

**BELLWETHER EDUCATION PARTNERS, INC.**

**FINANCIAL STATEMENTS**

**AUGUST 31, 2016 AND 2015**

# **BELLWETHER EDUCATION PARTNERS, INC.**

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## **Independent Auditors' Report**

To the Board of Directors  
Bellwether Education Partners, Inc.

We have audited the accompanying financial statements of Bellwether Education Partners, Inc., which comprise the statements of financial position as of August 31, 2016 and 2015, 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, 2016 and 2015, 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 22, 2016

# BELLWETHER EDUCATION PARTNERS, INC.

## STATEMENTS OF FINANCIAL POSITION AUGUST 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 4,937,013	\$ 5,507,788
Accounts receivable - program services	763,026	485,032
Unbilled revenue	71,813	108,238
Grants receivable	30,277	526,150
Prepaid expenses and other current assets	97,811	82,701
Property and equipment	<u>100,628</u>	<u>90,229</u>
<b>Total Assets</b>	<b><u>\$ 6,000,568</u></b>	<b><u>\$ 6,800,138</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable	\$ 468,923	\$ 471,372
Accrued expenses and other current liabilities	<u>1,185,682</u>	<u>1,014,834</u>
Total liabilities	<u>1,654,605</u>	<u>1,486,206</u>
<b>Net Assets</b>		
Unrestricted net assets	3,193,240	2,764,356
Temporarily restricted net assets	<u>1,152,723</u>	<u>2,549,576</u>
Total net assets	<u>4,345,963</u>	<u>5,313,932</u>
<b>Total Liabilities and Net Assets</b>	<b><u>\$ 6,000,568</u></b>	<b><u>\$ 6,800,138</u></b>

The accompanying notes are an integral part of the financial statements

# BELLWETHER EDUCATION PARTNERS, INC.

## STATEMENTS OF ACTIVITIES FOR THE YEARS ENDED AUGUST 31, 2016 AND 2015

	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>Support and Revenue</b>						
Revenue:						
Foundation grants and other contributions	\$ 19,500	\$ 1,902,062	\$ 1,921,562	\$ 246,064	\$ 4,065,501	\$ 4,311,565
Grants and contributions received as fiscal sponsor	-	600,000	600,000	-	760,906	760,906
Program revenue	7,183,596	-	7,183,596	5,762,244	-	5,762,244
Interest and other income	3,058	-	3,058	1,394	-	1,394
Net assets released from restriction	3,898,915	(3,898,915)	-	4,294,897	(4,294,897)	-
Total support and revenue	<u>11,105,069</u>	<u>(1,396,853)</u>	<u>9,708,216</u>	<u>10,304,599</u>	<u>531,510</u>	<u>10,836,109</u>
<b>Expenses</b>						
Program services	9,143,915	-	9,143,915	9,116,181	-	9,116,181
Support services:						
General and administrative	1,355,251	-	1,355,251	968,557	-	968,557
Fundraising	177,019	-	177,019	260,243	-	260,243
Total expenses	<u>10,676,185</u>	<u>-</u>	<u>10,676,185</u>	<u>10,344,981</u>	<u>-</u>	<u>10,344,981</u>
<b>Change in Net Assets</b>	428,884	(1,396,853)	(967,969)	(40,382)	531,510	491,128
<b>Net Assets - Beginning of Year</b>	<u>2,764,356</u>	<u>2,549,576</u>	<u>5,313,932</u>	<u>2,804,738</u>	<u>2,018,066</u>	<u>4,822,804</u>
<b>Net Assets - End of Year</b>	<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>

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, 2016 AND 2015

	2016				2015			
	<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	\$ 6,119,687	\$ 671,727	\$ 153,913	\$ 6,945,327	\$ 5,260,584	\$ 389,672	\$ 218,472	\$ 5,868,728
Benefits	412,157	45,240	10,366	467,763	370,398	27,437	15,383	413,218
Payroll taxes	447,869	49,160	11,264	508,293	371,422	27,513	15,425	414,360
Total personnel expenses	<u>6,979,713</u>	<u>766,127</u>	<u>175,543</u>	<u>7,921,383</u>	<u>6,002,404</u>	<u>444,622</u>	<u>249,280</u>	<u>6,696,306</u>
Grant released under fiscal sponsorship agreement	53,000	-	-	53,000	980,534	-	-	980,534
Professional fees	998,841	245,803	-	1,244,644	1,185,228	170,817	9,200	1,365,245
Travel and meetings	734,123	118,195	-	852,318	632,079	55,319	-	687,398
Facilities expense	196,830	36,406	-	233,236	150,332	100,516	-	250,848
Telephone	71,358	52,134	-	123,492	67,565	47,922	-	115,487
Dues and subscriptions	13,398	91,637	-	105,035	26,060	82,253	-	108,313
Payroll service fees	8,719	957	219	9,895	28,157	2,086	1,169	31,412
Insurance	15,375	9,532	386	25,293	14,303	7,822	594	22,719
Depreciation	34,626	3,801	871	39,298	-	33,187	-	33,187
Office expense	14,145	18,333	-	32,478	12,550	14,144	-	26,694
Advertising	1,689	521	-	2,210	2,205	1,008	-	3,213
Printing and postage	18,304	1,749	-	20,053	14,764	2,702	-	17,466
Miscellaneous	3,794	10,056	-	13,850	-	6,159	-	6,159
<b>Total Expenses</b>	<u>\$ 9,143,915</u>	<u>\$ 1,355,251</u>	<u>\$ 177,019</u>	<u>\$ 10,676,185</u>	<u>\$ 9,116,181</u>	<u>\$ 968,557</u>	<u>\$ 260,243</u>	<u>\$ 10,344,981</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, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ (967,969)	\$ 491,128
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	39,298	33,187
Loss on disposal of property and equipment	6,742	2,102
Change in:		
Accounts receivable - program services	(277,994)	491,250
Unbilled revenue	36,425	(108,238)
Grants receivable	495,873	755,024
Prepaid expenses and other current assets	(15,110)	(11,721)
Accounts payable	(2,449)	281,771
Accrued expenses and other current liabilities	170,848	275,355
Net cash provided by (used in) operating activities	<u>(514,336)</u>	<u>2,209,858</u>
<b>Cash Flows from Investing Activities</b>		
Purchases of property and equipment	<u>(56,439)</u>	<u>(60,611)</u>
Net cash used in investing activities	<u>(56,439)</u>	<u>(60,611)</u>
<b>Net Change in Cash and Cash Equivalents</b>	(570,775)	2,149,247
<b>Cash and Cash Equivalents - Beginning of Year</b>	<u>5,507,788</u>	<u>3,358,541</u>
<b>Cash and Cash Equivalents - End of Year</b>	<u>\$ 4,937,013</u>	<u>\$ 5,507,788</u>

The accompanying notes are an integral part of the financial statements



# **BELLWETHER EDUCATION PARTNERS, INC.**

## **NOTES TO FINANCIAL STATEMENTS**

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### **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. 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, 2016 and 2015, 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**

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### **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 and Grants Receivable**

The Organization carries its accounts and grants 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. For the years ended August 31, 2016 and 2015, management has deemed that an allowance was not necessary. 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 and grants receivable are due within one year.

# **BELLWETHER EDUCATION PARTNERS, INC.**

## **NOTES TO FINANCIAL STATEMENTS**

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### **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, 2016 and 2015 was \$2,210 and \$3,213, 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.

### **Reclassifications**

Certain amounts in the 2015 financial statements have been reclassified to conform with the current year's presentation.

# BELLWETHER EDUCATION PARTNERS, INC.

## NOTES TO FINANCIAL STATEMENTS

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### Subsequent Events

Management has evaluated events occurring subsequent to August 31, 2016 through November 22, 2016, 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 non-profit organizations. The agreements allowed the Organization to receive grant revenue on behalf of the non-profit, 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, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Checking	\$ 1,292,552	\$ 3,753,278
Savings and money market	3,644,461	1,274,510
Certificate of deposit	-	480,000
Total Cash and Cash Equivalents	<u>\$ 4,937,013</u>	<u>\$ 5,507,788</u>

### NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at August 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Computer equipment	\$ 175,517	\$ 143,386
Accumulated depreciation	<u>(74,889)</u>	<u>(53,157)</u>
	<u>\$ 100,628</u>	<u>\$ 90,229</u>

Depreciation expense for the years ended August 31, 2016 and 2015 was \$39,298 and \$33,187, respectively.

# BELLWETHER EDUCATION PARTNERS, INC.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 5 - LEASE COMMITMENTS

The Organization leases offices in Washington, D.C. and San Francisco under noncancelable lease agreements through October 2022. The future minimum annual rental obligations are as follows:

#### Year Ending August 31

2017	\$	183,017
2018		187,572
2019		192,261
2020		197,085
2021		201,997
Thereafter		<u>203,679</u>
	\$	<u>1,165,611</u>

Rent expense, including at-will leases, for the years ended August 31, 2016 and 2015 was \$233,236 and \$246,281, 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, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Grants for Program Work	\$ <u>1,152,723</u>	\$ <u>2,549,576</u>

### NOTE 7 - SUBSTANTIAL GRANTOR

During the years ended August 31, 2016 and 2015, one grantor accounted for 21% and 37%, respectively, of grant revenue and 100% and 43%, respectively, 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 \$275,151 and \$179,817 for the years ended August 31, 2016 and 2015, respectively, and is included in employee benefits on the statements of functional expenses.