

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

Financial Statements

June 30, 2020 and 2019

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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 Hunt Institute"), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, change in net assets, functional expenses 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.

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. 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 Hunt Institute as of June 30, 2020 and 2019, and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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October 23, 2020

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JAMES B. HUNT, JR. INSTITUTE FOR
EDUCATIONAL LEADERSHIP AND POLICY FOUNDATION, INC.
Statements of Financial Position
June 30, 2020 and 2019

ASSETS		
	2020	2019
CURRENT ASSETS:		
Cash and Cash Equivalents	\$ 2,040,963	\$ 975,643
Investments	6,111,199	4,644,714
Grants Receivable, Net of Allowance	2,307,253	2,694,014
Other Receivables	55,544	47,250
Prepaid Expenses	49,111	14,115
Total Current Assets	10,564,070	8,375,736
PROPERTY AND EQUIPMENT:		
Furniture and Equipment	161,114	
Leasehold Improvements	17,050	
Website	16,474	
Total	194,638	
Less Accumulated Depreciation	10,041	
Net Property and Equipment	184,597	
NON-CURRENT ASSETS:		
Security Deposit	16,797	
Total Assets	\$ 10,765,464	\$ 8,375,736
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts Payable	\$ 39,740	\$ 55,953
Accrued Expenses	114,861	215,907
Accrued Payroll	92,119	
Deferred Rent	37,350	
Total Current Liabilities	284,070	271,860
NON-CURRENT LIABILITIES:		
PPP Loan	260,600	
Total Liabilities	544,670	271,860
NET ASSETS:		
Without Donor Restrictions	3,106,611	2,778,319
With Donor Restrictions	7,114,183	5,325,557
Total Net Assets	10,220,794	8,103,876
Total Liabilities and Net Assets	\$ 10,765,464	\$ 8,375,736

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

JAMES B. HUNT, JR. INSTITUTE FOR
EDUCATIONAL LEADERSHIP AND POLICY FOUNDATION, INC.
Statements of Activities and Changes in Net Assets
For the Years Ended June 30, 2020 and 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES:						
Grants	\$ 50,000	\$ 5,237,695	\$ 5,287,695	\$ 100	\$ 4,405,959	\$ 4,406,059
Corporate Contributions	240,000		240,000	270,500		270,500
Investment Income	202,526	108,526	311,052	309,761	27,345	337,106
Service Revenue	55,406	83,130	138,536	50,784		50,784
Individual Contributions	36,050		36,050	16,770		16,770
Miscellaneous	5,717		5,717	4,865		4,865
In-Kind Services				450		450
Total Revenues	589,699	5,429,351	6,019,050	653,230	4,433,304	5,086,534
Net Assets Released from Restrictions	3,640,725	(3,640,725)		2,614,973	(2,614,973)	
Total Revenues and Restriction Releases	4,230,424	1,788,626	6,019,050	3,268,203	1,818,331	5,086,534
EXPENSES:						
Program Services:						
Hunt-Kean Leadership Fellows	1,037,106		1,037,106	740,985		740,985
State Engagement	1,497,608		1,497,608	864,046		864,046
Cross-State Team Engagement	625,965		625,965	684,877		684,877
Other Programs	383,434		383,434	65,799		65,799
Total Program Services	3,544,113		3,544,113	2,355,707		2,355,707
Support Services:						
General and Administrative	358,019		358,019	262,038		262,038
Total Expenses	3,902,132		3,902,132	2,617,745		2,617,745
CHANGE IN NET ASSETS	328,292	1,788,626	2,116,918	650,458	1,818,331	2,468,789
NET ASSETS--Beginning of Year	2,778,319	5,325,557	8,103,876	2,127,861	3,507,226	5,635,087
NET ASSETS--End of Year	\$ 3,106,611	\$ 7,114,183	\$ 10,220,794	\$ 2,778,319	\$ 5,325,557	\$ 8,103,876

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 Functional Expenses
For the Year Ended June 30, 2020

	Program Services				Total	General and Administrative	Total Expenses
	Hunt-Kean Leadership Fellows	State Engagement	Cross-State Team Engagement	Other Programs			
Personnel Costs	\$ 394,944	\$ 946,875	\$ 342,976	\$ 229,503	\$ 1,914,298	\$ 255,343	\$ 2,169,641
Convening	260,606	73,922	93,051	353	427,932		427,932
Consultants	198,564	171,137	34,292	2,284	406,277	16,597	422,874
Travel	93,418	57,233	91,047	322	242,020	26,822	268,842
Subgrants		75,000		117,500	192,500		192,500
Occupancy	29,211	80,924	27,556	14,176	151,867	16,552	168,419
Equipment	33,469	24,475	12,521	3,414	73,879	4,743	78,622
Materials and Supplies	11,021	28,157	7,041	9,564	55,783	5,897	61,680
Communications and Information Technology	9,119	25,441	8,687	4,471	47,718	5,162	52,880
Miscellaneous	2,985	7,952	6,437	21	17,395	2,465	19,860
Professional Fees						17,655	17,655
Depreciation	1,600	4,416	1,661	1,348	9,025	1,017	10,042
Copying and Printing	2,169	2,076	696	478	5,419	620	6,039
Insurance						5,146	5,146
Total Expenses	\$ 1,037,106	\$ 1,497,608	\$ 625,965	\$ 383,434	\$ 3,544,113	\$ 358,019	\$ 3,902,132

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 Functional Expenses
For the Year Ended June 30, 2019

	Program Services				Total	General and Administrative	Total Expenses
	Hunt-Kean Leadership Fellows	State Engagement	Cross-State Team Engagement	Other Programs			
Personnel Costs	\$ 374,677	\$ 526,466	\$ 224,862	\$ 54,985	\$ 1,180,990	\$ 165,107	\$ 1,346,097
Convening	159,923	107,416	228,874	628	496,841		496,841
Consultants	40,840	79,671	52,978	167	173,656	24,659	198,315
Travel	96,419	36,439	110,294	1,210	244,362	20,525	264,887
Occupancy	33,142	52,618	19,786	4,376	109,922	17,686	127,608
Equipment	17,434	19,408	34,015	308	71,165	1,150	72,315
Materials and Supplies	7,227	15,715	5,247	1,834	30,023	2,715	32,738
Communications and Information Technology	9,583	15,250	5,730	1,269	31,832	5,034	36,866
Miscellaneous		8,299	2,059		10,358	3,354	13,712
Professional Fees						15,529	15,529
Copying and Printing	1,740	2,764	1,032	1,022	6,558	961	7,519
Insurance						5,318	5,318
Total Expenses	\$ 740,985	\$ 864,046	\$ 684,877	\$ 65,799	\$ 2,355,707	\$ 262,038	\$ 2,617,745

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

JAMES B. HUNT, JR. INSTITUTE FOR
EDUCATIONAL LEADERSHIP AND POLICY FOUNDATION, INC.
Statements of Cash Flows
For The Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in Net Assets	\$ 2,116,918	\$ 2,468,789
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	10,041	
Changes in:		
Grants and Other Receivables	378,468	(1,810,198)
Prepaid Expenses	(34,997)	11,833
Security Deposit	(16,797)	
Accounts Payable and Accrued Expenses	(25,140)	135,144
Deferred Rent	37,350	
Net Cash Provided by Operating Activities	<u>2,465,843</u>	<u>805,568</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Equipment	(194,638)	
Purchase of Investments	(7,969,067)	(7,933,852)
Sale of Investments	6,502,582	6,376,719
Net Cash Used by Investing Activities	<u>(1,661,123)</u>	<u>(1,557,133)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
PPP Loan Proceeds	260,600	
Net Cash Provided by Financing Activities	<u>260,600</u>	
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,065,320	(751,565)
CASH AND CASH EQUIVALENTS--Beginning of Year	<u>975,643</u>	<u>1,727,208</u>
CASH AND CASH EQUIVALENTS--End of Year	<u>\$ 2,040,963</u>	<u>\$ 975,643</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, 2020 and 2019

1. Nature of Organization

A. Organization and Purpose:

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 individual.

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.

B. Program Services:

Hunt-Kean Leadership Fellows

The Hunt-Kean Leadership Fellows (HK Fellows) program brings together senior, state-level political leaders who have the skill and will to be effective, reform-minded education policymakers in their states with leading minds in education, policy, and politics. The HK Fellows curriculum is designed to equip participants with the knowledge, relationships, and inspiration they need to engage in critical conversations about equity and lead on education reform in their current roles and as they pursue higher office. Each Cohort includes at least 20 HK Fellows with each representing a different state and with the Cohort maintaining a bipartisan balance.

In 2019, this program category also includes the *Hunt-Kean Leadership Fellows Higher Education Summit*, hosted in partnership with Duke University Sanford School for Public Policy.

State Engagement

The Hunt Institute is currently partnering with Missouri, North Carolina, Virginia, and West Virginia to provide a series of programming designed to build the capacity of state legislators as they tackle the education challenges facing their states. In each of its partner states, The Institute hosts a State Legislators Retreat (SLR) and offers ongoing learning experiences to legislators, such as regional visits to innovative and impactful programs across the country and/or a policy discussion series that, over the shared experience of a meal, successfully connects a bipartisan group of policymakers with key national experts in education policy.

The Hunt Institute is currently conducting a scan of additional states as it looks to expand the SLR model. Missouri was a new partner state for The Institute in 2019. In 2020, this program category also included planning work towards launching state engagement in Alaska, Ohio, and Texas, as well as facilitation of state leadership transition committees in both New Mexico and South Carolina.

JAMES B. HUNT, JR. INSTITUTE FOR
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Notes to Financial Statements
June 30, 2020 and 2019

1. Nature of Organization (Continued)

Cross-State Team Engagement

The Hunt Institute continues to recognize the value of fostering both inter- and intra-state learning by convening state teams from across the country to discuss topics from across the education continuum. These convenings can be topical in nature, such as the *2019 Early Childhood Leadership Summit*, or can be audience-targeted, such as the *2019 Education Retreat: Advancing Cross-State Conversations* or the *2020 Governors Advisors Retreat: Leveraging State Leadership to Support Workforce Development*, geared toward convening state teams comprised of governors' advisors/policy directors, state chiefs, higher education reps, legislators, and others to discuss topical issues addressing the education continuum.

In 2020, this program category also included planning work towards a convening of former governors, expected to formally launch in 2021.

Other Programs

The Hunt Institute has also been intentional about continuing to enhance its brand and national presence, continuing *The Intersection* blog, expanding its webinar series, creating a national op-ed presence in the wake of COVID-19, and deploying staff to and hosting sessions at partner convenings.

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:

The Institute follows standards for external financial reporting by not-for-profit organizations that requires its resources be classified for accounting and reporting purposes into two net asset categories according to externally imposed restrictions. Accordingly, net assets and changes therein may be classified and reported as follows:

Net Assets Without Donor Restrictions

Net assets without donor restrictions are available for use at the discretion of the Board and/or management for general operating purposes. From time to time, the Board may designate a portion of these net assets for specific purposes which makes them unavailable for use at management's discretion.

Net Assets With Donor Restrictions

Net assets with donor restrictions consist of assets whose use is limited by donor-imposed, time and/or purpose restrictions.

The Institute reports gifts of cash and other assets as revenue with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction end or purpose restriction is accomplished, the net assets are reclassified as net assets without donor restriction and reported in the statement of activities as net assets released from restrictions.

JAMES B. HUNT, JR. INSTITUTE FOR
EDUCATIONAL LEADERSHIP AND POLICY FOUNDATION, INC.
Notes to Financial Statements
June 30, 2020 and 2019

2. Summary of Significant Accounting Policies (Continued)

Some net assets with donor restrictions include a stipulation that assets provided be maintained permanently (perpetual in nature) while permitting the Institute to expend the income generated by the assets in accordance with the provisions of additional donor-imposed stipulations or a Board approved spending policy. The Institute currently has no assets that meet this criteria.

C. Cash and Cash Equivalents:

For purposes of the statement of cash flows, the Institute considers all highly liquid debt instruments with an original maturity of three months or less 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 investment income.

E. Investments:

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

F. Other Receivables:

Other receivables are comprised of amounts due from contracts for service revenue, accrued interest and sales tax refunds.

G. Grant Revenues:

Revenues from grants without donor restrictions are recognized upon the grantor's award of the grant to the Institute. Grants that are received with donor restrictions are recorded as restricted revenue.

Grants that are expected to be collected within one year are recorded at net realizable value. Grants 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.

The Institute's management believes that all receivables will be collected. Therefore, no allowance for uncollectible accounts is considered necessary for the years ended June 30, 2020 and 2019.

H. Contributions:

In accordance with GAAP, contributions received are recorded as increases in with or without donor restrictions, depending on the existence or nature of any donor restrictions.

All donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires, such as a stipulated time restriction ends or a purpose restricted is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

JAMES B. HUNT, JR. INSTITUTE FOR
EDUCATIONAL LEADERSHIP AND POLICY FOUNDATION, INC.
Notes to Financial Statements
June 30, 2020 and 2019

2. Summary of Significant Accounting Policies (Concluded)

I. 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 years ended June 30, 2020 and 2019, 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 liabilities exists at June 30, 2020 and 2019. Furthermore, the Institute believes there is no material income tax effect on the financial statements for the stated period.

J. Functional Allocation of Expenses:

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of functional expenses. Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of estimates made by the Institute's management.

K. Use of 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, 2020 and 2019. 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. Investments

Investment income for the years ended June 30, 2020 and 2019 were \$311,052 and \$337,106, respectively.

Investments are reported at fair value at June 30, 2020 as follows:

	2020		
	Fair Market Value	Cost	Unrealized Gain
Common Stock	\$ 80,006	\$ 49,033	\$ 30,973
Mutual Funds	753,762	709,984	43,778
Exchange-Traded Funds	943,049	914,291	28,758
Bond Funds	4,334,382	4,043,251	291,131
	<u>\$ 6,111,199</u>	<u>\$ 5,716,559</u>	<u>\$ 394,640</u>

JAMES B. HUNT, JR. INSTITUTE FOR
EDUCATIONAL LEADERSHIP AND POLICY FOUNDATION, INC.
Notes to Financial Statements
June 30, 2020 and 2019

4. Investments (Continued)

Investments are reported at fair value at June 30, 2019 as follows:

	2019		
	Fair Market Value	Cost	Unrealized Gain
Common Stock	\$ 81,426	49,033	\$ 32,393
Mutual Funds	503,019	485,253	17,766
Exchange-Traded Funds	490,720	474,259	16,461
Bond Funds	3,569,549	3,394,162	175,387
	<u>\$ 4,644,714</u>	<u>\$ 4,402,707</u>	<u>\$ 242,007</u>

5. Disclosure about Fair Value of Financial Instruments

Fair value is defined as the price that would be received for an asset or the exit price that would be paid to transfer a liability in an orderly transaction between market participants on the measurement date. The Institute utilizes market data or assumptions that market participants would use in pricing the asset or liability. A three-tier fair value hierarchy is used to prioritize the inputs used in measuring fair value. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; Level 3, defined as unobservable inputs about which little or no market data exists, therefore requiring an entity to make its own assumptions.

The following table sets forth the financial assets and liabilities as of June 30, 2020 that were measured at fair value on a recurring basis by level within the fair value hierarchy. Assets and liabilities measured at fair value are classified in their entirety based on the lowest level of input that is significant to their fair value measurement:

	Balance at June 30, 2020	Fair Value Measurements Using		
		Level 1 Quoted Prices in Active Markets for Identical Assets	Level 2 Significant Other Observable Inputs	Level 3 Significant Unobservable Inputs
Common Stock	\$ 80,006	\$ 80,006	\$	\$
Mutual Funds	753,762	753,762		
Exchange-Traded Funds	943,049	943,049		
Bond Funds	4,334,382	4,334,382		
	<u>\$ 6,111,199</u>	<u>\$ 6,111,199</u>	<u>\$</u>	<u>\$</u>

JAMES B. HUNT, JR. INSTITUTE FOR
EDUCATIONAL LEADERSHIP AND POLICY FOUNDATION, INC.
Notes to Financial Statements
June 30, 2020 and 2019

5. Disclosure about Fair Value of Financial Instruments

The following table sets forth the financial assets and liabilities as of June 30, 2019 that were measured at fair value on a recurring basis by level within the fair value hierarchy. Assets and liabilities measured at fair value are classified in their entirety based on the lowest level of input that is significant to their fair value measurement:

	Balance at June 30, 2019	Fair Value Measurements Using		
		Level 1 Quoted Prices in Active Markets for Identical Assets	Level 2 Significant Other Observable Inputs	Level 3 Significant Unobservable Inputs
Common Stock	\$ 81,426	\$ 81,426	\$	\$
Mutual Funds	503,019	503,019		
Exchange-Traded Funds	490,720	490,720		
Bond Funds	3,569,549	3,569,549		
	<u>\$ 4,644,714</u>	<u>\$ 4,644,714</u>	<u>\$</u>	<u>\$</u>

6. Grants Receivable

The Institute receives multi-year grants to support the programs and further the mission of education leadership and policies.

Grants Receivable consists of the following:

	2020	2019
Grants Receivable	\$ 2,338,035	\$ 2,721,775
Less Discount	30,782	27,761
Net Grants Receivable	<u>\$ 2,307,253</u>	<u>\$ 2,694,014</u>
Amounts Due In:		
Less than One Year	\$ 1,245,535	\$ 2,285,675
One to Five Years	1,061,718	408,339
	<u>\$ 2,307,253</u>	<u>\$ 2,694,014</u>

7. Liquidity and Availability

The Institute manages its liquid resources by focusing on obtaining grants and contributions to ensure the organization has adequate funds to cover the programs that are being conducted. The Institute prepares detailed budgets and has been very active in managing costs to ensure the organization remains liquid.

JAMES B. HUNT, JR. INSTITUTE FOR
EDUCATIONAL LEADERSHIP AND POLICY FOUNDATION, INC.
Notes to Financial Statements
June 30, 2020 and 2019

7. Liquidity and Availability (Continued)

The Institute's financial assets as of June 30, 2020 and 2019 expected to be available within one year to meet cash needs for general expenditures comprise the following:

	<u>2020</u>	<u>2019</u>
Cash and Cash Equivalents	\$ 2,040,963	\$ 975,643
Investments	6,111,199	4,644,714
Grants Receivable	2,307,253	2,694,014
Other Receivables	<u>55,544</u>	<u>47,250</u>
Financial assets, at year end	10,514,959	8,361,621
Less those unavailable for general expenditures within one year, due to:		
Contractual or donor-imposed restrictions:		
Restricted by donor with time or purpose restrictions	<u>7,114,183</u>	<u>5,325,557</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 3,400,776</u>	<u>\$ 3,036,064</u>

8. Net Assets With Donor Restrictions

Net assets with donor restrictions at June 30, 2020 and 2019 are restricted for the following:

	<u>2020</u>	<u>2019</u>
Anonymous – Hunt-Kean Leadership Fellows, State Engagement, Cross-State Team Engagement, Other Programs, Administrative	\$ 512,513	\$ 485,170
Barksdale Reading Institute – Cross-State Team Engagement, Administrative	3,130	
Bezos Family Foundation – Hunt-Kean Leadership Fellows, State Engagement, Cross-State Team Engagement, Other Programs, Administrative	982,638	160,813
Bill & Melinda Gates Foundation – Hunt-Kean Leadership Fellows, State Engagement, Cross-State Team Engagement, Other Programs and Administrative	1,404,174	263,745
Blue Cross Blue Shield of North Carolina – Hunt-Kean Leadership Fellows, State Engagement, Cross-State Team Engagement, Other Programs	897,556	897,556
Brady Education Foundation – Cross-State Team Engagement, Administrative	35,000	15,000
Burroughs Wellcome Fund – State Engagement	25,000	25,000
Carnegie Corporation of New York – Hunt-Kean Leadership Fellows, Cross-State Team Engagement, Administrative	460,586	732,978
Charles and Lynn Schusterman Family Foundation – Administrative	75,297	244,578

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8. Net Assets With Donor Restrictions (Continued)

	<u>2020</u>	<u>2019</u>
Dominion Power – Hunt-Kean Leadership Fellows	\$ 25,000	\$ 25,000
Equable Institute – Hunt-Kean Leadership Fellows, Administrative		100,000
Ewing Marion Kauffman Foundation – State Engagement		6,446
James B. Hunt Institute Board of Directors' Individual Support - Hunt-Kean Leadership Fellows	11,500	11,500
John M. Belk Endowment – Hunt-Kean Leadership Fellows, State Engagement, Cross-State Team Engagement, Other Programs, Administrative	1,435,646	200,000
Lumina Foundation for Education – Hunt-Kean Leadership Fellows, State Engagement, Cross-State Team Engagement, Other Programs, Administrative	292,568	
Oak Foundation – Hunt-Kean Leadership Fellows, Cross-State Team Engagement, Administrative	180,569	239,261
Pritzker Children's Initiative – Hunt-Kean Leadership Fellows, State Engagement, Cross-State Team Engagement, Other Programs, Administrative	219,708	350,000
Sante Fe Community Foundation – State Engagement, Administrative	5,000	
Saul Zaentz Charitable Foundation – Hunt-Kean Leadership Fellows, State Engagement, Cross-State Team Engagement, Other Programs, Administrative	89,486	500,000
State Farm – Hunt-Kean Leadership Fellows	64,417	64,417
The Duke Endowment – Hunt-Kean Leadership Fellows, State Engagement, Cross-State Team Engagement, Administrative		100,000
The Kresge Foundation – Hunt-Kean Leadership Fellows, State Engagement, Other Programs, Administrative	66,640	125,000
Thornburg Foundation – State Engagement, Administrative	10,000	
Walton Family Foundation – Hunt-Kean Leadership Fellows, Cross-State Team Engagement, Other Programs, Administrative	317,755	479,673
WK Kellogg Foundation – Hunt-Kean Leadership Fellows, State Engagement, Cross-State Team Engagement, Other Programs, Administrative		242,420
Z. Smith Reynolds Foundation – State Engagement, Administrative		57,000
	<u>\$ 7,114,183</u>	<u>\$ 5,325,557</u>

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9. Net Assets Released from Donor Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of the passage of time or other events specified by donors. The net assets released from restrictions are as follows:

	2020	2019
Hunt-Kean Leadership Fellows	\$ 1,037,105	\$ 740,985
State Engagement	1,497,608	864,046
Cross-State Engagement	625,965	684,877
Other Programs	383,434	65,799
General and Administrative	96,613	259,266
	<u>\$ 3,640,725</u>	<u>\$ 2,614,973</u>

10. Related Party Transactions

The Institute received gifts totaling \$35,550 and \$16,335 from members of the board of directors during the years ended June 30, 2020 and 2019, respectively.

The Institute expended \$102,000 and \$45,000 in consulting services to an entity affiliated with a certain member of the board of directors for the years ended June 30, 2020 and 2019, respectively.

11. Concentrations

The Institute records grant revenue and receivable upon receipt of grant award. The Institute considers grantors that account for more than 10% of grant revenues or grant receivables to be major grantors.

Grant revenues and receivables from major grantors as of June 30, 2020 are as follows:

	Percentage of Grants Receivable	Percentage of Grants Revenue
Grantor A	29%	30%
Grantor B	26%	27%
Grantor C	21%	19%
Grantor D	13%	0%

Grant revenues and receivables from major grantors as of June 30, 2019 are as follows:

	Percentage of Grants Receivable	Percentage of Grants Revenue
Grantor A	28%	15%
Grantor B	18%	19%
Grantor C	12%	6%

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12. Lease Commitments

The Institute leases office space under an operating lease. Rent expense for the years ended June 30, 2020 and 2019 was \$146,362 and \$120,712, respectively.

Future minimum payments are as follows:

Year Ending June 30	
2021	\$ 216,588
2022	216,588
2023	216,588
2024	216,588
2025	216,588
Thereafter	415,128
	<u>\$ 1,498,068</u>

13. Loan under the Paycheck Protection Program

On May 3, 2020, the Institute entered into a loan with Sonabank in an aggregate principal amount of \$260,600 (Loan), pursuant to the Paycheck Protection Program (PPP) under the CARES Act.

The Loan is evidenced by a promissory note dated May 3, 2020 and matures two years from the disbursement date and bears interest at a fixed rate of 1.000% per annum, with interest deferred during the loan forgiveness period of twenty-four weeks and an additional ten months. The application for forgiveness must be received within ten months after the end of your loan forgiveness covered period or principal and interest payments will commence. The loan may be prepaid by the Institute at any time prior to maturity with no prepayment penalties. However, the Institute must give the lender written notice and pay all accrued interest in the event the Loan has been sold on the secondary market and it prepays more than twenty percent of the unpaid principal balance.

Under the terms of the CARES Act, PPP loan recipients can apply for and be granted forgiveness for all or a portion of loans granted under PPP. The Loan is subject to forgiveness to the extent proceeds are used for payroll costs, including payments required to continue group health care benefits, and certain rent, utility, and mortgage interest expenses (collectively, Qualifying Expenses), pursuant to the terms and limitations of the PPP. The Institute intends to use a significant majority of the Loan amount for Qualifying Expenses and expects the loan to be fully forgiven. However, no assurance is provided that the Institute will obtain forgiveness of the Loan in whole or in part.

14. 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.

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15. Subsequent Events

Management has evaluated subsequent events through October 23, 2020, the date the financial statements were available to be issued.