

WESTED
(A JOINT POWERS AGENCY)

AUDITED FINANCIAL STATEMENTS
WITH SUPPLEMENTARY
COMPLIANCE INFORMATION

November 30, 2020 and 2019

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
WestEd
San Francisco, California

Report on the Financial Statements

We have audited the accompanying financial statements of WestEd, as of and for the years ended November 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise WestEd's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 *State Controller's Minimum Audit Requirements for California Special Districts*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

(Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of WestEd, as of November 30, 2020 and 2019, and the changes in its financial position and its cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* on pages 3 through 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise WestEd's basic financial statements. The schedule of expenditures of federal awards as required by Title 2 U.S. Code of Federal Regulations (CFR) 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 basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic 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 March 17, 2021 on our consideration of WestEd'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 the effectiveness of WestEd's 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 WestEd's internal control over financial reporting and compliance.


Crowe LLP

Costa Mesa, California
March 17, 2021

WESTED
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEARS ENDED NOVEMBER 30, 2020 AND 2019
(UNAUDITED)

The following discussion and analysis provides an overview of the financial position and activities of WestEd for the year ended November 30, 2020, with selected comparative information for the years ended November 30, 2019 and 2018. It also includes historical data and highlights various financial measures that can be used to assess WestEd's financial condition. This discussion has been prepared by management and should be read in conjunction with the financial statements contained in the following section.

BACKGROUND

WestEd was established as a California Joint Powers Agency (JPA) by Far West Laboratory for Educational Research and Development (FWL) and Southwest Regional Laboratory for Educational Research and Development (SWRL) in 1995. JPAs are public entities formed pursuant to the California Government Code (and consistent with similar statutes in Arizona, Nevada, and Utah), by two or more other public entities.

Both FWL and SWRL were among the original regional educational laboratories established by Congress in 1966. WestEd, like its founding agencies, continues to serve the states of Arizona, California, Nevada, and Utah as the U.S. Department of Education's designated Regional Educational Laboratory - West. The agency's work, administered within three divisions, now extends throughout the United States and abroad. WestEd currently employs 712 regular staff in fourteen offices nationwide.

Sources of Operating Revenue

The agency's contract and grant funding is currently derived from the funding sources listed below.

SOURCES OF OPERATING REVENUE

(\$ in thousands)

	FY 2020	Percent	FY 2019	Percent	FY 2018	Percent
Federal Agencies	\$47,685	30%	\$56,513	33%	\$51,429	31%
State Agencies	41,038	26%	38,203	22%	36,465	22%
Local Educational Agencies	25,975	16%	33,775	19%	28,421	17%
Foundations	14,527	9%	16,860	10%	18,175	11%
Other	30,798	19%	27,248	16%	30,435	19%
Total	\$160,023	100%	\$172,599	100%	\$164,925	100%

WESTED
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEARS ENDED NOVEMBER 30, 2020 AND 2019
(UNAUDITED)

BACKGROUND (continued)

Sources of Operating Revenue (continued)

WestEd's funding is obtained primarily through competitive contracts and grants, sole source contracts and grants, and the provision of products and services to clients. WestEd receives contract and grant funding from a variety of organizations and entities, including governmental agencies (federal, state, and local), private foundations, for-profit companies and other educational organizations (primarily through subcontracts). WestEd does not have an endowment or guaranteed source of financial support. Since its grants and contracts are both short term and multiyear, a certain percentage of the agency's revenue must be replaced each year.

Grants vs. Fee Contracts

The mix between contracts and grants received at WestEd is an important factor in the agency's ability to raise working capital to support operations. Grants permit the recovery of actual costs incurred only up to the amount of the award. The best financial outcome from income received by grants is break-even (unlike contracts, which may be fee bearing or fixed price and include a target fee). Contracts that are fee bearing have fees budgeted in a range of three to five percent in most cases.

Nonoperating Revenue

WestEd also generates nonoperating revenue from leasing excess building space, sale of publications, investments, and royalties. Because the FWL and SWRL buildings were originally built using federal monies, the government requires that net income from leasing of excess building space be used to support educational research activities or be invested back into the San Francisco or Los Alamitos buildings. Revenue generated from the remaining nonoperating income sources does not have any restriction.

Principal Cost Areas

Agency expenditures include direct costs and indirect costs.

Direct costs, representing 86% of revenue for the year ended November 30, 2020, are those directly associated with project work. Direct costs include standard direct costs, and service center costs. Standard direct costs include salaries, benefits, travel, consultants, subcontracts, and facilities. Service center costs, related to activities directly supporting project work, include information services, human resources, general administration, and program services. These costs are considered "direct" for cost accounting purposes and are part of the base used for allocating indirect costs.

Indirect costs include those related to supporting the Board of Directors, the CEO's office, communications, resource development, contracts, legal, accounting, and finance activities. WestEd's approved provisional indirect rate for fiscal year 2020 was 14.1%. This rate is negotiated every year with the US. Department of Education and accepted by all other Federal Agencies. Actual indirect rate at year-end was 14.2%. The indirect rate is applied to modified direct costs. Modified direct costs are total direct costs less items of equipment, alterations and renovations, stipends and the portion of each competitive bid sub-award in excess of \$25,000 per year.

The information presented in the following section should be read in the context of WestEd's cost structure, as described above.

WESTED
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEARS ENDED NOVEMBER 30, 2020 AND 2019
(UNAUDITED)

FINANCIAL HIGHLIGHTS

- The impact of the COVID-19 pandemic on WestEd's work was varied in fiscal year 2020. Research work was disrupted, trainings went virtual, some contracts were cancelled, work was deferred to 2021, some contracts had significant scope changes and funds were repurposed, and revenue related to subcontractor work and outside services declined. Total Operating Revenues through the fiscal year ended November 30, 2020, were \$160 million compared to \$172.6, a decrease of \$12.6 million (7.3%) over last year. However, expenses were managed, and we ended the year profitably with a positive operating income margin of 3% which was the same as the prior year. WestEd appreciated the agility of our funders, our partners, and our staff. WestEd is particularly thankful that the number of FTE (Full Time Equivalent) staff, our most important asset, remained relatively constant during this very difficult year.
- Change in net position for the fiscal year ended November 30, 2020 was \$7.0 million compared with \$8.1 million in FY 2019, a decrease of \$1.1 million (13.6%). Change in net position for FY 2018 was \$2.5 million.
- WestEd's financial position at November 30, 2020 included total assets of \$135.8 million and liabilities of \$39.2 million. Net position, which represents the residual interest in WestEd's assets after liabilities are deducted, totaled \$96.6 million. WestEd's net position on November 30, 2019 and 2018 were \$89.6 million and \$81.5 million, respectively. The difference between fiscal years 2020 and 2019 of \$7.0 million was due to operating and nonoperating incomes. The capital assets component of the net position total was \$3.9 million, restricted net position was \$0.1 million and the unrestricted net position component was \$92.6 million as of November 30, 2020.

STATEMENTS OF NET POSITION

The statements of net position present the financial position of the organization at the end of an accounting period and include all assets and liabilities of WestEd. The difference between total assets and total liabilities - net position - is one indicator of the current financial condition of WestEd. While the change in net position is an indicator of whether the overall financial condition has improved or worsened during the reporting period, it is not the only indicator. This should be looked at within the context of other financial measures.

Assets and liabilities are generally measured using current values. This does not include capitalized items that are measured by their historical cost, less accumulated depreciation.

WESTED
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEARS ENDED NOVEMBER 30, 2020 AND 2019
(UNAUDITED)

STATEMENTS OF NET POSITION (continued)

A comparison of WestEd's assets, liabilities, and net position at November 30, 2020, 2019 and 2018 is as follows:

STATEMENTS OF NET POSITION

(\$ in thousands)

	FY 2020	FY 2019	FY 2018
Current Assets	\$70,004	\$59,587	\$58,402
Long Term Investments	61,944	57,058	51,687
Property and Equipment, Net	3,904	4,595	5,367
Total Assets	135,852	121,240	115,456
Current Liabilities	39,238	31,619	33,978
Net Position	\$96,614	\$89,621	\$81,478

Current Assets

Current assets consist primarily of cash, trade accounts receivable, short-term investments, publications inventory, prepaid expenses and other assets. These accounts totaled \$70.0 million at November 30, 2020, \$59.6 million at November 30, 2019 and \$58.4 million at November 30, 2018. The increase was primarily due to the impact of positive net income from fiscal years 2020 and 2019 flowing into current assets, and higher contract advances.

Long Term Investments

Long-term investments are securities that have a maturity date of more than one year that totaled \$61.9 million at November 30, 2020, \$57.1 million at November 30, 2019 and \$51.7 million at November 30, 2018. The increase in fiscal years 2020 was due to a net increase in the purchases of longer term securities and a material unrealized gain at year end.

Property and Equipment

Property and equipment consists of building and leasehold improvements, equipment and furniture. Property and equipment totaled \$3.9 million at November 30, 2020, \$4.6 million at November 30, 2019 and \$5.4 million at November 30, 2018. The decrease in fiscal year 2020 and 2019 was primarily due to routine depreciation.

WESTED
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEARS ENDED NOVEMBER 30, 2020 AND 2019
(UNAUDITED)

STATEMENTS OF NET POSITION (continued)

Current Liabilities

Current liabilities consist of accounts payable and accrued liabilities, accrued compensation/benefits and contract advances. These accounts totaled \$39.2 million at November 30, 2020, \$31.6 million at November 30, 2019 and \$34 million at November 30, 2018. The increase of \$7.6 million (24.1%) in FY 20 was primarily due to the awarding of more contracts and grants providing payment upfront within Contract Advances and also an increase in Accrued Vacation. Use of vacation declined in 2020 due to the pandemic.

Net Position

The net position balance represents the residual interest in WestEd's assets after liabilities are deducted. WestEd's net position at November 30, 2020, 2019 and 2018 is summarized below.

**NET POSITION
(\$ in thousands)**

	FY 2020	FY 2019	FY 2018
Net Investment In Capital Assets	\$3,904	\$4,595	\$5,367
Restricted	130	177	1,062
Unrestricted	92,580	84,849	75,049
Total Net Position	\$96,614	\$89,621	\$81,478

Net investment in capital assets consists of capital assets net of accumulated depreciation.

Restricted net position represents royalties from the California Department of Education that are restricted in their use.

Unrestricted net position represents funds that have no restrictions concerning their use. They can be used to fund any WestEd activity. Increases in unrestricted was due to positive operating income and non-operating revenues (expenses).

WESTED
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEARS ENDED NOVEMBER 30, 2020 AND 2019
(UNAUDITED)

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

The statements of revenues, expenses, and changes in net position present WestEd's results of operations during the current year ended November 30, 2020, 2019 and 2018.

CHANGES IN NET POSITION
(\$ in thousands)

	FY 2020	FY 2019	FY 2018
Operating revenues			
Federal Agencies	\$47,685	\$56,513	\$51,429
State Agencies	41,038	38,203	36,465
Local Educational Agencies	25,975	33,775	28,421
Foundations	14,527	16,860	18,175
Other	30,798	27,248	30,435
Total operating revenues	160,023	172,599	164,925
Operating expenses	155,296	167,412	162,350
Total operating income	4,727	5,187	2,575
Nonoperating revenues (net of Nonoperating expenses)	2,266	2,957	(94)
Changes in net position	\$6,993	\$8,144	\$2,481

WestEd's operating revenues decreased by 7.3% in fiscal year 2020 compared to fiscal year 2019. The decrease was due to the year-over-year decrease in Federal, Local Educational Agencies, and Foundations funding source categories.

Operating income in the fiscal year ended November 30, 2020 was \$4.7 million, a decrease of \$0.5 million compared to 2019. Operating income in fiscal year 2019 was \$2.6 million more than the corresponding period in fiscal year 2018.

Nonoperating revenues (net of non-operating expenses) decreased by \$0.7 million in fiscal year 2020 primarily due to a decrease in investment income.

Request for Information

We hope that the preceding information has provided you with a general overview of WestEd's overall financial status. For questions or comments concerning information contained in this report, please contact the Office of the Controller, 4665 Lampson Avenue, Los Alamitos, California 90720.

FINANCIAL STATEMENTS

WESTED
STATEMENTS OF NET POSITION
November 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 16,518,351	\$ 9,780,641
Short-term investments	12,452,830	9,076,078
Receivables	38,753,725	37,698,710
Inventory	192,269	206,217
Prepaid expenses and other assets	<u>2,086,606</u>	<u>2,825,461</u>
Total current assets	70,003,781	59,587,107
Long-term investments, less current portion	61,944,681	57,058,704
Property and equipment, net	<u>3,903,894</u>	<u>4,594,956</u>
Total assets	<u>\$ 135,852,356</u>	<u>\$ 121,240,767</u>
 LIABILITIES AND NET POSITION		
Current liabilities		
Accounts payable and accrued liabilities	\$ 6,975,728	\$ 7,390,271
Accrued compensation and benefits	15,465,344	13,772,575
Advances	<u>16,797,055</u>	<u>10,456,460</u>
Total current liabilities	39,238,127	31,619,306
Net position		
Net investment in capital assets	3,903,894	4,594,956
Restricted	130,301	177,316
Unrestricted	<u>92,580,034</u>	<u>84,849,189</u>
Total net position	<u>96,614,229</u>	<u>89,621,461</u>
Total liabilities and net position	<u>\$ 135,852,356</u>	<u>\$ 121,240,767</u>

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

WESTED
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the years ended November 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Operating revenues:		
Federal Agencies	\$ 47,684,667	\$ 56,513,389
State Agencies	41,038,558	38,202,686
Local Education Agencies	25,975,068	33,775,470
Foundations	14,526,594	16,859,841
Other	<u>30,798,059</u>	<u>27,247,686</u>
Total operating revenues	<u>160,022,946</u>	<u>172,599,072</u>
Operating expenses:		
Direct expenses		
Employee compensation and benefits	83,388,224	81,810,150
Subawards, subcontracts, outside services, travel, and other direct costs	<u>54,590,881</u>	<u>67,535,684</u>
Total direct expenses	137,979,105	149,345,834
Indirect expenses	<u>17,316,822</u>	<u>18,066,161</u>
Total operating expenses	<u>155,295,927</u>	<u>167,411,995</u>
Operating income	4,727,019	5,187,077
Non-operating revenues (expenses):		
Rental and parking, net	448,539	278,335
Publication sales, net	12,796	217,230
Investment income, net	2,871,940	3,182,317
Other revenues	28,801	5,152
Other expenses	<u>(1,096,327)</u>	<u>(726,425)</u>
Total non-operating revenues (expenses)	<u>2,265,749</u>	<u>2,956,609</u>
Changes in net position	6,992,768	8,143,686
Net Position, beginning of year	<u>89,621,461</u>	<u>81,477,775</u>
Net Position, end of year	<u>\$ 96,614,229</u>	<u>\$ 89,621,461</u>

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

WESTED
STATEMENTS OF CASH FLOWS
For the years ended November 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities		
Federal agencies	\$ 48,231,561	\$ 57,837,560
State agencies	39,683,780	35,930,114
Local education agencies	27,758,003	34,309,027
Foundations	14,986,729	16,514,648
Other	34,648,453	24,727,030
Other (payments) receipts	(599,346)	(222,045)
Cash payments to employees for direct expense services	(81,695,456)	(80,144,963)
Cash payments for subawards, subcontracts, outside services, travel, and other direct costs	(54,168,915)	(66,569,958)
Cash payments for indirect costs	<u>(16,564,018)</u>	<u>(17,846,580)</u>
Net cash provided by operating activities	12,280,791	4,534,833
Cash flows from capital and related financing activities		
Purchases of fixed assets	(152,292)	(540,538)
Proceeds from tenant improvement allowance	<u>-</u>	<u>272,169</u>
Net cash used in financing activities	(152,292)	(268,369)
Cash flows from investing activities		
Purchase of investments	(21,753,505)	(19,297,453)
Proceeds from sales and maturities of investments	15,032,540	14,306,829
Interest received	<u>1,330,176</u>	<u>1,263,483</u>
Net cash used in by investing activities	(5,390,789)	(3,727,141)
Net increase (decrease) in cash and cash equivalents	6,737,710	539,323
Cash and cash equivalents at beginning of year	<u>9,780,641</u>	<u>9,241,318</u>
Cash and cash equivalents at end of year	<u>\$ 16,518,351</u>	<u>\$ 9,780,641</u>
Reconciliation of operating income to net cash provided by (used in) operating activities		
Operating Income	\$ 4,727,019	\$ 5,187,077
Depreciation	839,742	1,036,398
Loss on disposal of fixed assets	-	336
Other revenue	(602,579)	(225,708)
(Increase) Decrease in receivables	(1,055,015)	675,693
Decrease in inventory	13,948	40,183
Decrease in prepaid expenses and other assets	738,855	179,397
Decrease in accounts payable and accrued liabilities	(414,543)	(67,344)
Increase in accrued compensation and benefits	1,692,769	1,665,186
Increase (Decrease) in advances	<u>6,340,595</u>	<u>(3,956,385)</u>
Net cash provided by operating activities	<u>\$ 12,280,791</u>	<u>\$ 4,534,833</u>

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

WESTED
NOTES TO FINANCIAL STATEMENTS
November 30, 2020 and 2019

NOTE 1 – ORGANIZATION

WestEd is a Joint Powers Agency and was established on December 1, 1995 pursuant to the provisions of Title 1, Division 7, Chapter 5, Article I of the California Government Code. WestEd was established as a public agency for the joint exercise of powers between Far West Regional Laboratory for Educational Research and Development (“FWL”) and Southwest Regional Laboratory for Educational Research and Development (“SWRL”). WestEd operations are involved in education research, development and service dedicated to improving education and other opportunities for children, youth and adults. In addition to its work across the nation, WestEd serves as the regional education laboratory for Arizona, California, Nevada and Utah.

WestEd is governed by a Board of Directors (the “Board”), the members of which includes designated board members of FWL and SWRL, and additional members as appointed by the Board.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of WestEd conform to generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). The significant accounting policies are herein described to enhance the usefulness of the accompanying financial statements to the reader.

Fund Accounting: The accounts of WestEd are organized on the basis of an enterprise fund, the operations of which are accounted for with a set of self-balancing accounts that comprise its assets, liabilities, net position, revenues and expenses.

Basis of Accounting: The accompanying financial statements have been prepared on the accrual basis in accordance with generally accepted accounting principles. Under the accrual basis, revenue is recorded when earned and expenses are recorded when incurred, without regard to the timing of cash receipt or payment.

Use of Estimates: The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts in the financial statements and accompanying notes. Actual results could differ from the estimates.

Funding Sources: WestEd’s operations are principally funded through contracts and grants awarded by the federal government, State Agencies, local governments, and other private entities.

Revenue Recognition for Grants and Contracts: Revenue is deemed to be earned and reported when all eligibility requirements imposed by the provider have been met. In addition, for income derived from royalty and tuition type contracts, WestEd will recognize revenues when earned as defined per contract agreement. Losses on contracts are recognized when identified.

Cost Allocation: Expenses identified with specific projects are charged directly to the appropriate grant or contract. Occupancy costs are allocated on the basis of labor hours. Fringe benefits are allocated at a target rate of 63.0% (43.5% for fringe and 19.5% for leave) of employees’ direct labor costs for 2020 and 2019. Indirect expenses are allocated to all grants, contracts and other non-operating expenses based on direct costs. The actual indirect rate was 14.2% for 2020 and 2019, and 14.3% for 2018. Indirect costs on sub-award costs are only charged to the first \$25,000 of costs of each sub-award per year.

In accordance with policies adopted by the U.S. Department of Education, WestEd uses cost principles set forth in OMB Uniform Grant Guidance.

(Continued)

WESTED
NOTES TO FINANCIAL STATEMENTS
November 30, 2020 and 2019

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents: WestEd considers all short-term investments purchased with a maturity of three months or less to be cash equivalents. Investments that have characteristics of demand deposits allowing WestEd to deposit or withdraw funds at any time without prior notice or penalty are included in cash equivalents.

Receivables: Receivables include amounts owed to WestEd from private individuals or organizations for services rendered. Included in receivables are unbilled amounts for which the services have been rendered but not yet billed.

Allowance for Uncollectible Receivables: A portion of receivables are estimated not to be collectible. The balance in this account is reported as a deduction from receivables to indicate a net receivables amount.

Investments: WestEd records investments at fair value on the Statement of Net Position. The fair value of investments, primarily debt securities, is based on quoted market values. Unrealized gains and losses on investments are included in nonoperating revenues as net investment income. Short-term investments are securities that have a maturity date of one year or less, net of cash equivalents. Long-term investments are securities that have a maturity date of more than one year.

Inventory: Inventory consists of publications and supplies and are stated at the lower of cost or market value using the first in, first out cost allocation method.

Property and Equipment: Acquisitions of property and equipment costing \$5,000 or more are capitalized. Property and equipment are carried at historical cost. Maintenance, repairs and renewals, which neither materially add to the value of the property nor appreciably prolong its life, are charged to expense as incurred. Gains or losses on dispositions of property and equipment are included in other non-operating revenues.

Depreciation and amortization of property and equipment are provided on the straight-line method over the following useful lives:

Building Improvements	3 - 30 years
Leasehold Improvements	3 - 10 years
Office Furniture and Equipment	5 - 10 years
Computer Equipment and Software	3 - 5 years

Leasehold improvements are amortized over the lesser of the useful life of the asset or term of the lease.

Advances: Advances consist of amounts received on contracts, grants and agreements in excess of costs incurred. The amounts received in excess of costs will be recognized in the future as services are rendered and costs are incurred.

Operating and Non-Operating Transactions: WestEd classifies its revenues and expenses as either operating or non-operating. Revenues and expenses are classified according to the following criteria:

Operating - These revenues are earned from the Federal Agencies, State Agencies, Local Education Agencies, foundations and others, through grants and contracts. Other revenue includes non-profit organizations and other for-profit entities. Operating expenses include employee compensation and benefits, subcontracts, travel, other direct expenses and related indirect expenses.

(Continued)

WESTED
NOTES TO FINANCIAL STATEMENTS
November 30, 2020 and 2019

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Non-operating - These revenues and expenses include activities that are not the primary business of WestEd, such as building and parking rental income, publication sales and investment income. Non-operating expenses include building, parking, publications, investment and other related indirect expenses.

Net Position: WestEd's net position is classified in three major components:

Net investment in capital assets - Capital assets, net of accumulated depreciation less outstanding capital lease obligations.

Restricted - This category represents net position that has external restrictions imposed by grantors. At November 30, 2020 and 2019, all restricted net position includes royalties received from the California Department of Education. It is WestEd's policy to first use restricted net position when allowable expenditures are incurred.

Unrestricted - Net position that is not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action of WestEd's Board.

Exempt Status: WestEd is exempt from Federal income taxes per Internal Revenue Code Section 115(1). WestEd is also exempt from State of California franchise tax. Accordingly, no provision for Federal or State income taxes has been made in the accompanying financial statements.

NOTE 3 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents at November 30, 2020 and 2019 consist of:

	<u>2020</u>	<u>2019</u>
Checking accounts	\$ 16,008,340	\$ 8,870,616
Money market funds	<u>510,011</u>	<u>910,025</u>
Total	<u>\$ 16,518,351</u>	<u>\$ 9,780,641</u>

The *California Government Code* requires California banks and savings and loan associations to secure WestEd's deposits by pledging government securities as collateral. The market value of pledged securities must equal 110% of an agency's deposits. California law also allows financial institutions to secure an agency's deposits by pledging first trust deed mortgage notes having a value of 150% of an agency's total deposits and collateral is considered to be held in the name of WestEd. As of November 30, 2020 and 2019, WestEd had no bank balances exposed to custodial credit risk.

NOTE 4 – INVESTMENTS

WestEd's investment policies comply with California Government Code, which permits investments in U.S. Treasury obligations; U.S. agency obligations; Money market instruments including Bankers Acceptances, Certificates of Deposit and Commercial Paper; certain Medium Term Notes; Mortgage Pass-Through and Asset-Backed Securities; Supranational Securities; and certain Money Market Funds.

(Continued)

WESTED
NOTES TO FINANCIAL STATEMENTS
November 30, 2020 and 2019

NOTE 4 – INVESTMENTS (Continued)

Investments include both short-term and long-term investments. WestEd held the following investments at November 30, 2020 and 2019, respectively.

<u>Description</u>	<u>Moody's Rating</u>	<u>Fair Value</u>	<u>Weighted Average Yield</u>	<u>Weighted Average Maturity</u>	<u>Percentage of Portfolio</u>
<u>November 30, 2020</u>					
U.S. Treasury notes	Aaa	\$ 21,845,518	1.67%	2.83 years	29.36%
Federal Agencies	Aaa	30,659,994	1.48%	2.74 years	41.21%
Supranational	Aaa	1,572,906	0.61%	4.67 years	2.11%
U.S. corporate	A1	16,950,738	2.35%	2.53 years	22.79%
Asset-backed securities	Aaa	<u>3,368,355</u>	1.88%	2.74 years	<u>4.53%</u>
Total investments		<u>\$ 74,397,511</u>			<u>100.00%</u>

<u>Description</u>	<u>Moody's Rating</u>	<u>Fair Value</u>	<u>Weighted Average Yield</u>	<u>Weighted Average Maturity</u>	<u>Percentage of Portfolio</u>
<u>November 30, 2019</u>					
U.S. Treasury notes	Aaa	\$ 20,542,380	1.89%	2.66 years	31.06%
Federal Agencies	Aaa	22,206,865	1.91%	2.63 years	33.58%
Foreign corporate	A2	1,919,714	2.74%	4.03 years	2.90%
U.S. corporate	A1	15,889,830	2.55%	2.58 years	24.03%
Asset-backed securities	Aaa	<u>5,575,993</u>	2.58%	2.85 years	<u>8.43%</u>
Total investments		<u>\$ 66,134,782</u>			<u>100.00%</u>

Interest Rate Risk: Interest rate risk refers to the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that WestEd manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing as necessary to provide cash flow and liquidity needed for operations.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, WestEd will not be able to recover the value of its investments that are in the possession of an outside party. At year-end, WestEd's total investment balance is not exposed to custodial credit risk and there was no securities lending.

Credit Risk: WestEd's investment policy is controlled by Section 53601 of the California Government Code. Per Section 53601.7, investments in long-term debt shall be rated at least "A" without regard to modifiers by Standard & Poor's Corporation, Moody's Investors Service, or Fitch Ratings. As of November 30, 2020 and 2019, WestEd is in compliance with its investment policies regarding credit risk.

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The table below indicates the investments held with any one issuer representing more than 5% of total investments.

(Continued)

WESTED
NOTES TO FINANCIAL STATEMENTS
November 30, 2020 and 2019

NOTE 4 – INVESTMENTS (Continued)

At November 30, 2020, the credit ratings of investments by investment type were as follows:

	<u>Moody's Rating</u>	<u>% of Portfolio</u>
Investments		
Fed Home Loan Bank	Aaa	14%
Fed Home Loan Mortgage Corporation	Aaa	8%
Fed National Mortgage Association	Aaa	17%
U. S. Treasury notes	Aaa	<u>29%</u>
		68%
Other issuers (in aggregate)	A3 - Aaa	<u>32%</u>
		<u>100%</u>

At November 30, 2019, the credit ratings of investments by investment type were as follows:

	<u>Moody's Rating</u>	<u>% of Portfolio</u>
Investments		
Fed Home Loan Bank	Aaa	15%
Fed National Mortgage Association	Aaa	12%
U. S. Treasury notes	Aaa	<u>31%</u>
		58%
Other issuers (in aggregate)	A3 - Aaa	<u>42%</u>
		<u>100%</u>

Investment and management fees aggregating \$70,430 and \$62,983 were paid for the years ended November 30, 2020 and 2019, respectively. WestEd had a net unrealized gain totaling \$1,418,807 in 2020 and \$1,987,956 in 2019, respectively. For the years ended November 30, 2020 and 2019, WestEd recognized a net realized gain of \$122,957 and net realized loss of \$69,122, respectively. Net realized gains and losses were recorded net of related investment and management fees. Realized gains and losses on investments that had been held in more than one fiscal year and sold in the current year may have been recognized as an increase or decrease in the fair value of investments reported in the prior year.

Fair Value of Investments: WestEd measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. The fair value hierarchy is based on the valuation inputs used to measure an asset's fair value. The following provides a summary of the hierarchy used to measure fair value on a recurring basis as of November 30, 2020 and 2019:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets.

Level 2 - Significant other observable inputs such as quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable or can be corroborated by observable market data.

(Continued)

WESTED
NOTES TO FINANCIAL STATEMENTS
November 30, 2020 and 2019

NOTE 4 – INVESTMENTS (Continued)

Level 3 – Unobservable inputs should be developed using the best information available under the circumstances, which might include WestEd's own data. WestEd should adjust that data if reasonable available information indicates that other market participants would use different data or certain circumstances specific to WestEd are not available to other market participants.

WestEd's investments as of November 30, 2020 and 2019 were all calculated using Level 2 inputs.

NOTE 5 – RECEIVABLES

Receivables at November 30, 2020 and 2019 consist of the following:

	<u>2020</u>	<u>2019</u>
Due from Federal Agencies	\$ 5,337,835	\$ 5,884,729
Due from State Agencies	20,288,479	18,933,701
Due from Local Education Agencies	4,289,054	6,071,988
Due from Foundations	363,021	823,156
Due from Other	<u>8,688,752</u>	<u>6,187,710</u>
	38,967,141	37,901,284
Less allowance for doubtful accounts	<u>(213,416)</u>	<u>(202,574)</u>
Total	<u>\$ 38,753,725</u>	<u>\$ 37,698,710</u>

NOTE 6 – PROPERTY AND EQUIPMENT

Changes in property and equipment for the years ended November 30, 2020 and 2019 are shown below.

The activity for the year ended November 30, 2020 is:

	Balance December 1, <u>2019</u>	<u>Additions</u>	<u>Deductions</u>	Balance November 30, <u>2020</u>
Building improvements and leasehold improvements	\$ 15,773,970	\$ 103,385	\$ 32,602	\$ 15,844,753
Furniture	2,841,731	-	3,612	2,838,119
Equipment	<u>2,219,814</u>	<u>48,907</u>	<u>-</u>	<u>2,268,721</u>
Total property and equipment	<u>20,835,515</u>	<u>152,292</u>	<u>36,214</u>	<u>20,951,593</u>
Less accumulated depreciation:				
Building improvements and leasehold improvements	12,108,192	576,737	32,602	12,652,327
Furniture	2,333,039	142,204	-	2,475,243
Equipment	<u>1,799,328</u>	<u>120,801</u>	<u>-</u>	<u>1,920,129</u>
Accumulated depreciation	<u>16,240,559</u>	<u>839,742</u>	<u>32,602</u>	<u>17,047,699</u>
Property and equipment, net	<u>\$ 4,594,956</u>	<u>\$ (687,450)</u>	<u>\$ 3,612</u>	<u>\$ 3,903,894</u>

(Continued)

WESTED
NOTES TO FINANCIAL STATEMENTS
November 30, 2020 and 2019

NOTE 6 – PROPERTY AND EQUIPMENT (Continued)

The activity for the year ended November 30, 2019 is:

	Balance December 1, <u>2018</u>	<u>Additions</u>	<u>Deductions</u>	Balance November 30, <u>2019</u>
Building improvements and leasehold improvements	\$ 15,917,294	\$ 238,985	\$ 382,309	\$ 15,773,970
Furniture	5,557,518	79,815	2,795,602	2,841,731
Equipment	<u>4,410,421</u>	<u>221,738</u>	<u>2,412,345</u>	<u>2,219,814</u>
Total property and equipment	<u>25,885,233</u>	<u>540,538</u>	<u>5,590,256</u>	<u>20,835,515</u>
Less accumulated depreciation:				
Building improvements and leasehold improvements	11,447,882	770,450	110,140	12,108,192
Furniture	4,988,936	139,608	2,795,505	2,333,039
Equipment	<u>4,081,659</u>	<u>126,340</u>	<u>2,408,671</u>	<u>1,799,328</u>
Accumulated depreciation	<u>20,518,477</u>	<u>1,036,398</u>	<u>5,314,316</u>	<u>16,240,559</u>
Property and equipment, net	<u>\$ 5,366,756</u>	<u>\$ (495,860)</u>	<u>\$ 275,940</u>	<u>\$ 4,594,956</u>

The depreciation expense for the years ended November 30, 2020 and 2019 was \$839,742 and \$1,036,398 respectively. The Los Alamitos building and San Francisco land and building in which WestEd maintains operations, are recorded in the accounting records of SWRL and FWL, respectively.

NOTE 7 – ADVANCES

Advances at November 30, 2020 and 2019 consist of the following:

	<u>2020</u>	<u>2019</u>
Contract advances	\$ 16,766,210	\$ 10,425,615
Tenant advances	<u>30,845</u>	<u>30,845</u>
Total	<u>\$ 16,797,055</u>	<u>\$ 10,456,460</u>

These advances will be realized in the future as services are rendered and costs are incurred.

NOTE 8 – RENTAL REVENUES

WestEd leases portions of FWL and SWRL facilities' excess space under operating leases to unrelated third parties. For the years ended November 30, 2020 and 2019, these rental operations generated net rental revenue of \$448,539 and \$278,335, respectively. Due to the decrease in building operation expenses, WestEd did not collect contingent rental revenue in the year ended November 30, 2020. WestEd collected rental revenue in the amount of \$12,816 for the tenant's share of operating costs and amortization of deferred tenant improvements for the year ended November 30, 2019.

(Continued)

WESTED
 NOTES TO FINANCIAL STATEMENTS
 November 30, 2020 and 2019

NOTE 8 – RENTAL REVENUES (Continued)

Gross base and contingent rentals earned in the years ended November 30, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Base rentals	\$ 1,197,311	\$ 1,229,389
Parking revenues	14,229	44,038
Contingent rentals	<u>-</u>	<u>12,816</u>
Total	<u>\$ 1,211,540</u>	<u>\$ 1,286,243</u>

NOTE 9 – OPERATING LEASES

WestEd also leases certain equipment and facilities under non-cancelable operating leases. Operating lease expense for the years ended November 30, 2020 and 2019 was \$3,234,937 and \$2,810,327 respectively. Future minimum payments under operating leases as of November 30, 2020 are as follows:

2021	\$ 2,677,854
2022	2,118,521
2023	1,771,531
2024	1,686,059
2025	1,353,911
2026 and thereafter	<u>3,082,553</u>
	<u>\$ 12,690,429</u>

NOTE 10 – RETIREMENT AND FLEXIBLE BENEFIT PLANS

WestEd provides a defined contribution annuity purchase retirement plan for all regular and fixed-term, full-time and eligible part-time employees. Contributions are equal to 15% of the participants' salary subject to Internal Revenue Service (IRS) limits, are funded as incurred, and were \$11,413,665 and \$11,223,934 for the years ended November 30, 2020 and 2019, respectively.

In addition, eligible employees may make additional contributions to a Supplemental Retirement/Tax Deferred Annuity (SRA). The amount the employee may contribute pre-tax is based on an Internal Revenue Service (IRS) formula.

Employees also have the option of participating in a contributory Flexible Benefit Plan. Employees make voluntary contributions of pre-tax wages. Based on the contributions, the plan reimburses employees for qualified expenses which amounted to \$780,665 and \$881,905 for the years ended November 30, 2020 and 2019, respectively.

(Continued)

WESTED
NOTES TO FINANCIAL STATEMENTS
November 30, 2020 and 2019

NOTE 11 – COMMITMENTS AND CONTINGENCIES

Federal Contracts: Federal contracts and grants are subject to government review within three to five years of the contract's expiration. In the opinion of management, any disallowed expenditures resulting from government review would not have a material adverse effect on the overall financial statements at November 30, 2020.

NOTE 12 – RELATED PARTIES

WestEd is provided office space to conduct its operations in Los Alamitos, California and San Francisco, California. These office spaces are owned by FWL and SWRL and are provided to WestEd free of charge.

NOTE 13 – COVID-19 PANDEMIC

In 2020, a novel strain of coronavirus, known as COVID-19, spread around the world resulting in business and social disruption. COVID-19 was declared a Public Health Emergency of International Concern by the World Health Organization on January 30, 2020. In March 2020, the State of California issued a statewide shelter-in-place order that continues to have a significant impact on the operations and business results of WestEd. Other states where WestEd has offices and/or employees have had similar orders at varying times. The extent to which the COVID-19 pandemic may impact business activity or investment income will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and the actions required to contain the coronavirus. WestEd has not included any contingencies in the financial statements specific to this event.

SUPPLEMENTARY INFORMATION

WESTED
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended November 30, 2020

<u>Federal Granting Agency/Program Name</u>	<u>Pass-Thru ID Number</u>	<u>CFDA Number</u>	<u>Provided to Sub-recipients</u>	<u>Program Expenditures</u>
<u>RESEARCH AND DEVELOPMENT CLUSTER:</u>				
U.S. Department of Education – Direct:				
Comprehensive Regional Assistance Centers	N/A	84.283B	\$ -	\$ 6,230,061
Comprehensive Regional Assistance Centers	N/A	84.283B	474,188	2,411,857
Comprehensive Regional Assistance Centers	N/A	84.283B	218,774	1,600,520
Comprehensive Regional Assistance Centers	N/A	84.283B	-	6,475
Comprehensive Regional Assistance Centers	N/A	84.283B	-	5,172
			<u>-</u>	<u>5,172</u>
Comprehensive Centers		84.283B	692,962	10,254,085
Efficacy of ASSISTment Online Homework Support for Middle School Mathematics Learning: A Replication Study	N/A	84.305A	-	825,787
Efficacy Study of an Integrated Science and Literacy Curriculum for Young Learners	N/A	84.305A	-	960,337
Exploring the Spatial Alignment Hypothesis in STEM Learning Environments	N/A	84.305A	-	300,031
Investigating the Use of Virtual Labs to Promote Chemical Reasoning and Practice Skills	N/A	84.305A	-	308,831
Efficacy Study of Adventures Aboard the S.S.GRIN: Social, Emotional, and Academic Skills	N/A	84.305A	174,214	637,544
An Efficacy Study of the MathSpring Personalized Learning System That Responds to Student Affect	N/A	84.305A	117,126	503,077
Does School-Level Fiscal Flexibility Reduce Inequality in Student Achievement? New Evidence from Title I	N/A	84.305A	-	43,102
Improving Children's Understanding of Mathematical Equivalence: An Efficacy Study	N/A	84.305A	-	556,048
Improving Outcomes and Accelerating Completion with Corequisite Remediation in Mathematics: An Efficacy Study	N/A	84.305A	-	134,470
Word Learning Strategies: A Program for Upper-Elementary Readers	N/A	84.305A	-	484,985
Exploring Trends and Heterogeneity in the Timing and Effects of English Learner Reclassification: A Systematic Review and Meta-Analysis	N/A	84.305A	-	27,386
National Research and Development Center to Improve Education for Secondary English Learners	N/A	84.305C	-	488,878
Continuous Improvement of a What Works Clearinghouse Rated Early Mathematics Intervention	N/A	84.305H	-	156,043
			<u>-</u>	<u>156,043</u>
Education Research, Development and Dissemination		84.305	291,340	5,426,519

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

WESTED
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended November 30, 2020

<u>Federal Granting Agency/Program Name</u>	<u>Pass-Thru ID Number</u>	<u>CFDA Number</u>	<u>Provided to Sub-recipients</u>	<u>Program Expenditures</u>
U.S. Department of Education – Direct: (Continued)				
Special Education: Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities	N/A	84.326R	\$ -	\$ 5,382,850
National Center for Systemic Improvement at WestEd: Transforming State Systems to Increase Outcomes for Children with Disabilities	N/A	84.326R	-	709,331
Special Education, Technical Assistance and Dissemination		84.326R	-	6,092,181
The Early Math Initiative: Scaling an Innovative Intervention to Prepare Children from Elementary School Mathematics	N/A	84.411A	-	1,846,331
Making Sense of Science and Literacy: Improving Teacher Effectiveness and Building Capacity	N/A	84.411B	-	1,901,937
i3 Investing in Innovation Fund		84.411	-	3,748,268
Supporting Effective Teaching with Disciplinary Inquiry	N/A	84.423A	139,000	1,620,326
The Center to Improve Social and Emotional Learning and School Safety	N/A	84.424B	359,636	1,078,018
Reading Apprenticeship Across the Disciplines: Effective Secondary Teaching and Learning through Literacy Leadership	N/A	84.367D	-	629,391
Special Education: Technical Assistance on State Data Collection – IDEA Fiscal Data Center	N/A	84.373F	-	938,416
Center for IDEA Fiscal Reporting	N/A	84.373F	-	227,629
Systematic Replication of Pre-K Mathematics Tutorial: The Effect of Variation in the Intervention Delivery Model on Mathematics Achievement of At-Risk Preschool Children	N/A	84.324R	-	104,152
U.S. Department of Education – Passed-Through Others:				
<u>Passed through Cal State L.A. University Auxiliary Services, Inc.:</u>				
Teacher Quality Partnership (TQP) Evaluation	WESTED231154	84.336S	-	80,750
<u>Passed through RMC Research Corporation:</u>				
Northeast Regional Comprehensive Center	N/A	84.283B	-	908,359
<u>Passed through University of Delaware:</u>				
Refining and Validating a Number Sense Screening	40951	84.305A	-	133,626
<u>Passed through Arizona Department of Education:</u>				
State Personnel Development Grant	16-06-EDSG	84.323A	-	27,662

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

WESTED
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended November 30, 2020

<u>Federal Granting Agency/Program Name</u>	<u>Pass-Thru ID Number</u>	<u>CFDA Number</u>	<u>Provided to Sub-recipients</u>	<u>Program Expenditures</u>
U.S. Department of Education – Passed-Through Others: (Continued)				
<u>Passed through Regents of the University of Minnesota:</u>				
National Technical Assistance Center	63235	84.326G	\$ -	\$ 138,223
<u>Passed through Superintendent of Public Instruction, State of Washington:</u>				
Next Generation Science Standards	20170414	84.369A	-	698,974
<u>Passed through Worcester Polytechnic Institute:</u>				
Scaling Teachers' Professional Development for ASSISTments	10756-GR	84.411B	-	167,173
<u>Passed through Sonoma State University:</u>				
Education Innovation and Research Program Early Phase	118065	84.411C	-	102,749
<u>Passed through American Institute for Research:</u>				
Evaluating the Effectiveness of ASSISTments for Improving Math Achievement	N/A	84.305A	-	79,497
Building and Sustaining the Capacity of Local Math Coaches to Support College-and-Career-Ready Mathematics Instructions	N/A	84.305A	-	46,835
<u>Passed through 3-C Institute for Social Development, Inc.:</u>				
Development of an Innovative Digital Intervention to Enhance the Social-Emotional Skills and School-Based Adjustment of Early Elementary Students	N/A	84.305A	-	652
Total U.S. Department of Education			1,482,938	32,503,485
U.S. Department of Health and Human Services – Direct:				
RCT Virtual Health Center	N/A	93.297	53,069	296,531
U.S. Department of Health and Human Services – Passed-Through Others:				
<u>Passed through ZERO TO THREE: National Center for Infants, Toddlers and Families:</u>				
National Center-Early Childhood Development Teaching & Learning	2015100227	93.600	-	840,809
<u>Passed through Lighthouse, Inc.:</u>				
Interactive Digital Media STEM Resources for Pre-College and Informal Science Education Audiences (SBIR) (R43/44 Clinical Trial Not Allowed)	C-00016772	93.859	-	69,498

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

WESTED
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended November 30, 2020

<u>Federal Granting Agency/Program Name</u>	<u>Pass-Thru ID Number</u>	<u>CFDA Number</u>	<u>Provided to Sub-recipients</u>	<u>Program Expenditures</u>
U.S. Department of Health and Human Services – Passed-Through Others: (Continued)				
<u>Passed through Urban Strategies LLC:</u>				
Teen Pregnancy Prevention Tier 2, Phase II Rigorous Evaluation of Promising Intervention	TP2AH000078	93.297	\$ _____ -	\$ _____ 29,952
Total U.S. Department of Health and Human Services			53,069	1,236,790
National Science Foundation – Direct:				
Scaling Up through Networked Improvement (SUNI): Testing a practical theory about improving math outcomes for developmental students at scale	N/A	47.076	64,118	367,856
An Efficacy Study of a Comprehensive, Middle School Science Curriculum that Integrates Disciplinary Core Ideas, Science and Engineering Practices, and Crosscutting Concepts	N/A	47.076	206,047	908,572
Teacher Professional Learning to Support Student Motivational Competencies During Science Instruction	N/A	47.076	-	187,283
Collaborative Research: Articulating a Transformative Approach for Designing Tasks that Measure Young Learner's Developing Proficiencies in Integrated Science and Literacy	N/A	47.076	-	63
Collaborative Research: Building a Computational Thinking Foundation in Upper Elementary Science with Narrative Centered Maker Environments	N/A	47.076	-	139,720
NSF INCLUDES: Supporting Emerging Aquatic Scientists (SEAS) Islands Alliance	N/A	47.076	-	140,371
Sim Scientists Games: Development of Simulation-Based Game Designs to Enhance Formative Assessment and Deep Science Learning in Middle School	N/A	47.076	-	33,443
Understanding Teacher Enactment of New Science Standards and Needs for Implementation Support	N/A	47.076	-	388,736
Modest Supports for Sustaining Professional Development Outcomes over the Long-Term	N/A	47.076	-	279,263
Closing Gaps: Connecting Assessment and Culture to Increase Achievement	N/A	47.076	-	306,479
Professional Resources & Inquiry in Mathematics Education for K-8 Teacher Education	N/A	47.076	-	93,396
Video in the Middle: Flexible Digital Experiences for Mathematics Teacher Education	N/A	47.076	_____ -	_____ 602,571

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

WESTED
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended November 30, 2020

<u>Federal Granting Agency/Program Name</u>	<u>Pass-Thru ID Number</u>	<u>CFDA Number</u>	<u>Provided to Sub-recipients</u>	<u>Program Expenditures</u>
National Science Foundation: (Continued)				
Education and Human Resources - Direct	N/A	47.076	\$ <u>270,165</u>	\$ <u>3,447,753</u>
National Science Foundation - Passed-Through Others:				
<u>Passed through Filament Games:</u>				
Pilot Study to Test the Effectiveness of the RoboCo Platform	C-00016593	47.041	-	53,657
<u>Passed through the University of San Diego:</u>				
Collaborative Research: Fostering Elementary School Students' Visuospatial Skills and mathematical Competencies through an Origami-based Program	N/A	47.076	-	44,163
<u>Passed through John Hopkins University:</u>				
A Quantitative Synthesis of Research on Elementary Science Programs	N/A	47.076	-	2,081
<u>Passed through Phillip and Patricia Frost Museum of Science:</u>				
Science Learning+ : Embodied Learning for Preschool Scientists (Move2Learn)	388	47.076	-	86,564
<u>Passed through Regents of the University of Colorado:</u>				
An Efficacy Study of the Learning and Teaching Geometry PD Materials: Examining Impact and Context Based Adaptations	1553021	47.076	-	51,448
Collaborative Research: What Difference Does Early-Career Faculty Development Make? A Research Study of Multiple Models	1556961	47.076	-	17,608
<u>Passed through the Florida International University:</u>				
Building Capacity: Catalyzing Change in Calculus (C3)	2015-03	47.076	-	34,421
Collaborative Research: Developing Engineering Instructional Faculty as Leaders of Educational Change at Hispanic-Serving Institutions	800012048/000121	47.076	-	6,292
<u>Passed through St. Petersburg College:</u>				
Third Party Evaluation Services, SPC# 02-16-17	N/A	47.076	-	42,847

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

WESTED
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended November 30, 2020

<u>Federal Granting Agency/Program Name</u>	<u>Pass-Thru ID Number</u>	<u>CFDA Number</u>	<u>Provided to Sub-recipients</u>	<u>Program Expenditures</u>
National Science Foundation - Passed-Through Others: (Continued)				
<u>Passed through San Jose State University Research Foundation:</u>				
Collaborative Research: A Technology Pathway Program in Data Technology and Applications	21-1300-5675-WESTED	47.076	\$ -	\$ 12,735
<u>Passed through The Board of Regents of the University of Illinois:</u>				
Development of the Electronic Test of Early Numeracy (e-TEN)	084079-16190	47.076	-	37,322
RIP-TIDES: Research Intensive Pedagogical Training of Interdisciplinary Estuarine Scientists	S16-0019	47.076	-	30,608
<u>Passed through North Carolina State University:</u>				
Multimodal Visitor Analytics: Investigating Naturalistic Engagement with Interactive Tabletop Science Exhibits	2017-1405-01	47.076	-	14,605
Collaborative Research: Primary AI: Integrating Artificial Intelligence Into Upper Elementary Science with Immersive Problem-Based Learning	2019-2717-01	47.076	-	9,077
<u>Passed through EarthTeam:</u>				
EarthTeam Meets GLOBE: Building Internships through GLOBE that Support the Career Development of Underrepresented Youth in STEM	C-00015371	47.076	-	124,261
<u>Passed through Arizona State University:</u>				
EAGER: Developing a Culturally Responsive Computing Instrument For Underrepresented Students	18-458	47.076	-	4,707
<u>Passed through Jobs for the Future:</u>				
Impact of Work-Based-Learning on Community College STEM Education and Careers	18-094	47.076	-	158,524
<u>Passed through SRI International:</u>				
Collaborative Research: The Downside of Perseverance-Investigating & Moving Students Beyond Unproductive Persistence	31003	47.076	-	44,110

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

WESTED
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended November 30, 2020

<u>Federal Granting Agency/Program Name</u>	<u>Pass-Thru ID Number</u>	<u>CFDA Number</u>	<u>Provided to Sub-recipients</u>	<u>Program Expenditures</u>
National Science Foundation - Passed-Through Others: (Continued)				
<u>Passed through American Physical Society:</u>				
A National Network for Access and Inclusion in Physics Graduate Education	INCA-002-2018	47.076	\$ -	\$ 21,235
A National Network for Access and Inclusion in Physics Graduate Education	INCA-002-2019	47.076	-	58,433
<u>Passed through Research Foundation of CUNY:</u>				
Investigating Impact of Different Types of Professional Development on What Aspects Mathematics Teachers Take Up and Use in Their Classrooms	CM00001664-00	47.076	-	69,486
<u>Passed through University of California Riverside:</u>				
Louis Stokes STEM Pathways and Research Alliance: California Louis Stokes Alliance for Minority Participation	1826900	47.076	-	<u>27,757</u>
Total National Science Foundation			-	<u>951,941</u>
National Aeronautics and Space Administration – Passed-Through Others:				
<u>Passed through University of Toledo:</u>				
Mission Earth. Fusing GLOBE with NASA Assets to Build Systemic Innovation in STEM Education	N-125107-01 (F-2016-23)	43.001	-	<u>370,215</u>
Total National Aeronautics and Space Administration			-	<u>370,215</u>
U.S. Department of Justice – Passed-Through Others:				
<u>Passed through National Institute of Justice:</u>				
Comprehensive School Safety in Atlanta Public Schools	2015-CK-BX-K001	16.560	1,171,779	2,069,353
A Randomized Impact Evaluation of Capturing Kids Hearts	2015-CK-BX-0014	16.560	-	158,624
A Developmental Study of the Keeping Kids in School Initiative	2017-CK-BX-0018	16.560	-	216,030
A National Evaluation of Internet Crimes Against Children Task Force Training	2018-MC-FX-K007	16.560	42,446	163,704

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

WESTED
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended November 30, 2020

<u>Federal Granting Agency/Program Name</u>	<u>Pass-Thru ID Number</u>	<u>CFDA Number</u>	<u>Provided to Sub-recipients</u>	<u>Program Expenditures</u>
U.S. Department of Justice – Passed-Through Others:				
<u>Passed through Texas State University:</u>				
A Randomized Controlled Trial of a Comprehensive, Research-Based Framework for Implementing School-Based Law Enforcement	20010-82739-1	16.560	\$ -	\$ 136,935
A Randomized Controlled Trial of a Comprehensive, Research-Based Framework for Implementing School-Based Law Enforcement	19017-82739-1	16.560	-	25,708
		16.560	1,214,225	2,770,354
<u>Passed through American Institutes for Research</u>				
Second Chance Act Reentry Initiative	2019-MU-BX-K015	16.812	-	249,644
Total U.S. Department of Justice			-	3,019,998
Bureau of Indian Education – Direct:				
Secondary Transition Program Planning: Individuals with Disabilities Education Act (IDEA) of 2004	N/A	15.130	-	94,452
BIE-Funded Schools Professional Development, Updating policies and Procedures-Four Domains for Rapid School Improvement	N/A	15.130	-	119,977
Total Bureau of Indian Education			-	214,429
Total Expenditures of Federal Awards (Research and Development Cluster)			<u>\$ 3,020,397</u>	<u>\$ 41,744,611</u>

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

WESTED
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
November 30, 2020

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of WestEd under programs of the federal government for the year ended November 30, 2020. The information in this schedule is presented in accordance with the requirements of the 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 WestEd, it is not intended to and does not present the financial position, change in net position or cash flows of WestEd.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. Under the accrual basis, revenue is recorded when earned and expenses are recorded when incurred, without regard to the time of cash receipt or payment. Revenues for Federal programs are received as reimbursement for specific projects and are recognized based on eligible expenses incurred. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. WestEd has not elected to use the 10% de minimis indirect cost rate.

Program income: There was no program income earned by the Federal Programs included in the SEFA during the current fiscal year.

Use of Rental Revenue: Far West Laboratory for Educational Research and Development (FWL) and Southwest Regional Laboratory for Educational Research and Development (SWRL) allow WestEd to occupy their facilities and manage the properties. The U.S. Government allows FWL and SWRL to lease excess space in their buildings. FWL until July 21, 2019, and SWRL until December 31, 2022, require that the rental income received be used for costs of educational research or educational research and related purposes, including costs of maintenance and operation of the facilities in accordance with the objectives of the statute under which the grants were made consistent with the principles in 34 CFR §74.42(e) and the provisions of the "Cooperative Research Act" (20 USC 332 (a)).

In accordance with an agreement with the U.S. Department of Education dated January 18, 2001, rental income and related interest available for future expenditures were as follows:

	<u>2020</u>	<u>2019</u>
Balance at beginning of year	\$ (25,188,851)	\$ (22,571,112)
Additions:		
Net rental income	<u>398,686</u>	<u>278,335</u>
Subtotal	(24,790,165)	(22,292,777)
Less:		
Allowable expenses in accordance with the Cooperative Research Act	<u>(2,555,716)</u>	<u>(2,896,074)</u>
Reserve as of November 30	<u>\$ (27,345,881)</u>	<u>\$ (25,188,851)</u>

WESTED
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 November 30, 2020

SECTION I – SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? _____ Yes X No

Significant deficiencies identified not considered to be material weaknesses? _____ Yes X None Reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal Control over major programs:

Material weakness(es) identified? _____ Yes X No

Significant deficiencies identified not considered to be material weaknesses? _____ Yes X None Reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ Yes X No

Identification of major programs:

<u>Name of Federal Program or Cluster</u>	<u>CFDA Numbers</u>	<u>Expenditures</u>
Research and Development Cluster	Various*	\$ 41,744,611

* All programs reported in the Schedule of Expenditure of Federal Awards are included within the Research and Development Cluster.

Dollar threshold used to distinguish between Type A and Type B programs: \$ 1,252,338

Auditee qualified as low-risk auditee? X Yes _____ No

(Continued)

WESTED
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
November 30, 2020

SECTION II – FINANCIAL STATEMENT FINDINGS

No matters were reported.

(Continued)

WESTED
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
November 30, 2020

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

INDEPENDENT AUDITOR'S 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*

To the Board of Directors
WestEd
San Francisco, California

We have audited, in accordance with the 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 WestEd as of and for the year ended November 30, 2020, and the related notes to the financial statements, which collectively comprise WestEd's basic financial statements, and have issued our report thereon dated March 17, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered WestEd'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 WestEd's internal control. Accordingly, we do not express an opinion on the effectiveness of WestEd's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether WestEd'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*.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Crowe LLP

Costa Mesa, California
March 17, 2021

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM AND REPORT
ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors
WestEd
San Francisco, California

Report on Compliance for Each Major Federal Program

We have audited WestEd's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of WestEd's major federal programs for the year ended November 30, 2020. WestEd's major federal programs are identified in the summary of auditor's 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.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of WestEd'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 WestEd'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 WestEd's compliance.

Opinion on Each Major Federal Program

In our opinion, WestEd 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 November 30, 2020.

(Continued)

Report on Internal Control Over Compliance

Management of WestEd 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 WestEd's internal control over compliance with the types of requirements that could have a direct and material effect on each major 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 WestEd'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.


Crowe LLP

Costa Mesa, California
March 17, 2021