

EducationNC

Financial Statements

June 30, 2022 and 2021

(With Independent Auditors' Report Thereon)

# BATCHELOR, TILLERY & ROBERTS, LLP

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## Independent Auditors' Report

The Board of Directors  
EducationNC:

### Opinion

We have audited the accompanying financial statements of EducationNC (a nonprofit organization), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of EducationNC as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of EducationNC and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about EducationNC's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 EducationNC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about EducationNC's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*Batchelor, Jillery & Roberts, LLP*

February 10, 2023

EducationNC  
 Statements of Financial Position  
 June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<u>Assets</u>		
Current assets:		
Cash and cash equivalents	\$ 1,905,136	1,527,576
Prepaid expenses	4,351	5,621
Grants receivable, current portion	<u>1,732,500</u>	<u>352,500</u>
Total current assets	<u>3,641,987</u>	<u>1,885,697</u>
Grants receivable, net, less current portion	1,551,410	501,145
Other assets	6,424	37,332
Furniture and equipment, net of accumulated depreciation and amortization	<u>3,804</u>	<u>35,336</u>
	<u>\$ 5,203,625</u>	<u>2,459,510</u>
<u>Liabilities and Net Assets</u>		
Current liabilities-		
Accounts payable and accrued expenses	<u>11,745</u>	<u>26,651</u>
Net assets:		
Without donor restrictions	1,262,610	1,092,927
With donor restrictions	<u>3,929,270</u>	<u>1,339,932</u>
Total net assets	<u>5,191,880</u>	<u>2,432,859</u>
	<u>\$ 5,203,625</u>	<u>2,459,510</u>

See accompanying notes to financial statements.

EducationNC

Statements of Activities

Year ended June 30, 2022,  
with comparative totals for the year ended June 30, 2021

	<u>2022</u>			
	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>	<u>2021</u>
Public support:				
Contributions	\$ 13,618	-	13,618	28,562
Grants	-	4,957,640	4,957,640	1,257,352
Other	<u>22,618</u>	-	<u>22,618</u>	<u>173,662</u>
	36,236	4,957,640	4,993,876	1,459,576
Net assets released from restrictions	<u>2,368,302</u>	<u>(2,368,302)</u>	-	-
Total public support	<u>2,404,538</u>	<u>2,589,338</u>	<u>4,993,876</u>	<u>1,459,576</u>
Expenses:				
Program services	<u>2,006,433</u>	-	<u>2,006,433</u>	<u>1,686,503</u>
Supporting services:				
Management and general	174,330	-	174,330	210,683
Fundraising	<u>54,092</u>	-	<u>54,092</u>	<u>76,633</u>
Total supporting services	<u>228,422</u>	-	<u>228,422</u>	<u>287,316</u>
Total expenses	<u>2,234,855</u>	-	<u>2,234,855</u>	<u>1,973,819</u>
Increase (decrease) in net assets	169,683	2,589,338	2,759,021	(514,243)
Net assets, beginning of year	<u>1,092,927</u>	<u>1,339,932</u>	<u>2,432,859</u>	<u>2,947,102</u>
Net assets, end of year	<u>\$ 1,262,610</u>	<u>3,929,270</u>	<u>5,191,880</u>	<u>2,432,859</u>

(Continued)

EducationNC

Statements of Activities, Continued

Year ended June 30, 2021

	2021			<u>2020</u>
	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</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>

See accompanying notes to financial statements.

EducationNC

Statements of Functional Expenses

Year ended June 30, 2022,  
with comparative totals for the year ended June 30, 2021

	<u>2022</u>				<u>2021</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	\$ 1,196,836	37,775	-	1,234,611	1,118,633
Contracted services	302,294	41,299	54,000	397,593	437,576
Travel and meetings	187,417	583	92	188,092	129,026
Payroll taxes and benefits	119,938	3,300	-	123,238	84,393
Online services	90,644	2,752	-	93,396	48,463
Professional fees	37,760	1,168	-	38,928	48,113
Media engagement	50,053	4,423	-	54,476	47,374
Depreciation and amortization	-	62,403	-	62,403	33,733
Insurance	-	13,826	-	13,826	12,894
Rent	-	-	-	-	3,296
Books, subscriptions, and supplies	3,977	29	-	4,006	3,258
Printing, copying, and mailing	988	303	-	1,291	538
Miscellaneous	16,526	6,469	-	22,995	6,522
	<u>\$ 2,006,433</u>	<u>174,330</u>	<u>54,092</u>	<u>2,234,855</u>	<u>1,973,819</u>

EducationNC

Statements of Functional Expenses, Continued

Year ended June 30, 2021

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

See accompanying notes to financial statements.



EducationNC

Statements of Cash Flows

Years ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Change in net assets	\$ 2,759,021	(514,243)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	31,532	33,733
Paycheck Protection Program loan forgiveness	-	(169,800)
Changes in operating assets and liabilities:		
Grants receivable	(2,430,265)	552,732
Prepaid expenses	1,270	(5,621)
Other assets	30,908	39,823
Accounts payable and accrued expenses	<u>(14,906)</u>	<u>(26,118)</u>
Net cash provided (used in) by operating activities	377,560	(89,494)
Net increase (decrease) in cash and cash equivalents	377,560	(89,494)
Cash and cash equivalents, beginning of year	<u>1,527,576</u>	<u>1,617,070</u>
Cash and cash equivalents, end of year	\$ <u>1,905,136</u>	<u>1,527,576</u>

See accompanying notes to financial statements.

EducationNC

Notes to Financial Statements

June 30, 2022 and 2021

(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 \$1,655,136 and \$1,277,576 as of June 30, 2022 and 2021, 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, 2022 and 2021

(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 \$68,590 and \$36,355 is recorded as of June 30, 2022 and 2021, respectively.

(e) Other Revenues

Other revenues relate to consulting services performed by the Organization and were deemed to be earned and recorded 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 2022 and 2021.

(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 2022 and 2021.

(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 \$6,424 and \$37,332 as of June 30, 2022 and 2021, 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, 2022 and 2021

(1) Organization and Summary of Significant Accounting Policies, Continued(k) Adoption of New Accounting Standards

The Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“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. 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.

(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, 2022 and 2021, all of which are available to meet general expenditures within one year of the financial statement date, are as follows:

	<u>2022</u>	<u>2021</u>
Financial assets available to meet cash needs for general expenditures within one year:		
Cash and cash equivalents	\$ <u>1,905,136</u>	<u>1,527,576</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, 2022 and 2021

(3) Grants Receivable

Grants receivable consist of the following:

<u>Source</u>	<u>2022</u>	<u>2021</u>	<u>Purpose</u>
John M. Belk Endowment	\$ 2,140,000	-	General operations
Oak Foundation	412,500	550,000	Support for learning differences
BCBSNC Foundation	350,000	-	Early learning and school nutrition
Z. Smith Reynolds Foundation	200,000	50,000	General operations
The Duke Endowment	125,000	250,000	Building awareness of the strength in rural places across North Carolina
Childtrust Foundation	125,000	-	Early childhood reporting in North Carolina
Duke Energy Foundation	-	10,000	Education investments
Belk Foundation			Increasing educational equity through coverage of highly effective teachers and literacy
	<u>-</u>	<u>30,000</u>	
	3,352,500	890,000	
Discount at 4.0%	<u>(68,590)</u>	<u>(36,355)</u>	
Grants receivable, net of discounts \$	<u>3,283,910</u>	<u>853,645</u>	

Grants receivable as of June 30, 2022 are scheduled to be received as follows:

Within one year	\$ 1,732,500
Within two years	1,482,500
Within three years	<u>137,500</u>
	3,352,500
Less discount to present value, 4.0%	<u>(68,590)</u>
	<u>\$ 3,283,910</u>

EducationNC

Notes to Financial Statements, Continued

June 30, 2022 and 2021

(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, forgiven in the amount of \$169,800, was recognized as other revenue in 2021.

(5) Furniture and Equipment

Furniture and equipment consist of the following:

	<u>2022</u>	<u>2021</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>(139,856)</u>	<u>(108,324)</u>
	<u>\$ 3,804</u>	<u>35,336</u>

EducationNC

Notes to Financial Statements, Continued

June 30, 2022 and 2021

(6) Restrictions on Net Assets

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

<u>Source</u>	<u>2022</u>	<u>2021</u>	<u>Restriction</u>
Subject to expenditure for the passage of time:			
John M. Belk Endowment	\$ 2,140,000	-	Operations, once received
Z. Smith Reynolds Foundation	<u>200,000</u>	<u>50,000</u>	Operations, once received
	<u>2,340,000</u>	<u>50,000</u>	
Subject to expenditure for specified purpose:			
BCBSNC Foundation	481,250	-	Early learning & school nutrition
Oak Foundation	412,500	589,147	Support for learning differences
ChildTrust Foundation	187,500	72,760	Early childhood reporting in NC
Blue Cross Blue Shield of NC	184,527	59,527	Extra miles tour
The Duke Endowment	177,083	305,002	Building awareness of the strength in rural places across NC
Anonymous Trust	125,000	52,083	Arts and education in NC
Dogwood Health Trust	90,000	-	Producing & Publishing pre-K & K-12 WNC content
Newslab/NC Community Foundation	-	21,443	Hurricane recovery
Belk Foundation	-	60,578	Increasing educational equity through coverage of highly effective teachers and literacy
Bill & Melinda Gates Foundation	-	37,303	Support media coverage and policymaker engagement efforts within and across North Carolina
John M. Belk Endowment	-	30,846	Launch statewide coverage of postsecondary education and workforce
Duke Energy Foundation	-	18,333	STEM education
Facebook Journalism Project	-	17,739	Coronavirus coverage
Burroughs Wellcome Fund	-	17,400	STEM education
SECU Foundation	-	17,083	First Vote NC program
Outlier Media	-	10,500	Reach tools and platform
Lenfest Institute of Journalism	-	6,537	Engagement with community via town halls
Belk Foundation Capacity	-	5,006	Analytics tool to understand and grow online audience
Park Foundation	-	5,000	Racial, ethnic, and gender equity
	<u>1,657,860</u>	<u>1,326,287</u>	
Discount at 4.0%	<u>(68,590)</u>	<u>(36,355)</u>	
	<u>\$ 3,929,270</u>	<u>1,339,932</u>	

Notes to Financial Statements, Continued

June 30, 2022 and 2021

(6) Restrictions on Net Assets, Continued

Net assets released from donor restrictions by accomplishing purpose or time restrictions totaled \$2,368,302 and \$1,864,189 in 2022 and 2021, respectively

(7) Concentrations

Contributions and grants from five and four donors totaled 91% and 82% of public support in 2022 and 2021, respectively.

(8) Related Party Transactions

During 2022 and 2021, 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.

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

(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 \$0 and \$3,296 during 2022 and 2021, 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, 2022, the date of the most recent statement of financial position, have been evaluated for possible adjustment to the financial statements or disclosure is February 10, 2023, the date the financial statements were available to be issued.