

# The George Lucas Educational Foundation

Financial Statements

December 31, 2008 and 2007

Report of Independent Auditors

To the Board of Directors of  
The George Lucas Educational Foundation

In our opinion, the accompanying statements of financial position and the related statements of activities and changes in net assets and of cash flows present fairly, in all material respects, the financial position of The George Lucas Educational Foundation (the Foundation) at December 31, 2008 and 2007 and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

*PricewaterhouseCoopers LLP*

June 25, 2009

**The George Lucas Educational Foundation**  
**Statements of Financial Position**  
**December 31, 2008 and 2007**

	2008	2007
<b>Assets</b>		
Cash and cash equivalents	\$ 337,629	\$ 186,417
Accounts receivable, net of allowances of \$38,930 and \$0 in 2008 and 2007, respectively	287,007	350,183
Grants and contributions receivable	-	625,000
Prepaid expenses and other assets	73,134	99,770
Inventory, net of reserves of \$0 and \$51,883 in 2008 and 2007, respectively	53,572	34,069
Equipment, net	94,210	44,276
Total assets	<u>\$ 845,552</u>	<u>\$ 1,339,715</u>
<b>Liabilities and Net Assets</b>		
Accounts payable and accrued expenses	\$ 404,319	\$ 305,073
Grant payable	91,660	25,000
Payable to related party (Note 5)	4,634	1,147
Deferred revenue	73,407	3,673
Total liabilities	<u>574,020</u>	<u>334,893</u>
<b>Net Assets</b>		
Unrestricted	(135,275)	755,340
Temporarily restricted	406,807	249,482
Total net assets	<u>271,532</u>	<u>1,004,822</u>
Total liabilities and net assets	<u>\$ 845,552</u>	<u>\$ 1,339,715</u>

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

**The George Lucas Educational Foundation**  
**Statements of Activities and Changes in Net Assets**  
**Years Ended December 31, 2008 and 2007**

	2008			2007		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>Revenues</b>						
Contributions and grants	\$ 5,361	\$ 450,000	\$ 455,361	\$ 250,000	\$ 262,000	\$ 512,000
Contributions from related party (Note 5)	4,406,945	-	4,406,945	5,149,788	-	5,149,788
Advertising revenue	1,131,303	-	1,131,303	1,096,966	-	1,096,966
Membership-related revenue	176,783	-	176,783	-	-	-
Product sales	12,454	-	12,454	36,061	-	36,061
Service fees	96,322	-	96,322	163,018	-	163,018
Net assets released from restrictions	292,675	(292,675)	-	193,054	(193,054)	-
Total revenues	6,121,843	157,325	6,279,168	6,888,887	68,946	6,957,833
<b>Expenses</b>						
Program services	5,219,570	-	5,219,570	5,120,376	-	5,120,376
Management and general	1,276,605	-	1,276,605	985,105	-	985,105
Fundraising and membership	516,283	-	516,283	135,130	-	135,130
Total expenses	7,012,458	-	7,012,458	6,240,611	-	6,240,611
Change in net assets	(890,615)	157,325	(733,290)	648,276	68,946	717,222
Net assets, beginning of year	755,340	249,482	1,004,822	107,064	180,536	287,600
Net assets, end of year	\$ (135,275)	\$ 406,807	\$ 271,532	\$ 755,340	\$ 249,482	\$ 1,004,822

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

**The George Lucas Educational Foundation**  
**Statements of Cash Flows**  
**Years Ended December 31, 2008 and 2007**

	2008	2007
<b>Cash flows from operating activities</b>		
Change in net assets	\$ (733,290)	\$ 717,222
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Accounts receivable reserve	38,930	-
Inventory reserve	-	22,449
Write-off of inventory	10,490	-
Depreciation	36,723	31,118
Gain on disposal of equipment	(6,737)	-
Changes in operating assets and liabilities		
Accounts receivable	24,246	(237,901)
Grants and contributions receivable	625,000	(625,000)
Prepaid expenses and other assets	26,636	(26,267)
Inventory	(29,993)	60,956
Accounts payable and accrued expenses	99,246	(22,774)
Grant payable	66,660	(25,000)
Payable to related party	3,487	(1,617)
Deferred revenue	69,734	(3,618)
Net cash provided by (used in) operating activities	<u>231,132</u>	<u>(110,432)</u>
<b>Cash flows from investing activities</b>		
Purchase of equipment	(86,920)	(25,154)
Proceeds from sale of equipment	7,000	-
Net cash used in investing activities	<u>(79,920)</u>	<u>(25,154)</u>
Net increase (decrease) in cash and cash equivalents	151,212	(135,586)
Cash and cash equivalents, beginning of year	186,417	322,003
Cash and cash equivalents, end of year	<u>\$ 337,629</u>	<u>\$ 186,417</u>

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



# The George Lucas Educational Foundation

## Notes to Financial Statements

### December 31, 2008 and 2007

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#### 1. Description of the Foundation

The George Lucas Educational Foundation ("GLEF") is a nonprofit operating foundation funded primarily by the Lucasfilm Foundation. Established in 1991, GLEF's mission is to document and disseminate models of the most innovative practices in our nation's K-12 schools, which include project-based learning, integrated studies, social-emotional learning, comprehensive assessment, technology integration, and ongoing teacher development.

GLEF publishes its content through several integrated media platforms, including its website (edutopia.org); documentaries distributed via the website, DVD, and broadcast; newsletters; books; and its magazine, *Edutopia*. The Edutopia website is GLEF's main publishing platform, containing an archive of GLEF's multimedia content published since 1997. GLEF's audience for its media includes diverse stakeholders involved in school reform, including K-12 educators (teachers and administrators), school board members, college faculty, researchers, and others in business, government, and nonprofit organizations. GLEF's intention is to share a larger vision of the type of schools needed in the 21st Century, to stimulate the understanding and involvement of stakeholders and to guide their choices in redesigning schools and school systems.

During 2008, GLEF began its dues paying membership program to expand *Edutopia* outreach to the educational community and offer members an opportunity to financially support GLEF and its mission. Dues paying members receive a welcome kit and premiums, an annual subscription to *Edutopia* magazine and access to a series of education related webinars.

#### 2. Summary of Significant Accounting Policies

##### **Basis of Presentation**

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America applicable to not-for-profit organizations. The existence or absence of donor imposed restrictions determines the proper classification of net assets and revenues. Therefore, GLEF's net assets and the changes therein are classified and reported as follows:

##### ***Unrestricted Net Assets***

Net assets that are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors or otherwise limited by contractual arrangements with outside parties. Such assets represent resources primarily received from the Lucasfilm Foundation for the operation of GLEF. As of December 31, 2008 and 2007, no net assets were designated by the Board of Directors.

##### ***Temporarily Restricted Net Assets***

Net assets that are subject to donor-imposed stipulations which can be fulfilled either by actions of GLEF pursuant to those stipulations and/or expire with the passage of time. In 2007, such assets represent a grant received from a foundation, restricted in use to the production and dissemination of additional content related to a task force report on learning. In 2008, GLEF received a commitment for a follow up grant from the same foundation. These assets are restricted in use to the production, dissemination and refinement of new and existing content related to the New Day for Learning (NDL) initiative and its audience. In 2008, GLEF also received a grant from another foundation that is restricted to research and production of an Internet-based series of video stories documenting the emerging field of digital media and learning. The grant funds were expended in accordance with the donor-imposed stipulations.

# **The George Lucas Educational Foundation**

## **Notes to Financial Statements**

### **December 31, 2008 and 2007**

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Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions and the restrictions are not met in the year donated. Expenses are reported as decreases in unrestricted net assets. Gains or losses on other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets are reported as reclassifications between the applicable classes of net assets.

#### **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 reported amounts of assets and liabilities and the 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.

#### **Cash and Cash Equivalents**

Cash and cash equivalents include all cash balances and highly liquid investments with original or remaining maturities of three months or less from the date acquired.

#### **Accounts Receivable**

Accounts receivable are presented net of allowances for doubtful accounts when needed and as determined by management. The allowance is based upon specific reserves for receivables in which collection is deemed uncertain, which represents an amount that management considers appropriate based upon overall portfolio quality, historical loss experience and current economic conditions. Specific invoices are written off against the allowance for doubtful accounts reserve when circumstances have indicated the amount to be uncollectible.

#### **Inventory**

Inventory includes paper stock used for magazine publication. These costs are expensed as program services in the statement of activities and changes in net assets and are calculated on a first-in first-out basis at the time of issue publication. Inventory balance at December 31, 2007 also includes products held for sale and consists of direct production costs and capitalized production overhead. These costs were expensed as program services in the statement of activities and were calculated on an average cost-per-unit. At December 31, 2008 the product inventory of \$62,373 was no longer considered to have any value and the inventory balance and related reserve were written-off.

#### **Equipment**

Equipment additions are recorded at cost at the date of purchase or at fair market value at the date of donation, and net of accumulated depreciation. Depreciation is based on the straight-line method over estimated useful lives ranging from three to five years. The costs of assets disposed of and the related amounts of accumulated depreciation are eliminated from the accounts in the year of disposition, with resulting gains or losses reflected in earnings. Maintenance and repair costs are expensed as incurred to management and general expenses.

#### **Revenue Recognition**

##### ***Contributions***

Contributions, which may include unconditional promises to give (pledges), are recognized as revenues according to donor restrictions in the period received or pledged. Conditional promises to give are recognized in the period in which the condition is substantially met. Pledges receivable are reviewed for collectibility, and reserves for uncollectible amounts are established when needed.



**The George Lucas Educational Foundation**  
**Notes to Financial Statements**  
**December 31, 2008 and 2007**

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**3. Equipment**

Equipment consists of the following:

	2008	2007
Machinery and equipment	\$ 172,630	\$ 162,310
Computer equipment	262,333	261,045
Software	11,542	11,542
	<u>446,505</u>	<u>434,897</u>
Accumulated depreciation	<u>(352,295)</u>	<u>(390,621)</u>
Equipment, net	<u>\$ 94,210</u>	<u>\$ 44,276</u>

Depreciation expense for the years ended December 31, 2008 and 2007 was \$36,723 and \$31,118, respectively.

**4. Accounts Payable and Accrued Expenses**

Accounts payable and accrued expenses consist of the following:

	2008	2007
Accounts payable	\$ 167,539	\$ 114,614
Accrued expenses	29,314	28,678
Accrued payroll	121,161	64,957
Accrued vacation	86,305	96,824
	<u>\$ 404,319</u>	<u>\$ 305,073</u>

**5. Related Party Transactions**

In 2008 and 2007, GLEF received donated funds of \$3,500,000 and \$4,300,000, respectively, from the Lucasfilm Foundation. The Chairman of the Board of Directors of the Lucasfilm Foundation and Lucasfilm Ltd. is also Chairman of the Board of Directors of GLEF. GLEF also receives from Lucasfilm Ltd., office space, equipment usage, telephone charges, postage, storage fees and certain accounting and administrative services at no cost. The fair value of the preceding items is included in contributions and expenses for 2008 and 2007. The value of office space was \$487,374 and \$487,401 for 2008 and 2007, respectively. The value of accounting and administrative services was \$419,571 and \$362,387 for 2008 and 2007, respectively. GLEF had payables to Lucasfilm Ltd. of \$4,634 and \$1,147 at December 31, 2008 and 2007, respectively.

**6. Retirement Plan**

GLEF has a voluntary retirement program through a defined contribution savings plan available to all employees who have worked for the organization at least six months and work a minimum of twenty hours per week. GLEF matches the employee contributions subject to a maximum contribution of 6% of an employee's salary. During 2008 and 2007, GLEF contributed \$114,339 and \$97,675 to the plan, respectively.