



**EdReports.org Inc.  
Financial Statements  
December 31, 2020  
(With Comparative Totals for 2019)**

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



Certified  
Public  
Accountants

## 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, 2020 and 2019, and the related statements of activities and change in net assets, functional expenses, and cash flows for the year ended December 31, 2020, 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.

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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, 2020 and 2019 and the change in its net assets and its cash flows for the year ended December 31, 2020 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, 2019, and our report dated May 28, 2020, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein for the year ended December 31, 2019, 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 27, 2021

**EdReports.org Inc.**  
**Statements of Financial Position**

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	December 31,	
	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>		
Assets		
Cash	\$ 3,789,234	\$ 4,897,388
Restricted cash	1,462,269	-
Contributions receivable, net	950,000	3,553,570
Accounts receivable	56,798	290,617
Prepaid expenses	<u>101,077</u>	<u>14,496</u>
Total assets	<u><u>\$ 6,359,378</u></u>	<u><u>\$ 8,756,071</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Accounts payable	\$ 13,897	\$ 20,004
Accrued expenses	<u>181,901</u>	<u>136,016</u>
Total liabilities	195,798	156,020
Net Assets		
Without donor restrictions		
Board designated	1,462,269	-
Undesignated	<u>3,319,318</u>	<u>5,350,874</u>
Total without donor restrictions	4,781,587	5,350,874
With donor restrictions	<u>1,381,993</u>	<u>3,249,177</u>
Total net assets	<u>6,163,580</u>	<u>8,600,051</u>
Total liabilities and net assets	<u><u>\$ 6,359,378</u></u>	<u><u>\$ 8,756,071</u></u>

See Notes to Financial Statements

**EdReports.org Inc.**  
**Statements of Activities and Change in Net Assets**  
**Year Ended December 31, 2020 (With Summarized Comparative Totals for 2019)**

	Year Ended December 31, 2020			Year Ended December 31, 2019
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Public Support and Revenue				
Grants and contributions	\$ 2,076,740	\$ 1,305,598	\$ 3,382,338	\$ 2,939,911
Service income	319,500	-	319,500	1,022,471
Net assets released from restriction	3,172,782	(3,172,782)	-	-
Total public support and revenue	5,569,022	(1,867,184)	3,701,838	3,962,382
Expenses				
Program services				
Building Organizational Capacity	595,433	-	595,433	560,809
Identify Excellence	2,657,798	-	2,657,798	2,854,874
Increasing Demand	2,084,899	-	2,084,899	1,733,485
	5,338,130	-	5,338,130	5,149,168
Support services				
General and administrative	658,066	-	658,066	644,150
Fundraising	149,729	-	149,729	121,608
Total expenses	6,145,925	-	6,145,925	5,914,926
Change in net assets from operations	(576,903)	(1,867,184)	(2,444,087)	(1,952,544)
Interest Income	7,616	-	7,616	2,484
Change in Net Assets	(569,287)	(1,867,184)	(2,436,471)	(1,950,060)
Net Assets, beginning of year	5,350,874	3,249,177	8,600,051	10,550,111
Net Assets, end of year	\$ 4,781,587	\$ 1,381,993	\$ 6,163,580	\$ 8,600,051

See Notes to Financial Statements

**EdReports.org Inc.**  
**Statements of Functional Expenses**  
**Year Ended December 31, 2020 (With Summarized Comparative Totals for 2019)**

	Building		Total				Total		Total	Total
	Organizational	Identifying	Increasing	Program	General and		Support	Total	Total	
	Capacity	Excellence	Demand	Services	Administrative	Fundraising	Services	2020	2019	
Personnel costs	\$ 444,648	\$ 1,806,474	\$ 1,782,339	\$ 4,033,461	\$ 494,662	\$ 148,454	\$ 643,116	\$ 4,676,577	\$ 3,877,644	
Consultants and professional fees	102,792	638,220	160,399	901,411	139,735	1,275	141,010	1,042,421	1,516,059	
Travel, meetings and events	40,173	1,612	17,800	59,585	9,961	-	9,961	69,546	213,017	
Instructional materials	-	130,505	-	130,505	-	-	-	130,505	143,860	
Advertising	-	-	124,001	124,001	250	-	250	124,251	94,192	
Membership dues and subscriptions	539	9,339	216	10,094	-	-	-	10,094	9,364	
Research	-	60,328	-	60,328	-	-	-	60,328	23,025	
Supplies and equipment	7,281	11,320	144	18,745	14	-	14	18,759	25,300	
Other expenses	-	-	-	-	13,444	-	13,444	13,444	12,465	
<b>Total</b>	<b>\$ 595,433</b>	<b>\$ 2,657,798</b>	<b>\$ 2,084,899</b>	<b>\$ 5,338,130</b>	<b>\$ 658,066</b>	<b>\$ 149,729</b>	<b>\$ 807,795</b>	<b>\$ 6,145,925</b>	<b>\$ 5,914,926</b>	
Percent of Total Expenses	10%	43%	34%	87%	11%	2%	13%	100%		

See Notes to Financial Statements

**EdReports.org Inc.**  
**Statements of Cash Flows**

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	Years Ended December 31,	
	<u>2020</u>	<u>2019</u>
Cash Flows from Operating Activities		
Change in net assets	\$ (2,436,471)	\$ (1,950,060)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Change in discount on long-term contributions	(13,098)	(78,243)
Changes in operating assets and liabilities:		
Contributions receivable	2,616,668	2,672,647
Accounts receivable	233,819	(189,412)
Prepaid expenses	(86,581)	(14,222)
Accounts payable	(6,107)	(9,574)
Accrued expenses	45,885	14,732
Net cash provided by operating activities	<u>354,115</u>	<u>445,868</u>
Net Increase in Cash	354,115	445,868
Cash, beginning of year	<u>4,897,388</u>	<u>4,451,520</u>
Cash, end of year	<u><u>\$ 5,251,503</u></u>	<u><u>\$ 4,897,388</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 founded in 2014 with the primary purpose 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.

The Organization's program activities are categorized based on the following three initiatives:

**Identifying Excellence**

This program includes setting review criteria, training and supporting educators to conduct reviews, and serving as national content experts in the characteristics of quality materials.

**Increasing Demand for Excellence**

This program includes leading communications, direct partnerships with states and districts and research.

**Building Organizational Capacity**

This program includes supporting effective growth and operations through knowledge management and performance management systems, whole-organization and leadership team training in diversity, belonging, inclusion, and equity, and research and development support to better document and understand our impact.

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.



**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 without donor restrictions also includes net assets designated by the Board of Directors (the Board) for special purposes.

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.

*Revenue Recognition:*

The Organization receives grants and contributions from foundations, businesses and individuals. The Organization recognizes contributions and unconditional promises to give (pledges) as support at their fair value in the period the donor makes the contribution or pledge that is, in substance, unconditional in accordance with generally accepted 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's service income relates to contracts with customers for 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**

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2. Significant Accounting Policies (continued)

*Revenue Recognition:* (continued)

The Company recognizes revenue from contracts with customers in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 606 through the following steps:

- Identification of the contract or agreement with a 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

*Measure of Operations:*

The Organization's measure of operations as presented in the statements of activities and change in net assets includes grants, contributions and revenue from special projects and keynote speaker events (service income), grants and contributions. Operating expenses are reported on the statements of activities by natural classification.

The Organization's nonoperating activity within the statements of activities includes interest income.

*Cash and Cash Equivalents:*

The Organization considers all short-term highly liquid investments with a remaining maturity of three months or less to be cash equivalents. Cash consists of funds in a checking and savings accounts at December 31, 2020 and 2019.

In 2020, the Organization's 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, 2020, \$1,462,269 have been designated as cash reserves.

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

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2. Significant Accounting Policies (continued)

*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, 2020, cash in excess of the federally insured limit totaled \$5,001,503 (\$4,647,388 at December 31, 2019). The Organization has not experienced any losses on its cash deposits through December 31, 2020.

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. Management has determined no allowance for doubtful accounts was necessary at December 31, 2020 and 2019.

*Concentration of Funding Sources:*

In 2020, 84% of total public support and revenue was received through funding from five major donors (57% from three major donors in 2019). Major donors are defined as donors providing 10% or more of the Organization's annual grants and contributions. Gross contributions receivable from one major donor was \$450,000 at December 31, 2020. Other support and revenue were received from various sources.

*Advertising Costs:*

The Organization expenses advertising and promotion costs as incurred. Advertising expense was \$124,251 in 2020 (\$94,192 in 2019).

*Income Taxes:*

The Organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue 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 it has appropriate support for any income tax positions taken through December 31, 2020 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)

*Statements of Functional Expenses:*

The costs of providing the Organization’s various services have been summarized on a functional basis in the statements of functional expenses. Direct expenses are allocated to the related program or services benefited. Indirect expenses are generally allocated based on the direct salaries incurred by each program or service benefited.

*Reclassifications:*

Certain reclassifications have been made to prior year balances to conform with current year presentation.

3. Liquidity and Availability of Resources

The following table reflects the Organization’s financial assets at December 31, 2020 and 2019, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position:

	<u>2020</u>	<u>2019</u>
Cash	\$ 5,251,503	\$ 4,897,388
Contributions receivable, net	950,000	3,553,570
Accounts receivable	<u>56,798</u>	<u>290,617</u>
	6,258,301	8,741,575
Less funds restricted by donors with purpose restrictions	(431,993)	(262,276)
Less Board designated restricted cash reserves	(1,462,269)	-
Less contributions receivable in more than 12 months, net	<u>-</u>	<u>(486,902)</u>
	(1,894,262)	(749,178)
Financial assets available for general expenditure needs within one year	<u>\$ 4,364,039</u>	<u>\$ 7,992,397</u>

The Organization strives to maintain liquid financial assets sufficient to cover 90 days of general operating expenditures. The Board may vote to undesignate the restricted cash reserves and allow the funds to be available for general expenditure needs at any time.

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

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4. Contributions Receivable

Long-term contributions receivable are recorded at net realizable value using a discount rate of 2.69% in 2019 based on the years in which the promises are expected to be received. Contributions receivable consist of the following at December 31:

	<u>2020</u>	<u>2019</u>
Receivable in less than one year	\$ 950,000	\$ 3,066,668
Receivable in one to two years	<u>-</u>	<u>500,000</u>
	950,000	3,566,668
Less unamortized discount	<u>-</u>	<u>(13,098)</u>
Contributions receivable, net	<u>\$ 950,000</u>	<u>\$ 3,553,570</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>2020</u>	<u>2019</u>
Program services	\$ 431,993	\$ 262,275
Restricted to future periods	<u>950,000</u>	<u>2,986,902</u>
	<u>\$ 1,381,993</u>	<u>\$ 3,249,177</u>

Net assets were released from donor restrictions by the passage of time or incurring expenses satisfying the restricted purposes. In 2020, the Organization released \$672,782 of funds relating to program restrictions and \$2,500,000 of funds relating to the passage of time (\$1,150,436 and \$2,500,000, respectively, in 2019).

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 \$280,146 to the plan in 2020 (\$213,284 in 2019).

**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.