



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

**SINGLE AUDIT FINANCIAL REPORT
UNDER UNIFORM GUIDANCE**

DECEMBER 31, 2018

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

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DECEMBER 31, 2018**

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Independent Auditors' Report

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

Report on the Financial Statements

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, 2018, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 National Center for Research in Advanced Information and Digital Technologies as of December 31, 2018, 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.

Emphasis of Matter

As discussed in Note 3 of the financial statements, the Organization adopted the Financial Accounting Standards Board's (FASB) Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The requirements of the ASU have been applied retrospectively to all periods presented. Our opinion is not modified with respect to this matter.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 19, 2019, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We have previously audited the Organization's 2017 financial statements, and we expressed an unmodified audit opinion on those financial statements in our report dated June 21, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, 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 19, 2019

Certified Public Accountants

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

**STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018**
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2017)

| Assets | 2018 | 2017 |
|---|----------------------|----------------------|
| Cash and Cash Equivalents | \$ 4,607,555 | \$ 7,880,598 |
| Investments | 8,244,285 | 6,916,418 |
| Accounts Receivable (Net of Allowance for Doubtful Accounts of Approximately \$74,000 and \$12,000 in 2018 and 2017, Respectively) | 1,239,657 | 338,646 |
| Contributions Receivable (Net of Allowance for Uncollectible Contributions of Approximately \$13,000 and \$76,000 in 2018 and 2017, Respectively) | 220,000 | 218,750 |
| Unbilled Receivables | 266,006 | 303,710 |
| Grants Receivable | 1,936,139 | 683,300 |
| Federal Awards Receivable | 296,679 | 23,097 |
| Due from Digital Promise Global | 359,952 | 392,473 |
| Prepaid Expenses and Other Assets | 764,128 | 85,797 |
| Fixed Assets, Net | 295,323 | 491,805 |
| Total Assets | \$ 18,229,724 | \$ 17,334,594 |
| Liabilities and Net Assets | | |
| Liabilities | | |
| Accounts Payable | \$ 480,310 | \$ 954,641 |
| Accrued Expenses | 230,801 | 189,806 |
| Due to Digital Promise Global | 266,013 | 56,246 |
| Deferred Rent | 47,816 | 5,957 |
| Deferred Revenue | 7,737,179 | 7,575,392 |
| Total Liabilities | 8,762,119 | 8,782,042 |
| Net Assets | | |
| Without Donor Restrictions | 3,562,745 | 2,363,810 |
| With Donor Restrictions | 5,904,860 | 6,188,742 |
| Total Net Assets | 9,467,605 | 8,552,552 |
| Total Liabilities and Net Assets | \$ 18,229,724 | \$ 17,334,594 |

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, 2018
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2017)**

| | Without Donor Restrictions | With Donor Restrictions | 2018 Total | 2017 Total |
|--|-------------------------------|----------------------------|----------------------------|----------------------------|
| Revenues and Support | | | | |
| Contributions | \$ 455,750 | \$ 207,500 | \$ 663,250 | \$ 936,531 |
| Federal Award Income | 3,182,053 | - | 3,182,053 | 274,676 |
| Grant Revenue | 8,149,060 | 8,676,543 | 16,825,603 | 18,163,992 |
| In-Kind Contributions | 32,480,411 | - | 32,480,411 | 30,042,554 |
| Educational Services Income | 1,534,696 | - | 1,534,696 | 1,239,723 |
| Investment and Other Income | 240,730 | - | 240,730 | 95,431 |
| Net Assets Released from Restrictions | <u>9,167,925</u> | <u>(9,167,925)</u> | <u>-</u> | <u>-</u> |
| Total Revenues and Support | 55,210,625 | (283,882) | 54,926,743 | 50,752,907 |
| Expenses | | | | |
| Program Services | 52,797,324 | - | 52,797,324 | 47,757,141 |
| Supporting Services | | | | |
| General and Administrative | 1,134,599 | - | 1,134,599 | 1,213,157 |
| Fundraising | <u>79,767</u> | <u>-</u> | <u>79,767</u> | <u>53,112</u> |
| Total Supporting Services | <u>1,214,366</u> | <u>-</u> | <u>1,214,366</u> | <u>1,266,269</u> |
| Total Expenses | <u>54,011,690</u> | <u>-</u> | <u>54,011,690</u> | <u>49,023,410</u> |
| Change in Net Assets | 1,198,935 | (283,882) | 915,053 | 1,729,497 |
| Net Assets, Beginning of Year | <u>2,363,810</u> | <u>6,188,742</u> | <u>8,552,552</u> | <u>6,823,055</u> |
| Net Assets, End of Year | <u>\$ 3,562,745</u> | <u>\$ 5,904,860</u> | <u>\$ 9,467,605</u> | <u>\$ 8,552,552</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, 2018**
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2017)

| | Learning Experience Design | Learning Sciences Research | Research in Action | Networks | Total Program Services | General and Administrative | Fundraising | 2018 Total | 2017 Total |
|---------------------------------------|----------------------------------|-------------------------------|-----------------------|----------------------|---------------------------|-------------------------------|------------------|----------------------|----------------------|
| Salaries | \$ 1,559,283 | \$ 43,638 | \$ 691,566 | \$ 2,514,927 | \$ 4,809,414 | \$ 452,936 | \$ 58,447 | \$ 5,320,797 | \$ 4,556,405 |
| Payroll Taxes and Benefits | 303,446 | 7,751 | 135,573 | 491,163 | 937,933 | 136,007 | 11,446 | 1,085,386 | 870,144 |
| Consultants | 1,599,031 | 15,910 | 27,455 | 1,795,233 | 3,437,629 | 83,854 | - | 3,521,483 | 2,738,073 |
| Equipment Expense | - | - | - | 32,256,787 | 32,256,787 | - | - | 32,256,787 | 29,471,970 |
| Web and Media | 45,850 | - | 35,075 | 32,217 | 113,142 | 4,570 | - | 117,712 | 76,736 |
| Legal and Professional Fees | - | - | - | 205,679 | 205,679 | 87,536 | - | 293,215 | 543,722 |
| Site Payments | 1,941,790 | 36,000 | - | 1,754,000 | 3,731,790 | - | - | 3,731,790 | 5,853,700 |
| Staff Travel | 164,211 | 11,428 | 43,248 | 397,613 | 616,500 | 11,824 | 2,949 | 631,273 | 603,514 |
| Travel Stipends | 200,249 | 7,737 | 3,316 | 249,427 | 460,729 | - | - | 460,729 | 356,485 |
| Convening Costs - Biannual Leag | - | - | - | 225,064 | 225,064 | - | - | 225,064 | 168,868 |
| Other in-Person Convenings | 431,966 | 7,661 | 3,044 | 376,428 | 819,099 | 4,058 | 50 | 823,207 | 599,990 |
| Production/Dissemination | 162,294 | 550 | 51,275 | 97,334 | 311,453 | 2,948 | - | 314,401 | 438,759 |
| Accounting Services | - | - | - | - | - | 60,376 | - | 60,376 | 51,580 |
| Office Supplies | 10,357 | 11 | 1,876 | 17,153 | 29,397 | 12,712 | - | 42,109 | 65,096 |
| Taxes, Licenses, and Miscellaneous | 40 | - | - | 43 | 83 | 1,574 | - | 1,657 | 7,361 |
| Insurance | - | - | - | - | - | 13,247 | - | 13,247 | 14,675 |
| Bad Debt Expense | - | - | - | - | - | 20,000 | - | 20,000 | 315,000 |
| Postage and Delivery and Shipping | 4,395 | - | 584 | 3,381 | 8,360 | 2,125 | - | 10,485 | 9,055 |
| Office Phone/Internet/Web | 20 | - | - | 20 | 40 | 5,526 | - | 5,566 | 8,023 |
| Non-Capital Office Equipment | 16,855 | - | - | 883,065 | 899,920 | 62,489 | - | 962,409 | 917,514 |
| Recruiting Costs | - | - | 202 | 158 | 360 | 41,614 | - | 41,974 | 66,390 |
| Dues, Subscriptions, and Licenses | 7,740 | 265 | 35,287 | 74,527 | 117,819 | 79,764 | 355 | 197,938 | 125,484 |
| Registration Fees | 15,416 | - | 3,899 | 12,025 | 31,340 | 913 | - | 32,253 | 27,089 |
| Office Rent | 82,910 | 2,320 | 36,772 | 133,724 | 255,726 | 24,084 | 3,108 | 282,918 | 186,382 |
| Subaward and Grant Expense | - | - | 3,247,851 | - | 3,247,851 | - | - | 3,247,851 | 751,578 |
| Depreciation and Amortization Expense | 91,034 | 2,548 | 40,375 | 146,826 | 280,783 | 26,442 | 3,412 | 310,637 | 199,625 |
| Unallowable Costs | 97 | - | 329 | - | 426 | - | - | 426 | 192 |
| Total Expenses | \$ 6,636,984 | \$ 135,819 | \$ 4,357,727 | \$ 41,666,794 | \$ 52,797,324 | \$ 1,134,599 | \$ 79,767 | \$ 54,011,690 | \$ 49,023,410 |

See accompanying Notes to Financial Statements.

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

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2017)**

| | 2018 | 2017 |
|--|----------------------------|----------------------------|
| Cash Flows from Operating Activities | | |
| Change in Net Assets | \$ 915,053 | \$ 1,729,497 |
| Adjustments to Reconcile Change in Net Assets to Net Cash (Used in) Provided by Operating Activities | | |
| Depreciation and Amortization | 310,637 | 199,625 |
| Gain on Investments | (229,325) | (92,682) |
| Change in Operating Assets and Liabilities | | |
| (Increase) Decrease in Accounts Receivable | (901,011) | (152,082) |
| Contributions Receivable | (1,250) | (37,500) |
| Unbilled Receivables | 37,704 | (221,021) |
| Grants Receivable | (1,252,839) | 1,248,700 |
| Federal Awards Receivable | (273,582) | (23,097) |
| Due from/to Digital Promise Global | 242,288 | (63,470) |
| Prepaid Expenses and Other Assets | (678,331) | 3,365 |
| Increase (Decrease) in Accounts Payable | (474,331) | 871,994 |
| Accrued Expenses | 40,995 | 44,404 |
| Deferred Rent | 41,859 | (8,111) |
| Deferred Revenue | <u>161,787</u> | <u>1,214,971</u> |
| Net Cash (Used in) Provided by Operating Activities | <u>(2,060,346)</u> | <u>4,714,593</u> |
| Cash Flows from Investing Activities | | |
| Proceeds from Sales of Investments | 28,751,998 | 35,383,729 |
| Purchases of Investments | (29,850,540) | (42,207,465) |
| Purchases of Fixed Assets | <u>(114,155)</u> | <u>(281,611)</u> |
| Net Cash Used in Investing Activities | <u>(1,212,697)</u> | <u>(7,105,347)</u> |
| Net Decrease in Cash and Cash Equivalents | (3,273,043) | (2,390,754) |
| Cash and Cash Equivalents, Beginning of Year | <u>7,880,598</u> | <u>10,271,352</u> |
| Cash and Cash Equivalents, End of Year | <u>\$ 4,607,555</u> | <u>\$ 7,880,598</u> |

See accompanying Notes to Financial Statements.

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

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

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:

Learning Experience Design: Learning Experience Design is a portfolio of projects that engage with schools and educators to transform learning experiences and to empower the next generation of creators and change makers. Through vital partnerships with schools, researchers, companies, and peer organizations, the Organization publishes resources for practitioners and advocate for powerful learning experiences.

Learning Sciences Research: Learning Sciences Research focuses on the why, what, and how of learning, in and out of school. By partnering with educators to study and design new learning approaches, resources, and policies, the Organization makes learning better.

Research in Action: Research in Action works to transform the relationship between education research and practice by publishing innovative content, infused with the latest learning sciences research, that helps education stakeholders understand how people learn. The Organization also advocates for a research agenda that responds to the greatest needs faced by schools and districts.

Networks: Through the power of people-driven networks, the Organization takes on big challenges in education by understanding what educators face each day, and how technology and the latest learning sciences research can help meet those challenges. Connecting, convening, and collaborating with the most innovative educators and leaders on shared (and difficult) goals helps the Organization move from vision to reality.

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.

Cash and Cash Equivalents

The Organization considers demand deposits, money market funds, and investments with an original maturity of three months or less from the statement of financial position date, to be cash and cash equivalents.

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

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

Investments consist of short-term brokered certificates of deposit, carried at fair market value based on broker quotes using readily available pricing sources for comparable investments.

Accounts Receivable

Accounts receivable consists of amounts due for professional services that have not been collected as of year-end. Allowances are established for receivables that are delinquent and considered uncollectible by management based on periodic reviews.

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, 2018, 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 \$5,000 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. These expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries, payroll taxes and benefits, occupancy, depreciation, and amortization. These expenses are allocated on the basis of estimates of time and effort by employees. Expenses directly identifiable to specific programs and supporting activities are presented accordingly.

**NATIONAL CENTER FOR RESEARCH IN ADVANCED INFORMATION
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**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Revenue

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

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 without donor restrictions 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 net assets with donor restrictions. When the stipulated time restriction ends or the purpose of the restriction is met, net assets with donor restrictions reclassified to net assets without donor restrictions 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 net assets without donor restrictions 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.

Federal Award Income

Revenue from federal grants is recognized on a cost reimbursement basis to the extent of allowable costs.

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, 2018, for net unrelated business income.

**NATIONAL CENTER FOR RESEARCH IN ADVANCED INFORMATION
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**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

New Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in (Topic 840), *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. The new standard is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Earlier application is permitted. Management has not evaluated the impact of this ASU on its financial statements.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. The ASU is required for annual reporting periods beginning after December 15, 2018, but may be early adopted. Management has not evaluated the impact of this ASU on its financial statements.

In June 2018, the Financial Accounting Standards Board (FASB) issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU provides additional guidance in (1) evaluating whether transactions should be accounted for as contributions (within the scope of ASC 958) or as exchange (reciprocal) transactions (subject to ASC 606); and (2) distinguishing between conditional and unconditional contributions. The ASU may be adopted using either a retrospective or modified prospective basis. The ASU is required for annual reporting periods beginning after December 15, 2018, but may be early adopted. Management has not evaluated the impact of this ASU on its financial statements.

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, 2018**

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, 2017. 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, 2017, from which the summarized information was derived.

Reclassifications

Certain 2017 financial statements amounts have been reclassified for comparative purposes.

3. ADOPTION OF ACCOUNTING STANDARDS UPDATE 2016-14

For the year ended December 31, 2018, the Organization adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This update addresses the complexity and understandability of net asset classification and provides information about liquidity and availability of resources. The changes required by the update have been applied retrospectively to all periods presented. A key change under ASU 2016-14 is the terminology of net asset classes used in these financial statements. Amounts previously reported as temporarily and permanently restricted net assets, if applicable, are now reported as net assets with donor restrictions. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions. Additionally, ASU 2016-14 requires a presentation of expenses on a functional basis.

4. LIQUIDITY AND AVAILABLE RESOURCES

The Organization's cash flows have seasonal variations due to the timing of grants, contributions, program revenues, and vendor payments. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. As part of its liquidity management, the Organization invests cash in excess of expected requirements in short-term certificates of deposit. Although the Organization does not intend to use these certificates of deposit in the short-term, they are available for use to meet cash needs for general expenditures. The Organization maintains the certificates with separate banks to limit their exposure to cash in excess of FDIC insured limits.

**NATIONAL CENTER FOR RESEARCH IN ADVANCED INFORMATION
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**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

4. LIQUIDITY AND AVAILABLE RESOURCES (CONTINUED)

As of December 31, 2018, the following financial assets and liquidity sources are available for general operating expenditures in the year ending December 31, 2019:

| | |
|---|----------------------|
| Cash and Cash Equivalents | \$ 4,607,555 |
| Investments Available for Operating Purposes | 8,244,285 |
| Accounts Receivable | 1,239,657 |
| Contributions Receivable | 220,000 |
| Unbilled Receivable | 266,006 |
| Grants Receivable | 1,936,139 |
| Federal Awards Receivable | 296,679 |
| Due from Digital Promise Global | 359,952 |
| Less Amounts Restricted by Donors for Purpose | (5,697,360) |
| Less Board Designated Funds | <u>(356,275)</u> |
| Total Financial Assets and Liquidity Resources Available for General Expenditure | <u>\$ 11,116,639</u> |

In 2014, the Board of Directors adopted a policy of setting aside 10% of net assets without donor restrictions as a reserve fund. As of December 31, 2018, approximately \$356,000 has been designated for this purpose.

5. 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, 2018, approximately 59% of accounts, contributions, unbilled, and grants receivable were due from three donors, and approximately 73% of revenue for the year ended December 31, 2018, was from one donor.

6. FIXED ASSETS

Fixed assets consisted of the following at December 31, 2018:

| | |
|--|-------------------|
| Furniture | \$ 26,343 |
| Website | <u>1,086,961</u> |
| | 1,113,304 |
| Less Accumulated Depreciation and Amortization | <u>(817,981)</u> |
| Fixed Assets, Net | <u>\$ 295,323</u> |

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**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

7. FAIR VALUE MEASUREMENTS

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels as follows:

Level 1 - inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets (examples include equity securities);

Level 2 - inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability other than quoted prices, either directly or indirectly, including inputs in markets that are not considered to be active (examples include corporate or municipal bonds);

Level 3 - inputs to the valuation methodology are unobservable and significant to the fair value measurement. The inputs to the determination of fair value require significant management judgment (examples include certain private equity securities).

The following presents investments carried at fair value as of December 31, 2018:

| | Quoted Prices in Active Markets for Identical Assets | Significant Other Observable Inputs | Significant Unobservable Inputs |
|-------------------------|--|--|---------------------------------------|
| | Fair Value (Level 1) | (Level 2) | (Level 3) |
| Certificates of Deposit | \$ 8,244,285 | \$ - | \$ - |

8. EMPLOYEE BENEFIT PLAN

The Organization is a member of a multiple-employer 401(k) retirement plan (the Plan). Employees are eligible once they meet certain age and service requirements. For the year ended December 31, 2018, the Organization made 3% non-elective safe harbor contributions to the Plan on behalf of its employees of approximately \$143,000, which is included in payroll taxes and benefits in the accompanying statement of functional expenses.

9. CONTINGENCY FOR FEDERAL AWARD INCOME

The Organization receives revenues from federal government grants, contracts, and sub-awards, and recognizes federal award income as amounts are earned. The ultimate determination of amounts received under these programs is generally based upon allowable costs, which are subject to audit. Management believes that adjustments, if any, arising from such audits, will not have a material effect on the financial statements.

10. RELATED PARTY TRANSACTIONS

The Organization has agreements with a related party, Digital Promise Global (DPG), to provide administrative and other services and to purchase required consulting services. The Organization charged DPG approximately \$869,000 for administrative and other services and was charged by DPG approximately \$850,000 for consulting services rendered during the year ended December 31, 2018, under these agreements.

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

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

11. IN-KIND CONTRIBUTIONS

The Organization received tablets valued at approximately \$10,132,000 and data plan services valued at approximately \$22,125,000 pursuant to a grant under its Verizon Innovative Learning Schools program (Networks) in the year ended December 31, 2018.

The Organization received donated legal and other professional services valued at approximately \$224,000 for the year ended December 31, 2018. Such amounts are recognized as in-kind contributions and have been allocated among Networks (\$206,000) and General and Administrative (\$18,000) expenses.

12. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were available for the following purposes as of December 31, 2018:

| | |
|--|-------------------------|
| Learning Experience Design | \$ 1,620,163 |
| Learning Sciences Research | 518,029 |
| Research in Action | 2,088,382 |
| Networks | 1,470,786 |
| Time Restricted | <u>207,500</u> |
| Total Net Assets With Donor Restrictions | <u>\$ 5,904,860</u> |

Amounts released from net assets with donor restrictions during the year ended December 31, 2018, were:

| | |
|--|-------------------------|
| Learning Experience Design | \$ 6,732,143 |
| Learning Sciences Research | 131,971 |
| Research in Action | 1,101,886 |
| Networks | 906,925 |
| Time Restricted | <u>295,000</u> |
| Total Amounts Released from Restrictions | <u>\$ 9,167,925</u> |

13. OPERATING LEASES

In 2015, the Organization entered into a non-cancelable lease for office space through July 31, 2018. In November 2017, the Organization signed an amendment with the landlord for other office space in the same building. The amendment extends for 70 months starting February 2018, when the Organization relocated to the new space. This amendment 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.

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

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

13. OPERATING LEASES (CONTINUED)

Future minimum lease payments under the lease and amendment are as follows:

For the Years Ending December 31,

| | |
|-------|-------------------|
| 2019 | \$ 143,334 |
| 2020 | 176,810 |
| 2021 | 181,672 |
| 2022 | 186,668 |
| 2023 | 175,782 |
| Total | <u>\$ 864,266</u> |

14. SUBSEQUENT EVENTS

Subsequent events were evaluated through June 19, 2019, which is the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

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

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2018**

| Federal Grantor/Pass-Through Grantor/Program Title | Federal CFDA Number | Pass-Through Grantor and Identifying Number | Expenditures to Subrecipients | Disbursements/ Expenditures |
|---|---------------------------|---|----------------------------------|--------------------------------|
| Research and Development Cluster | | | | |
| National Science Foundation | | | | |
| Computer and Information Science and Engineering | 47.070 | Digital Promise Global 1813280 | \$ _____ - | \$ 13,643 |
| Total National Science Foundation | | | - | 13,643 |
| U.S. Department of Education | | | | |
| Education Innovation and Research [formerly Investing in Innovation (i3) Fund] | 84.411 | Direct | 2,747,851 | 3,131,840 |
| STEM Learning Spotlights | 84.Unknown | Direct, 91990118P0019 | _____ - | 36,570 |
| Total Department of Education | | | 2,747,851 | 3,168,410 |
| Total Research and Development Cluster | | | 2,747,851 | 3,182,053 |
| Total Federal Expenditures | | | <u>\$ 2,747,851</u> | <u>\$ 3,182,053</u> |

See accompanying Notes to Schedule of Expenditures of Federal Awards.

**NATIONAL CENTER FOR RESEARCH IN ADVANCED INFORMATION
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**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
DECEMBER 31, 2018**

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of National Center for Research in Advanced Information and Digital Technologies, under programs of the federal government for the year ended December 31, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of National Center for Research in Advanced Information and Digital Technologies, it is not intended to and does not present the financial position, changes in net assets, or cash flows of National Center for Research in Advanced Information and Digital Technologies.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursements.

3. INDIRECT COST RATES

The Organization has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance. Instead, the Organization uses its negotiated cost rate agreement of 26.9% with the U.S. Department Education.



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**Independent Auditors' Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed
in Accordance with *Government Auditing Standards***

Board of Directors
National Center for Research in Advanced
Information and Digital Technologies
Washington, D.C.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of National Center for Research in Advanced Information and Digital Technologies, which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 19, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered National Center for Research in Advanced Information and Digital Technologies' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of National Center for Research in Advanced Information and Digital Technologies' internal control. Accordingly, we do not express an opinion on the effectiveness of National Center for Research in Advanced Information and Digital Technologies' internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Organization's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether National Center for Research in Advanced Information and Digital Technologies' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination

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

Compliance and Other Matters (Continued)

of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Councilor, Buchanan + Mitchell, P.C.

Washington, D.C.
June 19, 2019

Certified Public Accountants



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Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance

Board of Directors
National Center for Research in Advanced Information and Digital Technologies
Washington, D.C.

Report on Compliance for Each Major Federal Program

We have audited National Center for Research in Advanced Information and Digital Technologies' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of National Center for Research in Advanced Information and Digital Technologies' major federal programs for the year ended December 31, 2018. National Center for Research in Advanced Information and Digital Technologies' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of National Center for Research in Advanced Information and Digital Technologies' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about National Center for Research in Advanced Information and Digital Technologies' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of National Center for Research in Advanced Information and Digital Technologies' compliance.

Opinion on Each Major Federal Program

In our opinion, National Center for Research in Advanced Information and Digital Technologies complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2018.

Report on Internal Control over Compliance

Management of National Center for Research in Advanced Information and Digital Technologies, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of National Center for Research in Advanced Information and Digital Technologies' internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Councilor, Buchanan + Mitchell, P.C.

Washington, D.C.
June 19, 2019

Certified Public Accountants

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

Section I - Summary of Auditors' Results

Financial Statements

| | |
|---|---------------|
| Type of auditors' report issued: | Unmodified |
| Internal control over financial reporting: | |
| Material weakness(es) identified? | No |
| Significant deficiency(ies) identified that are not considered to be material weakness(es)? | None reported |
| Noncompliance material to financial statements noted? | No |

Federal Awards

| | |
|---|---------------|
| Internal control over major programs: | |
| Material weakness(es) identified? | No |
| Significant deficiency(ies) identified that are not considered to be material weakness(es)? | None reported |

Type of auditors' report issued on compliance for major programs:

| <u>CFDA Number</u> | <u>Name of Federal Program or Cluster</u> | |
|--------------------|---|------------|
| 47.070 | Research and Development Cluster Computer and Information Science and Engineering | Unmodified |
| 84.411 | Education Innovation and Research [formerly Investing in Innovation (i3) Fund] | Unmodified |
| 84.Unknown | STEM Learning Spotlights | Unmodified |

Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)?

Identification of major programs:

| <u>CFDA Number</u> | <u>Name of Federal Program or Cluster</u> |
|--------------------|---|
| 47.070 | Research and Development Cluster Computer and Information Science and Engineering |
| 84.411 | Education Innovation and Research [formerly Investing in Innovation (i3) Fund] |
| 84.Unknown | STEM Learning Spotlights |

Dollar threshold used to distinguish between Type A and Type B programs:

Auditee qualified as low-risk auditee?

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

Section II - Financial Statement Findings

None were reported.

Section III - Federal Award Findings and Questioned Costs

None were reported.