

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

Financial Statements

As of and for the Years Ended  
June 30, 2010 and 2009

(with Independent Auditors' Report thereon)



**DIXON HUGHES** PLLC

Certified Public Accountants and Advisors

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

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## Independent Auditors' Report

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 "Foundation") as of June 30, 2010 and 2009, and the related statements of operations, changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Foundation'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 Foundation'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 the Foundation as of June 30, 2010 and 2009, 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.

*Dixon Hughes PLLC*

November 18, 2010

**JAMES B. HUNT, JR. INSTITUTE FOR EDUCATIONAL LEADERSHIP  
AND POLICY FOUNDATION, INC.  
STATEMENTS OF FINANCIAL POSITION  
June 30, 2010 and 2009**

	<u>2010</u>	<u>2009</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 2,785,001	\$ 1,693,685
Grants receivable	<u>2,888,761</u>	<u>1,123,729</u>
TOTAL ASSETS	<u>\$ 5,673,762</u>	<u>\$ 2,817,414</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	<u>\$ 489,209</u>	<u>\$ 299,853</u>
<b>NET ASSETS</b>		
Unrestricted	1,068,570	684,961
Temporarily restricted	<u>4,115,983</u>	<u>1,832,600</u>
TOTAL NET ASSETS	<u>5,184,553</u>	<u>2,517,561</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 5,673,762</u>	<u>\$ 2,817,414</u>

**JAMES B. HUNT, JR. INSTITUTE FOR EDUCATIONAL LEADERSHIP  
AND POLICY FOUNDATION, INC.  
STATEMENTS OF OPERATIONS  
For the Year Ended June 30, 2010**

	<b>2010</b>		
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
<b>REVENUES</b>			
Foundation grants	\$ 300,000	\$ 4,860,770	\$ 5,160,770
Interest and dividends	7,499	-	7,499
Miscellaneous	341	-	341
<b>Total revenues</b>	<b>307,840</b>	<b>4,860,770</b>	<b>5,168,610</b>
<b>Net assets released from restrictions</b>	<b>2,577,387</b>	<b>(2,577,387)</b>	<b>-</b>
<b>TOTAL REVENUES AND RESTRICTION RELEASES</b>	<b>2,885,227</b>	<b>2,283,383</b>	<b>5,168,610</b>
<b>EXPENSES</b>			
<b>Program activities</b>			
Programmatic consultants	1,407,354	-	1,407,354
Payments to UNC	405,000	-	405,000
Salaries	210,453	-	210,453
Travel	188,022	-	188,022
Convening	109,140	-	109,140
Research and subscription materials	24,987	-	24,987
Meetings	23,132	-	23,132
Materials for convening	17,004	-	17,004
Taxes	11,281	-	11,281
Miscellaneous	1,350	-	1,350
Membership	743	-	743
<b>Total program activities</b>	<b>2,398,466</b>	<b>-</b>	<b>2,398,466</b>
<b>General and administrative</b>			
Administrative consultants	69,461	-	69,461
Phone	11,529	-	11,529
Office supplies	7,652	-	7,652
Miscellaneous	5,072	-	5,072
Postage and shipping	4,537	-	4,537
Equipment and furniture	1,255	-	1,255
Payroll processing	1,207	-	1,207
Copying and printing	1,065	-	1,065
Materials	1,074	-	1,074
Bank charge	300	-	300
<b>Total general and administrative</b>	<b>103,152</b>	<b>-</b>	<b>103,152</b>
<b>TOTAL EXPENSES</b>	<b>2,501,618</b>	<b>-</b>	<b>2,501,618</b>
<b>EXCESS REVENUES OVER EXPENSES</b>	<b>\$ 383,609</b>	<b>\$ 2,283,383</b>	<b>\$ 2,666,992</b>

See accompanying notes.

**JAMES B. HUNT, JR. INSTITUTE FOR EDUCATIONAL LEADERSHIP  
AND POLICY FOUNDATION, INC.  
STATEMENTS OF OPERATIONS  
For the Year Ended June 30, 2009**

	2009		
	Unrestricted	Temporarily Restricted	Total
<b>REVENUES</b>			
Foundation grants	\$ 300,000	\$ 50,000	\$ 350,000
Interest and dividends	36,501	-	36,501
Miscellaneous	140	-	140
<b>Total revenues</b>	<u>336,641</u>	<u>50,000</u>	<u>386,641</u>
<b>Net assets released from restrictions</b>	<u>1,248,324</u>	<u>(1,248,324)</u>	<u>-</u>
<b>TOTAL REVENUES AND RESTRICTION RELEASES</b>	<u>1,584,965</u>	<u>(1,198,324)</u>	<u>386,641</u>
<b>EXPENSES</b>			
<b>Program activities</b>			
Programmatic consultants	311,080	-	311,080
Salaries	246,271	-	246,271
Convening	212,343	-	212,343
Payments to UNC	136,050	-	136,050
Travel	120,856	-	120,856
Materials for convening	77,482	-	77,482
Research and subscription materials	47,410	-	47,410
Taxes	9,908	-	9,908
Membership	615	-	615
Meetings	199	-	199
Miscellaneous	43	-	43
<b>Total program activities</b>	<u>1,162,257</u>	<u>-</u>	<u>1,162,257</u>
<b>General and administrative</b>			
Administrative consultants	37,413	-	37,413
Miscellaneous	17,630	-	17,630
Phone	11,408	-	11,408
Postage and shipping	8,116	-	8,116
Office supplies	5,284	-	5,284
Materials	2,580	-	2,580
Copying and printing	1,915	-	1,915
Equipment and furniture	1,262	-	1,262
Payroll processing	658	-	658
Bank charge	390	-	390
<b>Total general and administrative</b>	<u>86,656</u>	<u>-</u>	<u>86,656</u>
<b>TOTAL EXPENSES</b>	<u>1,248,913</u>	<u>-</u>	<u>1,248,913</u>
<b>EXCESS REVENUES OVER (UNDER) EXPENSES</b>	<u>\$ 336,052</u>	<u>\$ (1,198,324)</u>	<u>\$ (862,272)</u>

See accompanying notes.

**JAMES B. HUNT, JR. INSTITUTE FOR EDUCATIONAL LEADERSHIP  
AND POLICY FOUNDATION, INC.  
STATEMENTS OF CHANGES IN NET ASSETS  
For the Years Ended June 30, 2010 and 2009**

	<b>2009</b>		
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
<b>NET ASSETS - beginning of year</b>	\$ 348,909	\$ 3,030,924	\$ 3,379,833
Excess revenues over (under) expenses	336,052	(1,198,324)	(862,272)
<b>NET ASSETS - end of year</b>	<u>\$ 684,961</u>	<u>\$ 1,832,600</u>	<u>\$ 2,517,561</u>
	<b>2010</b>		
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
<b>NET ASSETS - beginning of year</b>	\$ 684,961	\$ 1,832,600	\$ 2,517,561
Excess revenues over expenses	383,609	2,283,383	2,666,992
<b>NET ASSETS - end of year</b>	<u>\$ 1,068,570</u>	<u>\$ 4,115,983</u>	<u>\$ 5,184,553</u>

**JAMES B. HUNT, JR. INSTITUTE FOR EDUCATIONAL LEADERSHIP  
AND POLICY FOUNDATION, INC.  
STATEMENTS OF CASH FLOWS  
For the Years Ended June 30, 2010 and 2009**

	<u>2010</u>	<u>2009</u>
<b>CASH FLOWS - OPERATING ACTIVITIES</b>		
Excess revenues over (under) expenses	\$ 2,666,992	\$ (862,272)
Adjustments to reconcile excess revenues over (under) expenses to net cash provided (used) by operating activities:		
Change in:		
Grants receivable	(1,765,032)	315,010
Accounts payable and accrued expenses	189,356	103,127
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>1,091,316</u>	<u>(444,135)</u>
<b>CASH AND CASH EQUIVALENTS - beginning of year</b>	<u>1,693,685</u>	<u>2,137,820</u>
<b>CASH AND CASH EQUIVALENTS - end of year</b>	<u><u>\$ 2,785,001</u></u>	<u><u>\$ 1,693,685</u></u>

**JAMES B. HUNT, JR. INSTITUTE FOR EDUCATIONAL LEADERSHIP  
AND POLICY FOUNDATION, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
For the Years Ended June 30, 2010 and 2009**

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**NOTE 1 NATURE OF 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.

**NOTE 2 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 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.

**Basis of Presentation** – Accounting standards for financial statements of not-for-profit organizations require a statement of financial position, a statement of activities, and a statement of cash flows to be prepared. Also, the standards require 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** – For purposes of the statements of cash flow, the Foundation considers all highly liquid debt instruments with a maturity of three months or less when purchased to be cash equivalents.

**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. One grantor represents approximately 81% and 89% of the grants receivable and 81% and 86% of foundation grants revenue as of June 30, 2010 and 2009, respectively.

**Income Tax Status** - 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, 2010 and 2009, the Foundation did not have any income subject to taxation as unrelated business income.

In accordance with guidance on accounting for uncertainty of income taxes, the Foundation has determined that all tax positions taken are highly certain. All tax years since 2006 are open to examination under the statute of limitations. The Foundation has determined that no unrecognized tax liability exists.

**JAMES B. HUNT, JR. INSTITUTE FOR EDUCATIONAL LEADERSHIP  
AND POLICY FOUNDATION, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
For the Years Ended June 30, 2010 and 2009**

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**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

**Contributions** - In accordance with accounting principles generally accepted in the United States of America, 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 are computed using the risk-free rate for the number of years in the promise. Amortization of the discounts would be included in contribution revenue. For 2010, all unconditional promises to give are grants receivable and due within one year.

**Expenses** - The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Operations. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**Net Assets** - The statements of financial position reflect 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.

**Subsequent Events** – Management has evaluated subsequent events through November 18, 2010, the date the financial statements were available to be issued.

**JAMES B. HUNT, JR. INSTITUTE FOR EDUCATIONAL LEADERSHIP  
AND POLICY FOUNDATION, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
For the Years Ended June 30, 2010 and 2009**

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**NOTE 3 CASH AND CASH EQUIVALENTS**

Cash and cash equivalents are principally held in a money market account at an international investment banking institution or federal credit union. The Foundation also invests in certificates of deposit and U.S. Treasury Bills through the banking institution are considered cash equivalents. Certain deposits are insured, up to certain limits, by the Federal Deposit Insurance Corporation (“FDIC”) and by the Securities Investor Protector Corporation (“SIPC”). Financial instruments which potentially subject the Foundation to concentrations of credit risk consist of cash and cash equivalents. The Foundation’s cash accounts occasionally exceed federally insured limits. The Foundation has not experienced any losses in such accounts.

**NOTE 4 RELATED PARTY TRANSACTIONS WITH THE UNIVERSITY OF NORTH CAROLINA**

In fiscal years 2010 and 2009, the University of North Carolina (“UNC”) received state appropriations earmarked to fund various programs. For the years ended June 30, 2010 and 2009, the Institute received approximately \$1,181,000 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, which are not included in the Statements of Operations:

	<u>2010</u>	<u>2009</u>
Salaries	\$ 730,348	\$ 917,891
Taxes and benefits	164,472	168,217
Administrative expenses	155,645	161,311
Program expenses	67,400	51,833
Consultants and service providers	20,300	80,928
Travel	<u>18,004</u>	<u>34,800</u>
Total expense	<u>\$ 1,156,169</u>	<u>\$ 1,414,980</u>

**JAMES B. HUNT, JR. INSTITUTE FOR EDUCATIONAL LEADERSHIP  
AND POLICY FOUNDATION, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
For the Years Ended June 30, 2010 and 2009**

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**NOTE 5 TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets are available for the purposes stated in the grant agreement from the following grantors as of June 30:

	<u>2010</u>	<u>2009</u>
Bill & Melinda Gates Foundation – Common Core Standards Adoption and Implementation	\$ 3,424,039	\$ -
Atlantic Philanthropies	300,005	467,000
Bill & Melinda Gates Foundation - College Completion	291,939	-
Stupski Foundation	100,000	-
Bill & Melinda Gates Foundation – Educational Standards	<u>-</u>	<u>1,365,600</u>
Total	<u>\$ 4,115,983</u>	<u>\$ 1,832,600</u>