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## **BELLWETHER EDUCATION PARTNERS, INC.**

**FINANCIAL STATEMENTS**

**AUGUST 31, 2015 AND 2014**

# **BELLWETHER EDUCATION PARTNERS, INC.**

## **CONTENTS**

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Independent Auditors' Report	1-2
Statements of Financial Position - August 31, 2015 and 2014	3
Statements of Activities for the Years Ended August 31, 2015 and 2014	4
Statements of Functional Expenses for the Years Ended August 31, 2015 and 2014	5
Statements of Cash Flows for the Years Ended August 31, 2015 and 2014	6
Notes to Financial Statements	7-12

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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, 2015 and 2014, 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, 2015 and 2014, 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  
December 1, 2015

# BELLWETHER EDUCATION PARTNERS, INC.

## STATEMENTS OF FINANCIAL POSITION AUGUST 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 5,507,788	\$ 3,358,541
Accounts receivable - program services	485,032	976,282
Unbilled revenue	108,238	-
Grants receivable	526,150	1,281,174
Prepaid expenses and other current assets	82,701	70,980
Property and equipment	<u>90,229</u>	<u>64,907</u>
<b>Total Assets</b>	<b>\$ <u>6,800,138</u></b>	<b>\$ <u>5,751,884</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable	\$ 471,372	\$ 189,601
Accrued expenses and other current liabilities	<u>1,014,834</u>	<u>739,479</u>
Total liabilities	<u>1,486,206</u>	<u>929,080</u>
<b>Net Assets</b>		
Unrestricted net assets	2,764,356	2,804,738
Temporarily restricted net assets	<u>2,549,576</u>	<u>2,018,066</u>
Total net assets	<u>5,313,932</u>	<u>4,822,804</u>
<b>Total Liabilities and Net Assets</b>	<b>\$ <u>6,800,138</u></b>	<b>\$ <u>5,751,884</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, 2015 AND 2014

	2015			2014		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>Support and Revenue</b>						
Revenue:						
Foundation grants and other contributions	\$ 246,064	\$ 4,065,501	\$ 4,311,565	\$ 658,000	\$ 2,423,610	\$ 3,081,610
Grants received as fiscal sponsor	-	760,906	760,906	-	1,981,978	1,981,978
Program revenue	5,762,244	-	5,762,244	5,412,835	-	5,412,835
Net assets released from restriction	4,294,897	(4,294,897)	-	3,474,551	(3,474,551)	-
Total support and revenue	<u>10,303,205</u>	<u>531,510</u>	<u>10,834,715</u>	<u>9,545,386</u>	<u>931,037</u>	<u>10,476,423</u>
<b>Expenses</b>						
Program services	9,116,181	-	9,116,181	7,218,702	-	7,218,702
Support services:						
General and administrative	968,557	-	968,557	793,031	-	793,031
Fundraising	260,243	-	260,243	210,983	-	210,983
Total expenses	<u>10,344,981</u>	<u>-</u>	<u>10,344,981</u>	<u>8,222,716</u>	<u>-</u>	<u>8,222,716</u>
<b>Change in Net Assets from Operating Activities</b>	(41,776)	531,510	489,734	1,322,670	931,037	2,253,707
<b>Other Changes in Net Assets</b>						
Interest and other income	1,394	-	1,394	343	-	343
<b>Change in Net Assets</b>	<u>(40,382)</u>	<u>531,510</u>	<u>491,128</u>	<u>1,323,013</u>	<u>931,037</u>	<u>2,254,050</u>
<b>Net Assets - Beginning of Year</b>	<u>2,804,738</u>	<u>2,018,066</u>	<u>4,822,804</u>	<u>1,481,725</u>	<u>1,087,029</u>	<u>2,568,754</u>
<b>Net Assets - End 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>

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, 2015 AND 2014

	2015				2014			
	<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	\$ 5,260,584	\$ 389,672	\$ 218,472	\$ 5,868,728	\$ 3,668,715	\$ 330,435	\$ 182,019	\$ 4,181,169
Benefits	370,398	27,437	15,383	413,218	266,507	24,004	13,222	303,733
Payroll taxes	371,422	27,513	15,425	414,360	259,904	23,409	12,895	296,208
Total personnel expenses	6,002,404	444,622	249,280	6,696,306	4,195,126	377,848	208,136	4,781,110
Grant released under fiscal sponsorship agreement	980,534	-	-	980,534	1,488,259	-	-	1,488,259
Professional fees	1,185,228	170,817	9,200	1,365,245	749,135	233,687	-	982,822
Travel and meetings	632,079	55,319	-	687,398	567,165	44,661	-	611,826
Facilities expense	150,332	100,516	-	250,848	67,787	18,165	-	85,952
Telephone	67,565	47,922	-	115,487	49,209	26,363	-	75,572
Dues and subscriptions	26,060	82,253	-	108,313	16,444	49,781	-	66,225
Payroll service fees	28,157	2,086	1,169	31,412	43,092	3,881	2,139	49,112
Insurance	14,303	7,822	594	22,719	14,278	6,164	708	21,150
Depreciation	-	33,187	-	33,187	-	15,732	-	15,732
Office expense	12,550	14,144	-	26,694	9,584	5,020	-	14,604
Advertising	2,205	1,008	-	3,213	7,156	5,333	-	12,489
Printing and postage	14,764	2,702	-	17,466	7,651	1,797	-	9,448
Miscellaneous	-	6,159	-	6,159	3,816	4,599	-	8,415
<b>Total Expenses</b>	<b>\$ 9,116,181</b>	<b>\$ 968,557</b>	<b>\$ 260,243</b>	<b>\$ 10,344,981</b>	<b>\$ 7,218,702</b>	<b>\$ 793,031</b>	<b>\$ 210,983</b>	<b>\$ 8,222,716</b>

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, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ 491,128	\$ 2,254,050
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	33,187	15,732
Loss on disposal of property and equipment	2,102	-
Change in:		
Accounts receivable - program services	491,250	(403,817)
Unbilled revenue	(108,238)	63,137
Grants receivable	755,024	(337,619)
Prepaid expenses and other current assets	(11,721)	(56,333)
Accounts payable	281,771	121,796
Accrued expenses and other current liabilities	275,355	271,859
Net cash provided by operating activities	<u>2,209,858</u>	<u>1,928,805</u>
<b>Cash Flows from Investing Activities</b>		
Purchases of property and equipment	<u>(60,611)</u>	<u>(57,768)</u>
<b>Net Change in Cash and Cash Equivalents</b>	2,149,247	1,871,037
<b>Cash and Cash Equivalents - Beginning of Year</b>	<u>3,358,541</u>	<u>1,487,504</u>
<b>Cash and Cash Equivalents - End of Year</b>	<u>\$ 5,507,788</u>	<u>\$ 3,358,541</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, 2015 and 2014, 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.

### **Operations**

The statements of activities report the change in unrestricted net assets from operating and nonoperating activities. Operating activities consist of those revenues and expenses related to general programs of the Organization, including annual contributions and grants to support these programs. Nonoperating activities (displayed in other changes in net assets) consist of contributions restricted for long-term purposes (e.g., facilities), and interest and other income.

### **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.

# **BELLWETHER EDUCATION PARTNERS, INC.**

## **NOTES TO FINANCIAL STATEMENTS**

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### **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, 2015 and 2014, 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.

### **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, 2015 and 2014 was \$3,213 and \$12,489, respectively.

# BELLWETHER EDUCATION PARTNERS, INC.

## NOTES TO FINANCIAL STATEMENTS

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### 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.

### Subsequent Events

Management has evaluated events occurring subsequent to August 31, 2015 through December 1, 2015, which represents the date the financial statements were available to be issued, noting no matters that require adjustment in the financial statements.

Subsequent to August 31, 2015, the Organization was awarded a contingent grant for a potential fiscal sponsorship totaling \$4,000,000.

### NOTE 2 - FISCAL SPONSORSHIP

The Organization has a fiscal sponsorship agreement with Deans for Impact. This agreement allows the Organization to receive grant revenue on behalf of Deans for Impact, until their tax-exempt status is approved by the IRS. The Organization administers the grants funded for the activities to Deans for Impact and will provide financial support, from time to time, for the charitable project described in the agreement. The Organization requires regular reporting from Deans for Impact in order to monitor the grant funds and ensure that they are being used for the intended purpose. During the year ended August 31, 2015, \$760,906 was received on behalf of Deans for Impact and the Organization has disbursed \$486,815 as it was received from the grantor.

The Organization remained a fiscal sponsor for Corespring until May 2014, the time that they obtained their 501 (c)(3) status by the IRS. During the years ended August 31, 2015 and 2014, the Organization disbursed \$493,719 and \$1,488,259, respectively, as it was received from the grantor.

### NOTE 3 - CASH AND CASH EQUIVALENTS

Cash and cash equivalents consisted of the following at August 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Checking	\$ 3,753,278	\$ 2,098,165
Savings and money market	1,274,510	1,260,376
Certificate of deposit	480,000	-
Total Cash and Cash Equivalents	<u>\$ 5,507,788</u>	<u>\$ 3,358,541</u>

# BELLWETHER EDUCATION PARTNERS, INC.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at August 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Computer equipment	\$ 143,386	\$ 105,006
Accumulated depreciation	<u>(53,157)</u>	<u>(40,099)</u>
	<u>\$ 90,229</u>	<u>\$ 64,907</u>

Depreciation expense for the years ended August 30, 2015 and 2014 was \$33,187 and \$15,732, respectively.

### NOTE 5 - LEASE COMMITMENTS

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

#### Year Ending August 31

2016	\$ 178,551
2017	183,017
2018	187,572
2019	192,261
2020	197,085
Thereafter	<u>405,677</u>
	<u>\$ 1,344,162</u>

Rent expense, including at-will leases, for the years ended August 31, 2015 and 2014 was \$246,281 and \$85,592, 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, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Grants for Thought Leadership programs	\$ 2,549,576	\$ 1,524,348
Grants held under fiscal sponsorship	<u>-</u>	<u>493,718</u>
Total Temporarily Restricted Net Assets	<u>\$ 2,549,576</u>	<u>\$ 2,018,066</u>

# **BELLWETHER EDUCATION PARTNERS, INC.**

## **NOTES TO FINANCIAL STATEMENTS**

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### **NOTE 7 - SUBSTANTIAL GRANTOR**

During the years ended August 31, 2015 and 2014, one grantor accounted for 37% and 35%, respectively, of grant revenue and 43% and 51%, 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 \$179,817 and \$117,097 for the years ended August 31, 2015 and 2014, respectively, and is included in employee benefits on the statements of functional expense.