

FINANCIAL STATEMENTS



**FOR THE YEAR ENDED SEPTEMBER 30, 2019
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2018**

NATIONAL ENVIRONMENTAL EDUCATION FOUNDATION

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CPAs & ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
National Environmental Education Foundation
Washington, D.C.

We have audited the accompanying financial statements of the National Environmental Education Foundation (NEEF), which comprise the statement of financial position as of September 30, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 NEEF as of September 30, 2019, 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 NEEF's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 25, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 16, 2020 on our consideration of NEEF's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of NEEF's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering NEEF's internal control over financial reporting and compliance.



March 16, 2020

NATIONAL ENVIRONMENTAL EDUCATION FOUNDATION
STATEMENT OF FINANCIAL POSITION
AS OF SEPTEMBER 30, 2019
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2018

ASSETS

	<u>2019</u>	<u>2018</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,859,383	\$ 2,001,091
Grants and other receivables	542,798	991,681
Prepaid expenses	<u>86,046</u>	<u>81,597</u>
Total current assets	<u>2,488,227</u>	<u>3,074,369</u>
FIXED ASSETS		
Furniture	448,701	440,230
Leasehold improvements	<u>244,878</u>	<u>244,878</u>
	693,579	685,108
Less: Accumulated depreciation and amortization	<u>(509,617)</u>	<u>(462,294)</u>
Net fixed assets	<u>183,962</u>	<u>222,814</u>
TOTAL ASSETS	<u>\$ 2,672,189</u>	<u>\$ 3,297,183</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 204,619	\$ 163,376
Refundable advance	4,098	176,079
Deferred rent	6,052	376
Deferred tenant improvement allowance	<u>35,380</u>	<u>35,380</u>
Total current liabilities	<u>250,149</u>	<u>375,211</u>
LONG-TERM LIABILITIES		
Deferred rent, net of current portion	60,017	66,069
Deferred tenant improvement allowance, net of current portion	<u>114,817</u>	<u>150,158</u>
Total long-term liabilities	<u>174,834</u>	<u>216,227</u>
Total liabilities	<u>424,983</u>	<u>591,438</u>
NET ASSETS		
Without donor restrictions	1,302,404	1,512,173
With donor restrictions	<u>944,802</u>	<u>1,193,572</u>
Total net assets	<u>2,247,206</u>	<u>2,705,745</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,672,189</u>	<u>\$ 3,297,183</u>

NATIONAL ENVIRONMENTAL EDUCATION FOUNDATION
STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED SEPTEMBER 30, 2019
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2018

	2019			2018
	Without Donor Restrictions	With Donor Restrictions	Total	Total
SUPPORT AND REVENUE				
Contributions	\$ 260,435	\$ 1,061,350	\$ 1,321,785	\$ 1,584,890
Government grants and contracts	726,823	-	726,823	1,034,462
Government appropriation	870,200	-	870,200	870,200
In-kind contributions	34,731	-	34,731	26,980
Other revenue	13,030	-	13,030	8,498
Net assets released from donor restrictions	<u>1,310,120</u>	<u>(1,310,120)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>3,215,339</u>	<u>(248,770)</u>	<u>2,966,569</u>	<u>3,525,030</u>
EXPENSES				
Program Services	<u>3,035,665</u>	<u>-</u>	<u>3,035,665</u>	<u>3,034,278</u>
Supporting Services:				
Development and Fundraising	246,968	-	246,968	267,460
Management and General	<u>142,475</u>	<u>-</u>	<u>142,475</u>	<u>232,495</u>
Total supporting services	<u>389,443</u>	<u>-</u>	<u>389,443</u>	<u>499,955</u>
Total expenses	<u>3,425,108</u>	<u>-</u>	<u>3,425,108</u>	<u>3,534,233</u>
Change in net assets	(209,769)	(248,770)	(458,539)	(9,203)
Net assets at beginning of year	<u>1,512,173</u>	<u>1,193,572</u>	<u>2,705,745</u>	<u>2,714,948</u>
NET ASSETS AT END OF YEAR	<u><u>\$ 1,302,404</u></u>	<u><u>\$ 944,802</u></u>	<u><u>\$ 2,247,206</u></u>	<u><u>\$ 2,705,745</u></u>

NATIONAL ENVIRONMENTAL EDUCATION FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2019
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2018

	2019										2018	
	Program Services					Supporting Services					Total Expenses	Total Expenses
	Health and Wellness	Advancing the Field	Classroom Earth	Campaigns	Public Outreach	Total Program Services	Development and Fundraising	Management and General	Total Supporting Services			
Salaries	\$ 309,440	\$ 186,429	\$ 646,450	\$ 140,319	\$ 225,973	\$ 1,508,611	\$ 138,797	\$ 15,538	\$ 154,335	\$ 1,662,946	\$ 1,565,522	
Employee benefits and taxes	71,020	40,802	137,621	32,726	52,765	334,934	31,504	-	31,504	366,438	348,260	
Subcontracts (Federal)	47,604	-	1,678	6,003	10,225	65,510	-	-	-	65,510	277,146	
Subrecipients (Federal)	-	-	128,242	-	-	128,242	-	-	-	128,242	207,704	
Awards and grants (non-Federal)	-	38,900	340,103	-	-	379,003	-	-	-	379,003	345,848	
Professional services	19,031	46,070	56,007	24,885	10,074	156,067	49,024	25,788	74,812	230,879	288,535	
Rent expense	30,185	22,227	89,859	13,165	20,228	175,664	14,104	10,581	24,685	200,349	198,377	
Travel and related	14,281	19,263	56,113	2,386	11,391	103,434	2,974	1,534	4,508	107,942	83,259	
Printing	1,538	2,633	4,665	193	727	9,756	263	145	408	10,164	4,341	
Depreciation and amortization	-	-	-	-	-	-	-	47,323	47,323	47,323	48,059	
Equipment rental and maintenance	1,091	803	3,246	476	731	6,347	510	383	893	7,240	6,849	
Supplies	5,991	6,424	25,371	257	396	38,439	276	207	483	38,922	10,053	
Telephone	2,579	1,974	7,465	1,076	1,673	14,767	1,389	854	2,243	17,010	14,934	
Licenses and fees	19,277	8,241	32,135	4,608	7,130	71,391	4,937	3,704	8,641	80,032	61,814	
Insurance	3,232	2,380	9,623	1,410	1,128	17,773	1,510	1,133	2,643	20,416	18,231	
Postage and delivery	278	621	13,533	24	36	14,492	25	19	44	14,536	6,550	
In-kind expenses	-	-	-	-	-	-	-	34,731	34,731	34,731	26,980	
Publications and dues	839	618	3,997	1,366	-	6,820	1,329	244	1,573	8,393	17,781	
Miscellaneous	706	602	2,030	297	780	4,415	326	291	617	5,032	3,990	
TOTAL	\$ 527,092	\$ 377,987	\$ 1,558,138	\$ 229,191	\$ 343,257	\$ 3,035,665	\$ 246,968	\$ 142,475	\$ 389,443	\$ 3,425,108	\$ 3,534,233	

See accompanying notes to financial statements.

NATIONAL ENVIRONMENTAL EDUCATION FOUNDATION

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2019
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (458,539)	\$ (9,203)
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Depreciation and amortization	47,323	48,059
Decrease (increase) in:		
Grants and other receivables	448,883	128,059
Prepaid expenses	(4,449)	(16,371)
Increase (decrease) in:		
Accounts payable and accrued liabilities	41,243	(90,814)
Refundable advance	(171,981)	23,826
Deferred rent	(376)	5,162
Deferred tenant improvement allowance	<u>(35,341)</u>	<u>(35,502)</u>
Net cash (used) provided by operating activities	<u>(133,237)</u>	<u>53,216</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of fixed assets	<u>(8,471)</u>	<u>(2,008)</u>
Net cash used by investing activities	<u>(8,471)</u>	<u>(2,008)</u>
Net (decrease) increase in cash and cash equivalents	(141,708)	51,208
Cash and cash equivalents at beginning of year	<u>2,001,091</u>	<u>1,949,883</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,859,383</u>	<u>\$ 2,001,091</u>
SUPPLEMENTAL INFORMATION:		
Landlord Provided Leasehold Improvements	<u>\$ -</u>	<u>\$ 3,185</u>

NATIONAL ENVIRONMENTAL EDUCATION FOUNDATION

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

The National Environmental Education and Training Foundation, Inc., doing business as the National Environmental Education Foundation (NEEF), was established under the National Environmental Education Act of 1990 (the Act) and was incorporated under the laws of the Commonwealth of Virginia during that year. NEEF is a private, charitable not-for-profit organization, pursuant to Section 501(c)(3) of the Internal Revenue Code (IRC) of 1986 and was established under the Act to extend the contribution of environmental education and training to meet critical environmental protection needs, both in the United States and internationally.

The purpose of NEEF (www.neefusa.org) is to advance lifelong environmental literacy in the American public. As expressed in NEEF's mission statement, "NEEF provides knowledge to trusted professionals and other leaders who, with their credibility, amplify messages to national audiences to solve environmental problems. Together, we generate lasting positive change." NEEF has developed a ten year vision that "By 2022, 300 million Americans will actively use environmental knowledge to ensure the well-being of the earth and its people." NEEF will implement this vision through the Knowledge to Live By Campaign.

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 Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The ASU was adopted during the year ended September 30, 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 NEEF's financial statements for the year ended September 30, 2018, from which the summarized information was derived.

Cash and cash equivalents -

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

Grants and other receivables -

Grants and other receivables 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. Grants and other receivables represent amounts due from federal agencies for allowable costs incurred under federal grants and contracts, amounts due from private donors, and other amounts due to NEEF, but not yet received. All amounts are due within the following fiscal year.

Fixed assets -

Fixed assets in excess of \$1,000 are capitalized and stated at cost.

NATIONAL ENVIRONMENTAL EDUCATION FOUNDATION

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2019

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

Fixed assets (continued) -

Fixed assets are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally three to ten years.

Leasehold improvements are amortized over the remaining life of the lease. The cost of maintenance and repairs is recorded as expenses are incurred. Depreciation and amortization expense during the year ended September 30, 2019 totaled \$47,323.

Income taxes -

NEEF is exempt from Federal income taxes under Section 501(c)(3) of the IRC and is only subject to tax on unrelated business income. Accordingly, no provision for income taxes has been made in the accompanying financial statements. NEEF is not a private foundation.

Uncertain tax positions -

For the year ended September 30, 2019, NEEF has documented its consideration of FASB Accounting Standards Codification (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.
- **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.

NATIONAL ENVIRONMENTAL EDUCATION FOUNDATION

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

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

Contributions (continued) -

Contributions received in advance of incurring the related expenses are recorded as "net assets with donor restrictions".

Government grants and contracts -

NEEF receives funding under grants and contracts from the United States Government for direct and indirect program costs. This funding is subject to contractual restrictions, which must be met through incurring qualifying expenses for particular programs. Accordingly, these funds are considered to be exchange transactions and are recorded as unrestricted income to the extent that related expenses are incurred in compliance with the criteria stipulated in the grant agreements or contracts.

Grants and other receivables represent amounts due from funding organizations for reimbursable expenses incurred in accordance with the grant agreements. Grant funding received in advance of incurring the related expenses is recorded as a refundable advance.

Government appropriation -

NEEF receives an annual appropriation from Congress through the United States Environmental Protection Agency (EPA) under the National Environment Education Act (NEEA) of 1990. NEEF must qualify for release of its appropriation funds on an annual basis. Appropriated funds applications are based on matching contributions from non-Federal entities and in-kind goods and services contributed to NEEF. NEEF recognizes the full amount of the appropriation revenue upon written notification from the EPA. Any unspent funds are carried forward into the following fiscal year.

In-kind contributions -

In-kind contributions consist of donated legal and campaign services, and are recorded at their estimated fair value on the date the services were provided. During the year ended September 30, 2019, in-kind contributions totaled \$34,731, which was allocated to management and general in the accompanying Statement of Functional Expenses.

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 NEEF 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.

NATIONAL ENVIRONMENTAL EDUCATION FOUNDATION

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

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

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 a year, thus the effective date is for fiscal years beginning after December 15, 2018. NEEF has not yet selected a transition method and is currently evaluating the effect that the updated standard will have on the 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. The amendments in this ASU could result in more grants and contracts being accounted for as contributions than under previous GAAP. This ASU recommends application on a modified prospective basis; however, retrospective application is permitted. NEEF 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). This 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. This ASU is effective for private entities for fiscal years 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.

NEEF plans to adopt these new ASUs at the respective required implementation dates.

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 September 30, 2018 as unrestricted net assets in the amount of \$1,512,173 are now classified as "net assets without donor restrictions". Net assets previously classified as temporarily restricted net assets in the amount of \$1,193,572 are now classified as "net assets with donor restrictions".

2. **BOARD DESIGNATED NET ASSETS**

As of September 30, 2019, net assets without donor restrictions includes amounts that have been designated by the Board of Directors for the following purposes:

Operating Reserve	\$ <u>150,000</u>
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NATIONAL ENVIRONMENTAL EDUCATION FOUNDATION

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

3. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following as of September 30, 2019:

Classroom Earth	\$ 928,008
Advancing the Field	<u>16,794</u>
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	\$ <u>944,802</u>

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

Classroom Earth	\$ 1,054,652
Advancing the Field	207,968
Health and Wellness	<u>47,500</u>
TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS	\$ <u>1,310,120</u>

4. 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	\$ 1,859,383
Grants and other receivables	<u>542,798</u>
Subtotal financial assets available within one year	2,402,181
Less: Board designated funds	(150,000)
Less: Donor restricted funds	<u>(944,802)</u>
FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR	\$ <u>1,307,379</u>

NEEF has a policy to structure its financial assets to be available and liquid as its obligations become due. As of September 30, 2019, NEEF has financial assets equal to approximately five months of operating expenses. There is a fund established by the governing board that may be drawn upon in the event of financial distress or an immediate liquidity need resulting from events outside the typical life cycle of converting financial assets to cash or settling financial liabilities.

5. LEASE COMMITMENT

NEEF leases office space in Washington, D.C. The initial lease agreement was for a ten-year term, which commenced on January 1, 2007 and expired on December 31, 2016. In May 2016, NEEF signed a seven-year extension that was effective on January 1, 2017 and will expire on December 31, 2023. Rental increases and increases in real estate taxes and operating expenses described above remain the same for the duration of the extended lease term.

Accounting principles generally accepted in the United States of America require that the total rent commitment should be recognized on a straight-line basis over the term of the lease. Accordingly, the difference between the actual monthly payments and the rent expense being recognized for financial statement purposes is recorded as a deferred rent liability in the accompanying Statement of Financial Position. The deferred rent liability as of September 30, 2019 was \$66,069.

NATIONAL ENVIRONMENTAL EDUCATION FOUNDATION

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

5. LEASE COMMITMENT (Continued)

Additionally, included in the lease was a tenant improvement allowance totaling \$232,659 available to NEEF. Accounting principles generally accepted in the United States of America require that leasehold improvement allowances be recorded as assets (leasehold improvements), with a corresponding liability (deferred tenant improvement allowance), in the accompanying Statement of Financial Position. The portion of the lease payment related to the improvement allowance is amortized over the lease term. As of September 30, 2019, the total deferred improvement allowance aggregated \$150,197.

The following is a schedule of the future minimum lease payments:

Year Ending September 30,

2020	\$ 232,709
2021	238,527
2022	244,490
2023	250,602
2024	<u>63,035</u>
	<u>\$ 1,029,363</u>

Rent expense during the year ended September 30, 2019 totaled \$200,349.

6. RETIREMENT PLAN

NEEF provides retirement benefits to its employees through a simplified employee pension plan covering all employees who have attained the age of 18 and have at least one year of eligible experience. NEEF establishes the amount to be contributed each year. Contributions to the Plan during the year ended September 30, 2019 totaled \$86,920 and are included in employee benefits and taxes in the accompanying Statement of Functional Expenses.

7. CONTINGENCY

NEEF receives grants from various agencies of the United States Government. Such grants are subject to audit under the provisions of *Title 2 U.S. Code of Federal Regulations (CFR) Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. The ultimate determination of amounts received under the United States Government grants is based upon the allowance of costs reported to and accepted by the United States Government as a result of the audits. Audits in accordance with the applicable provisions have been completed for all required fiscal years through 2019. Until such audits have been accepted by the United States Government, there exists a contingency to refund any amount received in excess of allowable costs. Management is of the opinion that no material liability will result from such audits.

8. SUBSEQUENT EVENTS

In preparing these financial statements, NEEF has evaluated events and transactions for potential recognition or disclosure through March 16, 2020, the date the financial statements were issued.