

EducationNC

Financial Statements

June 30, 2021 and 2020

(With Independent Auditors' Report Thereon)

BATCHELOR, TILLERY & ROBERTS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
POST OFFICE BOX 18068
RALEIGH, NORTH CAROLINA 27619

RONALD A. BATCHELOR
WM. JAMES BLACK, JR.
SCOTT E. CABANISS
MICHELLE W. LEMANSKI
JARED L. PILAND
DAVID C. CORN, JR.

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:

We have audited the accompanying financial statements of EducationNC (a nonprofit organization), which comprise the statements of financial position as of June 30, 2021 and 2020, 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, 2021 and 2020, 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 26, 2022

EducationNC
 Statements of Financial Position
 June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<u>Assets</u>		
Current assets:		
Cash and cash equivalents	\$ 1,527,576	1,617,070
Prepaid expenses	5,621	-
Grants receivable, current portion	<u>352,500</u>	<u>1,358,334</u>
Total current assets	<u>1,885,697</u>	<u>2,975,404</u>
Grants receivable, net, less current portion	501,145	48,043
Other assets	37,332	77,155
Furniture and equipment, net of accumulated depreciation and amortization	<u>35,336</u>	<u>69,069</u>
	<u>\$ 2,459,510</u>	<u>3,169,671</u>
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable and accrued expenses	26,651	52,769
Current maturities of Paycheck Protection Program loan	<u>-</u>	<u>74,184</u>
Total current liabilities	26,651	126,953
Paycheck Protection Program loan, less current maturities	<u>-</u>	<u>95,616</u>
Total liabilities	<u>26,651</u>	<u>222,569</u>
Net assets:		
Without donor restrictions	1,092,927	971,083
With donor restrictions	<u>1,339,932</u>	<u>1,976,019</u>
Total net assets	<u>2,432,859</u>	<u>2,947,102</u>
	<u>\$ 2,459,510</u>	<u>3,169,671</u>

See accompanying notes to financial statements.

EducationNC

Statements of Activities

Year ended June 30, 2021,
with comparative totals for the year ended June 30, 2020

	<u>2021</u>			
	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>	<u>2020</u>
Public support:				
Contributions	\$ 28,562	-	28,562	257,955
Grants	29,250	1,228,102	1,257,352	2,606,168
Other	<u>173,662</u>	-	<u>173,662</u>	<u>35,598</u>
	231,474	1,228,102	1,459,576	2,899,721
Net assets released from restrictions	<u>1,864,189</u>	<u>(1,864,189)</u>	-	-
Total public support	<u>2,095,663</u>	<u>(636,087)</u>	<u>1,459,576</u>	<u>2,899,721</u>
Expenses:				
Program services	<u>1,686,503</u>	-	<u>1,686,503</u>	<u>1,861,607</u>
Supporting services:				
Management and general	210,683	-	210,683	228,870
Fundraising	<u>76,633</u>	-	<u>76,633</u>	<u>28,639</u>
Total supporting services	<u>287,316</u>	-	<u>287,316</u>	<u>257,509</u>
Total expenses	<u>1,973,819</u>	-	<u>1,973,819</u>	<u>2,119,116</u>
Increase (decrease) in net assets	121,844	(636,087)	(514,243)	780,605
Net assets, beginning of year	<u>971,083</u>	<u>1,976,019</u>	<u>2,947,102</u>	<u>2,166,497</u>
Net assets, end of year	\$ <u>1,092,927</u>	<u>1,339,932</u>	<u>2,432,859</u>	<u>2,947,102</u>

(Continued)

EducationNC

Statements of Activities, Continued

Year ended June 30, 2020

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Public support:			
Contributions	\$ 257,955	-	257,955
Grants	135,500	2,470,668	2,606,168
Other	35,598	-	35,598
	<u>429,053</u>	<u>2,470,668</u>	<u>2,899,721</u>
Net assets released from restrictions	<u>2,523,513</u>	<u>(2,523,513)</u>	<u>-</u>
Total public support	<u>2,952,566</u>	<u>(52,845)</u>	<u>2,899,721</u>
Expenses:			
Program services	<u>1,861,607</u>	<u>-</u>	<u>1,861,607</u>
Supporting services:			
Management and general	228,870	-	228,870
Fundraising	28,639	-	28,639
Total supporting services	<u>257,509</u>	<u>-</u>	<u>257,509</u>
Total expenses	<u>2,119,116</u>	<u>-</u>	<u>2,119,116</u>
Increase (decrease) in net assets	833,450	(52,845)	780,605
Net assets, beginning of year	<u>137,633</u>	<u>2,028,864</u>	<u>2,166,497</u>
Net assets, end of year	\$ <u>971,083</u>	<u>1,976,019</u>	<u>2,947,102</u>

See accompanying notes to financial statements.

EducationNC

Statements of Functional Expenses

Year ended June 30, 2021,
with comparative totals for the year ended June 30, 2020

	<u>2021</u>				<u>2020</u>
	<u>Program</u>	<u>Supporting Services</u>		<u>Total</u>	
	<u>services</u>	<u>Management</u>	<u>Fundraising</u>		
		<u>and general</u>			
Salaries	\$ 1,032,840	65,606	20,187	1,118,633	1,073,890
Contracted services	381,484	2,092	54,000	437,576	456,421
Travel and meetings	109,697	19,299	30	129,026	143,387
Payroll taxes and benefits	77,921	4,949	1,523	84,393	84,997
Online services	29,024	18,900	539	48,463	103,842
Professional fees	1,913	46,200	-	48,113	51,262
Media engagement	44,959	2,061	354	47,374	60,087
Depreciation and amortization	-	33,733	-	33,733	30,696
Insurance	-	12,894	-	12,894	12,576
Rent	3,296	-	-	3,296	19,776
Books, subscriptions, and supplies	2,695	563	-	3,258	10,778
Printing, copying, and mailing	72	466	-	538	4,111
Miscellaneous	2,602	3,920	-	6,522	67,293
	<u>\$ 1,686,503</u>	<u>210,683</u>	<u>76,633</u>	<u>1,973,819</u>	<u>2,119,116</u>

(Continued)

EducationNC

Statements of Functional Expenses, Continued

Year ended June 30, 2020

	Program	Supporting Services		Total
		<u>services</u>	<u>Management and general</u>	
Salaries	\$ 1,028,903	38,008	6,979	1,073,890
Contracted services	436,719	750	18,952	456,421
Travel and meetings	125,978	15,913	1,496	143,387
Online services	101,050	2,377	415	103,842
Payroll taxes and benefits	61,854	22,596	547	84,997
Media engagement	58,494	1,343	250	60,087
Professional fees	1,958	49,304	-	51,262
Depreciation and amortization	-	30,696	-	30,696
Rent	19,776	-	-	19,776
Insurance	-	12,576	-	12,576
Books, subscriptions, and supplies	9,500	1,278	-	10,778
Printing, copying, and mailing	1,890	2,221	-	4,111
Miscellaneous	<u>15,485</u>	<u>51,808</u>	<u>-</u>	<u>67,293</u>
	\$ <u>1,861,607</u>	<u>228,870</u>	<u>28,639</u>	<u>2,119,116</u>

See accompanying notes to financial statements.

EducationNC

Statements of Cash Flows

Years ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Change in net assets	\$ (514,243)	780,605
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	33,733	30,696
Paycheck Protection Program loan forgiveness	(169,800)	-
Changes in operating assets and liabilities:		
Grants receivable	552,732	(602,682)
Prepaid expenses	(5,621)	-
Other assets	39,823	9,611
Deferred revenue	-	(5,000)
Accounts payable and accrued expenses	<u>(26,118)</u>	<u>50,891</u>
Net cash (used in) provided by operating activities	(89,494)	264,121
Cash flows used in investing activities - purchases of furniture, technology and equipment	-	(65,171)
Cash flows provided by financing activities - borrowing of debt	<u>-</u>	<u>169,800</u>
Net (decrease) increase in cash and cash equivalents	(89,494)	368,750
Cash and cash equivalents, beginning of year	<u>1,617,070</u>	<u>1,248,320</u>
Cash and cash equivalents, end of year	\$ <u>1,527,576</u>	<u>1,617,070</u>

See accompanying notes to financial statements.

EducationNC

Notes to Financial Statements

June 30, 2021 and 2020

(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 \$1,277,576 and \$1,367,070 as of June 30, 2021 and 2020, 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, 2021 and 2020

(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 \$36,355 and \$1,957 is recorded as of June 30, 2021 and 2020, 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 2021 and 2020.

(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 2021 and 2020.

(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 \$37,332 and \$75,555 as of June 30, 2021 and 2020, respectively.

(j) 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, 2021 and 2020

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

The Financial Accounting Standards Board's ("FASB") has issued Accounting Standards Update ("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.

The Organization's financial assets as of June 30, 2021 and 2020, all of which are available to meet general expenditures within one year of the financial statement date, are as follows:

	<u>2021</u>	<u>2020</u>
Financial assets available to meet cash needs for general expenditures within one year:		
Cash and cash equivalents	\$ <u>1,527,576</u>	<u>1,617,070</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.

EducationNC

Notes to Financial Statements, Continued

June 30, 2021 and 2020

(3) Grants Receivable

Grants receivable consist of the following:

<u>Source</u>	<u>2021</u>	<u>2020</u>	<u>Purpose</u>
Oak Foundation	\$ 550,000	133,334	Support for learning differences
The Duke Endowment	250,000	-	Building awareness of the strength in rural places across North Carolina
Z. Smith Reynolds Foundation	50,000	150,000	General operations
Belk Foundation	30,000	-	Increasing educational equity through coverage of highly effective teachers and literacy
Duke Energy Foundation	10,000	-	Education investments
John M. Belk Endowment	-	1,000,000	General operations
Childtrust Foundation	-	125,000	Early childhood reporting in North Carolina
	<u>890,000</u>	<u>1,408,334</u>	
Discount at 4.0%	<u>(36,355)</u>	<u>(1,957)</u>	
Grants receivable, net of discounts	\$ <u>853,645</u>	<u>1,406,377</u>	

Grants receivable as of June 30, 2021 are scheduled to be received as follows:

Within one year	\$ 352,500
Within two years	262,500
Within three years	137,500
Within four years	<u>137,500</u>
	890,000
Less discount to present value 4.0%	<u>(36,355)</u>
	\$ <u>853,645</u>

EducationNC

Notes to Financial Statements, Continued

June 30, 2021 and 2020

(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, was legally forgiven by the lender in November 2020 since the loan proceeds were used to cover payroll and certain other allowed costs over a 24-week period after the loan was made and certain other conditions were met. The principal, in the amount of \$169,800, forgiven, was recognized as other revenue in 2021.

(5) Furniture and Equipment

Furniture and equipment consist of the following:

	<u>2021</u>	<u>2020</u>
Equipment	\$ 51,869	51,869
Website	<u>91,791</u>	<u>91,791</u>
	143,660	143,660
Less accumulated depreciation and amortization	<u>(108,324)</u>	<u>(74,591)</u>
	<u>\$ 35,336</u>	<u>69,069</u>

EducationNC

Notes to Financial Statements, Continued

June 30, 2021 and 2020

(6) Restrictions on Net Assets

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

<u>Source</u>	<u>2021</u>	<u>2020</u>	<u>Restriction</u>
Subject to expenditure for the passage of time:			
Z. Smith Reynolds Foundation	\$ 50,000	150,000	Operations, once received
John M. Belk Endowment	<u>-</u>	<u>1,000,000</u>	Operations, once received
	<u>50,000</u>	<u>1,150,000</u>	
Subject to expenditure for specified purpose:			
Oak Foundation	589,147	196,576	Support for learning differences and teacher engagement
The Duke Endowment	305,002	18,505	Rural adolescent faith
ChildTrust Foundation	72,760	223,560	Early childhood reporting in North Carolina
Belk Foundation	60,578	29,284	Increasing educational equity through coverage of highly effective teachers and literacy
Blue Cross Blue Shield of NC	59,527	59,527	Reach NC Voices
Anonymous Trust	52,083	-	Arts and education in NC
Bill & Melinda Gates Foundation	37,303	37,303	Support media coverage and policymaker engagement efforts within and across North Carolina
John M. Belk Endowment	30,846	93,277	Launch statewide coverage of postsecondary education and workforce
Newslab/NC Community Foundation	21,443	21,443	Hurricane recovery
Duke Energy Foundation	18,333	15,454	STEM education
Facebook Journalism Project	17,739	49,325	Coronavirus coverage
Burroughs Wellcome Fund	17,400	3,581	STEM education
SECU Foundation	17,083	63,104	First Vote NC program
Outlier Media	10,500	10,500	Reach tools and platform
Lenfest Institute of Journalism	6,537	6,537	Engagement with community via town halls
Belk Foundation Capacity	5,006	-	Analytics tool to understand and grow online audience
Park Foundation	<u>5,000</u>	<u>-</u>	Racial, ethnic, and gender equity
	1,326,287	827,976	
Discount at 4.0%	<u>(36,355)</u>	<u>(1,957)</u>	
	\$ <u>1,339,932</u>	<u>1,976,019</u>	

Net assets released from donor restrictions by accomplishing purpose or time restrictions were \$1,864,189 and \$2,523,513 in 2021 and 2020, respectively.

Notes to Financial Statements, Continued

June 30, 2021 and 2020

(7) Concentrations

Contributions and grants from five and four donors totaled 82% and 90% of public support in 2021 and 2020, respectively.

(8) Related Party Transactions

During 2021 and 2020, respectively, the Organization paid \$35,000 and \$35,355 for services related to writing and editing to a board of director member and an entity related to a board of director member.

During 2021, the Organization paid \$200 for services related to general consulting to a board of director member.

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

(9) Lease

The Organization paid rent on a month-to-month basis through August 2020. Starting August 2020, the Organization no longer rents office space and works virtually. Rent expense under this lease totaled \$3,296 and \$19,776 during 2021 and 2020, 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, 2021, the date of the most recent statement of financial position, have been evaluated for possible adjustment to the financial statements or disclosure is January 26, 2022, the date the financial statements were available to be issued.