LEARNING POLICY INSTITUTE

FINANCIAL STATEMENTS WITH INDEPENDENT AUDITOR'S REPORT

YEARS ENDED DECEMBER 31, 2024 AND 2023

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, 2024 and 2023, 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, 2024 and 2023, 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

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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 5, 2025

LEARNING POLICY INSTITUTE

STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2024 AND 2023

	2024	2023
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 6,104,533	$ 9,248,937
Grants and contracts receivable	4,084,114	4,330,749
Prepaid expenses	38,604	35,459
Total current assets	10,227,251	13,615,145
LONG-TERM ASSETS:		
Grants receivable, net		3,484,911
Investments	21,580,959	19,735,443
Deferred compensation investments	709,841	656,645
Deposits	228,159	228,159
Property and equipment, net	38,995	67,065
Operating lease, right-of-use asset	2,992,583	3,831,399
Total long-term assets	25,550,537	28,003,622
TOTAL ASSETS	$ 35,777,788	$ 41,618,767
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	$ 185,266	$ 221,990
Accrued expenses	818,350	754,281
Deferred revenues	5,926	6,297
Current portion of operating lease liability	1,037,206	975,907
Total current liabilities	2,046,748	1,958,475
LONG-TERM LIABILITIES:		
Deferred compensation liability	709,841	656,645
Operating lease liability, net	2,462,446	3,499,652
Total long-term liabilities	3,172,287	4,156,297
TOTAL LIABILITIES	5,219,035	6,114,772
NET ASSETS:		
Without donor restrictions:		
Board designated reserve	6,500,000	6,500,000
Undesignated	13,430,316	13,370,264
With donor restrictions	10,628,437	15,633,731
Total net assets	30,558,753	35,503,995
TOTAL LIABILITIES AND NET ASSETS	$ 35,777,788	$ 41,618,767

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

LEARNING POLICY INSTITUTE

STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2024 AND 2023

	2024	2023
NET ASSETS WITHOUT DONOR RESTRICTIONS:		
REVENUES:		
Grants	$ 2,748,000	$ 4,060,200
Contract revenue	438,145	291,556
Employee retention tax credit	226,066	
Investment income	2,137,528	2,614,568
Other income	22,731	6,853
Net assets released from restrictions	10,895,367	9,529,136
Total revenues	16,467,837	16,502,313
EXPENSES:		
Program activities	13,826,338	12,277,869
Supporting services:		
General and administrative	2,249,515	1,883,702
Fundraising	331,932	312,501
Total expenses	16,407,785	14,474,072
INCREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	60,052	2,028,241
NET ASSETS WITH DONOR RESTRICTIONS:		
Grants	5,890,073	15,276,101
Net assets released from restrictions	(10,895,367)	(9,529,136)
INCREASE (DECREASE) IN NET ASSETS WITH DONOR RESTRICTIONS	(5,005,294)	5,746,965
INCREASE (DECREASE) IN NET ASSETS	(4,945,242)	7,775,206
NET ASSETS, Beginning of Year	35,503,995	27,728,789
NET ASSETS, End of Year	$ 30,558,753	$ 35,503,995

LEARNING POLICY INSTITUTE

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2024

	Program activities	General and administrative	Fundraising	Total
Salaries	$ 7,711,267	$ 1,363,740	$ 236,612	$ 9,311,619
Payroll taxes and employee benefits	1,998,334	353,406	61,317	2,413,057
Occupancy	945,003	160,870	19,311	1,125,184
Consulting fees	947,086			947,086
Grant expense	878,051			878,051
Professional services	406,501	187,979	5,168	599,648
Travel	473,984	104,170		578,154
Office supplies and equipment	165,377	28,154	3,379	196,910
Telecommunications and website	151,545	25,798	3,097	180,440
Other employee expenses	113,399	19,304	2,317	135,020
Depreciation and amortization	25,986	4,424	531	30,941
Other	9,805	1,670	200	11,675
Total	$ 13,826,338	$ 2,249,515	$ 331,932	$ 16,407,785

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
Office supplies and equipment	94,107	18,775	1,918	114,800
Telecommunications and website	150,039	29,935	3,059	183,033
Other employee expenses	100,875	20,127	2,056	123,058
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

LEARNING POLICY INSTITUTE

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2024 AND 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase (decrease) in net assets	$ (4,945,242)	$ 7,775,206
Reconciliation to net cash provided (used) by operating activities:		
Realized and unrealized gain on investments	(1,042,816)	(2,001,734)
Depreciation and amortization	30,941	41,783
Reduction in operating right-of-use asset	838,816	810,499
Changes in:		
Grants receivable	3,731,546	(4,600,220)
Prepaid expenses	(3,145)	(10,055)
Accounts payable	(36,724)	78,294
Accrued expenses	64,069	10,649
Deferred revenue	(371)	(1,203)
Operating lease liability	(975,907)	(917,256)
Net cash provided (used) by operating activities	(2,338,833)	1,185,963
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(2,871)	(27,246)
Purchases of investments	(21,081,116)	(14,257,745)
Proceeds from sales and maturities of investments	20,278,416	13,841,524
Net cash used by investing activities	(805,571)	(443,467)
NET INCREASE (DECREASE) IN CASH	(3,144,404)	742,496
CASH, Beginning of Year	9,248,937	8,506,441
CASH, End of Year	$ 6,104,533	$ 9,248,937

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

1. DESCRIPTION OF ORGANIZATION

Learning Policy Institute (Institute, or LPI), 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 improve education policy and practice. LPI seeks to advance evidence-based policies at the local, state, and federal levels that support empowering and equitable learning for each and every child. Nonprofit and nonpartisan, LPI works with policymakers, researchers, educators, community groups, and others to strengthen the education system from preschool through college and career readiness.

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. There were no contracts receivable at December 31, 2024. Contracts comprised $86,128, and $80,440 of total grants and contracts receivable as of December 31, 2023, and 2022, respectively.

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 $3,500 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, 2024 and 2023, cash and cash equivalents balances exceeded federally insured limits by $5,854,533 and $8,998,937, 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, 2024, approximately 90% of the Institute's grants receivable is due from four foundations. As of December 31, 2023, approximately 85% of the Institute's grants receivable are due from four foundations.

Revenue

In 2024, approximately 60% of the Institute's revenue was from four foundations. In 2023, approximately 62% of revenue was from four foundations.

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 2020.

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 5, 2025, the date the financial statements were available to be issued. Management concluded that no material subsequent events have occurred since December 31, 2024 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, 2024 and 2023, reduced by amounts not available because of contractual donor-imposed restrictions or internal designations:

	2024	2023
Cash and cash equivalents	$ 6,104,533	$ 9,248,937
Grants and contracts receivable	4,084,114	7,815,660
Investments	21,580,959	19,735,443
Total financial assets	31,769,606	36,800,040
Less:		
Restricted by donors for time or purpose	(7,754,333)	(12,306,648)
Board designations	(6,500,000)	(6,500,000)
Financial assets available to meet cash needs for general expenditures	$ 17,515,273	$ 17,993,392

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 at December 31, 2024 and 2023. 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 $7.0 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:

	2024	2023
Within one year	$ 4,084,114	$ 4,330,749
In one to five years		3,484,911
Total	$ 4,084,114	$ 7,815,660

5. INVESTMENTS

Investments consist of the following:

	2024	2023
Cash and cash equivalents	$ 471,782	$ 860,018
Exchange traded funds	7,745,383	9,150,137
Mutual funds – Equity	7,099,353	6,256,037
Mutual funds – Bond	6,264,441	3,469,251
Total	$ 21,580,959	$ 19,735,443

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, 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:

	2024	2023
Equipment	$ 147,593	$ 144,722
Leasehold improvements	39,617	39,617
Furniture and fixtures	33,188	33,188
Less: accumulated depreciation and amortization	(181,403)	(150,462)
Property and equipment, net	$ 38,995	$ 67,065

8. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions contain the following restrictions:

	2024	2023
Purpose restricted:		
Educator Quality	$ 4,551,196	$ 6,446,511
Whole Child Education/Deeper Learning	2,765,626	4,662,828
Equitable Resources and Access	287,671	373,311
Early Care and Education	149,840	323,998
Time Restricted	2,874,104	3,827,083
Total	$ 10,628,437	$ 15,633,731

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, 2024, statement of financial position as ROU assets and operating lease liability of $2,992,583 and $3,499,652, respectively. 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. Lease expense for 2024, and 2023, totaled $959,823 and $957,631, respectively. Cash paid for amounts included in the measurement of operating lease liabilities totaled $1,096,914 and $1,066,579 for 2024, and 2023, 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, 2024, and 2023, the weighted-average remaining lease term for all operating leases is 5.05 years and 5.63 years, respectively.

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

2025	$ 1,128,100
2026	823,659
2027	367,363
2028	376,560
2029	385,946
Thereafter	697,807
Total lease payments	3,779,435
Less: present value discount	(279,783)
Total	$ 3,499,652

10. EMPLOYEE RETENTION TAX CREDIT

During the year ended December 31, 2024, the Institute recognized revenue totaling $226,066 related to the Employee Retention Tax Credit (ERTC). No ERTC revenue was recognized during the year ended December 31, 2023. Laws and regulations concerning government programs, including the Employee Retention Credit established by the CARES Act, are complex and subject to varying interpretations. Claims made under the CARES Act may also be subject to retroactive audit and review. There can be no assurance that regulatory authorities will not challenge the Institute's claim to the ERTC, and it is not possible to determine the impact (if any) this would have upon the Institute.

11. RETIREMENT PLAN

The Institute sponsors a 403(b) retirement plan for its employees. For 2024 and 2023, 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 $537,612 and $498,576 in 2024 and 2023, 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 $18,294 and $21,829 in 2024 and 2023, respectively.