

EducationNC

Financial Statements

June 30, 2017 and 2016

(With Independent Auditors' Report Thereon)

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Independent Auditors' Report

The Board of Directors
EducationNC:

We have audited the accompanying financial statements of EducationNC (a nonprofit organization), which comprise the statements of financial position as of June 30, 2017 and 2016, 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, 2017 and 2016, 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.

Batchelor, Tillery & Roberts, LLP

July 11, 2018

EducationNC
 Statements of Financial Position
 June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<u>Assets</u>		
Current assets:		
Cash and cash equivalents	\$ 274,502	63,013
Grants receivable	150,000	250,000
Prepaid expenses	-	3,605
Total current assets	<u>424,502</u>	<u>316,618</u>
 Furniture and equipment, net of accumulated depreciation and amortization of \$31,793 in 2017 and \$18,403 in 2016	 <u>9,002</u>	 <u>21,140</u>
	<u>\$ 433,504</u>	<u>337,758</u>
 <u>Liabilities and Net Assets</u>		
 Current liabilities - accounts payable and accrued expenses	 <u>7,204</u>	 <u>7,517</u>
Net assets:		
Unrestricted	16,817	65,241
Temporarily restricted	<u>409,483</u>	<u>265,000</u>
	<u>426,300</u>	<u>330,241</u>
	<u>\$ 433,504</u>	<u>337,758</u>

See accompanying notes to financial statements.

EducationNC

Statements of Activities

Year ended June 30, 2017,
with comparative totals for the year ended June 30, 2016

	2017			2016
	Unrestricted	Temporarily restricted	Total	
Public support:				
Contributions	\$ 115,042	400,000	515,042	122,496
Grants	1,000	265,000	266,000	430,000
Other	27,853	-	27,853	36,678
	<u>143,895</u>	<u>665,000</u>	<u>808,895</u>	<u>589,174</u>
Net assets released from restrictions	<u>520,517</u>	<u>(520,517)</u>	<u>-</u>	<u>-</u>
Total public support	<u>664,412</u>	<u>144,483</u>	<u>808,895</u>	<u>589,174</u>
Expenses:				
Program services	<u>614,679</u>	<u>-</u>	<u>614,679</u>	<u>452,612</u>
Supporting services:				
Management and general	64,222	-	64,222	73,333
Fundraising	<u>33,935</u>	<u>-</u>	<u>33,935</u>	<u>11,071</u>
Total supporting services	<u>98,157</u>	<u>-</u>	<u>98,157</u>	<u>84,404</u>
Total expenses	<u>712,836</u>	<u>-</u>	<u>712,836</u>	<u>537,016</u>
(Decrease) increase in net assets	(48,424)	144,483	96,059	52,158
Net assets, beginning of year	<u>65,241</u>	<u>265,000</u>	<u>330,241</u>	<u>278,083</u>
Net assets, end of year	\$ <u>16,817</u>	<u>409,483</u>	<u>426,300</u>	<u>330,241</u>

(Continued)

EducationNC

Statements of Activities, Continued

Year ended June 30, 2016

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Total</u>
Public support:			
Contributions	\$ 122,496	-	122,496
Grants	-	430,000	430,000
Other	36,678	-	36,678
	<u>159,174</u>	<u>430,000</u>	<u>589,174</u>
Net assets released from restrictions	340,000	(340,000)	-
Total public support	<u>499,174</u>	<u>90,000</u>	<u>589,174</u>
Expenses:			
Program services	452,612	-	452,612
Supporting services:			
Management and general	73,333	-	73,333
Fundraising	11,071	-	11,071
Total supporting services	<u>84,404</u>	<u>-</u>	<u>84,404</u>
Total expenses	<u>537,016</u>	<u>-</u>	<u>537,016</u>
(Decrease) increase in net assets	(37,842)	90,000	52,158
Net assets, beginning of year	<u>103,083</u>	<u>175,000</u>	<u>278,083</u>
Net assets, end of year	\$ <u>65,241</u>	<u>265,000</u>	<u>330,241</u>

See accompanying notes to financial statements.

EducationNC

Statements of Functional Expenses

Year ended June 30, 2017,
with comparative totals for the year ended June 30, 2016

	<u>2017</u>				<u>2016</u>
	<u>Program services</u>	<u>Supporting Services Management and general</u>	<u>Fundraising</u>	<u>Total</u>	
Salaries	\$ 298,642	17,108	25,500	341,250	285,523
Contracted services	169,541	354	-	169,895	142,090
Payroll taxes and benefits	23,422	2,130	3,199	28,751	24,332
Travel and meetings	28,017	7,133	166	35,316	21,795
Media engagement	45,246	-	-	45,246	16,202
Depreciation and amortization	-	13,390	-	13,390	12,165
Professional fees	-	12,834	-	12,834	11,600
Insurance	-	9,444	-	9,444	9,456
Online services	45,886	245	4,867	50,998	9,059
Books, subscriptions, and supplies	3,609	350	203	4,162	3,162
Printing, copying, and mailing	316	-	-	316	845
Miscellaneous	-	1,234	-	1,234	787
	<u>\$ 614,679</u>	<u>64,222</u>	<u>33,935</u>	<u>712,836</u>	<u>537,016</u>

(Continued)

EducationNC

Statements of Functional Expenses, Continued

Year ended June 30, 2016

	Program services	Supporting Services		Total
		Management and general	Fundraising	
Salaries	\$ 243,552	32,371	9,600	285,523
Contracted services	141,769	285	36	142,090
Payroll taxes and benefits	20,251	3,324	757	24,332
Travel and meetings	21,044	751	-	21,795
Media engagement	16,202	-	-	16,202
Depreciation and amortization	-	12,165	-	12,165
Professional fees	-	11,600	-	11,600
Insurance	-	9,456	-	9,456
Online services	8,187	441	431	9,059
Books, subscriptions, and supplies	1,387	1,573	202	3,162
Printing, copying, and mailing	220	580	45	845
Miscellaneous	-	787	-	787
	\$ <u>452,612</u>	<u>73,333</u>	<u>11,071</u>	<u>537,016</u>

See accompanying notes to financial statements.

EducationNC

Statements of Cash Flows

Years ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Change in net assets	\$ 96,059	52,158
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	13,390	12,165
Changes in operating assets and liabilities:		
Grants receivable	100,000	(75,000)
Prepaid expenses	3,605	(1,767)
Accounts payable and accrued expenses	<u>(313)</u>	<u>(2,476)</u>
Net cash provided by (used in) operating activities	212,741	(14,920)
Cash flows used in investing activities - purchases of furniture and equipment	<u>(1,252)</u>	<u>(16,574)</u>
Net increase (decrease) in cash and cash equivalents	211,489	(31,494)
Cash and cash equivalents, beginning of year	<u>63,013</u>	<u>94,507</u>
Cash and cash equivalents, end of year	\$ <u>274,502</u>	<u>63,013</u>

See accompanying notes to financial statements.

EducationNC

Notes to Financial Statements

June 30, 2017 and 2016

(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 uninsured cash balances of \$24,502 and \$0 as of June 30, 2017 and 2016, respectively.

(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, 2017 and 2016

(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, 2017 and 2016, all pledges receivable are expected to be collected within one year, and no allowance for doubtful pledges was considered necessary.

(e) Other Revenues

Other 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 2017 and 2016.

(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 2017 or 2016.

(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.

Notes to Financial Statements, Continued

June 30, 2017 and 2016

(1) Organization and Summary of Significant Accounting Policies, Continued(j) Selected Recent Accounting Pronouncements

In August 2016, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which is effective for the financial statements for the year ending June 30, 2019. This ASU aims to improve how a nonprofit organization classifies its net assets and provides information in its financial statements and notes about its financial performance, cash flow, and liquidity. The ASU changes the net asset classification to two classes of net assets rather than the currently required three classes, requires presentation of expenses both by nature and function, requires investment return be reported net of investment expenses, requires the placed-in-service approach for gifts of/for long-lived assets, and provides enhanced disclosures for: governing body restrictions; composition of net assets with donor restrictions; qualitative and quantitative information on liquidity; methods to allocate costs among program and support functions; and underwater donor-restricted endowments. Management is in the process of assessing the impact of this new accounting standard.

(2) Grants Receivable

Grants receivable consist of the following:

<u>Source</u>	<u>2017</u>	<u>2016</u>	<u>Purpose</u>
Z. Smith Reynolds Foundation	\$ 100,000	250,000	General operations
Kenan Charitable Trust	50,000	-	Adolescent equity
	<u>\$ 150,000</u>	<u>250,000</u>	

(3) Restrictions on Net Assets

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

<u>Source</u>	<u>2017</u>	<u>2016</u>	<u>Restriction</u>
Blue Cross Blue Shield of NC	\$ 198,234	-	Reach NC Voices
Z. Smith Reynolds Foundation	100,000	250,000	Operations, once received
Kenan Charitable Trust	86,249	-	Adolescent equity
Duke Energy Foundation	25,000	15,000	STEM education
	<u>\$ 409,483</u>	<u>265,000</u>	

Net assets released from donor restrictions by accomplishing purpose or time restrictions were \$520,517 and \$340,000 in 2017 and 2016, respectively.

(4) Concentrations

Contributions and grants from three donors totaled 71% and 66% of public support in 2017 and 2016, respectively.

Notes to Financial Statements, Continued

June 30, 2017 and 2016

(5) Related Party Transactions

During 2017 and 2016, respectively, the Organization paid \$42,250 and \$42,000 for services related to writing and editing to a board of director member and an entity related to a board of director member.

During 2017 and 2016, respectively, the Organization received \$12,425 and \$21,000 for services related to website development from a board of director member and an entity related to a board of director member.

(6) Subsequent Events

On November 13, 2017, 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, 2017, the date of the most recent statement of financial position, have been evaluated for possible adjustment to the financial statements or disclosure is July 11, 2018, the date the financial statements were available to be issued.