



**NATIONAL CENTER FOR RESEARCH IN ADVANCED
INFORMATION AND DIGITAL TECHNOLOGIES**

FINANCIAL STATEMENTS

DECEMBER 31, 2015

**NATIONAL CENTER FOR RESEARCH IN ADVANCED INFORMATION
AND DIGITAL TECHNOLOGIES**

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DECEMBER 31, 2015**

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Independent Auditors' Report

To the Board of Directors
National Center for Research in Advanced
Information and Digital Technologies

We have audited the accompanying financial statements of National Center for Research in Advanced Information and Digital Technologies (the Organization), which comprise the statement of financial position as of December 31, 2015, and the related statements of activities, functional expenses, and cash flows for the year 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 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 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 the Organization as of December 31, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.



To the Board of Directors
National Center for Research in Advanced
Information and Digital Technologies

Report on Summarized Comparative Information

We have previously audited the Organization's 2014 financial statements, and we expressed an unmodified audit opinion on those financial statements in our report dated July 16, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Councilor, Buchanan + Mitchell, P.C.

Washington, D.C.
June 17, 2016

Certified Public Accountants

**NATIONAL CENTER FOR RESEARCH IN ADVANCED INFORMATION
AND DIGITAL TECHNOLOGIES**

**STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2015**

(WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2014)

	2015	2014
Assets		
Cash and Cash Equivalents	\$ 5,197,017	\$ 2,758,223
Accounts Receivable	166,514	-
Contributions Receivable (Net of Allowance for Doubtful Accounts of \$5,000 in 2015)	188,750	90,500
Grants Receivable	1,613,517	2,261,150
Due from Digital Promise Global	84,449	21,507
Prepaid Expenses and Other Assets	54,805	14,017
Fixed Assets, Net	469,093	289,062
Total Assets	\$ 7,774,145	\$ 5,434,459
Liabilities and Net Assets		
Liabilities		
Accounts Payable	\$ 228,209	\$ 70,410
Accrued Expenses	65,050	65,845
Deferred Rent	19,493	-
Deferred Revenue	1,864,444	571,253
Total Liabilities	2,177,196	707,508
Net Assets		
Unrestricted	1,022,590	530,521
Unrestricted, Board Designated	114,177	58,947
Total Unrestricted Net Assets	1,136,767	589,468
Temporarily Restricted	4,460,182	4,137,483
Total Net Assets	5,596,949	4,726,951
Total Liabilities and Net Assets	\$ 7,774,145	\$ 5,434,459

See accompanying Notes to Financial Statements.

**NATIONAL CENTER FOR RESEARCH IN ADVANCED INFORMATION
AND DIGITAL TECHNOLOGIES**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2014)**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2015 Total</u>	<u>2014 Total</u>
Revenues and Support				
Contributions	\$ 608,257	\$ 193,750	\$ 802,007	\$ 635,653
Grant Revenue	2,660,939	3,484,489	6,145,428	5,524,963
In-Kind Contributions	10,610,237	-	10,610,237	5,409,243
Professional Services Income	551,488	-	551,488	13,400
Investment and Other Income	71	-	71	4,189
Net Assets Released from Restrictions	<u>3,355,540</u>	<u>(3,355,540)</u>	<u>-</u>	<u>-</u>
Total Revenues and Support	17,786,532	322,699	18,109,231	11,587,448
Expenses				
Program Services	16,564,587	-	16,564,587	8,994,351
Supporting Services				
General and Administrative	566,695	-	566,695	299,677
Fundraising	<u>107,951</u>	<u>-</u>	<u>107,951</u>	<u>20,265</u>
Total Supporting Services	<u>674,646</u>	<u>-</u>	<u>674,646</u>	<u>319,942</u>
Total Expenses	<u>17,239,233</u>	<u>-</u>	<u>17,239,233</u>	<u>9,314,293</u>
Change in Net Assets	547,299	322,699	869,998	2,273,155
Net Assets, Beginning of Year	<u>589,468</u>	<u>4,137,483</u>	<u>4,726,951</u>	<u>2,453,796</u>
Net Assets, End of Year	<u><u>\$ 1,136,767</u></u>	<u><u>\$ 4,460,182</u></u>	<u><u>\$ 5,596,949</u></u>	<u><u>\$ 4,726,951</u></u>

See accompanying Notes to Financial Statements.

**NATIONAL CENTER FOR RESEARCH IN ADVANCED INFORMATION
AND DIGITAL TECHNOLOGIES**

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2015
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2014)**

	League of Innovative Schools	Adult Education	VILS	Research and Markets	Micro Credentials	Education Innovation Clusters	General Programs	Professional Services	Total Programs	General and Administrative	Fundraising	2015 Total	2014 Total
Salaries	\$ 339,899	\$ 216,889	\$ 595,632	\$ 303,968	\$ 388,699	\$ 41,331	\$ 168,532	\$ 71,523	\$ 2,126,473	\$ 178,373	\$ 76,560	\$ 2,381,406	\$ 1,763,154
Payroll Taxes and Benefits	66,364	41,297	112,873	58,424	75,156	7,548	31,674	13,655	406,991	44,150	14,424	465,565	338,632
Consultants	54,292	95,795	242,982	160,622	282,910	69,031	99,895	200,402	1,205,929	8,954	10,000	1,224,883	713,696
Equipment Expense	-	1,496	10,238,523	-	-	-	128	70	10,240,217	25,904	-	10,266,121	5,349,996
Web and Media	-	-	20,129	-	-	-	-	-	20,129	-	-	20,129	26,000
Legal and Professional Fees	-	-	-	-	-	-	468,830	-	468,830	82,735	-	551,565	132,000
Site Payments	-	100,000	500,000	256,110	-	3,695	-	-	859,805	-	-	859,805	200,000
Staff Travel	36,420	23,472	175,270	20,667	30,534	14,545	30,614	31,568	363,090	1,974	925	365,989	214,719
Travel Stipends	36,094	5,647	51,831	21,054	11,244	13,952	8,121	29,928	177,871	10	-	177,881	77,603
Convening Costs -													
Biannual League Meeting	222,000	-	-	-	-	-	-	-	222,000	-	-	222,000	241,061
Other In-Person Convenings	-	10,176	146,029	24,726	19,995	15,884	60	-	216,870	257	-	217,127	56,211
Accounting Services	-	-	-	-	-	-	-	-	-	46,995	-	46,995	34,874
Miscellaneous	139	-	1,712	-	-	151	6,501	-	8,503	2,966	-	11,469	3,871
Dues and Subscriptions	-	-	192	254	200	-	39	10	695	8,785	-	9,480	8,293
Office Supplies	348	2,211	2,107	-	178	901	1,622	-	7,367	19,082	-	26,449	6,489
Taxes and Licenses	-	-	-	-	-	-	25	-	25	475	-	500	1,696
Insurance	-	-	-	-	-	-	-	-	-	15,651	-	15,651	5,690
Uncollected Pledges	-	-	-	-	-	-	-	-	-	71,500	-	71,500	-
Postage and Delivery	36	-	205	-	-	26	43	5	315	744	-	1,059	891
Internet and Telephone	-	-	572	11	-	-	5,000	-	5,583	14,632	-	20,215	12,563
Recruiting Costs	-	-	-	-	455	-	-	-	455	15,748	-	16,203	12,760
Online Administrative Tools	219	50	1,437	3,115	283	-	2,713	687	8,504	13,375	-	21,879	5,218
Registration Fees	-	950	1,756	699	2,742	325	2,379	-	8,851	309	-	9,160	13,110
Office Rent	18,765	11,974	32,884	16,782	21,459	2,282	9,304	3,949	117,399	9,848	4,227	131,474	65,983
Depreciation and Amortization	8,057	5,141	49,854	7,205	21,758	980	3,995	1,695	98,685	4,228	1,815	104,728	29,783
Total Expenses	\$ 782,633	\$ 515,098	\$ 12,173,988	\$ 873,637	\$ 855,613	\$ 170,651	\$ 839,475	\$ 353,492	\$ 16,564,587	\$ 566,695	\$ 107,951	\$ 17,239,233	\$ 9,314,293

See accompanying Notes to Financial Statements.

**NATIONAL CENTER FOR RESEARCH IN ADVANCED INFORMATION
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**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2015
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2014)**

	2015	2014
Cash Flows from Operating Activities		
Change in Net Assets	\$ 869,998	\$ 2,273,155
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities		
Depreciation and Amortization	104,728	29,783
Net Unrealized and Realized Loss on Investments	-	(35)
Change in Operating Assets and Liabilities		
(Increase) Decrease in		
Accounts Receivable	(166,514)	-
Contributions Receivable	(98,250)	9,500
Grants Receivable	647,633	(1,211,150)
Due from Digital Promise Global	(62,942)	(21,507)
Prepaid Expenses and Other Assets	(40,788)	(7,717)
Increase (Decrease) in		
Accounts Payable	157,799	55,267
Accrued Expenses	(795)	46,238
Deferred Rent	19,493	-
Deferred Revenue	1,293,191	571,253
	2,723,553	1,744,787
Cash Flows from Investing Activities		
Proceeds from Redemptions of Certificates of Deposit	-	100,000
Purchases of Fixed Assets	(284,759)	(309,685)
	(284,759)	(209,685)
Net Cash Used in Investing Activities	(284,759)	(209,685)
Net Increase in Cash and Cash Equivalents	2,438,794	1,535,102
Cash and Cash Equivalents, Beginning of Year	2,758,223	1,223,121
	\$ 5,197,017	\$ 2,758,223
Cash and Cash Equivalents, End of Year	\$ 5,197,017	\$ 2,758,223

See accompanying Notes to Financial Statements.

**NATIONAL CENTER FOR RESEARCH IN ADVANCED INFORMATION
AND DIGITAL TECHNOLOGIES**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

1. ORGANIZATION

The National Center for Research in Advanced Information and Digital Technologies (the Organization) was incorporated in April 2011 in the District of Columbia. The Organization is a bipartisan independent nonprofit corporation authorized by Congress to support a comprehensive research and development program to harness the increasing capacity of advanced information and digital technologies to improve all levels of learning and education, formal and informal, in order to provide Americans with the knowledge and skills needed to compete in the global economy.

The Organization's activities are funded primarily through grants and contributions.

The Organization's major programs are:

League of Innovative Schools: national coalition of school districts that fosters collaboration between education leaders and entrepreneurs, researchers, and thought leaders.

Adult Education: working to spur the design and development of digital learning tools that address the unique needs of adult learners.

Verizon Innovative Learning Schools (VILS): partnership with Verizon and middle schools to create innovative learning environments.

Research and Markets: to support the education community in using research to inform decision-making, as well as the design of programs and learning products; including collaboration with researchers to empower stake-holders with tools, resources, and research data, the commissioning and facilitation of research studies to identify challenges and drive change, and, working with education consumers on the demand side and developers on the supply side to better understand opportunities and barriers in the education marketplace.

Micro Credentials: a coalition of educators and partners to develop a micro-credential system that provides teachers with the opportunity to gain recognition for the skills they master throughout their careers.

Education Innovation Clusters: by working together, local communities of practice form a network that is uniquely positioned to design, launch, iterate on and disseminate breakthrough learning practices and tools.

General Programs: beyond specific initiatives, the Organization works to accelerate the pace of innovation and broadly share stories of excellence in the American education system.

Professional Services: the Organization provides fee-for-service work in the areas of leadership, coaching, development, professional learning, storytelling, and other areas.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements are presented on the accrual basis of accounting. Consequently, revenue is recognized when earned and expenses when incurred.

NATIONAL CENTER FOR RESEARCH IN ADVANCED INFORMATION
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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

The Organization considers demand deposits, money market funds, and investments with an original maturity of three months or less, when purchased, to be cash and cash equivalents.

Accounts Receivable

Accounts receivable consists of amounts due for professional services that have not been collected as of year-end. At December 31, 2015, all accounts receivable are assumed to be collectible; therefore, no allowance for doubtful accounts is deemed necessary.

Contributions Receivable

Unconditional promises to give that have not been collected as of year-end are recorded as contributions receivable in the accompanying statement of financial position. All contributions receivable are expected to be collected in less than one year and are reported at net realizable value. Allowances are established for receivables that are delinquent and considered uncollectible by management based on periodic reviews.

Grants Receivable

Grants receivable are due in less than one year and are recorded at their net realizable value. Reserves are established for receivables that are delinquent and considered uncollectible based on periodic reviews by management. At December 31, 2015, all grants receivable are assumed to be collectible; therefore, no allowance for doubtful accounts is deemed necessary.

Fixed Assets

The Organization capitalizes all fixed asset acquisitions of \$2,500 and above. Fixed assets are stated at cost and are depreciated using the straight-line method over estimated useful lives of three to five years, with no salvage value. Direct costs incurred during the application stage of the development of the Organization's website are capitalized and amortized over the estimated useful life of three years. Maintenance and repairs, including planned major maintenance activities, are charged to expense when incurred; major renewals and betterments are capitalized. Donated fixed assets are recorded at fair market value at the date of donation.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statement of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited.

Deferred Revenue

Amounts received under agreements for work to be performed after year end have been accounted for as deferred revenue.

NATIONAL CENTER FOR RESEARCH IN ADVANCED INFORMATION
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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In-Kind Contributions

Donated materials, services and use of facilities are recorded at fair value when an unconditional commitment is received and are recognized as in-kind contributions as revenue and expense in the accompanying financial statements. Contributions of services are recognized when services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The value of such services is recorded based on the estimated fair value of services provided and is classified as in-kind contributions revenue and expense applicable to programs and supporting services that are directly benefited.

Revenue Recognition

The Organization reports contributions and grants as unrestricted and available for general operations, unless specifically restricted by the donor. If such contributions and grants are received with donor stipulations that limit the use of the donated funds for a particular purpose or for a specific period of time, they are reported as temporarily restricted. When the stipulated time restriction ends or the purpose of the restriction is met, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions and grants that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized.

Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code) and has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Code. The Organization is exempt from the payment of taxes on income other than net unrelated business income. No provision for federal or state income taxes is required as of December 31, 2015, for net unrelated business income.

Accounting for Uncertain Tax Positions

The Organization requires that a tax position be recognized or derecognized based on a “more-likely-than-not” threshold. This applies to positions taken or expected to be taken in a tax return. The Organization does not believe its financial statements include, or reflect, any uncertain tax positions. The Organization’s Form 990 is generally subject to examination by the taxing authorities for three years after filing.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

**NATIONAL CENTER FOR RESEARCH IN ADVANCED INFORMATION
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**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Prior Year Information

The financial statements include certain prior year summarized comparative totals as of and for the year ended December 31, 2014. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the financial statements for the year ended December 31, 2014, from which the summarized information was derived.

Reclassifications

Certain 2014 financial statements amounts have been reclassified for comparative purposes.

3. CONCENTRATIONS

The Organization maintains cash balances at financial institutions in the Washington, D.C., metropolitan area. The accounts at these institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to certain limits. At times during the year, the Organization's cash balance exceeded the FDIC insurance amount. Management believes the risk in these situations to be minimal.

As of December 31, 2015, approximately 79% of contribution and grants receivable were due from two donors, and approximately 69% of revenue for the year ended December 31, 2015, was from one donor.

4. EMPLOYEE BENEFIT PLAN

The Organization offers a 401(k) retirement plan (the Plan) to their employees. The Organization makes a 3% non-elective safe harbor contribution for each employee upon becoming eligible for the Plan. For the year ended December 31, 2015, the Organization made a contribution to the Plan on behalf of its employees of approximately \$72,000, which is included in payroll taxes and benefits in the accompanying statement of functional expenses.

5. LINE OF CREDIT

The Organization has a line of credit for \$200,000 with a bank. It is secured by one of the Organization's bank accounts and has an interest rate of 2.1 percentage points over the lender's prime rate. The line of credit expires May 20, 2017. There were no borrowings on this line of credit during the year ended December 31, 2015.

**NATIONAL CENTER FOR RESEARCH IN ADVANCED INFORMATION
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**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

6. FIXED ASSETS

Fixed assets consisted of the following at December 31, 2015:

Equipment	\$ 6,309
Furniture	5,068
Website	<u>594,445</u>
	605,822
Less Accumulated Depreciation and Amortization	<u>(136,729)</u>
Fixed Assets, Net	<u>\$ 469,093</u>

7. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets were available for the following purposes as of December 31, 2015:

League of Innovative Schools	\$ 141,507
Adult Education	615,209
Research and Markets	1,224,477
Professional Educator Micro Credentials	1,825,105
Education Innovation Clusters	460,134
Time Restricted	<u>193,750</u>
Total Temporarily Restricted Net Assets	<u>\$ 4,460,182</u>

Amounts released from temporarily restricted net assets during the year ended December 31, 2015, were:

League of Innovative Schools	\$ 617,183
Adult Education	528,192
Research and Markets	838,463
Professional Educator Micro Credentials	1,114,121
Education Innovation Clusters	170,081
Time Restricted	<u>87,500</u>
Total Amounts Released from Restrictions	<u>\$ 3,355,540</u>

8. BOARD DESIGNATED NET ASSETS

In 2014, the Organization's Board of Directors adopted a policy of setting aside as a reserve fund, 10% of unrestricted net assets. As of December 31, 2015, approximately \$114,000 has been set aside for this purpose.

9. RELATED PARTY TRANSACTIONS

The Organization has agreements with a related party, Digital Promise Global (DPG), to provide administrative services and to purchase required consulting services. The Organization charged DPG approximately \$169,000 for administrative services and paid DPG approximately \$65,000 for consulting services rendered during the year ended December 31, 2015, under these agreements.

**NATIONAL CENTER FOR RESEARCH IN ADVANCED INFORMATION
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**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

10. OPERATING LEASES

In 2015, the Organization entered into a non-cancelable lease for office space for the term May 1, 2015 through July 31, 2018. The lease provides for annual rent escalations, the payment of operating expenses, and a period of free rent. The difference between the total rent recognized evenly over the lease term and the cash payments required under the lease has been accounted for as deferred rent in the accompanying statement of financial position. In August 2015, the Organization entered into a non-cancelable lease for office space at a second location for the term August 15, 2015 through December 31, 2016.

Future minimum lease payments under the leases are as follows:

For the Years Ending December 31,

2016	\$ 179,515
2017	92,201
2018	<u>55,009</u>
Total	<u>\$ 326,725</u>

11. COMMITMENTS

The Organization has entered into contracts with facilities in connection with future meetings and conferences. In the event of cancellation by the Organization or if attendance is less than agreed-upon minimum levels, the Organization would be responsible for certain fees. Management does not anticipate cancellation of these events or attendance below minimum levels.

12. IN-KIND CONTRIBUTIONS

The Organization received tablets and data plan services valued at approximately \$10,059,000 pursuant to a grant under its Verizon Innovative Learning Schools program in the year ended December 31, 2015.

The Organization received donated legal services valued at approximately \$552,000 for the year ended December 31, 2015. Such amounts are recognized as in-kind contributions and have been allocated among General Program and General and Administrative expenses.

13. SUBSEQUENT EVENTS

Subsequent events were evaluated through June 17, 2016, which is the date the financial statements were available to be issued.