

# **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, 2022  
EIN 13-1623965**

**College Board**  
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**December 31, 2022**

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## Report of Independent Auditors

To the Board of Trustees  
College Board

### Report on the Audit of the Consolidated Financial Statements

#### *Opinion*

We have audited the accompanying consolidated financial statements of College Board (the "Company"), which comprise the consolidated statements of financial position as of December 31, 2022 and 2021, and the related consolidated statements of activities, of changes in net assets and of cash flows for the years then ended, including the related notes (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2022 and 2021, 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.

#### *Basis for Opinion*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (US GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Emphasis of Matter*

As discussed in Notes 2 and Note 7 to the consolidated financial statements, the Company changed the manner in which it records leases as a result of the adoption of a new accounting pronouncement in 2022. Our opinion is not modified with respect to this matter.

#### *Responsibilities of Management 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, and for 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.



In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date the consolidated financial statements are available to be issued.

### ***Auditors' Responsibilities for the Audit of the Consolidated Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS and *Government Auditing Standards*, will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with US GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Supplemental 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, 2022 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, respectively, and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 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 19, 2023 on our consideration of the Company'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, 2022. 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 Company's internal control over financial reporting and compliance.

*PricewaterhouseCoopers LLP*

New York, New York  
May 19, 2023

**College Board**  
**Consolidated Statements of Financial Position**  
**December 31, 2022 and 2021**

<i>(in thousands of dollars)</i>	<b>2022</b>	<b>2021</b>
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 384,586	\$ 253,250
Investments (Note 3)	561,183	811,875
Accounts and other receivables	79,074	113,131
Due from Educational Testing Service	32,887	30,424
Grants receivable	1,499	2,685
Prepaid expenses and other current assets	18,100	15,900
Total current assets	<u>1,077,329</u>	<u>1,227,265</u>
Investments, net of current portion (Note 3)	654,010	628,722
Property and equipment, net (Note 4)	31,310	40,797
Capitalized website costs and internal use software, net of accumulated amortization of \$32,293 and \$32,484 in 2022 and 2021, respectively (Note 4)	63,435	48,372
Right of use assets, net of accumulated amortization (Note 7)	178,102	-
Deferred charges and other assets	8,865	9,254
Total assets	<u>\$ 2,013,051</u>	<u>\$ 1,954,410</u>
<b>Liabilities and Net Assets</b>		
Current liabilities		
Accounts payable, accrued expenses and other	\$ 82,059	\$ 92,426
Deferred revenue	87,639	64,257
Lease liabilities (Note 7)	21,741	3,631
Accrued postretirement benefits (Note 6)	1,449	1,454
Total current liabilities	<u>192,888</u>	<u>161,768</u>
Deferred revenue, net of current portion	9,355	13,366
Accrued postretirement benefits, net of current portion (Note 6)	34,658	48,173
Lease liabilities, net of current portion (Note 7)	210,704	53,712
Other long-term liabilities	9,949	9,841
Total liabilities	<u>457,554</u>	<u>286,860</u>
Net assets		
Without donor restrictions	1,552,066	1,666,554
With donor restrictions (Note 8)	3,431	996
Total net assets	<u>1,555,497</u>	<u>1,667,550</u>
Total liabilities and net assets	<u>\$ 2,013,051</u>	<u>\$ 1,954,410</u>

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

**College Board**  
**Consolidated Statements of Activities**  
**Years Ended December 31, 2022 and 2021**

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<i>(in thousands of dollars)</i>	<b>2022</b>	<b>2021</b>
<b>Operating revenue</b>		
Fees from programs and services, net	\$ 906,474	\$ 881,383
Membership dues and meetings	3,577	3,110
Net assets released from restrictions	5,502	3,440
Total operating revenue	<u>915,553</u>	<u>887,933</u>
<b>Operating expenses</b>		
Program services (Note 5)		
Advanced Placement and Instruction	444,023	395,446
Assessments	298,067	317,274
BigFuture	98,407	98,859
State and District Partnerships	27,076	28,079
Puerto Rico and Latin American programs	12,476	12,066
Total program services	<u>880,049</u>	<u>851,724</u>
Membership services	<u>5,572</u>	<u>3,871</u>
Total operating expenses	<u>885,621</u>	<u>855,595</u>
Operating surplus	29,932	32,338
<b>Nonoperating income</b>		
Investment (loss) gain, net	<u>(157,493)</u>	<u>242,428</u>
(Deficiency) excess of revenues over expenses	(127,561)	274,766
Pension-related changes other than net periodic pension cost	<u>13,118</u>	<u>3,267</u>
Change in net assets without donor restrictions	<u>\$ (114,443)</u>	<u>\$ 278,033</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, 2022 and 2021**

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<i>(in thousands of dollars)</i>						
<b>Net assets at beginning of period</b>	\$ 1,666,554	\$ 996	\$ 1,667,550	\$ 1,388,529	\$ 1,030	\$ 1,389,559
Change in net assets without donor restrictions	(114,443)		(114,443)	278,033	-	278,033
Foreign currency translation adjustment	(45)		(45)	(8)	-	(8)
Grants and contracts with donor restrictions		7,937	7,937	-	3,406	3,406
Net assets released from restrictions		(5,502)	(5,502)	-	(3,440)	(3,440)
Change in net assets	(114,488)	2,435	(112,053)	278,025	(34)	277,991
<b>Net assets at end of period</b>	<b>\$ 1,552,066</b>	<b>\$ 3,431</b>	<b>\$ 1,555,497</b>	<b>\$ 1,666,554</b>	<b>\$ 996</b>	<b>\$ 1,667,550</b>

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

**College Board**  
**Consolidated Statements of Cash Flows**  
**Years Ended December 31, 2022 and 2021**

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<i>(in thousands of dollars)</i>	<b>2022</b>	<b>2021</b>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ (112,053)	\$ 277,991
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	20,199	23,339
Loss from disposal of property and equipment	5,744	12,226
Net realized and unrealized loss/(gain) on investments	166,211	(247,216)
Pension-related changes other than net periodic pension cost	(13,118)	(3,267)
Recovery for bad debts	(2,033)	896
Changes in operating assets and liabilities		
Due from Educational Testing Service	(2,463)	(15,783)
Accounts and other receivables	36,090	(48,727)
Grants receivable	1,186	(940)
Prepaid expenses and other current assets	(2,200)	1,400
Right of use assets, net of accumulated amortization	(178,102)	-
Deferred charges and other assets	389	(1,728)
Accounts payable, accrued expenses and other	(10,367)	12,360
Accrued postretirement benefits	(402)	(81)
Lease liabilities	175,102	(3,879)
Deferred revenue and other long-term liabilities	19,479	(14,964)
Net cash provided by (used in) operating activities	<u>103,662</u>	<u>(8,373)</u>
<b>Cash flows from investing activities</b>		
Purchases of property and equipment and expenditures for capitalized website and other software development costs	(31,519)	(24,419)
Purchases of investments	(249,029)	(288,867)
Net proceeds from sales of investments	308,222	302,983
Net cash provided by (used in) investing activities	<u>27,674</u>	<u>(10,303)</u>
Net increase (decrease) in cash and cash equivalents	131,336	(18,676)
<b>Cash and cash equivalents</b>		
Beginning of period	<u>253,250</u>	<u>271,926</u>
End of period	<u>\$ 384,586</u>	<u>\$ 253,250</u>

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

# College Board

## Notes to Consolidated Financial Statements

### December 31, 2022 and 2021

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*(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 (6,174 members) founded in 1900. 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. 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 \$312,427 and \$274,464 or 35% and 32% of total expenses for the years ended December 31, 2022 and 2021, 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 consolidated statements of activities include excess of revenues over expenses. Changes in net assets without donor restrictions which are included in excess of revenues over expenses include investment returns. 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

# College Board

## Notes to Consolidated Financial Statements

### December 31, 2022 and 2021

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(in thousands of dollars)

post retirement liability. This definition reflects the way in which the Board manages its ongoing activities.

#### **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 \$78,300 and \$69,444 were recorded for the years ended December 31, 2022 and 2021, 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 \$4,047 and \$6,080 in 2022 and 2021, respectively. The Accounts and other receivables balance of \$79,074 in 2022 and \$113,131 in 2021 is made up of trade receivables for programs and exams of \$56,233 and \$82,808 including investment receivables of \$22,841 and \$30,323 in 2022 and 2021, respectively.

**College Board**  
**Notes to Consolidated Financial Statements**  
**December 31, 2022 and 2021**

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*(in thousands of dollars)*

The sources of revenue recognized is depicted below:

	2022	2021
Exam fees and related	\$ 735,348	\$ 698,334
Subscriptions	67,484	74,758
Publications	30,047	33,873
Financial aid services	21,434	24,738
Workshops & conferences	6,602	4,861
Professional development	6,850	7,318
Software licenses and maintenance	32,008	31,867
Grants	6,701	5,634
	<u>\$ 906,474</u>	<u>\$ 881,383</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**

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 nonexchange 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 nonexchange 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 nonexchange transactions, revenues are recognized when expenses are incurred, which allow the Board to meet the conditions. Unspent conditional contributions from grants total \$4,608 and \$4,270 at December 31, 2022 and 2021, respectively. Revenues from unconditional nonexchange 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.

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.

**College Board**  
**Notes to Consolidated Financial Statements**  
**December 31, 2022 and 2021**

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(in thousands of dollars)

	2022	2021
Current assets	\$ 1,077,329	\$ 1,227,265
Less: Donor restrictions for specific purposes	<u>(3,431)</u>	<u>(996)</u>
Financial assets available to meet cash needs for one year	<u>\$ 1,073,898</u>	<u>\$ 1,226,269</u>

**Leases**

In February 2016, the FASB issued ASU, 2016-02 *Leases* (Topic 842). Under the new standard lessees will be required to recognize in the consolidated statements of financial position the following for all leases at the application date: (a) a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and (b) a right of use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. Leases are classified as either operating or financing, and the lease classification determines the pattern of expense recognition in the consolidated statements of activities. Operating leases result in straight-line expense, over the term of the lease, in the consolidated statements of activities.

The Board adopted this ASU on January 1, 2022, using a modified retrospective approach, that allows for application of the standard at the adoption date rather than at the beginning of the earliest comparative period presented in the consolidated financial statements. The Board has adopted this ASU as a lessee. The Board has operating leases primarily for real estate, including office buildings and office equipment. As permitted under the transition guidance in ASC 842, the Board has applied the transitional package of practical expedients allowed by the standard relating to the carry forward of historical lease identification, classification, and initial direct costs of leases. The Board has also applied the practical expedient to use the risk-free rate for a period comparable to the lease term in lease classification or measurement. The Company elected as a policy, as permitted under the guidance, to exclude short-term leases that have a remaining lease term of twelve months or less from the application of this ASU.

Upon adoption the Board recognized the operating lease right of use assets of \$189,989 with corresponding operating lease obligations of \$232,885 at January 1, 2022 in the consolidated statements of financial position. There was no impact to the opening net assets (as of January 1, 2022). The adoption of ASU 2016-02 did not have a material impact on the Board's operating surplus or cash flows, other than disclosure.

**Investments**

Investments are recorded at fair value. Investment income, including realized and unrealized gains and losses, is recorded within the consolidated statements 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.

# College Board

## Notes to Consolidated Financial Statements

### December 31, 2022 and 2021

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*(in thousands of dollars)*

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, 2022 and 2021, 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	up to 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.

#### **Accounting for the Impairment of Long-Lived Assets**

The Board reviews property and equipment for impairment whenever events or changes in circumstances indicate that the related carrying value may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the asset to future net cash flows, undiscounted and without interest, expected to be generated by the asset. If assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the asset. During the years ended December 31, 2022 and 2021, there were no events or changes in circumstances indicating that the carrying amount of the property and equipment may not be recoverable.

#### **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 consolidated 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 statements of financial position and recognizes changes in the funded status in the year in which the changes occur.

# College Board

## Notes to Consolidated Financial Statements

### December 31, 2022 and 2021

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*(in thousands of dollars)*

#### **Accounting Pronouncements Not Yet Adopted by the Board**

In June 2016, the FASB issued ASU 2016-13, Financial Instruments – Credit Losses: Measurement of Credit Losses on Financial Instruments. The previous standard delays the recognition of a credit loss on a financial asset until the loss is probable of occurring. The new standard removes the requirement that a credit loss be probable of occurring for it to be recognized, and requires entities to use historical experience, current conditions, and reasonable and supportable forecasts to estimate their future expected credit losses. The standard is required to be applied using the modified retrospective approach with a cumulative-effect adjustment to net assets, if any, upon adoption. This ASU is effective for the Board for fiscal years beginning after December 15, 2022. The Board is currently evaluating the impact of the new standard on the consolidated financial statements.

#### **Reclassification**

Certain amounts in the 2021 consolidated financial statements have been reclassified to conform to the current year's presentation. These changes are due to restructuring among the various divisions reflected in the operating expenses of the consolidated statements of activities.

### **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. |

**College Board**  
**Notes to Consolidated Financial Statements**  
**December 31, 2022 and 2021**

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*(in thousands of dollars)*

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) 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, 2022 and 2021. 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, 2022 and 2021 are composed of the following current and noncurrent balances:

	<b>2022</b>	<b>2021</b>
Investments, current portion	\$ 561,183	\$ 811,875
Investments, noncurrent portion	654,010	628,722
Total investments	<u>\$ 1,215,193</u>	<u>\$ 1,440,597</u>

**College Board**  
**Notes to Consolidated Financial Statements**  
**December 31, 2022 and 2021**

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(in thousands of dollars)

The Board's investment return for the years ended December 31, 2022 and 2021 are as follows:

	<b>2022</b>	<b>2021</b>
Interest and dividends	\$ 19,770	\$ 11,838
Realized gains	107,186	84,869
Unrealized (losses) gains	<u>(273,397)</u>	<u>162,348</u>
Investment (losses) gains	(146,441)	259,055
Investment expenses	<u>(11,052)</u>	<u>(16,627)</u>
Total investment (losses) gains, net	<u>\$ (157,493)</u>	<u>\$ 242,428</u>

Investments, both current and noncurrent combined are comprised of the following balances at December 31, 2022 and 2021:

	<b>2022</b>	<b>2021</b>
Equity investments	\$ 151,720	\$ 211,767
Equity commingled funds	240,774	416,284
Fixed income	44,782	47,048
Hedge funds	258,869	335,280
Private equity funds	386,944	362,284
Real estate funds	79,341	67,934
Short-term fixed income securities	<u>52,763</u>	<u>-</u>
	<u>\$ 1,215,193</u>	<u>\$ 1,440,597</u>

The Board's consolidated statements of financial position at December 31, 2022 and 2021 include the following assets that are measured at fair value on a recurring basis:

	<b>Assets at Fair Value as of December 31, 2022</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Equity investments	\$ 146,220	\$ -	\$ -	\$ 146,220
Fixed income	-	44,782	-	44,782
Short-term fixed income securities	-	<u>52,763</u>	-	<u>52,763</u>
Subtotal	<u>\$ 146,220</u>	<u>\$ 97,545</u>	<u>\$ -</u>	<u>243,765</u>
Investments measured at net asset value				965,928
Investments measured at cost				<u>5,500</u>
Total investments				<u>\$ 1,215,193</u>

**College Board**  
**Notes to Consolidated Financial Statements**  
**December 31, 2022 and 2021**

(in thousands of dollars)

	Assets at Fair Value as of December 31, 2021			
	Level 1	Level 2	Level 3	Total
Equity investments	\$ 210,267	\$ -	\$ -	\$ 210,267
Fixed income	-	47,048	-	47,048
Subtotal	\$ 210,267	\$ 47,048	\$ -	257,315
Investments measured at net asset value				1,181,782
Investments measured at cost				1,500
Total investments				\$ 1,440,597

The Board's assets with a fair value estimated using NAV as a basis at December 31, 2022 and 2021 are as follows:

	Fair Value Estimated Using Net Asset Value Per Share December 31, 2022				
	Fair Value	Unfunded Commitment	Settlement Terms *	Redemption Frequency *	Redemption Notice Period*
Hedge funds	\$ 258,869	\$ 1,768	Generally 90% - 95% paid within 10 business days -45 days, remainder generally paid upon completion of the next annual audit	Monthly-Illiquid	45 days-5 months
Private equity funds	386,944	179,322	None	Fund end date	None
Equity commingled funds	240,774	-	Generally 90% - 95% paid within 10 business days -45 days, remainder generally paid upon completion of the next annual audit	Monthly-Illiquid	30 days - 12 months
Real estate funds	79,341	33,849	None	Fund end date	None
	<u>\$ 965,928</u>	<u>\$ 214,939</u>			

\* 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, 2021				
	Fair Value	Unfunded Commitment	Settlement Terms *	Redemption Frequency *	Redemption Notice Period*
Hedge funds	\$ 335,280	\$ 6,565	Generally 90% - 95% paid within 10 business days -45 days, remainder generally paid upon completion of the next annual audit	Monthly-Illiquid	45 days-5 months
Private equity funds	362,284	139,124	None	Fund end date	None
Equity commingled funds	416,284	-	Generally 90% - 95% paid within 10 business days -45 days, remainder generally paid upon completion of the next annual audit	Monthly-Illiquid	30 days - 12 months
Real estate funds	67,934	38,916	None	Fund end date	None
	<u>\$ 1,181,782</u>	<u>\$ 184,605</u>			

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

# College Board

## Notes to Consolidated Financial Statements

### December 31, 2022 and 2021

(in thousands of dollars)

#### 4. Property and Equipment

Property and equipment consisted of the following at December 31, 2022 and 2021:

	2022	2021
Leasehold improvements	\$ 36,995	\$ 45,486
Construction in progress	392	15
Furnishings, computer equipment and software	16,585	23,575
	<u>53,972</u>	<u>69,076</u>
Less: Accumulated depreciation and amortization	22,662	28,279
Net property and equipment	<u>\$ 31,310</u>	<u>\$ 40,797</u>

Depreciation expense was \$7,299 and \$9,173 for Property and Equipment, and \$12,900 and \$14,166 for Capitalized Website Costs and Internal Use Software for the years ended December 31, 2022 and 2021, respectively.

#### 5. Functional 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, 2022 and 2021.

Direct expenses are defined as program specific expenses for the years ended December 31, 2022 and 2021. The following tables provide a reconciliation of the direct program service expenses to the program by function:

	2022									
	Advanced Placement and Instruction	Assessments	BigFuture	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	\$ 63,463	\$ 12,283	\$ 11,656	\$ 16,718	\$ 5,433	\$ 109,553	\$ 186,879	\$ 296,432	\$ 1,624	
Consulting	4,049	2,110	1,712	860	395	9,126	36,071	45,197	18	
Contract vendor expenses	217,923	139,564	6,778	-	9	364,274	7,628	371,902	-	
Furniture, office expenses and other	1,130	748	338	197	216	2,629	2,761	5,390	294	
Awards and contributions	678	4,111	4,134	-	-	8,923	220	9,143	-	
Travel	3,702	645	294	1,385	75	6,101	2,910	9,011	300	
Committee, meeting and conference	1,380	302	275	902	50	2,909	1,170	4,079	2,075	
Exam development and program operations	17,547	8,834	702	730	2,150	29,963	(197)	29,766	337	
Publications	8,309	3,260	60	5	1	11,635	116	11,751	163	
Marketing	1,268	445	1,961	1	46	3,721	2,053	5,774	12	
IT costs	1,595	2,248	1,955	12	139	5,949	32,894	38,843	27	
Grants and contracts expense	931	533	567	3,437	21	5,489	521	6,010	-	
Occupancy costs	988	372	100	1,305	919	3,684	23,592	27,276	-	
Depreciation and amortization expense	8,721	3,838	40	127	402	13,128	7,071	20,199	-	
Chargebacks	17,025	55,935	50,202	1,394	(36)	124,520	(125,244)	(724)	722	
	<u>\$ 348,709</u>	<u>\$ 235,228</u>	<u>\$ 80,774</u>	<u>\$ 27,073</u>	<u>\$ 9,820</u>	<u>\$ 701,604</u>	<u>\$ 178,445</u>	<u>\$ 880,049</u>	<u>\$ 5,572</u>	

# College Board

## Notes to Consolidated Financial Statements

### December 31, 2022 and 2021

(in thousands of dollars)

	2021								
	Advanced Placement and Instruction	Assessments	BigFuture	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	\$ 57,641	\$ 12,772	\$ 11,890	\$ 17,660	\$ 4,765	\$ 104,728	\$ 192,765	\$ 297,493	\$ 1,418
Consulting	6,051	1,435	1,280	596	249	9,611	29,606	39,217	-
Contract vendor expenses	174,101	142,680	6,857	-	2	323,640	6,920	330,560	-
Furniture, office expenses and other	3,655	45	371	174	266	4,511	4,962	9,473	793
Awards and contributions	623	3,109	4,578	3	1	8,314	155	8,469	-
Travel	270	111	77	73	32	563	503	1,066	47
Committee, meeting and conference	135	46	189	417	27	814	174	988	415
Exam development and program operations	18,035	8,223	768	656	2,020	29,702	(222)	29,480	448
Publications	7,537	3,573	9	2	-	11,121	70	11,191	42
Marketing	1,212	884	1,359	1	30	3,486	1,077	4,563	-
IT costs	3,418	2,768	1,229	11	389	7,815	32,251	40,066	7
Grants and contracts expense	84	46	1,312	3,541	2	4,985	-	4,985	-
Occupancy costs	980	394	211	2,694	902	5,181	46,237	51,418	1
Depreciation and amortization expense	6,912	6,735	54	373	372	14,446	8,894	23,340	-
Chargebacks	15,881	56,909	49,957	1,879	22	124,648	(125,233)	(585)	700
	<u>\$ 296,535</u>	<u>\$ 239,730</u>	<u>\$ 80,141</u>	<u>\$ 28,080</u>	<u>\$ 9,079</u>	<u>\$ 653,565</u>	<u>\$ 198,159</u>	<u>\$ 851,724</u>	<u>\$ 3,871</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 \$23,489 and \$22,904 for the years ended December 31, 2022 and 2021, 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 in the consolidated statements of financial position and amounted to \$6,514 and \$7,709 as of December 31, 2022 and 2021, 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.

**College Board**  
**Notes to Consolidated Financial Statements**  
**December 31, 2022 and 2021**

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(in thousands of dollars)

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, 2022 and 2021:

	<b>2022</b>	<b>2021</b>
<b>Change in benefit obligation</b>		
Benefit obligation at beginning of year	\$ 49,627	\$ 52,975
Service cost	967	1,292
Interest cost	1,511	1,449
Participant contributions	715	677
Actuarial gain	(14,629)	(2,478)
Benefits paid	(2,084)	(2,050)
Curtailment gain	-	(2,264)
Special/contractual termination benefits	-	26
Benefit obligation at end of year	<u>\$ 36,107</u>	<u>\$ 49,627</u>
<b>Funded status</b>		
Unfunded status at end of year	<u>\$ 36,107</u>	<u>\$ 49,627</u>

Net periodic postretirement benefit cost for the years ended December 31, 2022 and 2021 includes the following components:

	<b>2022</b>	<b>2021</b>
Service cost	\$ 967	\$ 1,292
Interest cost	1,511	1,449
Actuarial loss	160	617
Net periodic postretirement benefit cost	<u>2,638</u>	<u>3,358</u>
Special/contractual termination benefits	-	26
Disclosed net benefit cost	<u>\$ 2,638</u>	<u>\$ 3,384</u>

	<b>2022</b>	<b>2021</b>
<b>Amounts recognized in non-operating activity in net assets without donor restrictions</b>		
Net actuarial (gain)/loss	<u>\$ (8,824)</u>	<u>\$ 5,965</u>
Amounts recognized in nonoperating activity in net assets without donor restrictions	<u>\$ (8,824)</u>	<u>\$ 5,965</u>

**College Board**  
**Notes to Consolidated Financial Statements**  
**December 31, 2022 and 2021**

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(in thousands of dollars)

	2022	2021
<b>Change in net assets without donor restrictions</b>		
Actuarial gain amortized during the year	\$ 160	\$ 617
Actuarial gain	14,629	2,478
Curtailment gain	-	2,264
	<u>14,789</u>	<u>5,359</u>
Total change in net assets without donor restrictions	\$ 14,789	\$ 5,359

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.

	2022	2021
<b>Assumptions and dates used for accrued postretirement benefits</b>		
Discount rate	5.60 %	3.06 %
Current year medical trend	7 %	6 %
Ultimate year medical trend	5 %	5 %
Year of ultimate medical trend rate	2031	2026
Current year dental trend	5 %	5 %
Ultimate year dental trend	5 %	5 %
Year of ultimate dental trend rate	2022	2021
Measurement date	12/31/2022	12/31/2021
Census date	1/1/2022	1/1/2021
<b>Assumptions used to determine expense</b>		
Discount rate	3.06 %	2.80 %
Current year medical trend	6 %	6.25 %
Ultimate year medical trend	5 %	5 %
Year of ultimate medical trend rate	2026	2026
Current year dental trend	5 %	5 %
Ultimate year dental trend	5 %	5 %
Year of ultimate dental trend rate	2021	2020

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:

2023	\$ 1,489
2024	1,660
2025	1,744
2026	1,914
2027	2,092
2028 through 2032	12,636

The employer contribution for the fiscal year ending December 31, 2023 is projected to be \$1,135.

# College Board

## Notes to Consolidated Financial Statements

### December 31, 2022 and 2021

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*(in thousands of dollars)*

#### 7. Leases, Commitments and Contingencies

##### **Leases and Commitments**

The Board leases certain office spaces (“real estate”), as well as other equipment, which expire at various dates through 2034. Occupancy costs relating to these operating leases amounted to \$20,240 and \$24,219 in fiscal years 2022 and 2021, respectively. The Board considers various factors such as market conditions and the terms of any renewal options that may exist to determine whether we may renew or replace a real estate lease. Real estate agreements often include renewal options, either at fixed rents or subject to a fair value assessment at the time of exercise. Real estate renewal options are included in the measurement of right of use asset and lease liabilities when the exercise of such options is reasonably certain. Equipment renewal options are excluded from the lease term because they are not reasonably certain to be renewed due to rapid technology changes. There is generally no readily determinable discount rate implicit in the Board’s leases. Accordingly, the Board uses the Risk-Free Rate throughout the terms of the lease, unless there is a lease modification, at which time, the rate may be updated with a more current Risk-Free Rate.

The Board includes the following as lease components when determining its real estate lease payments: fixed rent, predetermined rent escalations, rent-free periods, and certain incentives for leasehold improvements. The Board recognizes rent expense on a straight-line basis over the related terms of such leases, beginning from when the Board takes possession of the asset. Variable rents resulting from adjustments to consumer price indices are recorded in the periods such amounts are adjusted and determined. Variable expenses are considered non-lease components and are expensed as incurred.

Equipment lease agreements, contain one fixed payment amount associated with the lease of the equipment, as well as maintenance, repairs, customer support, and training. Expense is recognized on a straight-line basis over the related terms of such agreements.

In accordance with ASC 842 *Leases*, lease liabilities are initially and subsequently measured at the present value of the remaining lease payments. The right-of-use assets are initially recognized at the amount of the lease liabilities initially recognized less lease incentives received, plus initial direct costs and prepaid lease payments, if any. The Board will not apply recognition requirements to short-term leases, terms less than 12 months, and instead recognize lease expense for such leases on a straight-line basis over the lease term. Note, there are leases at the initial measurement date that will be expiring in less than a year that either do not have a renewal option or if there is a renewal option the Board is reasonably certain it will not be exercised.

Upon the adoption of ASC 842, at January 1, 2022, the right of use asset and lease liability were \$189,989 and \$232,885, respectively. The right-of-use asset and lease liability at December 31, 2022 as presented in the consolidated statements of financial position were \$178,102 and \$219,549, respectively.

**College Board**  
**Notes to Consolidated Financial Statements**  
**December 31, 2022 and 2021**

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(in thousands of dollars)

The following table reconciles the undiscounted cash flows expected to be paid in each of the next five years and thereafter to the lease liability recorded on the consolidated statement of financial position for operating leases existing as of December 31, 2022 (in thousands):

<b>Years ending December 31,</b>	
2023	\$ 25,918
2024	23,189
2025	22,936
2026	22,738
2027	22,650
Thereafter	140,067
	<u>\$ 257,498</u>
Less: Imputed Interest	(25,053)
Present Value of Lease Liabilities	<u>232,445</u>
Less: Current Portion of Lease Liabilities	(21,741)
Long-term Lease Liabilities, Net of Current Portion	<u>\$ 210,704</u>

Certain leases are subject to escalation clauses relating to increases in building operating expenses, real estate taxes and utilities. Minimum lease commitments after 2034 include nothing associated with renewal options that are reasonably certain to be exercised.

Prior to adoption of ASC 842, minimum rental commitments consist of the following at December 31, 2021:

<b>Years ending December 31,</b>	
2022	\$ 25,188
2023	24,569
2024	24,537
2025	25,397
2026	25,540
2027	180,453
	<u>\$ 305,684</u>

The Company's operating and finance leases costs recorded in the consolidated statement of operations for the year ended December 31, 2022 are as follows:

		<b>2022</b>
	<b>Statement of Activities</b>	
<b>Lease Cost</b>	<b>Classification</b>	
Finance lease cost		
Amortization of right-of-use assets	Depreciation and amortization	\$ 54
Interest on finance lease obligations	Interest	1
Operating lease cost	Occupancy costs	18,985
Operating lease cost	Furniture, office expenses and other	680
Total lease cost		<u>\$ 19,720</u>

**College Board**  
**Notes to Consolidated Financial Statements**  
**December 31, 2022 and 2021**

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(in thousands of dollars)

Prior to the adoption of ASC 842, operating lease expense was \$14,805 for the year ended December 31, 2021.

The following table includes other information related to the Company's operating and finance leases as of and for the year ended December 31, 2022:

	<b>2022</b>
<b>Other Information</b>	
Cash paid for amounts included in the measurement of lease liabilities	
Operating cash flows for operating leases	\$ 24,848
Operating cash flows for finance leases	-
Weighted-average remaining lease term	
Operating leases	11 years
Finance leases	2 years
Weighted-average discount rate	
Operating leases	9.63 %
Finance leases	1.07 %

The Board signed sublease arrangements for part of its office space in 2022 which resulted in \$6,140 for disposals of property and equipment. The Board signed a lease termination agreement and sublease arrangements for part of its office space in 2021 which resulted in \$26,160 in additional expenses which includes \$11,992 for disposals of property and equipment.

The Board subleases certain office space to third parties. Future sublease rental payments pursuant to these subleases are as follows:

<b>Years ending December 31,</b>	
2023	\$ 9,494
2024	9,782
2025	9,738
2026	9,982
2027	9,915
Thereafter	30,878
	<u>\$ 79,789</u>

Office space sublease rental income was \$2,489 and \$1,801 for 2022 and 2021, respectively.

The Board has a committed operating line of credit not to exceed \$55,000, an uncommitted line not to exceed \$25,000, and another irrevocable standby letter of credit for \$710, with variable interest rates. At December 31, 2022 and 2021, 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, 2022 and 2021.

# College Board

## Notes to Consolidated Financial Statements

### December 31, 2022 and 2021

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(in thousands of dollars)

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 \$214,939 and \$184,605 of additional capital to private equity and real estate funds as of December 31, 2022 and 2021, respectively; 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 consolidated financial position, activities, or cash flows.

#### 8. Net Assets With Donor Restrictions

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

	2022	2021
Educational/public service	\$ 3,431	\$ 996
	<u>\$ 3,431</u>	<u>\$ 996</u>

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

	2022	2021
Educational/public service	\$ 5,502	\$ 3,440
	<u>\$ 5,502</u>	<u>\$ 3,440</u>

#### 9. Subsequent Events

The Board has evaluated subsequent events through the issuance of these consolidated financial statements on May 19, 2023, which is the date the consolidated financial statements were available to be issued.

**College Board**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended December 31, 2022**

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*(in thousands of dollars)*

Federal Grantor/ Pass-Through / Program Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures	Expenditures to Subrecipients
<b>U.S. Department of Education</b>				
Trio Cluster				
Educational Opportunity Center	84.066		\$ 967,881	\$ -
Total Trio Cluster			967,881	-
Pass-through				
State of Ohio Department of Education	84.424	S424A180036	9,730	-
University of Wisconsin- Bayesian Dynamic Borrowing	84.305	R305D190053	25,351	-
Total U.S. Department of Education			1,002,962	-
<b>U.S. Department of State</b>				
Advanced Placement Initiative	19.023		48,500	-
Overseas Schools Project Advisory Committee	19.023		80,669	-
			129,169	-
American Embassy Abu Dhabi	19.021		1,689	-
Total U.S. Department of State			130,858	-
Total Expenditures of Federal Awards			\$ 1,133,820	\$ -

# College Board

## Notes to Schedule of Expenditures of Federal Awards

### December 31, 2022

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#### 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the “Federal Schedule”) includes the federal grant activity of College Board (the “Board”) under programs of the federal government for the year ended December 31, 2022, 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 Assistance Listing Numbers 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 22.9% 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, 2022**

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State Grantor / Pass-Through / Program Title	State Assistance Listing Number	Pass-Through Entity Identifying Number	State Expenditures	Expenditures to Subrecipients
<b>Florida Department of Education</b>				
Florida Partnership	48.045		\$ 4,043,087	\$ 651,564
Total Expenditures of State Awards			<u>\$ 4,043,087</u>	<u>\$ 651,564</u>

The accompanying notes are an integral part of the schedule.

# **College Board**

## **Notes to Schedule of Expenditures of State Awards**

### **December 31, 2022**

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#### **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, 2022. 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 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 "Company"), which comprise the consolidated statement of financial position as of December 31, 2022 and the related consolidated statements of activities, of changes in net assets and of cash flows for the year then ended, including the related notes (collectively referred to as the "consolidated financial statements"), and have issued our report thereon dated May 19, 2023, which includes an emphasis of matter paragraph as the Company changed the manner in which it records leases as a result of the adoption of a new accounting pronouncement in 2022. Our opinion was not modified with respect to this matter.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the consolidated financial statements, we considered the Company's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company'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 consolidated 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.



### **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Company's consolidated 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 consolidated 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 Company'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 Company's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "PricewaterhouseCoopers LLP". The signature is written in a cursive style and is placed on a light gray rectangular background.

New York, New York  
May 19, 2023



**Report of Independent Auditors on Compliance for Each Major Program and  
on Internal Control Over Compliance Required by 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**

***Opinion on Each Major Federal and State Program***

We have audited College Board's (the "Company") compliance with the types of compliance requirements identified as subject to audit 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 Company's major federal and state programs for the year ended December 31, 2022. The Company'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.

In our opinion, the Company complied, in all material respects, with the 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, 2022.

***Basis for Opinion on Each Major Federal and State Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (US GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; 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. Our responsibilities under 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 are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal and state program. Our audit does not provide a legal determination of the Company's compliance with the compliance requirements referred to above.



### ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Company's federal and state programs.

### ***Auditors' Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Company's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS, *Government Auditing Standards*, 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 will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Company's compliance with the requirements of each major federal and state program as a whole.

In performing an audit in accordance with US GAAS, *Government Auditing Standards*, 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, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Company's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Company's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Company's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.



## Report on 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 a 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 a 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 a 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 Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

*PricewaterhouseCoopers LLP*

New York, New York  
May 19, 2023

# College Board

## Schedule of Findings and Questioned Costs

### Year Ended December 31, 2022

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#### Section I: Summary of Auditors' Results

##### Financial Statements

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

##### Federal Awards

Internal control over major programs:			
Material weakness(es) identified?	_____ Yes	_____ X	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	_____ Yes	_____ X	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 2 CFR 200.516(a)?	_____ Yes	_____ X	No

##### Identification of major programs ALN(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, 2022**

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**State Awards**

Internal control over major programs:

Material weakness(es) identified? \_\_\_\_\_ Yes   X   No

Significant deficiency(ies) identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes   X   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   X   No

Management letter issued? \_\_\_\_\_ Yes   X   No

**Identification of major programs ALN(s):** **State Awards** **Name of State Program or Cluster**

48.045 Florida Partnership

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

Auditee qualified as low risk auditee?   X   Yes \_\_\_\_\_ No

**Section II: Financial Statement Findings**

None noted.

**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, 2022**

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**Section I: Prior Financial Statement Findings**

None noted.

**Section II: Prior Federal and State Award Findings and Questioned Costs**

A. Federal Awards

None noted.

B. State Awards

None noted.