

FINANCIAL STATEMENTS



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

**FOR THE YEAR ENDED AUGUST 31, 2022
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2021**

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.

Opinion

We have audited the accompanying financial statements of The NEA Foundation (the Foundation), which comprise the statement of financial position as of August 31, 2022, 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.

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, 2022, and the change in its net assets and its cash flows for the year 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 the Foundation 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 the Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists.

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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 the Foundation'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 the Foundation'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.

Report on Summarized Comparative Information

We have previously audited the Foundation's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 24, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.



January 17, 2023

THE NEA FOUNDATION
STATEMENT OF FINANCIAL POSITION
AS OF AUGUST 31, 2022
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2021

ASSETS		<u>2022</u>	<u>2021</u>
CURRENT ASSETS			
Cash and cash equivalents	\$	1,799,304	\$ 1,522,714
Interest receivable		35,422	13,333
Contributions receivable		299,700	388,525
Prepaid expenses		<u>83,626</u>	<u>98,112</u>
Total current assets		<u>2,218,052</u>	<u>2,022,684</u>
FIXED ASSETS			
Equipment		57,903	55,663
Furniture		<u>41,691</u>	<u>41,691</u>
		99,594	97,354
Less: Accumulated depreciation and amortization		<u>(90,957)</u>	<u>(85,089)</u>
Net fixed assets		<u>8,637</u>	<u>12,265</u>
OTHER ASSETS			
Restricted cash		192,418	201,490
Investments		43,730,560	52,112,018
Contributions receivable, net of current portion		<u>150,000</u>	<u>100,000</u>
Total other assets		<u>44,072,978</u>	<u>52,413,508</u>
TOTAL ASSETS		<u>\$ 46,299,667</u>	<u>\$ 54,448,457</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable	\$	299,031	\$ 45,738
Accrued expenses		137,676	107,257
Capital lease obligation		3,872	3,682
Grant funds held as fiscal agent		50,000	50,000
Grants payable		1,799,579	1,285,222
Scholarship funds held as fiscal agent		<u>192,418</u>	<u>201,490</u>
Total current liabilities		2,482,576	1,693,389
LONG-TERM LIABILITIES			
Capital lease obligation, net of current portion		<u>2,011</u>	<u>5,883</u>
Total liabilities		<u>2,484,587</u>	<u>1,699,272</u>
NET ASSETS			
Without donor restrictions		43,490,283	52,255,358
With donor restrictions		<u>324,797</u>	<u>493,827</u>
Total net assets		<u>43,815,080</u>	<u>52,749,185</u>
TOTAL LIABILITIES AND NET ASSETS		<u>\$ 46,299,667</u>	<u>\$ 54,448,457</u>

See accompanying notes to financial statements.

THE NEA FOUNDATION

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED AUGUST 31, 2022
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2021**

	2022			2021
	Without Donor Restrictions	With Donor Restrictions	Total	Total
SUPPORT AND REVENUE				
Contributions:				
From NEA - In-kind	\$ 261,120	\$ -	\$ 261,120	\$ 244,800
From NEA members passed through NEA	1,762,025	-	1,762,025	1,796,272
From all others - cash	1,729,593	319,447	2,049,040	483,891
Net assets released from donor restrictions	<u>488,477</u>	<u>(488,477)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>4,241,215</u>	<u>(169,030)</u>	<u>4,072,185</u>	<u>2,524,963</u>
EXPENSES				
Program Services	<u>5,313,495</u>	<u>-</u>	<u>5,313,495</u>	<u>3,881,682</u>
Supporting Services:				
Management and General Development	964,319	-	964,319	673,917
	<u>464,820</u>	<u>-</u>	<u>464,820</u>	<u>450,431</u>
Total supporting services	<u>1,429,139</u>	<u>-</u>	<u>1,429,139</u>	<u>1,124,348</u>
Total expenses	<u>6,742,634</u>	<u>-</u>	<u>6,742,634</u>	<u>5,006,030</u>
Change in net assets before other item	(2,501,419)	(169,030)	(2,670,449)	(2,481,067)
OTHER ITEM				
Investment (loss) income, net of expenses	<u>(6,263,656)</u>	<u>-</u>	<u>(6,263,656)</u>	<u>8,726,338</u>
Change in net assets after other item	(8,765,075)	(169,030)	(8,934,105)	6,245,271
Net assets at beginning of year	<u>52,255,358</u>	<u>493,827</u>	<u>52,749,185</u>	<u>46,503,914</u>
NET ASSETS AT END OF YEAR	<u>\$ 43,490,283</u>	<u>\$ 324,797</u>	<u>\$ 43,815,080</u>	<u>\$ 52,749,185</u>

THE NEA FOUNDATION

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2022
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2021**

	2022				2021	
	Supporting Services			Total Supporting Services	Total Expenses	Total Expenses
	Program Services	Management and General	Development			
Grants and awards	\$ 2,379,677	\$ -	\$ -	\$ -	\$ 2,379,677	\$ 1,862,170
Salaries	835,552	327,276	254,914	582,190	1,417,742	1,429,446
Consultants	1,221,021	295,283	53,865	349,148	1,570,169	476,888
Production management	-	-	-	-	-	289,914
In-kind rent	154,060	60,058	47,002	107,060	261,120	244,800
Employee benefits	93,217	36,338	28,439	64,777	157,994	167,590
Office expenses	27,736	18,660	2,371	21,031	48,767	120,655
Pension	79,413	30,958	24,228	55,186	134,599	120,124
Payroll taxes	59,619	23,241	18,189	41,430	101,049	111,091
Miscellaneous expenses	97,434	55,704	24,935	80,639	178,073	54,665
Professional services	15,352	26,893	4,684	31,577	46,929	41,599
Equipment rental and maintenance	43,620	1,257	-	1,257	44,877	39,509
Giveaways and non-cash awards	9,341	4,306	4,806	9,112	18,453	18,366
Travel	291,507	82,211	421	82,632	374,139	18,281
Depreciation and amortization	3,166	1,736	966	2,702	5,868	6,541
Legal fees	2,780	-	-	-	2,780	3,813
Interest	-	398	-	398	398	578
TOTAL	\$ 5,313,495	\$ 964,319	\$ 464,820	\$ 1,429,139	\$ 6,742,634	\$ 5,006,030

THE NEA FOUNDATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED AUGUST 31, 2022
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (8,934,105)	\$ 6,245,271
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation and amortization	5,868	6,541
Unrealized loss (gain)	16,091,259	(8,022,426)
Realized gain	(9,032,850)	(330,990)
(Increase) decrease in:		
(Interest) loss receivable	(22,089)	53
Contributions receivable	38,825	480,733
Prepaid expenses	14,486	(48,549)
Increase (decrease) in:		
Accounts payable	253,293	(7,166)
Accrued expenses	30,419	23,531
Grant funds held as fiscal agent	-	50,000
Grants payable	514,357	953,702
Scholarship funds held as fiscal agent	<u>(9,072)</u>	<u>11,986</u>
Net cash used by operating activities	<u>(1,049,609)</u>	<u>(637,314)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of fixed assets	(2,240)	-
Purchase of investments	(1,050,987)	(999,860)
Proceeds from sale of investments	<u>2,374,036</u>	<u>1,234,316</u>
Net cash provided by investing activities	<u>1,320,809</u>	<u>234,456</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments on capital lease obligations	<u>(3,682)</u>	<u>(3,502)</u>
Net cash used by financing activities	<u>(3,682)</u>	<u>(3,502)</u>
Net increase (decrease) in cash and cash equivalents	267,518	(406,360)
Cash and cash equivalents at beginning of year	<u>1,724,204</u>	<u>2,130,564</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR, INCLUDING RESTRICTED CASH OF \$192,418 AND \$201,490, RESPECTIVELY	<u>\$ 1,991,722</u>	<u>\$ 1,724,204</u>
SUPPLEMENTAL INFORMATION:		
Interest Paid	<u>\$ 398</u>	<u>\$ 578</u>

See accompanying notes to financial statements.

THE NEA FOUNDATION
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

The NEA Foundation (the Foundation), a public charity, is a national nonprofit and philanthropic organization based in Washington, D.C. Founded by educators, our mission is to work in partnership with others to promote the absolute best in public education. We believe that the most innovative and effective policies and strategies emanate from educators engaged in authentic partnership with policymakers, students, parents, and others who are committed to educational equity, excellence, and opportunity. Through the transformative power of these partnerships, we believe we can improve both students' and communities' educational experiences.

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 2022, we celebrated 46 exemplary educators, all from different states, in front of an audience of thousands of people 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.

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 172 individual educators during the year ended August 31, 2022, supporting more than 103,620 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. 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.

THE NEA FOUNDATION
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2022

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

Basis of presentation (continued) -

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, 2021, from which the summarized information was derived.

New accounting pronouncement adopted -

During the year ended August 31, 2022, the Foundation adopted ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which improves generally accepted accounting principles (GAAP) by increasing the transparency of contributed nonfinancial assets for not-for-profit (NFP) entities through enhancements to presentation and disclosure. The amendments in this Update address certain stakeholders' concerns about the lack of transparency relating to the measurement of contributed nonfinancial assets recognized by NFPs, as well as the amount of those contributions used in a NFP's programs and other activities. The ASU was adopted retrospectively and did not change the recognition and measurement requirements for those contributed nonfinancial assets.

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 (loss) income, which is presented net of investment expenses paid to external investment advisors in the accompanying Statement of Activities and Change in Net Assets.

Contributions receivable -

Contributions receivable are recorded at their net realizable value, which approximates fair value. Receivables that are expected to be collected in future years are recorded at fair value, measured as the present value of their future cash flows. 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, 2022 totaled \$5,868.

THE NEA FOUNDATION
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2022

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

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, 2022, 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.

Support and revenue -

The Foundation receives contributions, including unconditional promises to give, from many sources. 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 transaction is deemed reciprocal or nonreciprocal under ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*.

For contributions qualifying under the contribution rules, revenue is 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 qualifying as 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.

Contributions qualifying as conditional contributions contain a right of return and a barrier. Funds received in advance of the incurrence of qualifying expenditures are recorded as deferred revenue. The Foundation did not have any unrecognized conditional awards as of August 31, 2022.

Approximately 43% of the Foundation's revenue for the year ended August 31, 2022, excluding investment loss, 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.

In-kind contributions -

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

THE NEA FOUNDATION
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2022

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

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 actual time and effort.

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 -

ASU 2019-01, *Leases* (Topic 842), 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, 2022

2. INVESTMENTS

Investments consisted of the following as of August 31, 2022:

	Fair Value
Mutual funds	\$ 3,271,767
Common collective trust funds - Fixed income	3,170,795
Common collective trust funds - Equities	5,210,592
Alternative investments: Master limited partnership funds	18,241,026
Common stocks	11,150,192
Government bonds	2,158,312
Corporate bonds	527,876
TOTAL INVESTMENTS	<u>\$ 43,730,560</u>

Included in investment loss, net, are the following:

Interest and dividends	\$ 1,051,215
Unrealized loss	(16,091,259)
Realized gain	9,032,850
Investment expenses provided by external investment advisors	(256,462)
TOTAL INVESTMENT LOSS, NET OF INVESTMENT EXPENSES	<u>\$ (6,263,656)</u>

3. CONTRIBUTIONS RECEIVABLE

As of August 31, 2022, contributors to the Foundation have made written promises to give totaling \$449,700. Contributions are due as follows at August 31, 2022:

Less than one year	\$ 299,700
One to five years	150,000
TOTAL CONTRIBUTIONS RECEIVABLE	<u>\$ 449,700</u>

4. GRANTS PAYABLE

As of August 31, 2022, grants payable were related to the following programs:

Grants to Educators	\$ 153,955
Community Schools	884,250
Union Collaboration Total	65,874
Other Grants	695,500
GRANTS PAYABLE	<u>\$ 1,799,579</u>

5. CAPITAL LEASE OBLIGATIONS

The Foundation has capital lease obligations for office equipment, which expire in 2024. As of August 31, 2022, the cost and related accumulated amortization of the leased assets were \$20,800 and \$14,800, respectively. Amortization of assets held under capital leases is included with depreciation and amortization expense.

THE NEA FOUNDATION
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2022

5. CAPITAL LEASE OBLIGATIONS (Continued)

Future minimum lease payments at August 31, 2022 are as follows:

<u>Year Ending August 31,</u>		
2023	\$	4,080
2024		<u>2,040</u>
		6,120
Less: Interest		<u>(237)</u>
		5,883
Less: Current portion		<u>(3,872)</u>
LONG-TERM PORTION	\$	<u>2,011</u>

6. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following at August 31, 2022:

Subject to expenditure for specified purpose:		
2023 Salute to Excellence in Education Gala	\$	125,000
2024 Salute to Excellence in Education Gala		75,000
Grants to Educators		50,000
Breakfast in the Classroom		38,239
Open Arms Fund		25,430
STEM		<u>11,128</u>
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	\$	<u>324,797</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:		
2022 Salute to Excellence in Education Gala	\$	325,000
Community Schools		104,496
Grants to Educators		58,016
Global Learning Fellows		<u>965</u>
NET ASSETS RELEASED FROM DONOR RESTRICTIONS	\$	<u>488,477</u>

7. IN-KIND CONTRIBUTIONS

During the year ended August 31, 2022, 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, 2022.

Rent	\$	<u>261,120</u>
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THE NEA FOUNDATION
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2022

7. IN-KIND CONTRIBUTIONS (Continued)

The following programs have benefited from these donated services following for the year ended August 31, 2022:

Program Administration	\$ 154,060
Administration	60,058
Development	<u>47,002</u>
TOTAL	<u>\$ 261,120</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	\$ 1,799,304
Interest receivable	35,422
Contributions receivable	299,700
Investments	<u>43,730,560</u>
Subtotal financial assets available within one year	45,864,986
Less: Donor restricted funds	<u>(324,797)</u>
FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR	<u>\$ 45,540,189</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. 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, 2022 totaled \$134,598.

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.

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10. RELATED PARTY (Continued)

During the year ended August 31, 2022, the Foundation received revenue from NEA members and the NEA made a contribution to the Foundation as follows:

Contributions from NEA members	\$ 1,762,025
Donated Office Space	<u>261,120</u>
TOTAL	<u>\$ 2,023,145</u>

Additionally, the NEA regularly bills the Foundation for administrative services such as life insurance premiums. Payments to the NEA for these services were \$935 for the year ended August 31, 2022. As of August 31, 2022, the Foundation did not owe any amounts to the NEA for administrative services.

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.

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 have been no changes in the methodologies used as of August 31, 2022. There were no transfers between levels in the fair value hierarchy during the year ended August 31, 2022. Transfers between levels are recorded at the end of the reporting period, if applicable.

- *Common stocks* - Valued at the closing price reported on the active market in which the individual securities are traded.
- *U.S. Government securities* - Valued at the closing price reported on the active market in which the individual securities are traded.
- *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.

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AUGUST 31, 2022

11. FAIR VALUE MEASUREMENT (Continued)

- *Corporate securities* - Fair value is based upon current yields available on comparable securities of issuers with similar ratings, the security's terms and conditions, and interest rate and credit risk.
- *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, 2022.

Asset Class:	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds	\$ 3,271,767	\$ -	\$ -	\$ 3,271,767
Common collective trust funds - Fixed income	-	3,170,795	-	3,170,795
Common collective trust funds - Equities	-	5,210,592	-	5,210,592
Common stocks	11,150,192	-	-	-
Government bonds	2,158,312	-	-	-
Corporate bonds	-	527,876	-	-
	<u>16,580,271</u>	<u>8,909,263</u>	<u>-</u>	<u>25,489,534</u>
Investments measured in NAV per practical expedient	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,241,026</u>
TOTAL INVESTMENTS	<u>\$ 16,580,271</u>	<u>\$ 8,909,263</u>	<u>\$ -</u>	<u>\$ 43,730,560</u>

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, 2022.

Alternative Investments:	<u>Net Asset Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency Ranges</u>	<u>Redemption Notice Requirement</u>
Master Limited Partnership Funds (a)	<u>\$ 18,241,026</u>	<u>\$ -</u>	Daily	30 Days

(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.

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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, 2022, the Foundation maintained a total of \$192,418 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 January 17, 2023, the date the financial statements were issued.