



DIGITAL PROMISE GLOBAL

FINANCIAL STATEMENTS

DECEMBER 31, 2017

DIGITAL PROMISE GLOBAL

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Independent Auditors' Report

Board of Directors
Digital Promise Global
Washington, D.C.

We have audited the accompanying financial statements of Digital Promise Global (the Organization), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, functional expenses, and cash flows for the year 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 audit. We conducted our audit 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 Digital Promise Global as of December 31, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Board of Directors
Digital Promise Global

Report on Summarized Comparative Information

We have previously audited the Organization's 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 26, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Councilor, Buchanan + Mitchell, P.C.

Washington, D.C.
June 21, 2018

Certified Public Accountants

DIGITAL PROMISE GLOBAL

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2017

(WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2016)

	<u>2017</u>	<u>2016</u>
Assets		
Cash and Cash Equivalents	\$ 3,106,653	\$ 1,330,299
Accounts Receivable (Net of Allowance for Doubtful Accounts of \$20,000 in 2017)	267,724	215,000
Unbilled Receivables	102,143	-
Grants Receivable	6,127,284	627,192
Federal Awards Receivable	125,143	-
Due from Digital Promise	56,246	-
Prepaid Expenses	14,563	33,827
Fixed Assets, Net	<u>205,132</u>	<u>20,199</u>
Total Assets	<u>\$ 10,004,888</u>	<u>\$ 2,226,517</u>
Liabilities and Net Assets		
Liabilities		
Accounts Payable	\$ 92,243	\$ 49,276
Due to Digital Promise	392,473	272,757
Accrued Expenses	68,302	22,292
Deferred Revenue	<u>405,500</u>	<u>203,239</u>
Total Liabilities	958,518	547,564
Net Assets		
Unrestricted Net Assets	1,127,312	930,227
Temporarily Restricted Net Assets	<u>7,919,058</u>	<u>748,726</u>
Total Net Assets	<u>9,046,370</u>	<u>1,678,953</u>
Total Liabilities and Net Assets	<u>\$ 10,004,888</u>	<u>\$ 2,226,517</u>

See accompanying Notes to Financial Statements.

DIGITAL PROMISE GLOBAL

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2017

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2016)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2017 Total</u>	<u>2016 Total</u>
Revenues and Support				
Grant Revenue	\$ -	\$ 9,462,030	\$ 9,462,030	\$ -
Federal Award Income	192,193	-	192,193	-
In-Kind Contributions	253,153	-	253,153	62,916
Professional Services Income	1,285,932	-	1,285,932	2,299,841
Interest and Other Income	3,070	-	3,070	596
Net Assets Released from Restrictions	2,291,698	(2,291,698)	-	-
	<u>4,026,046</u>	<u>7,170,332</u>	<u>11,196,378</u>	<u>2,363,353</u>
Expenses				
Program Services	3,407,835	-	3,407,835	2,065,596
General and Administrative	374,768	-	374,768	82,596
Fundraising	46,358	-	46,358	18,940
	<u>3,828,961</u>	<u>-</u>	<u>3,828,961</u>	<u>2,167,132</u>
Change in Net Assets	197,085	7,170,332	7,367,417	196,221
Net Assets, Beginning of Year	930,227	748,726	1,678,953	1,482,732
	<u>\$ 1,127,312</u>	<u>\$ 7,919,058</u>	<u>\$ 9,046,370</u>	<u>\$ 1,678,953</u>

See accompanying Notes to Financial Statements.

DIGITAL PROMISE GLOBAL

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2016)**

	Global Engagement	Learner Positioning Systems	Learning Sciences	Advanced R&D	General Programs	Total Program Services	General and Administrative	Fundraising	2017 Total	2016 Total
Salaries	\$ 449,467	\$ 614,089	\$ 162,001	\$ 187,423	\$ 113,854	\$ 1,526,834	\$ 98,718	\$ 37,623	\$ 1,663,175	\$ 615,827
Payroll Taxes and Benefits	76,022	112,158	26,443	29,926	17,048	261,597	57,858	6,027	325,482	116,157
Consultants	141,397	160,046	1,200	1,760	66,725	371,128	63,254	-	434,382	550,786
Advisory Stipends	8,000	7,500	-	-	-	15,500	-	-	15,500	-
Equipment Expense	26,900	-	-	-	-	26,900	-	-	26,900	-
Web Expenses	-	179,554	-	-	-	179,554	-	-	179,554	5,920
Legal and Professional Fees	-	-	-	-	198,361	198,361	68,389	-	266,750	68,260
Travel	58,389	36,156	7,036	23,824	5,035	130,440	3,837	25	134,302	78,330
Travel Stipends	10,883	12,470	-	4,223	4,028	31,604	-	-	31,604	16,663
Participant Support Costs	-	-	1,161	-	-	1,161	-	-	1,161	-
Convenings	2,549	13,115	-	32,400	2,657	50,721	1,479	-	52,200	1,201
Production/Dissemination	36,037	13,027	-	22,540	500	72,104	-	-	72,104	-
Accounting Services	-	-	-	-	-	-	22,669	-	22,669	13,247
Dues and Subscriptions	1,154	-	-	-	-	1,154	539	-	1,693	1,302
Office Supplies	2,242	494	-	2,473	1,043	6,252	5,417	-	11,669	17,932
Taxes and Licenses	-	-	-	-	-	-	1,821	-	1,821	-
Insurance	-	-	-	-	-	-	2,041	-	2,041	86
Bad Debt Expense	-	-	-	-	-	-	20,000	-	20,000	-
Postage and Delivery	1,108	40	-	-	-	1,148	2	-	1,150	9,204
Internet and Telephone	-	-	-	-	-	-	323	-	323	5,320
Office Equipment	101,814	-	7,474	-	23,998	133,286	8,547	-	141,833	635,251
Amortization	15,396	21,035	5,549	6,421	3,900	52,301	3,382	1,288	56,971	4,310
Recruiting Costs	-	-	-	-	1,148	1,148	2,066	-	3,214	1,055
Online Administrative Tools	1,441	1,135	-	-	723	3,299	8,513	-	11,812	4,287
Registration Fees	5,312	2,490	-	-	-	7,802	1,799	-	9,601	4,188
Office Rent	16,682	22,791	6,013	6,956	4,226	56,668	3,664	1,395	61,727	17,206
Monthly Administrative Fees	-	-	-	-	150	150	450	-	600	600
Sub-Award and Grant Expense	-	221,000	57,723	-	-	278,723	-	-	278,723	-
Total Expenses	\$ 954,793	\$ 1,417,100	\$ 274,600	\$ 317,946	\$ 443,396	\$ 3,407,835	\$ 374,768	\$ 46,358	\$ 3,828,961	\$ 2,167,132

See accompanying Notes to Financial Statements.

DIGITAL PROMISE GLOBAL

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017**

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2016)

	2017	2016
Cash Flows from Operating Activities		
Change in Net Assets	\$ 7,367,417	\$ 196,221
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities		
Amortization	56,971	4,310
Change in Operating Assets and Liabilities		
(Increase) Decrease in		
Accounts Receivable	(52,724)	(215,000)
Unbilled Receivable	(102,143)	-
Grants Receivable	(5,500,092)	-
Federal Awards Receivable	(125,143)	-
Prepaid Expenses	19,264	(33,827)
Increase (Decrease) in		
Accounts Payable	42,967	49,276
Due to/from Digital Promise	63,470	188,308
Accrued Expenses	46,010	(4,267)
Deferred Revenue	202,261	203,239
Net Cash Provided by Operating Activities	2,018,258	388,260
Cash Flows from Investing Activities		
Purchases of Fixed Assets	(241,904)	(24,509)
Net Cash Used in Investing Activities	(241,904)	(24,509)
Net Increase in Cash and Cash Equivalents	1,776,354	363,751
Cash and Cash Equivalents, Beginning of Year	1,330,299	966,548
Cash and Cash Equivalents, End of Year	\$ 3,106,653	\$ 1,330,299

See accompanying Notes to Financial Statements.

DIGITAL PROMISE GLOBAL

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

1. ORGANIZATION

Digital Promise Global (the Organization) was incorporated in October 2013 in the District of Columbia. The Organization is a bipartisan independent nonprofit corporation whose work aims to realize a world where all students are “globally connected learners” who have the ability to use technology and digital media in powerful and authentic ways to address challenges with peers around the world.

The Organization’s activities are funded primarily through grants and professional services contracts.

The Organization’s major programs are:

Global Engagement:

Digital Promise’s Global Engagement initiative works with a global network of educators and schools to solve real-world, local issues with global relevance through a design-centered approach. The Organization seeks to empower students around the world to make an impact as empathetic, compassionate creators and change-makers.

Learner Positioning Systems:

The Learner Positioning Systems (LPS) initiative seeks to build on emerging research on learner variability and uncover strategies to meet learners where they are and across varied contexts and needs.

Learning Sciences:

Learning Sciences focuses on the why, what, and how of learning in school and out of school. By partnering with educators to study and design new learning approaches, resources, and policies, Digital Promise Global makes learning better.

Advanced R&D:

The Advanced R&D project works with an interdisciplinary team of experts to accelerate the development, validation, and transition of breakthrough innovations in personalized learning.

General Programs:

These programs support the Organization’s work to accelerate innovation in education to improve opportunities to learn throughout the world.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements are presented on the accrual basis of accounting. Consequently, revenue is recognized when earned and expenses when incurred.

Cash and Cash Equivalents

The Organization considers demand deposits, money market funds, and investments with an original maturity of three months or less, when purchased, to be cash and cash equivalents.

DIGITAL PROMISE GLOBAL

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable

Accounts receivable consists of amounts due for professional services that have not been collected as of year-end. Allowances for doubtful accounts are established for receivables that are considered uncollectible based on periodic reviews by management.

Grants Receivable

Grants receivable are recorded at their net realizable value. Grant receivable over multiple years are discounted to their net present value using the applicable interest rate if such discount would be material. Reserves are established for receivables that are considered uncollectible based on periodic reviews by management.

Fixed Assets

The Organization capitalizes all fixed asset acquisitions of \$5,000 and above. Fixed assets are stated at cost and are depreciated using the straight-line method over estimated useful lives of three to five years, with no salvage value. Direct costs incurred during the application stage of the development of the Organization's website are capitalized and amortized over the estimated useful life of three years. Maintenance and repairs, including planned major maintenance activities, are charged to expense when incurred; major renewals and betterments are capitalized. Donated fixed assets are recorded at fair market value at the date of donation.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statement of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited.

Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code) and has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Code. The Organization is exempt from the payment of taxes on income other than net unrelated business income. No provision for federal or state income taxes is required as of December 31, 2017, for net unrelated business income.

Accounting for Uncertain Tax Positions

The Organization requires that a tax position be recognized or derecognized based on a "more-likely-than-not" threshold. This applies to positions taken or expected to be taken in a tax return. The Organization does not believe its financial statements include, or reflect, any uncertain tax positions. The Organization's Form 990, *Return of Organization Exempt from Income Tax*, is generally subject to examination by the taxing authorities for three years after filing.

DIGITAL PROMISE GLOBAL

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In-Kind Contributions

Donated materials, services and the use of facilities are recorded at fair value when an unconditional commitment is received and are recognized as in-kind contributions as revenue and expense in the accompanying financial statements. Contributions of services are recognized when services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The value of such services is recorded based on the estimated fair value of services provided.

Grant Revenue

The Organization reports grants as unrestricted and available for general operations, unless specifically restricted by the donor. Grants received with donor stipulations that limit the use of the donated funds for a particular purpose or for a specific period of time are reported as temporarily restricted. When the stipulated time restriction ends or the purpose of the restriction is met, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Grants that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Prior Year Information

The financial statements include certain prior year summarized comparative totals as of and for the year ended December 31, 2016. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the financial statements for the year ended December 31, 2016, from which the summarized information was derived.

Reclassifications

Certain 2016 financial statements amounts have been reclassified for comparative purposes.

3. CONCENTRATIONS

The Organization maintains a cash balance at a financial institution in the Washington, D.C., metropolitan area. This account is insured by the Federal Deposit Insurance Corporation (FDIC) up to certain limits. At times during the year, the Organization's cash balance exceeded the FDIC insurance amount. Management believes the risk in these situations to be minimal.

DIGITAL PROMISE GLOBAL

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

3. CONCENTRATIONS (CONTINUED)

As of December 31, 2017, approximately 97% of accounts and grants receivable were entirely due from two entities, and approximately 85% of revenue for the year ended December 31, 2017, was from two entities.

4. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets were available for the following purposes as of December 31, 2017:

Learner Positioning Systems	\$ 7,864,512
Advanced R&D	54,546
Total Temporarily Restricted Net Assets	<u>\$ 7,919,058</u>

Amounts released from temporarily restricted net assets during the year ended December 31, 2017, were:

Learner Positioning Systems	\$ 1,932,745
Advanced R&D	342,649
Scaling Educator Competence through Micro-Credentials	16,304
Total Amounts Released from Restrictions	<u>\$ 2,291,698</u>

5. FIXED ASSETS, NET

At December 31, 2017, net fixed assets consisted of website development costs of approximately \$266,000, net of accumulated amortization of approximately \$61,000.

6. GRANTS RECEIVABLE

Grants receivable at December 31, 2017, consisted of the following:

Due in Less than One Year	\$ 2,950,356
Due in One to Five Years	3,261,048
	6,211,404
Less Discount to Present Value	<u>(84,120)</u>
Total Grants Receivable	<u>\$ 6,127,284</u>

Grants receivable have been present valued at an annual rate of approximately 2%.

7. CONTINGENCY FOR FEDERAL AWARD INCOME

The Organization receives revenues from federal government grants, contracts, and sub-awards, and recognizes federal award income as amounts are earned. The ultimate determination of amounts received under these programs is generally based upon allowable costs, which are subject to audit. Management believes that adjustments, if any, arising from such audits, will not have a material effect on the financial statements.

DIGITAL PROMISE GLOBAL

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

8. RELATED PARTY TRANSACTIONS

The Organization has agreements with a related party, Digital Promise (DP), to purchase administrative and consulting services and to provide required consulting services. The Organization paid DP approximately \$1,436,000 for administrative and consulting services and received approximately \$653,000 for consulting services rendered during the year ended December 31, 2017, under these agreements.

9. IN-KIND CONTRIBUTIONS

The Organization received approximately \$5,000 in various donated equipment items and donated legal services valued at approximately \$248,000 for the year ended December 31, 2017. Such amounts are recognized as in-kind contributions and have been allocated among General and Administrative (\$50,000) and General Programs (\$203,000) expenses.

10. EMPLOYEE BENEFIT PLAN

The Organization is a member of a multiple-employer 401(k) retirement plan (the Plan). Employees are eligible once they meet certain age and service requirements. For the year ended December 31, 2017, the Organization made 3% non-elective safe harbor contributions to the Plan on behalf of its employees of approximately \$31,000, which is included in payroll taxes and benefits in the accompanying statement of functional expenses.

11. CONDITIONAL GRANT

A current grantor has pledged approximately \$4,300,000 to the Organization, conditional upon the Organization raising a certain amount of matching funds. Since this grant pledge represents a conditional promise to give, it has not been recorded as grant revenue as the donor condition had not been satisfied as of year-end.

12. SUBSEQUENT EVENTS

Subsequent events were evaluated through June 21, 2018, which is the date the financial statements were available to be issued.