Digital Promise Global

Single Audit Financial Report under Uniform Guidance

December 31, 2019

DIGITAL PROMISE GLOBAL

TABLE OF CONTENTS
DECEMBER 31, 2019

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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, 2019, 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, 2019, 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.

Board of Directors
Digital Promise Global

Other Matters

Emphasis of Matter

As discussed in Note 6 to the financial statements, a related entity was merged into the Organization effective October 31, 2019. Our opinion is not modified with respect to this matter.

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 July 14, 2020, 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.

Councilor, Buchanan + Mitchell, P.C.

Washington, D.C.
July 14, 2020

Certified Public Accountants

DIGITAL PROMISE GLOBAL

STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2019

Assets

Cash	$ 585,064
Investments	97,957,332
Accounts Receivable (Net of Allowance for Doubtful Accounts of Approximately $80,000)	1,035,650
Unbilled Receivables	258,670
Grants Receivable	3,918,184
Contributions Receivable (Net of Allowance for Doubtful Accounts of Approximately $29,000)	348,824
Federal Awards Receivable	1,310,372
Due from Digital Promise	2,576,638
Prepaid Expenses	789,311
Fixed Assets, Net	641,075
Total Assets	$ 109,421,120

Liabilities and Net Assets

Liabilities	
Accounts Payable	$ 1,017,952
Accrued Expenses	765,183
Refundable Advances	92,150,847
Deferred Rent	70,540
Deferred Revenue	943,038
Total Liabilities	94,947,560
Net Assets	
Without Donor Restrictions	6,413,615
With Donor Restrictions	8,059,945
Total Net Assets	14,473,560
Total Liabilities and Net Assets	$ 109,421,120

See accompanying Notes to Financial Statements.

Digital Promise Global

Statement of Activities
For the Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Support			
Grants	$ 1,310,200	$ 1,393,759	$ 2,703,959
Contributions	377,405	175,895	553,300
Federal Award Income	2,509,259	-	2,509,259
Contributed Goods and Services	7,096,590	-	7,096,590
Educational Services Income	3,017,212	-	3,017,212
Investment and Other Income	217,534	-	217,534
Net Assets Released from Restrictions	3,424,368	(3,424,368)	-
Total Revenues and Support	17,952,568	(1,854,714)	16,097,854
Expenses			
Program Services	16,487,823	-	16,487,823
General and Administrative	916,895	-	916,895
Fundraising	134,423	-	134,423
Total Expenses	17,539,141	-	17,539,141
Change in Net Assets	413,427	(1,854,714)	(1,441,287)
Inherent Contribution	4,401,979	4,042,004	8,443,983
Net Assets, Beginning of Year	1,598,209	5,872,655	7,470,864
Net Assets, End of Year	$ 6,413,615	$ 8,059,945	$ 14,473,560

See accompanying Notes to Financial Statements.

Digital Promise Global

Statement of Functional Expenses
For the Year Ended December 31, 2019

	Powerful Learning	Learning Sciences Research	Research in Action	Networks	Total Program Services	General and Administrative	Fundraising	Total
Salaries	$ 714,899	$ 1,448,453	$ 1,250,660	$ 791,679	$ 4,205,691	$ 361,119	$ 97,660	$ 4,664,470
Payroll Taxes and Benefits	135,261	273,416	236,046	149,726	794,449	144,980	19,075	958,504
Consultants	190,505	467,695	284,411	139,797	1,082,408	63,177	800	1,146,385
Contributed Equipment Expense	-	-	-	6,796,349	6,796,349	-	-	6,796,349
Web Expenses	7,816	27,541	75,105	2,955	113,417	-	-	113,417
Legal and Professional Fees	46,031	93,153	80,430	50,930	270,544	89,867	6,315	366,726
Travel	76,070	116,922	83,756	77,845	354,593	4,973	4,479	364,045
Travel Stipends	19,264	14,051	9,628	2,534	45,477	972	-	46,449
Convenings	29,722	15,422	23,413	16,921	85,478	2,108	-	87,586
Production/Dissemination	61,972	6,271	22,363	6,740	97,346	2,951	-	100,297
Accounting Services	-	-	-	-	-	37,752	-	37,752
Office Supplies	2,955	8,600	1,218	601	13,374	18,275	-	31,649
Taxes and Other Admin Fees	177	-	-	-	177	6,904	-	7,081
Insurance	-	-	-	-	-	6,920	-	6,920
Postage and Delivery and Shipping	1,730	2,780	188	1,996	6,694	783	-	7,477
Office Phone/Internet/Web	-	5,398	-	-	5,398	39,471	-	44,869
Non-Capital Office Equipment	89,179	24,958	-	357,118	471,255	44,491	-	515,746
Amortization	27,082	55,526	48,562	30,535	161,705	6,530	2,693	170,928
Recruiting Costs	-	1,752	-	-	1,752	10,511	-	12,263
Dues, Subscriptions, and Licenses	3,320	7,867	48,028	10,529	69,744	67,685	-	137,429
Registration Fees	3,716	8,690	8,707	1,075	22,188	-	340	22,528
Office Rent	30,776	63,101	55,187	34,700	183,764	7,421	3,061	194,246
Subaward	257,675	1,108,922	175,000	-	1,541,597	-	-	1,541,597
Site Payments	-	-	15,000	75,000	90,000	-	-	90,000
Unallowable Costs	-	19	-	550	569	5	-	574
Federal Participant Support Costs	-	73,854	-	-	73,854	-	-	73,854
Total Expenses	$ 1,698,150	$ 3,824,391	$ 2,417,702	$ 8,547,580	$ 16,487,823	$ 916,895	$ 134,423	$ 17,539,141

See accompanying Notes to Financial Statements.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019

Cash Flows from Operating Activities	
Change in Net Assets	$ (1,441,287)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities	
Depreciation and Amortization	170,929
Gain on Investments	(217,534)
Change in Operating Assets and Liabilities	
(Increase) Decrease in	
Accounts Receivable	(15,569)
Unbilled Receivables	(165,105)
Grants Receivable	1,027,586
Contributions Receivable	(348,824)
Federal Awards Receivable	(442,666)
Due from Digital Promise	(279,720)
Prepaid Expenses	(125,320)
Increase (Decrease) in	
Accounts Payable	516,692
Accrued Expenses	343,586
Refundable Advances	47,973,839
Deferred Revenue	3,348
Net Cash Provided by Operating Activities	46,999,955
Cash Flows from Investing Activities	
Proceeds from Sales of Investments	13,122,437
Purchases of Investments	(62,548,671)
Purchases of Fixed Assets	(200,347)
Net Cash Used in Investing Activities	(49,626,581)
Net Decrease in Cash	(2,626,626)
Cash, Beginning of Year	3,211,690
Cash, End of Year	$ 585,064

Noncash Investing and Financing Activities

In 2019, assets and liabilities netting to approximately $5.9 million were transferred from Digital Promise.

See accompanying Notes to Financial Statements.

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 vision is that all people at every stage of their lives have access to learning experiences that help them acquire the knowledge and skills they need to thrive and continuously learn in an ever- changing world. Because - when everyone has access and everyone participates and everyone learns, everyone benefits from a more engaged, informed, and just society. The Organization's mission is to spur innovation to improve equity and the opportunity to learn through technology and research.

The Organization's activities are funded primarily through grants and professional services contracts. The Organization's major programs are:

Powerful Learning: Powerful Learning is a set of principles guiding educators to design learning experiences that engage the hearts and minds of learners. The Organization works with educators and students to provide powerful learning opportunities for students to deeply engage in their learning.

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 earning 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

Cash includes demand deposits at commercial banks.

Investments

Investments includes bank deposits and mutual funds, valued based on quoted prices for identical assets on national exchanges, and brokered certificates of deposit, valued based on broker quotes using readily available pricing sources for comparable investments.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable

Accounts receivable consists of amounts due for educational 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.

Grants Receivable and Contributions Receivable

Grants receivable and contributions receivable are recorded at their net realizable value. Receivables due 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. Allowances for doubtful accounts are established for receivables that are considered uncollectible based on periodic reviews by management.

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 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.

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, 2019, for net unrelated business income.

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, *Return of Organization Exempt from Income Tax*, is generally subject to examination by the taxing authorities for three years after filing.

Contributed Goods and Services

Contributed materials, services and the use of facilities are recorded at fair value when an unconditional commitment is received and are recognized 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.

Grants Revenue and Contributions Revenue

The Organization reports grants and contributions as net assets without donor restrictions and available for general operations, unless specifically restricted by the donor. Grants and contributions 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. Conditional grants and contributions are not recorded as revenue until the related conditions have been satisfied. Amounts received for conditional grants are recorded as refundable advances until the conditions have been met. Grants and contributions received with donor-imposed conditions and restrictions that are met in the same reporting period are reported as support without donor restrictions and increase net assets without donor restrictions.

Educational Services Income

Educational services income is recognized at the point in time that the Organization completes contract performance obligations or over time as contracted services are consumed by the customer.

Federal Award Income

Revenue from federal grants is recognized when unconditional, on the basis 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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates (Continued)

assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

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, 2021. Earlier application is permitted. Management has not evaluated the impact of this ASU on its financial statements.

3. ADOPTION OF ACCOUNTING STANDARDS UPDATE 2018-08

During the year ended December 31, 2019, the Organization adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (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. Management believes that the adoption of this ASU enhances the comparability of financial information among not-for-profit entities. This change in accounting principle was adopted on a modified prospective basis in 2019. The impact of adoption was not material to the financial statements. However, federal award income of approximately $2.5 million and other grant revenue of approximately $1.3 million, which were previously accounted for as exchange revenue, are now considered conditional contributions.

4. ADOPTION OF ACCOUNTING STANDARDS CODIFICATION TOPIC 606

During the year ended December 31, 2019, the Organization adopted Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 606, *Revenue from Contracts with Customers.* Management believes that the adoption of this standard provides better consistency and comparability across non-profit and for-profit entities. The standard requires 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 replaces most existing revenue recognition guidance in U.S. GAAP. This change in accounting principle was adopted using the modified retrospective method as of January 1, 2019, and was applied to all contracts open at January 1, 2019.

Analysis of the various provisions of this standard resulted in no significant changes in the way the Organization recognizes revenue; however, the presentation and disclosure of revenue has been enhanced.

5. 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 $1,167,000 for administrative and consulting services and received approximately $951,000 for consulting services rendered during the year ended December 31, 2019, under these agreements.

6. MERGER

In October 2019, for operational efficiencies, the Boards of Directors of the Organization (DPG) and DP entered into a merger agreement whereby the assets and liabilities of DP would be transferred to DPG. Assets totaling approximately $51.3 million net of liabilities totaling approximately $45.4 million were transferred in November and December 2019. No consideration was transferred by DPG. The remaining asset due to DPG under terms of the merger agreement, a $2.6 million bank account, was transferred to DPG in January 2020, and was reflected as an intercompany balance due from DP at December 31, 2019. The assets and liabilities acquired consisted of the following:

Assets	
Investments	$ 48,313,564
Accounts Receivable	148,450
Unbilled Receivables	5,000
Grants Receivable	1,613,322
Contributions Receivable	71,400
Federal Awards Receivable	190,854
Prepaid Expenses	635,825
Fixed Assets, Net	272,527
	51,250,942
Liabilities	
Accounts Payable	158,447
Accrued Expenses	675,518
Refundable Advances	44,177,008
Deferred Rent	70,540
Deferred Revenue	302,084
	45,383,597
Net Assets Transferred in 2019	5,867,345
Cash Transferred in 2020	2,576,638
Inherent Contribution	$ 8,443,983

Conditional contributions of approximately $4.4 million requiring matching funds and approximately $44.2 million requiring the use of certain protocols were transferred to DPG at the acquisition date. DP's employees were hired by DPG effective November 1, 2019. The majority of DP's grant contracts, leases, and vendor agreements were assigned to DPG before December 31, 2019. DP was dissolved on February 1, 2020.

7. 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 long-term and short-term investment policies to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due, and to provide an annual targeted return on assets. As part of its liquidity management, the Organization invests cash in excess of expected requirements in short-term certificates of deposit, money market funds, and other investments. Although the Organization does not intend to use these investments in the short-term, they are available for use to meet cash needs for general expenditures.

As of December 31, 2019, the following financial assets and liquidity sources are available for general operating expenditures in the year ending December 31, 2020:

Cash	$ 585,064
Investments Available for Operating Purposes	97,957,332
Accounts Receivable	1,035,650
Unbilled Receivable	258,670
Grants Receivable and Contributions Receivable	4,267,008
Federal Awards Receivable	1,310,372
Due from Digital Promise	2,576,638
Less Amounts Restricted by Donors for Purpose	(7,884,050)
Total Financial Assets and Liquidity Resources Available for General Expenditure	$ 100,106,684

8. 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.

The Organization invests in professionally managed portfolios that contain mutual funds and fixed income instruments. Such investments are exposed to various risks such as interest rate, market, and credit. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term would materially affect investment balances and the amount reported in the financial statements.

As of December 31, 2019, approximately 33% of receivables were due from one entity, and approximately 50% of revenue for the year ended December 31, 2019, was from one entity.

9. FIXED ASSETS, NET

At December 31, 2019, net fixed assets consisted of website development costs of approximately $1,977,000, net of accumulated amortization of approximately $1,336,000.

10. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were available for the following purposes as of December 31, 2019:

Research in Action	$ 4,315,173
Learning Experience and Design	2,372,605
Networks	857,298
Timing	175,895
Learning Sciences Research	338,974
Total Net Assets With Donor Restrictions	$ 8,059,945

Amounts released from net assets with donor restrictions during the year ended December 31, 2019, were:

Research in Action	$ 2,730,251
Learning Experience and Design	422,100
Networks	53,237
Learning Sciences Research	218,780
Total Amounts Released from Restrictions	$ 3,424,368

11. CONTINGENCY FOR FEDERAL AWARD INCOME

The Organization receives revenues from federal government grants, contracts, and sub-awards. 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.

12. CONTRIBUTED GOODS AND SERVICES

Contributed goods and services consisted of the following amounts for the year ended December 31, 2019:

	Powerful Learning	Learning Sciences Research	Research in Action	Networks	General and Administrative	Fundraising	Total
Contributed Equipment Expense	$ -	$ -	$ -	$ 6,796,349	$ -	$ -	$ 6,796,349
Legal and Professional Fees	45,994	93,153	80,430	50,930	23,419	6,315	300,241
	$ 45,994	$ 93,153	$ 80,430	$ 6,847,279	$ 23,419	$ 6,315	$ 7,096,590

13. OPERATING LEASES

The Organization has a non-cancelable lease for office space in D.C. through November 2023. The lease provides for annual rent escalations and the payment of operating expenses. 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. The Organization also leases office space in California under a month-to-month arrangement.

13. OPERATING LEASES (CONTINUED)

Future minimum lease payments under the non-cancelable lease are as follows:

For the Years Ending December 31,		
2020	$	176,810
2021		181,672
2022		186,668
2023		175,782
Total	$	720,932

14. 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, 2019, the Organization made 3% non-elective safe harbor contributions to the Plan on behalf of its employees of approximately $133,000, which is included in payroll taxes and benefits in the accompanying statement of functional expenses.

15. CONDITIONAL GRANTS

The Organization has the following conditional grants outstanding at December 31, 2019, for which revenue has not yet been recorded:

Condition		
Required Protocols	$	92,150,847
Matching Funds		4,351,045
Allowable Costs		4,471,930
	$	100,973,822

16. 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).

16. FAIR VALUE MEASUREMENTS (CONTINUED)

The following presents investments carried at fair value as of December 31, 2019:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Savings and Bank Deposits	$ 45,447,244	$ 45,447,244	$ -	$ -
Bond Mutual Funds	97,838	97,838	-	-
Stock Mutual Funds	108,707	108,707	-	-
Treasury Mutual Funds	38,003,272	38,003,272	-	-
Certificates of Deposit	14,300,271	-	14,300,271	-
	$ 97,957,332	$ 83,657,061	$ 14,300,271	$ -

17. EDUCATIONAL SERVICES

Educational services revenue has been earned by the Organization during the year ended December 31, 2019, as follows:

At Point in Time that Performance Obligations are Satisfied	$ 1,634,838
Over Time as Services are Consumed, Using Inputs	1,382,374
	$ 3,017,212

Contract related assets and liabilities are as follows:

	December 31, 2019	December 31, 2018
Accounts Receivable	**$ 1,035,650**	$ 871,631
Unbilled Receivables	**258,670**	88,565
Deferred Revenue	**943,038**	636,606

18. COMMITMENTS

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

In addition, the Organization has made conditional contributions with balances totaling approximately $1.4 million at December 31, 2019.

19. SUBSEQUENT EVENTS

The Organization entered into an Asset Transfer Agreement, effective June 1, 2020, to acquire the assets and assume the liabilities of another 501(c)(3) organization netting to approximately $600,000. The Organization will also hire certain employees of the acquired entity and be assigned an office lease and one grant.

The spread of COVID-19 (coronavirus disease) has had a disruptive impact on the daily life and operations of individuals, businesses, and nonprofit organizations around the world. There is uncertainty about financial and economic impacts in all sectors of the economy. The financial markets have experienced significant volatility, and this may continue for an extended period of time. In light of these circumstances, management continues to assess how best to adapt to changed circumstances.

The Organization has received a Small Business Administration (SBA) loan under the Paycheck Protection Program (PPP) in the amount of $1,766,242. PPP provides cash-flow assistance through 100% federally guaranteed loans to eligible recipients to maintain payroll during the COVID-19 public health emergency and cover certain other expenses. If the Organization maintains its workforce and meets certain requirements, up to 100% of the loan may be forgiven by the SBA. No more than 40% of the forgiven amount may be for non-payroll costs. Loans under PPP have an interest rate of 1% and may negotiate to a five-year maturity date, if not forgiven.

Subsequent events were evaluated through July 14, 2020, 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, 2019

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	$ 373,524	$ 1,028,074
Education and Human Resources	47.076	Direct	667,869	1,226,843
Education and Human Resources	47.076	SRI International, PO22697	-	4,556
Education and Human Resources	47.076	SRI International, PO20593	-	19,930
Education and Human Resources	47.076	Jim Henson Company, 16128040-DPG	-	148,815
Education and Human Resources	47.076	SRI International, PO25592	-	24,244
Total Education and Human Resources			667,869	1,424,388
INCLUDES Coordination Hub	47.Unknown	SRI International, PO41117	-	11,216
Total National Science Foundation			1,041,393	2,463,678
U.S. Department of Education				
Education Research, Development, and Dissemination	84.305	West Education, S-00016009	-	9,995
Education Research, Development, and Dissemination	84.305	University of Miami, SPC-000973	-	21,726
Total Education Research, Development, and Dissemination			-	31,721
Science Projects Integrating Computing and Engineering (SPICE)	84.Unknown 2	SRI International, N/A	-	13,860
Total Department of Education			-	45,581
Total Federal Expenditures			$ 1,041,393	$ 2,509,259

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

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
DECEMBER 31, 2019

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, 2019. 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.

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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
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, 2019, 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 July 14, 2020.

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.
July 14, 2020

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, 2019. 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, 2019.

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

Report on Internal Control over Compliance (Continued)

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.
July 14, 2020

Certified Public Accountants

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2019

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:	

CFDA Number	Federal Grantor/Program Title	
	Research and Development Cluster	
47.070	Computer and Information Science and Engineering	Unmodified
47.076	Education and Human Resources	Unmodified
47.Unknown	INCLUDES Coordination Hub	Unmodified
84.305	Education Research, Development, and Dissemination	Unmodified
84.Unknown 2	Science Projects Integrating Computing and Engineering (SPICE)	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

Identification of major programs:

CFDA Number	Federal Grantor/Program Title
	Research and Development Cluster
47.070	Computer and Information Science and Engineering
47.076	Education and Human Resources
47.Unknown	INCLUDES Coordination Hub
84.305	Education Research, Development, and Dissemination
84.Unknown 2	Science Projects Integrating Computing and Engineering (SPICE)

Section I - Summary of Auditors' Results (Continued)

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

Section II - Financial Statement Audit Findings

None were reported.

Section III - Federal Award Findings and Questioned Costs

None were reported.