

GEORGIA PARTNERSHIP FOR
EXCELLENCE IN EDUCATION, INC.

FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION

For the Years Ended December 31, 2017 and 2016

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INDEPENDENT AUDITOR'S REPORT ON THE
FINANCIAL STATEMENTS

To the Board of Directors
Georgia Partnership for Excellence in Education, Inc.
Atlanta, Georgia

We have audited the accompanying financial statements of Georgia Partnership for Excellence in Education, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities 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.

Auditor's 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 auditor's 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 auditor considers 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 Georgia Partnership for Excellence in Education, Inc. as of December 31, 2017 and 2016, 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.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary schedules of functional expenses on page 14 is presented for purposes of additional analysis and is not a required part to the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Howard, Moore & McDuffie, P.C.

Macon, Georgia
August 29, 2018

GEORGIA PARTNERSHIP FOR EXCELLENCE IN EDUCATION, INC.

STATEMENTS OF FINANCIAL POSITION

December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 309,418	\$ 628,088
Cash and cash equivalents - designated for operating reserves	40,528	42,789
Cash - temporarily restricted	337,061	921,098
Agency funds	1,977,000	-
Unconditional promises to give, net	126,398	107,901
Other receivables	5,518	8,920
Prepaid expenses	11,831	14,252
Short-term investments - designated for operating reserves	<u>1,371,966</u>	<u>901,168</u>
TOTAL CURRENT ASSETS	<u>4,179,720</u>	<u>2,624,216</u>
PROPERTY AND EQUIPMENT, NET	<u>20,717</u>	<u>7,450</u>
OTHER ASSETS		
Long-term investments - designated for operating reserves	922,902	1,123,258
Unconditional promises to give, net of current portion	<u>10,000</u>	<u>-</u>
TOTAL OTHER ASSETS	<u>932,902</u>	<u>1,123,258</u>
TOTAL ASSETS	<u><u>\$ 5,133,339</u></u>	<u><u>\$ 3,754,924</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 47,239	\$ 54,771
Deferred revenue	23,000	23,000
Accrued expenses	15,082	17,355
Agency funds payable	<u>1,977,000</u>	<u>-</u>
TOTAL CURRENT LIABILITIES	<u>2,062,321</u>	<u>95,126</u>
NET ASSETS		
Unrestricted - undesignated	320,043	568,564
Unrestricted - designated	<u>2,338,914</u>	<u>2,070,136</u>
	2,658,957	2,638,700
Temporarily restricted	<u>412,061</u>	<u>1,021,098</u>
TOTAL NET ASSETS	<u>3,071,018</u>	<u>3,659,798</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 5,133,339</u></u>	<u><u>\$ 3,754,924</u></u>

The accompanying notes are an integral part of these financial statements.

GEORGIA PARTNERSHIP FOR EXCELLENCE IN EDUCATION, INC.

STATEMENTS OF ACTIVITIES

For the Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
CHANGES IN UNRESTRICTED NET ASSETS, SUPPORT, REVENUES AND RECLASSIFICATIONS		
Contributions	\$ 946,890	\$ 883,855
Meeting, registration, and consulting fees	40,250	52,500
Program sponsors and publications	1,131	618
Interest income	26,677	22,825
Unrealized gain (loss) on investments	(4,550)	1,216
Other income	<u>23,080</u>	<u>23,005</u>
TOTAL SUPPORT AND REVENUES	1,033,478	984,019
Net assets released from restrictions and transfers		
Restrictions satisfied by payments	<u>739,936</u>	<u>506,431</u>
TOTAL SUPPORT, REVENUES, AND RECLASSIFICATIONS	<u>1,773,414</u>	<u>1,490,450</u>
OPERATING EXPENSES		
Program services	1,417,670	1,121,216
General and administrative	211,935	205,082
Fundraising	<u>123,552</u>	<u>112,866</u>
TOTAL EXPENSES	<u>1,753,157</u>	<u>1,439,164</u>
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	<u>20,257</u>	<u>51,286</u>
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS		
Contributions	99,299	777,529
Grants	31,600	25,000
Net assets released from restrictions	<u>(739,936)</u>	<u>(506,431)</u>
INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS	<u>(609,037)</u>	<u>296,098</u>

The accompanying notes are an integral part of these financial statements.

GEORGIA PARTNERSHIP FOR EXCELLENCE IN EDUCATION, INC.

STATEMENTS OF ACTIVITIES (CONTINUED)

For the Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
INCREASE (DECREASE) IN NET ASSETS	\$ (588,780)	\$ 347,384
NET ASSETS, beginning	<u>3,659,798</u>	<u>3,312,414</u>
NET ASSETS, ending	<u>\$ 3,071,018</u>	<u>\$ 3,659,798</u>

The accompanying notes are an integral part of these financial statements.

GEORGIA PARTNERSHIP FOR EXCELLENCE IN EDUCATION, INC.

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
NET CASH FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ (588,780)	\$ 347,384
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	2,071	3,624
Unrealized (gain) loss on investments	4,550	(1,216)
(Increase) decrease in:		
Unconditional promises to give	(28,497)	12,124
Other receivables	3,402	8,117
Prepaid expenses	2,421	(2,949)
Increase (decrease) in:		
Accounts payable	(7,532)	18,378
Deferred revenue	-	(500)
Accrued expenses	(2,273)	2,541
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(614,638)</u>	<u>387,503</u>
NET CASH FROM INVESTING ACTIVITIES		
Purchase of equipment	(15,338)	-
Proceeds from sale of investments	25,000	1,125,000
Purchase of investments	(275,000)	(1,350,000)
Reinvested earnings	(24,992)	(37)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(290,330)</u>	<u>(225,037)</u>
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	(904,968)	162,466
CASH AND EQUIVALENTS, beginning of year	<u>1,591,975</u>	<u>1,429,509</u>
CASH AND EQUIVALENTS, end of year	<u>\$ 687,007</u>	<u>\$ 1,591,975</u>

The accompanying notes are an integral part of these financial statements.

GEORGIA PARTNERSHIP FOR EXCELLENCE IN EDUCATION, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. NATURE OF THE ORGANIZATION

The Georgia Partnership for Excellence in Education, Inc. (the “Organization”) is a nonprofit, nonpartisan organization that partners with businesses, schools, state government and local communities that share a vision of improved education in the state of Georgia. The Organization’s mission is to inform and influence Georgia leaders through research and nonpartisan advocacy to impact education policies and practices for the improvement of student achievement. The Organization is supported primarily through grants and contributions from large corporations and foundations. The Organization is located in Atlanta, Georgia.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Accounting Standards Codification (ASC) 958-210-45, *Classification of Net Assets*. Under ASC 958-210-45, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The financial statements have been prepared using the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities. Expenses are classified as unrestricted and presented by functional categories.

Cash and Cash Equivalents

The Organization classifies as cash equivalents any highly liquid investments which can be readily converted to cash and have an original maturity of less than three months.

Compensated Absences

Employees of the Organization are entitled to paid vacation and sick leave. It is the Organization’s policy not to carry unused vacation and sick hours to the next year, and accordingly, no liability has been recorded in the accompanying financial statements for unused benefits. The Organization’s policy is to recognize the costs of compensated absences when actually paid to employees.

Deferred Revenue

Income from program service fees are deferred and recognized over the periods in which the fees relate.

GEORGIA PARTNERSHIP FOR EXCELLENCE IN EDUCATION, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Services

The Organization recognizes donated services that creates or enhances nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Expense Allocation

Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of approximate time spent toward programs and supporting services. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Income Tax Status

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Organization qualifies for the charitable contribution deduction under section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2). The Organization had no income from unrelated business activities for the years ended December 31, 2017 and 2016.

Investments

Investments in marketable securities with readily determinable fair values and all investments in fixed income securities are carried at their fair values on the statements of financial position.

GEORGIA PARTNERSHIP FOR EXCELLENCE IN EDUCATION, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Promises-to-Give, Grants, and Other Receivables

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Grants and other receivable are stated at the amount management expects to collect from outstanding balances. Balances that are still outstanding after management has used reasonable collection efforts are written off as bad debt expense.

Property and Equipment

Property and equipment with a useful life greater than one year are capitalized. Purchased property and equipment are stated at cost. Donated property and equipment are stated at estimated purchase cost, which approximates fair value, on the date of the donation. Depreciation is computed using the straight-line method over the estimated useful lives ranging from five to twenty years.

Reclassifications

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

Subsequent Events

According to the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 855-10-50-1, management is required to disclose the date through which subsequent events have been reviewed. Accordingly, management has reviewed subsequent events up through August 29, 2018, the date in which the financial statements were available to be issued.

GEORGIA PARTNERSHIP FOR EXCELLENCE IN EDUCATION, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 3. PROMISES TO GIVE

The Organization's unconditional promises to give consist of amounts that will be received subsequent to the date of the statement of financial position. The Organization uses a discount rate similar to its rate of return on its risk-free investments. The discount is not significant as of December 31, 2017. Unconditional promises to give at December 31, 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
Receivable in less than one year	\$ 126,398	\$ 107,901
Receivable in one to five years	<u>10,000</u>	<u>-</u>
Total unconditional promises to give	<u><u>\$ 136,398</u></u>	<u><u>\$ 107,901</u></u>

NOTE 4. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	Life	Method	<u>2017</u>	<u>2016</u>
Furniture and equipment	5-7 yrs	SL	\$ 61,464	\$ 47,049
Leasehold improvements	20 yrs	SL	<u>4,442</u>	<u>4,442</u>
			65,906	51,491
Accumulated depreciation			<u>(45,189)</u>	<u>(44,041)</u>
Total			<u><u>\$ 20,717</u></u>	<u><u>\$ 7,450</u></u>

Depreciation expense was \$2,071 and \$3,624 for the years ended December 31, 2017 and 2016, respectively.

NOTE 5. INVESTMENTS

Investments consisted of the following as of December 31:

	Quoted Market value	Unrealized Appreciation (Depreciation)	Cost
2017			
Certificates of deposit	<u>\$ 2,294,868</u>	<u>\$ (4,550)</u>	<u>\$ 2,299,418</u>
2016			
Certificates of deposit	<u>\$ 2,024,426</u>	<u>\$ 1,216</u>	<u>\$ 2,023,210</u>

GEORGIA PARTNERSHIP FOR EXCELLENCE IN EDUCATION, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 5. INVESTMENTS (Continued)

Annual interest rates range from 1.00% to 2.10%. These certificates are due to mature on various dates in 2018 and 2019. Investment income from certificates of deposits for the years ended December 31, 2017 and 2016 was \$23,329 and \$19,411, respectively. No fees were charged by the financial institution.

NOTE 6. OPERATING LEASES

The Organization leases office facilities from the Georgia Chamber of Commerce, Inc. (an affiliate), under non-cancellable operating lease agreements expiring on July 31, 2024. Total rental expense plus common area maintenance under this lease for the years ended December 31, 2017 and 2016, were \$70,379 and \$70,029, respectively.

The Organization also leases vehicles for its top executives and office equipment under non-cancellable operating leases agreements expiring on various dates through 2020. Total rental expenses under these leases for the years ended December 31, 2017 and 2016 were \$25,549 and \$25,246, respectively.

Future minimum annual payments for all leases are as follows:

<u>December 31,</u>	
2018	\$ 91,084
2019	90,732
2020	84,445
2021	74,588
2022	75,769
Thereafter	<u>123,334</u>
Total	<u>\$ 539,952</u>

NOTE 7. BENEFIT PLAN

The Organization contributes 10% of gross salaries to a Simplified Employee Plan (SEP) for all employees. Employees are immediately 100% vested in employer contributions. The Organization's contributions under the SEP plan during the years ended December 31, 2017 and 2016, totaled \$78,098 and \$74,385, respectively.

NOTE 8. DESIGNATED AND TEMPORARILY RESTRICTED NET ASSETS AND CASH

Designated cash and cash equivalents and investments shown on the statement of financial position are board designated for the Organization's 18 month operating reserve.

GEORGIA PARTNERSHIP FOR EXCELLENCE IN EDUCATION, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 8. DESIGNATED AND TEMPORARILY RESTRICTED NET ASSETS AND CASH
(Continued)

Temporarily restricted net assets and restricted cash are available for the following purposes:

	<u>2017</u>	<u>2016</u>
Donations restricted for subsequent years	\$ 75,000	\$ 90,000
Blueprint project	210,975	441,875
College and Career Readiness projects	44,175	364,223
Strengthen rural Georgia schools project	78,243	125,000
Other	<u>3,668</u>	<u>-</u>
Restricted net assets	412,061	1,021,098
Less: receivables for restricted contributions and grants	<u>(75,000)</u>	<u>(100,000)</u>
Restricted cash	<u>\$ 337,061</u>	<u>\$ 921,098</u>

NOTE 9. FAIR VALUE MEASUREMENT

FASB Codification Topic No. 820, Fair Value Measurements, defines fair value, establishes a framework for measuring fair value, establishes a three-level valuation hierarchy for disclosure of fair value measurement and enhances disclosure requirements for fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

Level 1- inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2- inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; and inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3- inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's and liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

GEORGIA PARTNERSHIP FOR EXCELLENCE IN EDUCATION, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 9. FAIR VALUE MEASUREMENT (Continued)

The Organization's investments consist of certificate of deposits (CDs). The CDs are valued based on fluctuating interest rates and penalty rates for early withdrawal. Based on these observations, the market prices for the CDs are based on inputs from similar assets with comparable terms in active markets. As such, management has classified the CDs as Level 1 assets under the fair value hierarchy.

NOTE 10. CONCENTRATION OF CREDIT RISK

Financial instruments that potentially expose the Organization to concentrations of credit risk consist primarily of cash equivalents and unconditional promises to give. The Organization has not experienced any losses on its cash equivalents or unconditional promises to give. The Federal Deposit Insurance Corporation (FDIC) insures cash balances on deposit up to \$250,000 per member financial institution. Uninsured cash totaled \$2,454,820 and \$1,346,833 for years ended December 31, 2017 and 2016, respectively.

The Organization's funding is mostly made of large donations from few donors. Less than five (5) donors make up more than 95% of promises to give at December 31, 2017 and 75% at December 31, 2016. More than 50% of the Organization's contributions were provided by a single donor for the year ended December 31, 2017 and more than 40% for the year ended December 31, 2016.

NOTE 11. RELATED PARTY TRANSACTIONS

The Organization is affiliated with the Georgia Chamber of Commerce, Inc. Some board members of the Georgia Chamber of Commerce, Inc. are members of the Organization's board of directors. As mentioned in NOTE 6, the Organization leases office space from the Georgia Chamber of Commerce, Inc. The Organization maintains a conflict of interest policy pertaining to board and committee members. Transactions between the Organization and board members typically are limited to contributions. Contributions received by board members totaled \$10,626 and \$11,400 for the years ended December 31, 2017 and 2016, respectively. Amounts due to the Georgia Chamber of Commerce, Inc. as of December 31, 2017 and 2016, totaled \$16,947 and \$14,439, respectively.

NOTE 12. AGENCY FUNDS

The Organization serves as a fiscal agent for funds received on behalf of another unrelated organization. The Organization's financial statements include cash funds and an offsetting current liability in the amount of \$1,977,000. These funds were remitted to the designated recipient organization in January 2018.

GEORGIA PARTNERSHIP FOR EXCELLENCE IN EDUCATION, INC.

SUPPLEMENTAL INFORMATION
SCHEDULES OF FUNCTIONAL EXPENSES

For the Years Ended December 31, 2017 and 2016

	Program Services	General & Administrative	Fundraising	2017 Totals	Program Services	General & Administrative	Fundraising	2016 Totals
Bad debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,350	\$ -	\$ 2,350
Consultants	218,023	-	-	218,023	80,583	-	-	80,583
Depreciation	-	2,071	-	2,071	-	3,624	-	3,624
Dues and subscriptions	1,867	-	-	1,867	1,848	-	-	1,848
Grants	16,274	-	-	16,274	25,000	-	-	25,000
Insurance	-	17,499	-	17,499	-	16,845	-	16,845
Payroll taxes	44,333	4,189	2,125	50,647	37,401	3,976	1,997	43,374
Postage	2,141	-	-	2,141	2,682	-	-	2,682
Printing and publications	58,064	-	-	58,064	34,966	-	-	34,966
Professional services	-	22,138	63,378	85,516	-	18,721	60,000	78,721
Rent - office	-	70,379	-	70,379	-	70,379	-	70,379
Repairs and maintenance	-	-	-	-	-	32	-	32
Salaries and wages	749,869	73,082	45,810	868,761	661,087	70,738	44,309	776,134
Employee benefits	105,378	20,012	10,829	136,219	111,985	15,397	6,330	133,712
Supplies	16,359	1,644	971	18,974	12,911	1,955	145	15,011
Taxes and licensing	-	179	-	179	-	217	-	217
Telephone	7,455	742	439	8,636	7,546	848	85	8,479
Travel and meetings	162,080	-	-	162,080	139,075	-	-	139,075
Website	35,827	-	-	35,827	6,132	-	-	6,132
	<u>\$ 1,417,670</u>	<u>\$ 211,935</u>	<u>\$ 123,552</u>	<u>\$ 1,753,157</u>	<u>\$ 1,121,216</u>	<u>\$ 205,082</u>	<u>\$ 112,866</u>	<u>\$ 1,439,164</u>

See independent auditor's report.