

College Board

**Reports on Federal and State Awards in Accordance
with the Uniform Guidance and the Rules of the
State of Florida Auditor General, Chapter 10.650
Non-profit and For-Profit Organizations and the
Florida Single Audit Act
December 31, 2020
EIN 13-1623965**

College Board
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December 31, 2020

(in thousands of dollars)

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Report of Independent Auditors

To the Board of Trustees
College Board

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of College Board (the "Board"), which comprise the consolidated statements of financial position as of December 31, 2020 and 2019 and the related consolidated statements of activities, of changes in net assets and of cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Board's preparation and fair presentation of the consolidated 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 Board'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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Board as of December 31, 2020 and 2019 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.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedules of expenditures of federal and state awards for the year ended December 31, 2020 are presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the Rules of the State of Florida Auditor General, Chapter 10.650 Non-profit and For-Profit Organizations and the Florida Single Audit Act and are not a required part of the consolidated financial statements. The information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures, in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 6, 2021 on our consideration of the Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters for the year ended December 31, 2020. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Board's internal control over financial reporting and compliance.

A handwritten signature in black ink, appearing to read "PricewaterhouseCoopers LLP", is written over a faint, light-colored watermark of the PwC logo.

New York, New York
May 10, 2021

College Board
Consolidated Statements of Financial Position
December 31, 2020 and 2019

(in thousands of dollars)

	2020	2019
Assets		
Current assets		
Cash and cash equivalents (Note 2)	\$ 271,926	\$ 295,135
Investments (Note 3)	786,564	693,957
Accounts and other receivables	65,300	87,745
Due from Educational Testing Service	14,641	37,099
Grants receivable	1,745	1,985
Prepaid expenses and other current assets	17,300	19,727
Total current assets	1,157,476	1,135,648
Investments, net of current portion (Note 3)	420,933	324,325
Property and equipment, net (Note 4)	58,748	55,860
Capitalized website costs and internal use software, net of accumulated amortization of \$45,732 and \$54,904 in 2020 and 2019, respectively	41,567	44,243
Deferred charges and other assets	7,526	7,834
Total assets	\$ 1,686,250	\$ 1,567,910
Liabilities and Net Assets		
Current liabilities		
Accounts payable, accrued expenses and other	\$ 83,697	\$ 82,097
Deferred revenue	71,400	60,778
Accrued postretirement benefits (Note 6)	1,351	1,296
Total current liabilities	156,448	144,171
Deferred revenue, net of current portion	17,548	24,415
Accrued postretirement benefits, net of current portion (Note 6)	51,624	44,854
Deferred rent, net of current portion	57,591	54,519
Other long-term liabilities	13,480	8,224
Total liabilities	296,691	276,183
Commitments and contingencies (Note 7)		
Net assets		
Without donor restrictions	1,388,529	1,289,041
With donor restrictions (Note 8)	1,030	2,686
Total net assets	1,389,559	1,291,727
Total liabilities and net assets	\$ 1,686,250	\$ 1,567,910

The accompanying notes are an integral part of these consolidated financial statements.

College Board
Consolidated Statements of Activities
Years Ended December 31, 2020 and 2019

(in thousands of dollars)

	2020	2019
Operating revenue		
Fees from programs and services, net	\$ 760,341	\$ 1,046,843
Membership dues and meetings	2,588	3,817
Net assets released from restrictions	7,823	9,125
Total operating revenue	<u>770,752</u>	<u>1,059,785</u>
Operating expenses		
Program services (Note 5)		
Advanced Placement and Instruction	365,425	456,115
Assessments	317,966	403,568
College and Career Access	111,641	117,533
State and District Partnerships	27,639	32,402
Puerto Rico and Latin American programs	12,582	17,822
Total program services	<u>835,253</u>	<u>1,027,440</u>
Membership services	<u>4,521</u>	<u>7,113</u>
Total operating expenses	<u>839,774</u>	<u>1,034,553</u>
Operating (deficit) surplus	(69,022)	25,232
Nonoperating income		
Investment gain, net	<u>175,404</u>	<u>141,276</u>
Excess of revenues over expenses	106,382	166,508
Pension-related changes other than net periodic pension cost	<u>(6,888)</u>	<u>(6,634)</u>
Change in net assets without donor restrictions	<u>\$ 99,494</u>	<u>\$ 159,874</u>

The accompanying notes are an integral part of these consolidated financial statements.

College Board
Consolidated Statements of Changes in Net Assets
Years Ended December 31, 2020 and 2019

(in thousands of dollars)

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Net assets at beginning of period	\$ 1,289,041	\$ 2,686	\$ 1,291,727	\$ 1,129,171	\$ 6,831	\$ 1,136,002
Change in net assets without donor restrictions	99,494	-	99,494	159,874	-	159,874
Foreign currency translation adjustment	(6)	-	(6)	(4)	-	(4)
Grants and contracts with donor restrictions	-	6,167	6,167	-	4,980	4,980
Net assets released from restrictions	-	(7,823)	(7,823)	-	(9,125)	(9,125)
Change in net assets	99,488	(1,656)	97,832	159,870	(4,145)	155,725
Net assets at end of period	\$ 1,388,529	\$ 1,030	\$ 1,389,559	\$ 1,289,041	\$ 2,686	\$ 1,291,727

The accompanying notes are an integral part of these consolidated financial statements.

College Board
Consolidated Statements of Cash Flows
Years Ended December 31, 2020 and 2019

(in thousands of dollars)

	2020	2019
Cash flows from operating activities		
Change in net assets	\$ 97,832	\$ 155,725
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	27,595	31,658
Net realized and unrealized gain on investments	(187,205)	(144,306)
Pension-related changes other than net periodic pension cost	6,888	6,634
Recovery (provision) for bad debts	1,934	(290)
Changes in operating assets and liabilities		
Due from Educational Testing Service	22,458	4,438
Accounts and other receivables	20,511	(2,709)
Grants receivable	240	(834)
Prepaid expenses and other current assets	2,427	(2,056)
Deferred charges and other assets	308	(425)
Accounts payable, accrued expenses and other	1,600	5,272
Accrued postretirement benefits	(63)	(143)
Deferred rent	3,072	1,158
Deferred revenue and other long-term liabilities	9,011	(1,716)
Net cash provided by operating activities	<u>6,608</u>	<u>52,406</u>
Cash flows from investing activities		
Purchases of property and equipment and expenditures for capitalized website and other software development costs	(27,807)	(35,522)
Purchases of investments	(261,908)	(226,188)
Net proceeds from sales of investments	259,898	314,296
Net cash (used in) provided by investing activities	<u>(29,817)</u>	<u>52,586</u>
Net (decrease) increase in cash and cash equivalents	(23,209)	104,992
Cash and cash equivalents		
Beginning of period	<u>295,135</u>	<u>190,143</u>
End of period	<u>\$ 271,926</u>	<u>\$ 295,135</u>

The accompanying notes are an integral part of these consolidated financial statements.

College Board

Consolidated Notes to Financial Statements

December 31, 2020 and 2019

(in thousands of dollars)

1. Organization and Basis of Presentation

College Board is a not-for-profit membership association of colleges and universities, secondary schools, collegiate and school systems and educational associations (6,309 members) founded in 1900. Effective January 2019, College Board has amended its corporate name from “College Entrance Examination Board”. The College Board’s mission is to connect students to college success and opportunity by developing curriculum, tests and guidance tools to prepare students for college and help them choose a college where they can succeed. The College Board is a Section 501(c)(3) not-for-profit organization exempt from U.S. Federal income taxes under Section 501(a) of the Internal Revenue Code (the “IRC”) and has been classified as an organization that is not a private foundation under Section 509(a) of the IRC.

The accompanying consolidated financial statements include the accounts of College Board and two wholly-owned-for-profit subsidiaries, College Board Holdings LLC, and CollegeBoard India Global Alliance, LLP and are collectively hereafter referred to as the Board (“the Board”). All intercompany balances and accounts have been eliminated in consolidation.

The Board has contracted with Educational Testing Service (“ETS”), an independent not-for-profit corporation founded by the members of the Board in 1947, to provide test development, test administration, customer service, and publications printing and fulfillment services and various administrative functions for certain Board programs. Expenses for services provided by ETS totaled \$232,523 and \$355,703 or 28% and 34% of total expenses for the years ended December 31, 2020 and 2019, respectively.

2. Significant Accounting Policies

The Board’s significant accounting policies follow:

Net Assets

The Board reports information regarding its financial position and activities according to the following two classes of net assets:

Net Assets without Donor Restrictions

Net assets without donor restrictions include expendable resources over which the Board’s Board of Trustees have discretionary control and are used to carry out the Board’s operations in accordance with its bylaws. Net assets without donor restrictions also include property and equipment acquisitions and improvements and any other activities that are not restricted by donor-imposed stipulations.

Net Assets With Donor Restrictions

Net assets with donor restrictions include resources expendable only for those purposes specified by a donor or grantor. The restrictions are satisfied by expenditures of the Board in accordance with the terms of the donation or grant.

Measure of Operations

The Board includes in its definition of operations all revenues and expenses that are an integral part of its programs and supporting activities and excludes investment returns and adjustments to net assets without donor restrictions related to the Board’s post retirement liability. This definition reflects the way in which the Board manages its ongoing activities.

College Board

Consolidated Notes to Financial Statements

December 31, 2020 and 2019

(in thousands of dollars)

Revenue Recognition

Revenue related to exchange transactions is recognized under the provisions of ASC Topic 606, *Revenue from Contracts with Customers*. This standard implements a single framework for recognition of all revenue earned from customers. This framework ensures that entities appropriately reflect the consideration to which they expect to be entitled in exchange for goods and services by allocating transaction price to identified performance obligations and recognizing revenue as performance obligations are satisfied.

The Board records revenues from exams as performance obligations are satisfied. Revenue from exams is recognized as the tests are administered and scored. In an effort to ensure accessibility, the Board provides implicit price concessions to eligible students, recorded as a direct reduction to fees from programs and services revenue. Implicit price concessions totaling \$69,312 and \$133,728 were recorded for the year ended December 31, 2020 and 2019, respectively.

The Board licenses certain software under noncancelable term licenses and provides services in conjunction with the initial agreement, including training, installation, data conversion and maintenance. Maintenance consists of product support services and periodic unspecified updates. Revenue from the annual maintenance agreements is deferred and recognized ratably over the related one-year period.

The Board offers subscriptions for recruitment services and recognizes revenue over time based on the terms of the contract. The Board records revenue from publications such as study guides and textbooks, upon delivery. The Board conducts workshops, conferences and professional development in support of its programs and recognizes revenue upon completion of the event. The Board offers financial aid services and recognizes revenue upon delivery.

The Board allocates the transaction price for multiple performance obligations based on the standalone prices of the services at the inception of the contract.

Deferred revenue represents payments received upfront for maintenance contracts, subscriptions, test units bought but not yet consumed, and multi-year arrangements for which revenue will be recognized as the passage of time elapses and performance obligations are met.

There is no significant financing component associated with these advance payments as the difference between the promised consideration and the cash selling price of the good or service arose for reasons other than the provision of finance.

Accounts and other receivables are presented net of an allowance of \$5,183 and \$3,249 in 2020 and 2019, respectively.

College Board
Consolidated Notes to Financial Statements
December 31, 2020 and 2019

(in thousands of dollars)

The sources of revenue recognized is depicted below:

	2020	2019
Exam fees and related	\$ 578,401	\$ 854,535
Subscriptions	75,871	68,515
Publications	39,436	42,135
Financial aid services	25,603	24,853
Workshops & Conferences	3,745	12,397
Professional Development	664	11,741
Software Licenses and Maintenance	27,303	21,304
Grants	9,318	11,363
	<u>\$ 760,341</u>	<u>\$ 1,046,843</u>

The Board generally has payment terms with its customers of one year or less and has elected the practical expedient applicable to such contracts not to consider the time value of money.

Grants Revenue

Grant Revenue is recognized under the provisions of FASB ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this update provide a framework for evaluating whether grants should be accounted for as exchange transactions or as nonexchange transactions and in determining whether a contribution is conditional or unconditional.

The Board receives funding for sponsored programs from various government agencies, foundations, and corporations. The funding may represent a reciprocal transaction in exchange for an equivalent benefit in return, or it may be a nonreciprocal non-exchange transaction in which the funding provided is for the benefit of the Board, the funding organization's mission, or the public at large. Revenues from non-exchange transactions may be subject to conditions, in the form of both a barrier to entitlement and a refund of amounts paid (or a release from obligation to make future payments). For grants that are conditional non-exchange transactions, revenues are recognized when expenses are incurred. Unspent conditional contributions from grants total \$4,232 and \$6,839 at December 31, 2020 and 2019, respectively. Revenues from unconditional non-exchange transactions are recognized in the period awarded. In the event private grant amounts restricted for a certain purpose are advanced to the Board, such amounts are recorded within net assets with donor restrictions and are released to net assets without donor restrictions when expenses are incurred.

Cash and Cash Equivalents

The Board considers all highly liquid financial instruments purchased with a maturity of three months or less, other than those temporarily held from time-to-time in the investment portfolio, to be cash equivalents. The Board maintains its cash and cash equivalents in various accounts which, at times, may exceed federally insured limits and therefore potentially subject the Board to a concentration of credit risk.

The Board's working capital and cash flows have seasonal variations during the year attributable to the annual cash receipts for its products and a concentration of program revenue received in the Spring. To manage liquidity the Board maintains a line of credit with several banks that may be drawn upon as needed during the year to manage cash flow, as discussed in Note 7.

College Board
Consolidated Notes to Financial Statements
December 31, 2020 and 2019

(in thousands of dollars)

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

	2020	2019
Current assets	\$ 1,157,476	\$ 1,135,648
Less: Donor restrictions for specific purposes	<u>(1,030)</u>	<u>(2,686)</u>
Financial assets available to meet cash needs for one year	<u>\$ 1,156,446</u>	<u>\$ 1,132,962</u>

Investments

Investments are recorded at fair value. Investment income, including realized and unrealized gains and losses, is recorded within the consolidated statement of activities. Purchase and sale transactions are recorded on a trade date basis. Dividends are recorded when declared. Interest income is recorded on an accrual basis. Gains and losses on the sale of investment securities are recognized when realized and are computed on an average cost basis.

Income Taxes

Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which the temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

The Board recognizes in the consolidated financial statements only those tax positions determined to be more likely than not of being sustained upon examination, based on the technical merits of the positions under the presumption that the taxing authorities have full knowledge of all relevant facts. The determination of which tax positions are more likely than not of being sustained requires the use of significant judgments and estimates by management, which may or may not be borne out by actual results. As of December 31, 2020, and 2019, the Board had no reserves for uncertain tax provisions.

Property and Equipment

Property and equipment are recorded at cost, less accumulated depreciation and amortization. Provisions for depreciation and amortization are recorded on a straight-line basis over the following time periods:

Property and improvements	35 years
Furnishings, computer equipment and software	3 to 8 years

Leasehold improvements are amortized on a straight-line basis over the shorter of the lives of the assets or the terms of the leases.

Capitalized Website Costs and Internal Use Software

Website development costs and costs incurred for the development of internal use software are capitalized and amortized using the straight-line method over the estimated 5 year useful life of the website or related software applications. The Board reassesses the estimated useful lives on a periodic basis considering the effects of obsolescence, technology and other economic factors. The Board reviews all long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

College Board
Consolidated Notes to Financial Statements
December 31, 2020 and 2019

(in thousands of dollars)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("US GAAP") 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. The more significant estimates made relate to the valuation of investments, account receivable reserves, and actuarial assumptions used in the calculation of postretirement benefits. Actual results could differ from those estimates and the differences could be material.

Pension and Postretirement

The Board recognizes the overfunded or underfunded status of its defined benefit postretirement plan as an asset or liability in its consolidated statement of financial position and recognizes changes in the funded status in the year in which the changes occur.

New Accounting Pronouncements

In February 2016, the FASB issued the new standard, *Leases* (ASC 842). Under this guidance, lessees will need to recognize virtually all of their leases on the statement of financial position, by recording a right-of-use asset and lease liability. This new standard is effective for fiscal years beginning after December 15, 2021, with early application permitted. The Board is evaluating the impact that this standard will have on the financial statements.

Reclassification

Certain amounts in the 2019 consolidated financial statements have been reclassified to conform to the current year's presentation.

Revision of the 2019 Consolidated Financial Statements

The 2019 as issued consolidated financial statements have been corrected for the improper classification of certain fixed income securities as cash and cash equivalents on the consolidated statement of financial position and consolidated statement of cash flows. Upon consideration of ASC 230-10-20, the Board determined that certain fixed income securities did not meet the criteria of cash and cash equivalents and should have been classified as short-term investments on the consolidated statement of financial position and consolidated statement of cash flows as of and for the year ended December 31, 2019. There is no impact on total consolidated current assets, total consolidated assets, total consolidated net assets, the consolidated statement of changes in net assets, or the consolidated statement of activities as of and for the year ended December 31, 2019.

Management has concluded that this misclassification was not material to the previously issued 2019 consolidated financial statements. Revisions to the aforementioned 2019 consolidated financial statements are summarized as follows:

Consolidated Statement of Financial Position
As of December 31, 2019

	As Previously		
	Reported	Adjustment	As Revised
Cash and cash equivalents	\$ 323,490	\$ (28,355)	\$ 295,135
Investments (current)	\$ 665,602	\$ 28,355	\$ 693,957

College Board
Consolidated Notes to Financial Statements
December 31, 2020 and 2019

(in thousands of dollars)

Consolidated Statement of Cash Flows
For the year ended December 31, 2019

	As Previously Reported	Adjustment	As Revised
Purchases of investments	\$ (162,544)	\$ (63,644)	\$ (226,188)
Net proceeds from sales of investments	160,421	153,875	314,296
Net cash (used in) provided by investing activities	(37,645)	90,231	52,586
Net increase in cash and cash equivalents	52,406	52,586	104,992
Cash and cash equivalents, beginning of period	308,729	(118,586)	190,143
Cash and cash equivalents, end of period	323,490	(28,355)	295,135

Additionally, Note 3, *Investments*, has been revised to include the \$28,355 of incremental fixed income securities throughout the 2019 comparative portion of the disclosure.

3. Investments

The Board follows guidance with respect to accounting and reporting for the fair value of its financial assets and liabilities. The guidance establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between participants on the measurement date. Fair value requires an organization to determine the unit of account, the mechanism of transfer, and the appropriate markets for the asset or liability being measured.

The guidance establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Observable inputs reflect market data obtained from sources independent of the reporting entity and unobservable inputs reflect the entity's own assumptions about how market participants would value an asset or liability based on the best information available. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. The standard describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last is considered unobservable.

The Board categorizes the financial assets and liabilities, based on the priority of inputs to the valuation technique, into a three-tiered hierarchy which maximizes the use of observable inputs, and minimizes the use of unobservable inputs as follows:

- Level 1 Unadjusted quoted prices in active markets for identical assets or liabilities. Investments in Level 1 may include certain equity and fixed income securities, registered mutual funds and exchange traded funds.
- Level 2 Observable inputs other than those included in Level 1, such as quoted prices for similar assets and liabilities, and quoted prices in markets that are not active. Included in Level 2 are certain fixed income, equity investments, and commodities for which observable inputs exist and trade in markets is not considered to be active.
- Level 3 Unobservable inputs which trade infrequently or not at all and are supported by little or no market activity and are significant to the fair value of the asset or liability.

For alternative investments, the Board uses the net asset value ("NAV"), provided by external investment managers, as a practical expedient to determine the fair value of investments which (a)

College Board
Consolidated Notes to Financial Statements
December 31, 2020 and 2019

(in thousands of dollars)

do not have a readily determinable fair value and (b) either have the attributes of an investment company or prepare their financial statements consistent with the measurement principles of an investment company.

The value represents the ownership interest in the hedge fund or respective partnership. The NAV of the investments held by limited partnerships and hedge funds that do not have readily determinable fair values are determined by the general partner or hedge fund manager and are based on appraisals, or other estimates that require varying degrees of judgment. The Board has performed due diligence around these investments to ensure NAV is an appropriate measure of fair value as of December 31, 2020 and 2019. The Board's estimate of fair value may differ significantly from the values that would have been used had a ready market for the investments existed because of the inherent uncertainty of valuing these investments and certain underlying investments held by them. These investments may be illiquid, and there can be no assurance that the Board will be able to realize the value of such investments in a timely manner. For partnership interests, gains and losses are dependent upon the general partners' distributions during the life of each partnership.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Board 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 estimate of fair value at the reporting date.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions. Inputs may include price information, credit data, liquidity statistics and other factors. The Board considers observable data to be that market data which is readily available and reliable and provided by independent sources. The categorization of a financial instrument within the hierarchy is therefore based upon the pricing transparency of the instrument and does not necessarily correspond to the Board's perceived risk of that investment.

The Board's total investments at December 31, 2020 and 2019 are composed of the following current and noncurrent balances:

	2020	2019
Investments, current portion	\$ 786,564	\$ 693,957
Investments, noncurrent portion	420,933	324,325
Total investments	<u>\$ 1,207,497</u>	<u>\$ 1,018,282</u>

College Board
Consolidated Notes to Financial Statements
December 31, 2020 and 2019

(in thousands of dollars)

The Board's investment return for the years ended December 31, 2020 and 2019 are as follows:

	2020	2019
Interest and dividends	\$ 10,946	\$ 12,248
Realized (losses) gains	(1,984)	36,390
Unrealized (losses) gains	189,189	107,916
Investment (losses) gains	<u>198,151</u>	<u>156,554</u>
Investment expenses	(22,747)	(15,278)
Total investment (losses) gains, net	<u>\$ 175,404</u>	<u>\$ 141,276</u>

Investments, both current and noncurrent combined are comprised of the following balances at December 31, 2020 and 2019:

	2020	2019
Equity investments	\$ 211,334	\$ 189,905
Equity commingled funds	387,159	289,251
Fixed income	55,670	45,771
Hedge funds	271,942	250,159
Private equity funds	222,356	178,317
Real estate funds	44,241	39,173
Short-term fixed income securities	14,795	25,706
	<u>\$ 1,207,497</u>	<u>\$ 1,018,282</u>

The Board's consolidated statements of financial position at December 31, 2020 and 2019 include the following assets that are measured at fair value on a recurring basis:

	Assets at Fair Value as of December 31, 2020			
	Level 1	Level 2	Level 3	Total
Equity investments	\$ 208,334	\$ -	\$ -	\$ 208,334
Fixed income	\$ -	55,670	-	55,670
Short-term fixed income securities	-	14,795	-	14,795
Subtotal	<u>\$ 208,334</u>	<u>\$ 70,465</u>	<u>\$ -</u>	<u>278,799</u>
Investments measured at net asset value				925,698
Investments measured at cost				3,000
Total Investments				<u>\$ 1,207,497</u>

College Board
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(in thousands of dollars)

	Assets at Fair Value as of December 31, 2019			
	Level 1	Level 2	Level 3	Total
Equity investments	\$ 186,905	\$ -	\$ -	\$ 186,905
Fixed income	-	45,771	-	45,771
Short-term fixed income securities	-	25,706	-	25,706
Subtotal	\$ 186,905	\$ 71,477	\$ -	258,382
Investments measured at net asset value				756,900
Investments measured at cost				3,000
Total Investments				\$ 1,018,282

There were no transfers between Levels 1 and 2 and no changes in the valuation methodology for the years ended December 31, 2020 and 2019.

The Board's assets with a fair value estimated using NAV as a basis at December 31, 2020 and 2019 are as follows:

	Fair Value Estimated Using Net Asset Value Per Share December 31, 2020				
	Fair Value	Unfunded Commitment	Settlement Terms *	Redemption Frequency *	Redemption Notice Period*
Hedge funds	\$ 271,942	\$ -	Generally 90% - 95% paid within 10 business days -45 days, remainder generally paid upon completion of the next annual audit	Quarterly - Biennially	45 days-5 months
Private equity funds	222,356	119,362	None	Fund end date	None
Equity commingled funds	387,159	-	Generally 90% - 95% paid within 10 business days -45 days, remainder generally paid upon completion of the next annual audit	Monthly - Illiquid	10 days - 12 months
Real estate funds	44,241	32,703	None	Fund end date	None
	\$ 925,698	\$ 152,065			

* Amounts noted herein are general descriptions. Specific terms and conditions for each fund can vary.

	Fair Value Estimated Using Net Asset Value Per Share December 31, 2019				
	Fair Value	Unfunded Commitment	Settlement Terms *	Redemption Frequency *	Redemption Notice Period*
Hedge funds	\$ 250,159	\$ -	Generally 90% - 95% paid within 10 business days -45 days, remainder generally paid upon completion of the next annual audit	Quarterly - Biennially	45 days-5 months
Private equity funds	178,317	128,220	None	Fund end date	None
Equity commingled funds	289,251	-	Generally 90% - 95% paid within 10 business days -45 days, remainder generally paid upon completion of the next annual audit	Monthly - Illiquid	10 days - 12 months
Real estate funds	39,173	30,329	None	Fund end date	None
	\$ 756,900	\$ 158,549			

* Amounts noted herein are general descriptions. Specific terms and conditions for each fund can vary.

College Board
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4. Property and Equipment

Property and equipment consisted of the following at December 31, 2020 and 2019:

	2020	2019
Leasehold Improvements	\$ 71,558	\$ 58,455
Construction In Progress	4,346	12,854
Furnishings, computer equipment and software	29,902	28,670
	<u>105,806</u>	<u>99,980</u>
Less: Accumulated depreciation and amortization	47,058	44,119
Net property and equipment	<u>\$ 58,748</u>	<u>\$ 55,860</u>

Depreciation expense was \$10,273 and \$13,821 for Property and Equipment, and \$17,322 and \$17,837 for Capitalized Website Costs and Internal Use Software for the years ended December 31, 2020 and 2019, respectively.

5. General and Administrative Expenses

Included in program services are allocations of general and administrative expenses (“G&A expenses”), including certain administrative, information technology, facilities and related depreciation, and other support expenses. Expenses are allocated to programs based on various allocation methodologies, including program revenues, headcount, and level of effort for the years ended December 31, 2020 and 2019.

Direct expenses are defined as program specific expenses for the years ended December 31, 2020 and 2019. The following tables provide a reconciliation of the direct program service expenses to the program by function:

	2020									
	Advanced Placement and Instruction	Assessments	College and Career Access	State and District Partnerships	Puerto Rico and Latin American programs	Subtotal Direct Expenses	General and Administrative Expense Allocations	Expenses After Allocations	Membership	
Salaries and Benefits	\$ 66,816	\$ 14,532	\$ 14,888	\$ 17,409	\$ 6,169	\$ 119,814	\$ 180,148	\$ 299,962	\$ 2,504	
Consulting	7,369	1,649	1,188	550	395	11,151	35,634	46,785	-	
Contract Vendor Expenses	150,352	139,614	10,502	-	10	300,478	7,099	307,577	-	
Furniture, Office Expenses and Other	1,844	316	5,123	380	253	7,916	6,673	14,589	84	
Travel	1,476	251	260	418	51	2,456	1,094	3,550	76	
Committee, Meeting and Conference	423	118	180	690	30	1,441	599	2,040	323	
Exam Development and Program Operations	20,234	10,176	929	246	1,281	32,866	333	33,199	310	
Publications	10,927	4,223	22	6	12	15,190	63	15,253	122	
Marketing	1,004	968	1,040	-	6	3,018	1,652	4,670	-	
IT Costs	1,779	7,015	1,093	343	422	10,652	33,090	43,742	-	
Grants and Contracts Expense	2,046	273	2,877	3,422	11	8,629	375	9,004	-	
Occupancy Costs	905	335	277	1,818	831	4,166	24,127	28,293	-	
Depreciation Expense	6,271	10,646	76	471	423	17,887	9,708	27,595	-	
Chargebacks	17,341	62,692	55,114	1,884	61	137,092	(138,098)	(1,006)	1,102	
	<u>\$ 288,787</u>	<u>\$ 252,808</u>	<u>\$ 93,569</u>	<u>\$ 27,637</u>	<u>\$ 9,955</u>	<u>\$ 672,756</u>	<u>\$ 162,497</u>	<u>\$ 835,253</u>	<u>\$ 4,521</u>	

**College Board
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	2019										
	Advanced Placement and Instruction		College and Career Access		State and District Partnerships		Puerto Rico and Latin American programs	Subtotal Direct Expenses	General and Administrative Expense Allocations	Expenses After Allocations	Membership
Salaries and Benefits	\$ 66,478	\$ 16,479	\$ 13,832	\$ 17,831	\$ 6,970	\$ 121,590	\$ 182,401	\$ 303,991	\$ 2,473		
Consulting	12,432	2,310	1,942	566	576	17,826	39,364	57,190	-		
Contract Vendor Expenses	203,326	204,922	14,337	-	10	422,595	6,832	429,427	-		
Furniture, Office Expenses and Other	2,442	816	3,314	631	1,009	8,212	7,558	15,770	136		
Travel	8,817	1,651	973	2,160	484	14,085	6,620	20,705	448		
Committee, Meeting and Conference	5,095	862	784	1,749	356	8,846	2,988	11,834	1,869		
Exam Development and Program Operations	22,260	12,059	949	752	3,250	39,270	(89)	39,181	372		
Publications	16,177	6,098	51	38	174	22,538	433	22,971	400		
Marketing	2,250	2,827	1,878	9	82	7,046	3,469	10,515	19		
IT Costs	1,858	6,679	681	545	290	10,053	37,695	47,748	6		
Grants and Contracts Expense	798	494	5,394	3,861	22	10,569	-	10,569	-		
Occupancy Costs	988	349	420	1,834	868	4,459	22,811	27,270	5		
Depreciation Expense	5,619	11,799	63	559	418	18,458	13,200	31,658	-		
Chargebacks	21,750	63,280	55,914	1,866	7	142,817	(144,206)	(1,389)	1,385		
	<u>\$ 370,290</u>	<u>\$ 330,625</u>	<u>\$ 100,532</u>	<u>\$ 32,401</u>	<u>\$ 14,516</u>	<u>\$ 848,364</u>	<u>\$ 179,076</u>	<u>\$ 1,027,440</u>	<u>\$ 7,113</u>		

6. Pension and Other Retirement Benefits Organization

The Board has a defined contribution retirement 401(a) plan through Teachers Insurance and Annuity Association ("TIAA") covering substantially all employees. The Board contributes a percentage of each eligible employee's base salary to the plan after a contribution has been made by the employee to a separate, tax-deferred annuity 403(b) plan. Pension costs are funded as accrued. Benefits under the plan vest according to plan provisions. Pension expense amounted to \$25,960 and \$24,502 for the years ended December 31, 2020 and 2019, respectively.

The Board has an active 457B deferred compensation plan which is offered to select management. The employee contributions are capped at the annual Federal limit for deferred compensation. The assets related to this plan are included in deferred charges and other assets and amounted to \$6,439 and \$5,747 as of December 31, 2020 and 2019, respectively. The assets primarily consist of money market funds and other marketable securities which are considered Level 1 based on the fair value hierarchy described in Note 3. The liabilities that relate to these plans are included in other long-term liabilities.

In addition to providing pension benefits, the Board provides certain health care and life insurance benefits for retired employees who meet certain minimum age and length of service requirements. These postretirement benefits are accounted for on an accrual basis as employees render services.

The Board's pension-related changes other than net periodic pension cost for the years ended December 31, 2020 and 2019 are as follows:

	2020	2019
Actuarial (loss)	\$ (5,282)	\$ (4,932)
Interest Cost	<u>(1,606)</u>	<u>(1,702)</u>
Pension-related changes other than net periodic pension cost	<u>\$ (6,888)</u>	<u>\$ (6,634)</u>

The following table provides a reconciliation of the changes in the plan's benefit obligation and a statement of the funded status of the plan as of December 31, 2020 and 2019:

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	2020	2019
Change in benefit obligation		
Benefit obligation at beginning of year	\$ 46,150	\$ 39,659
Service cost	1,204	1,040
Interest cost	1,606	1,702
Participant contributions	540	597
Actuarial loss/(gain)	5,282	4,932
Benefits paid	<u>(1,807)</u>	<u>(1,780)</u>
Benefit obligation at end of year	<u>52,975</u>	<u>46,150</u>
Funded status		
Unfunded status at end of year	<u>\$ (52,975)</u>	<u>\$ (46,150)</u>

Net periodic postretirement benefit cost for the years ended December 31, 2020 and 2019 includes the following components:

	2020	2019
Service cost	\$ 1,204	\$ 1,040
Interest cost	1,606	1,702
Actuarial loss	<u>683</u>	<u>-</u>
Net periodic postretirement benefit cost	<u>\$ 3,493</u>	<u>\$ 2,742</u>

Amortization for the year ending December 31, 2021 is projected to be \$683.

	2020	2019
Amounts recognized in non-operating activity in net assets without donor restrictions		
Net actuarial loss	<u>\$ 11,324</u>	<u>\$ 6,257</u>
Amounts recognized in non-operating activity in net assets without donor restrictions	<u>\$ 11,324</u>	<u>\$ 6,257</u>

	2020	2019
Change in net assets without donor restrictions		
Actuarial loss	<u>\$ 5,282</u>	<u>\$ 4,932</u>
Total change in net assets without donor restrictions	<u>\$ 5,282</u>	<u>\$ 4,932</u>

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(in thousands of dollars)

Assumed health care cost trend rates have a significant effect on the amounts reported. A 1% change in assumed health care cost trend rates would have the following effects:

	1% Point Increase	1% Point Decrease
Effect on total of service and interest cost components	\$ 397	\$ (324)
Effect on the postretirement benefit obligation	6,168	(5,075)

Assumed discount rates have a significant effect on the amounts reported, and changes in the discount rate from year to year can result in material fluctuations in the amounts reported.

	2020	2019
Assumptions and dates used for accrued postretirement benefits		
Discount rate	2.80 %	3.50 %
Current year medical trend	6.25 %	6.50 %
Ultimate year medical trend	5.00 %	5.00 %
Year of ultimate medical trend rate	2026	2026
Current year dental trend	5.00 %	5.00 %
Ultimate year dental trend	5.00 %	5.00 %
Year of ultimate dental trend rate	2020	2019
Measurement date	12/31/2020	12/31/2019
Census date	1/1/2020	1/1/2019
Assumptions used to determine expense		
Discount rate	3.50 %	4.41 %
Current year medical trend	6.50 %	6.75 %
Ultimate year medical trend	5.00 %	5.00 %
Year of ultimate medical trend rate	2026	2026
Current year dental trend	5.00 %	5.00 %
Ultimate year dental trend	5.00 %	5.00 %
Year of ultimate dental trend rate	2019	2018

The expected benefits to be paid in each of the next five fiscal years and in the aggregate for the five fiscal years thereafter are:

During fiscal year ending December 31, 2021	\$ 1,369
During fiscal year ending December 31, 2022	1,505
During fiscal year ending December 31, 2023	1,636
During fiscal year ending December 31, 2024	1,751
During fiscal year ending December 31, 2025	1,838
During fiscal year ending December 31, 2026 through December 31, 2030	11,720

The employer contribution for the fiscal year ending December 31, 2021 is projected to be \$1,369.

College Board

Consolidated Notes to Financial Statements

December 31, 2020 and 2019

(in thousands of dollars)

7. Commitments and Contingencies

Commitments

The Board is obligated under operating leases for office space and equipment requiring minimum annual rentals as follows:

Years ending December 31,	
2021	\$ 23,597
2022	28,351
2023	27,755
2024	27,745
2025	28,856
Thereafter	238,215
	<u>\$ 374,519</u>

Certain leases are subject to escalation clauses relating to increases in building operating expenses, real estate taxes and utilities. Rental expense on real property was \$26,415 and \$26,773 for the years ended December 31, 2020 and 2019, respectively.

The Board has a committed operating line of credit not to exceed \$75,000, an uncommitted line not to exceed \$15,000, and another irrevocable standby letter of credit for \$710, with variable interest rates. At December 31, 2020 and 2019, there were no balances outstanding under these lines. The Board was in compliance with the financial covenants related to the line of credit at December 31, 2020 and 2019.

Certain private equity and real estate funds are subject to periodic capital calls over the life of the funds, as determined by the funds' management. The Board is committed to fund \$152,065 and \$158,549 of additional capital to private equity and real estate funds as of December 31, 2020 and 2019; these commitments are callable over the next 12 years.

Contingencies

There are various lawsuits and claims pending against the Board which arose in the ordinary course of business. In the opinion of management, claims and lawsuits pending against the Board will not have a material effect on the Board's financial position, activities, or cash flows.

Risks and Uncertainties

In connection with the outbreak of the COVID-19 in early 2020, the Board is monitoring developments and the directives of federal, state and local officials to determine what precautions and procedures may need to be implemented in the event of the continued spread of COVID-19. In addition, the Board cancelled certain exam administrations and converted others to online. The continued impact on social interaction, travel, economies and financial markets may materially negatively impact the Board's finances and operations, but the full impact of COVID-19 on the Board's finances and operations cannot be fully determined at this time. Other adverse consequences of COVID-19 may include, but are not limited to, a decline in revenues, an increase in operating costs, and/or potential future liquidity concerns.

College Board
Consolidated Notes to Financial Statements
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(in thousands of dollars)

8. Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes as of December 31:

	2020	2019
Educational/public service	\$ 1,030	\$ 2,686
	<u>\$ 1,030</u>	<u>\$ 2,686</u>

Net assets with donor restrictions were released from restrictions during the year ended December 31 in fulfillment of the following purposes:

	2020	2019
Educational/public service	\$ 7,823	\$ 9,125
	<u>\$ 7,823</u>	<u>\$ 9,125</u>

9. Subsequent Events

The Board has evaluated subsequent events through the issuance of these consolidated financial statements on May 6, 2021, which is the date the consolidated financial statements were issued.

The Board signed a lease termination agreement for part of its office space in March 2021. As a result of the lease termination, the College Board's commitments under operating leases will decrease from \$374,519 to \$340,445.

College Board
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2020

(in thousands of dollars)

Federal Grantor/ Pass-Through / Program Title	Federal CFDA or Award Number	Pass-Through Entity Identifying Number	Federal Expenditures	Expenditures to Subrecipients
U.S. Department of Education				
Trio Cluster				
Educational Opportunity Center	84.066		\$ 946,242	\$ -
Total Trio Cluster			<u>946,242</u>	<u>-</u>
Pass-Through				
State of Ohio Department of Education	84.424	S424A180036	89,418	-
University of Wisconsin- Bayesian Dynamic Borrowing	84.305	R305D190053	17,205	-
Total U.S. Department of Education			<u>1,052,865</u>	<u>-</u>
U.S. Department of State				
Advanced Placement Initiative	19.023		49,361	-
Overseas Schools Project Advisory Committee	19.023		61,141	-
Total U.S. Department of State			<u>110,502</u>	<u>-</u>
Research and Development Cluster				
National Science Foundation				
Advanced Placement Computer Science Phase II	47.070		6,844	-
Pass-Through				
University of Maryland				
Development Diagnostic Assessment Strategies	47.076	5775-Z4194001	4,083	-
			<u>4,083</u>	<u>-</u>
Total National Science Foundation			<u>10,927</u>	<u>-</u>
Total Expenditures of Federal Awards			<u>\$ 1,174,294</u>	<u>\$ -</u>

The accompanying notes are an integral part of the schedule.

College Board

Notes to Schedule of Expenditures of Federal Awards

December 31, 2020

1. **Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (the "Federal Schedule") includes the federal grant activity of the Board under programs of the federal government for the year ended December 31, 2020, as described in Note 1 of the consolidated financial statements. The information in this Federal Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Federal Schedule presents only a selected portion of the operations of the Board it is not intended to and does not present the financial position, changes in net assets or cash flows of the Board. All CFDA and passthrough awards' numbers are presented where available and applicable.

2. **Summary of Significant Accounting Policies**

Expenditures reported in the Federal Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance wherein certain expenditures are not allowable or are limited as to reimbursement. Additionally, the Board did not pass through any federal funds to subrecipients and thus this information is not applicable to the Federal Schedule.

3. **Indirect Cost Rate Agreement**

The Board uses a negotiated provisional indirect cost rate of 19.7% for certain awards, except where the award requires a different rate, and therefore the 10% de minimis indirect cost rate, as described in Section 200.414 of the Uniform Guidance is not applicable to the Board.

College Board
Schedule of Expenditures of State Awards
Year Ended December 31, 2020

<u>State Grantor / Pass-Through / Program Title</u>	<u>State Financial Assistance Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>State Expenditures</u>	<u>Expenditures to Subrecipients</u>
Florida Department of Education				
Florida Partnership	48.045		\$ 3,650,167	\$ 560,135
Total Expenditures of State Awards			\$ 3,650,167	\$ 560,135

The accompanying notes are an integral part of the schedule.

College Board

Notes to Schedule of Expenditures of State Awards

December 31, 2020

1. Basis of Presentation

The accompanying Schedule of Expenditures of State Awards (the “State Schedule”) includes the state grant activity of the Board under programs from the State of Florida for the year ended December 31, 2020. The information in the State Schedule is presented in accordance with the requirements of the Rules of the State of Florida Auditor General, Chapter 10.650 Non-profit and For-Profit Organizations and the Florida Single Audit Act. Because the State Schedule presents only a selected portion of the operations of the Board it is not intended to and does not present the financial position, changes in net assets or cash flows of the Board.

This award is to provide a coordinated series of programs, services, and activities in Florida’s secondary schools to increase opportunities for access and levels of preparedness for underrepresented students in low-performing schools or in rural and/or under-served areas.

2. Summary of Significant Accounting Policies

Expenditures reported in the State Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Rules of the State of Florida Auditor General, Chapter 10.650 Non-profit and For-Profit Organizations and the Florida Single Audit Act wherein certain expenditures are not allowable or are limited as to reimbursement. Additionally, the Board passes through certain allowable state funds to subrecipients and this information is reflected on the State Schedule.



**Report of Independent Auditors on Internal Control Over Financial Reporting and
on Compliance and Other Matters Based on an Audit of Consolidated Financial Statements
Performed in Accordance with *Government Auditing Standards***

To the Board of Trustees
College Board

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the consolidated financial statements of College Board (the "Board"), which comprise the consolidated statement of financial position as of December 31, 2020 and the related consolidated statements of activities, of changes in net assets and of cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 6, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Board's internal control over financial reporting ("internal control") as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.



Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2020-001 that we consider to be a significant deficiency.

The Board's Response to Finding

The Board's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Board's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Board's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Board's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink, appearing to read "PricewaterhouseCoopers" followed by a stylized flourish.

New York, New York
May 10, 2021



**Report of Independent Auditors on Compliance with
Requirements that Could Have a Direct and Material Effect on Each Major Program and
on Internal Control Over Compliance in Accordance with the Uniform Guidance and the Rules of
the State of Florida Auditor General, Chapter 10.650 Non-profit and For-Profit Organizations and
the Florida Single Audit Act**

To the Board of Trustees
College Board

Report on Compliance for Each Major Federal and State Program

We have audited College Board's (the "Board") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the Rules of the State of Florida Auditor General, Chapter 10.650 Non-profit and For-Profit Organizations and the Florida Single Audit Act that could have a direct and material effect on each of the Board's major federal and state programs for the year ended December 31, 2020. The Board's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal and state statutes, regulations and the terms and conditions of its federal and state awards applicable to its federal and state programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Board's major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and the Rules of the State of Florida Auditor General, Chapter 10.650 Non-profit and For-Profit Organizations and the Florida Single Audit Act. Those standards and the Uniform Guidance and the Rules of the State of Florida Auditor General, Chapter 10.650 Non-profit and For-Profit Organizations and the Florida Single Audit Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal and state program occurred. An audit includes examining, on a test basis, evidence about the Board's



compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal and state program. However, our audit does not provide a legal determination of the Board's compliance.

Opinion on Each Major Federal and State Program

In our opinion, the Board complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended December 31, 2020.

Report on Internal Control Over Compliance

Management of the Board is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Board's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal and state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with the Uniform Guidance and the Rules of the State of Florida Auditor General, Chapter 10.650 Non-profit and For-Profit Organizations and the Florida Single Audit Act, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of each federal and state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of each federal and state program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of each federal and state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over



compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and the Rules of the State of Florida Auditor General, Chapter 10.650 Non-profit and For-Profit Organizations and the Florida Single Audit Act. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink, appearing to read "PricewaterhouseCoopers LLP".

New York, New York
May 10, 2021

College Board
Schedule of Findings and Questioned Costs
Year Ended December 31, 2020

Section I: Summary of Auditors' Results

Financial Statements

Type of Auditors' report issued	Unmodified		
Internal control over financial reporting:			
Material weakness(es) identified?	<u> </u> Yes	<u> X </u> No	
Significant deficiency(ies) identified that are not considered to be material weaknesses?	<u> X </u> Yes	<u> </u> None Reported	
Noncompliance material to financial statements noted?	<u> </u> Yes	<u> X </u> No	

Federal Awards

Internal control over major programs:			
Material weakness(es) identified?	<u> </u> Yes	<u> X </u> No	
Significant deficiency(ies) identified that are not considered to be material weaknesses?	<u> </u> Yes	<u> X </u> None Reported	
Type of Auditors' report issued on compliance for major programs			
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	<u> </u> Yes	<u> X </u> No	

Identification of major programs CFDA Number(s): Federal Awards Name of Federal Program or Cluster

84.066 Trio Cluster

Dollar threshold used to distinguish between Type A and Type B Programs \$ 750,000

Auditee qualified as low risk auditee? X Yes No

**College Board
Schedule of Findings and Questioned Costs
Year Ended December 31, 2020**

State Awards

Internal control over major programs:

Material weakness(es) identified? Yes No

Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes None Reported

Type of Auditors' report issued on compliance for major programs Unmodified

Any audit findings disclosed that are required to be reported in accordance with the Rule 10.654(1)(h)4? Yes No

Management letter issued? Yes No

Identification of major programs CFDA Number(s): State Awards
48.045

Name of State Program or Cluster
Florida Partnership

Dollar threshold used to distinguish between Type A and Type B Programs

\$ 750,000

Auditee qualified as low risk auditee? Yes No

College Board
Schedule of Findings and Questioned Costs, continued
Year Ended December 31, 2020

Section II: Financial Statement Findings

Finding # 2020-001:

Condition

The 2019, as issued, consolidated financial statements have been corrected for the improper classification of certain fixed income securities as cash and cash equivalents on the consolidated statement of financial position and consolidated statement of cash flows. Upon consideration of ASC 230-10-20, the Board determined that certain fixed income securities did not meet the criteria of cash and cash equivalents and should have been classified as short-term investments on the consolidated statement of financial position and consolidated statement of cash flows as of and for the year ended December 31, 2019. There is no impact on total consolidated current assets, total consolidated assets, total consolidated net assets, the consolidated statement of changes in net assets, or the consolidated statement of activities as of and for the year ended December 31, 2019.

Criteria

In accordance with ASC 230-10-20, short term fixed income securities with a maturity of greater than 90 days do not meet the criteria of a cash and cash equivalent.

Cause

The Board maintains an account for working capital throughout the year as the Board's business is cyclical. This account includes several different highly liquid assets including short-term fixed income securities with maturities greater than and less than 90 days. Since the Board uses these liquid assets as needed, they are operationally treated akin to a cash equivalent and therefore, management classified the entire account as cash and cash equivalents.

Effect

Despite the operational ability to liquidate, the short-term fixed income securities with maturities of greater than 90 days do not meet the criteria of a cash and cash equivalent per ASC 230-10-20 and should have been classified as short-term investments. This finding had no impact on the federal and state grants or the schedules of expenditures of federal and state awards.

Recommendation

We recommend that the Board classify short-term fixed income securities with a maturity of greater than 90 days as short-term investments.

Management's Views and Corrective Action Plan

See Management's Corrective Action Plan.

Section III: Federal and State Award Findings and Questioned Costs

A. Federal Awards

None noted.

B. State Awards

None noted.

College Board
Summary Schedule of Status of Prior Audit Findings
Year Ended December 31, 2020

There are no findings from prior years which require an update in this report.

April 19, 2021

Management Views and Corrective Action Plan

2020-001- Fixed Income Security Classification

Management will classify future fixed income securities purchased based on maturity dates at the time of purchase instead of maturity dates at year-end, effective with the 2020 financial statements.

Signed:



Martha Stratis
Chief Accounting Officer and Treasurer

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