

EducationNC

Financial Statements

June 30, 2016 and 2015

(With Independent Auditors' Report Thereon)

BATCHELOR, TILLERY & ROBERTS, LLP

CERTIFIED PUBLIC ACCOUNTANTS

POST OFFICE BOX 18068

RALEIGH, NORTH CAROLINA 27619

RONALD A. BATCHELOR
ANN H. TILLERY
FRANKLIN T. ROBERTS
WM. JAMES BLACK, JR.
SCOTT E. CABANISS

3605 GLENWOOD AVENUE, SUITE 350
RALEIGH, NORTH CAROLINA 27612
TELEPHONE (919) 787-8212
FACSIMILE (919) 783-6724

Independent Auditors' Report

The Board of Directors
EducationNC:

Report on the Financial Statements

We have audited the accompanying financial statements of EducationNC (a nonprofit organization), which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities, functional expenses, and cash flows for the years 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 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, 2016 and 2015, and the changes in its net assets and its cash flows for the years ended in accordance with accounting principles generally accepted in the United States of America.

Bachelor, Tillery & Roberts, LLP

February 13, 2017

EducationNC
 Statements of Financial Position
 June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<u>Assets</u>		
Current assets:		
Cash and cash equivalents	\$ 63,013	94,507
Grants receivable	250,000	175,000
Prepaid expenses	<u>3,605</u>	<u>1,838</u>
Total current assets	316,618	271,345
Furniture and equipment, net of accumulated depreciation and amortization of \$18,403 in 2016 and \$6,238 in 2015	<u>21,140</u>	<u>16,731</u>
	<u>\$ 337,758</u>	<u>288,076</u>
 <u>Liabilities and Net Assets</u>		
Current liabilities - accounts payable and accrued expenses	<u>7,517</u>	<u>9,993</u>
Net assets:		
Unrestricted	65,241	103,083
Temporarily restricted	<u>265,000</u>	<u>175,000</u>
	<u>330,241</u>	<u>278,083</u>
	<u>\$ 337,758</u>	<u>288,076</u>

See accompanying notes to financial statements.

EducationNC

Statements of Activities

Year ended June 30, 2016,
with comparative totals for the year ended June 30, 2015

	2016			2015
	Unrestricted	Temporarily restricted	Total	
Public support:				
Contributions	\$ 122,496	-	122,496	90,146
Grants	-	430,000	430,000	376,000
Earned revenues	36,678	-	36,678	-
	<u>159,174</u>	<u>430,000</u>	<u>589,174</u>	<u>466,146</u>
Net assets released from restrictions	<u>340,000</u>	<u>(340,000)</u>	<u>-</u>	<u>-</u>
Total public support	<u>499,174</u>	<u>90,000</u>	<u>589,174</u>	<u>466,146</u>
Expenses:				
Program services	<u>452,612</u>	<u>-</u>	<u>452,612</u>	<u>319,249</u>
Supporting services:				
Management and general	73,333	-	73,333	41,847
Fundraising	<u>11,071</u>	<u>-</u>	<u>11,071</u>	<u>5,123</u>
Total supporting services	<u>84,404</u>	<u>-</u>	<u>84,404</u>	<u>46,970</u>
Total expenses	<u>537,016</u>	<u>-</u>	<u>537,016</u>	<u>366,219</u>
(Decrease) increase in net assets	(37,842)	90,000	52,158	99,927
Net assets, beginning of year	<u>103,083</u>	<u>175,000</u>	<u>278,083</u>	<u>178,156</u>
Net assets, end of year	<u>\$ 65,241</u>	<u>265,000</u>	<u>330,241</u>	<u>278,083</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	111,000	265,000	376,000
	<u>201,146</u>	<u>265,000</u>	<u>466,146</u>
Net assets released from restrictions	265,000	(265,000)	-
Total public support	<u>466,146</u>	<u>-</u>	<u>466,146</u>
Expenses:			
Program services	319,249	-	319,249
Supporting services:			
Management and general	41,847	-	41,847
Fundraising	5,123	-	5,123
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

Statements of Functional Expenses

Year ended June 30, 2016,
with comparative totals for the year ended June 30, 2015

	2016				<u>2015</u>
	<u>Program services</u>	<u>Supporting Services</u>		<u>Total</u>	
		<u>Management and general</u>	<u>Fundraising</u>		
Salaries	\$ 243,552	32,371	9,600	285,523	166,503
Contracted services	141,769	285	36	142,090	111,801
Payroll taxes and benefits	20,251	3,324	757	24,332	14,295
Travel and meetings	21,044	751	-	21,795	13,355
Media engagement	16,202	-	-	16,202	30,421
Depreciation and amortization	-	12,165	-	12,165	6,238
Professional fees	-	11,600	-	11,600	1,974
Insurance	-	9,456	-	9,456	8,030
Online services	8,187	441	431	9,059	7,201
Books, subscriptions, and supplies	1,387	1,573	202	3,162	2,937
Printing, copying, and mailing	220	580	45	845	2,501
Miscellaneous	-	787	-	787	963
	<u>\$ 452,612</u>	<u>73,333</u>	<u>11,071</u>	<u>537,016</u>	<u>366,219</u>

See accompanying notes to financial statements.

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Statement of Functional Expenses

Year ended June 30, 2015

		<u>Supporting Services</u>			
	<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	
Media engagement	30,421	-	-	30,421	
Payroll taxes and benefits	12,474	1,692	129	14,295	
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	
Depreciation and amortization	-	6,238	-	6,238	
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	-	963	-	963	
	<u>\$ 319,249</u>	<u>41,847</u>	<u>5,123</u>	<u>366,219</u>	

See accompanying notes to financial statements.

EducationNC

Statements of Cash Flows

Years ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Change in net assets	\$ 52,158	99,927
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	12,165	6,238
Changes in operating assets and liabilities:		
Grants receivable	(75,000)	-
Prepaid expenses	(1,767)	(1,838)
Accounts payable and accrued expenses	<u>(2,476)</u>	<u>9,993</u>
Net cash (used in) provided by operating activities	(14,920)	114,320
Cash flows used in investing activities - purchases of furniture and equipment	<u>(16,574)</u>	<u>(22,969)</u>
Net (decrease) increase in cash and cash equivalents	(31,494)	91,351
Cash and cash equivalents, beginning of year	<u>94,507</u>	<u>3,156</u>
Cash and cash equivalents, end of year	\$ <u>63,013</u>	<u>94,507</u>

See accompanying notes to financial statements.

EducationNC

Notes to Financial Statements

June 30, 2016 and 2015

(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, 2016 and 2015.

(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.

EducationNC

Notes to Financial Statements, Continued

June 30, 2016 and 2015

(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, 2016 and 2015, all pledges receivable are expected to be collected within one year, and no allowance for doubtful pledges was considered necessary.

(e) Earned Revenues

For 2016, earned revenues relate to consulting services performed by the Organization and were deemed to be earned and reported as the Organization performed such services.

(f) 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 2016 and 2015.

(g) 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.

(h) 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 2016 or 2015.

(i) 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

Grants receivable consist of the following:

<u>Source</u>		<u>2016</u>	<u>2015</u>	<u>Purpose</u>
Z. Smith Reynolds Foundation	\$	250,000	75,000	General operations
Low Wealth Schools Consortium		-	100,000	General operations
	\$	<u>250,000</u>	<u>175,000</u>	

EducationNC

Notes to Financial Statements, Continued

June 30, 2016 and 2015

(3) Restrictions on Net Assets

Temporarily restricted net assets are available for the following purposes as summarized below:

<u>Source</u>		<u>2016</u>	<u>2015</u>	<u>Restriction</u>
Z. Smith Reynolds Foundation	\$	250,000	75,000	Operations, once received
Duke Energy Foundation		15,000	-	STEM education
Low Wealth School Consortium		-	100,000	Operations, once received
	\$	<u>265,000</u>	<u>175,000</u>	

Net assets released from donor restrictions by accomplishing purpose or time restrictions were \$340,000 and \$265,000 in 2016 and 2015, respectively.

(4) Concentrations

Contributions and grants from three and five donors totaled 66% and 69% of public support in 2016 and 2015, respectively.

(5) Related Party Transactions

During 2016 and 2015, respectively, the Organization paid \$42,000 and \$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.

During 2016, the Organization received \$21,000 for services related to website development for a board of director member and an entity related to a board of director member.

(6) Subsequent Events

On October 25, 2016, the members of the executive committee of the Organization were elected to serve as board of directors of the N.C. Center for Public Policy Research. These organizations have a shared leadership and management structure, while operating as separate tax exempt entities.

The date to which events occurring after June 30, 2016, the date of the most recent statement of financial position, have been evaluated for possible adjustment to the financial statements or disclosure is February 13, 2017, the date the financial statements were available to be issued.