

# **James B. Hunt, Jr. Institute for Educational Leadership and Policy Foundation, Inc.**

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**Financial Statements**

**As of and for the Years Ended June 30, 2017 and 2016**



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## **Independent Auditors' Report**

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

We have audited the accompanying financial statements of James B. Hunt, Jr. Institute for Educational Leadership and Policy Foundation, Inc. (the "Foundation"), which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of operations, changes in net assets, 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 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.

### ***Auditors' 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. 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 auditors' 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 Foundation, as of June 30, 2017 and 2016 and the results of its operations and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Dixon Hughes Goodman LLP*

**Raleigh, North Carolina  
November 20, 2017**

**James B. Hunt, Jr. Institute for Educational Leadership  
and Policy Foundation, Inc.  
Statements of Financial Position  
June 30, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 221,992	\$ 369,788
Grants receivable	37,500	826,353
Certificates of deposit	<u>3,338,023</u>	<u>4,223,400</u>
Total assets	<u>\$ 3,597,515</u>	<u>\$ 5,419,541</u>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Accounts payable and accrued expenses	<u>\$ 131,932</u>	<u>\$ 636,591</u>
Net assets:		
Unrestricted	2,200,518	2,258,980
Temporarily restricted	<u>1,265,065</u>	<u>2,523,970</u>
Total net assets	<u>3,465,583</u>	<u>4,782,950</u>
Total liabilities and net assets	<u>\$ 3,597,515</u>	<u>\$ 5,419,541</u>

**James B. Hunt, Jr. Institute for Educational Leadership  
and Policy Foundation, Inc.**  
**Statement of Operations**  
**For the Year Ended June 30, 2017**

	2017		
	Unrestricted	Temporarily Restricted	Total
<b>REVENUES</b>			
Grants	\$ 300,000	\$ 1,000,000	\$ 1,300,000
Contributions - related party	36,300	-	36,300
Interest and dividends	34,943	-	34,943
Miscellaneous	7,190	8,698	15,888
Total revenues	<u>378,433</u>	<u>1,008,698</u>	<u>1,387,131</u>
Net assets released from restrictions	<u>2,267,603</u>	<u>(2,267,603)</u>	<u>-</u>
Total revenues and restriction releases	<u>2,646,036</u>	<u>(1,258,905)</u>	<u>1,387,131</u>
<b>EXPENSES</b>			
Program activities:			
Personnel costs	1,222,407	-	1,222,407
Programmatic consultants	314,559	-	314,559
Travel	228,976	-	228,976
Convening	216,945	-	216,945
Rent	82,771	-	82,771
Research and subscription materials	12,619	-	12,619
Communications	34,271	-	34,271
Publications	10,770	-	10,770
Meetings	2,289	-	2,289
Total program activities	<u>2,125,607</u>	<u>-</u>	<u>2,125,607</u>
General and administrative:			
Personnel costs	385,124	-	385,124
Administrative consultants	83,618	-	83,618
Miscellaneous	34,907	-	34,907
Phone	29,891	-	29,891
Rent	22,836	-	22,836
Equipment	14,408	-	14,408
Materials and supplies	4,667	-	4,667
Postage and shipping	3,440	-	3,440
Total general and administrative	<u>578,891</u>	<u>-</u>	<u>578,891</u>
Total expenses	<u>2,704,498</u>	<u>-</u>	<u>2,704,498</u>
Excess revenues under expenses	<u>\$ (58,462)</u>	<u>\$ (1,258,905)</u>	<u>\$ (1,317,367)</u>

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

**James B. Hunt, Jr. Institute for Educational Leadership  
and Policy Foundation, Inc.  
Statement of Operations  
For the Year Ended June 30, 2016**

	2016		
	Unrestricted	Temporarily Restricted	Total
<b>REVENUES</b>			
Grants	\$ 300,000	\$ 2,354,187	\$ 2,654,187
Interest and dividends	23,530	-	23,530
Miscellaneous	13,700	-	13,700
Total revenues	<u>337,230</u>	<u>2,354,187</u>	<u>2,691,417</u>
Net assets released from restrictions	1,952,841	(1,952,841)	-
Total revenues and restriction releases	<u>2,290,071</u>	<u>401,346</u>	<u>2,691,417</u>
<b>EXPENSES</b>			
Program activities:			
Payments to UNC - personnel and other	1,531,935	-	1,531,935
Programmatic consultants	454,947	-	454,947
Convening	246,703	-	246,703
Travel	179,061	-	179,061
Payments to UNC - rent	73,084	-	73,084
Research and subscription materials	14,269	-	14,269
Communications	13,755	-	13,755
Publications	9,062	-	9,062
Meetings	8,018	-	8,018
Total program activities	<u>2,530,834</u>	<u>-</u>	<u>2,530,834</u>
General and administrative:			
Payments to UNC - personnel and other	652,597	-	652,597
Administrative consultants	65,201	-	65,201
Equipment	30,074	-	30,074
Payments to UNC - rent	29,738	-	29,738
Miscellaneous	17,965	-	17,965
Phone	12,081	-	12,081
Materials and supplies	3,841	-	3,841
Postage and shipping	3,464	-	3,464
Bank charge	840	-	840
Total general and administrative	<u>815,801</u>	<u>-</u>	<u>815,801</u>
Total expenses	<u>3,346,635</u>	<u>-</u>	<u>3,346,635</u>
Loss from amended grant	<u>-</u>	<u>(50,000)</u>	<u>(50,000)</u>
Excess revenues over (under) expenses	<u>\$ (1,056,564)</u>	<u>\$ 351,346</u>	<u>\$ (705,218)</u>

**James B. Hunt, Jr. Institute for Educational Leadership  
and Policy Foundation, Inc.**  
**Statements of Changes in Net Assets**  
**For the Years Ended June 30, 2017 and 2016**

	<b>2016</b>		
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
Net assets - beginning of year	\$ 3,315,544	\$ 2,172,624	\$ 5,488,168
Excess revenues over (under) expenses	<u>(1,056,564)</u>	<u>351,346</u>	<u>(705,218)</u>
Net assets - end of year	<u><u>\$ 2,258,980</u></u>	<u><u>\$ 2,523,970</u></u>	<u><u>\$ 4,782,950</u></u>
	<b>2017</b>		
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
Net assets - beginning of year	\$ 2,258,980	\$ 2,523,970	\$ 4,782,950
Excess revenues under expenses	<u>(58,462)</u>	<u>(1,258,905)</u>	<u>(1,317,367)</u>
Net assets - end of year	<u><u>\$ 2,200,518</u></u>	<u><u>\$ 1,265,065</u></u>	<u><u>\$ 3,465,583</u></u>

**James B. Hunt, Jr. Institute for Educational Leadership  
and Policy Foundation, Inc.**  
**Statements of Cash Flows**  
**For the Years Ended June 30, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Excess revenues under expenses	\$ (1,317,367)	\$ (705,218)
Adjustments to reconcile excess revenues under expenses to net cash used by operating activities:		
Loss from amended grant	-	50,000
Unrealized gain on certificates of deposit	(6,424)	(2,400)
Change in:		
Grants receivable	788,853	(135,804)
Prepaid expenses	-	2,240
Accounts payable and accrued expenses	(504,659)	560,513
	<u>(1,039,597)</u>	<u>(230,669)</u>
Cash flows from investing activities:		
Purchase of certificates of deposit	(2,836,000)	(4,221,000)
Maturity of certificates of deposit	3,727,801	3,482,926
Maturity of investments	-	499,800
	<u>891,801</u>	<u>(238,274)</u>
Net cash provided (used) by investing activities	<u>891,801</u>	<u>(238,274)</u>
Net change in cash and cash equivalents	(147,796)	(468,943)
Cash and cash equivalents - beginning of year	<u>369,788</u>	<u>838,731</u>
Cash and cash equivalents - end of year	<u>\$ 221,992</u>	<u>\$ 369,788</u>

## **Notes to the Financial Statements**

### **1. Nature of Organization**

The James B. Hunt, Jr. Institute for Educational Leadership and Policy Foundation, Inc. (the "Foundation") is a nonprofit organization that was established as a supporting organization of the University of North Carolina at Chapel Hill ("UNC") to provide financial services to the James B. Hunt, Jr. Institute for Educational Leadership and Policy (the "Institute"). During 2016, the Foundation stopped receiving funding from UNC and effective June 30, 2016 the Foundation and the Institute ended their relationship with UNC. Effective July 1, 2016, the Foundation operates as an independent nonprofit organization.

Effective July 1, 2016, the Foundation entered into an affiliate relationship with Duke University. The Foundation works with states to develop a state-specific work plan to help states implement their own education reform platforms. The Foundation also holds seminars and symposia to exchange insights and provide information about transforming ideas into practice.

### **2. Summary of Significant Accounting Policies**

#### ***Basis of Accounting***

The Foundation'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").

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

Accounting standards for financial statements of not-for-profit organizations 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).

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

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

#### ***Certificate of Deposits***

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.

#### ***Investments***

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

#### ***Grant Revenues***

Revenues from unrestricted grants are recognized upon the grantor's award of the grant to the Foundation. 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 2017 that represented 88% of revenues. A significant amount of grants were provided by three major grantors in fiscal 2016 that represented 93% of

**James B. Hunt, Jr. Institute for Educational Leadership and Policy Foundation, Inc.**  
**Notes to the Financial Statements**

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revenues. One and two grantors represented 100% of grants receivable at June 30, 2017 and June 30, 2016, respectively.

***Income Tax Status***

The Foundation is a not-for-profit 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 Foundation is not a private foundation within the meaning of Section 509(a) of the Internal Revenue Code. During the years ended June 30, 2017 and 2016, the Foundation did not have any income subject to taxation as unrelated business income.

In accordance with guidance on accounting for uncertainty in income taxes, the Foundation has determined that all tax positions taken are highly certain. The Foundation has determined that no unrecognized tax liability exists at June 30, 2017. Furthermore, the Foundation believes there is no material income tax affect on the financial statements for stated period.

***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 restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements 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, 2017, all grants receivable and unconditional promises to give are due in less than one year.

The Foundation's management believes that all receivables will be collected. Therefore, no allowance for uncollectible accounts is considered necessary as of June 30, 2017 or 2016.

***Expenses***

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

***Net Assets***

The statements of financial position reflect net assets as defined by the accrual basis of accounting. Net assets may be unrestricted, temporarily restricted, or permanently restricted. The Foundation 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.

**James B. Hunt, Jr. Institute for Educational Leadership and Policy Foundation, Inc.**  
**Notes to the Financial Statements**

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***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.

***Subsequent Events***

Management has evaluated subsequent events through November 20, 2017, the date the financial statements were available to be issued.

**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 Foundation also invests in certificates of deposit that are considered short-term investments as of June 30, 2017 and 2016. 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 Foundation to concentrations of credit risk consist of cash and cash equivalents. The Foundation's cash accounts occasionally exceed federally insured limits. The Foundation has not experienced any losses in such accounts.

**4. Related Party Transactions**

The Foundation received individual gifts totaling \$36,600 and \$11,700 from members of the board of directors during the years ended June 30, 2017 and 2016, respectively.

The Foundation expended \$105,175 and \$23,200 in consulting and legal services to entities affiliated with certain members of the board of directors for the years ended June 30, 2017 and 2016, respectively.

**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:

	<u>2017</u>	<u>2016</u>
Carnegie Corporation – Carnegie Fellows	\$ 831,522	\$ 834,505
Bill & Melinda Gates Foundation – Hunt-Kean Leaders Fellowship	100,248	879,344
Bill & Melinda Gates Foundation – IP Advocacy	81,866	185,201
Bill & Melinda Gates Foundation – Strengthening Policymakers' Understanding of Critical Education Issues	77,012	-
State Farm – Hunt Leadership Fellows	64,417	64,417
Pritzker Children's Initiative – Early Childhood Systems	48,500	-
Bill & Melinda Gates Foundation – Common Core State Standards	-	355,594
Brady Education Foundation – Early Childhood Systems	25,000	-
Dominion Power – Hunt-Kean Leaders Fellowship	25,000	-
James B. Hunt Institute – Board of Directors' Individual Support for Hunt Leadership Fellows	11,500	11,500
Broad Foundation – Broad Fellows	-	193,409
Total	<u>\$ 1,265,065</u>	<u>\$ 2,523,970</u>

## **6. Commitments and Contingencies**

Under certain grant agreements, the Foundation agrees to indemnify the grantor against, and at the Foundation'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 Foundation's financial condition, results of operations and future prospects.