

FINANCIAL STATEMENTS



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

**FOR THE YEAR ENDED AUGUST 31, 2017
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2016**

THE NEA FOUNDATION

CONTENTS

	PAGE NO.
INDEPENDENT AUDITOR'S REPORT	2 - 3
EXHIBIT A - Statement of Financial Position, as of August 31, 2017, with Summarized Financial Information for 2016	4
EXHIBIT B - Statement of Activities and Change in Net Assets, for the Year Ended August 31, 2017, with Summarized Financial Information for 2016	5
EXHIBIT C - Statement of Functional Expenses, for the Year Ended August 31, 2017, with Summarized Financial Information for 2016	6
EXHIBIT D - Statement of Cash Flows, for the Year Ended August 31, 2017, with Summarized Financial Information for 2016	7
NOTES TO FINANCIAL STATEMENTS	8 - 17

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 which comprise the statement of financial position as of August 31, 2017, 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 NEA Foundation as of August 31, 2017, 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.

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Report on Summarized Comparative Information

The prior year summarized comparative information has been derived from The NEA Foundation's 2016 financial statements, which were audited by other auditors and, in their report dated December 8, 2016, they expressed an unmodified opinion on those statements.

Gelman Rosenberg & Friedman

December 7, 2017

THE NEA FOUNDATION
STATEMENT OF FINANCIAL POSITION
AS OF AUGUST 31, 2017
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2016

ASSETS

	<u>2017</u>	<u>2016</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,558,484	\$ 3,020,211
Interest receivable	21,164	-
Contributions receivable, current portion	631,260	1,278,131
Prepaid expenses	<u>55,403</u>	<u>28,625</u>
Total current assets	<u>3,266,311</u>	<u>4,326,967</u>
FIXED ASSETS		
Equipment	48,211	45,390
Furniture	<u>41,691</u>	<u>41,691</u>
	89,902	87,081
Less: Accumulated depreciation and amortization	<u>(74,599)</u>	<u>(65,494)</u>
Net fixed assets	<u>15,303</u>	<u>21,587</u>
OTHER ASSETS		
Investments	44,785,868	43,269,960
Contributions receivable, net of current portion	<u>250,000</u>	<u>330,521</u>
Total other assets	<u>45,035,868</u>	<u>43,600,481</u>
TOTAL ASSETS	<u>\$ 48,317,482</u>	<u>\$ 47,949,035</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	\$ 173,377	\$ 151,539
Accrued payroll and payroll taxes	29,277	79,139
Accrued vacation	29,199	17,829
Capital lease obligation, current portion	4,229	4,130
Grants payable, current portion	178,881	1,236,887
Scholarship funds held as fiscal agent	<u>170,677</u>	<u>156,132</u>
Total current liabilities	<u>585,640</u>	<u>1,645,656</u>
LONG-TERM LIABILITIES		
Capital lease obligation, net of current portion	2,999	7,229
Grants payable, net of current portion	<u>52,500</u>	<u>-</u>
Total long-term liabilities	<u>55,499</u>	<u>7,229</u>
Total liabilities	<u>641,139</u>	<u>1,652,885</u>
NET ASSETS		
Unrestricted	46,315,927	42,986,149
Temporarily restricted	<u>1,360,416</u>	<u>3,310,001</u>
Total net assets	<u>47,676,343</u>	<u>46,296,150</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 48,317,482</u>	<u>\$ 47,949,035</u>

See accompanying notes to financial statements.

THE NEA FOUNDATION

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED AUGUST 31, 2017
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2016**

	2017			2016
	Unrestricted	Temporarily Restricted	Total	Total
SUPPORT AND REVENUE				
Contributions:				
From NEA - In-kind	\$ 238,000	\$ -	\$ 238,000	\$ 238,000
From NEA members passed through NEA	1,878,509	-	1,878,509	1,878,029
From all others - cash	1,191,965	930,269	2,122,234	4,374,045
From all others - in-kind	47,090	-	47,090	76,322
Investment income	4,340,511	-	4,340,511	3,271,170
Net assets released from donor restrictions	<u>2,879,854</u>	<u>(2,879,854)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>10,575,929</u>	<u>(1,949,585)</u>	<u>8,626,344</u>	<u>9,837,566</u>
EXPENSES				
Program Services	<u>6,010,130</u>	<u>-</u>	<u>6,010,130</u>	<u>6,191,176</u>
Supporting Services:				
Management and General	707,701	-	707,701	820,442
Development	<u>528,320</u>	<u>-</u>	<u>528,320</u>	<u>424,824</u>
Total supporting services	<u>1,236,021</u>	<u>-</u>	<u>1,236,021</u>	<u>1,245,266</u>
Total expenses	<u>7,246,151</u>	<u>-</u>	<u>7,246,151</u>	<u>7,436,442</u>
Change in net assets	3,329,778	(1,949,585)	1,380,193	2,401,124
Net assets at beginning of year	<u>42,986,149</u>	<u>3,310,001</u>	<u>46,296,150</u>	<u>43,895,026</u>
NET ASSETS AT END OF YEAR	<u>\$ 46,315,927</u>	<u>\$ 1,360,416</u>	<u>\$ 47,676,343</u>	<u>\$ 46,296,150</u>

THE NEA FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2017
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2016

	<u>2017</u>			<u>2016</u>	
	<u>Total Program Services</u>	<u>Supporting Services</u>		<u>Total Expenses</u>	<u>Total Expenses</u>
		<u>Management and General</u>	<u>Development</u>		
Grants and awards	\$ 2,888,510	\$ -	\$ -	\$ 2,888,510	\$ 2,888,386
Salaries	971,884	363,872	277,770	1,613,526	1,498,879
Consultants	680,702	90,836	17,362	788,900	934,935
Travel	247,480	78,586	10,470	336,536	506,965
Employee benefits	191,539	75,904	54,088	321,531	306,850
Production management	319,518	-	-	319,518	258,900
In-kind expenses	185,130	57,120	42,840	285,090	314,322
Pension	122,040	47,242	35,432	204,714	189,272
Other miscellaneous expenses, recoveries and indirect cost allocations	218,425	(102,476)	53,312	169,261	224,349
Payroll taxes	67,320	25,361	19,021	111,702	99,407
Office expenses	18,765	25,707	4,240	48,712	56,263
Giveaways and non-cash awards	20,110	20,645	2,452	43,207	28,303
Professional services	16,124	21,768	5,004	42,896	26,671
Equipment rental and maintenance	27,556	-	4,430	31,986	33,983
Rent	28,908	-	-	28,908	57,195
Depreciation and amortization	6,119	2,532	1,899	10,550	10,900
Interest	-	604	-	604	862
TOTAL	\$ 6,010,130	\$ 707,701	\$ 528,320	\$ 7,246,151	\$ 7,436,442

See accompanying notes to financial statements.

THE NEA FOUNDATION

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED AUGUST 31, 2017
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2016**

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,380,193	\$ 2,401,124
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation and amortization	10,550	10,900
Unrealized gain	(3,079,563)	(1,393,560)
Realized gain	(952,906)	(1,772,099)
(Increase) decrease in:		
Interest receivable	(21,164)	-
Contributions receivable	727,392	(640,319)
Prepaid expenses	(26,778)	(4,714)
Increase (decrease) in:		
Accounts payable	21,838	(29,963)
Accrued payroll and payroll taxes	(49,862)	17,561
Accrued vacation	11,370	(7,339)
Grants payable	(1,005,506)	(247,853)
Scholarship funds held as fiscal agent	<u>14,545</u>	<u>24,042</u>
Net cash used by operating activities	<u>(2,969,891)</u>	<u>(1,642,220)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of fixed assets	(4,266)	(4,576)
Purchase of investments	(9,550,633)	(7,082,238)
Proceeds from sale of investments	<u>12,067,194</u>	<u>10,099,457</u>
Net cash provided by investing activities	<u>2,512,295</u>	<u>3,012,643</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments on capital lease obligations	<u>(4,131)</u>	<u>(4,229)</u>
Net cash used by financing activities	<u>(4,131)</u>	<u>(4,229)</u>
Net (decrease) increase in cash and cash equivalents	(461,727)	1,366,194
Cash and cash equivalents at beginning of year	<u>3,020,211</u>	<u>1,654,017</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 2,558,484</u>	<u>\$ 3,020,211</u>
SUPPLEMENTAL INFORMATION:		
Interest Paid	<u>\$ 604</u>	<u>\$ 862</u>

THE NEA FOUNDATION
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2017

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 NEA Foundation believes that when educators unleash their own power, ideas, and voices, communities, schools and students all benefit.

To achieve its mission, The NEA Foundation invests in initiatives that support high-quality instruction and provide critical resources to boost student learning.

Breakfast in the Classroom – The Foundation boosts students’ academic performance, health, and behavior by supporting the Breakfast in the Classroom initiative. During the 2016-17 school year, together with our Partners for Breakfast in the Classroom, we invested in 57 schools to provide breakfast to more than 16,000 under-served students.

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 2017, they celebrated 43 exemplary educators, all from different states, in front of an audience of 3,000 people in Washington, DC 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.

The Foundation provided grants to 185 individual educators during the year ended August 31, 2017 supporting nearly 66,200 students.

Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with the Financial Accounting Standards Board (FASB) ASC 958, *Not-for-Profit Entities*.

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, 2016, from which the summarized information was derived.

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.

THE NEA FOUNDATION
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2017

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

Cash and cash equivalents (continued) -

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 and dividends, realized and unrealized gains and losses, and investment expenses are included in investment income in the Statement of Activities and Change in Net Assets.

Contributions receivable -

Contributions receivable approximate 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, 2017 totaled \$10,550.

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, 2017, 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.

Net asset classification -

The net assets are reported in two self-balancing groups as follows:

- **Unrestricted net assets** include unrestricted revenue and contributions received without donor-imposed restrictions. These net assets are available for the operation of the Foundation.
- **Temporarily restricted net assets** include revenue and contributions subject to donor-imposed stipulations that will be met by the actions of the Foundation and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities and Change in Net Assets as net assets released from restrictions.

THE NEA FOUNDATION
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2017

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

Contributions -

Unrestricted and temporarily restricted contributions are recorded as revenue in the year notification is received from the donor. Temporarily restricted contributions are recognized as unrestricted support 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 temporarily restricted net assets in the accompanying financial statements.

Approximately 22% of the Foundation's revenue for the year ended August 31, 2017 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 and 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 rent, travel and supplies. 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.

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 NEA FOUNDATION
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2017

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

Fair value measurement (continued) -

The Foundation accounts for a significant portion of its financial instruments at fair value or considers fair value in their measurement. In 2015, the FASB issued Accounting Standards Update (ASU) 2015-07, *Fair Value Measurement* (Topic 820).

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. The ASU becomes effective for years beginning after December 15, 2016. During the year ended August 31, 2017, the Foundation adopted the new guidance which is permitted and applied it retrospectively.

Reclassification -

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation. These reclassifications had no effect on the previously reported changes in net assets.

New accounting pronouncements not yet adopted-

In August 2016, the FASB issued ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* (Topic 958), intended to improve financial reporting for not-for-profit entities. The ASU will reduce the current three classes of net assets into two: with and without donor restrictions. The change in each of the classes of net assets must be reported on the Statement of Activities and Change in Net Assets. The ASU also requires various enhanced disclosures around topics such as board designations, liquidity, functional classification of expenses, investment expenses, donor restrictions, and underwater endowments. The ASU is effective for years beginning after December 15, 2017.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606) (ASU 2014-09). The ASU establishes a comprehensive revenue recognition standard for virtually all industries under generally accepted accounting principles in the United States (U.S. GAAP) including those that previously followed industry-specific guidance. The guidance states that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The FASB issued ASU 2015-14 in August 2015 that deferred the effective date of ASU 2014-09 by a year thus the effective date is fiscal years beginning after December 15, 2018.

In 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). The ASU changes the accounting treatment for operating leases by recognizing a lease asset and lease liability at the present value of the lease payments in the statement of financial position and disclosing key information about leasing arrangements. The ASU is effective for private entities for fiscal years beginning after December 15, 2019.

The Foundation plans to adopt the ASUs at the required implementation dates.

THE NEA FOUNDATION
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2017

2. INVESTMENTS

Investments consisted of the following as of August 31, 2017:

	Fair Value
Mutual funds - Equities	\$ 16,353,044
Common collective trust funds - Fixed income	14,355,162
Common collective trust funds - Equities	12,029,960
Alternative investments: Master limited partnership funds	2,047,702
	<u>\$ 44,785,868</u>

Included in investment income are the following:

Interest and dividends	\$ 469,568
Unrealized gain	3,079,563
Realized gain	952,906
Investment expenses	(161,526)
TOTAL INVESTMENT INCOME	<u>\$ 4,340,511</u>

3. CONTRIBUTIONS RECEIVABLE

As of August 31, 2017, contributors to the Foundation have made written promises to give totaling \$881,260. The Foundation did not calculate a discount as of August 31, 2017 on contributions receivable due in more than one year due to the immateriality of the amount.

Contributions are due as follows at August 31, 2017:

Less than one year	\$ 631,260
One to five years	250,000
CONTRIBUTIONS RECEIVABLE	<u>\$ 881,260</u>

4. GRANTS PAYABLE

As of August 31, 2017, grants payable were related to the following programs:

Grants to Educators	\$ 25,500
Fiscal Sponsorships	23,000
Union-District Collaboration Total	94,500
Other Grants	88,381
GRANTS PAYABLE	<u>\$ 231,381</u>

THE NEA FOUNDATION
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2017

4. GRANTS PAYABLE (Continued)

As of August 31, 2017, grants payable were scheduled to be paid as follows:

Less than one year	\$	178,881
One to five years		<u>52,500</u>
GRANTS PAYABLE	\$	<u>231,381</u>

5. CAPITAL LEASE OBLIGATIONS

The Foundation has capital lease obligations for office equipment, which expire in 2018, 2019 and 2020. As of August 31, 2017, the cost and related accumulated amortization of the leased assets were \$20,300 and \$13,870, respectively. Amortization of assets held under capital leases is included with depreciation expense.

Future minimum lease payments at August 31, 2017 are as follows:

<u>Year Ending August 31, 2017</u>		
	\$	4,571
2018		2,330
2019		<u>810</u>
2020		7,711
Less: Interest		<u>(483)</u>
		7,228
Less: Current portion		<u>(4,229)</u>
LONG-TERM PORTION	\$	<u>2,999</u>

6. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at August 31, 2017:

Grants to Educators	\$	90,731
STEM		18,667
Breakfast in the Classroom		538,728
Rudy Careaga Scholarship Fund		1,600
Disaster Relief Fund		50,588
Open Arms Fund		65,190
2018 Salute to Excellence in Education Gala		313,925
2019 Salute to Excellence in Education Gala		125,000
2020 Salute to Excellence in Education Gala		125,000
Hurricane Harvey Fund		<u>30,987</u>
TOTAL TEMPORARILY RESTRICTED NET ASSETS	\$	<u>1,360,416</u>

THE NEA FOUNDATION
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2017

6. TEMPORARILY RESTRICTED NET ASSETS (Continued)

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

Grants to Educators	\$ 122,766
Global Learning Fellows	11,910
Peru Books	1,183
STEM	93,025
Closing the Achievement Gap	1,965
Tai Jewel Graves Scholarship Fund	6,466
New Program Development	15,000
State Affiliate Capacity Building	243,599
Breakfast in the Classroom	1,903,940
The Institute for Innovation in Teaching & Learning	1,495
First Book (Stories for All)	570
Rudy Careaga Scholarship Fund	1,000
Open Arms Fund	4,604
Vivian Roy Bowser Cancer Fund	70,098
2017 Salute to Excellence in Education Gala	335,016
WEA Project	10,381
Read Across America	5,000
Hurricane Harvey Relief	<u>51,836</u>
	<u>\$ 2,879,854</u>

7. IN-KIND CONTRIBUTIONS

During the year ended August 31, 2017, the Foundation was the beneficiary of donated services and materials 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, 2017.

Rent	\$ 238,000
White boards	37,090
Travel	<u>10,000</u>
	<u>\$ 285,090</u>

The following programs have benefited from these donated services:

District Program Administration	\$ 111,860
Administration	57,120
Development	42,840
Awards for Teaching Excellence	37,090
Individual Program Administration	26,180
Global Learning Fellows	<u>10,000</u>
	<u>\$ 285,090</u>

THE NEA FOUNDATION
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2017

8. PROGRAM SERVICES EXPENSES

Program services expenses for the year ended August 31, 2017 were as follows:

Breakfast in the Classroom	\$ 1,903,935
Program Administration	1,701,460
Awards for Teaching Excellence/Gala	565,381
Grants to Educators	431,512
Capacity Building	394,815
Global Learning Fellows	297,750
New Program Development	293,676
STEM	238,080
Partnerships	85,000
Fiscal Sponsorships	73,683
Strategic Plan Projects	<u>24,838</u>
	<u>\$ 6,010,130</u>

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, 2017 totaled \$204,713.

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. COMMITMENTS

The Foundation is committed under agreements for Gala production and Gala space through 2018. The total future commitments under the agreements at August 31, 2017 were \$204,800. There are cancellation penalties that would be due if the agreements were cancelled prior to the Gala event date.

11. 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, 2017, the Foundation received revenue from NEA members and the NEA made a contribution to the Foundation as follows:

Contributions from NEA members	\$ 1,878,509
Donated Office Space	<u>238,000</u>
TOTAL	<u>\$ 2,116,509</u>

THE NEA FOUNDATION
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2017

11. RELATED PARTY (Continued)

During the year ended August 31, 2017, the Foundation paid the NEA and several state affiliates \$68,653 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 \$312,661 for the year ended August 31, 2017. As of August 31, 2017, the Foundation owed the NEA \$31,177 for these services and this amount is included in accounts payable in the Statement of Financial Position

12. 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, 2017.

- *Mutual funds* - The fair value is equal to the reported net asset value of the fund, which is the price at which additional shares can be obtained.
- *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 NEA FOUNDATION
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2017

12. FAIR VALUE MEASUREMENT (Continued)

The table below summarizes, by level within the fair value hierarchy, the Foundation's investments as of August 31, 2017:

Asset Class:	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds - Equities	\$ 16,353,044	\$ -	\$ -	\$ 16,353,044
Common collective trust funds - Fixed income	-	14,355,162	-	14,355,162
Common collective trust funds - Equities	<u>-</u>	<u>12,029,960</u>	<u>-</u>	<u>12,029,960</u>
Subtotal	<u>16,353,044</u>	<u>26,385,122</u>	<u>-</u>	<u>42,738,166</u>
Investments measured at net asset value (1):				
Alternative investments: Master limited partnership funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,047,702</u>
TOTAL	<u>\$ 16,353,044</u>	<u>\$ 26,385,122</u>	<u>\$ -</u>	<u>\$ 44,785,868</u>

Investments measured at net asset value (1): Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been categorized in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the Statement of Financial Position. For the year ended August 31, 2017, there were no transfers between levels. Transfers between levels are recorded at the end of the reporting period, if applicable. 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, 2017.

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>\$ 2,047,702</u>	<u>\$ -</u>	<u>Daily</u>	<u>30 days</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.

13. SUBSEQUENT EVENTS

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through December 7, 2017, the date the financial statements were issued.