

**FINANCIAL STATEMENTS**



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

**FOR THE YEAR ENDED AUGUST 31, 2018  
WITH SUMMARIZED FINANCIAL  
INFORMATION FOR 2017**

**THE NEA FOUNDATION**

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**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, 2018, 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, 2018, 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**

We have previously audited the Foundation's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 7, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Gelman Rosenberg & Friedman*

December 10, 2018

**THE NEA FOUNDATION**  
**STATEMENT OF FINANCIAL POSITION**  
**AS OF AUGUST 31, 2018**  
**WITH SUMMARIZED FINANCIAL INFORMATION FOR 2017**

**ASSETS**

	<u>2018</u>	<u>2017</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 1,058,878	\$ 2,387,807
Interest receivable	19,989	21,164
Contributions receivable, current portion	452,907	631,260
Prepaid expenses	<u>65,941</u>	<u>55,403</u>
Total current assets	<u>1,597,715</u>	<u>3,095,634</u>
<b>FIXED ASSETS</b>		
Equipment	50,037	48,211
Furniture	<u>41,691</u>	<u>41,691</u>
	91,728	89,902
Less: Accumulated depreciation and amortization	<u>(82,731)</u>	<u>(74,599)</u>
Net fixed assets	<u>8,997</u>	<u>15,303</u>
<b>OTHER ASSETS</b>		
Restricted cash	194,668	170,677
Investments	46,134,928	44,785,868
Contributions receivable, net of current portion	<u>295,000</u>	<u>250,000</u>
Total other assets	<u>46,624,596</u>	<u>45,206,545</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 48,231,308</u></b>	<b><u>\$ 48,317,482</u></b>

**LIABILITIES AND NET ASSETS**

<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 95,665	\$ 173,377
Accrued payroll and payroll taxes	43,670	29,277
Accrued vacation	59,102	29,199
Capital lease obligation, current portion	2,214	4,229
Grants payable, current portion	197,700	178,881
Scholarship funds held as fiscal agent	<u>194,668</u>	<u>170,677</u>
Total current liabilities	<u>593,019</u>	<u>585,640</u>
<b>LONG-TERM LIABILITIES</b>		
Capital lease obligation, net of current portion	785	2,999
Grants payable, net of current portion	<u>-</u>	<u>52,500</u>
Total long-term liabilities	<u>785</u>	<u>55,499</u>
Total liabilities	<u>593,804</u>	<u>641,139</u>
<b>NET ASSETS</b>		
Unrestricted	46,557,002	46,315,927
Temporarily restricted	<u>1,080,502</u>	<u>1,360,416</u>
Total net assets	<u>47,637,504</u>	<u>47,676,343</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 48,231,308</u></b>	<b><u>\$ 48,317,482</u></b>

See accompanying notes to financial statements.

## THE NEA FOUNDATION

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS  
FOR THE YEAR ENDED AUGUST 31, 2018  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2017**

	2018			2017
	Unrestricted	Temporarily Restricted	Total	Total
<b>SUPPORT AND REVENUE</b>				
Contributions:				
From NEA - In-kind	\$ 238,000	\$ -	\$ 238,000	\$ 238,000
From NEA members passed through NEA	1,844,132	-	1,844,132	1,878,509
From all others - cash	458,638	996,027	1,454,665	2,122,234
From all others - in-kind	35,885	-	35,885	47,090
Investment income	3,012,600	-	3,012,600	4,340,511
Net assets released from donor restrictions	<u>1,275,941</u>	<u>(1,275,941)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>6,865,196</u>	<u>(279,914)</u>	<u>6,585,282</u>	<u>8,626,344</u>
<b>EXPENSES</b>				
Program Services	<u>5,311,059</u>	<u>-</u>	<u>5,311,059</u>	<u>6,010,130</u>
Supporting Services:				
Management and General	750,810	-	750,810	707,701
Development	<u>562,252</u>	<u>-</u>	<u>562,252</u>	<u>528,320</u>
Total supporting services	<u>1,313,062</u>	<u>-</u>	<u>1,313,062</u>	<u>1,236,021</u>
Total expenses	<u>6,624,121</u>	<u>-</u>	<u>6,624,121</u>	<u>7,246,151</u>
Change in net assets	241,075	(279,914)	(38,839)	1,380,193
Net assets at beginning of year	<u>46,315,927</u>	<u>1,360,416</u>	<u>47,676,343</u>	<u>46,296,150</u>
<b>NET ASSETS AT END OF YEAR</b>	<b><u>\$ 46,557,002</u></b>	<b><u>\$ 1,080,502</u></b>	<b><u>\$ 47,637,504</u></b>	<b><u>\$ 47,676,343</u></b>

**THE NEA FOUNDATION**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED AUGUST 31, 2018**  
**WITH SUMMARIZED FINANCIAL INFORMATION FOR 2017**

	<b>2018</b>			<b>2017</b>	
	<b>Total Program Services</b>	<b>Supporting Services</b>		<b>Total Expenses</b>	<b>Total Expenses</b>
		<b>Management and General</b>	<b>Development</b>		
Grants and awards	\$ 1,835,477	\$ -	\$ -	\$ 1,835,477	\$ 2,888,510
Salaries	1,110,035	357,588	323,532	1,791,155	1,613,526
Consultants	950,267	37,869	3,283	991,419	788,900
Travel	359,320	72,154	768	432,242	336,536
Employee benefits	197,984	64,700	55,619	318,303	321,531
Production management	251,620	-	-	251,620	319,518
In-kind expenses	177,685	50,980	45,220	273,885	285,090
Pension	126,146	41,823	37,840	205,809	204,714
Other miscellaneous expenses, recoveries and indirect cost allocations	34,401	48,450	47,653	130,504	169,261
Payroll taxes	76,831	24,525	22,189	123,545	111,702
Office expenses	44,494	15,045	5,774	65,313	48,712
Giveaways and non-cash awards	18,932	13,665	2,925	35,522	43,207
Professional services	28,304	21,939	4,857	55,100	42,896
Equipment rental and maintenance	58,121	-	11,029	69,150	31,986
Rent	36,506	-	-	36,506	28,908
Depreciation and amortization	4,936	1,727	1,563	8,226	10,550
Interest	-	345	-	345	604
<b>TOTAL</b>	<b>\$ 5,311,059</b>	<b>\$ 750,810</b>	<b>\$ 562,252</b>	<b>\$ 6,624,121</b>	<b>\$ 7,246,151</b>

See accompanying notes to financial statements.

**THE NEA FOUNDATION**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED AUGUST 31, 2018**  
**WITH SUMMARIZED FINANCIAL INFORMATION FOR 2017**

	<u>2018</u>	<u>2017</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (38,839)	\$ 1,380,193
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation and amortization	8,226	10,550
Unrealized gain	(2,206,037)	(3,079,563)
Realized gain	(329,296)	(952,906)
Gain on sale of equipment	(94)	-
(Increase) decrease in:		
Interest receivable	1,175	(21,164)
Contributions receivable	133,353	727,392
Prepaid expenses	(10,538)	(26,778)
Increase (decrease) in:		
Accounts payable	(77,712)	21,838
Accrued payroll and payroll taxes	14,393	(49,862)
Accrued vacation	29,903	11,370
Grants payable	(33,681)	(1,005,506)
Scholarship funds held as fiscal agent	<u>23,991</u>	<u>14,545</u>
Net cash used by operating activities	<u>(2,485,156)</u>	<u>(2,969,891)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of fixed assets	(2,775)	(4,266)
Sale of fixed assets	949	-
Purchase of investments	(2,196,759)	(9,550,633)
Proceeds from sale of investments	<u>3,383,032</u>	<u>12,067,194</u>
Net cash provided by investing activities	<u>1,184,447</u>	<u>2,512,295</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayments on capital lease obligations	<u>(4,229)</u>	<u>(4,131)</u>
Net cash used by financing activities	<u>(4,229)</u>	<u>(4,131)</u>
Net decrease in cash and cash equivalents	(1,304,938)	(461,727)
Cash and cash equivalents at beginning of year	<u>2,558,484</u>	<u>3,020,211</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR, INCLUDING RESTRICTED CASH OF \$194,668 AND \$170,677, RESPECTIVELY</b>	<b><u>\$ 1,253,546</u></b>	<b><u>\$ 2,558,484</u></b>

**SUPPLEMENTAL INFORMATION:**

<b>Interest Paid</b>	<b><u>\$ 345</u></b>	<b><u>\$ 604</u></b>
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See accompanying notes to financial statements.



**THE NEA FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2018**

**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 2017-2018 school year, together with our Partners for Breakfast in the Classroom, we invested in 178 schools to provide breakfast to more than 22,700 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 2018, they celebrated 38 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 181 individual educators during the year ended August 31, 2018, supporting nearly 9,000 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) Accounting Standards Codification (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, 2017, from which the summarized information was derived.

**THE NEA FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2018**

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

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 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 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, 2018 totaled \$8,226.

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, 2018, 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.

**THE NEA FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2018**

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

Net asset classification (continued) -

- **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.

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 28% of the Foundation's revenue for the year ended August 31, 2018 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, 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.

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.

**THE NEA FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2018**

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

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.

The Foundation adopted the provisions of FASB 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 (NAV) per share practical expedient. It also removes the requirement to make certain disclosures for all investments valued using NAV as a practical expedient.

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 fiscal years beginning after December 15, 2017. Early adoption is permitted. The ASU should be applied on a retrospective basis in the year the ASU is first applied. While the ASU will change the presentation of the Foundation's financial statements, it is not expected to alter the Foundation's reported financial position.

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. 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. The ASU is effective for fiscal years beginning after December 15, 2018.

**THE NEA FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2018**

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

New accounting pronouncements not yet adopted (continued) -

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606). 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. 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 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. 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, 2018:

	<b>Fair Value</b>
Mutual funds - Equities	\$ 16,185,138
Common collective trust funds - Fixed income	13,894,886
Common collective trust funds - Equities	13,784,136
Alternative investments: Master limited partnership funds	2,270,768
<b>TOTAL INVESTMENTS</b>	<b>\$ 46,134,928</b>

Included in investment income are the following for the year ended August 31, 2018:

Interest and dividends	\$ 650,166
Unrealized gain	2,206,037
Realized gain	329,296
Investment expenses	(172,899)
<b>TOTAL INVESTMENT INCOME</b>	<b>\$ 3,012,600</b>

**THE NEA FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2018**

**3. CONTRIBUTIONS RECEIVABLE**

As of August 31, 2018, contributors to the Foundation have made written promises to give totaling \$747,907. The Foundation did not calculate a discount as of August 31, 2018 on contributions receivable due in more than one year due to the immateriality of the amount.

Contributions are due as follows at August 31, 2018:

Less than one year		\$	452,907
One to five years			<u>295,000</u>
<b>CONTRIBUTIONS RECEIVABLE</b>		<b>\$</b>	<b><u>747,907</u></b>

**4. GRANTS PAYABLE**

As of August 31, 2018, grants payable were related to the following programs:

Grants to Educators		\$	27,000
Union Collaboration Total			121,000
Other Grants			<u>49,700</u>
<b>GRANTS PAYABLE</b>		<b>\$</b>	<b><u>197,700</u></b>

**5. CAPITAL LEASE OBLIGATIONS**

The Foundation has capital lease obligations for office equipment, which expire in 2018, 2019 and 2020. As of August 31, 2018, the cost and related accumulated amortization of the leased assets were \$20,300 and \$17,650, respectively. Amortization of assets held under capital leases is included with depreciation and amortization expense.

Future minimum lease payments at August 31, 2018 are as follows:

<u>Year Ending August 31, 2017</u>			
	2019		\$ 2,330
	2020		<u>810</u>
			3,140
Less: Interest			<u>(141)</u>
			2,999
Less: Current portion			<u>(2,214)</u>
<b>LONG-TERM PORTION</b>		<b>\$</b>	<b><u>785</u></b>

**THE NEA FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2018**

**6. TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets consisted of the following at August 31, 2018:

2019 Salute to Excellence in Education Gala	\$ 378,300
2020 Salute to Excellence in Education Gala	235,000
Breakfast in the Classroom	231,515
Grants to Educators	90,000
2021 Salute to Excellence in Education Gala	60,000
Symposium	30,000
Open Arms Fund	25,430
Disaster Relief Fund	24,099
STEM	5,158
Rudy Careaga Scholarship Fund	<u>1,000</u>
<b>TOTAL TEMPORARILY RESTRICTED NET ASSETS</b>	<b><u>\$ 1,080,502</u></b>

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:

Breakfast in the Classroom	\$ 317,213
Grants to Educators	99,942
Open Arms Fund	39,760
Disaster Relief Fund	27,600
STEM	32,128
Rudy Careaga Scholarship Fund	1,000
2018 Salute to Excellence in Education Gala	313,925
Hurricane Irma Relief	247,250
Hurricane Harvey Relief	152,438
Global Learning Fellows	<u>44,685</u>
<b>NET ASSETS RELEASED FROM DONOR RESTRICTIONS</b>	<b><u>\$ 1,275,941</u></b>

**7. IN-KIND CONTRIBUTIONS**

During the year ended August 31, 2018, 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, 2018.

Rent	\$ 238,000
Travel	<u>35,885</u>
<b>TOTAL IN-KIND CONTRIBUTIONS</b>	<b><u>\$ 273,885</u></b>

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**7. IN-KIND CONTRIBUTIONS (Continued)**

The following programs have benefited from these donated services following for the year ended August 31, 2018:

District Program Administration	\$ 94,214
Administration	54,712
Individual Program Administration	51,766
Development	44,708
Global Learning Fellows	17,285
Awards for Teaching Excellence	7,200
50th Anniversary	2,400
Representative Assembly	<u>1,600</u>
<b>TOTAL</b>	<b><u>\$ 273,885</u></b>

**8. PROGRAM SERVICES EXPENSES**

Program services expenses for the year ended August 31, 2018 were as follows:

Program Administration	\$ 1,992,087
Awards for Teaching Excellence/Gala/50th Anniversary	714,864
Global Learning Fellows	437,275
Grants to Educators	433,731
Fiscal Sponsorships	399,686
STEM	392,134
Breakfast in the Classroom	317,213
Strategic Plan Projects	251,871
New Program Development	212,198
New Horizons	100,000
Partnerships	<u>60,000</u>
<b>TOTAL PROGRAM SERVICES EXPENSES</b>	<b><u>\$ 5,311,059</u></b>

**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, 2018 totaled \$205,808.

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.



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**10. COMMITMENTS**

The Foundation is committed under agreements for Gala space through 2019. 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.

During the year ended August 31, 2018, the Foundation received revenue from NEA members and the NEA made a contribution to the Foundation as follows:

Contributions from NEA members	\$ 1,844,132
Donated Office Space	<u>238,000</u>
<b>TOTAL</b>	<b><u>\$ 2,082,132</u></b>

During the year ended August 31, 2018, the Foundation paid the NEA and several state affiliates \$35,150 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 \$318,361 for the year ended August 31, 2018. As of August 31, 2018, the Foundation owed the NEA \$41,168 for overpayment of member contributions 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.

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**12. FAIR VALUE MEASUREMENT (Continued)**

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.

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, 2018:

<b>Asset Class:</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Investments Measured in NAV</b>	<b>Total</b>
Mutual funds - Equities	\$ 16,185,138	\$ -	\$ -	\$ -	\$ 16,185,138
Common collective trust funds - Fixed income	-	13,894,886	-	-	13,894,886
Common collective trust funds - Equities	-	13,784,136	-	-	13,784,136
Investments measured at net asset value (1):					
Alternative investments:					
Master limited partnership funds	-	-	-	2,270,768	2,270,768
<b>TOTAL INVESTMENTS</b>	<b><u>\$ 16,185,138</u></b>	<b><u>\$ 27,679,022</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 2,270,768</u></b>	<b><u>\$ 46,134,928</u></b>

**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, 2018, there were no transfers between levels. Transfers between levels are recorded at the end of the reporting period, if applicable.

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**12. FAIR VALUE MEASUREMENT (Continued)**

The following is a summary of the investments valued using NAV as a practical expedient and the related unfunded commitments and redemption restrictions associated with each major category at August 31, 2018.

	<u>Net Asset Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency Ranges</u>	<u>Redemption Notice Requirement</u>
<b>Alternative Investments:</b>				
<b>Master limited partnership funds (a)</b>	\$ <u>2,270,768</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. 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, 2018, the Foundation maintained a total of \$194,668 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 10, 2018, the date the financial statements were issued.