



**EdReports.org Inc.**

**Financial Statements**

**December 31, 2018**

Board of Directors  
EdReports.org Inc.  
Durham, North Carolina

Certified  
Public  
Accountants



Palo Alto  
San Francisco  
San Jose  
St. Helena

## INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of EdReports.org Inc., which comprise the statement of financial position as of December 31, 2018, and the related statements of activities and change in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

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

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

### **Auditors' Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of EdReports.org Inc. as of December 31, 2018 and the change in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Frank, Rimmerman & Co. LLP*

San Jose, California  
May 24, 2019

**EdReports.org Inc.**  
**Statement of Financial Position**  
**December 31, 2018**

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ASSETS

Assets	
Cash	\$ 4,451,520
Accounts receivable	101,479
Contributions receivable, net	<u>6,147,974</u>
Total assets	<u>\$ 10,700,973</u>

LIABILITIES AND NET ASSETS

Liabilities	
Accounts payable	\$ 29,578
Accrued expenses	<u>121,284</u>
Total liabilities	150,862
Net Assets	
Without donor restrictions	4,623,741
With donor restrictions	<u>5,926,370</u>
Total net assets	<u>10,550,111</u>
Total liabilities and net assets	<u>\$ 10,700,973</u>

See Notes to Financial Statements

**EdReports.org Inc.**  
**Statement of Activities and Change in Net Assets**  
**Year Ended December 31, 2018**

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	Without Donor Restrictions	With Donor Restrictions	Total
Public Support and Revenue			
Grants and contributions	\$ 7,394,380	\$ 7,710,674	\$ 15,105,054
Service income	161,130	-	161,130
Net assets released from restriction	1,784,304	(1,784,304)	-
Total public support and revenue	9,339,814	5,926,370	15,266,184
Expenses			
Program services	4,157,327	-	4,157,327
General and administrative	472,354	-	472,354
Fundraising	86,392	-	86,392
Total expenses	4,716,073	-	4,716,073
Change in Net Assets	4,623,741	5,926,370	10,550,111
Net Assets, December 31, 2017	-	-	-
Net Assets, December 31, 2018	<u>\$ 4,623,741</u>	<u>\$ 5,926,370</u>	<u>\$ 10,550,111</u>

See Notes to Financial Statements

**EdReports.org Inc.**  
**Statement of Functional Expenses**  
**Year Ended December 31, 2018**

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	Program Services	General and Administrative	Fundraising	Total Support Services	Total
Personnel costs	\$ 2,397,583	\$ 362,098	\$ 85,717	\$ 447,815	\$ 2,845,398
Consultants and professional fees	1,332,601	93,680	628	94,308	1,426,909
Travel and entertainment	177,881	-	47	47	177,928
Instructional materials	145,636	-	-	-	145,636
Advertising	43,263	-	-	-	43,263
Supplies and equipment	32,875	168	-	168	33,043
Membership dues and subscriptions	27,488	-	-	-	27,488
Other expenses	-	16,408	-	16,408	16,408
Total	<u>\$ 4,157,327</u>	<u>\$ 472,354</u>	<u>\$ 86,392</u>	<u>\$ 558,746</u>	<u>\$ 4,716,073</u>
Percent of Total Expenses	<u>88%</u>	<u>10%</u>	<u>2%</u>	<u>12%</u>	<u>100%</u>

See Notes to Financial Statements

**EdReports.org Inc.**  
**Statement of Cash Flows**  
**Year Ended December 31, 2018**

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Cash Flows from Operating Activities	
Change in net assets	\$ 10,550,111
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Change in discount on long-term contributions	91,341
Changes in operating assets and liabilities:	
Accounts receivable	(101,479)
Contributions receivable	(6,239,315)
Accounts payable	29,578
Accrued expenses	121,284
Deferred contribution revenue	<u>(1,467,016)</u>
Net cash provided by operating activities	<u>2,984,504</u>
Net Increase in Cash	2,984,504
Cash, December 31, 2017	<u>1,467,016</u>
Cash, December 31, 2018	<u><u>\$ 4,451,520</u></u>

See Notes to Financial Statements

**EdReports.org Inc.**  
**Notes to Financial Statements**

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1. Organization and Nature of Business

EdReports.org Inc. (the Organization) is a not-for-profit organization designed to improve K-12 education by publishing reviews of K-12 curriculum materials, including analysis, teacher feedback and measures of efficacy. The Organization increases the capacity of teachers, administrators, and leaders to seek, identify, and demand the highest-quality instructional materials.

Since its inception in 2014 through December 31, 2017, the Organization operated under the fiscal sponsorship of Rockefeller Philanthropy Advisors (RPA), a Section 501(c)(3) organization under the Internal Revenue Code (the Code). The two parties entered into a tax-free net asset transfer agreement (the Agreement) whereby the Organization became an independent organization, effective January 1, 2018. Under the terms of the Agreement, RPA contributed the following net assets to the Organization that have been reflected as contribution revenue:

Cash	\$ 3,464,497
Contributions receivable	<u>1,333,000</u>
	<u>\$ 4,960,363</u>

Additionally, in December 2017, RPA transferred \$1,467,016 which was recorded as deferred contribution revenue as of December 31, 2017.

2. Significant Accounting Policies

*Basis of Presentation:*

The Organization presents its financial statements on the accrual basis of accounting.

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 was effective and the Organization has adopted the standard as of January 1, 2018. The new standard changes the following aspects of the Organization's financial statements:

- Unrestricted net assets have been renamed net assets without donor restrictions.
- Temporarily restricted net assets have been renamed net assets with donor restrictions
- The Organization's expenses are reported by function and nature in the statement of functional expenses.
- The financial statements include new disclosures about liquidity and availability of resources (Note 3).



**EdReports.org Inc.**  
**Notes to Financial Statements**

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2. Significant Accounting Policies (continued)

*Basis of Presentation:* (continued)

The Organization segregates its assets, liabilities and operations into two categories: with donor restrictions and without donor restrictions. The Organization's net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions consist of net assets for which there are no donor-imposed restrictions or such donor-imposed restrictions were temporary and expired during the current or previous periods.

Net assets with donor restrictions consist of amounts receivable or received that are restricted for specific purposes or for subsequent periods. Some contributions received from donors are required to be maintained in perpetuity while others expire over time, or when the donor imposed restriction is satisfied. When a donor restriction expires, net assets with donor restriction are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restriction.

*Use of Estimates:*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities and the reported amounts of support, revenue and expenses in the financial statements and accompanying notes. Actual results could differ from those estimates.

*Revenue Recognition:*

The Organization recognizes contributions and unconditional promises to give (pledges) as revenue at their fair value in the period the donor makes the contribution or pledge that is, in substance, unconditional. Conditional promises to give and support are not recognized until the conditions are met. The Organization distinguishes between contributions that increase any of the two categories of net assets, with recognition being made upon the expiration of donor-imposed restrictions in the period in which the restrictions expire.

**EdReports.org Inc.**  
**Notes to Financial Statements**

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2. Significant Accounting Policies (continued)

*Revenue Recognition:* (continued)

*Accounting Pronouncement:*

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The standard clarifies the definition of an exchange transaction, and provides guidance for evaluating whether contributions are unconditional or conditional. ASU 2018-08 is effective for the Organization as of January 1, 2019 and allows for early adoption. ASU 2018-08 allows for retrospective or modified prospective transition approach for its adoption. The Organization adopted ASU 2018-08 effective January 1, 2018 with no impact on its financial statements or related disclosures.

*Grants and Contributions:*

The Organization receives grants and contributions from foundations, businesses and individuals. The Organization recognizes revenue when a donor makes an unconditional contribution or pledge.

*Service Income:*

The Organization's fee for service income consists of fees for special projects and keynote speaker events. Revenue from these programs is recognized as services are provided.

*Cash and Cash Equivalents:*

The Organization considers all short-term highly liquid investments with an original maturity of three months or less to be cash equivalents. Cash consists of funds in a checking and savings accounts at December 31, 2018.

*Statement of Functional Expenses:*

The costs of providing the various program and supporting services have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated based on related program or service benefited. Indirect expenses are generally allocated to programs and support services based on the percentage of personnel time spent in each area.

**EdReports.org Inc.**  
**Notes to Financial Statements**

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2. Significant Accounting Policies (continued)

*Advertising Costs:*

The Organization expenses advertising and promotion costs as incurred. Advertising expense was \$43,263 in 2018.

*Concentration of Funding Sources:*

During 2018, 87% of total grants and contributions was received through funding from two major donors (42% being from RPA). Net contributions receivable from the other major donor was \$5,500,000 at December 31, 2018. Other support and revenue was received from various sources.

*Concentration of Credit Risk:*

Financial instruments, which potentially subject the Organization to concentration of credit risk, consist primarily of cash and accounts and contributions receivable. The Organization maintains its cash with one financial institution. Cash held in the financial institution generally exceeds amounts insured by the Federal Deposit Insurance Corporation and, at December 31, 2018, cash in excess of the federally insured limit totaled \$4,201,520. To date, the Company has not experienced any losses on its cash deposits.

The Organization provides an allowance for losses arising from uncollectible accounts and contributions receivable based upon the historical collection experience and management's evaluation of collectability of outstanding balances. There was no allowance for doubtful accounts deemed necessary at December 31, 2018.

*Income Taxes:*

The Organization is exempt from federal and state income taxes under Section 501(c)(3), except on any net income derived from unrelated business activities. The Organization does not believe it has unrelated business income to be reported for tax purposes.

The Organization believes that it has appropriate support for any tax positions taken to date and, therefore, has no related income tax due for all years where the statute of limitations remains open, which is generally three years for Federal filings and four years for state filings.

**EdReports.org Inc.**  
**Notes to Financial Statements**

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2. Significant Accounting Policies (continued)

*Recent Accounting Pronouncement Not Yet Effective:*

Revenue Recognition:

In May 2014, the FASB issued Accounting Standards Codification (ASC) Topic 606, *Revenue from Contracts with Customers*. This standard outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers to reflect the consideration to which the entity expects to be entitled to in exchange for those goods and services.

The standard will replace most existing revenue recognition guidance under generally accepted in the United States. Topic 606 is effective for the Company as of January 1, 2019 and permits the use of either a retrospective or cumulative effect transition method. The Organization has not selected a transition method and is currently evaluating the effect Topic 606 will have, if any, on its financial statements and related disclosures.

3. Liquidity and Availability of Resources

The following table reflects the Organization's financial assets as of December 31, 2018, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position:

Cash	\$ 4,451,520
Contributions receivable	6,147,974
Accounts receivable	<u>101,479</u>
Total assets	10,700,973
Less: Contributions receivable in more than 12 months, net	(2,908,659)
Less: Funds restricted by donors with time or purpose restrictions	<u>(517,711)</u>
Financial assets available for general expenditure needs within one year	<u>\$ 7,274,603</u>

The Organization strives to maintain liquid financial assets sufficient to cover 90 days of general operating expenditures.

**EdReports.org Inc.**  
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4. Contributions Receivable

Long-term contributions receivable are recorded at net realizable value using a discount rate of 2.69% based on the years in which the promises are received. Contributions receivable consisted of the following at December 31, 2018:

Receivables in less than one year	\$ 3,239,315
Receivable in one to two years	<u>3,000,000</u>
	6,239,315
Less unamortized discount	<u>(91,341)</u>
Contributions receivable, net	<u>\$ 6,147,974</u>

5. Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or future periods at December 31, 2018:

General programs	\$ 517,711
Restricted to future periods	<u>5,408,659</u>
	<u>\$ 5,926,370</u>

Net assets were released from donor restrictions by the passage of time or incurring expenses satisfying the restricted purposes. In 2018, the Organization released \$451,304 of funds relating to program restrictions and \$1,333,000 of funds relating to the passage of time.

6. Employee Benefit Plan

The Organization has a 401(k) plan that provides defined contribution retirement benefits for all eligible employees. Participants may contribute a portion of their compensation to the plan, subject to limitations under the Code. The Organization's contributions to the plan are at the discretion of the Board of Directors. The Organization made contributions of \$120,692 to the plan in 2018.

**EdReports.org Inc.**  
**Notes to Financial Statements**

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7. Subsequent Events

Subsequent events have been evaluated through the date of the independent auditors' report, which is the date the financial statements were approved by management and available for issuance. No items requiring disclosure in the financial statements have been identified other than those presented.