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BELLWETHER EDUCATION PARTNERS, INC.

FINANCIAL STATEMENTS

AUGUST 31, 2017 AND 2016

BELLWETHER EDUCATION PARTNERS, INC.

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Independent Auditors' Report

To the Board of Directors
Bellwether Education Partners, Inc.
Sudbury, Massachusetts

We have audited the accompanying financial statements of Bellwether Education Partners, Inc., which comprise the statements of financial position as of August 31, 2017 and 2016, 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 Bellwether Education Partners, Inc., as of August 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.

Blum, Shapiro & Company, P.C.

Quincy, Massachusetts
November 28, 2017

BELLWETHER EDUCATION PARTNERS, INC.

STATEMENTS OF FINANCIAL POSITION AUGUST 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash and cash equivalents	\$ 5,666,769	\$ 4,937,013
Accounts receivable - program services, net	878,137	763,026
Unbilled revenue	-	71,813
Grants receivable	209,232	30,277
Prepaid expenses and other current assets	126,987	97,811
Property and equipment	<u>77,733</u>	<u>100,628</u>
Total Assets	<u>\$ 6,958,858</u>	<u>\$ 6,000,568</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 468,958	\$ 468,923
Accrued expenses and other current liabilities	<u>1,335,780</u>	<u>1,185,682</u>
Total liabilities	<u>1,804,738</u>	<u>1,654,605</u>
Net Assets		
Unrestricted net assets	3,657,134	3,193,240
Temporarily restricted net assets	<u>1,496,986</u>	<u>1,152,723</u>
Total net assets	<u>5,154,120</u>	<u>4,345,963</u>
Total Liabilities and Net Assets	<u>\$ 6,958,858</u>	<u>\$ 6,000,568</u>

The accompanying notes are an integral part of the financial statements

BELLWETHER EDUCATION PARTNERS, INC.

STATEMENTS OF ACTIVITIES FOR THE YEARS ENDED AUGUST 31, 2017 AND 2016

	2017			2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Support and Revenue						
Revenue:						
Foundation grants and other contributions	\$ 16,517	\$ 2,714,014	\$ 2,730,531	\$ 19,500	\$ 1,902,062	\$ 1,921,562
Grants and contributions received as fiscal sponsor	-	11,500	11,500	-	600,000	600,000
Program revenue	9,454,897	-	9,454,897	7,183,596	-	7,183,596
Interest and other income	6,543	-	6,543	3,058	-	3,058
Net assets released from restriction	2,381,251	(2,381,251)	-	3,898,915	(3,898,915)	-
Total support and revenue	<u>11,859,208</u>	<u>344,263</u>	<u>12,203,471</u>	<u>11,105,069</u>	<u>(1,396,853)</u>	<u>9,708,216</u>
Expenses						
Program services	9,774,616	-	9,774,616	9,143,915	-	9,143,915
Support services:						
General and administrative	1,408,426	-	1,408,426	1,355,251	-	1,355,251
Fundraising	212,272	-	212,272	177,019	-	177,019
Total expenses	<u>11,395,314</u>	<u>-</u>	<u>11,395,314</u>	<u>10,676,185</u>	<u>-</u>	<u>10,676,185</u>
Change in Net Assets	463,894	344,263	808,157	428,884	(1,396,853)	(967,969)
Net Assets - Beginning of Year	<u>3,193,240</u>	<u>1,152,723</u>	<u>4,345,963</u>	<u>2,764,356</u>	<u>2,549,576</u>	<u>5,313,932</u>
Net Assets - End of Year	<u>\$ 3,657,134</u>	<u>\$ 1,496,986</u>	<u>\$ 5,154,120</u>	<u>\$ 3,193,240</u>	<u>\$ 1,152,723</u>	<u>\$ 4,345,963</u>

The accompanying notes are an integral part of the financial statements

BELLWETHER EDUCATION PARTNERS, INC.

STATEMENTS OF FUNCTIONAL EXPENSES FOR THE YEARS ENDED AUGUST 31, 2017 AND 2016

	2017				2016			
	<u>Programs</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>	<u>Programs</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 6,303,401	\$ 789,636	\$ 187,389	\$ 7,280,426	\$ 6,119,687	\$ 671,727	\$ 153,913	\$ 6,945,327
Benefits	514,622	70,965	13,009	598,596	412,157	45,240	10,366	467,763
Payroll taxes	415,508	47,013	9,787	472,308	447,869	49,160	11,264	508,293
Total personnel expenses	<u>7,233,531</u>	<u>907,614</u>	<u>210,185</u>	<u>8,351,330</u>	<u>6,979,713</u>	<u>766,127</u>	<u>175,543</u>	<u>7,921,383</u>
Grant released under fiscal sponsorship agreement	346,645	-	-	346,645	53,000	-	-	53,000
Professional fees	1,147,324	136,518	-	1,283,842	998,841	245,803	-	1,244,644
Travel and meetings	661,435	114,062	-	775,497	734,123	118,195	-	852,318
Facilities expense	186,777	47,140	-	233,917	196,830	36,406	-	233,236
Telephone	75,322	58,536	-	133,858	71,358	52,134	-	123,492
Dues and subscriptions	9,335	88,895	-	98,230	13,398	91,637	-	105,035
Payroll service fees	8,718	1,093	254	10,065	8,719	957	219	9,895
Insurance	23,616	2,963	686	27,265	15,375	9,532	386	25,293
Depreciation	39,473	4,953	1,147	45,573	34,626	3,801	871	39,298
Office expense	16,480	7,060	-	23,540	14,145	18,333	-	32,478
Advertising	4,274	190	-	4,464	1,689	521	-	2,210
Printing and postage	19,851	2,382	-	22,233	18,304	1,749	-	20,053
Bad debts	-	28,873	-	28,873	-	-	-	-
Miscellaneous	1,835	8,147	-	9,982	3,794	10,056	-	13,850
Total Expenses	<u>\$ 9,774,616</u>	<u>\$ 1,408,426</u>	<u>\$ 212,272</u>	<u>\$ 11,395,314</u>	<u>\$ 9,143,915</u>	<u>\$ 1,355,251</u>	<u>\$ 177,019</u>	<u>\$ 10,676,185</u>

The accompanying notes are an integral part of the financial statements

BELLWETHER EDUCATION PARTNERS, INC.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED AUGUST 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 808,157	\$ (967,969)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Provision for bad debts	28,873	-
Depreciation	45,573	39,298
Loss on disposal of property and equipment	3,409	6,742
(Increase) decrease in operating assets:		
Accounts receivable - program services, net	(143,984)	(277,994)
Unbilled revenue	71,813	36,425
Grants receivable	(178,955)	495,873
Prepaid expenses and other current assets	(29,176)	(15,110)
Increase (decrease) in operating liabilities:		
Accounts payable	35	(2,449)
Accrued expenses and other current liabilities	150,098	170,848
Net cash provided by (used in) operating activities	<u>755,843</u>	<u>(514,336)</u>
Cash Flows from Investing Activities		
Purchases of property and equipment	<u>(26,087)</u>	<u>(56,439)</u>
Net cash used in investing activities	<u>(26,087)</u>	<u>(56,439)</u>
Net Change in Cash and Cash Equivalents	729,756	(570,775)
Cash and Cash Equivalents - Beginning of Year	<u>4,937,013</u>	<u>5,507,788</u>
Cash and Cash Equivalents - End of Year	<u>\$ 5,666,769</u>	<u>\$ 4,937,013</u>

The accompanying notes are an integral part of the financial statements

BELLWETHER EDUCATION PARTNERS, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Purpose

Bellwether Education Partners, Inc. (the Organization) is a Massachusetts corporation exempt from tax under Section 501(c)(3) of the Internal Revenue Code (IRC). The Organization was incorporated in 2007. The Organization was established to promote talent and leadership development and to enhance and accelerate organizational capacity for growth in the entrepreneurial education sector. To accomplish its mission, the Organization provides professional services to the not-for-profit sector throughout the United States. Such services include executive recruitment, management and strategic consulting and leadership training.

Basis of Financial Statements

The accompanying financial statements are presented on the accrual basis of accounting in accordance with the reporting standards for not-for-profit organizations. Generally accepted accounting principles (GAAP) require classification of net assets and revenues, expenses, gains and losses into three categories, based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Permanently Restricted

Net assets subject to donor-imposed stipulations that they be maintained in perpetuity by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned and capital gains, if any, on related investments for general or specific purposes.

Temporarily Restricted

Net assets subject to donor-imposed stipulations that may or will be met by actions of the Organization and/or the passage of time.

Unrestricted

Net assets not subject to donor-imposed stipulations.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulations or law. Expirations of temporary restrictions on net assets, that is, the donor-imposed stipulated purpose has been accomplished and/or the stipulated time period has elapsed, are reported as net assets released from restrictions.

At August 31, 2017 and 2016, the Organization did not have any permanently restricted net assets.

Revenue Recognition

Revenue is recognized for services provided and costs incurred over the periods covered by the various consulting contracts.

BELLWETHER EDUCATION PARTNERS, INC.

NOTES TO FINANCIAL STATEMENTS

Concentration of Credit Risk

The Organization maintains cash balances and certificates of deposits at several financial institutions, which at times may exceed federally-insured limits. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents or investments in certificate of deposits.

The Organization has not experienced significant losses related to accounts receivable or grants receivable. Therefore, management believes there is no additional credit risk, beyond amounts provided for doubtful accounts, related to accounts receivable and grants receivable.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make use of 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. It is possible that the estimates will change within the next year.

Donated Services

Contributed services are recognized in the financial statements if they enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. General volunteer services do not meet these criteria for recognition.

Contribution and Grant Revenue

Contributions and grants are recognized as revenue on the statements of activities when the donor or grantor makes a promise to give (pledge) to the Organization that is, in substance, unconditional. All contributions and grants are considered to be available for unrestricted use unless specifically restricted by the donor or grantor or direct appeal. Amounts received that are designated for future periods or restricted by the donor or grantor for specific purposes are reported as temporarily restricted or permanently restricted support that increase those net asset classes. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Conditional pledges or grants are not included as support until the conditions are substantially met.

Cash and Cash Equivalents

Cash represents cash deposits at banks, cash on hand and short-term investments with maturities, when purchased, of three months or less.

Accounts Receivable

The Organization carries its accounts receivable at cost less an allowance for doubtful accounts. The allowance is determined on a periodic basis based on an evaluation of outstanding balances for accounts that do not appear collectible. The Organization had an allowance for doubtful accounts of \$28,873 and \$-0- as of August 31, 2017 and 2016, respectively. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the allowance for doubtful accounts. The Organization does not charge interest on its accounts receivable. All outstanding accounts receivable are due within one year.

BELLWETHER EDUCATION PARTNERS, INC.

NOTES TO FINANCIAL STATEMENTS

Unbilled Revenue

Revenue is recognized for services and costs incurred over the periods covered by the various consulting contracts. Earned revenues from unbilled contract fees are included in unbilled revenue.

Property and Equipment

Donations of property and equipment are recorded as contributions at their estimated fair value on the date of donation. Such donations are recorded as other changes in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as temporarily restricted support. Unless the donor stipulates how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Purchased property and equipment in excess of \$500 is recorded at cost. Maintenance, repairs and minor renewals are expensed as incurred. When items of property or equipment are sold or retired, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is included in change in net assets. Property and equipment consists of computer and office equipment, for which the Organization provides for depreciation on a straight-line basis over the estimated useful life of three years.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis on the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on direct costs, usage and other factors.

Advertising

The Organization expenses the costs of advertising as incurred. Advertising expense for the years ended August 31, 2017 and 2016, was \$4,464 and \$2,210, respectively.

Income Taxes

The Organization is a tax-exempt organization subject to Section 501(c)(3) of the IRC.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Organization and recognize a tax liability if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service (IRS). The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

BELLWETHER EDUCATION PARTNERS, INC.

NOTES TO FINANCIAL STATEMENTS

Subsequent Events

Management has evaluated events occurring subsequent to August 31, 2017 through November 28, 2017, which represents the date the financial statements were available to be issued, noting no matters that require adjustment in the financial statements.

NOTE 2 - FISCAL SPONSORSHIP

From time to time, the Organization has fiscal sponsorship agreements with start-up nonprofit organizations. The agreements allowed the Organization to receive grant revenue on behalf of the nonprofit until their tax-exempt status is approved by the IRS. The Organization administers the grants funded for the activities of the start-up non-profit and will provide financial support, from time to time, for the charitable project described in the agreement. The Organization requires regular reporting from the organizations in order to monitor the grant funds and ensure that they are being used for the intended purpose.

NOTE 3 - CASH AND CASH EQUIVALENTS

Cash and cash equivalents consisted of the following at August 31, 2017 and 2016:

	<u>2017</u>		<u>2016</u>
Checking	\$ 2,407,301	\$	1,292,552
Savings and money market	<u>3,259,468</u>		<u>3,644,461</u>
Total Cash and Cash Equivalents	<u>\$ 5,666,769</u>	\$	<u>4,937,013</u>

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at August 31, 2017 and 2016:

	<u>2017</u>		<u>2016</u>
Computer equipment	\$ 173,616	\$	175,517
Accumulated depreciation	<u>(95,883)</u>		<u>(74,889)</u>
	<u>\$ 77,733</u>	\$	<u>100,628</u>

Depreciation expense for the years ended August 31, 2017 and 2016, was \$45,573 and \$39,298, respectively.

BELLWETHER EDUCATION PARTNERS, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 5 - LEASE COMMITMENTS

The Organization leases offices in Washington, D.C. and San Francisco under noncancelable lease agreements through October 2021. The future minimum annual rental obligations are as follows:

Year Ending August 31

2018	\$	187,572
2019		192,261
2020		197,085
2021		201,997
2022		<u>69,015</u>
	\$	<u>847,930</u>

Rent expense, including at-will leases, for the years ended August 31, 2017 and 2016, was \$233,917 and \$233,236, respectively, and was included in facilities expense on the statements of functional expenses.

NOTE 6 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at August 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Grants for Program Work	\$ <u>1,496,986</u>	\$ <u>1,152,723</u>

Temporarily restricted net assets released from grantor restrictions consisted of the following for the years ended August 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Program Work	\$ <u>2,381,251</u>	\$ <u>3,898,915</u>

NOTE 7 - SUBSTANTIAL GRANTOR

During the year ended August 31, 2017, four grantors accounted for 69% of grant revenue and 16% of grants receivable. During the year ended August 31, 2016, three grantors accounted for 56% of grant revenue and 0% of grants receivable.

NOTE 8 - RETIREMENT PLAN

The Organization has a qualified tax-deferred retirement plan. Eligible employees may defer up to 100% of their salary to the current year maximum, as allowed by the IRS, and the Organization matches 100% of employee contribution up to 4% of employee compensation. Retirement plan expense was \$288,807 and \$275,151 for the years ended August 31, 2017 and 2016, respectively, and is included in employee benefits on the statements of functional expenses.