

GPS EDUCATION PARTNERS, INC.

FINANCIAL STATEMENTS

June 30, 2019 and 2018

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
GPS Education Partners, Inc.
Brookfield, Wisconsin

We have audited the accompanying financial statements of GPS Education Partners, Inc., which comprise the statements of financial position as of June 30, 2019 and 2018, 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.

Auditor's 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 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 GPS Education Partners, Inc. as of June 30, 2019 and 2018, 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.

Adoption of New Accounting Pronouncement

As discussed in Note 1 to the financial statements, GPS Education Partners, Inc. adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, as of and for the year ended June 30, 2019. The requirements of the ASU have been applied retrospectively to all periods presented. Our opinion is not modified with respect to this matter.

Wegner CPAs, LLP

Wegner CPAs, LLP
Waukesha, Wisconsin
November 7, 2019

GPS EDUCATION PARTNERS, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2019 and 2018

	2019	2018
ASSETS		
CURRENT ASSETS		
Cash	\$ 346,439	\$ 338,008
Accounts receivable	61,060	32,374
Unconditional promises to give, net	760,522	505,382
Prepaid expenses	22,449	45,466
Total current assets	1,190,470	921,230
EQUIPMENT AND LEASEHOLD IMPROVEMENTS		
Equipment	137,033	133,479
Furniture and fixtures	113,807	113,807
Leasehold improvements	12,987	12,987
Equipment and leasehold improvements	263,827	260,273
Less accumulated depreciation	(237,269)	(218,587)
Equipment and leasehold improvements, net	26,558	41,686
OTHER ASSETS		
Investments	910,419	1,123,370
Total assets	\$ 2,127,447	\$ 2,086,286
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 29,781	\$ 35,482
Accrued payroll and vacation	102,515	102,871
Total liabilities	132,296	138,353
NET ASSETS		
Without donor restrictions	1,995,151	1,947,933
Total liabilities and net assets	\$ 2,127,447	\$ 2,086,286

See accompanying notes.

GPS EDUCATION PARTNERS, INC.
STATEMENTS OF ACTIVITIES
Years Ended June 30, 2019 and 2018

	2019			
	Without Donor Restrictions	With Donor Restrictions	Total	Percent
SUPPORT AND REVENUE				
Contributions	\$ 1,757,423	\$ -	\$ 1,757,423	51.44%
In-kind contributions	3,359	-	3,359	0.10%
Grants	460,876	-	460,876	13.49%
School district fees	780,000	-	780,000	22.83%
Pathway revenue	208,668	-	208,668	6.11%
Fees	18,183	-	18,183	0.53%
Network product and service revenue	148,336	-	148,336	4.34%
Investment return, net	37,454	-	37,454	1.10%
Other	2,220	-	2,220	0.06%
Total support and revenue	3,416,519	-	3,416,519	100.00%
EXPENSES				
Education	2,743,692	-	2,743,692	81.43%
Management and general	475,718	-	475,718	14.12%
Development	149,891	-	149,891	4.45%
Total expenses	3,369,301	-	3,369,301	100.00%
OTHER CHANGES				
Gain on sale of equipment	-	-	-	
Write off unconditional promises to give	-	-	-	
NET ASSETS RELEASED FROM RESTRICTIONS				
Satisfaction of program restrictions	-	-	-	
Expiration of time restrictions	-	-	-	
Change in net assets	47,218	-	47,218	
Net assets at beginning of year	1,947,933	-	1,947,933	
Net assets at end of year	\$ 1,995,151	\$ -	\$ 1,995,151	

See accompanying notes.

2018

Without Donor Restrictions	With Donor Restrictions	Total	Percent
\$ 1,532,246	\$ 530,799	\$ 2,063,045	56.51%
-	-	-	0.00%
402,778	-	402,778	11.03%
839,500	-	839,500	22.99%
220,043	-	220,043	6.03%
16,969	-	16,969	0.46%
70,000	-	70,000	1.92%
38,247	-	38,247	1.05%
212	-	212	0.01%
3,119,995	530,799	3,650,794	100.00%
2,805,487	-	2,805,487	81.35%
331,389	-	331,389	9.61%
311,888	-	311,888	9.04%
3,448,764	-	3,448,764	100.00%
7,650	-	7,650	
(30,000)	(19,500)	(49,500)	
35,000	(35,000)	-	
662,662	(662,662)	-	
346,543	(186,363)	160,180	
1,601,390	186,363	1,787,753	
<u>\$ 1,947,933</u>	<u>\$ -</u>	<u>\$ 1,947,933</u>	

GPS EDUCATION PARTNERS, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended June 30, 2019 and 2018

	2019			
	Education	Management and General	Development	Total Expenses
Personnel	\$ 2,269,192	\$ 356,587	\$ 129,668	\$ 2,755,447
Professional fees	-	54,725	-	54,725
Contracted services	106,254	16,954	6,165	129,373
Classroom and student supplies and fees	14,906	-	-	14,906
Dues and subscriptions	1,789	281	102	2,172
Office expenses	17,010	2,673	972	20,655
Telephone	21,750	3,418	1,243	26,411
Travel	49,203	7,732	2,812	59,747
Occupancy	32,946	5,570	2,025	40,541
Insurance	4,101	645	234	4,980
Conferences and meetings	28,658	4,503	1,638	34,799
Student activities	3,380	-	-	3,380
Marketing and promotion	16,152	2,281	830	19,263
Training and development	11,647	1,830	666	14,143
Equipment and software	143,044	6,070	2,207	151,321
Depreciation and amortization	15,456	2,367	860	18,683
Miscellaneous	8,204	3,082	469	11,755
Bad debt	-	7,000	-	7,000
Total expenses	\$ 2,743,692	\$ 475,718	\$ 149,891	\$ 3,369,301
	2018			
	Education	Management and General	Development	Total Expenses
Personnel	\$ 2,366,116	\$ 262,901	\$ 245,375	\$ 2,874,392
Professional fees	-	29,541	-	29,541
Contracted services	11,221	3,300	16,371	30,892
Classroom and student supplies and fees	20,717	-	-	20,717
Dues and subscriptions	2,244	249	233	2,726
Office expenses	20,392	2,266	2,115	24,773
Telephone	22,786	2,532	2,363	27,681
Travel	60,947	6,772	6,320	74,039
Occupancy	36,799	3,376	3,151	43,326
Insurance	2,613	1,022	1,015	4,650
Conferences and meetings	41,000	2,343	16,460	59,803
Student activities	2,997	-	-	2,997
Marketing and promotion	48,104	5,142	6,621	59,867
Training and development	36,251	4,028	3,759	44,038
Equipment and software	102,539	4,134	3,859	110,532
Depreciation and amortization	18,994	2,110	1,970	23,074
Miscellaneous	11,767	1,673	2,276	15,716
Total expenses	\$ 2,805,487	\$ 331,389	\$ 311,888	\$ 3,448,764

See accompanying notes.

GPS EDUCATION PARTNERS, INC.
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2019 and 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 47,218	\$ 160,180
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Bad debt	7,000	49,500
Depreciation and amortization	18,683	23,074
Gain on sale of equipment	-	(7,650)
Net unrealized and realized gain on investments	(3,005)	(11,227)
(Increase) decrease in assets		
Accounts receivable	(28,686)	(27,412)
Unconditional promises to give	(262,140)	(403,519)
Prepaid expenses	23,017	(14,225)
Increase (decrease) in liabilities		
Accounts payable	(5,701)	(61,906)
Accrued payroll and vacation	(356)	(126,576)
Deferred revenue	-	(2,500)
Net cash flows from operating activities	(203,970)	(422,261)
CASH FLOWS FROM INVESTING ACTIVITIES		
Redemption of certificate of deposit	-	256,073
Purchases of equipment and leasehold improvements	(3,555)	-
Proceeds from sale of equipment	-	7,650
Proceeds from sales of investments	262,257	-
Interest and dividends retained in investments	(46,301)	(26,448)
Net cash flows from investing activities	212,401	237,275
Change in cash	8,431	(184,986)
Cash at beginning of year	338,008	522,994
Cash at end of year	\$ 346,439	\$ 338,008

See accompanying notes.

GPS EDUCATION PARTNERS, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

GPS Education Partners, Inc. (GPS Education Partners), was organized as a nonprofit organization. GPS Education Partners is an innovative education model that uniquely prepares students to succeed in technical careers and promotes viability for business.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounts Receivable

GPS Education Partners considers accounts receivable to be fully collectible. Accordingly, no allowance for doubtful accounts has been established. If accounts become uncollectible, they will be charged to operations when that determination is made.

Promises to Give

Unconditional promises to give are recognized as support in the period the promises is made. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. At June 30, 2019 and 2018, all unconditional promises to give are receivable in less than one year.

Management provides for probable uncollectible amounts through a provision for write off of promises to give and an adjustment to a valuation allowance based on its assessment of the current status of individual promises. Promises that are deemed uncollectible after management has used reasonable collection efforts are charged to operations when that determination is made. At June 30, 2019 and 2018 management established an allowance for uncollectible promises to give in the amount of \$10,000 and \$30,000, respectively.

Equipment and Leasehold Improvements

Purchases of equipment and leasehold improvements with a value greater than \$5,000 are capitalized. Equipment depreciation is computed using the straight-line method over two to seven years, the estimated useful lives of the assets. Leasehold improvements are amortized over the shorter of the lease or the estimated useful life of the improvement.

Investments

GPS Education Partners reports investments in marketable equity securities with readily determinable fair values and all investments in debt securities at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statements of activities.

Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the statements of financial position.

GPS EDUCATION PARTNERS, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions

Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Expense Allocation

The financial statements report certain categories of expenses that are attributable to more than one program service or supporting activity. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Personnel, contracted services, dues and subscriptions, office expenses, telephone, travel, occupancy, insurance, conferences and meetings, marketing and promotion, training and development, equipment and software, depreciation and amortization, and miscellaneous are allocated on the basis of estimates of time and effort.

Income Tax Status

GPS Education Partners is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, GPS Education Partners qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

Estimates

The preparation of financial statements in conformity of generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassification

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

Date of Management's Review

Management has evaluated subsequent events through November 7, 2019, the date which the financial statements were available to be issued.

GPS EDUCATION PARTNERS, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Adoption of New Accounting Pronouncement

GPS Education Partners adopted the Financial Accounting Standards Board's Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, as of and for the year ended June 30, 2019. This update 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 changes required by the update have been applied retrospectively to all periods presented. A key change required by the update are the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets, if applicable, are now reported as net assets with donor restrictions.

NOTE 2 – CONCENTRATIONS OF CREDIT RISK

GPS Education Partners maintains cash accounts with three financial institutions located in Wisconsin. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) or the National Credit Union Administration (NCUA) up to \$250,000. At June 30, 2019 and 2018, GPS Education Partners has uninsured cash balances on deposit of approximately \$31,000 and \$39,000, respectively.

NOTE 3 – UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give consist of the following:

	2019	2018
Receivable in less than one year	\$ 770,522	\$ 535,382
Less allowance for uncollectible promises	(10,000)	(30,000)
Unconditional promises to give, net	\$ 760,522	\$ 505,382

NOTE 4 – INVESTMENTS

Investments consist of the following:

	2019	2018
Money market	\$ 23,224	\$ 57,020
Exchange traded funds	22,703	28,168
Mutual funds	223,490	250,989
Equities	190,209	232,023
Bonds	450,793	555,170
Investments	\$ 910,419	\$ 1,123,370

GPS EDUCATION PARTNERS, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

NOTE 4 – INVESTMENTS (continued)

Investment return consists of the following:

	2019	2018
Interest and dividends	\$ 44,922	\$ 38,506
Unrealized and realized gain	3,005	11,227
Fees	(10,473)	(11,486)
Investment return, net	\$ 37,454	\$ 38,247

NOTE 5 – RETIREMENT PLAN

GPS Education Partners sponsors a 403(b) Thrift Plan. Salary reduction contributions will be matched up to 5% of total salary. Employees must be at least 21 years of age and completed at least three months of service to receive employer matching contributions. Retirement expense for the years ended June 30, 2019 and 2018 was \$72,276 and \$73,577, respectively.

NOTE 6 – OPERATING LEASE AND RELATED PARTY TRANSACTION

GPS Education Partners leases office space from a company owned by a board member. The lease expires in June 2021. Rent expense for the years ended June 30, 2019 and 2018 was \$30,000 and \$30,020, respectively.

Future minimum lease payments for the years ending June 30, 2020 and 2021 are \$30,000 per year.

NOTE 7 – FAIR VALUE MEASUREMENTS

Fair value of assets measured on a recurring basis are as follows:

	2019			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Exchange traded funds	\$ 22,703	\$ 22,703	\$ -	\$ -
Mutual funds	223,490	223,490	-	-
Equities	190,209	190,209	-	-
Bonds	450,793	-	450,793	-
	\$ 887,195	\$ 436,402	\$ 450,793	\$ -

GPS EDUCATION PARTNERS, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

NOTE 7 – FAIR VALUE MEASUREMENTS (continued)

	2018			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Exchange traded funds	\$ 28,168	\$ 28,168	\$ -	\$ -
Mutual funds	250,989	250,989	-	-
Equities	232,023	232,023	-	-
Bonds	555,170	-	555,170	-
	\$ 1,066,350	\$ 511,180	\$ 555,170	\$ -

Fair values for exchange traded funds, mutual funds, and equities are determined by reference to quoted market prices and represent the net asset value of shares at year-end. Fair values of bonds are determined based on recent prices of similar assets.

NOTE 8 – LIQUIDITY AND AVAILABILITY

The following reflects GPS Education Partners financial assets as of the date of the statement of financial position, reduced by amounts not available for general expenditures within one year of the date of the statement of financial position because of donor-imposed or other restrictions:

Cash	\$ 346,439
Accounts receivable	61,060
Unconditional promises to give, net	760,522
Investments	910,419
Total financial assets at the end of the year	2,078,440
Less those unavailable for general expenditures within one year due to:	
Investments held for long term investing	(910,419)
Financial assets available to meet cash needs for general expenditures within one year	\$ 1,168,021

Financial assets not available for general expenditures includes \$910,419 set aside for long term investing; however, amounts could be made available if necessary. As part of GPS Education Partners liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.