

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

Financial Statements

June 30, 2021 and 2020

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

INDEPENDENT AUDITOR'S REPORT

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, 2021 and 2020, and 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 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, 2021 and 2020, 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. 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 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 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.

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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.

Koonce, Wooten & Hagwood, LLP

Durham, North Carolina
January 25, 2022

JAMES B. HUNT, JR. INSTITUTE FOR
EDUCATIONAL LEADERSHIP AND POLICY FOUNDATION, INC.
Statements of Financial Position
June 30, 2021 and 2020

ASSETS		
	2021	2020
CURRENT ASSETS:		
Cash and Cash Equivalents	\$ 2,304,964	\$ 2,040,963
Investments	8,430,014	6,111,199
Grants Receivable, Net of Allowance	2,399,056	2,307,253
Other Receivables	55,014	55,543
Prepaid Expenses	83,568	49,112
Total Current Assets	13,272,616	10,564,070
PROPERTY AND EQUIPMENT:		
Furniture and Equipment	164,741	161,114
Leasehold Improvements	17,050	17,050
Website	42,452	16,474
Total	224,243	194,638
Less Accumulated Depreciation	49,720	10,041
Net Property and Equipment	174,523	184,597
NON-CURRENT ASSETS:		
Security Deposit	16,797	16,797
Total Assets	\$ 13,463,936	\$ 10,765,464
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts Payable	\$ 101,651	\$ 39,740
Accrued Expenses	16,341	114,861
Accrued Payroll	111,591	92,119
Deferred Rent	50,860	37,350
Total Current Liabilities	280,443	284,070
NON-CURRENT LIABILITIES:		
PPP Loan		260,600
Total Liabilities	280,443	544,670
NET ASSETS:		
Without Donor Restrictions	4,928,828	3,106,611
With Donor Restrictions	8,254,665	7,114,183
Total Net Assets	13,183,493	10,220,794
Total Liabilities and Net Assets	\$ 13,463,936	\$ 10,765,464

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, 2021 and 2020

	2021		2020	
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions
REVENUES:				
Grants	\$ 1,006,112	\$ 5,700,186	\$ 50,000	\$ 5,237,695
Corporate Contributions	180,000		240,000	240,000
Investment Income	600,247		202,526	108,526
Service Revenue	72,411	28,631	55,406	83,130
Individual Contributions	10,150		36,050	36,050
Miscellaneous			5,717	5,717
Total Revenues	<u>1,868,920</u>	<u>5,728,817</u>	<u>589,699</u>	<u>5,429,351</u>
Net Assets Released from Restrictions	<u>4,588,335</u>	<u>(4,588,335)</u>	<u>3,640,725</u>	<u>(3,640,725)</u>
Total Revenues and Restriction Releases	<u>6,457,255</u>	<u>1,140,482</u>	<u>4,230,424</u>	<u>1,788,626</u>
EXPENSES:				
Program Services:				
Hunt-Kean Leadership Fellows	629,460		1,037,106	1,037,106
State Engagement	1,407,330		1,497,608	1,497,608
Cross-State Team Engagement	901,157		625,965	625,965
Other Programs	1,132,458		383,434	383,434
Total Program Services	<u>4,070,405</u>		<u>3,544,113</u>	<u>3,544,113</u>
Support Services:				
General and Administrative	446,318		358,019	358,019
Fundraising	118,315			
Total Support Services	<u>564,633</u>		<u>358,019</u>	<u>358,019</u>
Total Expenses	<u>4,635,038</u>		<u>3,902,132</u>	<u>3,902,132</u>
CHANGE IN NET ASSETS	1,822,217	1,140,482	328,292	1,788,626
NET ASSETS--Beginning of Year	3,106,611	7,114,183	2,778,319	5,325,557
NET ASSETS--End of Year	<u>\$ 4,928,828</u>	<u>\$ 8,254,665</u>	<u>\$ 3,106,611</u>	<u>\$ 7,114,183</u>
				<u>\$ 10,220,794</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.
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	Total				
Personnel Costs	\$ 394,944	\$ 946,875	\$ 342,976	\$ 229,503	\$ 1,914,298		\$ 255,343	\$ 2,169,641	
Consultants	198,564	171,137	34,292	2,284	406,277		16,597	422,874	
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	
Travel	93,418	57,233	91,047	322	242,020		26,822	268,842	
Convening	260,606	73,922	93,051	353	427,932			427,932	
Depreciation	1,600	4,416	1,661	1,348	9,025		1,016	10,041	
Professional Fees							17,655	17,655	
Subgrants		75,000		117,500	192,500			192,500	
Miscellaneous	2,985	7,952	6,437	21	17,395		2,466	19,861	
Copying and Printing	2,169	2,076	696	478	5,419		620	6,039	
Insurance							5,146	5,146	
Total Expenses	<u>\$ 1,037,106</u>	<u>\$ 1,497,608</u>	<u>\$ 625,965</u>	<u>\$ 383,434</u>	<u>\$ 3,544,113</u>		<u>\$ 358,019</u>	<u>\$ 3,902,132</u>	

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, 2021 and 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in Net Assets	\$ 2,962,699	\$ 2,116,918
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	39,678	10,041
Realized Gain on Investments	(204,406)	(198,567)
Unrealized Gain on Investments	(395,841)	(112,407)
Changes in:		
Grants and Other Receivables	(91,272)	378,468
Prepaid Expenses	(34,458)	(34,997)
Security Deposit		(16,797)
Accounts Payable and Accrued Expenses	(17,137)	(25,140)
Deferred Rent	13,510	37,350
Net Cash Provided by Operating Activities	<u>2,272,773</u>	<u>2,154,869</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Equipment	(29,605)	(194,638)
Purchase of Investments	(17,647,688)	(7,658,093)
Sale of Investments	15,929,121	6,502,582
Net Cash Used by Investing Activities	<u>(1,748,172)</u>	<u>(1,350,149)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
PPP Loan Proceeds (Repayments)	(260,600)	260,600
Net Cash Provided (Used) by Financing Activities	<u>(260,600)</u>	<u>260,600</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	264,001	1,065,320
CASH AND CASH EQUIVALENTS--Beginning of Year	<u>2,040,963</u>	<u>975,643</u>
CASH AND CASH EQUIVALENTS--End of Year	<u>\$ 2,304,964</u>	<u>\$ 2,040,963</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, 2021 and 2020

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.

State Engagement

The Hunt Institute is currently partnering with Illinois, Missouri, North Carolina, North Dakota, Ohio, 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. Illinois and Ohio were new partner states for The Institute in 2021. In 2021, this program category also included planning work towards launching state engagement in Alaska and Texas, as well as facilitation of state leadership transition committees in both New Mexico and South Carolina, and higher education advisory committees in New Jersey and Rhode Island.

JAMES B. HUNT, JR. INSTITUTE FOR
EDUCATIONAL LEADERSHIP AND POLICY FOUNDATION, INC.
Notes to Financial Statements
June 30, 2021 and 2020

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 *2020 and 2021 Early Childhood Leadership Summit*, or can be audience-targeted, such as the *2021 Early Childhood Racial Identity Formation Collaborative* geared toward convening state teams comprised of governors' advisors/policy directors, state chiefs, higher education representatives, legislators, and others to discuss topical issues addressing the education continuum.

In 2021, this program category also included launching a new program in Spring 2021, *The Path Forward for Teacher Preparation and Licensure in Early Literacy*.

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, partnering with John M. Belk Endowment to launch the John M. Belk Impact Fellow Program, 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, 2021 and 2020

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. 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, 2021 and 2020.

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, 2021 and 2020

2. Summary of Significant Accounting Policies (Concluded)

J. 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, 2021 and 2020, 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, 2021 and 2020. Furthermore, the Institute believes there is no material income tax effect on the financial statements for the stated period.

K. 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.

L. 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, 2021 and 2020. 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, 2021 and 2020 were \$600,247 and \$311,052, respectively.

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

	2021		
	Fair Market Value	Cost	Unrealized Gain
Mutual Funds	\$ 1,277,734	\$ 1,196,958	\$ 80,776
Exchange-Traded Funds	1,733,221	1,636,140	97,081
Bond Funds	5,419,059	4,043,251	1,375,808
	<u>\$ 8,430,014</u>	<u>\$ 6,876,349</u>	<u>\$ 1,553,665</u>

JAMES B. HUNT, JR. INSTITUTE FOR
EDUCATIONAL LEADERSHIP AND POLICY FOUNDATION, INC.
Notes to Financial Statements
June 30, 2021 and 2020

4. Investments (Continued)

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>

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

	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, 2021 and 2020

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:

	2021	2020
Grants Receivable	\$ 2,460,740	\$ 2,338,035
Less Discount	61,684	30,782
Net Grants Receivable	<u>\$ 2,399,056</u>	<u>\$ 2,307,253</u>
Amounts Due In:		
Less than One Year	\$ 1,214,056	\$ 1,245,535
One to Five Years	1,185,000	1,061,718
	<u>\$ 2,399,056</u>	<u>\$ 2,307,253</u>

Grants receivable due in more than one year are reflected at present value of estimated future cash flows using a discount rate of 3.25% at June 30, 2021 and 2020. All grants are considered fully collectible and an allowance is not considered necessary.

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.

The Institute's financial assets as of June 30, 2021 and 2020 expected to be available within one year to meet cash needs for general expenditures comprise the following:

	2021	2020
Cash and Cash Equivalents	\$ 2,304,964	\$ 2,040,963
Investments	8,430,014	6,111,199
Grants Receivable	2,399,056	2,307,253
Other Receivables	55,014	55,543
Financial assets, at year end	13,189,048	10,514,958
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>8,254,665</u>	<u>7,114,183</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 4,934,383</u>	<u>\$ 3,400,775</u>

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8. Net Assets With Donor Restrictions (Continued)

	<u>2021</u>	<u>2020</u>
[REDACTED]	\$ 17,215	\$
[REDACTED]	28,182	180,569
[REDACTED]	586	219,708
[REDACTED]	203,305	
[REDACTED]		5,000
[REDACTED]	1,518,534	89,486
[REDACTED]	64,417	64,417
[REDACTED]	150,091	66,640
[REDACTED]	9	10,000
[REDACTED]	841,267	317,755
[REDACTED]	<u>525,966</u>	
	<u>\$ 8,254,665</u>	<u>\$ 7,114,183</u>

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:

	<u>2021</u>	<u>2020</u>
Hunt-Kean Leadership Fellows	\$ 629,460	\$ 1,037,106
State Engagement	1,407,330	1,497,608
Cross-State Engagement	901,157	625,965
Other Programs	1,132,458	383,434
Support Services	517,930	96,612
	<u>\$ 4,588,335</u>	<u>\$ 3,640,725</u>

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10. Related Party Transactions

The Institute received gifts totaling \$9,400 and \$35,550 from members of the board of directors during the years ended June 30, 2021 and 2020, respectively.

The Institute expended \$27,000 and \$102,000 in consulting services to an entity affiliated with a member of the board of directors for the years ended June 30, 2021 and 2020, 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, 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%

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%

12. Lease Commitments

The Institute leases office space under an operating lease. Rent expense for the years ended June 30, 2021 and 2020 was \$216,587 and \$146,362, respectively.

Future minimum payments are as follows:

Year Ending June 30	
2022	\$ 216,588
2023	216,588
2024	216,588
2025	216,588
2026	216,588
Thereafter	198,540
	<u>\$ 1,281,480</u>

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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.

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

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.

15. Subsequent Events

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