

EducationNC

Financial Statements

June 30, 2023 and 2022

(With Independent Auditors' Report Thereon)

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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, 2023 and 2022, 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, 2023 and 2022, 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, Tillery & Roberts, LLP

January 22, 2024

EducationNC
 Statements of Financial Position
 June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<u>Assets</u>		
Current assets:		
Cash and cash equivalents	\$ 2,101,376	1,905,136
Prepaid expenses	4,576	4,351
Grants receivable, current portion	<u>1,752,500</u>	<u>1,732,500</u>
Total current assets	<u>3,858,452</u>	<u>3,641,987</u>
Grants receivable, net, less current portion	259,237	1,551,410
Other assets	8,802	6,424
Furniture and equipment, net of accumulated depreciation and amortization	<u>-</u>	<u>3,804</u>
	<u>\$ 4,126,491</u>	<u>5,203,625</u>
<u>Liabilities and Net Assets</u>		
Current liabilities-		
Accounts payable and accrued expenses	<u>34,396</u>	<u>11,745</u>
Net assets:		
Without donor restrictions	1,316,535	1,262,610
With donor restrictions	<u>2,775,560</u>	<u>3,929,270</u>
Total net assets	<u>4,092,095</u>	<u>5,191,880</u>
	<u>\$ 4,126,491</u>	<u>5,203,625</u>

See accompanying notes to financial statements.

EducationNC

Statements of Activities

Year ended June 30, 2023,
with comparative totals for the year ended June 30, 2022

	<u>2023</u>			
	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>	<u>2022</u>
Public support:				
Contributions	\$ 46,566	-	46,566	13,618
Grants	250,976	1,117,000	1,367,976	4,957,640
Other	<u>1,356</u>	<u>-</u>	<u>1,356</u>	<u>22,618</u>
	298,898	1,117,000	1,415,898	4,993,876
Net assets released from restrictions	<u>2,270,710</u>	<u>(2,270,710)</u>	<u>-</u>	<u>-</u>
Total public support	<u>2,569,608</u>	<u>(1,153,710)</u>	<u>1,415,898</u>	<u>4,993,876</u>
Expenses:				
Program services	<u>2,352,002</u>	<u>-</u>	<u>2,352,002</u>	<u>2,006,433</u>
Supporting services:				
Management and general	139,681	-	139,681	174,330
Fundraising	<u>24,000</u>	<u>-</u>	<u>24,000</u>	<u>54,092</u>
Total supporting services	<u>163,681</u>	<u>-</u>	<u>163,681</u>	<u>228,422</u>
Total expenses	<u>2,515,683</u>	<u>-</u>	<u>2,515,683</u>	<u>2,234,855</u>
Increase (decrease) in net assets	53,925	(1,153,710)	(1,099,785)	2,759,021
Net assets, beginning of year	<u>1,262,610</u>	<u>3,929,270</u>	<u>5,191,880</u>	<u>2,432,859</u>
Net assets, end of year	\$ <u>1,316,535</u>	<u>2,775,560</u>	<u>4,092,095</u>	<u>5,191,880</u>

(Continued)

EducationNC

Statements of Activities, Continued

Year ended June 30, 2022

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Public support:			
Contributions	\$ 13,618	-	13,618
Grants	-	4,957,640	4,957,640
Other	22,618	-	22,618
	<u>36,236</u>	<u>4,957,640</u>	<u>4,993,876</u>
Net assets released from restrictions	<u>2,368,302</u>	<u>(2,368,302)</u>	<u>-</u>
Total public support	<u>2,404,538</u>	<u>2,589,338</u>	<u>4,993,876</u>
Expenses:			
Program services	<u>2,006,433</u>	<u>-</u>	<u>2,006,433</u>
Supporting services:			
Management and general	174,330	-	174,330
Fundraising	54,092	-	54,092
Total supporting services	<u>228,422</u>	<u>-</u>	<u>228,422</u>
Total expenses	<u>2,234,855</u>	<u>-</u>	<u>2,234,855</u>
Increase in net assets	169,683	2,589,338	2,759,021
Net assets, beginning of year	<u>1,092,927</u>	<u>1,339,932</u>	<u>2,432,859</u>
Net assets, end of year	\$ <u>1,262,610</u>	<u>3,929,270</u>	<u>5,191,880</u>

See accompanying notes to financial statements.

EducationNC

Statements of Functional Expenses

Year ended June 30, 2023,
with comparative totals for the year ended June 30, 2022

	2023				
	Program services	Supporting Services		Total	2022
		Management and general	Fundraising		
Salaries	\$ 1,366,891	71,942	-	1,438,833	1,234,611
Contracted services	324,867	18,361	24,000	367,228	397,593
Travel and meetings	292,422	15,391	-	307,813	188,092
Media engagement	116,100	6,111	-	122,211	54,476
Payroll taxes and benefits	104,488	5,499	-	109,987	123,238
Online services	80,186	4,220	-	84,406	93,396
Professional fees	35,776	1,883	-	37,659	38,928
Depreciation and amortization	-	14,628	-	14,628	62,403
Insurance	13,407	706	-	14,113	13,826
Books and subscriptions	2,820	148	-	2,968	4,006
Printing, copying, and mailing	1,322	70	-	1,392	1,291
Miscellaneous	13,723	722	-	14,445	22,995
	\$ <u>2,352,002</u>	<u>139,681</u>	<u>24,000</u>	<u>2,515,683</u>	<u>2,234,855</u>

(Continued)

EducationNC

Statements of Functional Expenses, Continued

Year ended June 30, 2022

	Program services	Supporting Services		Total
		Management and general	Fundraising	
Salaries	\$ 1,196,836	37,775	-	1,234,611
Contracted services	302,294	41,299	54,000	397,593
Travel and meetings	187,417	583	92	188,092
Payroll taxes and benefits	119,938	3,300	-	123,238
Online services	90,644	2,752	-	93,396
Depreciation and amortization	-	62,403	-	62,403
Media engagement	50,053	4,423	-	54,476
Professional fees	37,760	1,168	-	38,928
Insurance	-	13,826	-	13,826
Books, subscriptions, and supplies	3,977	29	-	4,006
Printing, copying, and mailing	988	303	-	1,291
Miscellaneous	16,526	6,469	-	22,995
	\$ <u>2,006,433</u>	<u>174,330</u>	<u>54,092</u>	<u>2,234,855</u>

See accompanying notes to financial statements.

EducationNC

Statements of Cash Flows

Years ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Change in net assets	\$ (1,099,785)	2,759,021
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	3,804	31,532
Changes in operating assets and liabilities:		
Grants receivable	1,272,173	(2,430,265)
Prepaid expenses	(225)	1,270
Other assets	(2,378)	30,908
Accounts payable and accrued expenses	22,651	(14,906)
Net cash provided by operating activities	<u>196,240</u>	<u>377,560</u>
Net increase in cash and cash equivalents	196,240	377,560
Cash and cash equivalents, beginning of year	<u>1,905,136</u>	<u>1,527,576</u>
Cash and cash equivalents, end of year	\$ <u><u>2,101,376</u></u>	<u><u>1,905,136</u></u>

See accompanying notes to financial statements.

EducationNC

Notes to Financial Statements

June 30, 2023 and 2022

(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 \$1,851,376 and \$1,655,136 as of June 30, 2023 and 2022, 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, 2023 and 2022

(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 of \$13,263 and \$68,590 is recorded as of June 30, 2023 and 2022, respectively.

The organization uses the allowance method to determine uncollectible grants and other receivables. The allowance is based on prior year's experience and management's analysis of specific grants or other receivables outstanding. As of June 30, 2023 and 2022, all grants and other receivables are considered collectible, and no allowance was considered necessary.

(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 2023 and 2022.

(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 2023 and 2022.

(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 \$8,799 and \$6,424 as of June 30, 2023 and 2022, respectively.

Notes to Financial Statements, Continued

June 30, 2023 and 2022

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

(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.

(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, 2023 and 2022, all of which are available to meet general expenditures within one year of the financial statement date, are as follows:

	<u>2023</u>	<u>2022</u>
Financial assets available to meet cash needs for general expenditures within one year:		
Cash and cash equivalents	\$ <u>2,101,376</u>	<u>1,905,136</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, 2023 and 2022

(3) Grants Receivable

Grants receivable consist of the following at June 30:

<u>Source</u>	<u>2023</u>	<u>2022</u>	<u>Purpose</u>
John M. Belk Endowment	\$ 1,070,000	2,140,000	General operations
Oak Foundation	275,000	412,500	Support for learning differences
Dogwood Health Trust	270,000	-	Producing & publishing pre-K & K-12 WNC content
BCBSNC Foundation	175,000	350,000	Early learning and school nutrition
Anonymous Trust	135,000	-	Support for coverage of arts, education and other select topics
Z. Smith Reynolds Foundation	100,000	200,000	General operations
The Duke Endowment	-	125,000	Building awareness of the strength in rural places across North Carolina
Childtrust Foundation	-	125,000	Early childhood reporting in North Carolina
	<u>2,025,000</u>	<u>3,352,500</u>	
Discount at 5% and 4% (2023 and 2022, respectively)	<u>(13,263)</u>	<u>(68,590)</u>	
Grants receivable, net of discounts	\$ <u>2,011,737</u>	<u>3,283,910</u>	

Grants receivable as of June 30, 2023 are scheduled to be received as follows:

Within one year	\$ 1,752,500
Within two years	<u>272,500</u>
	2,025,000
Less discount to present value, 5.0%	<u>(13,263)</u>
	\$ <u>2,011,737</u>

(4) Furniture and Equipment

Furniture and equipment consist of the following:

	<u>2023</u>	<u>2022</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>(143,660)</u>	<u>(139,856)</u>
	\$ <u>-</u>	<u>3,804</u>

EducationNC

Notes to Financial Statements, Continued

June 30, 2023 and 2022

(5) Restrictions on Net Assets

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

<u>Source</u>	<u>2023</u>	<u>2022</u>	<u>Restriction</u>
Subject to expenditure for the passage of time:			
John M. Belk Endowment	\$ 1,070,000	2,140,000	Operations, once received
Dogwood Health Trust	270,000	-	Producing & publishing pre-K & K-12 WNC content, once received
Z. Smith Reynolds Foundation	<u>100,000</u>	<u>200,000</u>	Operations, once received
	<u>1,440,000</u>	<u>2,340,000</u>	
Subject to expenditure for specified purpose:			
BCBSNC Foundation	320,833	481,250	Early learning & school nutrition
Oak Foundation	275,000	412,500	Support for learning differences
Blue Cross Blue Shield of NC	259,275	184,527	Extra miles tour
Foundation for the Carolinas	112,200	-	Haywood County expenses
ChildTrust Foundation	62,500	187,500	Early childhood reporting in NC
The Duke Endowment	52,083	177,083	Building awareness of the strength in rural places across NC
Dogwood Health Trust	8,182	90,000	Producing & publishing pre-K & K-12 WNC content
Anonymous Trust	<u>258,750</u>	<u>125,000</u>	Arts and education in NC
	1,348,823	1,657,860	
Discount at 5% and 4%, 2023 and 2022, respectively	<u>(13,263)</u>	<u>(68,590)</u>	
	\$ <u><u>2,775,560</u></u>	<u><u>3,929,270</u></u>	

Net assets released from donor restrictions by accomplishing purpose or time restrictions totaled \$2,270,710 and \$2,368,302 in 2023 and 2022, respectively.

(6) Concentrations

Contributions and grants from five donors totaled 86% and 91% of public support in 2023 and 2022, respectively.

(7) Related Party Transactions

During 2023 and 2022, 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.

(8) Subsequent Events

The date to which events occurring after June 30, 2023, the date of the most recent statement of financial position, have been evaluated for possible adjustment to the financial statements or disclosure is January 22, 2024, the date the financial statements were available to be issued.