

GEORGIA PARTNERSHIP FOR
EXCELLENCE IN EDUCATION, INC.

FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION

For the Years Ended December 31, 2014 and 2013

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INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

To the Board of Directors
Georgia Partnership for Excellence in Education, Inc.
Atlanta, Georgia

We have audited the accompanying financial statements of Georgia Partnership for Excellence in Education, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2014 and 2013, and the related statements of activities and cash flows for the years 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.

Auditor's 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 auditor's 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 auditor considers 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 Georgia Partnership for Excellence in Education, Inc. as of December 31, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on page 14 is presented for purposes of additional analysis and is not a required part to 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.

Howard, Moore & McDuffie, P.C.

Macon, Georgia
August 11, 2015

GEORGIA PARTNERSHIP FOR EXCELLENCE IN EDUCATION, INC.

STATEMENTS OF FINANCIAL POSITION

December 31, 2014 and 2013

	2014	2013
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 561,487	\$ 498,062
Cash and cash equivalents - GLISI	-	343,772
Cash and cash equivalents - designated for operating reserves	10,556	225,650
Cash - temporarily restricted	83,200	414,690
Unconditional promises to give, net	228,500	6,500
Grants and other receivables	111,500	26,750
Accrued interest receivable	1,849	1,809
Prepaid expenses	20,640	15,601
Short-term investments - designated for operating reserves	675,832	899,413
TOTAL CURRENT ASSETS	<u>1,693,564</u>	<u>2,432,247</u>
PROPERTY AND EQUIPMENT, NET	<u>13,103</u>	<u>15,394</u>
OTHER ASSETS		
Long-term investments - designated for operating reserves	1,121,461	674,476
Unconditional promises to give, net of current portion	9,570	-
TOTAL OTHER ASSETS	<u>1,131,031</u>	<u>674,476</u>
TOTAL ASSETS	<u>\$ 2,837,698</u>	<u>\$ 3,122,117</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 66,812	\$ 182,027
Deferred revenue	23,000	23,500
Accrued expenses	11,317	9,795
TOTAL CURRENT LIABILITIES	<u>101,129</u>	<u>215,322</u>
NET ASSETS		
Unrestricted - undesignated	744,671	346,985
Unrestricted - designated	1,809,698	2,145,120
	<u>2,554,369</u>	<u>2,492,105</u>
Temporarily restricted	182,200	414,690
TOTAL NET ASSETS	<u>2,736,569</u>	<u>2,906,795</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,837,698</u>	<u>\$ 3,122,117</u>

The accompanying notes are an integral part of these financial statements.

GEORGIA PARTNERSHIP FOR EXCELLENCE IN EDUCATION, INC.

STATEMENTS OF ACTIVITIES

For the Years Ended December 31, 2014 and 2013

	2014	2013
CHANGES IN UNRESTRICTED NET ASSETS, SUPPORT, REVENUES AND RECLASSIFICATIONS		
Contributions	\$ 1,253,977	\$ 886,556
Meeting, registration, and consulting fees	53,000	52,500
Program sponsors and publications	837	1,343
Interest income	11,028	6,114
Unrealized gain (loss) on investments	(1,596)	(1,111)
Other income	23,000	6,000
TOTAL SUPPORT AND REVENUES	1,340,246	951,402
Net assets released from restrictions and transfers		
Restrictions satisfied by payments	465,290	1,166,762
TOTAL SUPPORT, REVENUES, AND RECLASSIFICATIONS	1,805,536	2,118,164
OPERATING EXPENSES		
Program services		
General program operations	1,106,294	1,151,797
Georgia Leadership Institute for School Improvement (GLISI)	303,475	782,710
Total program services	1,409,769	1,934,507
Supporting services		
General and administrative	220,461	219,275
Fundraising	113,042	126,770
Total supporting services	333,503	346,045
TOTAL EXPENSES	1,743,272	2,280,552
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	62,264	(162,388)

The accompanying notes are an integral part of these financial statements

GEORGIA PARTNERSHIP FOR EXCELLENCE IN EDUCATION, INC.

STATEMENTS OF ACTIVITIES (CONTINUED)

For the Years Ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS		
Contributions	\$ 111,000	\$ 951,000
Grants	121,800	108,052
Net assets released from restrictions	<u>(465,290)</u>	<u>(1,166,762)</u>
INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS	<u>(232,490)</u>	<u>(107,710)</u>
INCREASE (DECREASE) IN NET ASSETS	(170,226)	(270,098)
NET ASSETS, beginning	<u>2,906,795</u>	<u>3,176,893</u>
NET ASSETS, ending	<u>\$ 2,736,569</u>	<u>\$ 2,906,795</u>

The accompanying notes are an integral part of these financial statements

GEORGIA PARTNERSHIP FOR EXCELLENCE IN EDUCATION, INC.

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2014 and 2013

	2014	2013
NET CASH FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ (170,226)	\$ (270,098)
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	4,778	4,601
Unrealized (gain) loss on investments	1,596	1,111
(Increase) decrease in:		
Unconditional promises to give	(231,570)	134,600
Other receivables	(84,750)	44,010
Accrued interest receivable	(40)	(1,809)
Prepaid expenses	(5,039)	10,227
Increase (decrease) in:		
Accounts payable	(115,215)	(114,801)
Deferred revenue	(500)	23,500
Accrued expenses	1,522	7,348
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(599,444)</u>	<u>(161,311)</u>
NET CASH FROM INVESTING ACTIVITIES		
Purchase of equipment	(2,487)	-
Proceeds from sale of investments	900,000	225,000
Purchase of investments	(1,125,000)	(1,800,000)
NET CASH USED BY INVESTING ACTIVITIES	<u>(227,487)</u>	<u>(1,575,000)</u>
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	(826,931)	(1,736,311)
CASH AND EQUIVALENTS, beginning of year	<u>1,482,174</u>	<u>3,218,485</u>
CASH AND EQUIVALENTS, end of year	<u>\$ 655,243</u>	<u>\$ 1,482,174</u>

The accompanying notes are an integral part of these financial statements

GEORGIA PARTNERSHIP FOR EXCELLENCE IN EDUCATION, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. NATURE OF THE ORGANIZATION

The Georgia Partnership for Excellence in Education, Inc. (the “Organization”) is a nonprofit, nonpartisan organization that partners with businesses, schools, state government and local communities that share a vision of improved education in the state of Georgia. The Organization’s mission is to inform and influence Georgia leaders through research and nonpartisan advocacy to impact education policies and practices for the improvement of student achievement. The Organization works closely with the Georgia Leadership Institute for School Improvement (GLISI). The Organization is supported primarily through grants and contributions from large corporations and foundations. The Organization is located in Atlanta, Georgia.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Accounting Standards Codification (ASC) 958-210-45, *Classification of Net Assets*. Under ASC 958-210-45, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The financial statements have been prepared using the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities. Expenses are classified as unrestricted and presented by functional categories.

Cash and Cash Equivalents

The Organization classifies as cash equivalents any highly liquid investments which can be readily converted to cash and have an original maturity of less than three months.

Compensated Absences

Employees of the Organization are entitled to paid vacation and sick leave. It is the Organization’s policy not to carry unused vacation and sick hours to the next year, and accordingly, no liability has been recorded in the accompanying financial statements for unused benefits. The Organization’s policy is to recognize the costs of compensated absences when actually paid to employees.

Deferred Revenue

Income from program service fees are deferred and recognized over the periods in which the fees relate.

GEORGIA PARTNERSHIP FOR EXCELLENCE IN EDUCATION, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Donated Services

The Organization recognizes donated services that creates or enhances nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Expense Allocation

Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of approximate time spent toward programs and supporting services. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Income Tax Status

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Organization qualifies for the charitable contribution deduction under section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2). The Organization had no income from unrelated business activities for the years ended December 31, 2014 and 2013. The Organization's federal and state information returns are subject to examination by the Internal Revenue Service (IRS) and state taxing authorities three years after they are filed.

Investments

Investments in marketable securities with readily determinable fair values and all investments in fixed income securities are carried at their fair values on the statements of financial position.

GEORGIA PARTNERSHIP FOR EXCELLENCE IN EDUCATION, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Promises-to-Give and Grants Receivable

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Grants receivable are stated at the amount management expects to collect from outstanding balances. Balances that are still outstanding after management has used reasonable collection efforts are written off as bad debt expense.

Property and Equipment

Property and equipment with a useful life greater than one year are capitalized. Purchased property and equipment are stated at cost. Donated property and equipment are stated at estimated purchase cost, which approximates fair value, on the date of the donation. Depreciation is computed using the straight-line method over the estimated useful lives ranging from three to twenty years.

Restricted and Unrestricted Revenue

Contributions received are recorded as increases in unrestricted, temporarily restricted, or permanently restricted net assets, depending on the existence and/or nature of any donor restrictions.

Subsequent Events

According to the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 855-10-50-1, management is required to disclose the date through which subsequent events have been reviewed. Accordingly, management has reviewed subsequent events up through August 11, 2015, the date in which the financial statements were available to be issued.

GEORGIA PARTNERSHIP FOR EXCELLENCE IN EDUCATION, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 3. UNCONDITIONAL PROMISES TO GIVE

The Organization's unconditional promises to give consist of amounts that will be received subsequent to the date of the statement of financial position. Unconditional promises to give at December 31, 2014 and 2013 were as follows:

	<u>2014</u>	<u>2013</u>
Receivable in less than one year	\$ 228,500	\$ 6,500
Receivable in one to five years	<u>10,000</u>	<u>-</u>
Total unconditional promises to give	238,500	6,500
Less net present value discounts (4.5% rate)	<u>(430)</u>	<u>-</u>
Net unconditional promises to give	<u><u>\$ 238,070</u></u>	<u><u>\$ 6,500</u></u>

NOTE 4. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	<u>2014</u>	<u>2013</u>
Furniture and equipment	\$ 46,260	\$ 43,773
Leasehold improvements	<u>4,442</u>	<u>4,442</u>
	50,702	48,215
Accumulated depreciation	<u>(37,599)</u>	<u>(32,821)</u>
Total	<u><u>\$ 13,103</u></u>	<u><u>\$ 15,394</u></u>

Depreciation expense was \$4,778 and \$4,601 for the years ended December 31, 2014 and 2013, respectively.

NOTE 5. INVESTMENTS

During 2013, the Organization established a brokerage account to invest reserve funds. Investments consist of certificates of deposits with annual interest rates ranging from 0.5% to 1%. These certificates are due to mature on various dates in 2015 and 2016. Net investment income for the year ended December 31, 2014 and 2013 was \$8,351 and 1,348, respectively.

GEORGIA PARTNERSHIP FOR EXCELLENCE IN EDUCATION, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 6. OPERATING LEASES

The Organization leases office facilities from the Georgia Chamber of Commerce, Inc. (an affiliate), under noncancellable operating lease agreements expiring on July 31, 2024. Total rental expense under this lease for the years ended December 31, 2014 and 2013, was \$69,137 and \$69,137, respectively, and is recognized on a straight-line basis over the lease term.

The Organization also leases vehicles for its top executives and office equipment under non-cancellable operating leases agreements expiring on various dates through 2017. Total rental expenses under these leases for the years ended December 31, 2014 and 2013 totaled \$24,382 and \$23,115, respectively.

Future minimum annual payments for all leases are as follows:

2015	\$ 86,360
2016	80,933
2017	74,739
2018	70,042
2019	71,629
Thereafter	<u>347,120</u>
Total	<u>\$ 730,823</u>

NOTE 7. BENEFIT PLAN

The Organization contributes 10% of gross salaries to a Simplified Employee Plan (SEP) for all employees. Employees are immediately 100% vested in employer contributions. The Organization's contributions under the SEP plan during the years ended December 31, 2014 and 2013, totaled \$63,841 and \$74,418, respectively.

NOTE 8. DESIGNATED AND TEMPORARILY RESTRICTED NET ASSETS AND CASH

Temporarily restricted net assets and restricted cash are available for the following purposes:

	<u>2014</u>	<u>2013</u>
Donations restricted for subsequent years	\$ 90,000	\$ 100,000
REACHES Project	92,200	247,400
GLISI operations	-	67,290
	<u>182,200</u>	<u>414,690</u>
Restricted net assets	182,200	414,690
Less: receivables for restricted contributions and grants	<u>(99,000)</u>	<u>-</u>
Restricted cash	<u>\$ 83,200</u>	<u>\$ 414,690</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 8. DESIGNATED AND TEMPORARILY RESTRICTED NET ASSETS AND CASH
(Continued)

Designated cash and cash equivalents and investments shown on the statement of financial position are board designated for the Organization's 18 month operating reserve. All remaining cash balances are unrestricted.

NOTE 9. FAIR VALUE MEASUREMENT

FASB Codification Topic No. 820, Fair Value Measurements, defines fair value, establishes a framework for measuring fair value, establishes a three-level valuation hierarchy for disclosure of fair value measurement and enhances disclosure requirements for fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

Level 1- inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2- inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; and inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3- inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's and liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The Organization's investments consist of certificate of deposits (CDs). The CDs are valued based on fluctuating interest rates and penalty rates for early withdrawal. Based on these observations, the market prices for the CDs are based on inputs from similar assets with comparable terms in active markets. As such, management has classified the CDs as Level 1 assets under the fair value hierarchy.

GEORGIA PARTNERSHIP FOR EXCELLENCE IN EDUCATION, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 10. CONCENTRATION OF CREDIT RISK

Financial instruments that potentially expose the Organization to concentrations of credit risk consist primarily of cash equivalents and unconditional promises to give. The Organization has not experienced any losses on its cash equivalents or unconditional promises to give. Uninsured cash totaled \$447,081 and \$1,232,904 for years ended December 31, 2014 and 2013, respectively.

The Organization's funding is mostly made of large donations from few donors. Less than five (5) donors make up more than 75% of promises to give at December 31, 2014 and 2013. More than 50% of the Organization's contributions were provided by a single donor for the years ended December 31, 2014 and 2013.

NOTE 11. RELATED PARTY TRANSACTIONS

The Organization is affiliated with the Georgia Chamber of Commerce, Inc. Some board members of the Georgia Chamber of Commerce, Inc. also are members of the Organization's board of directors. As mentioned in NOTE 6, the Organization leases office space from the Georgia Chamber of Commerce, Inc. The Organization maintains a conflict of interest policy pertaining to board and committee members. Transactions between the Organization and board members typically are limited to contributions. Amounts paid to the Georgia Chamber of Commerce, Inc. for leases and shared costs totaled \$69,137 and \$69,137 for the years ended December 31, 2014 and 2013, respectively. Amounts due to the Georgia Chamber of Commerce, Inc. as of December 31, 2014 and 2013, totaled \$7,040 and \$7,540, respectively.

NOTE 12. OTHER EVENTS

GLISI became incorporated in April 2012 and began the process of restructuring itself as a 501(c)(3) tax-exempt organization. Tax exempt status was conferred in March 2013 with exempt status retroactive to April 2012. The Organization continued to act as a receiving agent for GLISI's private donation funds from a designated funder, which accounted for approximately 44% of the Organization's contribution revenue prior to the change. By July 2014, all private donated funds of GLISI were used to pay GLISI expenses. The Organization no longer acts as a receiving agent for GLISI's private donations.

GEORGIA PARTNERSHIP FOR EXCELLENCE IN EDUCATION, INC.

SUPPLEMENTAL INFORMATION
SCHEDULES OF FUNCTIONAL EXPENSES

For the Years Ended December 31, 2014 and 2013

	Program Services	General & Administrative	Fundraising	2014 Totals	Program Services	General & Administrative	Fundraising	2013 Totals
Bank charges	\$ -	\$ 168	\$ -	\$ 168	\$ -	\$ 734	\$ -	\$ 734
Bad debt	-	-	-	-	-	2,500	-	2,500
Consultants	28,800	-	-	28,800	89,250	-	-	89,250
Depreciation	-	4,778	-	4,778	-	4,601	-	4,601
Dues and subscriptions	-	779	-	779	-	1,555	-	1,555
Grants	107,256	-	-	107,256	98,351	-	-	98,351
Insurance	-	15,409	-	15,409	-	15,328	-	15,328
Payroll taxes	36,191	4,075	4,211	44,477	34,392	3,994	6,608	44,994
Postage	-	3,785	-	3,785	-	4,649	-	4,649
Printing and publications	58,494	-	-	58,494	49,538	-	-	49,538
Professional services	-	27,275	21,113	48,388	-	23,659	-	23,659
Rent	-	69,137	-	69,137	-	69,137	-	69,137
Salaries and wages	638,896	71,333	72,518	782,747	590,454	66,709	101,436	758,599
Employee benefits	114,918	12,916	13,622	141,456	115,673	13,490	16,383	145,546
Supplies	3,410	9,204	390	13,004	3,563	9,977	713	14,253
Taxes and licensing	-	780	-	780	-	1,855	-	1,855
Telephone	7,842	822	1,188	9,852	10,867	1,087	1,630	13,584
Travel and meetings	100,555	-	-	100,555	151,009	-	-	151,009
Travel and meetings - GLISI	303,475	-	-	303,475	782,710	-	-	782,710
Website	9,932	-	-	9,932	8,700	-	-	8,700
	<u>\$ 1,409,769</u>	<u>\$ 220,461</u>	<u>\$ 113,042</u>	<u>\$ 1,743,272</u>	<u>\$ 1,934,507</u>	<u>\$ 219,275</u>	<u>\$ 126,770</u>	<u>\$ 2,280,552</u>

See independent auditor's report.