

**LEARNING POLICY INSTITUTE**

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

**YEARS ENDED  
DECEMBER 31, 2021 AND 2020**

# 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, 2021 and 2020, and the related statements of activities, functional expenses, and of 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, 2021 and 2020, 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 audit 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 audit. 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 Responsibility**

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, including omissions, 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**

**June 7, 2022**

# LEARNING POLICY INSTITUTE

## STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 9,621,396	\$ 8,321,921
Grants and contracts receivable	3,308,850	4,347,641
Prepaid expenses	24,170	205,011
Total current assets	<u>12,954,416</u>	<u>12,874,573</u>
<b>LONG-TERM ASSETS:</b>		
Grants receivable, net	200,000	
Deferred compensation investments	613,354	564,292
Deposits	234,959	277,650
Property and equipment, net	78,960	28,899
Total long-term assets	<u>1,127,273</u>	<u>870,841</u>
<b>TOTAL ASSETS</b>	<u>\$ 14,081,689</u>	<u>\$ 13,745,414</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 90,241	\$ 250,737
Accrued expenses	667,897	687,702
Current deferred rent	80,610	
Total current liabilities	<u>838,748</u>	<u>938,439</u>
<b>LONG-TERM LIABILITIES:</b>		
Deferred compensation liability	613,354	564,292
Deferred rent, net	747,586	437,466
Total long-term liabilities	<u>1,360,940</u>	<u>1,001,758</u>
<b>TOTAL LIABILITIES</b>	<u>2,199,688</u>	<u>1,940,197</u>
<b>NET ASSETS:</b>		
Without donor restrictions:		
Board designated reserve	1,800,000	1,300,000
Undesignated	1,748,282	1,522,630
With donor restrictions	8,333,719	8,982,587
Total net assets	<u>11,882,001</u>	<u>11,805,217</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 14,081,689</u>	<u>\$ 13,745,414</u>

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

# LEARNING POLICY INSTITUTE

## STATEMENTS OF ACTIVITIES YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
<b>NET ASSETS WITHOUT DONOR RESTRICTIONS:</b>		
REVENUES:		
Net assets released from restrictions	\$ 10,761,793	\$ 9,619,815
Grants	3,501,850	4,886,710
Contract revenue	217,864	209,342
Interest income	2,339	14,166
Other income (loss)	20,616	(29)
Total revenues	<u>14,504,462</u>	<u>14,730,004</u>
EXPENSES:		
Program activities	11,889,386	12,753,278
Supporting services:		
General and administrative	1,584,451	1,670,255
Fundraising	304,973	270,426
Total expenses	<u>13,778,810</u>	<u>14,693,959</u>
<b>INCREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS</b>	<u>725,652</u>	<u>36,045</u>
<b>NET ASSETS WITH DONOR RESTRICTIONS:</b>		
Grants	10,112,925	5,890,172
Net assets released from restrictions	<u>(10,761,793)</u>	<u>(9,619,815)</u>
<b>DECREASE IN NET ASSETS WITH DONOR RESTRICTIONS</b>	<u>(648,868)</u>	<u>(3,729,643)</u>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	76,784	(3,693,598)
<b>NET ASSETS, Beginning of Year</b>	<u>11,805,217</u>	<u>15,498,815</u>
<b>NET ASSETS, End of Year</b>	<u>\$ 11,882,001</u>	<u>\$ 11,805,217</u>

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

# LEARNING POLICY INSTITUTE

## STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED DECEMBER 31, 2021

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	<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
Grant expense	1,765,948			1,765,948
Payroll taxes and related benefits	1,446,942	249,274	49,401	1,745,617
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
Office supplies and equipment	120,306	16,042	2,177	138,525
Other employee expenses	114,035	15,271	2,116	131,422
Travel	39,662	2,088		41,750
Depreciation and amortization	23,954	4,126	818	28,898
Other	11,570	1,549	215	13,334
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total	<u>\$ 11,889,386</u>	<u>\$ 1,584,451</u>	<u>\$ 304,973</u>	<u>\$ 13,778,810</u>

# LEARNING POLICY INSTITUTE

## STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED DECEMBER 31, 2020

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	<u>Program activities</u>	<u>General and administrative</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 5,921,340	\$ 1,103,002	\$ 180,111	\$ 7,204,453
Grant expense	3,024,144			3,024,144
Payroll taxes and related benefits	1,361,871	253,684	41,425	1,656,980
Occupancy	822,316	153,177	25,013	1,000,506
Consulting fees	611,807			611,807
Professional services	444,118	82,757	11,245	538,120
Telecommunications and website	246,529	37,975	8,286	292,790
Office supplies and equipment	82,812	12,572	2,639	98,023
Other employee expenses	61,359	9,840	1,142	72,341
Travel	158,777	13,964		172,741
Depreciation and amortization	14,883	2,772	453	18,108
Other	<u>3,322</u>	<u>512</u>	<u>112</u>	<u>3,946</u>
Total	<u>\$ 12,753,278</u>	<u>\$ 1,670,255</u>	<u>\$ 270,426</u>	<u>\$ 14,693,959</u>



# LEARNING POLICY INSTITUTE

## STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2021 AND 2020

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	<u>2021</u>	<u>2020</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Increase (decrease) in net assets	\$ 76,784	\$ (3,693,598)
Reconciliation to net cash provided by operating activities:		
Depreciation and amortization	28,898	18,108
Changes in:		
Grants receivable	838,791	3,502,164
Prepaid expenses	180,841	(160,086)
Deposits	42,691	(143,586)
Accounts payable	(160,496)	30,892
Accrued expenses	(19,805)	150,357
Deferred revenue		(61,667)
Deferred rent	<u>390,730</u>	<u>389,381</u>
Net cash provided by operating activities	<u>1,378,434</u>	<u>31,965</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of property and equipment	<u>(78,959)</u>	<u>(25,170)</u>
<b>NET INCREASE IN CASH</b>	1,299,475	6,795
<b>CASH, Beginning of Year</b>	<u>8,321,921</u>	<u>8,315,126</u>
<b>CASH, End of Year</b>	<u>\$ 9,621,396</u>	<u>\$ 8,321,921</u>

# LEARNING POLICY INSTITUTE

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

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### 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 \$59,458 of total grants and contracts receivable as of December 31, 2019. There were no contracts receivable at December 31, 2021 or 2020.

**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.

# LEARNING POLICY INSTITUTE

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

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**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, 2021 and 2020, cash and cash equivalents balances exceeded federally insured limits by \$9,121,396 and \$7,821,921, 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, 2021, approximately 91% of the Institute's grants receivable is due from four foundations. As of December 31, 2020, approximately 67% of the Institute's grants receivable are due from four foundations.

### *Revenue*

In 2021, approximately 56% of the Institute's revenue was from three foundations. In 2020, approximately 55% of revenue was from three 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 2017.

**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.

# LEARNING POLICY INSTITUTE

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

**Future accounting pronouncements** – In February 2016, the FASB issued ASU 2016-12, *Leases* (Topic 842). The new accounting standard requires lessees to recognize a lease liability measured on a discounted basis and a right-of-use asset for all leases with terms longer than 12 months. Application of this statement is effective for the year ending December 31, 2022. The Institute is currently evaluating the impact this pronouncement will have on the financial statements.

**Subsequent events** have been reviewed through June 7, 2022, the date the financial statements were available to be issued. Management concluded that no material subsequent events have occurred since December 31, 2021 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, 2021 and 2020, reduced by amounts not available because of contractual donor-imposed restrictions or internal designations:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 9,621,396	\$ 8,321,921
Grants and contracts receivable, current	<u>3,308,850</u>	<u>4,347,641</u>
Total financial assets	12,930,246	12,669,562
Less:		
Board designations	<u>(1,800,000)</u>	<u>(1,300,000)</u>
Financial assets available to meet cash needs for general expenditures	<u>\$ 11,130,246</u>	<u>\$ 11,369,562</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 \$1.8 million and \$1.3 million at December 31, 2021 and 2020, 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 \$5.7 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 in lower-risk cash and cash equivalents.

# LEARNING POLICY INSTITUTE

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

### 4. GRANTS AND CONTRACTS RECEIVABLE

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

	<u>2021</u>	<u>2020</u>
Within one year	\$ 3,308,850	\$ 4,347,641
In one to five years	<u>200,000</u>	<u>                    </u>
Total	<u>\$ 3,508,850</u>	<u>\$ 4,347,641</u>

### 5. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>2021</u>	<u>2020</u>
Equipment	\$ 89,649	\$ 54,916
Leasehold improvements	39,617	109,073
Furniture and fixtures	23,822	4,600
Less: accumulated depreciation and amortization	<u>(74,128)</u>	<u>(139,690)</u>
Property and equipment, net	<u>\$ 78,960</u>	<u>\$ 28,899</u>

### 6. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions contain the following restrictions:

	<u>2021</u>	<u>2020</u>
Purpose restricted:		
Whole Child Education/Deeper Learning	\$ 3,564,314	\$ 3,645,353
General research and development	1,301,925	
Equitable Resources and Access	802,963	1,487,887
Early Care and Education	491,943	565,167
Educator Quality	235,074	1,542,513
Time Restricted	<u>1,937,500</u>	<u>1,741,667</u>
Total	<u>\$ 8,333,719</u>	<u>\$ 8,982,587</u>

# LEARNING POLICY INSTITUTE

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

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### 7. LEASE OBLIGATIONS

The Institute leases office space for its operations under three non-cancelable operating leases, expiring during 2022, 2026 and 2031. The aggregate remaining minimum rental payments required under the terms of these leases as of December 31, 2021 are as follows:

2022	\$ 1,034,275
2023	1,061,197
2024	1,091,371
2025	1,122,390
2026	1,019,701
Thereafter	<u>1,827,676</u>
Total	<u>\$ 7,156,610</u>

Rent expense, on a straight-line basis, under all operating leases totaled \$961,077 and \$928,162 for 2021 and 2020, respectively.

### 8. RETIREMENT PLAN

The Institute sponsors a 403(b) retirement plan for its employees. For 2021 and 2020, 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 \$429,198 and \$414,149 in 2021 and 2020, 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 2021 or 2020.