



DIGITAL PROMISE GLOBAL

FINANCIAL STATEMENTS

DECEMBER 31, 2016

DIGITAL PROMISE GLOBAL

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Independent Auditors' Report

To the Board of Directors
Digital Promise Global
Washington, D.C.

We have audited the accompanying financial statements of Digital Promise Global (the Organization), which comprise the statement of financial position as of December 31, 2016, 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 Digital Promise Global as of December 31, 2016, 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
Digital Promise Global

Report on Summarized Comparative Information

We have previously audited the Organization's 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 24, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, 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.
July 26, 2017

Certified Public Accountants

DIGITAL PROMISE GLOBAL

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2016

(WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2015)

	<u>2016</u>	<u>2015</u>
Assets		
Cash	\$ 1,330,299	\$ 966,548
Accounts Receivable	215,000	-
Grants Receivable	627,192	627,192
Prepaid Expenses	33,827	-
Fixed Assets, Net	<u>20,199</u>	<u>-</u>
Total Assets	<u>\$ 2,226,517</u>	<u>\$ 1,593,740</u>
Liabilities and Net Assets		
Liabilities		
Accounts Payable	\$ 49,276	\$ -
Due to Digital Promise	272,757	84,449
Accrued Expenses	22,292	26,559
Deferred Revenue	<u>203,239</u>	<u>-</u>
Total Liabilities	547,564	111,008
Net Assets		
Unrestricted Net Assets	930,227	67,380
Temporarily Restricted Net Assets	<u>748,726</u>	<u>1,415,352</u>
Total Net Assets	<u>1,678,953</u>	<u>1,482,732</u>
Total Liabilities and Net Assets	<u>\$ 2,226,517</u>	<u>\$ 1,593,740</u>

See accompanying Notes to Financial Statements.

DIGITAL PROMISE GLOBAL

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2016

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2015)

	Unrestricted	Temporarily Restricted	2016 Total	2015 Total
Revenues and Support				
Grant Revenue	\$ -	\$ -	\$ -	\$ 1,529,765
In-Kind Contributions	62,916	-	62,916	285,826
Professional Services Income	2,299,841	-	2,299,841	65,020
Miscellaneous Income	596	-	596	-
Net Assets Released from Restrictions	666,626	(666,626)	-	-
Total Revenues and Support	3,029,979	(666,626)	2,363,353	1,880,611
Expenses				
Program Services	2,065,596	-	2,065,596	402,998
General and Administrative	82,596	-	82,596	74,952
Fundraising	18,940	-	18,940	3,400
Total Expenses	2,167,132	-	2,167,132	481,350
Change in Net Assets	862,847	(666,626)	196,221	1,399,261
Net Assets, Beginning of Year	67,380	1,415,352	1,482,732	83,471
Net Assets, End of Year	\$ 930,227	\$ 748,726	\$ 1,678,953	\$ 1,482,732

See accompanying Notes to Financial Statements.

DIGITAL PROMISE GLOBAL

STATEMENT OF FUNCTIONAL EXPENSES
 FOR THE YEAR ENDED DECEMBER 31, 2016
 (WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2015)

	Global Engagement	Learner Positioning System	General Programs	Total Program Services	General and Administrative	Fundraising	2016 Total	2015 Total
Salaries	\$ 170,161	\$ 368,869	\$ 41,797	\$ 580,827	\$ 20,000	\$ 15,000	\$ 615,827	\$ 146,816
Payroll Taxes and Benefits	30,790	57,119	17,540	105,449	7,274	3,434	116,157	29,226
Consultants	447,515	62,171	24,100	533,786	17,000	-	550,786	3,450
Legal and Professional Fees	-	-	50,333	50,333	31,174	-	81,507	282,128
Travel	36,464	34,304	7,433	78,201	129	-	78,330	12,746
Travel Stipends	2,001	14,168	-	16,169	494	-	16,663	-
Convenings	-	1,201	-	1,201	-	-	1,201	55
Office Supplies	17,147	287	353	17,787	145	-	17,932	213
Internet and Phone	1,640	2,600	680	4,920	400	-	5,320	62
Amortization	-	-	-	-	4,310	-	4,310	-
Dues and Subscriptions	1,183	-	32	1,215	-	87	1,302	-
Insurance	-	-	-	-	86	-	86	-
Office Equipment	635,251	-	-	635,251	-	-	635,251	-
Online Administrative Tools	717	2,582	563	3,862	425	-	4,287	555
Registration Fees	1,315	2,100	773	4,188	-	-	4,188	299
Postage and Delivery	9,204	-	-	9,204	-	-	9,204	-
Recruiting Cost	100	-	955	1,055	-	-	1,055	-
Web and Media	-	5,920	-	5,920	-	-	5,920	-
Office Rent	4,754	10,306	1,168	16,228	559	419	17,206	5,200
Monthly Administrative Fees	-	-	-	-	600	-	600	600
Total Expenses	\$ 1,358,242	\$ 561,627	\$ 145,727	\$ 2,065,596	\$ 82,596	\$ 18,940	\$ 2,167,132	\$ 481,350

See accompanying Notes to Financial Statements.

DIGITAL PROMISE GLOBAL

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016**

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2015)

	2016	2015
Cash Flows from Operating Activities		
Change in Net Assets	\$ 196,221	\$ 1,399,261
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities		
Amortization	4,310	-
Change in Operating Assets and Liabilities		
(Increase) Decrease in		
Accounts Receivable	(215,000)	-
Grants Receivable	-	(627,192)
Prepaid Expenses	(33,827)	-
Increase (Decrease) in		
Accounts Payable	49,276	-
Due to Digital Promise	188,308	62,942
Accrued Expenses	(4,267)	26,559
Deferred Revenue	203,239	-
	388,260	861,570
Net Cash Provided by Operating Activities		
Cash Flows from Investing Activities		
Purchases of Fixed Assets	(24,509)	-
	(24,509)	-
Net Cash Used in Investing Activities		
Net Increase in Cash	363,751	861,570
Cash, Beginning of Year	966,548	104,978
	\$ 1,330,299	\$ 966,548
Cash, End of Year	\$ 1,330,299	\$ 966,548

See accompanying Notes to Financial Statements.

DIGITAL PROMISE GLOBAL

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

1. ORGANIZATION

Digital Promise Global (the Organization) was incorporated in October 2013 in the District of Columbia. The Organization is a bipartisan independent nonprofit corporation whose work aims to realize a world where all students are “globally connected learners” who have the ability to use technology and digital media in powerful and authentic ways to address challenges with peers around the world.

The Organization’s activities are funded primarily through grants and professional services contracts.

The Organization’s major programs are:

Global Engagement:

Digital Promise’s Global Engagement initiative works with a global network of educators and schools to solve real-world, local issues with global relevance through a design-centered approach. The Organization seeks to empower students around the world to make an impact as empathetic, compassionate creators and change-makers.

Learner Positioning System:

Through its Learner Positioning System (LPS) initiative, the Organization seeks to uncover strategies to meet learners where they are across varied contexts and needs. Building on emerging research on the variability of the learner population, LPS supports all learners, their parents, and educators.

General Programs:

These programs support the Organization’s work to accelerate innovation in education to improve opportunities to learn throughout the world.

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

The Organization considers demand deposits to be cash.

Accounts Receivable

Accounts receivable consists of amounts due for professional services that have not been collected as of year-end. At December 31, 2016, all accounts receivable are assumed to be collectible; therefore, no allowance for doubtful accounts is deemed necessary.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Grants Receivable

Grants receivable are due within one year and recorded at their net realizable value. Reserves are established for receivables that are considered uncollectible based on periodic reviews by management. At December 31, 2016, 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.

In-Kind Contributions

Donated materials, services and the 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.

Revenue Recognition

The Organization reports grants as unrestricted and available for general operations, unless specifically restricted by the donor. Grants received with donor stipulations that limit the use of the donated funds for a particular purpose or for a specific period of time 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.

DIGITAL PROMISE GLOBAL

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2016, 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, *Return of Organization Exempt from Income Tax*, 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.

Prior Year Information

The financial statements include certain prior year summarized comparative totals as of and for the year ended December 31, 2015. 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, 2015, from which the summarized information was derived.

Reclassifications

Certain 2015 financial statements amounts have been reclassified for comparative purposes.

3. CONCENTRATIONS

The Organization maintains a cash balance at a financial institution in the Washington, D.C., metropolitan area. This account is 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, 2016, accounts and grants receivable were entirely due from two entities, and approximately 96% of revenue for the year ended December 31, 2016 was from two entities.

DIGITAL PROMISE GLOBAL

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

4. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets were available for the following purposes as of December 31, 2016:

Learner Positioning System	\$ 732,422
Scaling Educator Competence through Micro-Credentials	<u>16,304</u>
Total Temporarily Restricted Net Assets	<u><u>\$ 748,726</u></u>

Amounts released from temporarily restricted net assets during the year ended December 31, 2016, were:

Learner Positioning System	\$ 654,130
Scaling Educator Competence through Micro-Credentials	<u>12,496</u>
Total Amounts Released from Restrictions	<u><u>\$ 666,626</u></u>

5. FIXED ASSETS

At December 31, 2016, net fixed assets consisted of website development costs of approximately \$24,000, net of accumulated amortization of approximately \$4,000.

6. EMPLOYEE BENEFIT PLAN

Through August 2016, the Organization offered a 401(k) retirement plan (the Original Plan) to their employees. Effective September 1, 2016, the Organization terminated the Original Plan and became a member of a multiple-employer plan (the New Plan).

The Organization made a 3% non-elective safe harbor contribution for each participant of the Original Plan and the New Plan. For the year ended December 31, 2016, the Organization made contributions to the Original Plan and the New Plan on behalf of its employees of approximately \$18,000, which is included in payroll taxes and benefits in the accompanying statement of functional expenses.

7. RELATED PARTY TRANSACTIONS

The Organization has agreements with a related party, Digital Promise (DP), to purchase administrative and consulting services and to provide required consulting services. The Organization paid DP approximately \$1,022,000 for administrative and consulting services and received approximately \$28,000 for consulting services rendered during the year ended December 31, 2016, under these agreements.

8. IN-KIND CONTRIBUTIONS

The Organization received donated legal services valued at approximately \$63,000 for the year ended December 31, 2016. Such amounts are recognized as in-kind contributions and have been allocated among General and Administrative (\$24,000) and General Programs (\$39,000) expenses.

DIGITAL PROMISE GLOBAL
NOTES TO FINANCIAL STATEMENTS
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9. COMMITMENTS

The Organization has a non-cancelable consulting contract which extends through mid-2017 with a maximum cost of \$65,000.

10. SUBSEQUENT EVENTS

Subsequent events were evaluated through July 26, 2017, which is the date the financial statements were available to be issued.