

LEARNING POLICY INSTITUTE

**FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITOR'S REPORT**

**YEARS ENDED
DECEMBER 31, 2022 AND 2021**

LEARNING POLICY INSTITUTE

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INDEPENDENT AUDITOR’S REPORT

**Board of Directors
Learning Policy Institute
Palo Alto, California**

Opinion

We have audited the accompanying financial statements of Learning Policy Institute, which comprise the statements of financial position as of December 31, 2022 and 2021, 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 Learning Policy Institute as of December 31, 2022 and 2021, 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 Learning Policy 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 Learning Policy Institute’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 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 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 Learning Policy 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 Learning Policy 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.

Gilbert CPAs

GILBERT CPAs
Sacramento, California

May 24, 2023

LEARNING POLICY INSTITUTE

STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 8,506,441	\$ 9,621,396
Grants and contracts receivable	2,715,440	3,308,850
Prepaid expenses	25,404	24,170
Total current assets	<u>11,247,285</u>	<u>12,954,416</u>
LONG-TERM ASSETS:		
Grants receivable, net	500,000	200,000
Investments	17,317,488	
Deferred compensation investments	618,196	613,354
Deposits	228,159	234,959
Property and equipment, net	81,602	78,960
Operating lease, right-of-use asset	4,641,898	
Total long-term assets	<u>23,387,343</u>	<u>1,127,273</u>
TOTAL ASSETS	<u>\$ 34,634,628</u>	<u>\$ 14,081,689</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	\$ 143,696	\$ 90,241
Accrued expenses	743,632	667,897
Deferred revenues	7,500	
Current deferred rent		80,610
Current portion of operating lease liability	917,255	
Total current liabilities	<u>1,812,083</u>	<u>838,748</u>
LONG-TERM LIABILITIES:		
Deferred compensation liability	618,196	613,354
Deferred rent, net		747,586
Operating lease liability, net	4,475,560	
Total long-term liabilities	<u>5,093,756</u>	<u>1,360,940</u>
TOTAL LIABILITIES	<u>6,905,839</u>	<u>2,199,688</u>
NET ASSETS:		
Without donor restrictions:		
Board designated reserve	6,000,000	1,800,000
Undesignated	11,842,023	1,748,282
With donor restrictions	9,886,766	8,333,719
Total net assets	<u>27,728,789</u>	<u>11,882,001</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 34,634,628</u>	<u>\$ 14,081,689</u>

The accompanying notes are an integral part of these financial statements.

LEARNING POLICY INSTITUTE
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS:		
REVENUES:		
Grants	\$ 19,001,850	\$ 3,501,850
Contract revenue	138,440	217,864
Investment income (loss)	(483,008)	2,339
Other income	42,198	20,616
Net assets released from restrictions	<u>9,810,453</u>	<u>10,761,793</u>
Total revenues	<u>28,509,933</u>	<u>14,504,462</u>
EXPENSES:		
Program activities	12,195,952	11,889,386
Supporting services:		
General and administrative	1,708,168	1,584,451
Fundraising	<u>312,072</u>	<u>304,973</u>
Total expenses	<u>14,216,192</u>	<u>13,778,810</u>
INCREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>14,293,741</u>	<u>725,652</u>
NET ASSETS WITH DONOR RESTRICTIONS:		
Grants	11,363,500	10,112,925
Net assets released from restrictions	<u>(9,810,453)</u>	<u>(10,761,793)</u>
INCREASE (DECREASE) IN NET ASSETS WITH DONOR RESTRICTIONS	<u>1,553,047</u>	<u>(648,868)</u>
INCREASE IN NET ASSETS	15,846,788	76,784
NET ASSETS, Beginning of Year	<u>11,882,001</u>	<u>11,805,217</u>
NET ASSETS, End of Year	<u>\$ 27,728,789</u>	<u>\$ 11,882,001</u>

The accompanying notes are an integral part of these financial statements.

LEARNING POLICY INSTITUTE

STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED DECEMBER 31, 2022

	<u>Program activities</u>	<u>General and administrative</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 6,675,807	\$ 1,129,344	\$ 215,763	\$ 8,020,914
Payroll taxes and related benefits	1,564,101	264,599	50,552	1,879,252
Grant expense	1,319,458			1,319,458
Occupancy	939,209	158,886	30,355	1,128,450
Consulting fees	649,927			649,927
Professional services	503,982	71,884	7,230	583,096
Telecommunications and website	202,510	37,763	3,832	244,105
Travel	127,296	6,699		133,995
Office supplies and equipment	96,994	17,735	1,747	116,476
Other employee expenses	84,724	15,798	1,604	102,126
Depreciation and amortization	28,757	4,865	929	34,551
Other	<u>3,187</u>	<u>595</u>	<u>60</u>	<u>3,842</u>
Total	<u>\$ 12,195,952</u>	<u>\$ 1,708,168</u>	<u>\$ 312,072</u>	<u>\$ 14,216,192</u>

LEARNING POLICY INSTITUTE

STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED DECEMBER 31, 2021

	<u>Program activities</u>	<u>General and administrative</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 6,027,914	\$ 1,038,468	\$ 205,803	\$ 7,272,185
Payroll taxes and related benefits	1,446,942	249,274	49,401	1,745,617
Grant expense	1,765,948			1,765,948
Occupancy	903,663	155,680	30,853	1,090,196
Consulting fees	618,336			618,336
Professional services	518,776	62,009	8,055	588,840
Telecommunications and website	298,280	39,944	5,535	343,759
Travel	39,662	2,088		41,750
Office supplies and equipment	120,306	16,042	2,177	138,525
Other employee expenses	114,035	15,271	2,116	131,422
Depreciation and amortization	23,954	4,126	818	28,898
Other	<u>11,570</u>	<u>1,549</u>	<u>215</u>	<u>13,334</u>
Total	<u>\$ 11,889,386</u>	<u>\$ 1,584,451</u>	<u>\$ 304,973</u>	<u>\$ 13,778,810</u>

LEARNING POLICY INSTITUTE

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in net assets	\$ 15,846,788	\$ 76,784
Reconciliation to net cash provided by operating activities:		
Realized and unrealized loss on investments	915,715	
Depreciation and amortization	34,551	28,898
Reduction in operating right-of-use asset	783,899	
Changes in:		
Grants receivable	293,410	838,791
Prepaid expenses	(1,234)	180,841
Deposits	6,800	42,691
Accounts payable	53,455	(160,496)
Accrued expenses	75,735	(19,805)
Deferred revenue	7,500	
Deferred rent		390,730
Operating lease liability	(861,178)	
Net cash provided by operating activities	<u>17,155,441</u>	<u>1,378,434</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(37,193)	(78,959)
Purchases of investments	(18,233,203)	
Net cash used by investing activities	<u>(18,270,396)</u>	<u>(78,959)</u>
NET INCREASE (DECREASE) IN CASH	(1,114,955)	1,299,475
CASH, Beginning of Year	<u>9,621,396</u>	<u>8,321,921</u>
CASH, End of Year	<u>\$ 8,506,441</u>	<u>\$ 9,621,396</u>
NON-CASH INVESTING ACTIVITIES:		
Right-of-use assets upon adoption of ASC 842	<u>\$ 5,425,797</u>	

LEARNING POLICY INSTITUTE

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

1. DESCRIPTION OF ORGANIZATION

Learning Policy Institute (Institute), a 501(c)(3) nonprofit public benefit corporation, incorporated on August 4, 2014 and began fiscal operations in 2015.

The Institute conducts and communicates independent, high-quality research to shape education policies and improve learning for each and every child. As a national nonprofit and nonpartisan organization, the Institute connects policymakers at the local, state, and federal level with the evidence, ideas, and actions needed to strengthen the pre-k to grade 12 education system and address the complex realities facing public schools and their communities. Working with policymakers, researchers, educators, community groups, and others who care about improving public schools, the Institute advances evidence-based policies that support empowering and equitable learning for all children.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation – The financial statements are prepared on the accrual basis of accounting and in conformity with professional standards applicable to not-for-profit entities. The Institute reports information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Institute. These net assets may be used at the discretion of management.

Net assets with donor restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. When a restriction expires (generally, as payments are made to fulfill the purposes of the contribution), 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. The Institute has no donor-imposed restrictions that are perpetual in nature.

Revenue recognition – The Institute's revenues are derived primarily from private foundation grants. In accordance with professional standards, unconditional grants and contributions are recognized in full when received or unconditionally promised. All grants are considered available for unrestricted use unless specifically restricted by grantors for future periods or specific purposes. Grantor-restricted amounts are reported as increases in net assets with donor restrictions. Net assets with donor restrictions become unrestricted and are reported in the statements of activities as net assets released from restrictions when the time restrictions expire or the contributions are used for the restricted purpose.

Revenue from contracts is recorded when earned, generally when performance obligations or deliverables are met. Contracts comprised \$80,440 of total grants and contracts receivable as of December 31, 2022. There were no contracts receivable at December 31, 2021 or 2020.

LEARNING POLICY INSTITUTE

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

Cash and cash equivalents – For financial statement purposes, the Institute considers all investments with a maturity at purchase of three months or less to be cash equivalents, unless held for long-term purposes.

Investments are stated at fair value and measured on a recurring basis.

Property and equipment are recorded at cost and depreciated using the straight-line method over the estimated useful life, generally five years. The Institute's policy is to capitalize such items with a cost of \$2,500 or more.

Recent accounting pronouncements – Effective January 1, 2022, the Institute adopted Accounting Standards Codification (ASC) 842, *Leases*, using the modified retrospective approach with January 1, 2022 as the date of initial adoption. ASC 842 is intended to improve financial reporting of lease transactions by requiring entities that lease assets to recognize assets and liabilities for the rights and obligations created by leases that extend more than 12 months. Key provisions in this guidance include additional disclosures surrounding the amount, timing, and uncertainty of cash flows arising from leases. For leases existing at the transition date, the Institute applied the package of three transition practical expedients and therefore did not reassess whether an arrangement is or contains a lease, did not reassess lease classification, and did not reassess what qualifies as an initial direct cost. Additionally, the Institute applied the practical expedient to use hindsight for the purpose of determining the lease term.

Under the modified retrospective approach, the adoption of ASC 842 resulted in the recognition of ROU assets and lease liabilities of \$5,425,797 and \$6,253,993, respectively, as of January 1, 2022. There is no cumulative effect adjustment to net assets at the transition date.

Leases – The Institute determines if an arrangement is or contains a lease at inception. Leases are included in right-of-use (ROU) assets and lease liabilities in the statements of financial position. ROU assets and lease liabilities reflect the present value of the future minimum lease payments over the lease term, and ROU assets are also adjusted for prepaid or accrued rent. The Institute uses the rate implicit in the lease if it is determinable. When the rate implicit in the lease is not determinable, the Institute has made an accounting policy election to use the risk-free rate at the lease commencement date, in lieu of its incremental borrowing rate to discount future lease payments. Operating lease expense is recognized on a straight-line basis over the lease term. Lease terms may include options to renew, extend or terminate to the extent they are reasonably certain to be exercised. The Institute does not report ROU assets and lease liabilities for its short-term leases (leases with a term of 12 months or less). Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term.

Functional allocation of expenses – The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries, which are allocated based on time and effort; benefits and taxes, which are allocated based on salaries; all other expense are allocated based on salaries, head count, or specific identification of expenses, whichever best approximates usage of resources.

LEARNING POLICY INSTITUTE

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

Concentration of credit risk – Financial accounts that potentially subject the Institute to concentrations of credit risk consist principally of cash, revenue and receivables.

Cash and cash equivalents

The Institute minimizes credit risk associated with cash by maintaining its deposits with a high quality financial institution and periodically evaluating the credit quality of the financial institution. The balance at times may exceed federally insured limits. As of December 31, 2022 and 2021, cash and cash equivalents balances exceeded federally insured limits by \$8,350,435 and \$9,121,396, respectively. The Institute has not experienced any losses in such accounts and management believes the Institute is not exposed to any significant credit risk related to cash.

Receivables

As of December 31, 2022, approximately 66% of the Institute's grants receivable is due from four foundations. As of December 31, 2021, approximately 91% of the Institute's grants receivable are due from four foundations.

Revenue

In 2022, approximately 68% of the Institute's revenue was from three foundations. In 2021, approximately 56% of revenue was from three foundations. In 2022 LPI received one significant \$16,000,000 unrestricted contributions which is not expected to be recurring.

Income taxes – The Institute is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Institute has also received exemption from income taxes in the State of California and Washington D.C.

The Institute has applied the accounting principles related to accounting for uncertainty in income taxes and has determined that there is no material impact on the financial statements. With some exceptions, the Institute is no longer subject to U.S. federal and state income tax examinations by tax authorities for years prior to 2018.

Use of 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 have been reviewed through May 24, 2023, the date the financial statements were available to be issued. Management concluded that no material subsequent events have occurred since December 31, 2022 that require recognition or disclosure in the financial statements.

LEARNING POLICY INSTITUTE

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

3. LIQUIDITY AND AVAILABILITY OF RESOURCES

The following reflects the Institute's financial assets as of December 31, 2022 and 2021, reduced by amounts not available because of contractual donor-imposed restrictions or internal designations:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 8,506,441	\$ 9,621,396
Grants and contracts receivable, current	2,715,440	3,508,850
Investments	<u>17,935,684</u>	<u>12,930,246</u>
Total financial assets	29,039,369	12,930,246
Less:		
Board designations	<u>(6,000,000)</u>	<u>(1,800,000)</u>
Financial assets available to meet cash needs for general expenditures	<u>\$ 22,539,369</u>	<u>\$ 11,130,246</u>

Financial assets available to meet cash needs for general expenditures includes assets that are subject to donor-imposed purpose restrictions, but that are available for use within the subsequent year for the Institute's ongoing programmatic activities. Refer to Note 6 for additional information on purpose restrictions on the Institute's net assets.

As part of the Institute's liquidity management, it structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Institute invests cash in excess of daily cash requirements (including a minimum balance to cover bank fees) in short-term investments.

The Institute has an operating reserve of \$6 million and \$1.8 million at December 31, 2022 and 2021, respectively. This is a board-designated reserve to be drawn upon in the event of financial distress or an immediate liquidity need resulting from events outside the typical life cycle of converting financial assets to cash or settling financial liabilities. The Institute's target for this reserve is approximately 6 months of normal operating expenses or \$6.1 million. In the event of an operating surplus, the governing board has the option of designating a portion of the operating surplus to its operating reserve. The operating reserve funds are held separately from the operating funds and invested per the LPI Investment Policy.

4. GRANTS AND CONTRACTS RECEIVABLE

Grants and contracts receivable are due to be collected as follows:

	<u>2022</u>	<u>2021</u>
Within one year	\$ 2,715,440	\$ 3,308,850
In one to five years	<u>500,000</u>	<u>200,000</u>
Total	<u>\$ 3,215,440</u>	<u>\$ 3,508,850</u>

LEARNING POLICY INSTITUTE

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

5. INVESTMENTS

Investments consist of the following:

	<u>2022</u>
Cash and cash equivalents	\$ 343,994
U.S. Treasury securities	795,937
Exchange traded funds	8,218,665
Mutual funds - Bond	2,588,778
Mutual funds - Equity	<u>5,370,114</u>
Total	<u>\$ 17,317,488</u>

6. FAIR VALUE MEASUREMENTS

Fair value is a market-based measurement, not an entity-specific measurement. For some assets and liabilities, observable market transactions or market information might be available. For other assets and liabilities, observable market transactions and market information might not be available. However, the objective of a fair value measurement in both cases is the same – to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions (that is, an exit price at the measurement date from the perspective of a market participant that holds the asset or owes the liability).

In order to increase consistency and comparability in fair value measurements, a fair value hierarchy that prioritizes observable and unobservable inputs is used to measure fair value into three broad levels, as follows:

Level 1 Inputs	Unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.
Level 2 Inputs	Inputs other than quoted prices in active markets that are observable either directly or indirectly.
Level 3 Inputs	Unobservable inputs for the asset or liability.

When a price for an identical asset or liability is not observable, a reporting entity measures fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. Because fair value is a market-based measurement, it is measured using the assumptions that market participants would use when pricing the asset or liability, including assumptions about risk. As a result, a reporting entity's intention to hold an asset or to settle or otherwise fulfill a liability is not relevant when measuring fair value.

The Institute's assets subject to recurring fair value measurements are classified as follows:

The Institute's investments in cash equivalents, U.S. treasury securities, exchange traded funds and mutual funds are classified within Level 1 of the fair value hierarchy because they are valued using quoted market prices.

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NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

7. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>2022</u>	<u>2021</u>
Equipment	\$ 118,839	\$ 89,649
Leasehold improvements	39,617	39,617
Furniture and fixtures	31,825	23,822
Less: accumulated depreciation and amortization	<u>(108,679)</u>	<u>(74,128)</u>
Property and equipment, net	<u>\$ 81,602</u>	<u>\$ 78,960</u>

8. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions contain the following restrictions:

	<u>2022</u>	<u>2021</u>
Purpose restricted:		
Whole Child Education/Deeper Learning	\$ 5,285,839	\$ 4,037,903
Educator Quality	1,466,008	898,098
Equitable Resources and Access	1,085,608	802,963
Early Care and Education	668,571	491,943
General research and development		165,312
Time Restricted	<u>1,380,740</u>	<u>1,937,500</u>
Total	<u>\$ 9,886,766</u>	<u>\$ 8,333,719</u>

9. LEASE OBLIGATIONS

The Institute leases office space for its operations under two non-cancelable operating leases. The lease for the Institute's Palo Alto, California location expires in 2026, with an option to extend an additional 5 years. The lease for the Institute's Washington, D.C. location expires in 2031, with an option to extend an additional 5 year, and includes an option to terminate in 2027. Neither option to extend, or the option to terminate, are recognized as part of the Institute's ROU assets or lease liabilities. These leases are included on the December 31, 2022 statement of financial position as ROU assets and operating lease liability of \$4,641,898 and \$5,392,815, respectively. Lease expense for 2022 totaled \$959,823. Cash paid for amounts included in the measurement of operating lease liabilities totaled \$1,037,103 for 2022.

The ROU assets and operating lease liability were calculated using a risk-free discount rate of 3% for both leases. As of December 31, 2022, the weighted-average remaining lease term for all operating leases is 6.38 years.

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NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

Maturities of the lease liability for these leases are as follows:

2023	\$ 1,066,579
2024	1,096,914
2025	1,128,100
2026	823,659
2027	367,363
Thereafter	<u>1,460,313</u>
Total lease payments	5,942,928
Less: present value discount	<u>(550,113)</u>
Total	<u>\$ 5,392,815</u>

Prior to the implementation of ASC 842 in 2022, leases were accounted for in accordance with the previous lease standard, ASC 840. Total rent expense for all operating leases under ASC 840 was \$961,077 for 2021.

10. RETIREMENT PLAN

The Institute sponsors a 403(b) retirement plan for its employees. For 2022 and 2021, the Institute contributed up to 6% of each employee's eligible compensation, consisting of a "safe harbor" contribution equal to 3%, and a 50% matching contribution on the first 6% of an employee's contribution. Contributions to the 403(b) plan totaled \$479,437 and \$429,198 in 2022 and 2021, respectively.

The Institute also sponsors a 457 deferred salary plan for certain employees. The 457 Plan allows for additional Institute contributions and salary deferrals. Contributions to the 457 Plan are considered deferred compensation until certain future date conditions are met. There were no contributions made by the Institute for 2022 or 2021.