



Financial Statements

for

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

Years Ended June 30, 2024 and 2023
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, 2024 and 2023, 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, 2024 and 2023, 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.

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 6, 2025

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

Statements of Financial Position

June 30, 2024 and 2023

Assets	<u>2024</u>	<u>2023</u>
Current assets:		
Cash	\$ 1,340,544	\$ 1,742,908
Investments	7,649,866	8,880,402
Grants receivable, current portion	3,638,258	4,542,429
Other receivables	98,484	104,645
Prepaid expenses	<u>115,279</u>	<u>123,188</u>
Total current assets	12,842,431	15,393,572
Property and equipment:		
Furniture and equipment	178,011	178,011
Leasehold improvements	25,323	25,323
Website	<u>42,452</u>	<u>42,452</u>
Total property and equipment	245,786	245,786
Less accumulated depreciation	<u>166,674</u>	<u>133,410</u>
Property and equipment, net	79,112	112,376
Other long-term assets:		
Security deposit	70,536	70,536
Right of use assets (leases), net	1,371,629	1,715,956
Grants receivable, noncurrent and net of discount	<u>1,720,015</u>	<u>1,440,069</u>
Total other long-term assets	<u>3,162,180</u>	<u>3,226,561</u>
Total assets	\$ <u>16,083,723</u>	\$ <u>18,732,509</u>

See accompanying notes.

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

Statements of Financial Position, continued

June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 195,891	\$ 162,495
Accrued expenses	118,560	137,584
Accrued payroll	148,740	148,743
Current portion of lease obligations - operating	<u>408,678</u>	<u>401,755</u>
Total current liabilities	871,869	850,577
Noncurrent liabilities:		
Noncurrent portion of lease obligations - operating	<u>1,076,724</u>	<u>1,422,153</u>
Total liabilities	1,948,593	2,272,730
Net assets:		
Without donor restrictions	5,605,872	2,265,739
With donor restrictions	<u>8,529,258</u>	<u>14,194,040</u>
Total net assets	<u>14,135,130</u>	<u>16,459,779</u>
Total liabilities and net assets	<u>\$ 16,083,723</u>	<u>\$ 18,732,509</u>

See accompanying notes.

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

Statement of Activities

Year ended June 30, 2024

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues, gains, and other support:			
Grants	\$ 416,831	\$ 7,488,057	\$ 7,904,888
Corporate contributions	370,000	-	370,000
Investment income	876,164	-	876,164
Service revenue	582,691	-	582,691
Individual contributions	29,686	-	29,686
Miscellaneous	45,113	-	45,113
Net assets released from restriction	<u>13,152,839</u>	<u>(13,152,839)</u>	<u>-</u>
Total revenues, gains, and other support	15,473,324	(5,664,782)	9,808,542
Expenses:			
Program services	<u>9,943,833</u>	<u>-</u>	<u>9,943,833</u>
Supporting services:			
Management and general	1,766,806	-	1,766,806
Fundraising	<u>422,552</u>	<u>-</u>	<u>422,552</u>
Total supporting services	<u>2,189,358</u>	<u>-</u>	<u>2,189,358</u>
Total expenses	<u>12,133,191</u>	<u>-</u>	<u>12,133,191</u>
Change in net assets	3,340,133	(5,664,782)	(2,324,649)
Net assets, beginning of year	<u>2,265,739</u>	<u>14,194,040</u>	<u>16,459,779</u>
Net assets, end of year	<u>\$ 5,605,872</u>	<u>\$ 8,529,258</u>	<u>\$ 14,135,130</u>

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
Service revenue	1,000,519	-	1,000,519
Investment income	367,984	-	367,984
Corporate contributions	162,936	-	162,936
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	11,237,817	7,493,899	18,731,716
Expenses:			
Program services	8,514,755	-	8,514,755
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 Functional Expenses

Year ended June 30, 2024

	Program Services	Supporting Services			Total Expenses
		Management and General	Fundraising	Total	
Personnel costs	\$ 4,596,605	\$ 1,032,020	\$ 334,806	\$ 1,366,826	\$ 5,963,431
Convening	2,555,144	40,083	2,500	42,583	2,597,727
Travel	836,460	31,152	-	31,152	867,612
Consultants	802,167	55,592	1,500	57,092	859,259
Occupancy	247,823	144,564	20,652	165,216	413,039
Materials and supplies	272,944	127,233	-	127,233	400,177
Equipment	178,371	36,248	-	36,248	214,619
Communications and information technology	123,589	82,394	-	82,394	205,983
Subgrants	199,008	-	-	-	199,008
Miscellaneous	94,921	66,792	6	66,798	161,719
Copying and printing	36,801	5,257	63,088	68,345	105,146
Professional fees	-	88,954	-	88,954	88,954
Depreciation	-	33,264	-	33,264	33,264
Other expenses	-	13,419	-	13,419	13,419
Insurance	-	9,834	-	9,834	9,834
Total expenses	<u>\$ 9,943,833</u>	<u>\$ 1,766,806</u>	<u>\$ 422,552</u>	<u>\$ 2,189,358</u>	<u>\$12,133,191</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

	Program Services	Supporting Services			Total Expenses
		Management and General	Fundraising	Total	
Personnel costs	\$ 3,318,445	\$ 2,879,813	\$ 208,447	\$ 3,088,260	\$ 6,406,705
Convening	2,272,636	114,109	2,157	116,266	2,388,902
Travel	869,648	150,845	5,627	156,472	1,026,120
Consultants	668,370	246,163	-	246,163	914,533
Occupancy	-	280,874	-	280,874	280,874
Materials and supplies	708,960	122,661	-	122,661	831,621
Equipment	267,373	67,215	-	67,215	334,588
Communications and information technology	116	137,367	-	137,367	137,483
Subgrants	320,808	-	-	-	320,808
Miscellaneous	7,478	39,880	-	39,880	47,358
Copying and printing	2,064	12,439	-	12,439	14,503
Professional fees	-	75,417	-	75,417	75,417
Depreciation	-	41,639	-	41,639	41,639
Other expenses	78,857	-	-	-	78,857
Insurance	-	11,089	-	11,089	11,089
Total expenses	<u>\$ 8,514,755</u>	<u>\$ 4,179,511</u>	<u>\$ 216,231</u>	<u>\$ 4,395,742</u>	<u>\$12,910,497</u>

See accompanying notes.

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

Statements of Cash Flows

Years ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Cash flows from operating activities:		
Change in net assets	\$ (2,324,649)	\$ 5,821,219
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	33,264	41,639
Lease expense - operating leases	344,327	(216,330)
Realized (gain) loss on investments	(30,022)	215,445
Unrealized gain on investments	(495,307)	(1,269,354)
Increase (decrease) in cash due to changes in:		
Grants and other receivables	630,386	(3,333,695)
Prepaid expenses	7,909	(89,099)
Accounts payable and accrued expenses	14,369	(223,967)
Deferred rent	-	(58,278)
Security deposit	-	(53,739)
Operating lease obligations	<u>(338,506)</u>	<u>(185,339)</u>
Net cash (used in) provided by operating activities	(2,158,229)	648,502
Cash flows from investing activities:		
Purchase of equipment	-	(21,543)
Purchase of investments	(1,865,507)	(2,793,137)
Sale of investments	<u>3,621,372</u>	<u>3,683,293</u>
Net cash provided by investing activities	<u>1,755,865</u>	<u>868,613</u>
Net (decrease) increase in cash	(402,364)	1,517,115
Cash, beginning of year	<u>1,742,908</u>	<u>225,793</u>
Cash, end of year	\$ <u>1,340,544</u>	\$ <u>1,742,908</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.

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:

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, 2024 and 2023. 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, 2024 the Institute had no uninsured amounts and at June 30, 2023, the Institute had uninsured amounts of \$1,689,141.

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.

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. The useful lives adopted for the purposes of computing depreciation of property and equipment are between 3 and 7 years.

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

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 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.

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.

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

Grants

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, 2024 and 2023.

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.

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.

Service revenue recognized for services transferred at a point in time were \$582,691 and \$1,000,519 for the years ended June 30, 2024 and 2023, respectively.

There were no accounts receivable for service revenue at July 1, 2022.

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

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, 2024 and 2023, and thus no provision for income tax has been recorded.

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 6, 2025, the date the financial statements were available to be issued.

3. Investments

Investments consist of the following as of June 30:

	<u>Fair Market Value</u>	<u>Cost</u>	<u>Unrealized Gain (Loss)</u>
<u>2024</u>			
Bonds	\$ 4,484,059	\$ 4,909,629	\$ (425,570)
Equities	745,717	595,202	150,515
Exchange-traded funds	970,044	845,533	124,511
Mutual funds	<u>1,450,046</u>	<u>1,253,752</u>	<u>196,294</u>
	<u>\$ 7,649,866</u>	<u>\$ 7,604,116</u>	<u>\$ 45,750</u>
<u>2023</u>			
Bonds	\$ 6,801,641	\$ 7,371,767	\$ (570,126)
Equities	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>
	<u>\$ 8,880,402</u>	<u>\$ 9,335,544</u>	<u>\$ (455,142)</u>

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

Notes to the Financial Statements, continued

4. 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, 2024</u>				
Bonds	\$ 4,484,059	\$ -	\$ 4,484,059	\$ -
Equities	745,717	745,717	-	-
Exchange-traded funds	970,044	970,044	-	-
Mutual funds	<u>1,450,046</u>	<u>1,450,046</u>	-	-
	<u>\$ 7,649,866</u>	<u>\$ 3,165,807</u>	<u>\$ 4,484,059</u>	<u>\$ -</u>
	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<u>June 30, 2023</u>				
Bonds	\$ 6,801,641	\$ -	\$ 6,801,641	\$ -
Equities	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>\$ 2,078,761</u>	<u>\$ 6,801,641</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, 2024 and 2023.

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

Equities: 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

5. 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>2024</u>	<u>2023</u>
Grants receivable	\$ 5,428,327	\$ 6,042,429
Less discount	<u>70,054</u>	<u>59,931</u>
Net grants receivable	<u>\$ 5,358,273</u>	<u>\$ 5,982,498</u>
Amounts due in:		
Less than one year	\$ 3,638,258	\$ 4,542,429
One to five years	<u>1,720,015</u>	<u>1,440,069</u>
	<u>\$ 5,358,273</u>	<u>\$ 5,982,498</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% at June 30, 2024 and 2023. All grants are considered fully collectible and an allowance is not considered necessary.

6. 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 leases contain a termination option, where the right to terminate is held by either the Institute, the lessor or both parties.

Lease expense was \$437,682 and \$215,445 for the years ended June 30, 2024 and 2023, respectively.

The weighted average remaining operating lease term was 3.07 and 3.25 years as of June 30, 2024 and 2023, respectively.

The weighted average discount rate for operating leases was 3.50% as of June 30, 2024 and 2023, respectively.

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

Notes to the Financial Statements, continued

6. Leases, continued

Maturities of operating lease liabilities as of June 30, 2024 were as follows:

<u>Years ending June 30:</u>	
2025	\$ 452,865
2026	468,694
2027	464,430
2028	<u>188,601</u>
Total lease payments	1,574,590
Less: imputed interest	<u>89,188</u>
	<u>\$ 1,485,402</u>

7. 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, 2024:

Cash	\$ 1,340,544
Investments	7,649,866
Grants receivable	3,638,258
Other receivables	<u>98,484</u>
Financial assets at June 30, 2024	12,727,152
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>8,529,258</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 4,197,894</u>

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

Notes to the Financial Statements, continued

8. Net Assets

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

	<u>2024</u>	<u>2023</u>
Donor A	\$ 100,000	\$ 97,919
Donor B	-	250,000
Donor C	-	792,071
Donor D	-	6,065
Donor E	1,053,794	3,083,018
Donor F	47,018	-
Donor G	829,389	897,556
Donor H	191,832	300,000
Donor I	195,863	1,148,609
Donor J	25,000	-
Donor K	242,532	401,104
Donor L	540,790	1,641,930
Donor M	148,809	2,774
Donor N	563,588	298,429
Donor O	-	8,980
Donor P	-	15,410
Donor Q	-	147,170
Donor R	183,083	4,106
Donor S	-	9,372
Donor T	-	29,481
Donor U	436,445	-
Donor V	-	18,005
Donor W	-	1,460,196
Donor X	73,467	-
Donor Y	-	25,000
Donor Z	-	264,733
Donor AA	-	400,130
Donor AB	188,093	151,271
Donor AC	2,467,724	922,620
Donor AD	448,005	-
Donor AE	-	15,000
Donor AF	103,809	-
Donor AG	-	100,125
Donor AH	222,273	721,377
Donor AI	318,324	749,925
Donor AJ	149,420	196,358
Donor AK	-	35,306
	<u>\$ 8,529,258</u>	<u>\$ 14,194,040</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>2024</u>	<u>2023</u>
Donor A	\$ 97,919	\$ 63,192
Donor B	250,000	-
Donor C	792,071	232,929
Donor D	75,000	363
Donor E	2,029,224	1,666,982
Donor F	152,982	-
Donor G	68,167	-
Donor H	108,168	150,000
Donor I	952,746	851,391
Donor J	-	60,000
Donor K	178,572	598,896
Donor L	1,239,810	929,711
Donor M	253,965	197,226
Donor N	569,841	1,571
Donor P	15,410	-
Donor Q	147,170	207,654
Donor R	221,023	16,789
Donor S	29,372	628
Donor T	29,481	20,519
Donor U	63,555	-
Donor V	18,005	21,995
Donor W	1,462,161	1,539,804
Donor X	276,409	150,000
Donor Z	264,733	72,339
Others	48,980	1,020
Donor AA	400,130	267,370
Donor AB	263,178	299,315
Donor AC	1,454,896	1,077,380
Donor AD	301,995	-
Donor AF	44,802	68,700
Donor AG	100,125	48,767
Donor AH	499,104	78,623
Donor AI	431,601	59,210
Donor AJ	196,938	203,642
Donor AK	95,306	24,694
Donor AL	-	50,000
Donor AM	-	78,244
Donor AN	20,000	-
Donor AO	-	250,000
Donor AP	-	104,438
Donor AQ	-	20,000
Donor AR	-	7,314
	<u>\$ 13,152,839</u>	<u>\$ 9,420,706</u>

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

Notes to the Financial Statements, continued

10. 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>2024</u>	<u>Percentage of Grants Receivable</u>	<u>Percentage of Grants Revenue</u>
Grantor A		37 %	38 %
Grantor B		28 %	-
Grantor C		10 %	11 %
	<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 %