



**EdReports.org Inc.
Financial Statements
December 31, 2019
(With Comparative Totals for 2018)**

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

Certified
Public
Accountants



Palo Alto
San Francisco
San Jose
St. Helena

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of EdReports.org Inc., which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities and change in net assets, functional expenses, and cash flows for the year ended December 31, 2019, 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform our audits 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, 2019 and 2018 and the change in its net assets and its cash flows for the year ended December 31, 2019 in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the EdReports.org Inc. financial statements for the year ended December 31, 2018, and our report dated May 24, 2019, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Frank, Rimmerman & Co. LLP

San Jose, California
May 28, 2020

EdReports.org Inc.
Statements of Financial Position

	December 31,	
	<u>2019</u>	<u>2018</u>
ASSETS		
Assets		
Cash	\$ 4,897,388	\$ 4,451,520
Contributions receivable, net	3,553,570	6,147,974
Accounts receivable	290,617	101,205
Prepaid expenses	14,496	274
Total assets	<u>\$ 8,756,071</u>	<u>\$ 10,700,973</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 20,004	\$ 29,578
Accrued expenses	136,016	121,284
Total liabilities	156,020	150,862
Net Assets		
Without donor restrictions	5,350,874	4,623,741
With donor restrictions	3,249,177	5,926,370
Total net assets	<u>8,600,051</u>	<u>10,550,111</u>
Total liabilities and net assets	<u>\$ 8,756,071</u>	<u>\$ 10,700,973</u>

See Notes to Financial Statements

EdReports.org Inc.**Statements of Activities and Change in Net Assets****Year Ended December 31, 2019 (With Summarized Comparative Totals for 2018)**

	Year Ended December 31, 2019			Year Ended December 31, 2018
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Public Support and Revenue				
Grants and contributions	\$ 1,966,668	\$ 973,243	\$ 2,939,911	\$ 15,105,054
Service income	1,022,471	-	1,022,471	161,130
Net assets released from restriction	3,650,436	(3,650,436)	-	-
Total public support and revenue	6,639,575	(2,677,193)	3,962,382	15,266,184
Expenses				
Program services	5,149,168	-	5,149,168	4,140,727
General and administrative	641,666	-	641,666	488,954
Fundraising	121,608	-	121,608	86,392
Total expenses	5,912,442	-	5,912,442	4,716,073
Change in Net Assets	727,133	(2,677,193)	(1,950,060)	10,550,111
Net Assets, beginning of year	4,623,741	5,926,370	10,550,111	-
Net Assets, end of year	\$ 5,350,874	\$ 3,249,177	\$ 8,600,051	\$ 10,550,111

See Notes to Financial Statements

EdReports.org Inc.
Statements of Functional Expenses
Year Ended December 31, 2019 (With Summarized Comparative Totals for 2018)

	Program Services	General and Administrative	Fundraising	Total Support Services	Total 2019	Total 2018
Personnel costs	\$ 3,307,505	\$ 449,604	\$ 120,535	\$ 570,139	\$ 3,877,644	\$ 2,845,398
Consultants and professional fees	1,394,641	120,345	1,073	121,418	1,516,059	1,426,909
Travel, meetings and events	151,531	61,486	-	61,486	213,017	177,928
Instructional materials	143,860	-	-	-	143,860	145,636
Advertising	93,942	250	-	250	94,192	43,263
Membership dues and subscriptions	9,364	-	-	-	9,364	27,488
Research	23,025	-	-	-	23,025	-
Supplies and equipment	25,300	-	-	-	25,300	33,043
Other expenses	-	9,981	-	9,981	9,981	16,408
Total	<u>\$ 5,149,168</u>	<u>\$ 641,666</u>	<u>\$ 121,608</u>	<u>\$ 763,274</u>	<u>\$ 5,912,442</u>	<u>\$ 4,716,073</u>
Percent of Total Expenses	<u>87%</u>	<u>11%</u>	<u>2%</u>	<u>13%</u>	<u>100%</u>	

See Notes to Financial Statements

EdReports.org Inc.
Statements of Cash Flows

	Years Ended December 31,	
	2019	2018
Cash Flows from Operating Activities		
Change in net assets	\$ (1,950,060)	\$ 10,550,111
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Change in discount on long-term contributions	(78,243)	91,341
Changes in operating assets and liabilities:		
Contributions receivable	2,672,647	(6,239,315)
Accounts receivable	(189,412)	(101,205)
Prepaid expenses	(14,222)	(274)
Accounts payable	(9,574)	29,578
Accrued expenses	14,732	121,284
Deferred contribution revenue	-	(1,467,016)
Net cash provided by operating activities	445,868	2,984,504
Net Increase in Cash	445,868	2,984,504
Cash, beginning of year	4,451,520	1,467,016
Cash, end of year	\$ 4,897,388	\$ 4,451,520

See Notes to Financial Statements

EdReports.org Inc.
Notes to Financial Statements

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.

From 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 were reflected as contribution revenue in 2018:

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.

EdReports.org Inc.
Notes to Financial Statements

2. Significant Accounting Policies

Basis of Presentation:

The Organization presents its financial statements on the accrual basis of accounting in accordance with accounting principles for not-for-profit entities.

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 restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

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.

EdReports.org Inc.
Notes to Financial Statements

2. Significant Accounting Policies (continued)

Revenue Recognition:

The Organization receives grants and contributions from foundations, businesses and individuals. 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 in accordance with accounting principles for not-for-profit entities. 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. The Organization recognizes revenue when a donor makes an unconditional contribution or pledge.

In May 2014, the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 606, *Revenue from Contracts with Customers* (Topic 606).

Topic 606 became effective for the Organization as of January 1, 2019, at which time the Organization adopted the standard using a retrospective transition approach. The 2019 financial statements and related disclosures are presented in accordance with Topic 606. The adoption of the new standard did not result in a material impact to the financial statements as the Organization's service contracts with customers do not contain terms that could create additional performance obligations or contingent revenue to be accounted for during the contract term.

The adoption of Topic 606 did result in changes in the criteria the Organization uses to account for its service income revenue recognition. The Organization determines revenue recognition under 606 through the following steps:

- Identification of the contract or agreement with a grantor or customer
- Identification of the performance obligations in the contract or agreement
- Determination of the transaction price
- Allocation of the transaction price to the performance obligations in the contract or agreement
- Recognition of revenue when, or as, the Organization satisfies a performance obligation

The 2018 financial statements have not been restated, as there was no effect on service income in 2018 under Topic 606.

The Organization's contracts with customers relate to services performed for special projects and keynote speaker events. Revenue from these programs is recognized at the time the services are provided.

EdReports.org Inc.
Notes to Financial Statements

2. Significant Accounting Policies (continued)

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, 2019 and 2018.

In 2020, the Organization's Board of Directors (the Board) approved to establish a cash reserve fund sufficient to cover three months of operating activity. Accumulations to the reserve will be from earned income and not charitable contributions. At December 31, 2019, no funds have been designated as cash reserves.

Concentration of Credit Risk:

Financial instruments, which potentially subject the Organization to concentration of credit risk, consist primarily of cash and accounts, contributions receivable, and accounts receivable from customer contracts. The Organization maintains its cash with one financial institution. Cash held in the financial institution generally exceeds the amount insured by the Federal Deposit Insurance Corporation and, at December 31, 2019, cash in excess of the federally insured limit totaled \$4,647,388 (\$4,201,520 at December 31, 2018). 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, 2019 and 2018.

Concentration of Funding Sources:

During 2019, 57% of total grants and contributions was received through funding from three major donors (87% from two major donors in 2018, of which 42% was from RPA and 45% was from another major donor). Gross contributions receivable from one major donor was \$566,668 at December 31, 2019 (\$5,500,000 gross contributions receivable from the major donor at December 31, 2018). Other support and revenue was received from various sources.

EdReports.org Inc.
Notes to Financial Statements

2. Significant Accounting Policies (continued)

Advertising Costs:

The Organization expenses advertising and promotion costs as incurred. Advertising expense was \$94,192 in 2019 (\$43,263 in 2018).

Income Taxes:

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

The Organization believes that it has appropriate support for any income 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.

Reclassifications:

Certain prior year balances have been reclassified to conform to current year presentation.

3. Liquidity and Availability of Resources

The following table reflects the Organization's financial assets as of December 31, 2019 and 2018, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position as of December 31:

	<u>2019</u>	<u>2018</u>
Cash	\$ 4,897,388	\$ 4,451,520
Contributions receivable, net	3,553,570	6,147,974
Accounts receivable	<u>290,617</u>	<u>101,205</u>
	8,741,575	10,700,699
Less contributions receivable in more than 12 months, net	(486,902)	(2,908,659)
Less funds restricted by donors with purpose restrictions	<u>(262,276)</u>	<u>(517,711)</u>
Financial assets available for general expenditure needs within one year	<u>\$ 7,992,397</u>	<u>\$ 7,274,329</u>

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

EdReports.org Inc.
Notes to Financial Statements

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 will be received. Contributions receivable consist of the following at December 31:

	<u>2019</u>	<u>2018</u>
Receivable in less than one year	\$ 3,066,668	\$ 3,239,315
Receivable in one to two years	<u>500,000</u>	<u>3,000,000</u>
	3,566,668	6,239,315
Less unamortized discount	<u>(13,098)</u>	<u>(91,341)</u>
Contributions receivable, net	<u>\$ 3,553,570</u>	<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:

	<u>2019</u>	<u>2018</u>
General programs	\$ 262,275	\$ 517,711
Restricted to future periods	<u>2,986,902</u>	<u>5,408,659</u>
	<u>\$ 3,249,177</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 2019, the Organization released \$1,150,436 of funds relating to program restrictions and \$2,500,000 of funds relating to the passage of time (\$451,304 and \$1,333,000, respectively, in 2018).

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. The Organization made contributions of \$213,284 to the plan in 2019 (\$120,692 in 2018).

EdReports.org Inc.
Notes to Financial Statements

7. Subsequent Events

The recent global outbreak of the novel coronavirus is a rapidly evolving situation. The virus has disrupted much of society, impacted global travel and supply chains, and adversely impacted global commercial activity in most industries. The rapid development and fluidity of this situation precludes any prediction as to its ultimate impact, which may have a continued adverse effect on economic and market conditions and trigger an extended period of global economic slowdown. Such conditions, which may be across industries, sectors or geographies, may impact the Organization's operating performance in the near term.

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.