

FINANCIAL STATEMENTS



**THE NEA FOUNDATION FOR THE
IMPROVEMENT OF EDUCATION**

**FOR THE YEAR ENDED AUGUST 31, 2020
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2019**

THE NEA FOUNDATION

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CPAs & ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
The NEA Foundation
Washington, D.C.

We have audited the accompanying financial statements of The NEA Foundation (the Foundation), which comprise the statement of financial position as of August 31, 2020, and the related statements of activities and change in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of August 31, 2020, and the change in its net assets, functional expenses and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

4550 MONTGOMERY AVENUE • SUITE 800 NORTH • BETHESDA, MARYLAND 20814
(301) 951-9090 • WWW.GRFCPA.COM

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Report on Summarized Comparative Information

We have previously audited the Foundation's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 12, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Gelman Rosenberg & Friedman

December 9, 2020

THE NEA FOUNDATION
STATEMENT OF FINANCIAL POSITION
AS OF AUGUST 31, 2020
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2019

ASSETS		<u>2020</u>	<u>2019</u>
CURRENT ASSETS			
Cash and cash equivalents	\$	1,941,060	\$ 1,539,905
Interest receivable		13,386	16,740
Contributions receivable		644,258	405,258
Prepaid expenses		<u>49,563</u>	<u>54,665</u>
Total current assets		<u>2,648,267</u>	<u>2,016,568</u>
FIXED ASSETS			
Equipment		55,663	51,945
Furniture		<u>41,691</u>	<u>41,691</u>
		97,354	93,636
Less: Accumulated depreciation and amortization		<u>(78,548)</u>	<u>(72,388)</u>
Net fixed assets		<u>18,806</u>	<u>21,248</u>
OTHER ASSETS			
Restricted cash		189,504	194,936
Investments		43,993,058	43,397,635
Contributions receivable, net of current portion		<u>325,000</u>	<u>160,000</u>
Total other assets		<u>44,507,562</u>	<u>43,752,571</u>
TOTAL ASSETS		<u>\$ 47,174,635</u>	<u>\$ 45,790,387</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable	\$	52,904	\$ 172,126
Accrued expenses		83,726	51,488
Capital lease obligation		3,502	3,330
Grants payable		331,520	312,937
Scholarship funds held as fiscal agent		<u>189,504</u>	<u>194,936</u>
Total current liabilities		661,156	734,817
LONG-TERM LIABILITIES			
Capital lease obligation, net of current portion		<u>9,565</u>	<u>13,067</u>
Total liabilities		<u>670,721</u>	<u>747,884</u>
NET ASSETS			
Without donor restrictions		45,656,901	44,136,616
With donor restrictions		<u>847,013</u>	<u>905,887</u>
Total net assets		<u>46,503,914</u>	<u>45,042,503</u>
TOTAL LIABILITIES AND NET ASSETS		<u>\$ 47,174,635</u>	<u>\$ 45,790,387</u>

See accompanying notes to financial statements.

THE NEA FOUNDATION

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED AUGUST 31, 2020
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2019**

	2020			2019
	Without Donor Restrictions	With Donor Restrictions	Total	Total
SUPPORT AND REVENUE				
Contributions:				
From NEA - In-kind	\$ 244,800	\$ -	\$ 244,800	\$ 244,800
From NEA members passed through NEA	1,928,589	-	1,928,589	1,711,875
From all others - cash	333,495	584,059	917,554	1,260,794
From all others - in-kind	19,200	-	19,200	48,400
Investment income, net of expenses	2,843,488	-	2,843,488	632,578
Net assets released from donor restrictions	<u>642,933</u>	<u>(642,933)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>6,012,505</u>	<u>(58,874)</u>	<u>5,953,631</u>	<u>3,898,447</u>
EXPENSES				
Program Services	<u>3,436,903</u>	<u>-</u>	<u>3,436,903</u>	<u>5,241,374</u>
Supporting Services:				
Management and General Development	666,641	-	666,641	768,419
	<u>388,676</u>	<u>-</u>	<u>388,676</u>	<u>483,655</u>
Total supporting services	<u>1,055,317</u>	<u>-</u>	<u>1,055,317</u>	<u>1,252,074</u>
Total expenses	<u>4,492,220</u>	<u>-</u>	<u>4,492,220</u>	<u>6,493,448</u>
Change in net assets	1,520,285	(58,874)	1,461,411	(2,595,001)
Net assets at beginning of year	<u>44,136,616</u>	<u>905,887</u>	<u>45,042,503</u>	<u>47,637,504</u>
NET ASSETS AT END OF YEAR	<u>\$ 45,656,901</u>	<u>\$ 847,013</u>	<u>\$ 46,503,914</u>	<u>\$ 45,042,503</u>

THE NEA FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2020
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2019

	2020				2019	
	Program Services	Supporting Services		Total Supporting Services	Total Expenses	Total Expenses
		Management and General	Development			
Salaries	\$ 792,280	\$ 305,937	\$ 233,789	\$ 539,726	\$ 1,332,006	\$ 1,713,381
Grants and awards	1,051,046	-	-	-	1,051,046	1,446,701
Consultants	665,208	60,045	6,445	66,490	731,698	1,333,755
Travel	351,938	84,770	380	85,150	437,088	486,956
Production management	-	-	-	-	-	318,557
In-kind expenses	167,528	52,408	44,064	96,472	264,000	293,200
Employee benefits	84,452	29,337	24,920	54,257	138,709	275,492
Office expenses	124,895	15,996	20,458	36,454	161,349	191,892
Pension	76,149	26,215	22,470	48,685	124,834	157,160
Payroll taxes	59,989	20,652	17,702	38,354	98,343	127,990
Equipment rental and maintenance	43,088	848	11,925	12,773	55,861	41,910
Rent	-	-	-	-	-	35,008
Professional services	14,233	9,266	4,200	13,466	27,699	32,025
Giveaways and non-cash awards	2,340	9,054	1,214	10,268	12,608	23,539
Miscellaneous expenses	-	50,069	-	50,069	50,069	9,109
Depreciation and amortization	3,757	1,294	1,109	2,403	6,160	6,257
Interest	-	750	-	750	750	516
TOTAL	\$ 3,436,903	\$ 666,641	\$ 388,676	\$ 1,055,317	\$ 4,492,220	\$ 6,493,448

See accompanying notes to financial statements.

THE NEA FOUNDATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED AUGUST 31, 2020
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,461,411	\$ (2,595,001)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation and amortization	6,160	6,257
Unrealized (gain) loss	(802,442)	816,898
Realized gain	(1,332,674)	(906,098)
Gain on sale of equipment	-	(138)
Decrease (increase) in:		
Interest receivable	3,354	3,249
Contributions receivable	(404,000)	182,649
Prepaid expenses	5,102	11,276
(Decrease) increase in:		
Accounts payable	(119,222)	76,461
Accrued expenses	32,238	(51,284)
Grants payable	18,583	115,237
Scholarship funds held as fiscal agent	<u>(5,432)</u>	<u>268</u>
Net cash used by operating activities	<u>(1,136,922)</u>	<u>(2,340,226)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of fixed assets	(3,718)	(1,408)
Proceeds from sale of fixed assets	-	1,038
Purchase of investments	(3,439,896)	(4,474,074)
Proceeds from sale of investments	<u>4,979,589</u>	<u>7,300,567</u>
Net cash provided by investing activities	<u>1,535,975</u>	<u>2,826,123</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments on capital lease obligations	<u>(3,330)</u>	<u>(4,602)</u>
Net cash used by financing activities	<u>(3,330)</u>	<u>(4,602)</u>
Net increase in cash and cash equivalents	395,723	481,295
Cash and cash equivalents at beginning of year	<u>1,734,841</u>	<u>1,253,546</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR, INCLUDING RESTRICTED CASH OF \$189,504 AND \$194,936, RESPECTIVELY	<u>\$ 2,130,564</u>	<u>\$ 1,734,841</u>
SUPPLEMENTAL INFORMATION:		
Interest Paid	<u>\$ 750</u>	<u>\$ 516</u>
SCHEDULE OF NONCASH INVESTING AND FINANCING TRANSACTIONS:		
Donated Securities	<u>\$ -</u>	<u>\$ 1,000</u>
Capital Lease Obligation Incurred for Use of Equipment	<u>\$ -</u>	<u>\$ 18,000</u>

See accompanying notes to financial statements.

THE NEA FOUNDATION
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

The NEA Foundation (the Foundation) is a public charity founded by educators for educators to improve public education for all students. Since its beginning in 1969, the Foundation has served as a laboratory of learning, offering funding and other resources to public school educators, their schools and districts to solve complex teaching and learning challenges. The Foundation believes that when educators unleash their own power, ideas, and voices, communities, schools and students all benefit. To achieve its mission, the Foundation invests in initiatives that support high-quality instruction and provide critical resources to boost student learning.

Awards for Teaching Excellence – The Foundation presents the Awards for Teaching Excellence at our annual gala to honor the critical work that public school educators do every day. In 2020, they celebrated 45 exemplary educators, all from different states, in front of an audience of thousands of people in Washington, D.C. and online.

Grants to Educators – To improve student learning, the Foundation provides grants to individuals and teams of educators to support instructional practice and professional development across all subject areas and grade levels. By directly funding educator-conceived and led projects, the Foundation enables educators to chart their own course to solve teaching and learning challenges. The Foundation gleans knowledge from these grants to share what works with the field and to inform our broader body of work. Additionally, this year, the Foundation provided 36 rapid response grants to educators, to support their work during the global pandemic.

Global Learning Fellowship – The Foundation leads an annual, cohort-based professional development program to provide educators with a blend of online, peer, and field-based learning opportunities to prepare themselves and their students for global citizenship. Fellows share what they learn with educators around the country and world.

The Foundation provided grants to 119 individual educators during the year ended August 31, 2020, supporting more than 212,720 students.

Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. As such, net assets are reported within two net asset classifications: without donor restrictions and with donor restrictions. Descriptions of the two net asset categories are as follows:

- **Net Assets Without Donor Restrictions** - Net assets available for use in general operations and not subject to donor restrictions are recorded as "net assets without donor restrictions". Assets restricted solely through the actions of the Board are referred to as Board Designated and are also reported as net assets without donor restrictions.
- **Net Assets With Donor Restrictions** - Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in "net assets with donor restrictions", depending on the nature of the restrictions.

THE NEA FOUNDATION
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)

Basis of presentation (continued) -

- **Net Assets With Donor Restrictions (continued)** - When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities and Change in Net Assets as net assets released from donor restrictions.

Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue without donor restrictions when the assets are placed in service.

The financial statements include certain prior year summarized comparative information in total but not by net asset class; such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended August 31, 2019, from which the summarized information was derived.

New accounting pronouncements adopted -

During 2020, the Foundation early adopted Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606), as amended. The ASU provides a framework for recognizing revenue and is intended to improve comparability of revenue recognition practices across for-profit and non-profit entities. Analysis of the various provisions of this standard resulted in no significant changes in the way the Foundation recognized revenue; however, the presentation and disclosures of revenue have been enhanced. The Foundation has elected to opt out of all (or certain) disclosures not required for nonpublic entities and also elected a modified retrospective approach for implementation.

Also during 2020, the Foundation adopted ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. This guidance is intended to clarify and improve the scope and the accounting guidance for contributions received and contributions made. Key provisions in this guidance include clarification regarding the accounting for grants and contracts as exchange transactions or contributions, and improved guidance to better distinguish between conditional and unconditional contributions. The Foundation adopted the ASU using a modified prospective basis.

Cash and cash equivalents -

The Foundation considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents. Bank deposit accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to a limit of \$250,000. At times during the year, the Foundation maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

Investments -

Investments are recorded at their readily determinable fair value. Interest, dividends, and realized and unrealized gains and losses are included in investment income, which is presented net of investment expenses paid to external investment advisors in the accompanying Statement of Activities and Change in Net Assets.

THE NEA FOUNDATION
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)

Contributions receivable -

Contributions receivable are recorded at their net realizable value, which approximates fair value. Management considers all amounts to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established.

Fixed assets -

Fixed assets in excess of \$1,000 are capitalized and stated at cost. Fixed assets are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally three to seven years. The cost of maintenance and repairs is recorded as expenses are incurred. Depreciation and amortization expense for the year ended August 31, 2020 totaled \$6,160.

Income taxes -

The Foundation is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements. The Foundation is not a private foundation.

Uncertain tax positions -

For the year ended August 31, 2020, the Foundation has documented its consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements.

Contributions -

The majority of the Foundation's revenue is received through contributions from corporations and individuals. Contributions are recognized in the appropriate category of net assets in the period received. The Foundation performs an analysis of the individual contribution to determine if the revenue streams follow the contribution rules or if they should be recorded as an exchange transaction depending upon whether the transactions are deemed reciprocal or nonreciprocal.

Contributions are recognized upon notification of the award and satisfaction of all conditions, if applicable. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions that are unconditional and have donor restrictions are recognized as "without donor restrictions" only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions; such funds in excess of expenses incurred are shown as net assets with donor restrictions in the accompanying financial statements. Conditional contributions contain a right of return and a barrier. Revenue is recognized when the condition or conditions are satisfied. The Foundation did not have any unrecognized conditional awards as of August 31, 2020.

Approximately 31% of the Foundation's revenue for the year ended August 31, 2020 was derived from support from members of the NEA. The Foundation expects the percentage of revenue derived from members of the NEA to decrease over time, but has no reason to believe that the relationship with this organization will be discontinued in the foreseeable future. However, any interruption of this relationship would adversely affect the Foundation's ability to finance ongoing operations.

THE NEA FOUNDATION
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)

In-kind contributions -

In-kind contributions consist of rent and travel. In-kind contributions are recorded at their fair value as of the date of the gift.

Use of estimates -

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities and Change in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses directly attributed to a specific functional area of the Foundation are reported as direct expenses to the programmatic area and those expenses that benefit more than one function are allocated on a basis of estimated time and effort or other reasonable basis.

Investment risks and uncertainties -

The Foundation invests in various investment securities. Investment securities are exposed to various risks such as interest rates, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying financial statements.

Fair value measurement -

The Foundation adopted the provisions of FASB ASC 820, *Fair Value Measurement*. FASB ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs (assumptions that market participants would use in pricing assets and liabilities, including assumptions about risk) used to measure fair value, and enhances disclosure requirements for fair value measurements. The Foundation accounts for a significant portion of its financial instruments at fair value or considers fair value in their measurement.

New accounting pronouncement not yet adopted -

FASB issued ASU 2019-01, *Leases* (Topic 842). The ASU changes the accounting treatment for operating leases by requiring recognition of a lease asset and lease liability at the present value of the lease payments in the Statement of Financial Position and disclosure of key information about leasing arrangements. During 2020, the FASB issued ASU 2020-05 and delayed the implementation date by one year. The ASU is effective for non public entities beginning after December 15, 2021. Early adoption is still permitted. The ASU can be applied at the beginning of the earliest period presented using a modified retrospective approach or applied at the beginning of the period of adoption recognizing a cumulative-effect adjustment. The Foundation plans to adopt the new ASU at the required implementation date and management is currently in the process of evaluating the adoption method and the impact of the new standard on its accompanying financial statements.

THE NEA FOUNDATION
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)

Economic uncertainties -

On March 11, 2020, the World Health Organization declared the Coronavirus disease (COVID-19) a global pandemic. As a result of the spread of COVID-19, economic uncertainties have arisen which may negatively impact the Foundation's operations. The overall potential impact is unknown at this time.

2. INVESTMENTS

Investments consisted of the following as of August 31, 2020:

	Fair Value
Mutual funds	\$ 17,172,485
Common collective trust funds - Fixed income	12,337,120
Common collective trust funds - Equities	10,647,009
Alternative investments: Master limited partnership funds	1,349,114
Alternative investments: Prime property fund	2,487,330
TOTAL INVESTMENTS	\$ <u>43,993,058</u>

Included in investment income, net, are the following:

Interest and dividends	\$ 866,090
Unrealized gain	802,442
Realized gain	1,332,674
Investment expenses provided by external investment advisors	(157,718)
TOTAL INVESTMENT INCOME, NET OF INVESTMENT EXPENSES	\$ <u>2,843,488</u>

3. CONTRIBUTIONS RECEIVABLE

As of August 31, 2020, contributors to the Foundation have made written promises to give totaling \$969,258. Contributions are due as follows at August 31, 2020:

Less than one year	\$ 644,258
One to five years	325,000
CONTRIBUTIONS RECEIVABLE	\$ <u>969,258</u>

4. GRANTS PAYABLE

As of August 31, 2020, grants payable were related to the following programs:

Grants to Educators	\$ 80,500
Union Collaboration Total	101,020
Other Grants	150,000
GRANTS PAYABLE	\$ <u>331,520</u>

THE NEA FOUNDATION
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2020

5. CAPITAL LEASE OBLIGATIONS

The Foundation has capital lease obligations for office equipment, which expire in 2024. As of August 31, 2020, the cost and related accumulated amortization of the leased assets were \$20,800 and \$8,200, respectively. Amortization of assets held under capital leases is included with depreciation and amortization expense.

<u>Year Ending August 31,</u>		
2021		\$ 4,080
2022		4,080
2023		4,080
2024		<u>2,040</u>
		14,280
Less: Interest		<u>(1,213)</u>
		13,067
Less: Current portion		<u>(3,502)</u>
LONG-TERM PORTION		<u>\$ 9,565</u>

6. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following at August 31, 2020:

Subject to expenditure for specified purpose:		
2021 Salute to Excellence in Education Gala		\$ 335,000
2022 Salute to Excellence in Education Gala		175,000
2023 Salute to Excellence in Education Gala		50,000
Grants to Educators		100,000
Grants to Educators (COVID-19)		50,000
Breakfast in the Classroom		106,425
Open Arms Fund		25,430
STEM		<u>5,158</u>
TOTAL NET ASSETS WITH DONOR RESTRICTIONS		<u>\$ 847,013</u>

The following net assets with donor restrictions were released from donor restrictions by incurring expenses (or through the passage of time) which satisfied the restricted purposes specified by the donors:

Purpose restrictions accomplished:		
Breakfast in the Classroom		\$ 196,374
2020 Salute to Excellence in Education Gala		372,500
Grants to Educators		54,771
Grants to Educators (COVID-19)		10,840
STEM		7,187
Global Learning Fellows		<u>1,261</u>
NET ASSETS RELEASED FROM DONOR RESTRICTIONS		<u>\$ 642,933</u>

THE NEA FOUNDATION
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2020

7. IN-KIND CONTRIBUTIONS

During the year ended August 31, 2020, the Foundation was the beneficiary of donated services which allowed the Foundation to provide greater resources toward various programs.

To properly reflect total program expenses, the following donations have been included in revenue and expense for the year ended August 31, 2020.

Rent	\$ 244,800
Travel	<u>19,200</u>
TOTAL IN-KIND CONTRIBUTIONS	<u>\$ 264,000</u>

The following programs have benefited from these donated services following for the year ended August 31, 2020:

District Program Administration	\$ 93,024
Administration	52,408
Individual Program Administration	56,304
Development	44,064
Global Learning Fellows	8,000
Awards for Teaching Excellence	8,800
COO	<u>1,400</u>
TOTAL	<u>\$ 264,000</u>

8. LIQUIDITY AND AVAILABILITY

Financial assets available for use for general expenditures within one year of the Statement of Financial Position date comprise the following:

Cash and cash equivalents	\$ 1,941,060
Interest receivable	13,386
Contributions receivable	644,258
Investments	<u>43,993,058</u>
Subtotal financial assets available within one year	46,591,762
Less: Donor restricted funds	<u>(847,013)</u>
FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR	<u>\$ 45,744,749</u>

The Foundation has a policy to structure its financial assets to be available and liquid as its obligations become due.

9. RETIREMENT PLAN

The Foundation provides retirement benefits to its employees through a defined contribution plan under Section 403(b) covering all employees.

THE NEA FOUNDATION
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2020

9. RETIREMENT PLAN (Continued)

For employees hired on September 1, 2009 or later, the Foundation contributes 10% of an employee's gross salary after a six-month introductory period. For employees who were employed at August 31, 2009, the Foundation contributes 18.5% of an employee's gross salary.

Contributions to the Plan during the year ended August 31, 2020 totaled \$124,834.

The Foundation also sponsors a tax-deferred annuity plan under Section 403(b) of the IRC, available to all employees. Participants may voluntarily contribute and defer a portion of their wages, up to the maximum as defined in the IRC. The Foundation does not contribute to the tax-deferred annuity plan.

10. RELATED PARTY

The Foundation receives contributions from NEA members and the NEA to partially fund programs and supporting services.

During the year ended August 31, 2020, the Foundation received revenue from NEA members and the NEA made a contribution to the Foundation as follows:

Contributions from NEA members	\$ 1,928,589
Donated Office Space	<u>244,800</u>
TOTAL	<u>\$ 2,173,389</u>

During the year ended August 31, 2020, the Foundation paid the NEA and several state affiliates \$4,500 in fiscal sponsorship grant payments.

Additionally, the NEA regularly bills the Foundation for administrative services such as telephone, medical and dental insurance premiums and other services. Payments to the NEA for these services were \$7,331 for the year ended August 31, 2020.

11. FAIR VALUE MEASUREMENT

In accordance with FASB ASC 820, *Fair Value Measurement*, the Foundation has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument. Investments recorded in the Statement of Financial Position are categorized based on the inputs to valuation techniques as follows:

Level 1. These are investments where values are based on unadjusted quoted prices for identical assets in an active market the Foundation has the ability to access.

Level 2. These are investments where values are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, or model-based valuation techniques that utilize inputs that are observable either directly or indirectly for substantially the full-term of the investments.

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11. FAIR VALUE MEASUREMENT (Continued)

Level 3. These are investments where inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Following is a description of the valuation methodology used for investments measured at fair value. There were no transfers between levels in the fair value hierarchy during the year ended August 31, 2020. Transfers between levels are recorded at the end of the reporting period, if applicable.

- *Mutual funds* - Valued at the daily closing price as reported by the fund. Mutual funds held by the Foundation are open-end mutual funds that are registered with the Securities and Exchange Commission (SEC). These funds are required to publish their daily value and to transact at that price. Mutual funds held by the Foundation are deemed to be actively traded.
- *Common collective trust funds* - The fair value is equal to the reported net asset value of the fund as provided by the trust.
- *Alternative investments* - These instruments do not have a readily determinable fair value. Fair value for these instruments is measured using the net asset value per share practical expedient, in accordance with ASU 2015-07.

The Foundation follows the disclosure provisions of accounting Standards Update (ASU) No. 2015-07, *Fair Value Measurement* (Topic 820): Disclosure for Investment in Certain Entities that Calculate Net Asset Value Per Share (or Its Equivalent). The ASU removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient; however, the fair value amounts presented in the tables are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the Statement of Financial Position.

The table below summarizes, the investments measured at fair value on a recurring basis, by level within the fair value hierarchy and those invested and measured at NAV as a practical expedient as of August 31, 2020.

Asset Class:	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds	\$ 17,172,485	\$ -	\$ -	\$ 17,172,485
Common collective trust funds - Fixed income	-	12,337,120	-	12,337,120
Common collective trust funds - Equities	<u>-</u>	<u>10,647,009</u>	<u>-</u>	<u>10,647,009</u>
Sub total investments using fair value hierarchy	17,172,485	22,984,129	-	40,156,614
Investments measured in NAV per practical expedient	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,836,444</u>
TOTAL INVESTMENTS	<u>\$ 17,172,485</u>	<u>\$ 22,984,129</u>	<u>\$ -</u>	<u>\$ 43,993,058</u>

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11. FAIR VALUE MEASUREMENT (Continued)

The following is a summary of the investments valued using NAV as a practical expedient and the related unfunded commitments and redemption restrictions associated with each major category at August 31, 2020.

	<u>Net Asset Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency Ranges</u>	<u>Redemption Notice Requirement</u>
Alternative Investments:				
Master Limited Partnership			Daily	30 Days
Funds (a)	\$ 1,349,114	\$ -		
MS Prime Property Fund (b)	<u>2,487,330</u>	<u>-</u>	Daily	30 days
	<u>\$ 3,836,444</u>	<u>\$ -</u>		

(a) *Harvest Master Limited Partnership Fund*: Harvest's investment objective is to deliver both high yield and stable growth, through the disciplined application of investment and trading strategies to MLP and energy infrastructure assets.

(b) *Morgan Stanley Prime Property Fund* is an open-ended private equity fund investing in core real estate investments within the United States.

12. RESTRICTED CASH

The Foundation acts as a fiscal agent for scholarship funds on behalf of two parties, National Education Association of the United States (NEA) and Kentucky Education Association (KEA). The agreements with NEA and KEA were entered into in March 2014 and May 2016, respectively. The agreements will continue indefinitely unless terminated by the parties.

Contributions to the scholarship funds are initially received by NEA or KEA, as applicable, and then transferred to the Foundation. Disbursements from the scholarship funds are made at the written request of NEA or KEA, as applicable. The Foundation does not charge either party an administrative fee for its fiscal sponsorship services. As of August 31, 2020, the Foundation maintained a total of \$189,504 in funds on behalf of the parties. These amounts are included as restricted cash and scholarship funds held as fiscal agent on the accompanying Statement of Financial Position.

13. SUBSEQUENT EVENTS

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through December 9, 2020, the date the financial statements were issued.