

FINANCIAL STATEMENTS



**FOR THE YEAR ENDED SEPTEMBER 30, 2020
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2019**

NATIONAL ENVIRONMENTAL EDUCATION FOUNDATION

CONTENTS

	PAGE NO.
INDEPENDENT AUDITOR'S REPORT	2 - 3
EXHIBIT A - Statement of Financial Position, as of September 30, 2020, with Summarized Financial Information for 2019	4
EXHIBIT B - Statement of Activities and Change in Net Assets, for the Year Ended September 30, 2020, with Summarized Financial Information for 2019	5
EXHIBIT C - Statement of Functional Expenses, for the Year Ended September 30, 2020, with Summarized Financial Information for 2019	6
EXHIBIT D - Statement of Cash Flows, for the Year Ended September 30, 2020, with Summarized Financial Information for 2019	7
NOTES TO FINANCIAL STATEMENTS	8 - 14



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, 2020, 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.

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MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS' PRIVATE COMPANIES PRACTICE SECTION

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, 2020, 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.

Report on Summarized Comparative Information

We have previously audited NEEF's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 16, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2019, 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 17, 2021, 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 17, 2021

NATIONAL ENVIRONMENTAL EDUCATION FOUNDATION
STATEMENT OF FINANCIAL POSITION
AS OF SEPTEMBER 30, 2020
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2019

ASSETS		<u>2020</u>	<u>2019</u>
CURRENT ASSETS			
Cash and cash equivalents	\$	1,377,489	\$ 1,859,383
Grants and other receivables		1,080,004	542,798
Prepaid expenses		<u>63,510</u>	<u>86,046</u>
Total current assets		<u>2,521,003</u>	<u>2,488,227</u>
FIXED ASSETS			
Furniture		448,701	448,701
Leasehold improvements		<u>244,878</u>	<u>244,878</u>
		693,579	693,579
Less: Accumulated depreciation and amortization		<u>(558,423)</u>	<u>(509,617)</u>
Net fixed assets		<u>135,156</u>	<u>183,962</u>
TOTAL ASSETS	\$	<u>2,656,159</u>	\$ <u>2,672,189</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Loan payable	\$	143,104	\$ -
Accounts payable and accrued liabilities		150,310	204,619
Refundable advance		73,655	4,098
Deferred rent		19,058	6,052
Deferred tenant improvement allowance		<u>35,380</u>	<u>35,380</u>
Total current liabilities		<u>421,507</u>	<u>250,149</u>
LONG-TERM LIABILITIES			
Loan payable, net of current portion		162,157	-
Deferred rent, net of current portion		89,738	60,017
Deferred tenant improvement allowance, net of current portion		<u>79,477</u>	<u>114,817</u>
Total long-term liabilities		<u>331,372</u>	<u>174,834</u>
Total liabilities		<u>752,879</u>	<u>424,983</u>
NET ASSETS			
Without donor restrictions		809,959	1,302,404
With donor restrictions		<u>1,093,321</u>	<u>944,802</u>
Total net assets		<u>1,903,280</u>	<u>2,247,206</u>
TOTAL LIABILITIES AND NET ASSETS	\$	<u>2,656,159</u>	\$ <u>2,672,189</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, 2020
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2019

	2020			2019
	Without Donor Restrictions	With Donor Restrictions	Total	Total
SUPPORT AND REVENUE				
Contributions	\$ 174,419	\$ 982,995	\$ 1,157,414	\$ 1,321,785
Government grants and contracts	1,006,600	-	1,006,600	726,823
Government appropriation	858,000	-	858,000	870,200
In-kind contributions	1,675,837	-	1,675,837	34,731
Other revenue	7,832	-	7,832	13,030
Net assets released from donor restrictions	<u>834,476</u>	<u>(834,476)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>4,557,164</u>	<u>148,519</u>	<u>4,705,683</u>	<u>2,966,569</u>
EXPENSES				
Program Services	<u>4,683,262</u>	<u>-</u>	<u>4,683,262</u>	<u>3,035,665</u>
Supporting Services:				
Development and Fundraising	238,719	-	238,719	246,968
Management and General	<u>127,628</u>	<u>-</u>	<u>127,628</u>	<u>142,475</u>
Total supporting services	<u>366,347</u>	<u>-</u>	<u>366,347</u>	<u>389,443</u>
Total expenses	<u>5,049,609</u>	<u>-</u>	<u>5,049,609</u>	<u>3,425,108</u>
Change in net assets	(492,445)	148,519	(343,926)	(458,539)
Net assets at beginning of year	<u>1,302,404</u>	<u>944,802</u>	<u>2,247,206</u>	<u>2,705,745</u>
NET ASSETS AT END OF YEAR	<u><u>\$ 809,959</u></u>	<u><u>\$ 1,093,321</u></u>	<u><u>\$ 1,903,280</u></u>	<u><u>\$ 2,247,206</u></u>

NATIONAL ENVIRONMENTAL EDUCATION FOUNDATION

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2020
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2019**

	2020						2019					
	Program Services						Supporting Services					
	Health and Wellness	Research and Best Practices	Conservation	K-12 Education	Campaigns	Public Outreach	Total Program Services	Development and Fundraising	Management and General	Total Supporting Services	Total Expenses	Total Expenses
Salaries	\$ 291,167	\$ 155,397	\$ 396,903	\$ 350,958	\$ 149,319	\$ 309,059	\$ 1,652,803	\$ 133,082	\$ 42,753	\$ 175,835	\$1,828,638	\$ 1,662,946
Employee benefits and taxes	64,779	34,087	87,363	76,376	33,006	68,999	364,610	29,575	8,836	38,411	403,021	366,438
Subcontracts (Federal)	13,410	-	57	1,325	24,001	-	38,793	-	-	-	38,793	65,510
Subrecipients (Federal)	15,062	-	92,807	76,690	-	-	184,559	-	-	-	184,559	128,242
Awards and grants (non-Federal)	8,763	21,646	279,490	48,508	9,153	20,256	387,816	-	-	-	387,816	379,003
Professional services	3,521	2,138	9,682	5,489	2,155	3,825	26,810	38,538	15,427	53,965	80,775	230,879
Rent expense	20,945	12,720	57,587	32,648	12,820	22,749	159,469	12,682	26,305	38,987	198,456	200,349
Travel and related	3,546	4,680	8,025	4,463	857	11,254	32,825	9,475	1,758	11,233	44,058	107,942
Printing	113	415	1,785	46	15	45	2,419	186	31	217	2,636	10,164
Depreciation and amortization	5,151	3,128	14,162	8,029	3,153	5,595	39,218	3,119	6,469	9,588	48,806	47,323
Equipment rental and maintenance	682	414	1,875	1,063	417	741	5,192	413	856	1,269	6,461	7,240
Supplies	356	95	1,209	465	96	170	2,391	192	197	389	2,780	38,922
Telephone	1,765	1,030	4,245	2,812	972	1,694	12,518	941	1,939	2,880	15,398	17,010
Licenses and fees	17,066	5,417	22,946	13,894	4,998	9,362	73,683	8,168	10,154	18,322	92,005	80,032
Insurance	1,262	766	3,469	1,967	772	1,370	9,606	764	1,585	2,349	11,955	20,416
Postage and delivery	3	2	2,333	5	2	4	2,349	28	4	32	2,381	14,536
In-kind expenses	-	-	-	-	-	1,665,612	1,665,612	-	10,225	10,225	1,675,837	34,731
Publications and dues	161	171	1,042	626	598	175	2,773	1,130	202	1,332	4,105	8,393
Miscellaneous	3,704	654	3,041	10,248	431	1,738	19,816	426	887	1,313	21,129	5,032
TOTAL	\$ 451,456	\$ 242,760	\$ 988,021	\$ 635,612	\$ 242,765	\$ 2,122,648	\$ 4,683,262	\$ 238,719	\$ 127,628	\$ 366,347	\$5,049,609	\$ 3,425,108

See accompanying notes to financial statements.

NATIONAL ENVIRONMENTAL EDUCATION FOUNDATION

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2020
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (343,926)	\$ (458,539)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation and amortization	48,806	47,323
(Increase) decrease in:		
Grants and other receivables	(537,206)	448,883
Prepaid expenses	22,536	(4,449)
(Decrease) increase in:		
Accounts payable and accrued liabilities	(54,309)	41,243
Refundable advance	69,557	(171,981)
Deferred rent	42,727	(376)
Deferred tenant improvement allowance	<u>(35,340)</u>	<u>(35,341)</u>
Net cash used by operating activities	<u>(787,155)</u>	<u>(133,237)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of fixed assets	<u>-</u>	<u>(8,471)</u>
Net cash used by investing activities	<u>-</u>	<u>(8,471)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loan	<u>305,261</u>	<u>-</u>
Net cash provided by financing activities	<u>305,261</u>	<u>-</u>
Net decrease in cash and cash equivalents	(481,894)	(141,708)
Cash and cash equivalents at beginning of year	<u>1,859,383</u>	<u>2,001,091</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,377,489</u>	<u>\$ 1,859,383</u>

NATIONAL ENVIRONMENTAL EDUCATION FOUNDATION

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2020

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.

NEEF is the nation's leading organization in lifelong environmental learning, connecting people to knowledge they use to improve the quality of their lives and the health of the planet.

The purpose of NEEF (www.neefusa.org) is to cultivate an environmentally conscious and responsible public. Our vision is that people's everyday actions are guided by an understanding and concern for the well-being of people and the planet. Our mission is to make the environment more accessible, relatable, relevant, and connected to the daily lives of all Americans. Our work is centered in areas when the environment intersects daily life: Conservation, K-12 Education, and Health.

Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. As such, net assets are reported within two net asset classifications: without donor restrictions and with donor restrictions. Descriptions of the two net asset categories are 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.

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, 2019, from which the summarized information was derived.

NATIONAL ENVIRONMENTAL EDUCATION FOUNDATION

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

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

New accounting pronouncements adopted -

During 2020, NEEF adopted ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. This guidance is intended to clarify and improve the scope and the accounting guidance for contributions received and contributions made. Key provisions in this guidance include clarification regarding the accounting for grants and contracts as exchange transactions or contributions, and improved guidance to better distinguish between conditional and unconditional contributions. NEEF adopted the ASU using a modified prospective basis.

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 \$5,000 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, 2020 totaled \$48,806.

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, 2020, 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.

Contributions, grants and contracts -

The majority of NEEF's revenue is received through contributions as well as contracts and grants from the U.S. Government and other entities.

NATIONAL ENVIRONMENTAL EDUCATION FOUNDATION

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2020

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

Contributions, grants and contracts (continued) -

Contributions and grants are recognized in the appropriate category of net assets in the period received. NEEF performs an analysis of the individual contribution, grant and contract to determine if the revenue streams follow the contribution rules or if they should be recorded as an exchange transaction depending upon whether the transactions are deemed reciprocal or nonreciprocal.

For contributions and grants and contracts qualifying under the contribution rules, revenue is recognized upon notification of the award and satisfaction of all conditions, if applicable. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions and grants and contracts qualifying as contributions that are unconditional that have 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.

Grant and contract agreements qualifying as conditional contributions contain a right of return and a barrier. Revenue is recognized when the condition or conditions are satisfied. Most grants and contract awards from the United States Government and other entities are for direct and indirect program costs. These transactions are nonreciprocal and classified as conditional and are recognized as contributions when the revenue becomes unconditional. Typically, these agreements also contain a right of return or right of release from obligation provision and the entity has limited discretion over how funds transferred should be spent. As such, NEEF recognizes revenue for these conditional contributions when the related barrier has been overcome (generally, when qualifying expenditures are incurred). Funds received in advance of the incurrence of qualifying expenditures are recorded as refundable advances. For contributions and grants and contracts treated as contributions, NEEF had approximately \$2,571,948 in unrecognized conditional awards as of September 30, 2020.

Grants and contracts classified as exchange transactions are recorded as revenue when the performance obligations are met. The revenue is recorded directly to without donor restrictions and the transaction price is based on expenses incurred in compliance with the criteria stipulated in the grant or contract agreements. Grants and contracts receivable represents amounts due from funding organizations for reimbursable expenses incurred in accordance with the grant and contract agreements. Funding received in advance of incurring the related expenses is recorded as deferred revenue.

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 public service announcements, and are recorded at their estimated fair value on the date the services were provided.

NATIONAL ENVIRONMENTAL EDUCATION FOUNDATION

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2020

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

In-kind contributions (continued) -

During the year ended September 30, 2020, in-kind contributions totaled \$1,675,837, which was allocated to Public Outreach and 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.

Economic uncertainties -

On March 11, 2020, the World Health Organization declared the Coronavirus disease (COVID-19) a global pandemic. As a result of the spread of COVID-19, economic uncertainties have arisen which may negatively impact NEEF's operations. The overall potential impact is unknown at this time.

New accounting pronouncements (not yet adopted) -

ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606), as amended, provides a framework for recognizing revenue and is intended to improve comparability of revenue recognition practices across for-profit and non-profit entities. During 2020, the FASB delayed the implementation date under ASU 2020-05 for an additional year. Organizations may elect to adopt the guidance for annual reporting periods beginning after December 15, 2019 and for interim periods within annual reporting periods beginning after December 15, 2020. Early adoption is still permitted.

ASU 2019-01, *Leases* (Topic 842) changes the accounting treatment for operating leases by requiring recognition of a lease asset and lease liability at the present value of the lease payments in the Statement of Financial Position and disclosure of key information about leasing arrangements. During 2020, the FASB issued ASU 2020-05 and delayed the implementation date by one year. The ASU is effective for non public entities beginning after December 15, 2021. Early adoption is still permitted. The ASU can be applied at the beginning of the earliest period presented using a modified retrospective approach or applied at the beginning of the period of adoption recognizing a cumulative-effect adjustment.

NEEF plans to adopt the new ASUs at the required implementation dates and management is currently in the process of evaluating the adoption method and the impact of the new standard on its accompanying financial statements.

NATIONAL ENVIRONMENTAL EDUCATION FOUNDATION

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

2. BOARD DESIGNATED NET ASSETS

As of September 30, 2020, 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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3. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following as of September 30, 2020:

Conservation	\$ 914,489
K-12 Education	66,226
Campaigns	<u>112,606</u>

TOTAL NET ASSETS WITH DONOR RESTRICTIONS	\$ <u>1,093,321</u>
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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:

Conservation	\$ 763,518
Research and Best Practices	11,795
K-12 Education	33,774
Campaigns	<u>25,389</u>

TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS	\$ <u>834,476</u>
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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	\$ 1,377,489
Grants and other receivables	<u>1,080,004</u>

Subtotal financial assets available within one year	2,457,493
Less: Board designated funds	(150,000)
Less: Donor restricted funds	<u>(1,093,321)</u>

FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR	\$ <u>1,214,172</u>
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NEEF has a policy to structure its financial assets to be available and liquid as its obligations become due. As of September 30, 2020, NEEF has financial assets equal to approximately three 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.

NATIONAL ENVIRONMENTAL EDUCATION FOUNDATION

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

5. LOAN PAYABLE

On May 5, 2020, NEEF received loan proceeds in the amount of \$295,261 under the Paycheck Protection Program. The promissory note calls for monthly principal and interest payments amortized over the term of the promissory note with a deferral of payments for the first six months. Additionally, NEEF applied for and received a Economic Injury Disaster Loan (EIDL) in the amount of \$10,000. Under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), the promissory notes may be forgiven by the Small Business Administration in whole or in part. NEEF intends to use the proceeds for purposes consistent with the Paycheck Protection Program and believes that its use of the loan proceeds will meet the conditions for forgiveness of the loans. NEEF intends to apply for forgiveness after completing the 8-week period. If forgiveness is granted, NEEF will record revenue from debt extinguishments during the period that forgiveness was approved.

Principal payments as stated in the promissory note are due as follows unless otherwise forgiven:

Year Ending September 30,

2021	\$ 143,104
2022	<u>162,157</u>
	<u>\$ 305,261</u>

6. 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, 2020 was \$108,796.

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, 2020, the total deferred improvement allowance aggregated \$114,857.

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

Year Ending September 30,

2021	\$ 245,715
2022	262,974
2023	269,086
2024	<u>67,656</u>
	<u>\$ 845,431</u>

NATIONAL ENVIRONMENTAL EDUCATION FOUNDATION

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

6. LEASE COMMITMENT (Continued)

Rent expense during the year ended September 30, 2020 totaled \$198,456.

7. 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, 2020 totaled \$98,143 and are included in employee benefits and taxes in the accompanying Statement of Functional Expenses.

8. 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 2020. 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.

9. SUBSEQUENT EVENTS

In preparing these financial statements, NEEF has evaluated events and transactions for potential recognition or disclosure through March 17, 2021, the date the financial statements were issued.

In February, 2021, NEEF entered into a new five-year promissory note agreement in the amount of \$375,140 with a 1% fixed interest rate under the Paycheck Protection Program. The promissory note calls for monthly principal and interest payments amortized over the term of the promissory note, unless otherwise forgiven. Under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), the promissory note may be forgiven by the Small Business Administration in whole or in part.