Response to RFP No. 3489

Nevada School Funding Consultant

PART III – CONFIDENTIAL FINANCIAL INFORMATION

September 29, 2017

Submitted to: Gail Burchett
Purchasing Officer II
State of Nevada, Purchasing Division
515 E. Musser Street, Suite 300
Carson City, Nevada 89701
E-Mail: gburchett@admin.nv.gov

Submitted by: American Institutes for Research

AMERICAN INSTITUTES FOR RESEARCH®

September 29, 2017

Gail Burchett
Purchasing Officer II
State of Nevada, Purchasing Division
515 E. Musser Street, Suite 300
Carson City, NV 89701

RE: RFP No. 3489 Nevada School Funding Consultant

Dear Ms. Burchett:

American Institutes for Research (AIR) is pleased to submit its proposal, Nevada School Funding Consultant, to the State of Nevada.

AIR has considerable expertise and a long-standing track record for conducting school finance studies such as the one proposed for Nevada. The proposed research team is comprised of the same nationally recognized school finance experts who authored the 2012 Study of a New Method of Funding for Public Schools in Nevada: Jesse Levin (AIR), Bruce Baker (Rutgers University), Deborah Verstegen (University of Nevada, Reno), Teresa Jordan (University of Nevada, Las Vegas, retired), and Jay Chambers (AIR). Collectively, these scholars have decades of experience conducting high-profile evaluations of state education funding systems.

Together, the AIR team has crafted a technical approach for the proposed work that is efficient in its design and responds to the nuances of the Nevada state context. In addition to providing a thorough update of the 2012 AIR study, we also propose to explore functional definitions of various types of student populations (e.g., at-risk, gifted and talented) through both a careful review of those definitions used in other states and the mainstream education finance literature, as well as engaging local practitioners across Nevada school districts. Finally, the proposed study will, through in-depth district-level simulations, explore the use of various weighted funding structures that might be applied in the state and provide practical considerations for implementation, as well as scenarios that show how such as system could be phased in over time.

We have enclosed one USB drive that contains all proposal volumes as requested. Please direct contractual questions about this proposal to Nilva da Silva, contracts officer, at 202-403-5086 or airproposals@air.org. For technical questions, please contact Jesse Levin at 650-376-6270 or jlevin@air.org.

Thank you for your consideration.

Sincerely,

Lawrence B. Friedman, PhD.
Vice President
Research and Evaluation

Section I – Title Page

Nevada School Funding Consultant

September 29, 2017

Part III – Confidential Financial Information	
RFP Title:	Nevada School Funding Consultant
RFP:	3489
Vendor Name:	American Institutes for Research
Address:	1000 Thomas Jefferson Street, NW, Washington, DC 20007
Opening Date:	September 29, 2017
Opening Time:	2:00 PM

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Section I - Title Page

Section II - Table of Contents

Section III – Financial Information and Documentation 1

Section III – Financial Information and Documentation

Vendors shall place the information required per Section 3.1.10 in this section.

3.1.11 Financial information and documentation to be included in accordance with Section 8.5, Part III – Confidential Financial Information.

3.1.11.2 The last two (2) years and current interim:

A. Profit and Loss Statement

B. Balance Statement

Please see enclosed AIR's audited financials and current interim financials.

RUBINO & COMPANY
CHARTERED
Certified Public Accountants and Consultants

rubino.com

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6903 Rockledge Drive, Suite 1200 Bethesda, Maryland 20817-1818

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
American Institutes for Research in the Behavioral Sciences

We have audited the accompanying consolidated financial statements of American Institutes for Research in the Behavioral Sciences, which comprise the consolidated balance sheets as of December 31, 2016 and 2015, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

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Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of American Institutes for Research in the Behavioral Sciences as of December 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Rubino & Company

Bethesda, Maryland
May 31, 2017

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AMERICAN INSTITUTES FOR RESEARCH IN THE BEHAVIORAL SCIENCES
CONSOLIDATED BALANCE SHEETS

	December 31, 2016	December 31, 2015
ASSETS		
Current assets		
Cash and cash equivalents	$ 31,675,297	$ 22,426,346
Accounts receivable, net	93,937,394	124,297,339
Prepaid expenses and other current assets	4,640,432	6,102,392
Short-term investments	21,000,000	10,000,000
Total current assets	151,253,123	162,826,077
Long-term investments	211,428,115	166,221,582
Property and equipment, net	25,599,080	26,247,579
Goodwill	1,715,191	1,715,191
Other assets	632,123	726,842
Total assets	$ 390,627,632	$ 357,737,271
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	$ 31,407,435	$ 41,914,407
Accrued payroll and related expenses	31,211,352	30,338,127
Deferred revenue	25,730,835	28,437,855
Total current liabilities	88,349,622	100,690,389
Deferred rent, net of current portion	10,071,269	10,222,069
Deferred compensation, net of current portion	5,896,952	4,766,493
Note payable, long-term	6,026,312	6,218,060
Other liabilities	853,803	-
Total liabilities	111,197,958	121,897,011
Net assets, unrestricted		
Undesignated	54,350,112	44,108,685
Board Designated - Quasi-Endowment	206,005,631	171,885,596
Board Designated - Property and Equipment	19,073,931	19,845,979
	279,429,674	235,840,260
Total liabilities and net assets	$ 390,627,632	$ 357,737,271

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

AMERICAN INSTITUTES FOR RESEARCH IN THE BEHAVIORAL SCIENCES
CONSOLIDATED STATEMENTS OF ACTIVITIES

	Years Ended December 31, 2016	2015
Changes in unrestricted net assets		
Contract and grant revenue	$ 474,076,934	$ 488,338,134
Program expenses		
Direct contract and grant costs	310,612,757	324,439,999
Overhead and administrative expenses	129,538,852	129,856,311
Total program expenses	440,151,609	454,296,310
Excess of revenue over program expenses	33,925,325	34,041,824
Other income		
Investment income, net	9,664,089	1,018,138
Excess of assets acquired over liabilities assumed in affiliation	-	10,002,627
Increase in net assets	43,589,414	45,062,589
Net assets, beginning of year	235,840,260	190,777,671
Net assets, end of year	$ 279,429,674	$ 235,840,260

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

AMERICAN INSTITUTES FOR RESEARCH IN THE BEHAVIORAL SCIENCES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31, 2016	2015
Cash flows from operating activities		
Increase in net assets	$ 43,589,414	$ 45,062,589
Reconciling adjustments:		
Excess of assets acquired over liabilities assumed in affiliation	-	(10,002,627)
Depreciation and amortization	3,165,866	6,934,198
Realized and unrealized (gains) losses on investments	(6,607,364)	1,333,941
Changes in operating assets and liabilities:		
Accounts receivable, net	30,359,945	(14,376,575)
Prepaid expenses and other assets	1,556,679	(2,080,205)
Accounts payable and accrued expenses	(10,726,563)	4,109,871
Accrued payroll and related expenses	1,419,938	2,880,061
Deferred revenue	(2,707,020)	(6,497,124)
Deferred compensation	1,130,459	370,106
Net cash provided by operating activities	61,181,354	27,734,235
Cash flows from investing activities		
Cash acquired in affiliation with SEDL	-	2,947,967
Purchases of marketable securities	(181,133,644)	(139,711,760)
Proceeds from sales of marketable securities	131,505,036	117,415,769
Purchase of property and equipment	(2,110,805)	(6,594,938)
Net cash used by investing activities	(51,739,413)	(25,942,962)
Cash flows from financing activities		
Payments under note payable and capital lease	(192,990)	(177,039)
Net cash used by financing activities	(192,990)	(177,039)
Net change in cash and cash equivalents	9,248,951	1,614,234
Cash and cash equivalents, beginning of year	22,426,346	20,812,112
Cash and cash equivalents, end of year	$ 31,675,297	$ 22,426,346
Supplemental Cash Flow Information		
Interest Paid	$ 261,169	$ 258,045

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

AMERICAN INSTITUTES FOR RESEARCH
CONSOLIDATED STATEMENT OF ACTIVITIES
January through July 2017
(UNAUDITED)

Revenue	$	279,418,817
Labor & Fringe		77,276,725
Subcontracts & ODC		104,397,735
Total Indirect		87,888,540
Total Costs		269,563,000
Operating Income		9,855,817
Net Investment Income		17,658,927
Change to Net Assets	$	27,514,744

UNAUDITED

AMERICAN INSTITUTES FOR RESEARCH
CONSOLIDATED BALANCE SHEETS
July 2017

	(Unaudited) Jul 31, 2017	Dec 31, 2016
ASSETS:		
CURRENT ASSETS-		
Cash and cash equivalents	$ 47,732,004	$ 31,675,297
Contract receivables, Billed	65,686,878	51,938,083
Contract receivables, Unbilled	30,042,255	43,014,243
Less: Provision for Realizability	(1,014,933)	(1,014,933)
Net contract Receivables	**94,714,200**	**93,937,393**
Prepaid expenses & other current assets	6,608,442	4,640,430
Investments - short term	21,000,000	21,000,000
TOTAL CURRENT ASSETS	**170,054,646**	**151,253,120**
PROPERTY AND EQUIPMENT, at cost-		
Furniture, fixtures, equip. and leasehold improvements	54,653,038	54,231,755
Less accumulated depreciation and amortization	(30,973,718)	(28,632,674)
TOTAL PROPERTY AND EQUIPMENT	**23,679,320**	**25,599,081**
OTHER ASSETS-		
Long term investments	223,545,118	206,005,633
Deferred comp investments	5,875,135	5,422,484
Goodwill	1,715,193	1,715,193
Deposits and other assets	629,523	632,123
TOTAL OTHER ASSETS	**231,764,969**	**213,775,433**
TOTAL ASSETS	**$ 425,498,935**	**$ 390,627,634**
LIABILITIES AND NET ASSETS:		
CURRENT LIABILITIES-		
Accounts payable	$ 19,494,649	$ 20,106,813
Accrued expenses & other liabilities	10,085,346	11,108,878
Accrued payroll and related expenses	32,672,604	31,211,354
Deferred revenue	34,041,350	25,730,835
Current portion of notes payable	196,253	191,748
TOTAL CURRENT LIABILITIES	**96,490,202**	**88,349,628**
OTHER LIABILITIES-		
Notes payable	5,910,270	6,026,312
Deferred rent, less current portion	10,101,645	10,071,268
Other Liabilities (Unclaimed property and Capital Lease)	-	307,090
Deferred compensation	6,052,403	6,443,665
TOTAL LIABILITIES	**118,554,520**	**111,197,963**
NET ASSETS, UNRESTRICTED		
Undesignated	65,826,500	54,350,107
Board Designated - Quasi-Endowment	223,545,118	206,005,633
Board Designated - Property and Equipment	17,572,797	19,073,931
TOTAL NET ASSETS	**306,944,415**	**279,429,671**
TOTAL LIABILITIES AND NET ASSETS	**$ 425,498,935**	**$ 390,627,634**

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