

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

Financial Statements
Years Ended June 30, 2009 and 2008

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DIXON HUGHES PLLC

Certified Public Accountants and Advisors

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, 2009 and 2008, 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 James B. Hunt, Jr. Institute for Educational Leadership and Policy Foundation, Inc. as of June 30, 2009 and 2008, 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 11, 2009

**JAMES B. HUNT, JR. INSTITUTE FOR EDUCATIONAL LEADERSHIP
AND POLICY FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2009 and 2008**

	<u>2009</u>	<u>2008</u>
ASSETS		
Cash and cash equivalents	\$ 1,693,685	\$ 2,137,820
Grants receivable	<u>1,123,729</u>	<u>1,438,739</u>
TOTAL ASSETS	<u>\$ 2,817,414</u>	<u>\$ 3,576,559</u>
 LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	<u>\$ 299,853</u>	<u>\$ 196,726</u>
NET ASSETS		
Unrestricted	684,961	348,909
Temporarily restricted	<u>1,832,600</u>	<u>3,030,924</u>
TOTAL NET ASSETS	<u>2,517,561</u>	<u>3,379,833</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,817,414</u>	<u>\$ 3,576,559</u>

See accompanying notes.

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

	2009		
	Unrestricted	Temporarily Restricted	Total
REVENUES			
Foundation grants	\$ 300,000	\$ 50,000	\$ 350,000
Interest and dividends	36,501	-	36,501
Miscellaneous	140	-	140
Total revenues	<u>336,641</u>	<u>50,000</u>	<u>386,641</u>
Net assets released from restrictions	<u>1,248,324</u>	<u>(1,248,324)</u>	<u>-</u>
TOTAL REVENUES AND RESTRICTION RELEASES	<u>1,584,965</u>	<u>(1,198,324)</u>	<u>386,641</u>
EXPENSES			
Program activities			
Programmatic consultants	311,080	-	311,080
Payments to UNC (Note 3)	136,050	-	136,050
Convening	212,343	-	212,343
Materials for convening	77,482	-	77,482
Meetings	199	-	199
Membership	615	-	615
Research and subscription materials	47,410	-	47,410
Salaries	246,271	-	246,271
Taxes	9,908	-	9,908
Travel	120,856	-	120,856
Miscellaneous	43	-	43
Total program activities	<u>1,162,257</u>	<u>-</u>	<u>1,162,257</u>
General and administrative			
Bank charge	390	-	390
Administrative consultants	37,413	-	37,413
Copying and printing	1,915	-	1,915
Equipment and furniture	1,262	-	1,262
Payroll processing	658	-	658
Postage and shipping	8,116	-	8,116
Office supplies	5,284	-	5,284
Phone	11,408	-	11,408
Materials	2,580	-	2,580
Miscellaneous	17,630	-	17,630
Total general and administrative	<u>86,656</u>	<u>-</u>	<u>86,656</u>
TOTAL EXPENSES	<u>1,248,913</u>	<u>-</u>	<u>1,248,913</u>
EXCESS REVENUES OVER (UNDER) EXPENSES	<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.
STATEMENT OF OPERATIONS
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>-</u>	<u>52,529</u>
Total revenues	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 (Note 3)	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>-</u>	<u>902</u>
Total program activities	<u>1,282,987</u>	<u>-</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>-</u>	<u>4,596</u>
Total general and administrative	<u>98,974</u>	<u>-</u>	<u>98,974</u>
TOTAL EXPENSES	<u>1,381,961</u>	<u>-</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 CHANGE IN NET ASSETS
For the Years Ended June 30, 2009 and 2008**

	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>
	2009		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
NET ASSETS – beginning of year	\$ 348,909	\$ 3,030,924	\$ 3,379,833
Excess revenues over (under) expenses	<u>336,052</u>	<u>(1,198,324)</u>	<u>(862,272)</u>
NET ASSETS – end of year	<u>\$ 684,961</u>	<u>\$ 1,832,600</u>	<u>\$ 2,517,561</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, 2009 and 2008**

	<u>2009</u>	<u>2008</u>
CASH FLOWS - OPERATING ACTIVITIES		
Excess revenues over (under) expenses	\$ (862,272)	\$ 1,130,038
Adjustments to reconcile excess revenues over (under) expenses to net cash (used) provided by operating activities:		
Change in:		
Grants receivable	315,010	(523,739)
Accounts payable and accrued expenses	<u>103,127</u>	<u>142,716</u>
NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES	<u>(444,135)</u>	<u>749,015</u>
CASH AND CASH EQUIVALENTS – beginning of year	<u>2,137,820</u>	<u>1,388,805</u>
CASH AND CASH EQUIVALENTS – end of year	<u>\$ 1,693,685</u>	<u>\$ 2,137,820</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, 2009 and 2008**

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. One grantor represents approximately 89% and 70% of the grants receivable as of June 30, 2009 and 2008 respectively.

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, 2009 and 2008, the Foundation did not have any income subject to taxation as unrelated business income.

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.

**JAMES B. HUNT, JR. INSTITUTE FOR EDUCATIONAL LEADERSHIP
AND POLICY FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2009 and 2008**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

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 2009, all unconditional promises to give are grants receivable and due within one year.

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 11, 2009, the date the financial statements were available to be issued.

NOTE 2 CASH AND CASH EQUIVALENTS

Cash and cash equivalents are principally held in a money market account at an international investment banking institution. The Foundation also invests in certificates of deposit and U.S. Treasury Bills through the institution. Deposits with banks are insured, up to certain limits, by the Federal Deposit Insurance Corporation (“FDIC”). Deposits with the brokerage firms are insured, up to certain limits by the Securities Investor Protector Corporation (“SIPC”). The institution participated in the U.S. Treasury Department’s Temporary Money Market Funds Guarantee Program, which insured Foundation assets up to \$1,474,146. Under this program, the U.S. Treasury Department guarantees investors that they will receive \$1 for each money market fund share held as of the close of business on September 19, 2008. On March 31, 2009, the U.S. Treasury Department announced an extension of its program through September 18, 2009. The Foundation had no cash or cash equivalents in excess of federally insured limits at June 30, 2009.

**JAMES B. HUNT, JR. INSTITUTE FOR EDUCATIONAL LEADERSHIP
AND POLICY FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2009 and 2008**

NOTE 3 RELATED PARTY TRANSACTIONS WITH THE UNIVERSITY OF NORTH CAROLINA

In fiscal years 2009 and 2008, the University of North Carolina (“UNC”) received state appropriations earmarked to fund various programs. For the years ended June 30, 2009 and 2008, the Institute received approximately \$1,400,000 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:

	<u>2009</u>	<u>2008</u>
Consultants and service providers	\$ 80,928	\$ 244,683
Salaries	917,891	581,299
Taxes and benefits	168,217	116,414
Administrative expenses	161,311	179,514
Program expenses	51,833	182,344
Travel	<u>34,800</u>	<u>90,518</u>
Total expense	<u>\$ 1,414,980</u>	<u>\$ 1,394,772</u>

NOTE 4 TEMPORARILY RESTRICTED NET ASSETS

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

	<u>2009</u>	<u>2008</u>
The Atlantic Philanthropies	\$ 467,000	\$ 894,325
Bill & Melinda Gates Foundation	1,365,600	1,867,102
Burroughs Wellcome Fund	-	24,997
Carnegie Corporation of New York	-	107,404
The Broad Foundation	-	137,052
Other	<u>-</u>	<u>44</u>
Total temporarily restricted net assets	<u>\$ 1,832,600</u>	<u>\$ 3,030,924</u>

NOTE 5 SUBSEQUENT EVENT

Subsequent to the fiscal year end, the Foundation was awarded a grant in the amount of \$3,868,176 for the grant period beginning November 5, 2009 to October 31, 2012.