

JAMES B. HUNT, JR. INSTITUTE FOR  
EDUCATIONAL LEADERSHIP AND POLICY FOUNDATION, INC.

Financial Statements

June 30, 2018

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To the Board of Directors  
James B. Hunt, Jr. Institute for Educational Leadership and Policy Foundation, Inc.  
Durham, North Carolina

## INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of James B. Hunt, Jr. Institute for Educational Leadership and Policy Foundation, Inc. (the "Institute"), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, change in net assets, and cash flows for the year then ended, and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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.

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Institute as of June 30, 2018, and the results of its operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Koonce, Wooten & Haywood, LLP*

Raleigh, North Carolina  
September 27, 2018

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JAMES B. HUNT, JR. INSTITUTE FOR  
EDUCATIONAL LEADERSHIP AND POLICY FOUNDATION, INC.  
Statement of Financial Position  
June 30, 2018

ASSETS

CURRENT ASSETS:

Cash and Cash Equivalents	\$ 1,727,208
Certificates of Deposit	3,087,582
Grants Receivable	902,883
Prepaid Expenses	25,948
Other Receivables	<u>28,182</u>

Total Current Assets	<u><u>\$ 5,771,803</u></u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Accounts Payable and Accrued Expenses	\$ <u>136,716</u>
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NET ASSETS:

Unrestricted	2,127,861
Temporarily Restricted	<u>3,507,226</u>
Total Net Assets	<u><u>5,635,087</u></u>

Total Liabilities and Net Assets	<u><u>\$ 5,771,803</u></u>
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The accompanying notes are an integral part of the financial statements.

JAMES B. HUNT, JR. INSTITUTE FOR  
EDUCATIONAL LEADERSHIP AND POLICY FOUNDATION, INC.  
Statement of Activities and Changes in Net Assets  
For the Year Ended June 30, 2018

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>REVENUES:</b>			
Grants	\$	\$ 4,198,625	\$ 4,198,625
Corporate Contributions	80,000	5,000	85,000
Interest and Dividends	32,517	1,756	34,273
Service Revenue	25,883		25,883
Individual Contributions	23,250		23,250
Miscellaneous	<u>1,281</u>		<u>1,281</u>
Total Revenues	<u>162,931</u>	<u>4,205,381</u>	<u>4,368,312</u>
Net Assets Released from Restrictions	<u>1,963,220</u>	<u>(1,963,220)</u>	
Total Revenues and Restriction Releases	<u>2,126,151</u>	<u>2,242,161</u>	<u>4,368,312</u>
<b>EXPENSES:</b>			
Program Service:			
Personnel Costs	1,111,992		1,111,992
Convening	263,263		263,263
Programmatic Consultants	178,570		178,570
Travel	153,256		153,256
Rent	94,846		94,846
Communications	25,301		25,301
Materials and Supplies	22,614		22,614
Copying and Printing	6,148		6,148
Equipment	4,182		4,182
Miscellaneous	<u>710</u>		<u>710</u>
Total Program Service	<u>1,860,882</u>		<u>1,860,882</u>
Support Service:			
General and Administrative:			
Personnel Costs	222,747		222,747
Professional Fees	36,096		36,096
Materials and Supplies	18,497		18,497
Travel	18,230		18,230
Rent	13,161		13,161
Administrative Consultants	13,019		13,019
Miscellaneous	9,178		9,178
Communications and IT	4,116		4,116
Insurance	<u>2,882</u>		<u>2,882</u>
Total General and Administrative	<u>337,926</u>		<u>337,926</u>
Total Expenses	<u>2,198,808</u>		<u>2,198,808</u>
CHANGE IN NET ASSETS	(72,657)	2,242,161	2,169,504
NET ASSETS--Beginning of Year	<u>2,200,518</u>	<u>1,265,065</u>	<u>3,465,583</u>
NET ASSETS--End of Year	<u>\$ 2,127,861</u>	<u>\$ 3,507,226</u>	<u>\$ 5,635,087</u>

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

JAMES B. HUNT, JR. INSTITUTE FOR  
EDUCATIONAL LEADERSHIP AND POLICY FOUNDATION, INC.  
Statement of Cash Flows  
For The Year Ended June 30, 2018

CASH FLOWS FROM OPERATING ACTIVITIES:	
Changes in Net Assets	\$ 2,169,504
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by Operating Activities:	
Changes in:	
Grants and Other Receivables	(893,565)
Prepaid Expenses	(25,948)
Accounts Payable and Accrued Expenses	4,784
Net Cash Provided by Operating Activities	<u>1,254,775</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of Investments	(3,226,257)
Sale of Investments	3,476,698
Net Cash Provided by Investing Activities	<u>250,441</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,505,216
CASH AND CASH EQUIVALENTS--Beginning of Year	<u>221,992</u>
CASH AND CASH EQUIVALENTS--End of Year	<u>\$ 1,727,208</u>

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

JAMES B. HUNT, JR. INSTITUTE FOR  
EDUCATIONAL LEADERSHIP AND POLICY FOUNDATION, INC.  
Notes to Financial Statements  
June 30, 2018

1. Nature of Organization

An affiliate of Duke University, the James B. Hunt, Jr. Institute for Educational Leadership and Policy Foundation, Inc. (the "Institute") is a recognized leader in the movement to transform public education. Working at the intersection of education policy and politics, the Institute empowers state leaders to drive sustainable reform and become audacious champions for public education. Marshaling expertise from a nationwide partner network since it was established in 2001, the Institute brings together leaders and resources to help build and nurture visionary leadership and mobilize strategic action to improve public education and student success. The Institute is unapologetic about the importance of equity in educational access, quality, and opportunity and it is at the core of the Institute's work.

Through its bipartisan, research based approach, the Institute serves as a catalyst for collaboration across the political aisle and policymaking bodies. Its established series of convenings and publications are aimed at building the education policymaking capacity of all senior-level state leaders. By addressing topics spanning the full education continuum from birth to K-12, post-secondary education, and the workforce, the Institute works to ensure state policymakers have a keen understanding of major education issues, an astute political instinct, and a playbook of transformative state and local-level efforts that are exemplars of what public education can and should look like for every child.

The Institute is a nonprofit organization originally established as a supporting organization of the University of North Carolina. Effective July 1, 2016, the Institute operates as an independent nonprofit organization.

2. Summary of Significant Accounting Policies

A. Basis of Accounting:

The Institute's financial statements are prepared on the accrual basis of accounting, whereby revenue is recognized when earned and expenses are recognized when incurred. This basis of accounting conforms to accounting principles generally accepted in the United States of America ("GAAP").

B. Basis of Presentation:

Accounting standards for financial statements of a nonprofit organization require a statement of financial position, a statement of activities, and a statement of cash flows to be prepared. Also, the standards require classification of an organization's net assets, revenues, and expenses based on the existence or absence of donor-imposed restrictions (permanently restricted, temporarily restricted, or unrestricted).

C. Cash and Cash Equivalents:

For purposes of the statement of cash flows, the Institute considers all highly liquid debt instruments with a maturity of three months or less when purchased to be cash equivalents.

D. Certificates of Deposit:

Certificates of deposit with maturities greater than three months when purchased are classified separately from cash and cash equivalents. Certificates of deposit are reported at fair value plus accrued interest. Unrealized and realized gains and losses are included in interest and dividends.

E. Investments:

Investments are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in interest and dividends.

JAMES B. HUNT, JR. INSTITUTE FOR  
EDUCATIONAL LEADERSHIP AND POLICY FOUNDATION, INC.  
Notes to Financial Statements  
June 30, 2018

2. Summary of Significant Accounting Policies (Continued)

G. Grant Revenues:

Revenues from unrestricted grants are recognized upon the grantor's award of the grant to the Institute. Grants that are received with donor restrictions are recorded as temporarily restricted.

A significant amount of grants were provided by two major grantors in fiscal 2018 that represented 56% of revenues. Four grantors represented 80% of grants receivable at June 30, 2018.

H. Income Tax Status:

The Institute is a nonprofit organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, the Internal Revenue Service has determined that the Institute is not a private foundation within the meaning of Section 509(a) of the Internal Revenue Code. During the year ended June 30, 2018, the Institute did not have any income subject to taxation as unrelated business income.

In accordance with guidance on accounting for uncertainty in income taxes, the Institute has determined that all tax positions taken are highly certain. The Institute has determined that no unrecognized tax liability exists at June 30, 2018. Furthermore, the Institute believes there is no material income tax effect on the financial statements for stated period.

I. Contributions:

In accordance with GAAP, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted depending on the existence or nature of any donor restrictions.

All donor-restricted support is reported as an increase in temporarily restricted net assets. When a restriction expires, such as a stipulated time restriction ends or a purpose restricted is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of operations as net assets released from restrictions. Contributions received with temporary restrictions that are met in the same reporting period are reported as unrestricted support and increase unrestricted net assets.

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on future amounts are computed using an appropriate interest rate commensurate with the risks involved for the number of years in the promise. Amortization of the discounts would be included in grant revenues. As of June 30, 2018, all grants receivables are due in less than one year.

The Institute's management believes that all receivables will be collected. Therefore, no allowance for uncollectible accounts is considered necessary as of June 30, 2018.

J. Expenses:

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of operations. Accordingly, certain costs have been allocated among the programs and supporting services benefitted.



JAMES B. HUNT, JR. INSTITUTE FOR  
EDUCATIONAL LEADERSHIP AND POLICY FOUNDATION, INC.  
Notes to Financial Statements  
June 30, 2018

2. Summary of Significant Accounting Policies (Concluded)

K. Net Assets:

The statement of financial position reflects net assets as defined by the accrual basis of accounting. Net assets may be unrestricted, temporarily restricted, or permanently restricted. The Institute maintains the following types:

Unrestricted – Assets that are not classified as either permanently or temporarily restricted.

Temporarily Restricted – Assets subject to donor-imposed restrictions which either expire upon the passage of time or once specific actions have occurred. These assets are then released and reclassified to unrestricted support.

Permanently Restricted – Assets subject to donor-imposed restrictions that they be maintained permanently by the Foundation. The Foundation currently has no permanently restricted net assets.

L. Estimates:

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

3. Cash and Cash Equivalents

Cash and cash equivalents are principally held in a bank deposit program or money market account at an international investment banking institution or federal credit union. Through the banking institutions, the Institute also invests in certificates of deposit that are considered short-term investments as of June 30, 2018. Certain deposits are insured, up to certain limits, by the Federal Deposit Insurance Corporation and by the Securities Investor Protection Corporation. Financial instruments which potentially subject the Institute to concentration of credit risk consist of cash and cash equivalents. The Institute's cash accounts occasionally exceed federally insured limits. The Institute has not experienced any losses in such accounts.

4. Related Party Transactions

The Institute received individual gifts totaling \$16,900 from members of the board of directors during the year ended June 30, 2018.

The Institute expended \$90,000 in consulting services to an entity affiliated with a certain member of the board of directors for the year ended June 30, 2018.

JAMES B. HUNT, JR. INSTITUTE FOR  
EDUCATIONAL LEADERSHIP AND POLICY FOUNDATION, INC.  
Notes to Financial Statements  
June 30, 2018

5. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the purposes stated in the grant agreement from the following grantors as of June 30, 2018:

Bill & Melinda Gates Foundation – Supporting Policy Conditions	\$ 950,000
Blue Cross Blue Shield of North Carolina – Core Programs	897,556
Anonymous – Fostering a Bipartisan Dialogue on the North Carolina Education Continuum	526,385
Walton Family Foundation – Hunt-Kean Leadership Fellows	325,000
Bezos Family Foundation – National Conversation on Early Childhood Summits	318,293
Lumina Foundation for Education – Hunt-Kean Leadership Fellows Higher Education Summit	130,000
John M. Belk Endowment – Fostering a Bipartisan Dialogue on the North Carolina Education Continuum	100,000
Retirement Security Foundation - Hunt-Kean Leadership Fellows	100,000
State Farm – Hunt-Kean Leadership Fellows	64,417
Wallace Foundation – Supporting Policy Conditions Principal Pipelines and School Leadership	31,198
Duke Endowment – Creating Conditions for Success	27,877
Dominion Power – Hunt-Kean Leadership Fellows	25,000
James B. Hunt Institute – Board of Directors' Individual Support for Hunt-Kean Leadership Fellows	11,500
	<u>\$ 3,507,226</u>

6. Commitments and Contingencies

Under certain grant agreements, the Institute agrees to indemnify the grantor against, and at the Institute's own expense undertake the defense of, any, and all losses, claims, damages, liabilities, costs, expenses, assessments, and taxes, whether resulting from negligence or otherwise, which is incurred by or asserted against the grantor. Any successful claims could have a material adverse effect on the Institute's financial condition, results of operations, and future prospects.

7. Subsequent Events

Management has evaluated subsequent events through September 27, 2018, the date the financial statements were available to be issued.