GreatSchools, Inc.

Financial Statements

December 31, 2023
(With Comparative Totals for 2022)

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
GreatSchools, Inc.
Oakland, California

Opinion

We have audited the accompanying financial statements of GreatSchools, Inc. (the "Organization"), which comprise the statement of financial position as of December 31, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of GreatSchools, Inc. as of December 31, 2023, 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.

Basis of Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of GreatSchools, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Report on Summarized Comparative Information

We have previously audited GreatSchools, Inc.'s 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 13, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about GreatSchools, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 GreatSchools, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about GreatSchools, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Armanino LLP

Armanino LLP
Los Angeles, California

July 30, 2024

GreatSchools, Inc.
Statement of Financial Position
December 31, 2023
(With Comparative Totals for 2022)

	2023	2022
ASSETS		
Current assets		
Cash and cash equivalents	$ 3,915,841	$ 4,862,781
Accounts receivable, net of allowance for expected credit losses of $28,405	687,184	666,586
Contributions and grants receivable	2,004,032	500,000
Prepaid expenses	284,040	291,561
Total current assets	6,891,097	6,320,928
Non-current assets		
Contributions and grants receivable, long-term portion, net of discount of $79,099	930,579	-
Deposits	4,321	14,571
Property and equipment, net	16,828	24,295
Total non-current assets	951,728	38,866
Total assets	$ 7,842,825	$ 6,359,794
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	$ 116,911	$ 75,643
Accrued expenses	29,001	92,550
Accrued vacation payable	232,833	239,631
Deferred revenue	592,451	527,114
Total current liabilities	971,196	934,938
Net assets		
Without donor restrictions	3,273,585	3,344,290
With donor restrictions	3,598,044	2,080,566
Total net assets	6,871,629	5,424,856
Total liabilities and net assets	$ 7,842,825	$ 6,359,794

GreatSchools, Inc.
Statement of Activities
For the Year Ended December 31, 2023
(With Comparative Totals for 2022)

	Without Donor Restrictions	With Donor Restrictions	2023 Total	2022 Total
Revenues, gains and other support				
Contributions and grants	$ 651,960	$ 5,070,901	$ 5,722,861	$ 3,277,932
Donated services	-	-	-	59,808
Licensing/royalty/co-branding	1,970,493	-	1,970,493	1,791,444
Website activity	845,633	-	845,633	1,189,649
Grade-Level Essentials	105,991	-	105,991	14,197
API revenue	74,034	-	74,034	43,987
Employee retention tax credit	258,366	-	258,366	-
Other	94,058	-	94,058	1,911
Net assets released from restriction	3,553,423	(3,553,423)	-	-
Total revenues, gains and other support	7,553,958	1,517,478	9,071,436	6,378,928
Functional expenses				
Program services	5,970,181	-	5,970,181	6,365,876
Management and general	1,106,426	-	1,106,426	874,836
Fundraising	548,056	-	548,056	390,076
Total functional expenses	7,624,663	-	7,624,663	7,630,788
Change in net assets	(70,705)	1,517,478	1,446,773	(1,251,860)
Net assets, beginning of year	3,344,290	2,080,566	5,424,856	6,676,716
Net assets, end of year	$ 3,273,585	$ 3,598,044	$ 6,871,629	$ 5,424,856

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

GreatSchools, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2023
(With Comparative Totals for 2022)

	Program Services	Management and General	Fundraising	2023 Total	2022 Total
Salaries and benefits	$ 4,894,029	$ 752,683	$ 458,659	$ 6,105,371	$ 5,900,517
Consultants	275,905	42,433	25,857	344,195	366,952
Travel and events	94,589	17,453	8,864	120,906	72,939
Content	26,713	4,109	2,504	33,326	25,461
Data center and web hosting	123,391	18,977	11,564	153,932	165,660
Technology and software	181,947	26,959	10,384	219,290	186,330
Advertising and marketing	-	91,268	-	91,268	324,059
Research and analytics	118,751	18,264	11,129	148,144	120,040
Professional fees	59,566	103,935	5,582	169,083	142,380
Rent and occupancy	75,002	11,114	4,281	90,397	106,956
Office expense	14,136	3,001	1,293	18,430	6,260
Professional development	15,118	2,325	1,417	18,860	53,614
Recruiting	2,417	372	226	3,015	42,533
Insurance, fees and other	33,938	5,273	2,142	41,353	39,076
Phones and internet	28,196	4,337	2,643	35,176	36,187
Depreciation expense	15,499	2,296	884	18,679	22,988
Bad debt expense	10,984	1,627	627	13,238	18,836
	$ 5,970,181	$ 1,106,426	$ 548,056	$ 7,624,663	$ 7,630,788

GreatSchools, Inc.
Statement of Cash Flows
For the Year Ended December 31, 2023
(With Comparative Totals for 2022)

	2023	2022
Cash flows from operating activities		
Change in net assets	$ 1,446,773	$ (1,251,860)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	18,679	22,988
Changes in operating assets and liabilities		
Accounts receivable, net	(20,598)	17,361
Contributions and grants receivable	(2,434,611)	1,325,000
Prepaid expenses	7,521	26,722
Deposits	10,250	-
Accounts payable	41,268	2,496
Accrued expenses	(63,549)	(10,246)
Accrued vacation payable	(6,798)	10,117
Deferred revenue	65,337	(575)
Net cash provided by (used in) operating activities	(935,728)	142,003
Cash flows from investing activities		
Acquisition of property and equipment	(11,212)	-
Net cash provided by (used in) investing activities	(11,212)	-
Net increase (decrease) in cash and cash equivalents	(946,940)	142,003
Cash and cash equivalents, beginning of year	4,862,781	4,720,778
Cash and cash equivalents, end of year	$ 3,915,841	$ 4,862,781

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

1. NATURE OF OPERATIONS

GreatSchools, Inc. (the "Organization" or "GreatSchools") is a nonprofit corporation that was organized in the State of California in 1998. The mission of the Organization, a 50l(c)(3) tax-exempt entity, is to provide parents with the information and resources they need to choose schools, support their children's education and advocate for educational excellence. The Organization provides, via its website, an online guide to elementary, middle and high schools in addition to resources (like Guided Search and "Milestones") for parents to choose better schools and help their children be more successful in school.

GreatSchools is the leading national source of school information for parents. With a Webby-award winning website, GreatSchools.org reached over 40 million unique visitors and over half of American families with school-age children in 2023. GreatSchools.org contains in-depth profiles of over 150,000 Pre K-12 schools and more than 1 million parent and community ratings and reviews of schools.

GreatSchools.org also provides resources for parents to see how their kids are progressing in their education. These parenting resources contain videos, articles and other resources that help parents understand what educational excellence looks like at each step of their child's learning journey and address both academic, social and emotional development by providing parents with tips about what their children should be learning, how to cultivate character strengths such as persistence and character development, and how to partner effectively with teachers.

Millions of parents come to GreatSchools for advice, and our thousands of articles, worksheets and videos answer their questions and help them encourage and support learning.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

<u>Basis of accounting and financial statement presentation</u>

The accompanying financial statements are prepared on the accrual basis of accounting in accordance with generally accepted accounting principles ("U.S. GAAP"). The Organization reports information regarding its financial position and activities in two classes of net assets: without donor restrictions and with donor restrictions.

- *Net assets without donor restrictions* - represent the portion of net assets which do not have donor-imposed stipulations and are available to support the Organization's operations.
- *Net assets with donor restrictions* - represent the portion of net assets for which use is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization. When the purpose or time restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported on the financial statements as net assets released from restriction.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

The Organization classifies all highly liquid investments with original maturity dates of three months or less as cash and cash equivalents. The Organization maintains its cash in bank deposit accounts which, at times, may be in excess of federally insured limits. Management believes it is not exposed to any significant risks on cash accounts.

Accounts receivable

Website and licensing receivables are stated at the amount management expects to collect from outstanding balances. An allowance for expected credit losses is maintained based on past collection experience, current conditions, and reasonable forecasts for expected future conditions. Account balances are written off when determined that such financial assets are deemed uncollectible and write-offs are recognized as a deduction from the allowance for credit losses. Expected recoveries of amounts previously written off, not to exceed the aggregate of the amount previously written off, are included in determining the necessary reserve at the statement of financial position date.

The Organization pools its financial assets measured at amortized cost based on similar risk characteristics in estimating the its expected credit losses and continuously evaluates such pooling decisions and adjusts as needed from period to period as risk characteristics change. The Organization uses historical collection experience as the primary credit quality indicator for accounts receivable. Reserves for potential credit losses are maintained based on historical credit losses and management's expectations. The allowance for expected credit losses amounted to $28,405 at December 31, 2023.

Property and equipment

Purchased property and equipment is carried at cost. Donated property and equipment is recorded at fair value as of the date of receipt. Assets acquired with a cost or fair value greater than $1,500 are capitalized. Maintenance and repairs are expensed as incurred. Assets retired or sold are removed from the property accounts, with gains or losses on disposal included in income.

Depreciation of property and equipment is provided by use of the straight-line method over the lesser of the estimated three to seven year useful lives of the equipment or the related lease term.

The Organization reviews long-lived assets for impairment periodically and when circumstances indicate the carrying amount of an asset may not be recoverable. Impairment is recognized if the fair value of the asset is less than the carrying value. When an impairment loss is recognized, the asset's carrying value is reduced to its estimated fair value. There was no impairment of assets during the year ended December 31, 2023.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred revenue

Licensing revenue and Grade-Level Essentials revenue received that relates to future periods is recorded as deferred revenue and amortized into income as earned.

Contributions and grants

Contributions and grants, including unconditional promises to give, are recognized as revenues in the period the promise is received. Conditional promises to give are recognized when the barriers on which they depend have been achieved and the right of release or return has been overcome. There were no conditional promises to give for the year ended December 31, 2023. Unconditional promises to give that are expected to be collected in excess of one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of any such discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for doubtful contributions receivable is provided based upon management's judgment including factors such as prior collection history, type of contribution and current aging of contributions receivable. Management has determined that an allowance for doubtful contributions receivable is not necessary at December 31, 2023.

Donated goods and services

Donated goods and services that would typically need to be purchased if not donated are recognized in the accompanying financial statements as contributions when such goods and services (a) enhance non-financial assets or (b) require specialized skills that are provided by individuals possessing those skills. Usually the Organization receives such donated goods and services for software, computer parts, advertisements and legal services. There were no donated goods and services that met the criteria for recognition during the year ended December 31, 2023.

Revenue recognition

The Organization accounts for revenues from licensing/royalty/co-branding and website activities under the provisions of Accounting Standards Codification ("ASC") Topic 606, *Revenue from Contracts with Customers*, which, among other things, requires entities to assess the products or services promised in contracts with customers at contract inception to determine the appropriate amount at which to record revenue, which is referred to as a performance obligation. Revenue is recognized when control of the promised products or services is transferred to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for the products or services.

Revenue from contracts with customers is recognized using the following five steps:

- Identify the contract(s) with a customer;
- Identify the performance obligations in the contract;

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

- Determine the contract price;
- Allocate the transaction price to the performance obligations in the contract; and
- Recognize revenue when (or as) the Organization satisfies a performance obligation.

Licensing/royalty/co-branding revenue is recognized as revenue when earned over the term of the contract. Website activity income generated on the Organization's website from advertisement placements is a function of website page views and price. The Organization's current partners are education-related firms, real estate and mortgage professionals, consumer companies, Google and Freestar.

Website activity expenses

Website activity expenses are recognized as incurred and consist of expenses allocable against website activity income based on managerial assumptions. The Organization also incurs website development costs and has determined that no website development costs were eligible for capitalization. Website development costs, consisting mainly of time spent by developers, amounted to approximately $1,600,000 for the year ended December 31, 2023, which is included in salaries and wages on the statement of functional expenses.

Functional expenses

The costs of providing the various programs and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated amongst program services and supporting services based on management estimates utilizing allocated time, space occupancy and full time equivalents of each program.

Advertising costs

Advertising costs are charged to expense as incurred and amounted to $91,268 for the year ended December 31, 2023.

Income taxes

The Organization is a qualified organization exempt from federal income and California franchise taxes under the provisions of Sections 501(c)(3) of the Internal Revenue Code ("IRC") and 23701(d) of the California Revenue and Taxation Code, respectively.

The Organization has evaluated its current tax positions and has concluded that as of December 31, 2023, the Organization does not have any significant uncertain tax positions for which a reserve would be necessary.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Prior year summarized information

The financial statements include certain prior year summarized comparative information in total, but not by net asset class. Such summarized information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2022, from which the summarized information was derived.

Change in accounting principle

In June 2016, the Financial Accounting Standards Board ("FASB") issued ASU 2016-13, Topic 326, *Financial Instruments - Credit Losses*. This standard replaced the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss ("CECL") methodology. CECL requires an estimate of credit losses for the remaining estimated life of the financial asset using historical experience, current conditions, and reasonable and supportable forecasts and generally applies to financial assets measured at amortized cost, including trade receivables, held-to-maturity debt securities, and some off-balance sheet credit exposures such as unfunded commitments to extend credit. Financial assets measured at amortized cost will be presented at the net amount expected to be collected by using an allowance for credit losses.

The Organization adopted the standard effective January 1, 2023. The impact of the adoption was not material to the financial statements.

Subsequent events

The Organization has evaluated subsequent events through July 30, 2024, the date the financial statements were available to be issued. No subsequent events have occurred that would have a material impact on the presentation of the Organization's financial statements.

3. CONTRIBUTIONS AND GRANTS RECEIVABLE

Contributions and grants receivable consisted of the following:

Receivable in less than one year	$ 2,004,032
Receivable in greater than one year	1,009,678
	3,013,710
Less: discount to present value (using a rate of 8.50%)	(79,099)
	$ 2,934,611

4. PROPERTY AND EQUIPMENT

Property and equipment, net consisted of the following:

Equipment	$ 340,945
Software	30,979
	371,924
Less accumulated depreciation and amortization	(355,096)
	$ 16,828

Depreciation and amortization expense for 2023 amounted to $18,679.

5. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following:

District data platforms	$ 1,781,377
General support - time restricted	1,400,000
Transforming high schools	416,667
	$ 3,598,044

Net assets with donor restrictions released from restriction during the year were as follows:

School information pages and data	$ 1,767,892
Time-restriction expirations	928,333
District data platforms	541,935
Transforming high schools	177,763
Access for personalized learning options	100,000
Content	37,500
	$ 3,553,423

6. RETIREMENT PLAN

The Organization has a defined contribution savings plan under the salary deferral provision of IRC Section 403(b). Employees can choose to have a specified dollar amount or a percentage of their salaries invested in mutual funds or a managed plan of their choice each pay period. The Organization provides a matching contribution of $0.50 for each $1.00 up to a maximum of $2,500 per employee per year. The total matching contribution expense for the year ended December 31, 2023 was $60,192.

7. COMMITMENTS AND CONTINGENCIES

Contract commitments

The Organization has entered into a membership agreement with WeWork for the use of office space, conference room credits, and print and copy credits. The membership agreement requires a monthly fee of $6,600 through June 30, 2023. This agreement was not extended upon expiration.

The Organization has entered into an agreement with Digital Realty for offsite data center storage. The agreement requires monthly payments starting at $1,006 with annual increases of 3%. In January 2022, the Organization extended the contract through January 31, 2025.

The Organization has entered into an agreement with Regus Management Group for the use of office space commencing June 29, 2023. The agreement requires monthly payments of $2,185 through June 30, 2024, which was extended upon expiration through January 2025.

The agreements with WeWork, Digital Realty and Regus Management Group do not constitute leases pursuant to ASC 842, *Leases*.

The scheduled minimum contract payments are as follows:

Year ending December 31,		
2024	$	41,811
2025		3,661
	$	45,472

Expense under all contracts for the year ended December 31, 2023 was $90,397.

7. COMMITMENTS AND CONTINGENCIES (continued)

Risks and uncertainties

The Organization depends heavily on contributions and grants for its revenue. The ability of the Organization to attract support and revenues that are comparable to prior years may be dependent upon current and future overall economic conditions and the continued deductibility for income tax purposes of donations to the Organization. While the Organization's Board of Directors believes the Organization has the resources to continue its programs, its ability to do so and the extent to which it continues may be dependent on the above factors.

8. CONCENTRATIONS

Two donors comprised 88% of contribution and grants receivable and 78% of contribution and grants revenue as of and during the year ended December 31, 2023, respectively.

9. LIQUIDITY AND FUNDS AVAILABLE

As a part of the Organization's liquidity management, it structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Contributions that are considered current will be collected from donors within one year and will be available for general expenditures or to support the program for which they are designated. Funds from current executed grant agreements will be collected upon the date established in the agreement or upon such time as the Organization achieved the metric by which payment of such funds can be initiated.

At a minimum, the Organization's Finance Committee reviews the Organization's financial position on a quarterly basis. The Chief Executive Officer and Senior Director of Finance review the Organization's financial position monthly.

The following is a quantitative disclosure describing financial assets available within one year of December 31, 2023, to fund expenditures and other obligations when they become due:

Financial assets:	
Cash and cash equivalents	$ 3,915,841
Accounts receivable, net of allowance for expected credit losses of $28,405	687,184
Contributions and grants receivable, net	2,004,032
	6,607,057
Less: amounts unavailable for general expenditures within one year	
Contributions and grants expected to be collected within one year restricted for programmatic use	(1,795,700)
	$ 4,811,357

The Organization has financial assets available at December 31, 2023, to cover approximately seven months of operating expenses based on the Organization's fiscal 2024 budget.

10. EMPLOYEE RETENTION TAX CREDIT

The Employee Retention Tax Credit ("ERC"), a refundable tax credit against certain employment taxes allowed to an eligible employer for qualifying wages, was established by the CARES Act and was subsequently amended through additional legislation. For an employer whose business has been financially impacted by COVID-19, the tax credit is equal to 50% of the qualified wages, up to $10,000 per employee, paid to employees between March 12, 2020, and December 31, 2020. This was subsequently amended to equal 70% of qualified wages, up to $10,000 per employee, paid from January 1, 2021 through September 30, 2021. The Organization determined it was eligible to apply for the ERC and calculated a total ERC of $258,366 for the wages paid during the period January 1, 2021 through March 30, 2021. The funds were applied for and received during the year ended December 31, 2023, and therefore, the Organization has recognized the related income during the year ended December 31, 2023.