of the revenue being earned are deferred as a liability until the services are provided.

PGS uses the allowance method to account for uncollectible receivables based on an evaluation of the outstanding receivables at the end of the year.

Expenses are reported as decreases in net assets without donor restrictions. Gains or losses on investments and other assets and liabilities are reported as increases or decreases in net assets without restrictions unless their use is restricted by a donor or by law.

# Presidio Graduate School

## Notes to Financial Statements

---

c. Cash and Cash Equivalents

PGS 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.

e. Pledges Receivable

Pledges receivable that are expected to be collected after one year are recorded at net present 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. Pledges receivable at June 30, 2020 are expected to be collected within one year.

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 3 to 7 years for equipment, library books, software, furniture, and intangible assets. Leasehold improvements are amortized over the estimated useful life or the remaining term of the related property lease, whichever is shorter. PGS's policy is to capitalize items purchased or donated with a cost or fair value in excess of \$2,500. 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 and the statement of functional expenses. Directly identifiable expenses are charged to the related program or service benefited. Indirect expenses such as occupancy, depreciation and technology are allocated to programs and services based principally on the percentage of personnel time spent in each area.

h. Advertising Costs

PGS expenses costs incurred for advertising when incurred. Advertising for the purpose of generating tuition revenue amounted to \$45,309 for the year ended June 30, 2020.

# Presidio Graduate School

## Notes to Financial Statements

---

i. Income Taxes

PGS is a tax-exempt organization under Internal Revenue Service Code section 501(c)(3) and the California tax code. Management evaluated PGS's tax positions and concluded that PGS 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

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

Contributions for the year ended June 30, 2020 include \$278,000 made by or at the direction of three donors. These contributions represent approximately 67% of total contributions received during the year ended June 30, 2020.

k. Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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. Actual future results could differ materially from these estimates.

l. Comparative Financial Statements

The financial statements include certain prior year summarized comparative information in total. Such information and certain disclosures do not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with PGS's financial statements for the year ended June 30, 2019, from which the information was derived.

# Presidio Graduate School

## Notes to Financial Statements

---

### m. New Accounting Pronouncements

#### *Implemented:*

In June 2018, the FASB issued ASU 2018-08, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958). The ASU clarifies and improves current guidance about whether a transfer of assets, or the reduction, settlement, or cancellation of liabilities, is a contribution or an exchange transaction. It provides criteria for determining whether the resource provider is receiving commensurate value in return for the resources transferred which, depending on the outcome, determines whether the organization follows contribution guidance or exchange transaction guidance in the revenue recognition and other applicable standards. It provides a framework for determining whether a contribution is conditional or unconditional, and for distinguishing a donor-imposed condition from a donor-imposed restriction. PGS adopted the new standard as of July 1, 2019.

#### *Effective in the Future:*

In May 2014, as part of its ongoing efforts to assist in the convergence of U.S. GAAP and International Financial Reporting Standards (IFRS), the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)* related to revenue recognition. The new guidance sets forth a new five-step revenue recognition model which replaces the prior revenue recognition guidance in its entirety and is intended to eliminate numerous industry-specific pieces of revenue recognition guidance that have historically existed in U.S. GAAP. The underlying principle of the new standard is that a business or other organization will recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects what it expects in exchange for the goods or services. The standard also requires more detailed disclosures and provides additional guidance for transactions that were not addressed completely in the prior accounting guidance. This guidance is effective for fiscal years beginning after December 15, 2021. PGS is currently evaluating the impact the new standard will have on its financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. Under the new guidance, lessees will be required to recognize, at commencement date, a lease liability representing the lessee's obligation to make payments arising from the lease and a right-of-use asset representing the lessee's right to use, or control the use of, a specified asset for the lease term. This guidance is effective for fiscal years beginning after December 15, 2021. PGS is currently evaluating the impact the new standard will have on its financial statements.

# Presidio Graduate School

## Notes to Financial Statements

---

n. Subsequent Events

PGS has reviewed the results of activities for the period of time from the end of its fiscal year on June 30, 2020 through March 10, 2021, the date the financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements except as discussed in Note 11.

**Note 3 - Liquidity Management:**

The following reflects PGS's financial assets as of June 30, 2020, reduced by amounts not available for general use within one year of June 30, 2020 because of board designations, contractual or donor-imposed restrictions.

Cash and cash equivalents	\$ 853,332
Short-term receivables	521,340
<hr/>	
Total financial assets	1,374,672
<hr/>	
Less:	
Purpose restricted funds	(123,642)
Add:	
Restricted funds to be spent in fiscal year 2021	105,742
<hr/>	
Net amount not available for general use within one year	(17,900)
<hr/>	
Financial assets available to meet cash needs for general expenditures within one year	\$ 1,356,772
<hr/>	

PGS structures its financial assets to be available as general expenditures, liabilities and other obligations come due.

# Presidio Graduate School

## Notes to Financial Statements

---

### Note 4 - Property and Equipment:

Property and equipment consist of the following at June 30, 2020:

Library	\$ 51,071
Furniture and fixtures	55,374
Computer and office equipment	144,739
Computer software	58,399
	<hr/> 309,583
Less: accumulated depreciation and amortization	(309,583)
	<hr/>
Net property and equipment	\$ -

### Note 5 - Note Payable:

PGS had a term loan agreement dated February 10, 2015 with Wells Fargo Bank. The note was secured by accounts receivable, inventory, property and equipment, and other assets. Interest accrued on the unpaid outstanding balance of credit at a fixed rate of 5.75%. Installments of principal commenced on March 15, 2015, continuing monthly through February 15, 2020 at which time the note was fully paid.

### Note 6 - Net Assets With Donor Restrictions:

Net assets were released from net assets with donor restrictions as follows for the year ended June 30, 2020:

Time	\$ 548,000
Purpose - scholarship and other	104,248
	<hr/>
Total	\$ 652,248

As of June 30, 2020, net assets with donor restrictions totaled \$701,642 and was comprised of \$578,000 as time restricted for the fiscal year 2021, \$67,441 as purpose-restricted for scholarships, and \$56,201 as restricted for certain programs and supporting expenses.

# Presidio Graduate School

## Notes to Financial Statements

---

### **Note 7 - Commitments:**

PGS 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. In July 2018, the lease agreement was extended by two years through June 2020 with a monthly base rent of \$16,290 to \$16,893.

On March 6, 2020, PGS entered a lease agreement for classroom space for 2020-2021 academic year in downtown Oakland. The agreement includes base monthly rent of \$11,500 plus additional fees subjected to increase in required spaces or hours. Due to COVID-19 pandemic, PGS has not been able to utilize the classroom space but received credits for future uses.

On June 6, 2020, PGS entered a lease agreement for virtual administrative office space in San Francisco with the option to rent offices and meeting space as needed, which carries an initial six month term and converts to a month to month term thereafter for \$65 per month.

### **Note 8 - Retirement Plans:**

PGS maintains a 401(k) retirement plan (the Plan) for the benefit of all eligible employees. An employee may begin to participate in the Plan after 30 days of employment and if the employee has met the requirements of eligibility. The Plan is funded by employee and matching employer contributions. PGS matches employee contributions up to 4% of compensation. PGS's matching contribution is vested immediately. Contributions made by PGS amounted to \$47,628 for the year ended June 30, 2020.

### **Note 9 - Contingencies:**

Federal grants, including financial aid which PGS administers and for which it receives reimbursements, 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 PGS 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 PGS.



# Presidio Graduate School

## Notes to Financial Statements

---

### **Note 10 - Related Party Transactions:**

PGS received contributions of \$238,150 from members of its Board of Directors, and staff companies and organizations for which they represent. There were no pledges outstanding from these related parties as of June 30, 2020.

In addition, as part of the Change in Control agreement with AGEO (See Note 1), PGS recorded \$2,000,000 in donations from an organization affiliated with AGEO, during the year ended June 30, 2019. A pledge receivable of \$500,000 remained outstanding at June 30, 2020. The remaining commitment, for the period of October 2020 through October 2023, of up to \$3,000,000 is subject to the needs of PGS and has not been recorded at June 30, 2020.

### **Note 11 - COVID-19 Pandemic and CARES Act Funding:**

On March 11, 2020, the World Health Organization publicly characterized COVID-19 as a pandemic. Many federal, state and local governmental agencies have declared a state of emergency and issued a variety of recommendations impacting travel, group gatherings, etc. As a result, this has significantly impacted PGS's operations in many ways. Classes have been taught online since March 2020 and the staff at PGS continue to work virtually to comply with state and local mandates for sheltering in place and social distancing.

In addition, PGS participated in several government funded opportunities that have provided a critical funding cushion in this uncertain time. This includes the Paycheck Protection Program (PPP), as well as the Coronavirus Aid Relief and Economic Security Act (CARES Act) funding opportunities through Higher Education Emergency Relief Fund (HEERF). These programs have enabled PGS to continue forward with the growth plans in a more secure position given the broader uncertainty facing society in general, and higher education more specifically.

PGS received loan proceeds in the amount of \$502,320 under the Paycheck Protection Program (PPP). The PPP, established as part of the CARES Act, provided loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loan and accrued interest are forgivable as long as the recipient uses the loan proceeds for eligible purposes, including payroll, benefits, rent, utilities and staff levels are maintained.

As of June 30, 2020, PGS has expended a portion of the proceeds of the PPP loan which PGS treated as a conditional grant. PGS has determined it has complied with all provisions of the guidelines to allow for forgiveness of the expense amount and as such, has recognized the forgiveness of this debt of \$444,868 in the accompanying Statement of Activities. The unspent portion of the PPP loan is recorded as refundable advances in the Statement of Financial Position. PGS received approval of its application for forgiveness of the funds by its bank and the Federal agency administering the program subsequent to June 30, 2020.