CPAs & ADVISORS

December 12, 2019

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

We have audited the financial statements of The NEA Foundation (the Foundation) for the year ended August 31, 2019, and have issued our report thereon dated December 12, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 5, 2017.

Professional standards also require that we communicate to you the following information related to our audit.

- **Qualitative Aspects of Accounting Practices**

  Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Foundation are described in Note 1 to the financial statements. During the year ended August 31, 2019, the Foundation adopted the provisions of Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* (Topic 958). No other accounting policies were adopted and the applications of existing policies were not changed during the year ended August 31, 2019. We noted no transactions entered into by the Foundation during the fiscal year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

  We noted the following three new ASUs that will be adopted at the respective required implementation dates:

  1. ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606), effective for fiscal years beginning after December 15, 2018. The ASU dictates revenue recognition to be based on the transfer of promised goods or service to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services.

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2. ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and Accounting guidance for Contributions Received and Contributions Made*, effective for fiscal years beginning after December 15, 2018. The ASU clarifies and improves current guidance about whether a transfer of assets is an exchange transaction or a contribution. The amendments in this ASU provide a more robust framework to determine when a transaction should be accounted for as a contribution under Subtopic 958-605 or as an exchange transaction accounted for under other guidance (for example, Topic 606). The amendments also provide additional guidance about how to determine whether a contribution is conditional or unconditional.

3. ASU 2016-02, *Leases* (Topic 842), effective for fiscal years beginning after December 15, 2020. The ASU changes the accounting treatment for operating and finance leases by recognizing a lease asset and lease liability at the present value of the lease payments, and requires disclosure of key information about leasing arrangements.

While these ASUs will change the presentation of the financial statements in the fiscal years of implementation, they are not expected to alter the reported statement of financial position.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The most sensitive estimates affecting the financial statements were the following:

- Allocation of expenses to programs, which is based on an allocation of the actual time spent on each program.
- Valuation and collectability of receivables, which is based on historical collections.
- Fair value estimates for alternative investments.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

The financial statement disclosures are neutral, consistent and clear.

- **Difficulties Encountered in Performing the Audit**

We encountered no significant difficulties in dealing with management in performing and completing our audit.

- **Discussions Prior to Retention**

  We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Foundation's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

- **Planned Scope and Timing of the Audit**

  We performed our audit according to the planned scope and timing previously communicated to you in our engagement letter and our other letter on planning of the engagement dated June 5, 2017.

- **Management Representations**

  We have requested certain representations from management that are included in the management representation letter dated December 12, 2019.

- **Corrected and Uncorrected Misstatements**

  Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. We are pleased to report there were no such misstatements noted.

- **Disagreements with Management**

  For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

- **Management Consultations with Other Independent Accountants**

  In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Foundation's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

- **Independence and Non-Audit Services Provided by Audit Firm**

  In accordance with professional standards, during the fiscal year and currently, all members of our firm were independent with respect to the Foundation.

During the fiscal year under audit, we provided corporate tax preparation services (IRS Form 990) and additional tax advice. All other time and expenses incurred by us were in connection with our annual audit.

This information is intended solely for the use of the Board of Directors and management of The NEA Foundation, and is not intended to be, and should not be, used by anyone other than these specified parties.

Gelman Rosenberg & Freedman

December 12, 2019

FINANCIAL STATEMENTS

THE NEA FOUNDATION®

THE NEA FOUNDATION FOR THE IMPROVEMENT OF EDUCATION

FOR THE YEAR ENDED AUGUST 31, 2019
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2018

THE NEA FOUNDATION

CONTENTS

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, 2019, 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, 2019, 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.

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Report on Summarized Comparative Information

We have previously audited the Foundation's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 10, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Gelman Rosenberg & Freedman

December 12, 2019

EXHIBIT A

THE NEA FOUNDATION

STATEMENT OF FINANCIAL POSITION
AS OF AUGUST 31, 2019
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2018

ASSETS

	2019	2018
CURRENT ASSETS		
Cash and cash equivalents	$ 1,539,905	$ 1,058,878
Interest receivable	16,740	19,989
Contributions receivable	405,258	452,907
Prepaid expenses	54,665	65,941
Total current assets	2,016,568	1,597,715
FIXED ASSETS		
Equipment	51,945	50,037
Furniture	41,691	41,691
	93,636	91,728
Less: Accumulated depreciation and amortization	(72,388)	(82,731)
Net fixed assets	21,248	8,997
OTHER ASSETS		
Restricted cash	194,936	194,668
Investments	43,397,635	46,134,928
Contributions receivable, net of current portion	160,000	295,000
Total other assets	43,752,571	46,624,596
TOTAL ASSETS	**$ 45,790,387**	**$ 48,231,308**

LIABILITIES AND NET ASSETS

	2019	2018
CURRENT LIABILITIES		
Accounts payable	$ 172,126	$ 95,665
Accrued expenses	51,488	102,772
Capital lease obligation	3,330	2,214
Grants payable	312,937	197,700
Scholarship funds held as fiscal agent	194,936	194,668
Total current liabilities	734,817	593,019
LONG-TERM LIABILITIES		
Capital lease obligation, net of current portion	13,067	785
Total liabilities	747,884	593,804
NET ASSETS		
Without donor restrictions	44,136,616	46,557,002
With donor restrictions	905,887	1,080,502
Total net assets	45,042,503	47,637,504
TOTAL LIABILITIES AND NET ASSETS	**$ 45,790,387**	**$ 48,231,308**

See accompanying notes to financial statements.

THE NEA FOUNDATION

STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED AUGUST 31, 2019
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2018

	2019			2018
	Without Donor Restrictions	With Donor Restrictions	Total	Total
SUPPORT AND REVENUE				
Contributions:				
From NEA - In-kind	$ 244,800	$ -	$ 244,800	$ 238,000
From NEA members passed through NEA	1,711,875	-	1,711,875	1,844,132
From all others - cash	412,065	848,729	1,260,794	1,454,665
From all others - in-kind	48,400	-	48,400	35,885
Investment income	632,578	-	632,578	3,012,600
Net assets released from donor restrictions	1,023,344	(1,023,344)	-	-
Total support and revenue	4,073,062	(174,615)	3,898,447	6,585,282
EXPENSES				
Program Services	5,241,374	-	5,241,374	5,311,059
Supporting Services:				
Management and General	768,419	-	768,419	750,810
Development	483,655	-	483,655	562,252
Total supporting services	1,252,074	-	1,252,074	1,313,062
Total expenses	6,493,448	-	6,493,448	6,624,121
Change in net assets	(2,420,386)	(174,615)	(2,595,001)	(38,839)
Net assets at beginning of year	46,557,002	1,080,502	47,637,504	47,676,343
NET ASSETS AT END OF YEAR	$ 44,136,616	$ 905,887	$ 45,042,503	$ 47,637,504

THE NEA FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2019
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2018

	2019					2018
		Supporting Services				
	Program Services	Management and General	Development	Total Supporting Services	Total Expenses	Total Expenses
Salaries	$ 1,059,886	$ 352,549	$ 300,946	$ 653,495	$ 1,713,381	$ 1,791,155
Grants and awards	1,446,701	-	-	-	1,446,701	1,835,477
Consultants	1,258,589	69,629	5,537	75,166	1,333,755	991,419
Travel	410,129	75,241	1,586	76,827	486,956	432,242
Production management	318,557	-	-	-	318,557	251,620
In-kind expenses	193,328	55,808	44,064	99,872	293,200	273,885
Employee benefits	182,476	50,152	42,864	93,016	275,492	318,303
Office expenses	105,852	62,675	23,365	86,040	191,892	65,313
Pension	97,836	31,944	27,380	59,324	157,160	205,809
Payroll taxes	79,542	26,087	22,361	48,448	127,990	123,545
Equipment rental and maintenance	32,610	-	9,300	9,300	41,910	69,150
Rent	35,008	-	-	-	35,008	36,506
Professional services	13,081	15,084	3,860	18,944	32,025	55,100
Giveaways and non-cash awards	3,962	18,311	1,266	19,577	23,539	35,522
Miscellaneous expenses	-	9,109	-	9,109	9,109	130,504
Depreciation and amortization	3,817	1,314	1,126	2,440	6,257	8,226
Interest	-	516	-	516	516	345
TOTAL	$ 5,241,374	$ 768,419	$ 483,655	$ 1,252,074	$ 6,493,448	$ 6,624,121

See accompanying notes to financial statements.

THE NEA FOUNDATION

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED AUGUST 31, 2019
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (2,595,001)	$ (38,839)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation and amortization	6,257	8,226
Unrealized loss (gain)	816,898	(2,206,037)
Realized gain	(906,098)	(329,296)
Gain on sale of equipment	(138)	(94)
Decrease (increase) in:		
Interest receivable	3,249	1,175
Contributions receivable	182,649	133,353
Prepaid expenses	11,276	(10,538)
Increase (decrease) in:		
Accounts payable	76,461	(77,712)
Accrued expenses	(51,284)	44,296
Grants payable	115,237	(33,681)
Scholarship funds held as fiscal agent	268	23,991
Net cash used by operating activities	(2,340,226)	(2,485,156)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of fixed assets	(1,408)	(2,775)
Proceeds from sale of fixed assets	1,038	949
Purchase of investments	(4,474,074)	(2,196,759)
Proceeds from sale of investments	7,300,567	3,383,032
Net cash provided by investing activities	2,826,123	1,184,447
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments on capital lease obligations	(4,602)	(4,229)
Net cash used by financing activities	(4,602)	(4,229)
Net increase (decrease) in cash and cash equivalents	481,295	(1,304,938)
Cash and cash equivalents at beginning of year	1,253,546	2,558,484
CASH AND CASH EQUIVALENTS AT END OF YEAR, INCLUDING RESTRICTED CASH OF $194,936 AND $194,668, RESPECTIVELY	**$ 1,734,841**	**$ 1,253,546**
SUPPLEMENTAL INFORMATION:		
Interest Paid	**$ 516**	**$ 345**
SCHEDULE OF NONCASH INVESTING AND FINANCING TRANSACTIONS:		
Donated Securities	**$ 1,000**	**$ -**
Capital Lease Obligation Incurred for Use of Equipment	**$ 18,000**	**$ -**

See accompanying notes to financial statements.

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 2019, they celebrated 46 exemplary educators, all from different states, in front of an audience of 3,000 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.

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. In the fall of 2018, the Foundation published 12 *Lessons to Open Classrooms and Minds to the World*, a book with educator-tested, global lesson plans collaboratively developed by our 2018 Global Learning Fellows.

The Foundation provided grants to 109 individual educators during the year ended August 31, 2019, supporting nearly 107,950 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 for Not-for-Profit Entities*. The ASU was adopted during the year ended August 31, 2019 and applied retrospectively.

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, 2018, 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. Bank deposit accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to a limit of $250,000.

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

Cash and cash equivalents (continued) -

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.

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, 2019 totaled $6,257.

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, 2019, 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 -

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor imposed restrictions. Accordingly, net assets and changes therein are classified and reported 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.

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

Net asset classification (continued) -

- **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. 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.

Contributions -

Contributions are recorded as revenue in the year notification is received from the donor. Contributions with 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 received in advance of incurring the related expenses are recorded as "net assets with donor restrictions".

Approximately 44% of the Foundation's revenue for the year ended August 31, 2019 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 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.

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

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.

Reclassification -

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation. The reclassifications are primarily due to the adoption of ASU 2016-14, as discussed above, which requires two classifications of net assets from the previously presented three classes. Net assets previously classified as of August 31, 2018 as unrestricted net assets in the amount of $46,557,002 are now classified as "net assets without donor restrictions". Net assets previously classified as temporarily restricted net assets in the amount of $1,080,502, are now classified as "net assets with donor restrictions".

New accounting pronouncements not yet adopted -

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606). This 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 one year; thus, the effective date is for fiscal years beginning after December 15, 2018. Early adoption is permitted. The Foundation has not yet selected a transition method and is currently evaluating the effect that the updated standard will have on its financial statements.

In June 2018, the FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made,* which is intended to clarify and improve current guidance about whether a transfer of assets is an exchange transaction or a contribution. The amendments in this ASU provide a more robust framework to determine when a transaction should be accounted for as a contribution under Subtopic 958-605 or as an exchange transaction accounted for under other guidance (for example, Topic 606). The amendments also provide additional guidance about how to determine whether a contribution is conditional or unconditional.

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

New accounting pronouncements not yet adopted (continued) -

The amendments in this ASU could result in more grants and contracts being accounted for as contributions than under previous GAAP. The ASU recommends application on a modified prospective basis; however, retrospective application is permitted. The Foundation has not yet decided on a transition method. This ASU is effective for 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 beginning after December 15, 2020. Early adoption is permitted. The ASU should be applied at the beginning of the earliest period presented using a modified retrospective approach.

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

2. INVESTMENTS

Investments consisted of the following as of August 31, 2019:

	Fair Value
Mutual funds - Equities	$ 17,747,911
Common collective trust funds - Fixed income	13,005,523
Common collective trust funds - Equities	10,654,758
Alternative investments: Master limited partnership funds	1,989,443
TOTAL INVESTMENTS	**$ 43,397,635**

Included in investment income are the following for the year ended August 31, 2019:

Interest and dividends	$ 708,682
Unrealized loss	(816,898)
Realized gain	906,098
Investment expenses provided by external investment advisors	(165,304)
TOTAL INVESTMENT INCOME, NET OF INVESTMENT EXPENSES	**$ 632,578**

3. CONTRIBUTIONS RECEIVABLE

As of August 31, 2019, contributors to the Foundation have made written promises to give totaling $565,258. Contributions are due as follows at August 31, 2019:

Less than one year	$ 405,258
One to five years	160,000
CONTRIBUTIONS RECEIVABLE	**$ 565,258**

4. GRANTS PAYABLE

As of August 31, 2019, grants payable were related to the following programs:

Grants to Educators	$	35,000
Union Collaboration Total		128,956
Other Grants		148,981
GRANTS PAYABLE	**$**	**312,937**

5. CAPITAL LEASE OBLIGATIONS

The Foundation has capital lease obligations for office equipment, which expire in 2024. As of August 31, 2019, the cost and related accumulated amortization of the leased assets were $20,800 and $4,600, respectively.

Amortization of assets held under capital leases is included with depreciation and amortization expense.

Future minimum lease payments at August 31, 2019 are as follows:

Year Ending August 31,		
2020	$	4,080
2021		4,080
2022		4,080
2023		4,080
2024		2,040
		18,360
Less: Interest		(1,963)
		16,397
Less: Current portion		(3,330)
LONG-TERM PORTION	**$**	**13,067**

6. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following at August 31, 2019:

Subject to expenditure for specified purpose:		
2020 Salute to Excellence in Education Gala	$	372,500
Breakfast in the Classroom		302,799
2021 Salute to Excellence in Education Gala		160,000
Grants to Educators		40,000
Open Arms Fund		25,430
STEM		5,158
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	**$**	**905,887**

6. NET ASSETS WITH DONOR RESTRICTIONS (Continued)

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	$ 478,896
2019 Salute to Excellence in Education Gala	378,300
Grants to Educators	101,433
Symposium	30,000
Disaster Relief Fund	24,099
STEM	5,731
Global Learning Fellows	3,835
Rudy Careaga Scholarship Fund	1,000
50th Anniversary	50
NET ASSETS RELEASED FROM DONOR RESTRICTIONS	**$ 1,023,344**

7. IN-KIND CONTRIBUTIONS

During the year ended August 31, 2019, 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, 2019.

Rent	$ 244,800
Travel	48,400
TOTAL IN-KIND CONTRIBUTIONS	**$ 293,200**

The following programs have benefited from these donated services following for the year ended August 31, 2019:

District Program Administration	$ 93,424
Administration	55,808
Individual Program Administration	56,304
Development	44,064
Global Learning Fellows	19,000
Awards for Teaching Excellence	9,400
50th Anniversary	11,800
Gala	1,800
New Horizons	1,600
TOTAL	**$ 293,200**

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	$ 1,539,905
Investments	43,397,635
Interest receivable	16,740
Contributions receivable	405,258
Subtotal financial assets available within one year	45,359,538
Less: Donor restricted funds	(905,887)
FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR	**$ 44,453,651**

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, 2019 totaled $157,160.

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 space through 2020. The total commitments under the agreements are not determinable as it depends upon attendance and other unknown factors. There are cancellation penalties that would be due if the agreements were cancelled prior to the event date. The amount of the cancellation penalties increase through the date of the event.

11. RELATED PARTY

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

11. RELATED PARTY (Continued)

During the year ended August 31, 2019, the Foundation received revenue from NEA members and the NEA made a contribution to the Foundation as follows:

Contributions from NEA members	$ 1,711,875
Donated Office Space	244,800
TOTAL	**$ 1,956,675**

During the year ended August 31, 2019, the Foundation paid the NEA and several state affiliates $4,850 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 $273,810 for the year ended August 31, 2019.

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.

- *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.

12. FAIR VALUE MEASUREMENT (Continued)

The table below summarizes, by level within the fair value hierarchy and those invested and measured at NAV for practical expedient, the Foundation's investments as of August 31, 2019:

	Level 1	Level 2	Level 3	Investments Measured at NAV	Total
Asset Class:					
Mutual funds - Equities	$ 17,747,911	$ -	$ -	$ -	$ 17,747,911
Common collective trust funds - Fixed income	-	13,005,523	-	-	13,005,523
Common collective trust funds - Equities	-	10,654,758	-	-	10,654,758
Investments measured at net asset value (1):					
Alternative investments: Master limited partnership funds	-	-	-	1,989,443	1,989,443
TOTAL INVESTMENTS	**$ 17,747,911**	**$ 23,660,281**	**$ -**	**$ 1,989,443**	**$ 43,397,635**

Investments measured at NAV Per Practical Expedient (1): Certain investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient have not been categorized in the fair value hierarchy. However, 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, 2019, 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, 2019.

	Net Asset Value	Unfunded Commitments	Redemption Frequency Ranges	Redemption Notice Requirement
Alternative Investments:				
Master Limited Partnership Funds (a)	**$ 1,989,443**	**$ -**	**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.

13. 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.

13. RESTRICTED CASH (Continued)

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, 2019, the Foundation maintained a total of $194,936 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.

14. SUBSEQUENT EVENTS

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through December 12, 2019, the date the financial statements were issued.