

**James B. Hunt, Jr. Institute for
Educational Leadership and Policy
Foundation, Inc.**

Financial Statements
Years Ended June 30, 2008 and 2007



DIXON HUGHES PLLC

Certified Public Accountants and Advisors

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Report of Independent Auditors'

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

We have audited the accompanying statements of financial position of James B. Hunt, Jr. Institute for Educational Leadership and Policy Foundation, Inc. (the "Organization") as of June 30, 2008 and 2007, and the related statements of activities, changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

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, 2008 and 2007, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 4 to the financial statements, the financial statements as of June 30, 2007 have been restated.

Dixon Hughes PLLC

January 20, 2009

**JAMES B. HUNT, JR. INSTITUTE FOR EDUCATIONAL LEADERSHIP
AND POLICY FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2008 and 2007 (Restated)**

	<u>2008</u>	<u>2007 (Restated)</u>
ASSETS		
Cash and cash equivalents	\$ 2,137,820	\$ 1,388,805
Grants receivable	<u>1,438,739</u>	<u>915,000</u>
TOTAL ASSETS	<u>\$ 3,576,559</u>	<u>\$ 2,303,805</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 196,726	\$ 54,010
NET ASSETS		
Unrestricted	348,909	589,592
Temporarily restricted	<u>3,030,924</u>	<u>1,660,203</u>
TOTAL NET ASSETS	<u>3,379,833</u>	<u>2,249,795</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,576,559</u>	<u>\$ 2,303,805</u>

See accompanying notes.

**JAMES B. HUNT, JR. INSTITUTE FOR EDUCATIONAL LEADERSHIP
AND POLICY FOUNDATION, INC.
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2008**

	2008		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUES			
Corporate gifts	\$ 11,000	\$ -	\$ 11,000
Foundation grants	-	2,448,470	2,448,470
Interest and dividends	<u>52,529</u>	-	<u>52,529</u>
Total revenue	63,529	2,448,470	2,511,999
 Net assets released from restrictions	<u>1,077,749</u>	<u>(1,077,749)</u>	<u>-</u>
 TOTAL REVENUES AND RESTRICTION RELEASES	<u>1,141,278</u>	<u>1,370,721</u>	<u>2,511,999</u>
 EXPENSES			
Program activities			
Programmatic consultants	291,805	-	291,805
Payments to UNC	311,950	-	311,950
Convening	233,139	-	233,139
Materials for convening	94,301	-	94,301
Meetings	8,027	-	8,027
Membership	387	-	387
Research and subscription materials	54,778	-	54,778
Salaries	136,588	-	136,588
Taxes	78,663	-	78,663
Travel	72,447	-	72,447
Miscellaneous	<u>902</u>	-	<u>902</u>
Total program activities	<u>1,282,987</u>	-	<u>1,282,987</u>
 General and administrative			
Bank charge	638	-	638
Administrative consultants	58,955	-	58,955
Copying and printing	37	-	37
Equipment and furniture	12,396	-	12,396
Payroll processing	633	-	633
Postage and shipping	442	-	442
Office supplies	1,934	-	1,934
Phone	17,884	-	17,884
Materials	1,459	-	1,459
Miscellaneous	<u>4,596</u>	-	<u>4,596</u>
Total general and administrative	<u>98,974</u>	-	<u>98,974</u>
 TOTAL EXPENSES	<u>1,381,961</u>	-	<u>1,381,961</u>
 EXCESS REVENUES OVER (UNDER) EXPENSES	<u>\$ (240,683)</u>	<u>\$ 1,370,721</u>	<u>\$ 1,130,038</u>

See accompanying notes.

**JAMES B. HUNT, JR. INSTITUTE FOR EDUCATIONAL LEADERSHIP
AND POLICY FOUNDATION, INC.
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2007 (Restated)**

	2007 (Restated)		
	Unrestricted	Temporarily Restricted	Total
REVENUES			
Corporate gifts	\$ 135,813	\$ -	\$ 135,813
Foundation grants	-	400,010	400,010
Interest and dividends	80,421	-	80,421
Miscellaneous	<u>12,020</u>	<u>28</u>	<u>12,048</u>
Total revenue	228,254	400,038	628,292
Net assets released from restrictions	<u>990,576</u>	<u>(990,576)</u>	<u>-</u>
TOTAL REVENUES AND RESTRICTION RELEASES	<u>1,218,830</u>	<u>(590,538)</u>	<u>628,292</u>
EXPENSES			
Program activities			
Programmatic consultants	92,396	-	92,396
Payments to UNC	418,000	-	418,000
Convening	176,996	-	176,996
Materials for convening	53,931	-	53,931
Meetings	34,331	-	34,331
Membership	1,922	-	1,922
Research and subscription materials	18,153	-	18,153
Salaries	204,127	-	204,127
Taxes	13,728	-	13,728
Travel	140,634	-	140,634
Miscellaneous	<u>1,115</u>	<u>-</u>	<u>1,115</u>
Total program activities	<u>1,155,333</u>	<u>-</u>	<u>1,155,333</u>
General and administrative			
Bank charge	335	-	335
Administrative consultants	33,805	-	33,805
Copying and printing	69	-	69
Payroll processing	506	-	506
Postage and shipping	148	-	148
Office supplies	779	-	779
Phone	17,721	-	17,721
Miscellaneous	<u>11,477</u>	<u>-</u>	<u>11,477</u>
Total general and administrative	<u>64,840</u>	<u>-</u>	<u>64,840</u>
TOTAL EXPENSES	<u>1,220,173</u>	<u>-</u>	<u>1,220,173</u>
EXCESS REVENUES UNDER EXPENSES	<u>\$ (1,343)</u>	<u>\$ (590,538)</u>	<u>\$ (591,881)</u>

See accompanying notes.

**JAMES B. HUNT, JR. INSTITUTE FOR EDUCATIONAL LEADERSHIP
AND POLICY FOUNDATION, INC.
STATEMENT OF CHANGE IN NET ASSETS
For the Years Ended June 30, 2008 and 2007 (Restated)**

	2008		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
NET ASSETS – beginning of year	\$ 589,592	\$ 1,660,203	\$ 2,249,795
Excess revenues over (under) expenses	<u>(240,683)</u>	<u>1,370,721</u>	<u>1,130,038</u>
NET ASSETS – end of year	<u>\$ 348,909</u>	<u>\$ 3,030,924</u>	<u>\$ 3,379,833</u>
	2007 (Restated)		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
NET ASSETS – beginning of year, as previously reported	\$ 414,670	\$ 1,186,983	\$ 1,601,653
Effect of prior period adjustment	<u>176,265</u>	<u>1,063,758</u>	<u>1,240,023</u>
NET ASSETS – beginning of year, as restated	\$ 590,935	\$ 2,250,741	\$ 2,841,676
Excess revenues under expenses	<u>(1,343)</u>	<u>(590,538)</u>	<u>(591,881)</u>
NET ASSETS – end of year	<u>\$ 589,592</u>	<u>\$ 1,660,203</u>	<u>\$ 2,249,795</u>

See accompanying notes.

**JAMES B. HUNT, JR. INSTITUTE FOR EDUCATIONAL LEADERSHIP
AND POLICY FOUNDATION, INC.
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2008 and 2007 (Restated)**

	<u>2008</u>	<u>2007 (Restated)</u>
CASH FLOWS - OPERATING ACTIVITIES		
Excess revenues over (under) expenses	\$ 1,130,038	\$ (591,881)
Adjustments to reconcile excess revenues over expenses to net cash (used) provided by operating activities:		
Change in:		
Grants receivable	(523,739)	325,000
Accounts payable and accrued expenses	<u>142,716</u>	<u>11,917</u>
NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES	<u>749,015</u>	<u>(254,964)</u>
CASH AND CASH EQUIVALENTS – beginning of year	<u>1,388,805</u>	<u>1,643,769</u>
CASH AND CASH EQUIVALENTS – end of year	<u>\$ 2,137,820</u>	<u>\$ 1,388,805</u>

See accompanying notes.

**JAMES B. HUNT, JR. INSTITUTE FOR EDUCATIONAL LEADERSHIP
AND POLICY FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2008 and 2007 (Restated)**

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION

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 to provide financial services to the James B. Hunt Institute for Educational Leadership and Policy (the "Institute"). The Foundation works with states to develop a state-specific work plan to help states implement their own education reform platforms. The Foundation also holds seminars and symposia to exchange insights and provide information about transforming ideas into practice.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity - For reporting purposes, the financial statements of the Foundation include all funds which are under the control of the Board of Directors.

Basis of Accounting - The Foundation's financial statements are prepared on the accrual basis of accounting, whereby income 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.

Basis of Presentation - Financial statement presentation is in accordance with the Financial Accounting Standards Board's (FASB) Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. This Statement requires classification of an organization's net assets, revenues and expenses based on the existence or absence of donor-imposed restrictions (permanently restricted, temporarily restricted, or unrestricted).

Cash and Cash Equivalents - Cash equivalents consist of various short – term investments which have remaining maturities of three months or less.

Grant Revenue - Revenue from unrestricted grants are recognized upon the grantor's award of the grant to the Foundation. Grants that are received with donor restrictions are recorded as temporarily restricted.

Income Taxes - The Foundation is a not-for-profit 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 Foundation is not a private foundation within the meaning of Section 509(a) of the Internal Revenue Code. During the years ended June 30, 2008 and 2007, the Foundation did not have any income subject to taxation as unrelated business income.

**JAMES B. HUNT, JR. INSTITUTE FOR EDUCATIONAL LEADERSHIP
AND POLICY FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2008 and 2007 (Restated)**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Contributions - The Foundation accounts for contributions in accordance with FASB's SFAS No. 116, *Accounting for Contributions Received and Contributions Made*. In accordance with this standard, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted depending on the existence or nature of any donor restrictions.

All donor-restricted support is reported as an increase in temporarily net assets. When a restriction expires, such as a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give 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 would be computed using the nominal rate for the number of years in the promise. Amortization of the discounts would be included in contribution revenue. For 2008, all unconditional promises to give are due within one year.

Net Assets - The statements of financial position reflects net assets as defined by the accrual basis of accounting. Net assets may be unrestricted, temporarily restricted, or permanently restricted. The Foundation maintains the following types:

Unrestricted - Assets that are not classified as either permanently or temporarily restricted.

Temporarily restricted - Assets subject to donor-imposed restrictions which either expire upon the passage of time or once specific actions have occurred. These assets are then released and reclassified to unrestricted support.

Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 CASH AND CASH EQUIVALENTS

Cash and cash equivalents are principally held in a money market account at an international investment banking institution. Funds at this institution are insured by SIPC for deposits up to \$100,000 and mutual fund investments up to \$500,000. The Foundation had approximately \$56,000 of deposits at risk and approximately \$1,500,000 of mutual funds at risk on June 30, 2008.

**JAMES B. HUNT, JR. INSTITUTE FOR EDUCATIONAL LEADERSHIP
AND POLICY FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2008 and 2007 (Restated)**

NOTE 3 TRANSACTIONS WITH THE UNIVERSITY OF NORTH CAROLINA

In fiscal years 2008 and 2007, the University of North Carolina (UNC) received state appropriations earmarked to fund various programs. For the years ended June 30, 2008 and 2007, the Institute received approximately \$1,400,000 and \$1,500,000, respectively, to support operating costs for its programs. The Institute is required to submit an annual budget to UNC detailing the use of the funding. UNC maintains ownership of the funds, but releases the funds as directed by the Institute. The Institute must expend the entire amount received by June 30 as the unused balance is reallocated to other UNC programs. The Foundation is a supporting organization for the Institute. Institute funding from UNC lowered the required monthly payment from the Foundation to support Institute programs. As of June 30, UNC paid the following expenses on behalf of the Institute:

	<u>2008</u>	<u>2007</u>
Consultants and service providers	\$ 244,683	\$ 427,165
Salaries	581,299	484,230
Taxes and benefits	116,414	92,896
Administrative expenses	179,514	88,297
Program expenses	182,344	130,069
Travel	90,518	200,528
	<u>\$ 1,394,772</u>	<u>\$ 1,423,185</u>
Total expense	<u>\$ 1,394,772</u>	<u>\$ 1,423,185</u>

NOTE 4 RECLASSIFICATIONS AND RESTATEMENT OF FINANCIAL STATEMENTS

Certain items for 2007 have been reclassified to conform to the 2008 presentation. The accompanying statements of financial position and activities as of and for the year ended June 30, 2007, have also been restated to show revenue when a grant has been awarded in accordance with SFAS No. 116, *Accounting for Contributions Received and Contributions Made*. The following is a summary of changes to the previously reported amounts on the statements of financial position and activities.

	<u>Previously Reported</u>	<u>Restated</u>	<u>Difference</u>
Statement of Financial Position:			
Cash	\$ 1,388,782	\$ 1,388,805	\$ 23
Grants receivable	\$ -	\$ 915,000	\$ 915,000
Net assets – unrestricted	\$ 467,802	\$ 589,592	\$ (121,790)
Net assets – temporarily restricted	\$ 866,970	\$ 1,660,203	\$ (793,233)
Statement of Activities:			
Revenue - unrestricted			
Interest and dividends	\$ 81,841	\$ 80,421	\$ (1,420)
Miscellaneous	\$ 11,167	\$ 12,020	\$ 853
Revenue - temporarily restricted			
Foundation grants	\$ 725,010	\$ 400,010	\$ (325,000)
Miscellaneous	\$ -	\$ 28	\$ 28

**JAMES B. HUNT, JR. INSTITUTE FOR EDUCATIONAL LEADERSHIP
AND POLICY FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2008 and 2007 (Restated)**

**RECLASSIFICATIONS AND RESTATEMENT OF FINANCIAL STATEMENTS -
continued**

	<u>Previously Reported</u>	<u>Restated</u>	<u>Difference</u>
Statement of Activities (continued):			
Expenses - unrestricted			
Salaries	\$ 197,069	\$ 204,127	\$ (7,058)
Taxes	\$ 20,749	\$ 13,728	\$ 7,021
Travel	\$ 140,569	\$ 140,634	\$ (65)
Miscellaneous	\$ 1,720	\$ 1,115	\$ 605
Payroll processing	\$ 542	\$ 506	\$ 36
Excess of revenues under expenses	\$ (266,881)	\$ (591,881)	\$ 325,000