



DIGITAL PROMISE GLOBAL

**SINGLE AUDIT FINANCIAL REPORT
UNDER UNIFORM GUIDANCE**

DECEMBER 31, 2018

DIGITAL PROMISE GLOBAL

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Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of Digital Promise Global (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 Digital Promise Global 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 audited 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

DIGITAL PROMISE GLOBAL

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2018

(WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2017)

	2018	2017
Assets		
Cash and Cash Equivalents	\$ 3,211,690	\$ 3,106,653
Accounts Receivable (Net of Allowance for Doubtful Accounts of Approximately \$31,000 and \$20,000 in 2018 and 2017, Respectively)	871,631	267,724
Unbilled Receivables	88,565	102,143
Grants Receivable	3,261,048	6,127,284
Federal Awards Receivable	676,852	125,143
Due from Digital Promise	266,013	56,246
Prepaid Expenses	28,166	14,563
Fixed Assets, Net	339,130	205,132
Total Assets	\$ 8,743,095	\$ 10,004,888
Liabilities and Net Assets		
Liabilities		
Accounts Payable	\$ 96,813	\$ 92,243
Due to Digital Promise	359,952	392,473
Accrued Expenses	177,860	68,302
Deferred Revenue	637,606	405,500
Total Liabilities	1,272,231	958,518
Net Assets		
Without Donor Restrictions	1,598,209	1,127,312
With Donor Restrictions	5,872,655	7,919,058
Total Net Assets	7,470,864	9,046,370
Total Liabilities and Net Assets	\$ 8,743,095	\$ 10,004,888

See accompanying Notes to Financial Statements.

DIGITAL PROMISE GLOBAL

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2018

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

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2018 Total</u>	<u>2017 Total</u>
Revenues and Support				
Grant Revenue	\$ -	\$ 790,195	\$ 790,195	\$ 9,462,030
Federal Award Income	1,752,487	-	1,752,487	192,193
In-Kind Contributions	358,594	-	358,594	253,153
Educational Services Income	1,857,875	-	1,857,875	1,285,932
Interest and Other Income	8,720	-	8,720	3,070
Net Assets Released from Restrictions	<u>2,836,598</u>	<u>(2,836,598)</u>	<u>-</u>	<u>-</u>
Total Revenues and Support	6,814,274	(2,046,403)	4,767,871	11,196,378
Expenses				
Program Services	5,712,301	-	5,712,301	3,407,835
General and Administrative	480,014	-	480,014	374,768
Fundraising	<u>151,062</u>	<u>-</u>	<u>151,062</u>	<u>46,358</u>
Total Expenses	<u>6,343,377</u>	<u>-</u>	<u>6,343,377</u>	<u>3,828,961</u>
Change in Net Assets	470,897	(2,046,403)	(1,575,506)	7,367,417
Net Assets, Beginning of Year	<u>1,127,312</u>	<u>7,919,058</u>	<u>9,046,370</u>	<u>1,678,953</u>
Net Assets, End of Year	<u>\$ 1,598,209</u>	<u>\$ 5,872,655</u>	<u>\$ 7,470,864</u>	<u>\$ 9,046,370</u>

See accompanying Notes to Financial Statements.

DIGITAL PROMISE GLOBAL

**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	\$ 265,292	\$ 1,140,072	\$ 1,162,390	\$ 81,632	\$ 2,649,386	\$ 187,733	\$ 109,949	\$ 2,947,068	\$ 1,871,079
Payroll Taxes and Benefits	46,476	197,746	200,483	15,558	460,263	47,467	19,616	527,346	325,482
Consultants	80,080	192,096	297,445	9,735	579,356	21,396	3,700	604,452	241,978
Equipment Expense	-	-	-	-	-	-	-	-	26,900
Web Expenses	-	47,459	3,100	25	50,584	1,970	-	52,554	179,554
Legal and Professional Fees	31,319	146,100	132,877	8,128	318,424	75,986	-	394,410	266,750
Travel	21,654	46,295	56,947	4,278	129,174	4,656	2,574	136,404	134,302
Travel Stipends	2,623	15,780	11,005	-	29,408	-	611	30,019	31,604
Convenings	1,478	11,836	31,978	19,062	64,354	2,530	330	67,214	40,201
Production/Dissemination	37,007	10,398	41,682	-	89,087	-	-	89,087	72,104
Accounting Services	-	-	-	-	-	27,623	-	27,623	22,669
Office Supplies	612	5,020	596	41	6,269	3,599	3,533	13,401	11,669
Taxes and Other Admin Fees	-	-	-	-	-	261	-	261	1,821
Insurance	-	-	-	-	-	4,979	-	4,979	2,041
Bad Debt Expense	-	-	-	-	-	12,000	-	12,000	20,000
Postage and Delivery and Shipping	1,073	150	586	19	1,828	431	-	2,259	1,150
Office Phone/Internet/Web	-	3,087	10	-	3,097	20,853	-	23,950	323
Non-Capital Office Equipment	46,345	2,966	-	-	49,311	12,558	-	61,869	141,833
Amortization	12,844	55,195	56,275	3,952	128,266	9,089	5,323	142,678	56,971
Recruiting Costs	500	146	-	-	646	5,394	-	6,040	3,214
Dues, Subscriptions, and Licenses	2,796	5,170	21,946	315	30,227	33,547	252	64,026	25,504
Registration Fees	1,750	2,638	6,637	-	11,025	275	1,035	12,335	9,601
Office Rent	9,987	42,919	43,759	3,073	99,738	7,067	4,139	110,944	61,727
Monthly Administrative Fees	-	-	-	-	-	600	-	600	600
Subaward	-	694,841	266,000	-	960,841	-	-	960,841	278,723
Site Payments	-	-	50,000	-	50,000	-	-	50,000	-
Unallowable Costs	-	169	-	-	169	-	-	169	-
Federal Participant Support Costs	-	848	-	-	848	-	-	848	1,161
Total Expenses	\$ 561,836	\$ 2,620,931	\$ 2,383,716	\$ 145,818	\$ 5,712,301	\$ 480,014	\$ 151,062	\$ 6,343,377	\$ 3,828,961

See accompanying Notes to Financial Statements.

DIGITAL PROMISE GLOBAL

**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	\$ (1,575,506)	\$ 7,367,417
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities		
Amortization	142,678	56,971
Change in Operating Assets and Liabilities		
(Increase) Decrease in		
Accounts Receivable	(603,907)	(52,724)
Unbilled Receivables	13,578	(102,143)
Grants Receivable	2,866,236	(5,500,092)
Federal Awards Receivable	(551,709)	(125,143)
Prepaid Expenses	(13,603)	19,264
Increase (Decrease) in		
Accounts Payable	4,570	42,967
Due to/from Digital Promise	(242,288)	63,470
Accrued Expenses	109,558	46,010
Deferred Revenue	232,106	202,261
	381,713	2,018,258
Cash Flows from Investing Activities		
Purchases of Fixed Assets	(276,676)	(241,904)
	(276,676)	(241,904)
Net Increase in Cash and Cash Equivalents	105,037	1,776,354
Cash and Cash Equivalents, Beginning of Year	3,106,653	1,330,299
Cash and Cash Equivalents, End of Year	\$ 3,211,690	\$ 3,106,653

See accompanying Notes to Financial Statements.

DIGITAL PROMISE GLOBAL

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018

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:

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.

Accounts Receivable

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

DIGITAL PROMISE GLOBAL

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Grants Receivable

Grants receivable are recorded at their net realizable value. Grant receivable over multiple years are discounted to their net present value using the applicable interest rate if such discount would be material. Reserves are established for receivables that are 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, 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.

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.

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.

DIGITAL PROMISE GLOBAL

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Grant Revenue

The Organization reports grants as without donor restrictions 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 net assets with donor restrictions. When the stipulated time restriction ends or the purpose of the restriction is met, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. 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.

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, 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.

DIGITAL PROMISE GLOBAL

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

DIGITAL PROMISE GLOBAL

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

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.

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	\$ 3,211,690
Accounts Receivable	871,631
Unbilled Receivable	88,565
Grants Receivable	3,261,048
Federal Awards Receivable	676,852
Due from Digital Promise	266,013
Less Amounts Restricted by Donors for Purpose	<u>(5,872,655)</u>
Total Financial Assets and Liquidity Resources Available For General Expenditure	<u>\$ 2,503,144</u>

5. 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, 2018, approximately 67% of accounts and grants receivable were entirely due from two entities, and approximately 16% of revenue for the year ended December 31, 2018, was from two entities.

6. FIXED ASSETS, NET

At December 31, 2018, net fixed assets consisted of website development costs of approximately \$541,000, net of accumulated amortization of approximately \$202,000.

7. NET ASSETS WITH DONOR RESTRICTIONS

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

Research in Action	\$ 5,810,010
Learning Sciences Research	<u>62,645</u>
Total Net Assets With Donor Restrictions	<u>\$ 5,872,655</u>

DIGITAL PROMISE GLOBAL

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

7. NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

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

Research in Action	\$ 2,693,168
Learning Sciences Research	<u>143,430</u>
Total Amounts Released from Restrictions	<u>\$ 2,836,598</u>

8. 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.

9. 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 \$869,000 for administrative and consulting services and received approximately \$850,000 for consulting services rendered during the year ended December 31, 2018, under these agreements.

10. IN-KIND CONTRIBUTIONS

The Organization received donated legal services valued at approximately \$359,000 for the year ended December 31, 2018. Such amounts are recognized as in-kind contributions and have been allocated among the following expenses: General and Administrative (\$41,000), Learning Experience Design (\$31,000), Learning Sciences Research (\$146,000), Research in Action (\$133,000), and Networks (\$8,000).

11. 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 \$83,000, which is included in payroll taxes and benefits in the accompanying statement of functional expenses.

12. CONDITIONAL GRANT

A current grantor has pledged approximately \$4,300,000 to the Organization, conditional upon the Organization raising a certain amount of matching funds. Since this grant pledge represents a conditional promise to give, it has not been recorded as grant revenue as the donor condition had not been satisfied as of year-end.

DIGITAL PROMISE GLOBAL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

13. SUBSEQUENT EVENTS

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

SUPPLEMENTARY INFORMATION

DIGITAL PROMISE GLOBAL

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

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Federal CFDA No.	Pass-Through Grantor and Identifying Number	Expenditures to Subrecipients	Federal Awards Expended
Research and Development Cluster				
National Science Foundation				
Computer and Information Science and Engineering	47.070	Direct	\$ 292,009	\$ 621,625
Education and Human Resources	47.076	Direct	399,420	877,178
Education and Human Resources	47.076	SRI International, PO22697	-	8,123
Education and Human Resources	47.076	SRI International, PO20593	-	45,767
Education and Human Resources	47.076	Jim Henson Company, 16128040-DPG	-	149,472
Education and Human Resources	47.076	SRI International, PO25592	-	27,129
Total Education and Human Resources			<u>399,420</u>	<u>1,107,669</u>
Total National Science Foundation			691,429	1,729,294
U.S. Department of Education				
Education Research, Development, and Dissemination	84.305	West Education, S-00016009	-	4,434
Education Research, Development, and Dissemination	84.305	SRI International	-	1,869
Education Research, Development, and Dissemination	84.305	SRI International, P022126	-	16,890
Total Department of Education			<u>-</u>	<u>23,193</u>
Total Federal Expenditures			<u>\$ 691,429</u>	<u>\$ 1,752,487</u>

See accompanying Notes to the Schedule of Expenditures of Federal Awards.

DIGITAL PROMISE GLOBAL

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 award activity of Digital Promise Global, 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 Digital Promise Global, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Digital Promise Global.

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 reimbursement.

3. INDIRECT COST RATES

Digital Promise Global has elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

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
Digital Promise Global

We have audited, 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, the financial statements of Digital Promise Global (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, 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 the Organization's 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 the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's 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 entity'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 the Organization's 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 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*.

Board of Directors
Digital Promise Global

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
Digital Promise Global

Report on Compliance for Each Major Federal Program

We have audited Digital Promise Global's (the Organization) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended December 31, 2018. The Organization's 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 the Organization's 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 the Organization's 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 the Organization's compliance.

Opinion on Each Major Federal Program

In our opinion, the Organization 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 the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning

Report on Internal Control over Compliance (Continued)

and performing our audit of compliance, we considered the Organization's effect on each major 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 the Organization's 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

DIGITAL PROMISE GLOBAL

**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 identified?	No
Significant deficiency reported not considered to be material weakness?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness identified?	No
Significant deficiency reported not considered to be material weakness?	None reported

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

<u>CFDA Number</u>	<u>Federal Grantor/Program Title</u>	
	Research and Development Cluster	
47.070	Computer and Information Science and Engineering	Unmodified
47.076	Education and Human Resources	Unmodified
84.305	Education Research, Development, and Dissemination	Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a) of the Uniform Guidance?	No
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Identification of major programs:

<u>CFDA Number</u>	<u>Federal Grantor/Program Title</u>
	Research and Development Cluster
47.070	Computer and Information Science and Engineering
47.076	Education and Human Resources
84.305	Education Research, Development, and Dissemination

Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
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Auditee qualified as low-risk auditee?	No
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DIGITAL PROMISE GLOBAL

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

Section II - Financial Statement Audit Findings

None were reported.

Section III - Federal Award Findings and Questioned Costs

None were reported.