

EducationNC

Financial Statements

June 30, 2015 and 2014

(With Independent Auditors' Report Thereon)

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Independent Auditors' Report

The Board of Directors
EducationNC:

Report on the Financial Statements

We have audited the accompanying financial statements of EducationNC (the "Organization") (a nonprofit organization), which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities, functional expenses, and cash flows for the year ended June 30, 2015, 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 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 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 auditors consider 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 EducationNC as of June 30, 2015 and 2014, and the changes in its net assets and its cash flows for the year ended June 30, 2015 in accordance with accounting principles generally accepted in the United States of America.

Batchelor, Tillery & Roberts, LLP

January 20, 2016

EducationNC
 Statements of Financial Position
 June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
<u>Assets</u>		
Current assets:		
Cash and cash equivalents	\$ 94,507	3,156
Grants receivable	175,000	175,000
Prepaid expenses	<u>1,838</u>	<u>-</u>
Total current assets	271,345	178,156
Furniture and equipment, net of accumulated depreciation and amortization of \$6,238 in 2015	<u>16,731</u>	<u>-</u>
	<u>\$ 288,076</u>	<u>178,156</u>
 <u>Liabilities and Net Assets</u>		
Current liabilities - accounts payable and accrued expenses	<u>9,993</u>	<u>-</u>
Net assets:		
Unrestricted	103,083	3,156
Temporarily restricted	<u>175,000</u>	<u>175,000</u>
	<u>278,083</u>	<u>178,156</u>
	<u>\$ 288,076</u>	<u>178,156</u>

See accompanying notes to financial statements.

EducationNC

Statement of Activities

Year ended June 30, 2015

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Total</u>
Public support:			
Contributions	\$ 90,146	-	90,146
Grants	<u>111,000</u>	<u>265,000</u>	<u>376,000</u>
	201,146	265,000	466,146
Net assets released from restrictions	<u>265,000</u>	<u>(265,000)</u>	<u>-</u>
Total public support	<u>466,146</u>	<u>-</u>	<u>466,146</u>
Expenses:			
Program services	<u>319,249</u>	<u>-</u>	<u>319,249</u>
Supporting services:			
Management and general	41,847	-	41,847
Fundraising	<u>5,123</u>	<u>-</u>	<u>5,123</u>
Total supporting services	<u>46,970</u>	<u>-</u>	<u>46,970</u>
Total expenses	<u>366,219</u>	<u>-</u>	<u>366,219</u>
Increase in net assets	99,927	-	99,927
Net assets, beginning of year	<u>3,156</u>	<u>175,000</u>	<u>178,156</u>
Net assets, end of year	\$ <u>103,083</u>	<u>175,000</u>	<u>278,083</u>

See accompanying notes to financial statements.

EducationNC

Statement of Functional Expenses

Year ended June 30, 2015

	<u>Program services</u>	<u>Management and general</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 148,011	16,957	1,535	166,503
Contracted services	110,966	835	-	111,801
Payroll taxes and benefits	12,474	1,692	129	14,295
Media engagement	30,421	-	-	30,421
Travel and meetings	8,674	1,480	3,201	13,355
Insurance	-	8,030	-	8,030
Online services	4,928	2,158	115	7,201
Books, subscriptions, and supplies	2,233	704	-	2,937
Printing, copying, and mailing	1,542	816	143	2,501
Professional fees	-	1,974	-	1,974
Miscellaneous	-	7,201	-	7,201
	\$ <u>319,249</u>	<u>41,847</u>	<u>5,123</u>	<u>366,219</u>

See accompanying notes to financial statements.

EducationNC
Statement of Cash Flows
Year ended June 30, 2015

Cash flows from operating activities:	
Change in net assets	\$ 99,927
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	6,238
Changes in operating assets and liabilities:	
Other assets	(1,838)
Accounts payable and accrued expenses	<u>9,993</u>
Net cash provided by operating activities	114,320
Cash flows used in investing activities - purchases of furniture and equipment	<u>(22,969)</u>
Net increase in cash and cash equivalents	91,351
Cash and cash equivalents, beginning of year	<u>3,156</u>
Cash and cash equivalents, end of year	\$ <u>94,507</u>

See accompanying notes to financial statements.

Notes to Financial Statements

June 30, 2015 and 2014

(1) Organization and Summary of Significant Accounting Policies

(a) Organization

EducationNC (the "Organization") was established as an independent, nonprofit organization that seeks to expand the educational opportunities for all children in North Carolina, increase their academic attainment, and improve the performance of the state's public schools. The Organization provides the state with data, research, news, information, and analysis about the major trends, issues, and challenges facing public schools. The Organization seeks to be a trusted source of information and the architecture for public participation in a statewide conversation about schools. The primary sources of revenue are foundation grants, corporate contributions and individual contributions.

(b) Basis of Presentation and Use of Estimates

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The preparation of financial statements in accordance 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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of changes in net assets during the reporting period. Actual results could differ from those estimates.

(c) Cash and Cash Equivalents

The Organization considers all highly liquid short-term investments with an original maturity of three months or less to be cash equivalents. For purposes of the statement of cash flows, the Organization considers cash in the bank and all cash held on hand to be cash and cash equivalents. The Organization maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts. There were no uninsured cash balances as of June 30, 2015 and 2014.

(d) Contributions and Grants Receivable

Contributions and grants received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give due in the next year are recorded at their net realizable value (net of estimated uncollectible amounts). Unconditional promises to give due in subsequent years are reported at the present value of expected cash flows using market interest rates applicable to the years in which the promises are to be received. When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Notes to Financial Statements, Continued

June 30, 2015 and 2014

(1) Organization and Summary of Significant Accounting Policies, Continued(d) Contributions and Grants Receivable, Continued

Grants and other receivables are recorded net of estimated uncollectible amounts. As of June 30, 2015 and 2014, all pledges receivable are expected to be collected within one year, and no allowance for doubtful pledges was considered necessary.

(e) Income Taxes

The Organization is exempt from income taxes under Internal Revenue Code Section 501(c)(3) and applicable state statutes on its exempt function income and is classified as a publicly supported organization. There was no unrelated business income for 2015 and 2014.

(f) Furniture and Equipment

Furniture, equipment, software and website are reported at cost. Cost for donated assets is established based upon fair market value or replacement cost at time of donation. Depreciation and amortization are computed using the straight-line method, half-year convention, over the estimated useful lives of the assets of three years.

(g) Donated Assets and Services

Donated materials, equipment, and services are recorded at their estimated fair market values at date of receipt and are reflected as contributions in the accompanying financial statements. There were none in 2015.

(h) Functional Expenses

Expenditures not directly attributable to specific programs or support services are allocated to program or support services by the Organization's management based on what it considers to be the best available objective criteria, such as hours worked or relative benefit.

(2) Grants Receivable

Contributions receivable consist of the following:

<u>Source</u>		<u>2015</u>	<u>2014</u>	<u>Purpose</u>
Low Wealth Schools Consortium	\$	100,000	-	General operations
Z. Smith Reynolds Foundation		75,000	175,000	General operations
	\$	<u>175,000</u>	<u>175,000</u>	

Notes to Financial Statements, Continued

June 30, 2015 and 2014

(3) Restrictions on Net Assets

Temporarily restricted net assets consist of grants receivable for general operations. Net assets released from donor restrictions totaling \$265,000 represent payments on grants receivable designated for general operations.

(4) Concentrations

Contributions and grants from five donors totaled 69% of public support in 2015.

(5) Related Party Transactions

During 2015, the Organization paid \$35,000 for services related to writing and editing to a board of director member and an entity related to a board of director member.

(6) Subsequent Events

The date to which events occurring after June 30, 2015, the date of the most recent statement of financial position, have been evaluated for possible adjustment to the financial statements or disclosure is January 20, 2016, the date the financial statements were available to be issued.