

FINANCIAL STATEMENTS



**FOR THE YEAR ENDED SEPTEMBER 30, 2017
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2016**

NATIONAL ENVIRONMENTAL EDUCATION FOUNDATION

CONTENTS

	PAGE NO.
INDEPENDENT AUDITOR'S REPORT	2 - 3
EXHIBIT A - Statement of Financial Position, as of September 30, 2017, with Summarized Financial Information for 2016	4
EXHIBIT B - Statement of Activities and Change in Net Assets, for the Year Ended September 30, 2017, with Summarized Financial Information for 2016	5
EXHIBIT C - Statement of Functional Expenses, for the Year Ended September 30, 2017, with Summarized Financial Information for 2016	6 - 7
EXHIBIT D - Statement of Cash Flows, for the Year Ended September 30, 2017, with Summarized Financial Information for 2016	8
NOTES TO FINANCIAL STATEMENTS	9 - 13



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, 2017, and the related statements of activities and change in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of NEEF as of September 30, 2017, and the change in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Report on Summarized Comparative Information

We have previously audited NEEF's 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 3, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in cursive script that reads "Gelman Rosenberg & Freedman".

February 9, 2018

NATIONAL ENVIRONMENTAL EDUCATION FOUNDATION
STATEMENT OF FINANCIAL POSITION
AS OF SEPTEMBER 30, 2017
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2016

ASSETS

	<u>2017</u>	<u>2016</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,949,883	\$ 2,633,739
Grants and other receivables	1,119,740	868,579
Prepaid expenses	<u>65,226</u>	<u>85,741</u>
Total current assets	<u>3,134,849</u>	<u>3,588,059</u>
FIXED ASSETS		
Furniture	435,037	435,762
Leasehold improvements	<u>244,878</u>	<u>261,499</u>
	679,915	697,261
Less: Accumulated depreciation and amortization	<u>(414,235)</u>	<u>(660,734)</u>
Net fixed assets	<u>265,680</u>	<u>36,527</u>
TOTAL ASSETS	<u>\$ 3,400,529</u>	<u>\$ 3,624,586</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 254,190	\$ 188,246
Refundable advance	152,253	205,584
Deferred rent	<u>-</u>	<u>10,262</u>
Total current liabilities	<u>406,443</u>	<u>404,092</u>
LONG-TERM LIABILITIES		
Deferred rent	61,283	-
Deferred tenant improvement allowance	<u>217,855</u>	<u>-</u>
Total long-term liabilities	<u>279,138</u>	<u>-</u>
Total liabilities	<u>685,581</u>	<u>404,092</u>
NET ASSETS		
Unrestricted:		
Undesignated	1,307,428	1,606,409
Board designated	<u>150,000</u>	<u>150,000</u>
Total unrestricted	1,457,428	1,756,409
Temporarily restricted	<u>1,257,520</u>	<u>1,464,085</u>
Total net assets	<u>2,714,948</u>	<u>3,220,494</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,400,529</u>	<u>\$ 3,624,586</u>

See accompanying notes to financial statements.

NATIONAL ENVIRONMENTAL EDUCATION FOUNDATION
STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED SEPTEMBER 30, 2017
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2016

	<u>2017</u>			<u>2016</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Total</u>
REVENUE				
Contributions	\$ 245,584	\$ 1,040,000	\$ 1,285,584	\$ 2,209,755
Government grants and contracts	993,180	-	993,180	1,036,462
Government appropriation	838,600	-	838,600	870,200
In-kind contributions	233,038	-	233,038	47,015
Other revenue	3,405	-	3,405	24,885
Net assets released from donor restrictions	<u>1,246,565</u>	<u>(1,246,565)</u>	<u>-</u>	<u>-</u>
Total revenue	<u>3,560,372</u>	<u>(206,565)</u>	<u>3,353,807</u>	<u>4,188,317</u>
EXPENSES				
Program Services	<u>3,050,898</u>	<u>-</u>	<u>3,050,898</u>	<u>2,924,479</u>
Supporting Services:				
Development and Fundraising	242,680	-	242,680	332,149
Management and General	<u>565,775</u>	<u>-</u>	<u>565,775</u>	<u>310,998</u>
Total supporting services	<u>808,455</u>	<u>-</u>	<u>808,455</u>	<u>643,147</u>
Total expenses	<u>3,859,353</u>	<u>-</u>	<u>3,859,353</u>	<u>3,567,626</u>
Change in net assets	(298,981)	(206,565)	(505,546)	620,691
Net assets at beginning of year	<u>1,756,409</u>	<u>1,464,085</u>	<u>3,220,494</u>	<u>2,599,803</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,457,428</u>	<u>\$ 1,257,520</u>	<u>\$ 2,714,948</u>	<u>\$ 3,220,494</u>

NATIONAL ENVIRONMENTAL EDUCATION FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2017
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2016

	2017				
	Program Services				Total
	Awareness	Engagement	Research and Innovation	Capacity Building	Program Services
Salaries	\$ 297,666	\$ 381,465	\$ 168,788	\$ 201,128	\$ 1,049,047
Employee benefits and taxes	60,720	78,218	34,642	40,874	214,454
Subcontracts (Federal)	92,767	191,826	20,418	164,008	469,019
Subrecipients (Federal)	-	2,500	2,500	195,986	200,986
Awards and grants (non-Federal)	2,900	38,648	-	308,544	350,092
Professional services	4,668	77,301	-	1,500	83,469
Rent and utilities	-	-	-	-	-
Travel and related	18,266	21,510	5,353	14,617	59,746
Printing	213	7,736	92	132	8,173
Depreciation and amortization	-	-	-	-	-
Equipment rental and maintenance	-	-	-	-	-
Supplies	165	191	-	-	356
Telephone	150	519	106	124	899
Licenses and fees	3,573	9,148	750	57	13,528
Insurance	-	-	-	-	-
Postage and delivery	-	2,225	-	77	2,302
In-kind expenses	-	-	-	-	-
Publications and dues	1,195	1,399	919	-	3,513
Miscellaneous	455	2,976	-	555	3,986
Subtotal	482,738	815,662	233,568	927,602	2,459,570
Allocation of management and general	120,625	233,035	51,136	186,532	591,328
TOTAL	\$ 603,363	\$ 1,048,697	\$ 284,704	\$ 1,114,134	\$ 3,050,898

					2016
Supporting Services					
Development and Fundraising	Management and General	Total Supporting Services	Total Expenses	Total Expenses	
\$ 118,457	\$ 311,847	\$ 430,304	\$ 1,479,351	\$ 1,477,485	
24,301	65,986	90,287	304,741	294,891	
-	40,275	40,275	509,294	173,997	
-	-	-	200,986	405,124	
-	-	-	350,092	392,713	
42,450	159,739	202,189	285,658	188,407	
-	223,115	223,115	223,115	223,357	
974	24,316	25,290	85,036	106,586	
587	2,582	3,169	11,342	18,164	
-	30,285	30,285	30,285	34,693	
-	6,263	6,263	6,263	7,573	
-	6,728	6,728	7,084	10,859	
155	12,586	12,741	13,640	15,050	
46	54,867	54,913	68,441	68,198	
-	16,011	16,011	16,011	15,901	
67	589	656	2,958	6,050	
-	233,038	233,038	233,038	47,015	
1,691	5,424	7,115	10,628	25,127	
25	17,379	17,404	21,390	56,436	
188,753	1,211,030	1,399,783	3,859,353	3,567,626	
53,927	(645,255)	(591,328)	-	-	
\$ 242,680	\$ 565,775	\$ 808,455	\$ 3,859,353	\$ 3,567,626	

NATIONAL ENVIRONMENTAL EDUCATION FOUNDATION

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2017
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2016**

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (505,546)	\$ 620,691
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Depreciation and amortization	30,285	34,693
Loss on disposal of fixed assets	8,810	-
(Increase) decrease in:		
Grants and other receivables	(251,161)	(459,774)
Prepaid expenses	20,515	(13,310)
Increase (decrease) in:		
Accounts payable and accrued liabilities	65,944	22,381
Refundable advance	(53,331)	9,313
Deferred rent	51,021	(39,869)
Deferred tenant improvement allowance	<u>(11,619)</u>	<u>-</u>
Net cash (used) provided by operating activities	<u>(645,082)</u>	<u>174,125</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of fixed assets	<u>(38,774)</u>	<u>(7,732)</u>
Net cash used by investing activities	<u>(38,774)</u>	<u>(7,732)</u>
Net (decrease) increase in cash and cash equivalents	(683,856)	166,393
Cash and cash equivalents at beginning of year	<u>2,633,739</u>	<u>2,467,346</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,949,883</u>	<u>\$ 2,633,739</u>
SUPPLEMENTAL INFORMATION:		
Landlord Provided Leasehold Improvements	<u>\$ 229,474</u>	<u>\$ -</u>

NATIONAL ENVIRONMENTAL EDUCATION FOUNDATION

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2017

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 nonprofit organization, pursuant to Section 501(c)(3) of the Internal Revenue Code 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 Financial Accounting Standards Board (FASB) ASC 958, *Not-for-Profit Entities*.

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with NEEF's financial statements for the year ended September 30, 2016, 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.

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 approximate 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. 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, 2017 totaled \$30,285.

NATIONAL ENVIRONMENTAL EDUCATION FOUNDATION

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2017

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

Income taxes -

NEEF 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. NEEF is not a private foundation.

Uncertain tax positions -

For the year ended September 30, 2017, NEEF 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 revenue received without donor-imposed restrictions. These net assets are available for the operation of NEEF and include both internally designated and undesignated resources. A portion of unrestricted net assets has been designated by the Board of Directors as an operating reserve fund. The Board of Directors has the right to decide to expend the principal of such funds at any time.
- **Temporarily restricted net assets** include revenue subject to donor-imposed restrictions that will be met by the actions of NEEF 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 donor restrictions.

Contributions, grants and contracts -

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.

NEEF receives funding under grants and contracts from the United States Government and other grantors 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, such grants are considered 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.

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.

NATIONAL ENVIRONMENTAL EDUCATION FOUNDATION

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2017

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

In-kind contributions -

In-kind contributions consist of donated services and donated office supplies, and are recorded at their estimated fair value on the date the services were provided. During the year ended September 30, 2017, in-kind contributions totaled \$233,038, 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.

New accounting pronouncements (not yet adopted) -

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

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

NATIONAL ENVIRONMENTAL EDUCATION FOUNDATION

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

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

New accounting pronouncements (not yet adopted) (continued) -

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

2. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following as of September 30, 2017:

Awareness	\$ 67,007
Engagement	774,332
Research and Innovation	12,947
Capacity Building	<u>403,234</u>
	<u>\$ 1,257,520</u>

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:

Awareness	\$ 68,149
Engagement	597,457
Research and Innovation	36,494
Capacity Building	<u>544,465</u>
	<u>\$ 1,246,565</u>

3. LEASE COMMITMENTS

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 Statement of Financial Position. The deferred rent liability as of September 30, 2017 was \$61,283.

Additionally, included in the lease was a tenant improvement allowance totaling \$229,474 improvement allowance 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, 2017, the total deferred improvement allowance aggregated \$217,855.

NATIONAL ENVIRONMENTAL EDUCATION FOUNDATION

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

3. LEASE COMMITMENTS (Continued)

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

Year Ending September 30,

2018	\$ 221,496
2019	227,033
2020	232,709
2021	238,527
2022	244,490
Thereafter	<u>313,637</u>
	<u>\$1,477,892</u>

Rent expense during the year ended September 30, 2017 totaled \$205,493, and is included in rent and utilities in the accompanying Statement of Functional Expenses.

4. 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, 2017 totaled \$63,128 and are included in employee benefits and taxes in the accompanying Statement of Functional Expenses.

5. CONTINGENCY

NEEF receives grants from various agencies of the United States Government. Beginning for fiscal year ended September 30, 2016, such grants were 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 2017. 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.

6. SUBSEQUENT EVENTS

In preparing these financial statements, NEEF has evaluated events and transactions for potential recognition or disclosure through February 9, 2018, the date the financial statements were issued.