LEARNING POLICY INSTITUTE

FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITOR'S REPORT

YEARS ENDED
DECEMBER 31, 2023 AND 2022

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, 2023 and 2022, 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, 2023 and 2022, 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

2880 Gateway Oaks Drive, Suite 100, Sacramento, CA 95833
Phone 916.646.6464 • Fax 916.929.6836 • GilbertCPA.com

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 28, 2024

LEARNING POLICY INSTITUTE

STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2023 AND 2022

	2023	2022
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 9,248,937	$ 8,506,441
Grants and contracts receivable	4,330,749	2,715,440
Prepaid expenses	35,459	25,404
Total current assets	13,615,145	11,247,285
LONG-TERM ASSETS:		
Grants receivable, net	3,484,911	500,000
Investments	19,735,443	17,317,488
Deferred compensation investments	656,645	618,196
Deposits	228,159	228,159
Property and equipment, net	67,065	81,602
Operating lease, right-of-use asset	3,831,399	4,641,898
Total long-term assets	28,003,622	23,387,343
TOTAL ASSETS	$ 41,618,767	$ 34,634,628
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	$ 221,990	$ 143,696
Accrued expenses	754,281	743,632
Deferred revenues	6,297	7,500
Current portion of operating lease liability	975,907	917,255
Total current liabilities	1,958,475	1,812,083
LONG-TERM LIABILITIES:		
Deferred compensation liability	656,645	618,196
Operating lease liability, net	3,499,652	4,475,560
Total long-term liabilities	4,156,297	5,093,756
TOTAL LIABILITIES	6,114,772	6,905,839
NET ASSETS:		
Without donor restrictions:		
Board designated reserve	6,500,000	6,000,000
Undesignated	13,370,264	11,842,023
With donor restrictions	15,633,731	9,886,766
Total net assets	35,503,995	27,728,789
TOTAL LIABILITIES AND NET ASSETS	$ 41,618,767	$ 34,634,628

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

LEARNING POLICY INSTITUTE

STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
NET ASSETS WITHOUT DONOR RESTRICTIONS:		
REVENUES:		
Grants	$ 4,060,200	$ 19,001,850
Contract revenue	291,556	138,440
Investment income (loss)	2,614,568	(483,008)
Other income	6,853	42,198
Net assets released from restrictions	9,529,136	9,810,453
Total revenues	16,502,313	28,509,933
EXPENSES:		
Program activities	12,277,869	12,195,952
Supporting services:		
General and administrative	1,883,702	1,708,168
Fundraising	312,501	312,072
Total expenses	14,474,072	14,216,192
INCREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	2,028,241	14,293,741
NET ASSETS WITH DONOR RESTRICTIONS:		
Grants	15,276,101	11,363,500
Net assets released from restrictions	(9,529,136)	(9,810,453)
INCREASE IN NET ASSETS WITH DONOR RESTRICTIONS	5,746,965	1,553,047
INCREASE IN NET ASSETS	7,775,206	15,846,788
NET ASSETS, Beginning of Year	27,728,789	11,882,001
NET ASSETS, End of Year	$ 35,503,995	$ 27,728,789

LEARNING POLICY INSTITUTE

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2023

	Program activities	General and administrative	Fundraising	Total
Salaries	$ 7,027,062	$ 1,250,506	$ 226,130	$ 8,503,698
Payroll taxes and employee benefits	1,683,283	299,550	54,168	2,037,001
Occupancy	909,207	181,404	18,534	1,109,145
Consulting fees	845,603			845,603
Grant expense	713,198			713,198
Professional services	426,056	59,154	5,912	491,122
Travel	292,897	17,159		310,056
Telecommunications and website	150,039	29,935	3,059	183,033
Other employee expenses	100,875	20,127	2,056	123,058
Office supplies and equipment	94,107	18,775	1,918	114,800
Depreciation and amortization	34,251	6,834	698	41,783
Other	1,291	258	26	1,575
Total	$ 12,277,869	$ 1,883,702	$ 312,501	$ 14,474,072

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

LEARNING POLICY INSTITUTE

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2022

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

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

LEARNING POLICY INSTITUTE

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in net assets	$ 7,775,206	$ 15,846,788
Reconciliation to net cash provided by operating activities:		
Realized and unrealized (gain) loss on investments	(2,001,734)	915,715
Depreciation and amortization	41,783	34,551
Reduction in operating right-of-use asset	810,499	783,899
Changes in:		
Grants receivable	(4,600,220)	293,410
Prepaid expenses	(10,055)	(1,234)
Deposits		6,800
Accounts payable	78,294	53,455
Accrued expenses	10,649	75,735
Deferred revenue	(1,203)	7,500
Operating lease liability	(917,256)	(861,178)
Net cash provided by operating activities	1,185,963	17,155,441
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(27,246)	(37,193)
Purchases of investments	(14,257,745)	(18,233,203)
Proceeds from sales and maturities of investments	13,841,524	
Net cash used by investing activities	(443,467)	(18,270,396)
NET INCREASE (DECREASE) IN CASH	742,496	(1,114,955)
CASH, Beginning of Year	8,506,441	9,621,396
CASH, End of Year	$ 9,248,937	$ 8,506,441
NON-CASH INVESTING ACTIVITIES:		
Right-of-use assets upon adoption of ASC 842		$ 5,425,797

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

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 $86,128 and $80,440 of total grants and contracts receivable as of December 31, 2023, and 2022, respectively. There were no contracts receivable at December 31, 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.

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.

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, 2023 and 2022, cash and cash equivalents balances exceeded federally insured limits by $8,998,937 and $8,350,435, 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, 2023, approximately 85% of the Institute's grants receivable is due from four foundations. As of December 31, 2022, approximately 66% of the Institute's grants receivable are due from four foundations.

Revenue

In 2023, approximately 62% of the Institute's revenue was from four foundations. In 2022, approximately 67% of revenue was from four foundations. In 2022 LPI received one significant $16,000,000 unrestricted contribution 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 2019.

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 28, 2024, the date the financial statements were available to be issued. Management concluded that no material subsequent events have occurred since December 31, 2023 that require recognition or disclosure in the financial statements.

3. LIQUIDITY AND AVAILABILITY OF RESOURCES

The following reflects the Institute's financial assets as of December 31, 2023 and 2022, reduced by amounts not available because of contractual donor-imposed restrictions or internal designations:

	2023	2022
Cash and cash equivalents	$ 9,248,937	$ 8,506,441
Grants and contracts receivable	7,815,660	3,215,440
Investments	19,735,443	17,317,488
Total financial assets	36,800,040	29,039,369
Less:		
Restricted by donors for time or purpose	(12,306,648)	(8,806,026)
Board designations	(6,500,000)	(6,000,000)
Financial assets available to meet cash needs for general expenditures	$ 17,993,392	$ 14,233,343

Financial assets restricted by donors 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 8 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 $6.5 million and $6 million at December 31, 2023 and 2022, 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:

	2023	2022
Within one year	$ 4,330,749	$ 2,715,440
In one to five years	3,484,911	500,000
Total	$ 7,815,660	$ 3,215,440

5. INVESTMENTS

Investments consist of the following:

	2023	2022
Cash and cash equivalents	$ 860,018	$ 343,994
U.S. Treasury securities		795,937
Exchange traded funds	9,150,137	8,218,665
Mutual funds – Equity	6,256,037	5,370,114
Mutual funds – Bond	3,469,251	2,588,778
Total	$ 19,735,443	$ 17,317,488

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.

7. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	2023	2022
Equipment	$ 144,722	$ 118,839
Leasehold improvements	39,617	39,617
Furniture and fixtures	33,188	31,825
Less: accumulated depreciation and amortization	(150,462)	(108,679)
Property and equipment, net	$ 67,065	$ 81,602

8. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions contain the following restrictions:

	2023	2022
Purpose restricted:		
Educator Quality	$ 6,446,511	$ 1,466,008
Whole Child Education/Deeper Learning	4,662,828	5,285,839
Equitable Resources and Access	373,311	1,085,608
Early Care and Education	323,998	668,571
Time Restricted	3,827,083	1,380,740
Total	$ 15,633,731	$ 9,886,766

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, 2023, statement of financial position as ROU assets and operating lease liability of $3,831,399 and $4,475,559, respectively. 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 2023, and 2022, totaled $957,631 and $959,823, respectively. Cash paid for amounts included in the measurement of operating lease liabilities totaled $1,066,579 and $1,037,103 for 2023, and 2022, respectively.

The ROU assets and operating lease liability were calculated using a risk-free discount rate of 3% for both leases. As of December 31, 2023, and 2022, the weighted-average remaining lease term for all operating leases is 5.63 years and 6.38 years, respectively.

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

2024	$ 1,096,914
2025	1,128,100
2026	823,659
2027	367,363
2028	376,560
Thereafter	1,083,753
Total lease payments	4,876,349
Less: present value discount	(400,790)
Total	$ 4,475,559

10. RETIREMENT PLAN

The Institute sponsors a 403(b) retirement plan for its employees. For 2023 and 2022, 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 $498,576 and $479,437 in 2023 and 2022, 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. Contributions to the 457 plan totaled $21,829 and $23,970 in 2023 and 2022, respectively.