



**FINANCIAL STATEMENTS AND  
REPORT OF INDEPENDENT  
CERTIFIED PUBLIC ACCOUNTANTS**

**EDUCATIONAL RESULTS PARTNERSHIP**

**December 31, 2015 and 2014**

# EDUCATIONAL RESULTS PARTNERSHIP

December 31, 2015

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## **REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

### **The Board of Directors Educational Results Partnership**

We have audited the accompanying financial statements of Educational Results Partnership (the Partnership) which comprise the statements of financial position as of December 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 the 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 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 audits to obtain reasonable assurance about whether the financial statements are free of 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 Educational Results Partnership as of December 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.



Sacramento, California

May 13, 2016

# EDUCATIONAL RESULTS PARTNERSHIP

## STATEMENTS OF FINANCIAL POSITION

December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 856,688	\$ 804,529
Accounts receivable	1,120,090	961,695
Due from related party - Note C	23,113	111,913
Prepaid expenses	10,873	18,735
Property and equipment, less accumulated depreciation of \$26,803 and \$19,529	<u>24,072</u>	<u>31,346</u>
<b>TOTAL ASSETS</b>	<u>\$ 2,034,836</u>	<u>\$ 1,928,218</u>
 <b>LIABILITIES AND NET ASSETS</b>		
Accounts payable and accrued expenses	\$ 137,678	\$ 161,921
Deferred rent	<u>4,478</u>	<u>6,107</u>
<b>TOTAL LIABILITIES</b>	142,156	168,028
 <b>NET ASSETS</b>		
Unrestricted	1,892,680	1,559,190
Temporarily restricted - Note E	<u>-</u>	<u>201,000</u>
<b>TOTAL NET ASSETS</b>	<u>1,892,680</u>	<u>1,760,190</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 2,034,836</u>	<u>\$ 1,928,218</u>

See accompanying notes to the financial statements.

# EDUCATIONAL RESULTS PARTNERSHIP

## STATEMENT OF ACTIVITIES

For the Year ended December 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>PUBLIC SUPPORT AND REVENUE</b>			
Contract and grant income	\$ 2,994,993	\$ -	\$ 2,994,993
Contributions	101,000	-	101,000
Miscellaneous	554	-	554
<i>Net assets released from restrictions</i>	<u>201,000</u>	<u>(201,000)</u>	<u>-</u>
<b>TOTAL PUBLIC SUPPORT AND REVENUE</b>	3,297,547	(201,000)	3,096,547
 <b>EXPENSES</b>			
Programs	2,339,532	-	2,339,532
General and administrative	<u>624,525</u>	<u>-</u>	<u>624,525</u>
<b>TOTAL EXPENSES</b>	<u>2,964,057</u>	<u>-</u>	<u>2,964,057</u>
 <b>CHANGE IN NET ASSETS</b>	333,490	(201,000)	132,490
 <b>NET ASSETS AT BEGINNING OF YEAR</b>	<u>1,559,190</u>	<u>201,000</u>	<u>1,760,190</u>
 <b>NET ASSETS AT END OF YEAR</b>	<u>\$ 1,892,680</u>	<u>\$ -</u>	<u>\$ 1,892,680</u>

See accompanying notes to the financial statements.

# EDUCATIONAL RESULTS PARTNERSHIP

## STATEMENT OF ACTIVITIES

For the Year ended December 31, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>PUBLIC SUPPORT AND REVENUE</b>			
Contract and grant income	\$ 2,922,223	\$ 47,800	\$ 2,970,023
Contributions	80,000	-	80,000
Miscellaneous	552	-	552
<i>Net assets released from restrictions</i>	<u>199,090</u>	<u>(199,090)</u>	<u>-</u>
<b>TOTAL PUBLIC SUPPORT AND REVENUE</b>	<b>3,201,865</b>	<b>(151,290)</b>	<b>3,050,575</b>
<b>EXPENSES</b>			
Programs	2,147,821	-	2,147,821
General and administrative	<u>449,385</u>	<u>-</u>	<u>449,385</u>
<b>TOTAL EXPENSES</b>	<u>2,597,206</u>	<u>-</u>	<u>2,597,206</u>
<b>CHANGE IN NET ASSETS</b>	604,659	(151,290)	453,369
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<u>954,531</u>	<u>352,290</u>	<u>1,306,821</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 1,559,190</u>	<u>\$ 201,000</u>	<u>\$ 1,760,190</u>

See accompanying notes to the financial statements.

## EDUCATIONAL RESULTS PARTNERSHIP

### STATEMENTS OF FUNCTIONAL EXPENSES

For the Years Ended December 31, 2015 and 2014

	2015			2014		
	General and			General and		
	<u>Programs</u>	<u>Administrative</u>	<u>Total</u>	<u>Programs</u>	<u>Administrative</u>	<u>Total</u>
Salaries	\$ 1,322,591	\$ 263,788	\$ 1,586,379	\$ 1,132,818	\$ 157,585	\$ 1,290,403
Payroll taxes	90,556	18,797	109,353	77,086	6,268	83,354
Employee benefits	21,101	16,863	37,964	18,463	18,833	37,296
<b>TOTAL SALARIES AND RELATED EXPENSES</b>	1,434,248	299,448	1,733,696	1,228,367	182,686	1,411,053
Program expense	680,862	152,628	833,490	618,110	109,393	727,503
Travel and meetings	152,360	14,275	166,635	104,138	13,860	117,998
Professional services	-	79,550	79,550	-	74,213	74,213
Occupancy	39,492	9,830	49,322	35,170	4,893	40,063
Website and internet	21,598	16,185	37,783	152,246	9,601	161,847
Office expense	1,798	33,055	34,853	1,904	38,110	40,014
Telephone	1,900	11,177	13,077	2,053	10,066	12,119
Insurance	-	8,377	8,377	-	6,563	6,563
Depreciation	7,274	-	7,274	5,833	-	5,833
<b>TOTAL EXPENSES</b>	<b>\$ 2,339,532</b>	<b>\$ 624,525</b>	<b>\$ 2,964,057</b>	<b>\$ 2,147,821</b>	<b>\$ 449,385</b>	<b>\$ 2,597,206</b>

See accompanying notes to the financial statements.



# EDUCATIONAL RESULTS PARTNERSHIP

## STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Increase in net assets	\$ 132,490	\$ 453,369
<i>Adjustments to reconcile increase in net assets to net cash provided by operating activities:</i>		
Depreciation	7,274	5,833
Changes in:		
Accounts receivable	(158,395)	(37,277)
Prepaid expenses	7,862	6,285
Due to/from related party	88,800	28,597
Accounts payable and accrued expenses	(24,243)	80,824
Deferred rent	(1,629)	(1,629)
	<u>(80,331)</u>	<u>82,633</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	52,159	536,002
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Cash paid for purchases of property and equipment	<u>-</u>	<u>(17,883)</u>
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<u>-</u>	<u>(17,883)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	52,159	518,119
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>804,529</u>	<u>286,410</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>\$ 856,688</u>	<u>\$ 804,529</u>

### SUPPLEMENTARY INFORMATION:

No cash was paid for interest or income taxes during the years ended December 31, 2015 and 2014.

See accompanying notes to the financial statements.

# EDUCATIONAL RESULTS PARTNERSHIP

## NOTES TO FINANCIAL STATEMENTS

December 31, 2015

### **NOTE A - ORGANIZATION**

Educational Results Partnership (the Partnership) was formed in 2001 pursuant to the California Nonprofit Corporation Law as a public benefit corporation. The Partnership's mission is to promote measurably improved student achievement in public schools, particularly in high-poverty, urban areas. This mission is accomplished through focused use of internet tools, which align curriculum and assessment, and provide real-time performance data to school teachers and parents. The Partnership is funded primarily through contracts and grants.

### **NOTE B - SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation:** The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The presentation follows the provisions of the Financial Accounting Standards Board of Accounting Standards (FASB) Accounting Standards Codification (ASC) 958. Under FASB ASC 958, the Partnership 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. At December 31, 2015, the Partnerships' net assets consisted of unrestricted net assets and at December 31, 2014, the Partnerships' net assets consisted of temporarily restricted and unrestricted net assets.

**Contributions:** The Partnership records contributions as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires (that is when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

**Fair Value Measurements:** The Partnership adopted FASB ASC 820-10, Fair Value Measurements. ASC 820-10 introduces a framework for measuring fair value and expands required disclosure about fair value measurements of certain assets and liabilities. ASC 820-10 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC 820-10 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value, whereby level 1 uses quoted prices and active markets for identical assets or liabilities when determining fair market value; level 2 uses non active quoted prices for similar assets and liabilities that can be corroborated with market data; and level 3 uses unobservable information with little market data. The Partnership uses the active market approach (level 1) to measure value.

**Cash and Cash Equivalents:** For purposes of the statement of cash flows, the Partnership considers all cash and other highly liquid investments with maturities of three months or less to be cash equivalents.

# EDUCATIONAL RESULTS PARTNERSHIP

## NOTES TO FINANCIAL STATEMENTS - Continued

December 31, 2015

### **NOTE B - SIGNIFICANT ACCOUNTING POLICIES - Continued**

Accounts Receivable: The Partnership considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is considered necessary. If amounts become uncollectible, they will be charged to operations when that determination is made.

Property and Equipment: Equipment is recorded at cost, net of accumulated depreciation. The Partnership's policy is to capitalize such items with a cost of \$250 or more. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives using the straight-line method.

Income Taxes: The Partnership is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code for revenue generated from its exempt purpose activities.

Uncertainty in Income taxes: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Partnership to report information regarding its exposure to various tax positions taken. The Partnership has determined whether any tax positions have met the recognition threshold and have measured the exposure to those tax positions. Management believes that the Partnership has adequately addressed all relevant tax positions and that there are no unrecorded tax liabilities. Federal and state tax authorities generally have the right to examine and audit the previous three years of tax returns filed. Any interest or penalties assessed to the Partnership are recorded in operating expenses. No interest or penalties from federal or state tax authorities were recorded in the accompanying financial statements.

Functional Allocation of Expenses: Expenses that can be identified with a specific program or supporting service are charged directly to the related program or service. Expenses associated with more than one program or supporting service are allocated to functional categories using allocation methods appropriate to the nature of the expense.

Use of Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

### **NOTE C – RELATED PARTY TRANSACTIONS**

The Partnership had related party transactions with California Business for Education Excellence Foundation (the Foundation) a non-profit organization. During 2015 and 2014, the organizations shared employees, office space and other expenses in proportion to employee time spent on distinct work related to each organization. During 2015, the Partnership paid \$196,901 of expenses on behalf of the Foundation to other vendors. At December 31, 2015, the Partnership's balance due from the Foundation was \$23,113. During 2014, the Partnership paid \$239,512 of expenses on behalf of the Foundation to other vendors. At December 31, 2014, the Partnership's balance due from the Foundation was \$111,913.

# EDUCATIONAL RESULTS PARTNERSHIP

## NOTES TO FINANCIAL STATEMENTS - Continued

December 31, 2015

### NOTE D - RETIREMENT PLAN

The Partnership sponsors a retirement plan under Section 401(k) of the Internal Revenue Code. Employees who are 21 years of age and older are eligible to participate in the plan. The plan permits employer discretionary matching and profit sharing contributions to those participants who have completed 6 months of consecutive employment and 1,000 hours of service during the plan year. During 2015 and 2014, the Partnership made contributions of \$0 and \$500 to the plan, respectively.

### NOTE E - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at December 31, 2015 and 2014:

Pritzker Foundation	\$	-	\$	50,000
Walter S. Johnson Foundation		-		50,000
The California Education Policy Fund		-		<u>101,000</u>
			\$	<u><u>201,000</u></u>

### NOTE F - OPERATING LEASE

The Partnership leases its office premises and certain office equipment under the terms of non-cancellable operating leases with various expiration dates through December 2020. The original office lease agreement provided for free rent totaling \$8,550 for the first three months of the lease term. Rental expense under this non-cancellable operating lease is recognized on a straight-line basis over the life of the lease. The Partnership leased additional space in the same office during 2014 with a commencement date of May 15, 2014 and an expiration date of August 31, 2018. The monthly lease payment for the additional space is \$1,500. Total lease expense for the years ended December 31, 2015 and 2014 amounted to \$46,349 and \$41,693, respectively. Deferred rent at December 31, 2015 and 2014 amounted to \$4,478 and \$6,107, respectively.

Future minimum lease payments for all leases at December 31, 2015 are as follows: 2016 - \$55,337, 2017 - \$55,337, 2018 - \$37,937, 2019 - 3,137 and 2020 - 2,614.

### NOTE G - SUBSEQUENT EVENTS

In preparing the financial statements, the Partnership has evaluated events and transactions for potential recognition or disclosure through May 13, 2016 the date that the financial statements were available to be issued.