

EducationNC

Financial Statements

June 30, 2020 and 2019

(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, 2020 and 2019, 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, 2020 and 2019, 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

January 25, 2021

EducationNC
 Statements of Financial Position
 June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<u>Assets</u>		
Current assets:		
Cash and cash equivalents	\$ 1,617,070	1,248,320
Grants receivable, current portion	<u>1,358,334</u>	<u>533,333</u>
Total current assets	<u>2,975,404</u>	<u>1,781,653</u>
Grants receivable, net, less current portion	48,043	270,362
Other assets	77,155	86,766
Furniture and equipment, net of accumulated depreciation and amortization of \$74,591 in 2020 and \$43,895 in 2019	<u>69,069</u>	<u>34,594</u>
	<u>\$ 3,169,671</u>	<u>2,173,375</u>
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable and accrued expenses	52,769	1,878
Deferred revenue	-	5,000
Current maturities of Paycheck Protection Program loan	<u>74,184</u>	<u>-</u>
Total current liabilities	<u>126,953</u>	<u>6,878</u>
Paycheck Protection Program loan, less current maturities	<u>95,616</u>	<u>-</u>
Total liabilities	<u>222,569</u>	<u>6,878</u>
Net assets:		
Without donor restrictions	971,083	137,633
With donor restrictions	<u>1,976,019</u>	<u>2,028,864</u>
Total net assets	<u>2,947,102</u>	<u>2,166,497</u>
	<u>\$ 3,169,671</u>	<u>2,173,375</u>

See accompanying notes to financial statements.

EducationNC

Statements of Activities

Year ended June 30, 2020,
with comparative totals for the year ended June 30, 2019

	<u>2020</u>			
	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>	<u>2019</u>
Public support:				
Contributions	\$ 257,955	-	257,955	31,726
Grants	135,500	2,470,668	2,606,168	1,796,311
In-kind contributions	-	-	-	53,827
Other	35,598	-	35,598	110,486
	<u>429,053</u>	<u>2,470,668</u>	<u>2,899,721</u>	<u>1,992,350</u>
Net assets released from restrictions	<u>2,523,513</u>	<u>(2,523,513)</u>	<u>-</u>	<u>-</u>
Total public support	<u>2,952,566</u>	<u>(52,845)</u>	<u>2,899,721</u>	<u>1,992,350</u>
Expenses:				
Program services	<u>1,861,607</u>	<u>-</u>	<u>1,861,607</u>	<u>1,741,273</u>
Supporting services:				
Management and general	228,870	-	228,870	113,675
Fundraising	28,639	-	28,639	49,506
Total supporting services	<u>257,509</u>	<u>-</u>	<u>257,509</u>	<u>163,181</u>
Total expenses	<u>2,119,116</u>	<u>-</u>	<u>2,119,116</u>	<u>1,904,454</u>
Increase (decrease) in net assets	833,450	(52,845)	780,605	87,896
Net assets, beginning of year	<u>137,633</u>	<u>2,028,864</u>	<u>2,166,497</u>	<u>2,078,601</u>
Net assets, end of year	\$ <u>971,083</u>	<u>1,976,019</u>	<u>2,947,102</u>	<u>2,166,497</u>

(Continued)

EducationNC

Statements of Activities, Continued

Year ended June 30, 2019

	Without donor <u>restrictions</u>	With donor <u>restrictions</u>	<u>Total</u>
Public support:			
Contributions	\$ 31,726	-	31,726
Grants	56,000	1,740,311	1,796,311
In-kind Contributions	53,827	-	53,827
Other	110,486	-	110,486
	<u>252,039</u>	<u>1,740,311</u>	<u>1,992,350</u>
Net assets released from restrictions	<u>1,689,273</u>	<u>(1,689,273)</u>	<u>-</u>
Total public support	<u>1,941,312</u>	<u>51,038</u>	<u>1,992,350</u>
Expenses:			
Program services	<u>1,741,273</u>	<u>-</u>	<u>1,741,273</u>
Supporting services:			
Management and general	113,675	-	113,675
Fundraising	49,506	-	49,506
Total supporting services	<u>163,181</u>	<u>-</u>	<u>163,181</u>
Total expenses	<u>1,904,454</u>	<u>-</u>	<u>1,904,454</u>
Increase in net assets	36,858	51,038	87,896
Net assets, beginning of year	<u>100,775</u>	<u>1,977,826</u>	<u>2,078,601</u>
Net assets, end of year	\$ <u><u>137,633</u></u>	<u><u>2,028,864</u></u>	<u><u>2,166,497</u></u>

See accompanying notes to financial statements.

EducationNC

Statements of Functional Expenses

Year ended June 30, 2020,
with comparative totals for the year ended June 30, 2019

	<u>2020</u>				<u>2019</u>
	<u>Program services</u>	<u>Supporting Services</u>		<u>Total</u>	
		<u>Management and general</u>	<u>Fundraising</u>		
Salaries	\$ 1,028,903	38,008	6,979	1,073,890	844,954
Contracted services	436,719	750	18,952	456,421	500,373
Travel and meetings	125,978	15,913	1,496	143,387	255,662
Online services	101,050	2,377	415	103,842	63,807
Payroll taxes and benefits	61,854	22,596	547	84,997	69,908
Media engagement	58,494	1,343	250	60,087	50,245
Professional fees	1,958	49,304	-	51,262	14,792
Depreciation and amortization	-	30,696	-	30,696	4,188
Rent	19,776	-	-	19,776	17,840
Insurance	-	12,576	-	12,576	11,286
Books, subscriptions, and supplies	9,500	1,278	-	10,778	10,305
Printing, copying, and mailing	1,890	2,221	-	4,111	4,620
In-kind expenses	-	-	-	-	53,827
Miscellaneous	15,485	51,808	-	67,293	2,647
	<u>\$ 1,861,607</u>	<u>228,870</u>	<u>28,639</u>	<u>2,119,116</u>	<u>1,904,454</u>

(Continued)

EducationNC

Statements of Functional Expenses, Continued

Year ended June 30, 2019

	Program	Supporting Services		Total
		<u>services</u>	<u>Management and general</u>	
Salaries	\$ 775,367	56,212	13,375	844,954
Contracted services	460,904	7,647	31,822	500,373
Travel and meetings	246,689	8,655	318	255,662
Payroll taxes and benefits	61,968	6,719	1,221	69,908
Online services	60,010	1,027	2,770	63,807
In-kind expenses	53,827	-	-	53,827
Media engagement	50,185	60	-	50,245
Rent	17,840	-	-	17,840
Professional fees	-	14,792	-	14,792
Insurance	-	11,286	-	11,286
Books, subscriptions, and supplies	9,379	926	-	10,305
Printing, copying, and mailing	4,228	392	-	4,620
Depreciation and amortization	-	4,188	-	4,188
Miscellaneous	876	1,771	-	2,647
	\$ <u>1,741,273</u>	<u>113,675</u>	<u>49,506</u>	<u>1,904,454</u>

See accompanying notes to financial statements.

EducationNC

Statements of Cash Flows

Years ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Change in net assets	\$ 780,605	87,896
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	30,696	4,188
Changes in operating assets and liabilities:		
Grants receivable	(602,682)	61,305
Other assets	9,611	(21,500)
Deferred revenue	(5,000)	5,000
Accounts payable and accrued expenses	<u>50,891</u>	<u>993</u>
Net cash provided by operating activities	<u>264,121</u>	<u>137,882</u>
Cash flows used in investing activities - purchases of furniture, technology and equipment	(65,171)	(34,369)
Cash flows provided by financing activities - borrowing of debt	<u>169,800</u>	<u>-</u>
Net increase in cash and cash equivalents	368,750	103,513
Cash and cash equivalents, beginning of year	<u>1,248,320</u>	<u>1,144,807</u>
Cash and cash equivalents, end of year	\$ <u><u>1,617,070</u></u>	<u><u>1,248,320</u></u>

See accompanying notes to financial statements.

EducationNC

Notes to Financial Statements

June 30, 2020 and 2019

(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 and corporate 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 ("GAAP"). 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 \$1,367,070 and \$998,320 as of June 30, 2020 and 2019, respectively.

(d) Contributions and Grants Receivable

Contributions and grants received are recorded as support with donor or without donor restrictions 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, 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.

Notes to Financial Statements, Continued

June 30, 2020 and 2019

(1) Organization and Summary of Significant Accounting Policies, Continued

(d) Contributions and Grants Receivable, Continued

Grants and other receivables that are expected to be collected within one year are recorded at their net realizable value. Grants receivable that are expected to be collected in future years are recorded at the present value of their estimated future cash flows using a risk-adjusted discount rate at the date of gift. Amortization of the discount is included in grants revenue. A discount allowance for possible uncollectible amounts of \$1,957 and \$12,972 is recorded as of June 30, 2020 and 2019, respectively.

(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 2020 and 2019.

(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 no donated assets and services in 2020. Donated assets and services totaled \$53,827 in 2019.

(i) Other Assets

Other assets include prepaid contract expenses for software coding that has a three-year estimated useful life. This prepaid asset was valued at \$75,555 and \$85,166 as of June 30, 2020 and 2019, respectively.

(j) Deferred Revenue

Deferred revenue relates to amounts received in advance for program services for Reach NC Voices tools. There was no deferred revenue in 2020. Deferred revenue totaled \$5,000 in 2019.

Notes to Financial Statements, Continued

June 30, 2020 and 2019

(1) Organization and Summary of Significant Accounting Policies, Continued

(k) 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.

(l) Adoption of New Accounting Standards

The Financial Accounting Standards Board has issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*, which outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. ASU 2014-09, including related amendments, was adopted as of and for the year ended June 30, 2020. The changes required by the update have been applied retrospectively to all periods presented. There were no changes to net assets or the change in net assets, as previously reported as a result of the adoption of this ASU.

The Financial Accounting Standards Board has issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this update should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) with the scope of Topic 958, *Not-for-Profit Entities*, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. ASU 2018-08 is effective as of and for the year ended June 30, 2020. There were no changes in net assets as previously reported as a result of the adoption of the ASU.

(m) Selected Recent Accounting Pronouncements

The FASB has issued ASU 2016-02, *Leases*, which, among other things, requires the recognition of lease assets and lease liabilities by lessees, including for those leases classified as operating leases under previous GAAP, along with the disclosure of key information about leasing arrangements. ASU 2016-02 is effective for the Organization beginning July 1, 2022.

The FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets (ASC 958)*. This ASU enhances presentation and disclosure requirements for gifts-in-kind, but does not change the recognition and measurement requirements for such contributions. ASU 2020-07 is effective as of and for the year ended June 30, 2022.

Management is in the process of assessing the impact of these new accounting standards.

(2) Information Regarding Liquidity and Availability of Resources

The Organization regularly monitors the availability of resources required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing activities, as well as the conduct of services undertaken to support those activities, to be general expenditures.

EducationNC

Notes to Financial Statements, Continued

June 30, 2020 and 2019

(2) Information Regarding Liquidity and Availability of Resources, Continued

The Organization's financial assets as of June 30, 2020 and 2019, all of which are available to meet general expenditures within one year of the financial statement date, are as follows:

	<u>2020</u>	<u>2019</u>
Financial assets available to meet cash needs for general expenditures within one year:		
Cash and cash equivalents	\$ <u>1,617,070</u>	<u>1,248,320</u>

In addition to financial assets available to meet general expenditures over the next 12 months, the Organization operates with a balanced budget and anticipates collecting sufficient revenue, primarily through grants and contributions, to cover general expenditures.

(3) Grants Receivable

Grants receivable consist of the following:

<u>Source</u>	<u>2020</u>	<u>2019</u>	<u>Purpose</u>
John M. Belk Endowment	\$ 1,000,000	-	General operations
Z. Smith Reynolds Foundation	150,000	250,000	General operations
Oak Foundation	133,334	266,667	Support for learning differences and teacher engagement
Childtrust Foundation	125,000	-	Early childhood reporting in North Carolina
Bill & Melinda Gates Foundation	-	150,000	Support media coverage and policymaker engagement efforts within and across North Carolina
The Duke Endowment	-	100,000	Rural adolescent faith
SECU Foundation	-	50,000	First Vote NC program
	<u>1,408,334</u>	<u>816,667</u>	
Discount at 4.0%	<u>(1,957)</u>	<u>(12,972)</u>	
Grants receivable, net of discounts	\$ <u>1,406,377</u>	<u>803,695</u>	

EducationNC

Notes to Financial Statements, Continued

June 30, 2020 and 2019

(3) Grants Receivable, Continued

Grants receivable as of June 30, 2020 are scheduled to be received as follows:

Within one year	\$ 1,358,334
Within two years	<u>50,000</u>
	1,408,334
Less discount to present value 4.0%	<u>(1,957)</u>
	<u>\$ 1,406,377</u>

(4) Paycheck Protection Program – Loan

In April 2020, the Organization received a loan from the Small Business Administration under the Paycheck Protection Program (“PPP”), which authorizes forgivable loans to small businesses to pay their employees during the COVID-19 crisis (see note 10). This loan, in the amount of \$169,800, will be forgiven if the loan proceeds are used for payroll and certain other allowed costs over a 24-week period, and certain other conditions are met. The loan accrues interest at 1% and is due in 2 years from origination.

Maturities of long-term debt are as follows:

<u>Year ending June 30,</u>	
2021	\$ 74,184
2022	<u>95,616</u>
	<u>\$ 169,800</u>

(5) Furniture and Equipment

Furniture and equipment consist of the following:

	<u>2020</u>	<u>2019</u>
Furniture and equipment	\$ 51,869	29,062
Website	91,791	24,936
Construction in process	<u>-</u>	<u>24,491</u>
	143,660	78,489
Less accumulated depreciation and amortization	<u>(74,591)</u>	<u>(43,895)</u>
	<u>\$ 69,069</u>	<u>34,594</u>

EducationNC

Notes to Financial Statements, Continued

June 30, 2020 and 2019

(6) Restrictions on Net Assets

Net assets with donor restrictions are restricted for the following purposes as summarized below:

<u>Source</u>	<u>2020</u>	<u>2019</u>	<u>Restriction</u>
Subject to expenditure for the passage of time:			
John M. Belk Endowment	\$ 1,000,000	-	Operations, once received
Z. Smith Reynolds Foundation	<u>150,000</u>	<u>250,000</u>	Operations, once received
	<u>1,150,000</u>	<u>250,000</u>	
Subject to expenditure for specified purpose:			
ChildTrust Foundation	223,560	-	Early childhood reporting in North Carolina
Oak Foundation	196,576	316,365	Support for learning differences and teacher engagement
John M. Belk Endowment	93,277	833,543	Launch statewide coverage of postsecondary education and workforce
SECU Foundation	63,104	108,878	First Vote NC program
Blue Cross Blue Shield of NC	59,527	96,699	Reach NC Voices
Facebook Journalism Project	49,325	-	Coronavirus coverage
Bill & Melinda Gates Foundation	37,303	175,927	Support media coverage and policymaker engagement efforts within and across North Carolina
Belk Foundation	29,284	-	Closing the achievement gap
Newslab/NC Community Foundation	21,443	25,000	Hurricane recovery
Duke Endowment	18,505	103,667	Rural adolescent faith
Duke Energy Foundation	15,454	15,454	STEM education
Outlier Media	10,500	-	Reach tools and platform
Lenfest Institute of Journalism	6,537	-	Engagement with community via town halls
Burroughs Wellcome Fund	3,581	-	STEM education
News Integrity Initiative	-	91,303	Reach NC Voices
John William Pope Foundation	<u>-</u>	<u>25,000</u>	School choice
	827,976	1,791,836	
Discount at 4.0%	<u>(1,957)</u>	<u>(12,972)</u>	
	<u>\$ 1,976,019</u>	<u>2,028,864</u>	

Net assets released from donor restrictions by accomplishing purpose or time restrictions were \$2,523,513 and \$1,689,273 in 2020 and 2019, respectively.

Notes to Financial Statements, Continued

June 30, 2020 and 2019

(7) Concentrations

Contributions and grants from four and six donors totaled 90% and 85% of public support in 2020 and 2019, respectively.

(8) Related Party Transactions

During 2020 and 2019, respectively, the Organization paid \$35,355 and \$35,001 for services related to writing and editing to a board of director member and an entity related to a board of director member.

During 2020 the Organization paid \$55,000 for services and expenses to another nonprofit organization that shares common board members.

(9) Lease

The Organization pays rent on a month-to-month basis. Rent expense under this lease totaled \$19,776 and \$17,840 during 2020 and 2019, respectively.

(10) Impact of COVID-19

In March 2020, the World Health Organization declared the global novel coronavirus disease 2019 (COVID-19) outbreak a pandemic. The extent of COVID-19's effect on the Organization's operational and financial performance will depend on future developments, including the duration, spread and intensity of the pandemic, all of which are uncertain and difficult to predict considering the rapidly evolving landscape. As a result, it is not currently possible to ascertain the overall impact of COVID-19 on the Organization's operations, financial condition and cash flows.

(11) Subsequent Events

The date to which events occurring after June 30, 2020, the date of the most recent statement of financial position, have been evaluated for possible adjustment to the financial statements or disclosure is January 25, 2021, the date the financial statements were available to be issued.