



Financial Statements

for

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

Years Ended June 30, 2023 and 2022  
with Independent Auditor's Report

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## Independent Auditor's Report

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

### Opinion

We have audited the financial statements of James B. Hunt, Jr. Institute for Educational Leadership and Policy Foundation, Inc. (the Institute), which comprise the statements of financial position as of June 30, 2023 and 2022, the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Institute as of June 30, 2023 and 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.

### Basis for Opinion

We conducted our audits 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 the Institute and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 the Institute's ability to continue as a going concern within one year after the date that the financial statements are issued or 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 GAAS 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 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.

**Auditor's Responsibilities for the Audit of the Financial Statements, continued**

In performing an audit in accordance with GAAS, 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 the Institute'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 the Institute'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  
January 17, 2024

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

Statements of Financial Position

June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<b>Assets</b>		
Current assets:		
Cash	\$ 1,742,908	\$ 225,793
Investments	8,880,402	8,207,028
Grants receivable, current portion	4,542,429	2,432,481
Other receivables	104,645	73,459
Prepaid expenses	<u>123,188</u>	<u>34,089</u>
Total current assets	<b>15,393,572</b>	10,972,850
Property and equipment:		
Furniture and equipment	178,011	164,741
Leasehold improvements	25,323	17,050
Website	<u>42,452</u>	<u>42,452</u>
	<b>245,786</b>	224,243
Less accumulated depreciation	<u>133,410</u>	<u>91,771</u>
Property and equipment, net	<b>112,376</b>	132,472
Other long-term assets:		
Security deposit	70,536	16,797
Right of use assets (leases), net	1,715,956	-
Grants receivable, noncurrent and net of discount	<u>1,440,069</u>	<u>247,508</u>
Total other long-term assets	<b>3,226,561</b>	264,305
Total assets	<b>\$ <u>18,732,509</u></b>	<b>\$ <u>11,369,627</u></b>

See accompanying notes.

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

Statements of Financial Position, continued

June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable	\$ 162,495	\$ 504,198
Accrued expenses	137,584	39,619
Accrued payroll	148,743	128,972
Deferred rent	-	58,278
Current portion of lease obligations - operating	<u>401,755</u>	<u>-</u>
Total current liabilities	<b>850,577</b>	731,067
Noncurrent liabilities:		
Noncurrent portion of lease obligations - operating	<u>1,422,153</u>	<u>-</u>
Total liabilities	<b>2,272,730</b>	731,067
Net assets:		
Without donor restrictions	2,265,739	3,938,419
With donor restrictions	<u>14,194,040</u>	<u>6,700,141</u>
Total net assets	<u>16,459,779</u>	<u>10,638,560</u>
Total liabilities and net assets	<b>\$ <u>18,732,509</u></b>	<b>\$ <u>11,369,627</u></b>

See accompanying notes.

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

Statement of Activities

Year ended June 30, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues, gains, and other support:			
Grants	\$ 241,977	\$ 16,914,605	\$ 17,156,582
Corporate contributions	162,936	-	162,936
Investment income	367,984	-	367,984
Service revenue	1,000,519	-	1,000,519
Individual contributions	22,502	-	22,502
Miscellaneous	21,193	-	21,193
Net assets released from restriction	<u>9,420,706</u>	<u>(9,420,706)</u>	<u>-</u>
Total revenues, gains, and other support	<b>11,237,817</b>	<b>7,493,899</b>	<b>18,731,716</b>
Expenses:			
Program services	<u>8,514,755</u>	<u>-</u>	<u>8,514,755</u>
Supporting services:			
Management and general	4,179,511	-	4,179,511
Fundraising	<u>216,231</u>	<u>-</u>	<u>216,231</u>
Total supporting services	<u>4,395,742</u>	<u>-</u>	<u>4,395,742</u>
Total expenses	<u>12,910,497</u>	<u>-</u>	<u>12,910,497</u>
Change in net assets	(1,672,680)	7,493,899	5,821,219
Net assets, beginning of year	<u>3,938,419</u>	<u>6,700,141</u>	<u>10,638,560</u>
Net assets, end of year	<u>\$ 2,265,739</u>	<u>\$ 14,194,040</u>	<u>\$ 16,459,779</u>

See accompanying notes.

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

Statement of Activities

Year ended June 30, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues, gains, and other support:			
Grants	\$ 229,192	\$ 7,384,861	\$ 7,614,053
Corporate contributions	290,750	-	290,750
Investment loss	(1,005,229)	-	(1,005,229)
Service revenue	765,615	-	765,615
Individual contributions	32,250	-	32,250
Miscellaneous	18,232	-	18,232
Net assets released from restriction	<u>8,939,385</u>	<u>(8,939,385)</u>	<u>-</u>
Total revenues, gains, and other support	9,270,195	(1,554,524)	7,715,671
Expenses:			
Program services	8,603,525	-	8,603,525
Supporting services:			
Management and general	1,447,834	-	1,447,834
Fundraising	<u>209,245</u>	<u>-</u>	<u>209,245</u>
Total supporting services	<u>1,657,079</u>	<u>-</u>	<u>1,657,079</u>
Total expenses	<u>10,260,604</u>	<u>-</u>	<u>10,260,604</u>
Change in net assets	(990,409)	(1,554,524)	(2,544,933)
Net assets, beginning of year	<u>4,928,828</u>	<u>8,254,665</u>	<u>13,183,493</u>
Net assets, end of year	<u>\$ 3,938,419</u>	<u>\$ 6,700,141</u>	<u>\$ 10,638,560</u>

See accompanying notes.



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

Statement of Functional Expenses

Year ended June 30, 2023

	Supporting Services			Total Expenses
	Program Services	Management and General	Fundraising	
Personnel costs	\$ 3,318,445	\$ 2,879,813	\$ 208,447	\$ 3,088,260
Convening	2,272,636	114,109	2,157	116,266
Travel	869,648	150,845	5,627	156,472
Consultants	668,370	246,163	-	246,163
Materials and supplies	708,960	122,661	-	122,661
Equipment	267,373	67,215	-	67,215
Subgrants	320,808	-	-	-
Occupancy	-	280,874	-	280,874
Professional fees	-	75,417	-	75,417
Communications and information technology	116	137,367	-	137,367
Other expenses	78,857	-	-	-
Miscellaneous	7,478	39,880	-	39,880
Depreciation	-	41,639	-	41,639
Copying and printing	2,064	12,439	-	12,439
Insurance	-	11,089	-	11,089
	<u>\$ 8,514,755</u>	<u>\$ 4,179,511</u>	<u>\$ 216,231</u>	<u>\$ 4,395,742</u>
Total expenses	<u>\$ 8,514,755</u>	<u>\$ 4,179,511</u>	<u>\$ 216,231</u>	<u>\$ 4,395,742</u>

See accompanying notes.

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

Statement of Functional Expenses

Year ended June 30, 2022

	<u>Supporting Services</u>			<u>Total</u>	<u>Expenses</u>
	<u>Program</u> <u>Services</u>	<u>Management</u> <u>and General</u>	<u>Fundraising</u>		
Personnel costs	\$ 3,773,767	\$ 1,024,197	\$ 141,801	\$ 1,165,998	\$ 4,939,765
Convening	1,595,395	9,295	24,446	33,741	1,629,136
Travel	830,258	12,334	11,374	23,708	853,966
Consultants	698,964	154,042	-	154,042	853,006
Materials and supplies	362,515	33,896	4,620	38,516	401,031
Equipment	212,085	43,264	12,979	56,243	268,328
Subgrants	797,909	-	-	-	797,909
Occupancy	192,765	21,304	6,391	27,695	220,460
Professional fees	-	56,258	-	56,258	56,258
Communications and information technology	113,403	19,995	2,748	22,743	136,146
Depreciation	-	42,051	-	42,051	42,051
Miscellaneous	26,456	13,355	4,886	18,241	44,697
Copying and printing	8	5,428	-	5,428	5,436
Insurance	-	12,415	-	12,415	12,415
<b>Total expenses</b>	<b><u>\$ 8,603,525</u></b>	<b><u>\$ 1,447,834</u></b>	<b><u>\$ 209,245</u></b>	<b><u>\$ 1,657,079</u></b>	<b><u>\$10,260,604</u></b>

See accompanying notes.

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

Statements of Cash Flows

Years ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 5,821,219	\$ (2,544,933)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	41,639	42,051
Lease expense - operating leases	(216,330)	(149,777)
Realized loss on investments	215,445	-
Unrealized (gain) loss on investments	(1,269,354)	1,155,006
Increase (decrease) in cash due to changes in:		
Grants and other receivables	(3,333,695)	(299,377)
Prepaid expenses	(89,099)	49,478
Accounts payable and accrued expenses	(223,967)	443,206
Deferred rent	(58,278)	7,418
Security deposit	(53,739)	-
Operating lease obligations	(185,339)	-
Net cash provided by (used in) operating activities	<u>648,502</u>	<u>(1,296,928)</u>
<b>Cash flows from investing activities:</b>		
Purchase of equipment	(21,543)	-
Purchase of investments	(2,793,137)	(2,990,760)
Sale of investments	<u>3,683,293</u>	<u>2,208,517</u>
Net cash provided by (used in) investing activities	<u>868,613</u>	<u>(782,243)</u>
Net increase (decrease) in cash	<u>1,517,115</u>	<u>(2,079,171)</u>
Cash, beginning of year	<u>225,793</u>	<u>2,304,964</u>
Cash, end of year	<u>\$ 1,742,908</u>	<u>\$ 225,793</u>

See accompanying notes.

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

### Notes to the Financial Statements

#### 1. Description of the Organization

##### 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.

##### 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 the Financial Statements, continued

**1. Description of the 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.

The Institute's 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.

**2. Summary of Significant Accounting Policies**

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) which require management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates. The following is a summary of the significant accounting policies consistently followed by the Institute in the preparation of its financial statements:

Adoption of Recently Issued Accounting Standards

Effective July 1, 2022, the Institute adopted Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)* and associated amendments. This standard requires all leases to be recognized on the Institute's statement of financial position as a right-of-use (ROU) asset and a lease liability, unless the lease is a short-term lease (generally a lease with a term of twelve months or less). The Institute recognizes: 1) a lease liability for the Institute's obligation to make payments under the lease agreement, measured on a discounted basis; and 2) a right-of-use asset that represents the Institute's right to use, or control the use of, the specified asset for the lease term.

The Institute recognized and measured its leases at July 1, 2022 in accordance with Accounting Standards Codification (ASC) Topic 842 using the optional transition method to the modified retrospective approach, which eliminates the requirement to restate the prior-period financial statements. Amounts as of and for the year ended June 30, 2022 are accounted for in accordance with previous guidance (ASC Topic 840).

## 2. Summary of Significant Accounting Policies, continued

### Adoption of Recently Issued Accounting Standards, continued

The Institute elected the “package of practical expedients” under the transition guidance within ASC Topic 842, in which the Institute does not reassess (1) the historical lease classification, (2) whether any existing contracts at transition are or contain leases, or (3) the initial direct costs for any existing leases. The Institute has not elected to adopt the “hindsight” practical expedient, and therefore measured the ROU assets and lease liabilities using the remaining portion of the lease term upon adoption of ASC 842.

The adoption of the new lease standard did not materially impact change in net assets or cash flows and did not result in a cumulative-effect adjustment to the opening balance of net assets.

### Leases

Lease assets represent the Institute’s right to use an underlying asset for the lease term and lease liabilities represent the Institute’s obligation to make lease payments arising from the lease, measured on a discounted basis. The Institute determines if an arrangement is, or contains, a lease at inception of the agreement, which is the date on which the terms of the contract are agreed to, and the agreement creates enforceable rights and obligations. A contract is or contains a lease when (i) explicitly or implicitly identified assets have been deployed in the contract and (ii) the Institute obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purpose the asset is used during the term of the contract. The Institute also considers whether its service arrangements include the right to control the use of an asset.

The Institute has made an accounting policy election not to recognize ROU assets and lease liabilities for leases with a term of 12 months or less. Lease expense for such leases is recognized on a straight-line basis over the lease term. For all other leases, they are classified as either finance or operating leases.

Operating leases are included in operating lease ROU assets and operating lease liabilities (current and non-current) in the statement of financial position. Operating lease expense is recognized on a straight-line basis over the lease term.

Operating lease ROU assets and liabilities are recognized at the lease commencement date based on the present value of future lease payments over the lease term. The ROU assets also include any initial direct costs incurred and lease payments made at or before the commencement date of the lease, and are reduced by any lease incentives.

As most of the Institute’s leases do not provide an implicit rate, the Institute has made an accounting policy election to utilize a risk-free borrowing rate, which is aligned with the lease term at the lease commencement date.

Lease terms may include options to extend or terminate the lease. Where management concludes that it is reasonably certain that a renewal or termination option will be exercised, that renewal period or termination option is used to determine the lease term and the related payments that are reflected in the ROU asset and lease liability.

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

Notes to the Financial Statements, continued

**2. Summary of Significant Accounting Policies, continued**

Leases, continued

Some of the Institute's leases include variable lease payments. Variable lease payments are only included in measuring ROU assets and lease liabilities if they depend on an index or a rate, or are in substance fixed payments. Variable payments that are not included in measuring the ROU assets are expensed when incurred. Subsequent changes of an index and other periodic market-rate adjustments to base rent are recorded in variable lease expense in the period incurred. Residual value guarantees or payments for terminating the lease are included in the lease payments only when it is probable they will be incurred.

Lease agreements with lease and non-lease components are generally accounted for separately based upon the standalone price of the separate lease and non-lease components at the commencement date of the lease. The Institute has made an accounting policy election to account for lease and non-lease components in its contracts as a single lease component for the Institute's real estate leases. The non-lease components generally relate to the separate payments made to the lessor based on the lessor's property and casualty insurance costs and the property taxes assessed on the property, as well as a portion of the common area maintenance costs associated with the property. The non-lease components are variable in nature and are recorded in variable lease expense in the period incurred.

Cash and Cash Equivalents

The Institute considers all unrestricted, highly-liquid investments with an initial maturity of three months or less to be 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, 2023 and 2022. 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.

At June 30, 2023 and 2022, the Institute had uninsured amounts of \$1,689,141 and \$88,607, respectively.

Other Receivables

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

Investments

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

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

Notes to the Financial Statements, continued

**2. Summary of Significant Accounting Policies, continued**

Property and equipment

The Institute has a capitalization threshold of \$5,000. Property and equipment are stated at cost if purchased and fair market value if donated and are depreciated on the straight-line basis over their useful lives.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. 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 subject to donor- (or certain grantor-) imposed restrictions. The Institute reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from 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 may 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.

Revenue and Revenue Recognition

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.



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

Notes to the Financial Statements, continued

**2. Summary of Significant Accounting Policies, continued**

Revenue and Revenue Recognition, continued

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, 2023 and 2022.

The Institute recognizes revenue for contracts with customers in an amount that reflects the consideration that the Institute 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.

The following is a summary of the principal forms of the Institute's services recognized in accordance with the revenue accounting standards and how revenue is recognized for each.

*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*

Service revenue recognized for services transferred at a point in time were \$1,000,519 and \$765,615 for the years ended June 30, 2023 and 2022, respectively.

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 the food needs and crises in the local area and the capacity of other organizations to service them. These factors have been assessed and management feels they have limited impact on the performance of the Institute.

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

Notes to the Financial Statements, continued

**2. Summary of Significant Accounting Policies, continued**

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.

Income Taxes

The Institute is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (IRC). If there was unrelated business income, it is subject to tax under IRC Section 512. There was no such taxable income for the years ended June 30, 2023 and 2022, and thus no provision for income tax has been recorded.

Accordingly, the accompanying financial statements do not include a provision for income taxes. For the years ended June 30, 2023 and 2022, there were no uncertain tax positions.

Accounting Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of changes in net assets during the reporting period. Accordingly, actual results could differ from those estimates.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Directly identifiable expenses are charged to the applicable program or supporting services. Certain expenses are not directly identifiable with any other specific function, but provide for the overall support and direction of the Institute, and require allocation between functions on a reasonable basis that is consistently applied. Expenses allocated are based on time and effort or square footage depending on the type of expense.

Subsequent Events

Management has evaluated subsequent events for accounting and disclosure requirements through January 17, 2024, the date the financial statements were available to be issued.

Reclassification

Certain amounts in the 2022 financial statements have been reclassified to conform to the 2023 presentation with no impact on total assets, liabilities, net assets or change in net assets.

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

Notes to the Financial Statements, continued

**3. Liquidity and Availability**

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

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following as of June 30, 2023:

Cash	\$ 1,742,908
Investments	8,880,402
Grants Receivable	4,542,429
Other Receivables	<u>104,645</u>
Financial assets at June 30, 2023	<b>15,270,384</b>
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>14,194,040</u>
Financial assets available to meet cash needs for general expenditures within one year	<b><u>\$ 1,076,344</u></b>

**4. Investments**

Investments consist of the following at of June 30:

	<u>Fair Market Value</u>	<u>Cost</u>	<u>Unrealized Gain</u>
<b><u>2023</u></b>			
Bond Funds	\$ 6,801,641	\$ 7,371,767	\$ (570,126)
Equity Funds	459,159	423,816	35,343
Exchange-Traded Funds	954,156	905,824	48,332
Mutual Funds	<u>665,446</u>	<u>634,137</u>	<u>31,309</u>
	<b><u>\$ 8,880,402</u></b>	<b><u>\$ 9,335,544</u></b>	<b><u>\$ (455,142)</u></b>
<b><u>2022</u></b>			
Bond Funds	\$ 6,157,818	\$ 5,592,205	\$ 565,613
Equity Funds	306,469	255,829	50,640
Exchange-Traded Funds	911,925	797,630	114,295
Mutual Funds	<u>830,816</u>	<u>722,380</u>	<u>108,436</u>
	<b><u>\$ 8,207,028</u></b>	<b><u>\$ 7,368,044</u></b>	<b><u>\$ 838,984</u></b>

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

Notes to the Financial Statements, continued

**5. Fair Value Measurements**

The Institute has determined the fair value of certain assets as follows:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<u>June 30, 2023</u>				
Bond Funds	\$ 6,801,641	\$ 6,801,641	\$ -	\$ -
Equity Funds	459,159	459,159	-	-
Exchange-Traded Funds	954,156	954,156	-	-
Mutual Funds	<u>665,446</u>	<u>665,446</u>	-	-
	<u>\$ 8,880,402</u>	<u>\$ 8,880,402</u>	<u>\$ -</u>	<u>\$ -</u>
	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<u>June 30, 2022</u>				
Bond Funds	\$ 6,157,818	\$ 6,157,818	\$ -	\$ -
Equity Funds	306,469	306,469	-	-
Exchange-Traded Funds	911,925	911,925	-	-
Mutual Funds	<u>830,816</u>	<u>830,816</u>	-	-
	<u>\$ 8,207,028</u>	<u>\$ 8,207,028</u>	<u>\$ -</u>	<u>\$ -</u>

Financial assets valued using Level 1 inputs are based on unadjusted quoted market prices within active markets. Financial assets valued using Level 2 inputs are based primarily on quoted prices for similar assets in active or inactive markets. Financial assets valued using Level 3 inputs are based primarily on assumptions that management believes market participants would utilize in pricing the asset. Valuation techniques utilized to determine fair value are consistently applied.

The following methods and assumptions were used by the Institute in estimating the fair value of its financial assets. There have been no changes in the methodologies used at June 30, 2023 and 2022.

*Bond funds:* Valued using a yield curve matrix derived from quoted prices for similar assets in active markets.

*Equity funds:* Valued at the closing price reported on the active market on which the individual securities are traded.

*Exchange-traded funds:* Valued at the daily closing price as reported by the fund. Exchange-traded funds held are open-end exchange-traded funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The exchange-traded funds held are deemed to be actively traded.

*Mutual funds:* Valued at the daily closing price as reported by the fund. Mutual funds held are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily NAV and to transact at that price. The mutual funds held are deemed to be actively traded.

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

Notes to the Financial Statements, continued

**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:

	<u>2023</u>	<u>2022</u>
Grants Receivable	\$ 6,042,429	\$ 2,707,481
Less Discount	<u>59,931</u>	<u>27,492</u>
Net Grants Receivable	<u>\$ 5,982,498</u>	<u>\$ 2,679,989</u>
Amounts Due in:		
Less than One Year	\$ 4,542,429	\$ 2,432,481
One to Five Years	<u>1,440,069</u>	<u>247,508</u>
	<u>\$ 5,982,498</u>	<u>\$ 2,679,989</u>

Grants receivable due in more than one year are reflected at present value of estimated future cash flows using a discount rate of 3.50% and 5.50% at June 30, 2023 and 2022, respectively. All grants are considered fully collectible and an allowance is not considered necessary.

**7. Leases**

The Institute has operating leases for its operating facilities and certain office equipment that have initial terms ranging from 5 to 10 years and expire through 2028. The Institute's operating leases generally do not contain any material restrictive covenants or residual value guarantees.

The components of lease expense for the year ended June 30, 2023, was as follows:

Operating lease cost	\$ 215,445
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Supplemental cash flow information related to leases for the year ended June 30, 2023, was as follows:

Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	\$ 215,445
Non-cash investing and financing activities:	
Additions to ROU Assets obtained from:	
Operating lease liabilities	\$ 2,009,247

The weighted average remaining operating lease term was 3.25 years as of June 30, 2023.

The weighted average discount rate for operating leases was 3.50% as of June 30, 2023.

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

Notes to the Financial Statements, continued

**7. Leases, continued**

Maturities of operating lease liabilities as of June 30, 2023 were as follows:

<u>Years ending June 30:</u>	
2024	\$ 401,755
2025	452,865
2026	468,694
2027	464,430
2028	<u>188,601</u>
Total Lease Payments	1,976,345
Less: Imputed Interest	<u>152,437</u>
	<u>\$ 1,823,908</u>

**8. Net Assets**

Net assets with donor restrictions as of June 30 are restricted for program services and/or time:

	<u>2023</u>	<u>2022</u>
Alliance for Early Success	\$ 97,919	\$ 50,000
Bainum Family Foundation	250,000	-
Ballmer Group	792,071	1,025,000
Belk Foundation	6,065	5,844
Bezos Family Foundation	3,083,018	-
Bill & Melinda Gates Foundation	-	78,244
Blue Cross Blue Shield of North Carolina	897,556	897,556
Blue Cross Blue Shield of North Carolina Foundation	300,000	450,000
Blue Meridian	1,148,609	-
Burroughs Wellcome Fund	-	60,000
Carnegie Corporation of New York	401,104	500,000
Chan Zuckerberg Initiative	1,641,930	871,641
Charles and Lynn Schusterman Family Foundation	2,774	200,000
Children's Defense Fund	298,429	-
Ciresi Walburn Foundation for Children	8,980	-
Commonwealth of Massachusetts	15,410	-

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

Notes to the Financial Statements, continued

**8. Net Assets, continued**

	<u>2023</u>	<u>2022</u>
David and Lucile Packard Foundation	147,170	354,824
ECMC Foundation - Administrative	4,106	20,895
George Kaiser Family Foundation	9,372	-
Helios Educational Foundation	29,481	-
JAB Foundation	18,005	-
John M. Belk Endowment	1,460,196	-
Lumina Foundation for Education	-	150,000
Montana	25,000	-
New Venture Fund	264,733	337,072
Oak Foundation	-	250,000
Overdeck Family Foundation	400,130	250,000
Pritzker Children's Initiative	151,271	450,586
Robert Wood Johnson Foundation	-	104,438
Saul Zaentz Charitable Foundation	922,620	-
Southern Education	15,000	-
Spencer Foundation	-	7,314
The Kresge Foundation	-	68,700
Thornburg Foundation	100,125	48,892
Valhalla Foundation	721,377	-
Walton Family Foundation	749,925	59,135
WK Kellogg Foundation	196,358	400,000
Z. Smith Reynolds	<u>35,306</u>	<u>60,000</u>
	<u>\$ 14,194,040</u>	<u>\$ 6,700,141</u>

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

Notes to the Financial Statements, continued

**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 as of June 30 are as follows:

	<u>2023</u>	<u>2022</u>
Program Services	\$ 8,319,289	\$ 8,603,525
Support Services	<u>1,101,417</u>	<u>335,860</u>
	<u>\$ 9,420,706</u>	<u>\$ 8,939,385</u>

**10. Related Party Transactions**

The Institute received gifts totaling \$2,350 and \$31,800 from members of the board of directors during the years ended June 30, 2023 and 2022, 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, are as follows:

	<u>2023</u>	<u>Percentage of Grants Receivable</u>	<u>Percentage of Grants Revenue</u>
Grantor A		50 %	28 %
Grantor B		25 %	17 %
Grantor C		-	12 %
Grantor D		-	12 %
Grantor E		-	10 %
	<u>2022</u>	<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		-	16 %



**12. 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.