



DIGITAL PROMISE GLOBAL

**SINGLE AUDIT FINANCIAL REPORT
UNDER UNIFORM GUIDANCE**

DECEMBER 31, 2020

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, 2020, 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, 2020, 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.

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 July 6, 2021, 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 6, 2021

Certified Public Accountants

DIGITAL PROMISE GLOBAL
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2020

Assets

Cash	\$ 2,337,303
Investments	124,088,780
Accounts Receivable (Net of Allowance for Doubtful Accounts of Approximately \$51,000)	893,283
Unbilled Receivables	219,293
Grants Receivable	2,738,591
Contributions Receivable (Net of Allowance for Doubtful Accounts of Approximately \$82,000)	210,550
Federal Awards Receivable	1,329,730
Prepaid Expenses and Other Assets	2,598,795
Fixed Assets, Net	<u>639,715</u>
Total Assets	<u><u>\$ 135,056,040</u></u>

Liabilities and Net Assets

Liabilities

Accounts Payable	\$ 883,387
Accrued Expenses	4,950,760
Refundable Advances	111,376,245
Deferred Rent	75,210
Deferred Revenue	<u>585,160</u>

Total Liabilities 117,870,762

Net Assets

Without Donor Restrictions	8,306,593
With Donor Restrictions	<u>8,878,685</u>

Total Net Assets 17,185,278

Total Liabilities and Net Assets **\$ 135,056,040**

See accompanying Notes to Financial Statements.

DIGITAL PROMISE GLOBAL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Support			
Grants	\$ -	\$ 29,831,548	\$ 29,831,548
Contributions	437,070	299,491	736,561
Federal Award Income	-	5,677,953	5,677,953
Contributed Goods and Services	297,652	91,798,395	92,096,047
Educational Services Income	3,153,047	-	3,153,047
Investment Income	637,250	-	637,250
Net Assets Released from Restrictions	127,086,001	(127,086,001)	-
Total Revenues and Support	131,611,020	521,386	132,132,406
Expenses			
Program Services	127,253,289	-	127,253,289
General and Administrative	2,551,662	-	2,551,662
Fundraising	225,615	-	225,615
Total Expenses	130,030,566	-	130,030,566
Change in Net Assets	1,580,454	521,386	2,101,840
Inherent Contribution	312,524	297,354	609,878
Net Assets, Beginning of Year	6,413,615	8,059,945	14,473,560
Net Assets, End of Year	\$ 8,306,593	\$ 8,878,685	\$ 17,185,278

See accompanying Notes to Financial Statements.

DIGITAL PROMISE GLOBAL

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020**

	Powerful Learning	Learning Sciences Research	Research in Action	Networks	Total Program Services	General and Administrative	Fundraising	Total
Salaries	\$ 2,291,518	\$ 2,111,867	\$ 2,000,407	\$ 4,250,441	\$ 10,654,233	\$ 983,923	\$ 175,510	\$ 11,813,666
Payroll Taxes and Benefits	430,874	393,119	378,042	795,211	1,997,246	345,464	32,924	2,375,634
Consultants	745,123	521,732	642,839	1,059,521	2,969,215	109,361	2,480	3,081,056
Contributed Equipment Expense	-	-	-	91,798,395	91,798,395	-	-	91,798,395
Web Expenses	118,429	-	40,270	103,869	262,568	-	-	262,568
Legal and Professional Fees	57,285	52,561	49,893	108,316	268,055	208,946	4,372	481,373
Travel and Travel Stipends	40,543	22,668	47,721	190,034	300,966	3,229	-	304,195
Convenings	3,130	1,672	59,176	81,650	145,628	-	-	145,628
Production/Dissemination	139,028	105,052	56,932	127,034	428,046	1,176	-	429,222
Accounting Services	-	-	-	-	-	80,898	-	80,898
Office Supplies	6,168	3,084	2,863	43,695	55,810	19,593	-	75,403
Taxes and Other Admin Fees	79	-	-	-	79	20,646	-	20,725
Insurance	-	-	-	-	-	47,916	-	47,916
Postage and Delivery and Shipping	3,704	567	-	1,882	6,153	2,559	-	8,712
Office Phone/Internet/Web	-	12,523	-	-	12,523	97,346	-	109,869
Non-Capital Office Equipment	27,124	2,222	-	3,543,810	3,573,156	112,359	-	3,685,515
Depreciation and Amortization	60,662	55,817	52,998	112,332	281,809	29,719	4,644	316,172
Recruiting Costs	460	125	-	3,359	3,944	105,704	-	109,648
Dues, Subscriptions, and Licenses	157,419	23,909	62,797	504,483	748,608	236,069	-	984,677
Registration Fees	14,067	4,365	6,503	16,133	41,068	1,125	-	42,193
Office Rent	74,253	68,323	64,872	137,501	344,949	36,378	5,685	387,012
Subaward	434,470	3,410,421	45,000	-	3,889,891	-	-	3,889,891
Site Payments	222,475	-	-	9,240,000	9,462,475	-	-	9,462,475
Unallowable Costs	-	70	154	-	224	-	-	224
Federal Participant Support Costs	-	8,248	-	-	8,248	-	-	8,248
Uncollectible Accounts Expense	-	-	-	-	-	109,251	-	109,251
Total Expenses	\$ 4,826,811	\$ 6,798,345	\$ 3,510,467	\$ 112,117,666	\$ 127,253,289	\$ 2,551,662	\$ 225,615	\$ 130,030,566

See accompanying Notes to Financial Statements.

DIGITAL PROMISE GLOBAL
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020

Cash Flows from Operating Activities	
Change in Net Assets	\$ 2,101,840
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities	
Depreciation and Amortization	316,172
Change in Operating Assets and Liabilities	
(Increase) Decrease in	
Accounts Receivable, Net	142,367
Unbilled Receivables	39,377
Grants Receivable	1,179,593
Contributions Receivable, Net	138,274
Federal Awards Receivable	(19,358)
Due from Digital Promise	2,576,638
Prepaid Expenses and Other Assets	(1,809,484)
Increase (Decrease) in	
Accounts Payable	(134,565)
Accrued Expenses	4,185,577
Refundable Advances	19,225,398
Deferred Rent	4,670
Deferred Revenue	(357,878)
	27,588,621
 Cash Flows from Investing Activities	
Proceeds from Sales of Investments	35,576,565
Purchases of Investments	(61,708,013)
Inherent Contribution	609,878
Purchases of Fixed Assets	(314,812)
	(25,836,382)
 Net Cash Used in Investing Activities	
	(25,836,382)
Net Increase in Cash	1,752,239
Cash, Beginning of Year	585,064
	\$ 2,337,303

See accompanying Notes to Financial Statements.

DIGITAL PROMISE GLOBAL

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020

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 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

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.

DIGITAL PROMISE GLOBAL

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

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, 2020, 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 unconditional grants and contributions as net assets without donor restrictions and available for general operations, unless specifically restricted by the donor. Unconditional 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.

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 or using an estimate of costs incurred as management believes these are representative of deliverables.

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

DIGITAL PROMISE GLOBAL

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

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

3. CHANGES IN ACCOUNTING PRINCIPLES AND PRESENTATION

During the year ended December 31, 2020, 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*, for grants it makes. 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 for contributions made. The impact of adoption at January 1, 2020, was an increase of approximately \$1,895,000 in accrued expenses and a corresponding decrease in refundable advances for conditional grants previously considered conditional. Since these grants were made pursuant to conditional grants to the Organization, there was no change in net assets with or without donor restrictions at the adoption date, as the additional expense resulted in additional contribution being recognized.

During the year ended December 31, 2020, the Organization elected to present additions and releases of net assets with donor restrictions satisfied in the same year as recorded, as opposed to its previous presentation of netting these amounts. This presentation change did not result in any change to net assets with donor restrictions at December 31, 2020; however, additions and releases for the year ended December 31, 2020, were approximately \$118 million higher than under the previous presentation methodology.

4. ASSET TRANSFER AGREEMENT

In June 2020, the Organization entered into an Asset Transfer Agreement to acquire the net assets, mainly cash, of another 501(c)(3) organization of approximately \$610,000. The Organization hired certain employees of the acquired entity and was assigned an office lease and one ongoing restricted grant.

5. SMALL BUSINESS ADMINISTRATION LOAN

During 2020, the Organization received a Small Business Administration (SBA) loan under the Paycheck Protection Program (PPP) in the amount of \$1,766,242. The 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

DIGITAL PROMISE GLOBAL

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

5. **SMALL BUSINESS ADMINISTRATION LOAN (CONTINUED)**

PPP have an interest rate of 1% and may negotiate to a five-year maturity date, if not forgiven. Management believes the Organization will meet the criteria for loan forgiveness. However, at December 31, 2020, the Organization is accounting for this SBA loan as a conditional contribution since repayment has not yet been waived, and as such, the loan proceeds of \$1,766,242 and accrued loan interest of \$14,759 are included in refundable advances on the statement of financial position.

6. **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, 2020, the following financial assets and liquidity sources are available for general operating expenditures in the year ending December 31, 2021:

Cash	\$ 2,337,303
Investments Available for Operating Purposes	122,875,221
Accounts Receivable, Net	893,283
Unbilled Receivable	219,293
Grants Receivable and Contributions Receivable, Net	2,949,141
Federal Awards Receivable	1,329,730
Less Amounts Restricted by Donors for Purpose	<u>(8,586,910)</u>
Total Financial Assets and Liquidity Resources Available for General Expenditure	<u><u>\$ 122,017,061</u></u>

7. **FIXED ASSETS, NET**

At December 31, 2020, the Organization's fixed assets consisted of the following:

Website	\$ 2,259,922
Software	26,130
Equipment	5,675
Less Accumulated Depreciation and Amortization	<u>(1,652,012)</u>
Fixed Assets, Net	<u><u>\$ 639,715</u></u>

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.

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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

8. CONCENTRATIONS (CONTINUED)

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. Investments in one financial institution's investment products comprised 86% of total assets at December 31, 2020.

As of December 31, 2020, approximately 18% of receivables were due from one entity, and approximately 85% of revenue for the year ended December 31, 2020, was from one entity.

9. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were available for the following purposes as of December 31, 2020:

Research in Action	\$ 2,870,049
Learning Experience and Design	2,275,732
Networks	2,139,082
Learning Sciences Research	1,302,048
Timing	291,775
Total Net Assets With Donor Restrictions	<u>\$ 8,878,685</u>

Amounts released from net assets with donor restrictions during the year ended December 31, 2020, were:

Research in Action	\$ 3,274,323
Learning Experience and Design	2,769,706
Networks	1,763,826
Learning Sciences Research	1,066,468
Verizon Innovative Learning Schools Cohorts	112,350,114
Federal Awards	5,677,953
Timing	183,611
Total Amounts Released from Restrictions	<u>\$ 127,086,001</u>

10. 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.

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**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

11. CONTRIBUTED GOODS AND SERVICES

Contributed goods and services consisted of the following amounts for the year ended December 31, 2020:

	Powerful Learning	Learning Sciences Research	Research in Action	Networks	General and Administrative	Fundraising	Total
Contributed Equipment Expense - Donated Devices	\$ -	\$ -	\$ -	\$ 27,439,728	\$ -	\$ -	\$ 27,439,728
Contributed Equipment Expense - Donated Data Plans	-	-	-	64,358,667	-	-	64,358,667
Legal and Professional Fees	57,108	52,548	49,893	105,752	27,979	4,372	297,652
	\$ 57,108	\$ 52,548	\$ 49,893	\$ 91,904,147	\$ 27,979	\$ 4,372	\$ 92,096,047

12. 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 has a non-cancelable lease for office space in Pennsylvania through April 2022 and leases office space in California under a month-to-month arrangement.

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

For the Years Ending December 31,

2021	\$	278,653
2022		266,774
2023		242,339
Total		\$ 787,766

13. 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, 2020, the Organization made 3% non-elective safe harbor contributions to the Plan on behalf of its employees of approximately \$331,000, which is included in payroll taxes and benefits in the accompanying statement of functional expenses.

14. CONDITIONAL GRANTS

The Organization has the following conditional grants outstanding at December 31, 2020, for which revenue has not yet been recorded:

Condition

Required Protocols		\$ 109,595,244
Phase Completion		600,343
Matching Funds		4,351,045
Allowable Costs		8,339,274
		\$ 122,885,906

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**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

15. FAIR VALUE MEASUREMENTS

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

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

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

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

The following presents investments carried at fair value as of December 31, 2020:

	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	\$ 42,625,098	\$ 42,625,098	\$ -	\$ -
Bond Mutual Funds	541,543	541,543	-	-
Stock Mutual Funds	665,101	665,101	-	-
Treasury Money Market Mutual Funds	74,137,976	74,137,976	-	-
Certificates of Deposit	6,119,062	-	6,119,062	-
	<u>\$ 124,088,780</u>	<u>\$ 117,969,718</u>	<u>\$ 6,119,062</u>	<u>\$ -</u>

16. EDUCATIONAL SERVICES

Educational services revenue has been earned by the Organization during the year ended December 31, 2020, as follows:

At Point in Time that Performance Obligations are Satisfied	\$ 1,242,120
Over Time as Services are Consumed or Based on Costs Incurred	<u>1,910,927</u>
	<u>\$ 3,153,047</u>

The balances of contract related assets and liabilities for 2020 are as follows:

	Ending	Beginning
Accounts Receivable	\$ 893,283	\$ 1,035,650
Unbilled Receivables	219,293	258,670
Deferred Revenue	585,160	943,038

DIGITAL PROMISE GLOBAL

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

17. COMMITMENTS AND CONTINGENCES

The Organization has non-cancelable agreements with certain service providers. In addition, the Organization has made conditional contributions with balances outstanding of \$3.4 million at December 31, 2020. Amounts will be paid and expensed generally when grantees expend allowable costs.

18. SUBSEQUENT EVENTS

Subsequent to year end, the Small Business Administration (SBA) waived repayment of the Organization's first SBA loan under the Paycheck Protection Program (PPP) in the amount of \$1,781,001, which includes \$1,766,242 in loan principal and \$14,759 in loan interest.

Subsequent events were evaluated through July 6, 2021, 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, 2020**

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	\$ 179,544	\$ 1,033,722
Education and Human Resources	47.076	Direct	486,992	1,053,208
COVID-19 - Education and Human Resources	47.076	Direct	-	182,616
Education and Human Resources	47.076	SRI International, PO20593	-	6,457
Education and Human Resources	47.076	Jim Henson Company, 16128040-DPG	6,000	343,823
Education and Human Resources	47.076	SRI International, PO47968	-	46,686
Total Education and Human Resources			<u>492,992</u>	<u>1,632,790</u>
INCLUDES Coordination Hub	47.Unknown	SRI International, PO41117	-	17,154
Total National Science Foundation			672,536	2,683,666
U.S. Department of Education				
Education Research, Development, and Dissemination	84.305	WestEd, S-00016009	-	8,871
Education Research, Development, and Dissemination	84.305	University of Miami, SPC-000973	-	641
Total Education Research, Development, and Dissemination			-	9,512
Education Innovation and Research	84.411	Direct	2,737,885	2,964,092
Education Innovation and Research	84.411	TERC Inc, 44127	-	20,683
Total Education Innovation and Research			<u>2,737,885</u>	<u>2,984,775</u>
Total Department of Education			<u>2,737,885</u>	<u>2,994,287</u>
Total Federal Expenditures			<u><u>\$ 3,410,421</u></u>	<u><u>\$ 5,677,953</u></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, 2020

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, 2020. 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 not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance. Instead, the Organization uses a negotiated provisional indirect cost rate agreement of 17.9% with the U.S. Department of Education.

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, 2020, 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 6, 2021.

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) as a basis for designing 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 and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2020-001 that we consider to be a significant deficiency.

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 financial statements. 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*.

Digital Promise Global's Response to Findings

Digital Promise Global's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Digital Promise Global's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 6, 2021

Certified Public Accountants

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, 2020. 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, 2020.

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 6, 2021

Certified Public Accountants

DIGITAL PROMISE GLOBAL

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

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?	Yes
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
47.Unknown	INCLUDES Coordination Hub	Unmodified
84.305	Education Research, Development, and Dissemination	Unmodified
84.411	Education Innovation and Research	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:

<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
47.Unknown	INCLUDES Coordination Hub
84.305	Education Research, Development, and Dissemination
84.411	Education Innovation and Research

DIGITAL PROMISE GLOBAL

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2020

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

Finding 2020-001: Donated Services (Internet Data Plans)

Condition: The Organization receives donated internet data plans which it then provides to users. However, the Organization did not properly calculate the number of months of donated data plans in use by participants resulting in an adjustment to both contributed goods and services and the offsetting expense. The net effect to the statement of activities was zero. However, both revenue and expense were overstated.

Criteria: Donated services must be properly reconciled to actual services received.

Cause: The Organization utilizes spreadsheets to track the number of data plans in use by the various school systems. However, in tracking the data plans, the start and end dates of the plans contained errors. In addition, certain plans that had terminated were accounted for as if they were still in use.

Effect: Revenue and expenses related to the donated data plans were overstated by approximately \$1.1 million.

Questioned Costs: None noted.

Recommendation: We recommend the Organization reconcile the number of data plans in use prior to recording donated goods and services activity in the general ledger.

Management Response: We will seek to obtain confirmatory value to the extent possible and document our understanding of data plans with schools, and/or districts, with either written or other contemporaneous discussions within a reasonable and cost-effective manner. Additionally, we will begin all data plans at the beginning of the academic year (July 1) so that all schools participating in a cohort will all systematically have data plans that begin at the same time and run for two years which is documented in our memoranda of understanding with the schools. This eliminates variance in data plan start dates due to circumstances outside of our control (i.e. global supply chain disruptions, pandemic-related difficulties with business and school closures, and limited access to records).

Section III - Federal Award Findings and Questioned Costs

None were reported.