



Financial Statements

for

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

June 30, 2022 and 2021

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

REPORT OF INDEPENDENT AUDITORS

Opinion

We have audited the accompanying financial statements of James B. Hunt, Jr. Institute for Educational Leadership and Policy Foundation, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of James B. Hunt, Jr. Institute for Educational Leadership and Policy Foundation, Inc. as of June 30, 2022, 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.

Other Matter

The financial statements of James B. Hunt, Jr. Institute for Educational Leadership and Policy Foundation, Inc., as of and for the year ended June 30, 2021, were audited by other auditors, whose report, dated January 25, 2022, expressed an unmodified opinion on those statements.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of James B. Hunt, Jr. Institute for Educational Leadership and Policy Foundation, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about James B. Hunt, Jr. Institute for Educational Leadership and Policy Foundation, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 James B. Hunt, Jr. Institute for Educational Leadership and Policy Foundation, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about James B. Hunt, Jr. Institute for Educational Leadership and Policy Foundation, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Dean Dotson Allen Ford, PLLC

Raleigh, North Carolina
October 25, 2022

JAMES B. HUNT, JR. INSTITUTE FOR
EDUCATIONAL LEADERSHIP AND POLICY FOUNDATION, INC.
Statements of Financial Position
June 30, 2022 and 2021

ASSETS		2022	2021
CURRENT ASSETS:			
Cash and Cash Equivalents	\$	225,793	\$ 2,304,964
Investments		8,207,028	8,430,014
Grants Receivable, Net of Allowance		2,679,989	2,399,056
Other Receivables		73,459	55,014
Prepaid Expenses		34,089	83,568
Total Current Assets		11,220,358	13,272,616
PROPERTY AND EQUIPMENT:			
Furniture and Equipment		164,741	164,741
Leasehold Improvements		17,050	17,050
Website		42,452	42,452
Total		224,243	224,243
Less Accumulated Depreciation		91,771	49,720
Net Property and Equipment		132,472	174,523
NON-CURRENT ASSETS:			
Security Deposit		16,797	16,797
Total Assets	\$	11,369,627	\$ 13,463,936
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES:			
Accounts Payable	\$	504,198	\$ 101,651
Accrued Expenses		39,619	16,341
Accrued Payroll		128,972	111,591
Deferred Rent		58,278	50,860
Total Current Liabilities		731,067	280,443
NET ASSETS:			
Without Donor Restrictions		3,938,419	4,928,828
With Donor Restrictions		6,700,141	8,254,665
Total Net Assets		10,638,560	13,183,493
Total Liabilities and Net Assets	\$	11,369,627	\$ 13,463,936

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, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES:						
Grants	\$ 229,192	\$ 7,384,861	\$ 7,614,053	\$ 1,006,112	\$ 5,700,186	\$ 6,706,298
Corporate Contributions	290,750		290,750	180,000		180,000
Investment Income (Loss)	(1,005,229)		(1,005,229)	600,247		600,247
Service Revenue	765,615		765,615	72,411	28,631	101,042
Individual Contributions	32,250		32,250	10,150		10,150
Miscellaneous	18,232		18,232			
Total Revenues	<u>330,810</u>	<u>7,384,861</u>	<u>7,715,671</u>	<u>1,868,920</u>	<u>5,728,817</u>	<u>7,597,737</u>
Net Assets Released from Restrictions	<u>8,939,385</u>	<u>(8,939,385)</u>		<u>4,588,335</u>	<u>(4,588,335)</u>	
Total Revenues and Restriction Releases	<u>9,270,195</u>	<u>(1,554,524)</u>	<u>7,715,671</u>	<u>6,457,255</u>	<u>1,140,482</u>	<u>7,597,737</u>
EXPENSES:						
Program Services:						
Hunt-Kean Leadership Fellows	1,444,981		1,444,981	629,460		629,460
State Engagement	1,330,018		1,330,018	1,407,330		1,407,330
Cross-State Team Engagement	3,699,824		3,699,824	901,157		901,157
Other Programs	2,128,702		2,128,702	1,132,458		1,132,458
Total Program Services	<u>8,603,525</u>		<u>8,603,525</u>	<u>4,070,405</u>		<u>4,070,405</u>
Support Services:						
General and Administrative	1,447,834		1,447,834	446,318		446,318
Fundraising	209,245		209,245	118,315		118,315
Total Support Services	<u>1,657,079</u>		<u>1,657,079</u>	<u>564,633</u>		<u>564,633</u>
Total Expenses	<u>10,260,604</u>		<u>10,260,604</u>	<u>4,635,038</u>		<u>4,635,038</u>
CHANGE IN NET ASSETS	(990,409)	(1,554,524)	(2,544,933)	1,822,217	1,140,482	2,962,699
NET ASSETS--Beginning of Year	<u>4,928,828</u>	<u>8,254,665</u>	<u>13,183,493</u>	<u>3,106,611</u>	<u>7,114,183</u>	<u>10,220,794</u>
NET ASSETS--End of Year	<u>\$ 3,938,419</u>	<u>\$ 6,700,141</u>	<u>\$ 10,638,560</u>	<u>\$ 4,928,828</u>	<u>\$ 8,254,665</u>	<u>\$ 13,183,493</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 Functional Expenses
For the Year Ended June 30, 2022

	Program Services					Support Services			Total Expenses
	Hunt-Kean Leadership Fellows	State Engagement	Cross-State Team Engagement	Other Programs	Total	General and Administrative	Fundraising	Total	
Personnel Costs	\$ 283,335	\$ 413,998	\$ 1,796,430	\$ 1,280,004	\$ 3,773,767	\$ 1,024,197	\$ 141,801	\$ 1,165,998	\$ 4,939,765
Convening	505,508	447,900	421,665	220,322	1,595,395	9,295	24,446	33,741	1,629,136
Travel	329,522	220,099	247,766	32,871	830,258	12,334	11,374	23,708	853,966
Consultants	151,205	88,400	185,602	273,757	698,964	154,042		154,042	853,006
Subgrants			692,409	105,500	797,909				797,909
Materials and Supplies	87,024	78,187	126,801	70,503	362,515	43,264	12,979	56,243	418,758
Equipment	34,509	31,811	90,062	55,703	212,085	33,896	4,620	38,516	250,601
Occupancy	30,583	28,173	79,142	54,867	192,765	21,304	6,391	27,695	220,460
Communications and Information Technology	19,045	17,530	48,766	28,062	113,403	19,995	2,748	22,743	136,146
Professional Fees						56,258		56,258	56,258
Miscellaneous	4,249	3,919	11,177	7,111	26,456	13,355	4,886	18,241	44,697
Depreciation						42,051		42,051	42,051
Insurance						12,415		12,415	12,415
Copying and Printing	1	1	4	2	8	5,428		5,428	5,436
Total Expenses	<u>\$ 1,444,981</u>	<u>\$ 1,330,018</u>	<u>\$ 3,699,824</u>	<u>\$ 2,128,702</u>	<u>\$ 8,603,525</u>	<u>\$ 1,447,834</u>	<u>\$ 209,245</u>	<u>\$ 1,657,079</u>	<u>\$ 10,260,604</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 Functional Expenses
For the Year Ended June 30, 2021

	Program Services					Support Services			Total Expenses
	Hunt-Kean Leadership Fellows	State Engagement	Cross-State Team Engagement	Other Programs	Total	General and Administrative	Fundraising	Total	
Personnel Costs	\$ 436,085	\$ 971,522	\$ 624,314	\$ 784,558	\$ 2,816,479	\$ 251,549	\$ 47,944	\$ 299,493	\$ 3,115,972
Consultants	97,656	217,561	139,808	175,693	630,718	126,107	62,113	188,220	818,938
Occupancy	31,378	69,905	44,922	56,451	202,656	18,100	3,450	21,550	224,206
Equipment	12,689	28,269	18,166	22,828	81,952	7,319	1,395	8,714	90,666
Materials and Supplies	13,411	29,878	19,200	24,128	86,617	246	47	293	86,910
Communications and Information Technology	11,497	25,613	16,459	20,684	74,253	6,632	1,264	7,896	82,149
Travel	11,425	25,454	16,357	20,556	73,792				73,792
Convening	9,020	20,095	12,913	16,227	58,255				58,255
Depreciation	5,553	12,371	7,950	9,991	35,865	3,203	610	3,813	39,678
Professional Fees						23,087		23,087	23,087
Subgrants		5,000			5,000				5,000
Miscellaneous						3,422	1,492	4,914	4,914
Copying and Printing	746	1,662	1,068	1,342	4,818				4,818
Insurance						6,653		6,653	6,653
Total Expenses	\$ 629,460	\$ 1,407,330	\$ 901,157	\$ 1,132,458	\$ 4,070,405	\$ 446,318	\$ 118,315	\$ 564,633	\$ 4,635,038

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, 2022 and 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in Net Assets	\$ (2,544,933)	\$ 2,962,699
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	42,051	39,678
Realized Gain on Investments	(149,777)	(204,406)
Unrealized (Gain) Loss on Investments	1,155,006	(395,841)
Changes in:		
Grants and Other Receivables	(299,377)	(91,272)
Prepaid Expenses	49,478	(34,458)
Accounts Payable and Accrued Expenses	443,206	(17,137)
Deferred Rent	7,418	13,510
Net Cash Provided (Used) by Operating Activities	(1,296,928)	2,272,773
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Equipment		(29,605)
Purchase of Investments	(2,990,760)	(17,647,688)
Sale of Investments	2,208,517	15,929,121
Net Cash Used by Investing Activities	(782,243)	(1,748,172)
CASH FLOWS FROM FINANCING ACTIVITIES:		
PPP Loan Repayments		(260,600)
Net Cash Used by Financing Activities		(260,600)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,079,171)	264,001
CASH AND CASH EQUIVALENTS--Beginning of Year	2,304,964	2,040,963
CASH AND CASH EQUIVALENTS--End of Year	\$ 225,793	\$ 2,304,964

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, 2022 and 2021

1. Nature of Organization

A. Organization and Purpose:

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 Foundation, Inc. (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 an affiliate relationship with Duke University. The Foundation works at the intersection of education policy and politics to empower state leaders to drive sustainable reform and become audacious champions for public education. Marshaling expertise from a nationwide partner network, the Foundation holds seminars and symposia to connect leaders with the best strategies to develop and implement policies and programs that improve public education.

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.

JAMES B. HUNT, JR. INSTITUTE FOR
EDUCATIONAL LEADERSHIP AND POLICY FOUNDATION, INC.
Notes to Financial Statements
June 30, 2022 and 2021

1. Nature of Organization (Continued)

State Engagement

The Institute is currently partnering with Illinois, Missouri, North Carolina, North Dakota, Ohio, Oklahoma, 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.

Our work with current and former Governors culminated with a Governor's Education Symposium in Utah. The Institute is currently conducting a scan of additional states as it looks to expand the SLR model. Oklahoma was a new partner state for The Institute for the year ended June 30, 2022. In 2022, this program category also included planning work towards launching state engagement in new states like New Mexico and Indiana.

Cross-State Team Engagement

The 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. Our content teams have expertise in Early Childhood, K12, Equity, and Higher Education. These convenings can be topical in nature, such as the 2022 Literacy Summit, or 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.

Other Programs

The Institute has also been intentional about continuing to enhance its brand and national presence, expanding its webinar series, creating a national op-ed presence in the wake of COVID-19, partnering with John M. Belk Endowment to continue The John M Belk Impact Fellowship program, and deploying staff to and hosting sessions at partner convenings. Our One Million Teachers of Color Initiative aims to build systems to hire leaders and teachers of color by 2030.

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.

JAMES B. HUNT, JR. INSTITUTE FOR
EDUCATIONAL LEADERSHIP AND POLICY FOUNDATION, INC.
Notes to Financial Statements
June 30, 2022 and 2021

2. Summary of Significant Accounting Policies (Continued)

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.

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. Investments:

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

E. Other Receivables:

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

F. Property and Equipment:

Property and equipment are recorded at cost if purchased and fair market value if donated. Depreciation has been calculated by using the straight-line method over the estimated useful life of the assets. A capitalization threshold of \$5,000 is utilized.

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, 2022 and 2021.

JAMES B. HUNT, JR. INSTITUTE FOR
EDUCATIONAL LEADERSHIP AND POLICY FOUNDATION, INC.
Notes to Financial Statements
June 30, 2022 and 2021

2. Summary of Significant Accounting Policies (Concluded)

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 restriction 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.

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, 2022 and 2021, 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, 2022 and 2021. 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. Revenue Recognition

In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers, Accounting Standards Code Topic 606* (Topic 606). Topic 606 and all subsequently issued clarifying ASUs replaced most existing revenue recognition guidance in GAAP. Topic 606 outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The core principle in the pronouncement is the recognition of revenue for contracts with customers in an amount that reflects the consideration that an entity expects to be entitled to in exchange for the provisions of goods or services.

The Institute derives service revenues from contracts to perform services. All of these revenues are recorded in the period in which the services are rendered in accordance with the terms of the contracts.

JAMES B. HUNT, JR. INSTITUTE FOR
EDUCATIONAL LEADERSHIP AND POLICY FOUNDATION, INC.
Notes to Financial Statements
June 30, 2022 and 2021

3. Revenue Recognition (Continued)

The following is a summary of the principal forms of the Institute's services recognized in accordance with Topic 606 and how revenue is recognized.

Service Revenue

The Institute receives program service fees for the services provided as outlined in contract agreements. Services include assessment of North Carolina's early care and education system by providing recommendation on rebuilding a responsive system to better address the needs of children and families birth through five and develop, implement, and evaluate a training and technical assistance strategy for human services leadership teams to interpret quality data and develop scalable and sustainable local strategic plans informed by early childhood data. Revenue is recognized when services are rendered.

Disaggregation of Revenue

In the following table, revenue recognized through Topic 606 is disaggregated by major services line and timing of revenue recognition.

	<u>2022</u>	<u>2021</u>
Major Services:		
Service Revenue	\$ <u>765,615</u>	\$ <u>101,042</u>
Timing of Revenue Recognition:		
Services transferred over time	\$ 765,615	\$ 101,042
Services transferred at a point in time	\$ <u>765,615</u>	\$ <u>101,042</u>

The Institute assesses certain economic factors and the potential for significant changes in those economic factors and its impact on the nature, amount, timing, and uncertainty of revenue and cash flows. Common factors ordinarily impacting the Institute would be type of customer and geographical location of customers. These factors have been assessed and management feels they have limited impact on the performance of the Institute.

4. 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, 2022 and 2021. 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.

JAMES B. HUNT, JR. INSTITUTE FOR
EDUCATIONAL LEADERSHIP AND POLICY FOUNDATION, INC.
Notes to Financial Statements
June 30, 2022 and 2021

5. Investments

Investment income (loss) for the years ended June 30, 2022 and 2021 were (\$1,005,229) and \$600,247, respectively.

Investments are reported at fair value at June 30, 2022 and 2021 as follows:

	Fair Market Value	Cost	Unrealized Gain
<u>June 30, 2022:</u>			
Bond Funds	\$ 6,157,818	\$ 5,592,205	\$ 565,613
Equities	306,469	255,829	50,640
Exchange-Traded Funds	911,925	797,630	114,295
Mutual Funds	830,816	722,380	108,436
	<u>\$ 8,207,028</u>	<u>\$ 7,368,044</u>	<u>\$ 838,984</u>
<u>June 30, 2021:</u>			
Bond Funds	\$ 5,419,059	\$ 4,043,251	\$ 1,375,808
Exchange-Traded Funds	1,733,221	1,636,140	97,081
Mutual Funds	1,277,734	1,196,958	80,776
	<u>\$ 8,430,014</u>	<u>\$ 6,876,349</u>	<u>\$ 1,553,665</u>

6. 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, 2022 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, 2022	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
Bond Funds	\$ 6,157,818	\$ 6,157,818	\$	\$
Equities	306,469	306,469		
Exchange-Traded Funds	911,925	911,925		
Mutual Funds	830,816	830,816		
	<u>\$ 8,207,028</u>	<u>\$ 8,207,028</u>	<u>\$</u>	<u>\$</u>

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6. Disclosure about Fair Value of Financial Instruments (Continued)

The following table sets forth the financial assets and liabilities as of June 30, 2021 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, 2021	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
Bond Funds	\$ 5,419,059	\$ 5,419,059	\$	\$
Exchange-Traded Funds	1,733,221	1,733,221		
Mutual Funds	1,277,734	1,277,734		
	<u>\$ 8,430,014</u>	<u>\$ 8,430,014</u>	<u>\$</u>	<u>\$</u>

7. 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:

	2022	2021
Grants Receivable	\$ 2,707,481	\$ 2,460,740
Less Discount	27,492	61,684
Net Grants Receivable	<u>\$ 2,679,989</u>	<u>\$ 2,399,056</u>
Amounts Due In:		
Less than One Year	\$ 2,404,989	\$ 1,214,056
One to Five Years	275,000	1,185,000
	<u>\$ 2,679,989</u>	<u>\$ 2,399,056</u>

Grants receivable due in more than one year are reflected at present value of estimated future cash flows using a discount rate of 5.50% and 3.25% at June 30, 2022 and 2021, respectively. All grants are considered fully collectible and an allowance is not considered necessary.

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8. 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.

The Institute's financial assets as of June 30, 2022 and 2021 expected to be available within one year to meet cash needs for general expenditures comprise the following:

	<u>2022</u>	<u>2021</u>
Cash and Cash Equivalents	\$ 225,793	\$ 2,304,964
Investments	8,207,028	8,430,014
Grants Receivable	2,679,989	2,399,056
Other Receivables	<u>73,459</u>	<u>55,014</u>
Financial assets, at year end	11,186,269	13,189,048
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>6,700,141</u>	<u>8,254,665</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 4,486,128</u>	<u>\$ 4,934,383</u>

9. Net Assets With Donor Restrictions

Net assets with donor restrictions at June 30, 2022 and 2021 are restricted for the following:

	<u>2022</u>	<u>2021</u>
Alliance for Early Success – Cross-State Team Engagement, Other Programs	\$ 50,000	\$ 180,038
Anonymous – Hunt-Kean Leadership Fellows, State Engagement, Cross-State Team Engagement, Other Programs, Administrative		656,013
Ballmer Group - Cross-State Team Engagement	1,025,000	
Barksdale Reading Institute – Cross-State Team Engagement, Administrative		17,110
Belk Foundation – Cross-State Team Engagement, Other Programs, Administrative	5,844	91,249
Bezos Family Foundation – Hunt-Kean Leadership Fellows, State Engagement, Cross-State Team Engagement, Other Programs, Administrative		786,803
Bill & Melinda Gates Foundation – Hunt-Kean Leadership Fellows, State Engagement, Cross-State Team Engagement, Other Programs and Administrative	78,244	722,309
Blue Cross Blue Shield of North Carolina – Hunt-Kean Leadership Fellows, State Engagement, Cross-State Team Engagement, Other Programs	897,556	897,556
Blue Cross Blue Shield of North Carolina Foundation - Cross-State Team Engagement	450,000	

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9. Net Assets With Donor Restrictions (Continued)

	2022	2021
Brady Education Foundation – Cross-State Team Engagement, Administrative	\$	\$ 366
Burroughs Wellcome Fund – State Engagement	60,000	25,000
Carnegie Corporation of New York – Hunt-Kean Leadership Fellows, Cross-State Team Engagement, Administrative	500,000	378,932
Chan Zuckerberg Initiative - Other Programs	871,641	
Charles and Lynn Schusterman Family Foundation – Other Programs, Administrative	200,000	482
David and Lucile Packard Foundation - Cross-State Team Engagement	354,824	
Dominion Power – Hunt-Kean Leadership Fellows		25,000
ECMC Foundation - Administrative	20,895	
John M. Belk Endowment – Hunt-Kean Leadership Fellows, State Engagement, Cross-State Team Engagement, Other Programs, Administrative		1,011,539
Lumina Foundation for Education – Hunt-Kean Leadership Fellows, State Engagement, Cross-State Team Engagement, Other Programs, Administrative	150,000	112,636
Micron Technology Foundation – State Engagement, Other Programs Administrative		60
New Venture Fund – Cross-State Team Engagement, Other Programs, Administrative	337,072	17,215
Oak Foundation – Hunt-Kean Leadership Fellows, Cross-State Team Engagement, Administrative	250,000	28,182
Overdeck Family Foundation - Cross-State Team Engagement	250,000	
Pritzker Children's Initiative – Hunt-Kean Leadership Fellows, State Engagement, Cross-State Team Engagement, Other Programs, Administrative	450,586	586
Robert Wood Johnson Foundation – State Engagement, Other Programs Administrative	104,438	203,305
Saul Zaentz Charitable Foundation – Hunt-Kean Leadership Fellows, State Engagement, Cross-State Team Engagement, Other Programs, Administrative		1,518,534
Spencer Foundation - Other Programs	7,314	
State Farm – Hunt-Kean Leadership Fellows		64,417
The Kresge Foundation – Hunt-Kean Leadership Fellows, State Engagement, Other Programs, Administrative	68,700	150,091
Thornburg Foundation – State Engagement, Administrative	48,892	9

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9. Net Assets With Donor Restrictions (Concluded)

	<u>2022</u>	<u>2021</u>
Walton Family Foundation – Hunt-Kean Leadership Fellows, Cross-State Team Engagement, Other Programs, Administrative	\$ 59,135	\$ 841,267
WK Kellogg Foundation – Hunt-Kean Leadership Fellows, State Engagement, Cross-State Team Engagement, Other Programs, Administrative	400,000	525,966
Z. Smith Reynolds - Other Programs	<u>60,000</u>	<u> </u>
	<u>\$ 6,700,141</u>	<u>\$ 8,254,299</u>

10. 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:

	<u>2022</u>	<u>2021</u>
Hunt-Kean Leadership Fellows	\$ 1,444,981	\$ 629,460
State Engagement	1,330,018	1,407,330
Cross-State Engagement	3,699,824	901,157
Other Programs	2,128,702	1,132,458
Support Services	335,860	517,930
	<u>\$ 8,939,385</u>	<u>\$ 4,588,335</u>

11. Related Party Transactions

The Institute received gifts totaling \$31,800 and \$9,400 from members of the board of directors during the years ended June 30, 2022 and 2021, respectively.

The Institute expended \$0 and \$27,000 in consulting services to an entity affiliated with a member of the board of directors for the years ended June 30, 2022 and 2021, respectively.

12. 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, 2022 are as follows:

	<u>Percentage of Grants Receivable</u>	<u>Percentage of Grants Revenue</u>
Grantor A	25%	17%
Grantor B	17%	6%
Grantor C	12%	7%
Grantor D	0%	16%

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12. Concentrations (Continued)

Grant revenues and receivables from major grantors as of June 30, 2021 are as follows:

	Percentage of Grants Receivable	Percentage of Grants Revenue
Grantor A	52%	38%
Grantor B	24%	16%
Grantor C	16%	9%
Grantor D	0%	13%

13. Lease Commitments

The Institute leases office space under an operating lease. Rent expense for the years ended June 30, 2022 and 2021 was \$216,588.

Future minimum payments are as follows:

Year Ending June 30	
2023	\$ 216,588
2024	216,588
2025	216,588
2026	216,588
2027	198,540
	\$ 1,064,892

14. 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.

On December 4, 2020, the Institute paid the loan plus accrued interest in full.

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15. 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.

16. Subsequent Events

Management has evaluated subsequent events through October 25, 2022, the date the financial statements were available to be issued.