



**EdReports.org Inc.
Financial Statements
December 31, 2021
(With Comparative Totals for 2020)**

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

INDEPENDENT AUDITORS' REPORT



Certified
Public
Accountants

Opinion

We have audited the accompanying financial statements of EdReports.org Inc. (the Organization), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities and change in net assets, functional expenses, and cash flows for the year ended December 31, 2021, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2021 and 2020, and the change in its net assets and its cash flows for the year ended December 31, 2021 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. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

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Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 an audit conducted in accordance with generally accepted 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, including omissions, 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 financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 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 Organization'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization'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.

Report on Summarized Comparative Information

We have previously audited the Organization's financial statements for the year ended December 31, 2020, and our report dated May 27, 2021, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Frank, Rimerman & Co. LLP

San Jose, California
June 14, 2022

EdReports.org Inc.
Statements of Financial Position

	December 31,	
	<u>2021</u>	<u>2020</u>
ASSETS		
Assets		
Cash	\$ 2,933,809	\$ 3,789,234
Board designated cash	1,898,308	1,462,269
Contributions receivable, net	508,625	950,000
Accounts receivable	214,717	56,798
Prepaid expenses	21,697	101,077
Website development costs	222,471	-
Total assets	<u>\$ 5,799,627</u>	<u>\$ 6,359,378</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 24,795	\$ 13,897
Accrued expenses	137,564	181,901
Deferred revenue	10,125	-
Total liabilities	<u>172,484</u>	<u>195,798</u>
Net Assets		
Without donor restrictions		
Board designated	1,898,308	1,462,269
Undesignated	2,714,196	3,420,306
Total without donor restrictions	<u>4,612,504</u>	<u>4,882,575</u>
With donor restrictions	<u>1,014,639</u>	<u>1,281,005</u>
Total net assets	<u>5,627,143</u>	<u>6,163,580</u>
Total liabilities and net assets	<u>\$ 5,799,627</u>	<u>\$ 6,359,378</u>

See Notes to Financial Statements

EdReports.org Inc.
Statements of Activities and Change in Net Assets
Year Ended December 31, 2021 (With Summarized Comparative Totals for 2020)

	Year Ended December 31, 2021			Year Ended December 31, 2020
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Public Support and Revenue				
Grants and contributions	\$ 4,143,756	\$ 1,459,145	\$ 5,602,901	\$ 3,132,338
Service income	573,415	-	573,415	569,500
Net assets released from restriction	1,725,511	(1,725,511)	-	-
Total public support and revenue	6,442,682	(266,366)	6,176,316	3,701,838
Expenses				
Program services				
Identifying Excellence	3,012,888	-	3,012,888	2,657,798
Increasing Demand	2,212,365	-	2,212,365	2,084,899
Building Organizational Capacity	651,397	-	651,397	595,433
	5,876,650	-	5,876,650	5,338,130
Support services				
General and administrative	649,772	-	649,772	658,066
Fundraising	192,175	-	192,175	149,729
Total expenses	6,718,597	-	6,718,597	6,145,925
Change in net assets from operations	(275,915)	(266,366)	(542,281)	(2,444,087)
Interest Income	5,844	-	5,844	7,616
Change in Net Assets	(270,071)	(266,366)	(536,437)	(2,436,471)
Net Assets, beginning of year	4,882,575	1,281,005	6,163,580	8,600,051
Net Assets, end of year	\$ 4,612,504	\$ 1,014,639	\$ 5,627,143	\$ 6,163,580

See Notes to Financial Statements

EdReports.org Inc.
Statements of Functional Expenses
Year Ended December 31, 2021 (With Summarized Comparative Totals for 2020)

	Identifying Excellence	Increasing Demand for Excellence	Building Organizational Capacity	Total Program Services	General and Administrative	Fundraising	Total Support Services	Total 2021	Total 2020
Personnel costs	\$ 2,134,110	\$ 1,831,496	\$ 526,835	\$ 4,492,441	\$ 451,914	\$ 189,385	\$ 641,299	\$ 5,133,740	\$ 4,676,577
Consultants and professional fees	720,504	215,623	112,039	1,048,166	156,933	2,790	159,723	1,207,889	1,042,421
Travel, meetings and events	21,955	14,683	7,286	43,924	16,900	-	16,900	60,824	69,546
Instructional materials	93,892	-	-	93,892	-	-	-	93,892	130,505
Advertising	-	143,649	-	143,649	248	-	248	143,897	124,251
Research	18,355	6,064	-	24,419	-	-	-	24,419	60,328
Membership dues and subscriptions	9,299	644	-	9,943	-	-	-	9,943	10,094
Supplies and equipment	14,773	206	5,237	20,216	-	-	-	20,216	18,759
Other expenses	-	-	-	-	23,777	-	23,777	23,777	13,444
Total	\$ 3,012,888	\$ 2,212,365	\$ 651,397	\$ 5,876,650	\$ 649,772	\$ 192,175	\$ 841,947	\$ 6,718,597	\$ 6,145,925
Percent of Total Expenses	44%	33%	10%	87%	10%	3%	13%	100%	

See Notes to Financial Statements

EdReports.org Inc.
Statements of Cash Flows

	Years Ended December 31,	
	2021	2020
Cash Flows from Operating Activities		
Change in net assets	\$ (536,437)	\$ (2,436,471)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Change in discount on long-term contributions	-	(13,098)
Changes in operating assets and liabilities:		
Contributions receivable	441,375	2,616,668
Accounts receivable	(157,919)	233,819
Prepaid expenses	79,380	(86,581)
Accounts payable	10,898	(6,107)
Accrued expenses	(44,337)	45,885
Deferred revenue	10,125	-
Net cash provided by (used in) operating activities	(196,915)	354,115
Cash Flows from Investing Activities		
Payments for website development costs	(222,471)	-
Net cash used in investing activities	(222,471)	-
Net Increase (Decrease) in Cash	(419,386)	354,115
Cash, beginning of year	5,251,503	4,897,388
Cash, end of year	\$ 4,832,117	\$ 5,251,503

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 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 the Organization's impact.

EdReports.org Inc.
Notes to Financial Statements

2. Significant Accounting Policies

Basis of Presentation:

The Organization presents its financial statements on the accrual method of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP) for not-for-profit entities.

The Organization segregates its assets, liabilities and operations into two categories: without donor restrictions and with 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 may be 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 GAAP 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 related disclosures. 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 GAAP 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.

EdReports.org Inc.
Notes to Financial Statements

2. Significant Accounting Policies (continued)

Revenue Recognition: (continued)

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 over the period of time the services are provided.

The Organization recognizes revenue from contracts with customers in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 606, *Revenue from Contracts with Customers*, through the following steps:

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

Deferred Revenue:

Deferred revenue is a contract liability consisting of cash received for service income to be recognized over time based on when the Organization completes the services.

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) 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 checking and savings accounts at December 31, 2021 and 2020.

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, 2021, \$1,898,308 have been designated as cash reserves (\$1,462,269 at December 31, 2020).

EdReports.org Inc.
Notes to Financial Statements

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, contributions receivable, and accounts receivable from customer contracts. The Organization maintains its cash with one financial institution. Cash held in the financial institution has exceeded the amount insured by the Federal Deposit Insurance Corporation of \$250,000 and, at December 31, 2021, cash in excess of the federally insured limit totaled \$4,582,117 (\$5,001,503 at December 31, 2020). 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 contributions and accounts 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, 2021 and 2020.

Concentration of Funding Sources:

In 2021, 76% of total public support and revenue was received through funding from three major donors (84% from five major donors in 2020). Major donors are defined as donors providing 10% or more of the Organization's annual public support and revenue. Gross contributions receivable from one major donor was \$500,000 at December 31, 2021 (\$450,000 from one major donor at December 31, 2020). Other support and revenue were received from various sources.

Advertising Costs:

The Organization expenses advertising costs as incurred. Advertising expense was \$143,897 in 2021 (\$124,251 in 2020).

Income Taxes:

The Organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code (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 it has appropriate support for any income tax positions taken through December 31, 2021 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

2. Significant Accounting Policies (continued)

Statements of Functional Expenses:

The costs of providing the Organization's various programs and 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.

Website Development Costs:

The Organization accounts for website development costs in accordance with FASB ASC Topic 350-50, *Intangibles – Goodwill and Other - Website Development Costs*. The Organization expenses all costs incurred relating to the planning and post-implementation phases of development, as well as costs incurred related to content training and maintenance. Costs incurred in excess of \$5,000 in the development phase are capitalized and amortized over an estimated useful life of two years.

In 2021, the Organization capitalized \$222,471 related to the development of its website and software. At December 31, 2021, the Organization had not recorded any amortization for the website development costs, as the updated website had not been launched.

Recent Accounting Pronouncement Not Yet Effective:

In September 2020, the FASB issued Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosures by Not-For Profit Entities for Contributed Nonfinancial Assets*. ASU 2020-07 was issued to increase the transparency for measuring and reporting contributed nonfinancial assets. The new standard will be effective for the Organization as of January 1, 2022 and is to be applied on a retrospective basis at its adoption. Early adoption of the standard is permitted. The Organization is currently evaluating the effect ASU 2020-07 will have on its financial statements and related disclosures.

ASU 2020-07 will require contributions from donors to be reported on the statement of financial position as either contributions of cash and financial assets or nonfinancial assets. Not-for-profit entities will be required to provide details as to the types of nonfinancial assets received, any donor-imposed restrictions on the assets, whether the contributed nonfinancial assets were either monetized or utilized during the reporting period, the entity's accounting policy for monetizing the assets instead of utilizing the assets, and a description of the valuation techniques and inputs used to arrive at a fair value measurement for the donated assets at initial recognition.

EdReports.org Inc.
Notes to Financial Statements

2. Significant Accounting Policies (continued)

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, 2021 and 2020, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position:

	<u>2021</u>	<u>2020</u>
Cash	\$ 4,832,117	\$ 5,251,503
Contributions receivable, net	508,625	950,000
Accounts receivable	<u>214,717</u>	<u>56,798</u>
	5,555,459	6,258,301
Less funds restricted by donors with purpose restrictions	(514,639)	(781,005)
Less Board designated cash reserves	<u>(1,898,308)</u>	<u>(1,462,269)</u>
	<u>(2,412,947)</u>	<u>(2,243,274)</u>
Financial assets available for general expenditure needs within one year	<u>\$ 3,142,512</u>	<u>\$ 4,015,027</u>

Contributions receivable consist of amounts expected to be received by the Organization within 12 months of the statement of financial position date.

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

4. Net Assets with Donor Restrictions

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

	<u>2021</u>	<u>2020</u>
Program services	\$ 514,639	\$ 781,005
Restricted to future periods	<u>500,000</u>	<u>500,000</u>
	<u>\$ 1,014,639</u>	<u>\$ 1,281,005</u>

5. Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of other events specified by donors, including the passage of time. Net assets were released from restrictions as follows for the years ended December 31:

	<u>2021</u>	<u>2020</u>
Program restrictions	\$ 1,326,499	\$ 523,770
Time restrictions	<u>500,000</u>	<u>2,500,000</u>
	<u>\$ 1,725,511</u>	<u>\$ 3,023,770</u>

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 \$311,350 to the plan in 2021 (\$280,146 in 2020).

7. Subsequent Events

Subsequent events have been evaluated through June 14, 2022, 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 requiring recognition or disclosure in the financial statements.