



# **NATIONAL ASSOCIATION FOR THE EDUCATION OF YOUNG CHILDREN**

## **Financial Statements**

*For the Year Ended August 31, 2021*

*(With Summarized Financial Information for the Year Ended August 31, 2020)*



**and  
Report Thereon**



**NATIONAL ASSOCIATION FOR THE EDUCATION OF YOUNG CHILDREN**

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**For the Year Ended August 31, 2021**

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## **INDEPENDENT AUDITORS' REPORT**

To the Governing Board of the  
National Association for the Education of Young Children

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the National Association for the Education of Young Children (NAEYC), which comprise the statement of financial position as of August 31, 2021, and the related statements of activities, 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.

### ***Auditors' 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 auditors' 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 2021 financial statements referred to above present fairly, in all material respects, the financial position of the National Association for the Education of Young Children as of August 31, 2021, and the changes 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 NAEYC's 2020 financial statements, and in our report dated February 2, 2021, we expressed an unmodified audit opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in black ink that reads "Marcum LLP". The signature is written in a cursive, flowing style.

Washington, DC  
February 25, 2022

**NATIONAL ASSOCIATION FOR THE EDUCATION OF YOUNG CHILDREN**

**STATEMENT OF FINANCIAL POSITION**

**August 31, 2021**

**(With Summarized Financial Information as of August 31, 2020)**

|   | <u>2021</u>                 | <u>2020</u>                 |
|---|-----------------------------|-----------------------------|
| <b>ASSETS</b>   |                             |                             |
| Current assets  |                             |                             |
| Cash and cash equivalents   | \$ 7,349,734                | \$ 1,597,603                |
| Accounts and other receivables, net of allowance for doubtful accounts of \$301,314 | 2,015,644                   | 1,979,587                   |
| Grants receivable   | 1,162,104                   | 1,431,707                   |
| Inventory, net of reserve of \$73,584   | 247,935                     | 439,658                     |
| Prepaid expenses and other current assets   | <u>358,788</u>              | <u>391,064</u>              |
| Total Current Assets  | <u>11,134,205</u>           | <u>5,839,619</u>            |
| Long-term investments   | 31,043,333                  | 25,815,488                  |
| Property and equipment, net   | 5,581,101                   | 2,372,079                   |
| Right of use asset  | 14,097,993                  | -                           |
| Security deposit  | <u>591,820</u>              | <u>591,820</u>              |
| TOTAL ASSETS  | <u><u>\$ 62,448,452</u></u> | <u><u>\$ 34,619,006</u></u> |
| <b>LIABILITIES</b>  |                             |                             |
| Current liabilities   |                             |                             |
| Accounts payable and accrued expenses   | \$ 1,091,645                | \$ 719,567                  |
| Due to affiliates   | 90,144                      | 80,796                      |
| Paycheck Protection Program (PPP) loan payable                                      | 1,565,000                   | 1,550,000                   |
| Accrued annual leave  | 503,896                     | 472,663                     |
| Operating lease liability, current  | 146,145                     | -                           |
| Contract liabilities:   |                             |                             |
| Membership dues   | 1,217,388                   | 1,178,835                   |
| Conference  | 49,091                      | 450,152                     |
| Other   | <u>373,100</u>              | <u>321,931</u>              |
| Total Current Liabilities   | 5,036,409                   | 4,773,944                   |
| Long-term liabilities   |                             |                             |
| Operating lease liability, net of current   | <u>18,780,428</u>           | <u>-</u>                    |
| Total Long-Term Liabilities   | 18,780,428                  | -                           |
| TOTAL LIABILITIES   | <u>23,816,837</u>           | <u>4,773,944</u>            |
| <b>NET ASSETS</b>   |                             |                             |
| Without donor restrictions  | 36,661,857                  | 27,688,987                  |
| With donor restrictions   | <u>1,969,758</u>            | <u>2,156,075</u>            |
| TOTAL NET ASSETS  | <u>38,631,615</u>           | <u>29,845,062</u>           |
| TOTAL LIABILITIES AND NET ASSETS  | <u><u>\$ 62,448,452</u></u> | <u><u>\$ 34,619,006</u></u> |

The accompanying notes are an integral part of these financial statements.

**NATIONAL ASSOCIATION FOR THE EDUCATION OF YOUNG CHILDREN**

**STATEMENT OF ACTIVITIES**

**For the Year Ended August 31, 2021**

**(With Summarized Financial Information for the Year Ended August 31, 2020)**

|  | Without Donor<br>Restrictions | With Donor<br>Restrictions | 2021<br>Total        | 2020<br>Total        |
|--|-------------------------------|----------------------------|----------------------|----------------------|
| <b>REVENUE</b>                           |                               |                            |                      |                      |
| Fees                                     |                               |                            |                      |                      |
| Accreditation                            | \$ 4,856,539                  | \$ -                       | \$ 4,856,539         | \$ 4,326,622         |
| Membership                               | 2,425,168                     | -                          | 2,425,168            | 2,580,418            |
| Conferences and seminars                 | 2,279,729                     | -                          | 2,279,729            | 4,706,922            |
| Publications                             | 2,733,705                     | -                          | 2,733,705            | 2,434,623            |
| Grants and contributions                 | 155,219                       | 1,864,328                  | 2,019,547            | 3,311,204            |
| Contracts and consulting                 | 1,298,914                     | -                          | 1,298,914            | 681,640              |
| Investment income                        | 4,726,628                     | -                          | 4,726,628            | 1,797,507            |
| Rental income                            | -                             | -                          | -                    | 509,861              |
| Net assets released from restrictions    | 2,050,645                     | (2,050,645)                | -                    | -                    |
| <b>TOTAL REVENUE</b>                     | <b>20,526,547</b>             | <b>(186,317)</b>           | <b>20,340,230</b>    | <b>20,348,797</b>    |
| <b>EXPENSES</b>                          |                               |                            |                      |                      |
| Program Services:                        |                               |                            |                      |                      |
| Accreditation and Early Learning Systems | 3,274,006                     | -                          | 3,274,006            | 5,290,913            |
| Publications                             | 2,863,578                     | -                          | 2,863,578            | 3,349,829            |
| Grants and awards                        | 2,021,469                     | -                          | 2,021,469            | 2,536,023            |
| Conferences and seminars                 | 1,266,178                     | -                          | 1,266,178            | 2,377,878            |
| Membership                               | 1,070,660                     | -                          | 1,070,660            | 1,478,038            |
| Contracts and consulting                 | 807,501                       | -                          | 807,501              | 578,574              |
| <b>Total Program Services</b>            | <b>11,303,392</b>             | <b>-</b>                   | <b>11,303,392</b>    | <b>15,611,255</b>    |
| Supporting Services:                     |                               |                            |                      |                      |
| Management and general                   | 3,624,505                     | -                          | 3,624,505            | 4,424,947            |
| Building operations                      | -                             | -                          | -                    | 607,030              |
| <b>Total Supporting Services</b>         | <b>3,624,505</b>              | <b>-</b>                   | <b>3,624,505</b>     | <b>5,031,977</b>     |
| <b>TOTAL EXPENSES</b>                    | <b>14,927,897</b>             | <b>-</b>                   | <b>14,927,897</b>    | <b>20,643,232</b>    |
| Change in net assets before other items  | 5,598,650                     | (186,317)                  | 5,412,333            | (294,435)            |
| Other items                              |                               |                            |                      |                      |
| Gain on sale of property and equipment   | 453,086                       | -                          | 453,086              | 14,001,559           |
| PPP forgiveness                          | 1,550,000                     | -                          | 1,550,000            | -                    |
| Proceeds from insurance recoveries       | 1,371,134                     | -                          | 1,371,134            | -                    |
| Unrealized gain on interest rate swap    | -                             | -                          | -                    | 219,674              |
| <b>CHANGE IN NET ASSETS</b>              | <b>8,972,870</b>              | <b>(186,317)</b>           | <b>8,786,553</b>     | <b>13,926,798</b>    |
| <b>NET ASSETS, BEGINNING OF YEAR</b>     | <b>27,688,987</b>             | <b>2,156,075</b>           | <b>29,845,062</b>    | <b>15,918,264</b>    |
| <b>NET ASSETS, END OF YEAR</b>           | <b>\$ 36,661,857</b>          | <b>\$ 1,969,758</b>        | <b>\$ 38,631,615</b> | <b>\$ 29,845,062</b> |

The accompanying notes are an integral part of these financial statements.

**NATIONAL ASSOCIATION FOR THE EDUCATION OF YOUNG CHILDREN**

**STATEMENT OF FUNCTIONAL EXPENSES**

**For the Year Ended August 31, 2021**

**(With Summarized Financial Information for the Year Ended August 31, 2020)**

|                                 | Program Services                         |                     |                     |                          |                     |                          |                        | Supporting Services    |                      |                      |
|---------------------------------|--|---------------------|---------------------|--------------------------|---------------------|--------------------------|------------------------|------------------------|----------------------|----------------------|
|                                 | Accreditation and Early Learning Systems | Publications        | Grants and Awards   | Conferences and Seminars | Membership          | Contracts and Consulting | Total Program Services | Management and General | 2021 Total           | 2020 Total           |
| Personnel                       | \$ 1,428,334                             | \$ 1,112,844        | \$ 938,743          | \$ 499,900               | \$ 391,999          | \$ 447,480               | \$ 4,819,300           | \$ 2,531,848           | \$ 7,351,148         | \$ 9,698,603         |
| Occupancy                       | 627,238                                  | 438,977             | 46,865              | 210,592                  | 165,456             | 135,166                  | 1,624,294              | 30,601                 | 1,654,895            | 969,999              |
| Consultants and contractors     | 464,546                                  | 70,404              | 258,848             | 37,383                   | 14,375              | 171,377                  | 1,016,933              | 297,255                | 1,314,188            | 2,053,936            |
| Subgrants                       | -  | -                   | 683,250             | -                        | -                   | -                        | 683,250                | -                      | 683,250              | 902,316              |
| Depreciation and amortization   | 274,274                                  | 141,255             | 8,621               | 26,744                   | 115,532             | 18,039                   | 584,465                | 57,703                 | 642,168              | 487,434              |
| Printing and production         | 88                                       | 474,809             | 2,309               | 39                       | 136,394             | 2,072                    | 615,711                | 4,807                  | 620,518              | 793,372              |
| Equipment and technology        | 136,346                                  | 123,998             | 7,908               | 46,989                   | 6,822               | 10,472                   | 332,535                | 246,073                | 578,608              | 453,769              |
| Commissions                     | -  | 274,414             | -                   | 63,429                   | -                   | -                        | 337,843                | -                      | 337,843              | 389,783              |
| Meeting facilities and services | 2,725                                    | 7,916               | 888                 | 299,943                  | 219                 | 17                       | 311,708                | 15,210                 | 326,918              | 1,177,693            |
| Bank and credit card fees       | 100,608                                  | 32,766              | 3,937               | 40,479                   | 83,855              | 55                       | 261,700                | 31,257                 | 292,957              | 339,178              |
| Postage and delivery            | 1,064                                    | 89,522              | 187                 | 293                      | 130,322             | 235                      | 221,623                | 4,604                  | 226,227              | 376,019              |
| Travel                          | 219,311                                  | 88                  | 398                 | 854                      | 26                  | 75                       | 220,752                | 1,825                  | 222,577              | 933,445              |
| Professional services           | 86                                       | 66,568              | 41,840              | 804                      | 3,286               | 111                      | 112,695                | 98,275                 | 210,970              | 224,439              |
| Miscellaneous                   | 13,995                                   | 9,853               | 25,843              | 6,412                    | 3,300               | 21,942                   | 81,345                 | 61,945                 | 143,290              | 180,786              |
| Insurance                       | 2,997                                    | 4,277               | 629                 | 29,993                   | 1,274               | 99                       | 39,269                 | 88,663                 | 127,932              | 142,953              |
| Utilities                       | 745                                      | 4,305               | 639                 | 1,304                    | 1,282               | 101                      | 8,376                  | 89,231                 | 97,607               | 243,537              |
| Office supplies and services    | 1,233                                    | 11,291              | 533                 | 880                      | 16,408              | 170                      | 30,515                 | 65,208                 | 95,723               | 118,565              |
| Financing                       | 416                                      | 291                 | 31                  | 140                      | 110                 | 90                       | 1,078                  | -                      | 1,078                | 224,307              |
| Bad debt expense                | -  | -                   | -                   | -                        | -                   | -                        | -                      | -                      | -                    | 756,906              |
| Real estate taxes               | -  | -                   | -                   | -                        | -                   | -                        | -                      | -                      | -                    | 176,192              |
| <b>TOTAL EXPENSES</b>           | <b>\$ 3,274,006</b>                      | <b>\$ 2,863,578</b> | <b>\$ 2,021,469</b> | <b>\$ 1,266,178</b>      | <b>\$ 1,070,660</b> | <b>\$ 807,501</b>        | <b>\$ 11,303,392</b>   | <b>\$ 3,624,505</b>    | <b>\$ 14,927,897</b> | <b>\$ 20,643,232</b> |

The accompanying notes are an integral part of these financial statements.

**NATIONAL ASSOCIATION FOR THE EDUCATION OF YOUNG CHILDREN**

**STATEMENT OF CASH FLOWS**

**For the Year Ended August 31, 2021**

**(With Summarized Financial Information for the Year Ended August 31, 2020)**

|   | <u>2021</u>                | <u>2020</u>                |
|---|----------------------------|----------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |                            |                            |
| Change in net assets  | \$ 8,786,553               | \$ 13,926,798              |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities: |                            |                            |
| Net appreciation of investments   | (4,726,628)                | (1,797,507)                |
| Depreciation and amortization of property and equipment   | 642,168                    | 474,294                    |
| Amortization of right of use asset  | 1,005,188                  | -                          |
| Gain on sale of property and equipment  | (453,086)                  | (14,001,559)               |
| Amortization of deferred financing costs  | -                          | 13,140                     |
| Forgiveness of PPP loan   | (1,550,000)                | -                          |
| Bad debt expense  | -                          | 756,906                    |
| Reserve for inventory obsolescence  | 30,060                     |                            |
| Gain on interest rate swap obligation   | -                          | (219,674)                  |
| Change in assets and liabilities  |                            |                            |
| Accounts and other receivables  | (36,057)                   | 362,081                    |
| Grants receivable   | 269,603                    | (411,517)                  |
| Inventory   | 161,663                    | 42,572                     |
| Prepaid expenses and other current assets   | 32,276                     | 282,001                    |
| Security deposit  | -                          | (591,820)                  |
| Deferred lease asset  | -                          | 133,849                    |
| Accounts payable and accrued expenses   | 372,078                    | (85,638)                   |
| Accrued annual leave  | 31,233                     | (102,599)                  |
| Contract liabilities  | (311,339)                  | (1,128,409)                |
| Due to affiliates   | 9,348                      | (12,966)                   |
| Deposits payable  | -                          | (51,239)                   |
| <b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>  | <u>4,263,060</u>           | <u>(2,411,287)</u>         |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |                            |                            |
| Purchases of property and equipment   | (27,798)                   | (294,435)                  |
| Proceeds on sale of property and equipment  | 453,086                    | 31,199,758                 |
| Purchases of investments  | (501,217)                  | (18,077,546)               |
| Proceeds from sales and maturities of investments   | -                          | 3,515,703                  |
| <b>NET CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES</b>  | <u>(75,929)</u>            | <u>16,343,480</u>          |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>   |                            |                            |
| Proceeds from Paycheck Protection Program loan issuance   | 1,565,000                  | 1,550,000                  |
| Principal payments on interest rate swap  | -                          | (3,389,667)                |
| Principal payments on bonds payable   | -                          | (11,321,000)               |
| <b>NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>  | <u>1,565,000</u>           | <u>(13,160,667)</u>        |
| <b>NET INCREASE IN CASH</b>   | 5,752,131                  | 771,526                    |
| <b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>   | <u>1,597,603</u>           | <u>826,077</u>             |
| <b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>   | <u><u>\$ 7,349,734</u></u> | <u><u>\$ 1,597,603</u></u> |
| <b>SUPPLEMENTAL CASH FLOW INFORMATION</b>   |                            |                            |
| Cash paid during the year for interest  | <u><u>\$ 1,097</u></u>     | <u><u>\$ 223,557</u></u>   |
| <b>NONCASH INVESTING ACTIVITIES</b>   |                            |                            |
| Right of use asset  | \$ 14,633,553              | \$ -                       |
| Operating lease liability   | (18,456,945)               | -                          |
| Leasehold improvements acquired through lease incentive   | 3,823,392                  | -                          |
| <b>Net cash outlay</b>  | <u><u>\$ -</u></u>         | <u><u>\$ -</u></u>         |
| Forgiveness of Paycheck Protection loan   | <u><u>\$ 1,550,000</u></u> | <u><u>\$ -</u></u>         |

The accompanying notes are an integral part of these financial statements.



# NATIONAL ASSOCIATION FOR THE EDUCATION OF YOUNG CHILDREN

## NOTES TO FINANCIAL STATEMENTS For the Year Ended August 31, 2021

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### 1. Organization

The National Association for the Education of Young Children (NAEYC) is a professional membership organization, founded in 1926, to promote high-quality early learning for all young children, birth through age 8, by connecting early childhood practice, policy and research. NAEYC advances a diverse, dynamic early childhood profession and supports all who care for, educate, and work on behalf of young children, as well as accrediting early childhood facilities and higher education programs.

The principal sources of revenue are conference and seminar fees, accreditation fees, grants, membership fees, publications, and contracts and consulting.

### 2. Summary of Significant Accounting Policies

#### **Basis of Presentation**

The accompanying financial statements are presented in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) and have been prepared on the accrual basis of accounting.

#### **Use of Estimates**

The preparation of financial statements in conformity with U.S. GAAP 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.

#### **Cash and Cash Equivalents**

NAEYC considers all cash and other highly liquid investments with initial maturities of three months or less to be cash and cash equivalents.

#### **Investments**

Investments consist of mutual funds and are reported in the accompanying statement of financial position at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Where quoted market prices are not available or the prices are based on quoted prices that are not actively traded, fair value is estimated using pricing models, quoted prices of securities that are actively traded with similar characteristics, or discounted cash flows. Investment income, including realized and unrealized gains and losses on investments, interests and dividends, is reflected as investment income in the accompanying statement of activities.

#### **Fair Value Measurement**

In accordance with the accounting standards for fair value measurement for those assets and liabilities that are measured at fair value on a recurring basis, NAEYC has categorized its applicable assets and liabilities measured at fair value into the required fair value hierarchy. The

# NATIONAL ASSOCIATION FOR THE EDUCATION OF YOUNG CHILDREN

## NOTES TO FINANCIAL STATEMENTS For the Year Ended August 31, 2021

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### 2. Summary of Significant Accounting Policies (continued)

#### **Fair Value Measurement (continued)**

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 the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Applicable financial assets and liabilities are categorized based on the inputs to the valuation techniques as follows:

*Level 1* – Financial assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market that NAEYC has the ability to access.

*Level 2* – Financial assets and liabilities whose values are based on quoted prices in markets that are not active or model inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability.

*Level 3* – Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

As of and for the year ended August 31, 2021, only NAEYC's investments, as described in Note 3 of these financial statements, were measured at fair value on a recurring basis.

#### **Accounts and Other Receivables and Grants Receivable**

Accounts and other receivables and grants receivable are recorded at their net realizable value. Accounts past due are individually analyzed for collectability. When all collection efforts have been exhausted, the account is written off against an allowance account. Management annually adjusts the allowance account based upon its estimate of those accounts it believes to be uncollectible.

#### **Inventory**

Inventory consists primarily of publications and is valued at net realizable value using the first-in, first-out method. The value in excess of five years of sales is fully reserved for any item which has been in stock for more than two years.

#### **Property and Equipment**

Property and equipment purchases greater than \$2,500 and an economic life in excess of one year are capitalized and carried at cost in the statement of financial position. Expenditures for major additions, renewals and improvements are capitalized; expenditures for repairs and maintenance are expensed when incurred. Upon the retirement or disposal of assets, the cost and accumulated depreciation and amortization are eliminated from the accounts and the resulting gain or loss is reflected in the accompanying statement of activities. Depreciation and amortization are provided on a straight-line basis over the estimated useful lives of the assets.

# NATIONAL ASSOCIATION FOR THE EDUCATION OF YOUNG CHILDREN

## NOTES TO FINANCIAL STATEMENTS For the Year Ended August 31, 2021

### 2. Summary of Significant Accounting Policies (continued)

#### **Property and Equipment (continued)**

The estimated useful lives for property and equipment are as follows:

| <u>Category</u>                 | <u>Estimated Life</u> |
|---------------------------------|-----------------------|
| Computer equipment and software | 3-7 years             |
| Furniture and equipment         | 5-10 years            |

#### **Classification of Net Assets**

NAEYC's net assets are reported as follows:

- Net assets without donor restrictions represent the portion of expendable funds that are available for any purpose in performing the primary objectives of NAEYC at the discretion of NAEYC's management and the Board of Directors (the Board). From time to time, the Board designates a portion of these net assets for specific purposes, which makes them unavailable for use at management's discretion. As of August 31, 2021, the Board has not designated net assets without donor restrictions.
- Net assets with donor restrictions represent funds that are specifically restricted by donors for use in various programs and/or for a specific period of time. These donor restrictions can be temporary in nature in that they will be met by actions of NAEYC and/or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated that the funds be maintained in perpetuity. As of August 31, 2021, NAEYC had no net assets with donor restrictions that are required to be maintained in perpetuity.

#### **Revenue Recognition**

##### *Conference and Seminar Fees and Accreditation Fees*

Conference and seminar fees and accreditation fees are recognized as revenue at the point in time in which the accreditation, conference or seminar occurs. Amounts received in advance of the event are included in contract liabilities in the accompanying statement of financial position, which are recognized as revenue in the subsequent year. Any event specific costs paid in advance for the events are reported as prepaid expenses in the accompanying statement of financial position. Insurance proceeds are recognized when the claim is approved by the insurance carrier.

##### *Membership Dues*

Membership dues are recognized as revenue in the membership period to which the dues relate. There are no distinct performance obligations and the general member benefits are considered a bundled group of performance obligations that are delivered to members throughout the membership period. Amounts received in advance of the membership period are included in contract liabilities in the accompanying statement of financial position, which are recognized as revenue in the subsequent year. Revenue recognized for which payments have not been received is reflected as accounts receivable in the accompanying statement of financial position.

# NATIONAL ASSOCIATION FOR THE EDUCATION OF YOUNG CHILDREN

## NOTES TO FINANCIAL STATEMENTS For the Year Ended August 31, 2021

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### 2. Summary of Significant Accounting Policies (continued)

#### **Revenue Recognition (continued)**

##### *Grants*

Unconditional grants and contributions are recognized as revenue in the accounting period in which they are received or when an unconditional promise to give is made. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met. Unconditional contributions are considered available for general expenditure unless specifically restricted by a donor. Amounts that are designated for future periods or restricted by the donor for a specific purpose are reported as grants and contributions with donor restrictions in the accompanying statement of activities. When a donor restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and released from restriction. Grants or contributions that have been committed to NAEYC, but have not been received as of year-end, are reflected as grant receivables in the accompanying statement of financial position. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met.

##### *Publication Sales*

Publication sales includes books and merchandise sales and journal subscription revenue. Revenue for books and merchandise sales is recognized at the point in time the performance obligation is satisfied. The performance obligation is satisfied when the order is placed, as fulfillment of these items normally occurs within 24 hours of the purchase and NAEYC utilized freight on board shipping points. Journal subscription revenue is recognized over time as the periodical issues are released and shipped to the customer, with the unearned portion classified as contract liabilities in the accompanying statement of financial position, which are recognized as revenue in the subsequent year.

#### **Functional Allocation of Expenses**

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statement of functional expenses. Expenses directly attributed to a specific functional area of NAEYC are reported as expenses of those functional areas, while shared costs that benefit multiple functional areas have been allocated among the various functional areas based on estimates determined by management to be equitable. Occupancy and certain general and administrative expenses are allocated by the proportion of salary expense incurred for the related department. Marketing and creative service costs that are shared across various departments are allocated based on a time study which is done every six months.

#### **Fundraising Activities**

Fundraising activities include publicizing and conducting fundraising campaigns; maintaining donor lists; cultivating donor relationships; and conducting other activities involved with soliciting contributions from individuals, foundations, and others. Fundraising costs incurred in one year,

# NATIONAL ASSOCIATION FOR THE EDUCATION OF YOUNG CHILDREN

## NOTES TO FINANCIAL STATEMENTS For the Year Ended August 31, 2021

### 2. Summary of Significant Accounting Policies (continued)

#### **Fundraising Activities (continued)**

which may result in contributions received in future years, are expensed as incurred in accordance with Accounting Standards Codification 958-20, *Not-for-Profit Entities – Other Expenses*. For the year ended August 31, 2021, fundraising expenses were \$108,735, and are included with management and general expenses in the statement of activities.

#### **Reclassifications**

Certain amounts in the 2020 financial statements have been reclassified to conform to the 2021 presentation.

#### **Adoption of New Accounting Pronouncements**

In February 2016, FASB issued ASU No. 2016-02, *Leases* (Topic 842). Under the new guidance lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. The new standard applies to capital or operating leases entered into or continuing after the standard was issued. NAEYC has elected to early adopt the standard in 2021 based on the execution of NAEYC's operating lease for its office space.

### 3. Investments and Fair Value Measurement

Investments measured at fair value on a recurring basis are as follows as of August 31, 2021:

|               | Total<br>Fair Value         | Quoted Prices<br>in Active<br>Markets for<br>Identical<br>Assets/<br>Liabilities<br>(Level 1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) |
|---------------|-----------------------------|---|---|--|
| Assets:       |                             |   |   |  |
| Mutual funds: |                             |   |   |  |
| Equity        | \$ 18,787,648               | \$ 18,787,648   | \$ -  | \$ -   |
| Fixed-income  | <u>12,255,685</u>           | <u>12,255,685</u>   | <u>-</u>  | <u>-</u>   |
|               | <u><u>\$ 31,043,333</u></u> | <u><u>\$ 31,043,333</u></u>   | <u><u>\$ -</u></u>  | <u><u>\$ -</u></u>                                 |

Following are descriptions of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at August 31, 2021.

*Mutual funds* – The investments in mutual funds are valued at the daily closing as reported by the fund. These investments invest principally in equity securities, fixed-income instruments, and short-term investments in accordance with each portfolio's investment objectives.

**NATIONAL ASSOCIATION FOR THE EDUCATION OF YOUNG CHILDREN**

**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended August 31, 2021**

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4. Property and Equipment

Property and equipment consist of the following at August 31, 2021:

|  |                     |
|--|---------------------|
| Leasehold improvements                             | \$ 3,823,392        |
| Computer equipment and software                    | <u>3,500,922</u>    |
| Total Property and Equipment                       | 7,324,314           |
| Less: Accumulated Depreciation<br>and Amortization | <u>(1,743,213)</u>  |
| Property and Equipment, Net                        | <u>\$ 5,581,101</u> |

Depreciation and amortization expenses for the year ended August 31, 2021 amounted to \$642,168.

5. Paycheck Protection Program Loan Payable

During the year ended August 31, 2020, NAEYC entered into a Small Business Administration (SBA) loan with its financial institution under the Paycheck Protection Program (PPP) in the amount of \$1,550,000. On September 21, 2020, NAEYC applied for forgiveness of the PPP loan, and on January 5, 2021, received approval of the PPP loan forgiveness request. As a result, NAEYC recognized the forgiveness of the loan's principal in the amount of \$1,550,000 in the accompanying statement of activities.

On February 10, 2021, NAEYC applied for and was approved for a 2<sup>nd</sup> PPP loan in the amount of \$1,565,000, subject to similar terms. The loan amounts were eligible for forgiveness, pursuant to provisions of the PPP, which established minimum amounts of the loan to be used to cover payroll costs and the remainder used for mortgage interest, rent and utility costs over a specified period of time after the loan is made and the number of employees and compensation levels are maintained. On November 15, 2021, NAEYC applied for forgiveness of the PPP loan, and on November 29, 2021, received approval of the PPP loan forgiveness request at the full amount of the loan's principal.

6. Net Assets

**Net Assets With Donor Restrictions**

As of August 31, 2021, net assets with donor restrictions were restricted for the following purposes or period:

Subject to expenditure for specified purpose:

|  |                     |
|--|---------------------|
| Early childhood profession                         | \$ 1,639,806        |
| Early childhood education and development          | <u>329,952</u>      |
| Total Subject to Expenditure for Specified Purpose | <u>1,969,758</u>    |
| Total Net Assets With Donor Restrictions           | <u>\$ 1,969,758</u> |

# NATIONAL ASSOCIATION FOR THE EDUCATION OF YOUNG CHILDREN

## NOTES TO FINANCIAL STATEMENTS For the Year Ended August 31, 2021

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### 7. Line of Credit

On November 20, 2020, NAEYC entered into a revolving line of credit with a financial institution with a maximum available credit of \$2,000,000. The line was scheduled to mature on March 31, 2021, and was renewed prior to that expiration, and is now scheduled to mature on March 31, 2022. As part of the financial covenants association with the line of credit, NAEYC is required to keep a minimum of \$14,000,000 in liquid assets at all times. Interest accrues on all outstanding balances at the daily adjusted London Interbank Offered Rate (LIBOR) plus 1.2%. As of August 31, 2021, the interest rate was approximately 1.29575%. There was no outstanding balance as of August 31, 2021.

### 8. Availability and Liquidity

NAEYC regularly monitors liquidity required to meet its annual operating needs and other contractual commitments, while also striving to preserve the principal and return on the investment of its funds. NAEYC's financial assets available within one year of the statement of financial position date for general expenditures at August 31, 2021, were as follows:

|  |                      |
|--|----------------------|
| Cash and cash equivalents  | \$ 7,349,734         |
| Investments  | 31,043,333           |
| Accounts receivable  | 2,015,644            |
| Grants receivable  | <u>1,162,104</u>     |
| Total Financial Assets Available Within One Year   | 41,570,815           |
| Less:  |                      |
| Amounts unavailable for general expenditures within one year due to donors' restriction with purpose restriction | (1,969,758)          |
| Minimum debt liquidity requirements  | <u>(14,000,000)</u>  |
| Financial Assets Available to Meet General Expenditures Within One Year  | <u>\$ 25,601,057</u> |

NAEYC has various sources of liquidity at its disposal, including cash and cash equivalents and investments, which are available for general expenditures, liabilities and other obligations as they come due. Management is focused on sustaining the financial liquidity of NAEYC throughout the year. This is done through monitoring and reviewing NAEYC's cash flow needs on a weekly basis. As a result, management is aware of the cyclical nature of NAEYC's cash flow related to NAEYC's various funding sources and is therefore able to ensure that there is cash available to meet current liquidity needs. As part of its liquidity plan, excess cash is invested in publicly traded investment vehicles, including mutual funds, or to support organizational initiatives. NAEYC can liquidate its investments anytime, and therefore the investments are available to meet current cash flow needs. To help manage unanticipated liquidity needs, NAEYC has a committed line of credit of \$2 million, all of which was unused and available to draw upon as of August 31, 2021.

# **NATIONAL ASSOCIATION FOR THE EDUCATION OF YOUNG CHILDREN**

## **NOTES TO FINANCIAL STATEMENTS** **For the Year Ended August 31, 2021**

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### **9. Pension Cost**

NAEYC has a defined contribution plan that covers all employees that meet the Plan's eligibility requirements. Under the plan, staff members may purchase tax deferred annuities through salary reduction agreements as provided for by Section 403(b) of the Internal Revenue Code. Beginning on January 2, 2018, a Roth contribution option was added to NAEYC's plan that allowed for both pre-tax and post-tax basis contributions for additional flexibility in retirement planning. Pension expense for the year ended August 31, 2021 was \$84,090.

### **10. Related Parties**

The NAEYC Affiliate Network (Affiliates) is a vibrant community of nonprofit organizations dedicated to providing local member engagement opportunities, resources, conferences, professional development, and advocacy efforts for shared members. NAEYC and its Affiliates share a core value in creating opportunities to widen reach to early educators; to enhance the influence NAEYC has on shaping a national, state and local agenda for young children; and to equip a growing and engaged membership with effective structures and processes for carrying out the work of the collective mission.

NAEYC collects membership dues that include a portion that is due to the Affiliates. The total collections on behalf of Affiliates for fiscal year 2021 was \$1,262,821 and NAEYC remitted a total of \$1,272,168 to Affiliates. The total amounts payable to Affiliates as of August 31, 2021 was \$90,144, and due to the nature of the transaction, are not included in NAEYC's revenue and expenses for the year ended August 31, 2021.

### **11. Leases**

On February 18, 2020, NAEYC entered into a 13 year noncancelable operating lease agreement for office space in Washington, DC. The lease is effective the earlier of its occupancy date, or January 15, 2021. The lease includes 12 months of abated rent plus any unused tenant improvement allowance and annual escalations of approximately 2.5%. Additionally, the lease provides a tenant allowance of \$4,344,634, of which \$3,823,392 was used by NAEYC. NAEYC has recorded a lease obligation equal to the present value of the future payments under the terms of the lease, discounted at an estimated incremental borrowing rate of 4%. NAEYC has also recorded a right of use asset equal to the lease obligations. The asset will be amortized on a straight-line basis over the lease term. Rent expense for this lease for the year ended August 31, 2021 was \$1,005,187. NAEYC has no other significant leasing activities.



# NATIONAL ASSOCIATION FOR THE EDUCATION OF YOUNG CHILDREN

## NOTES TO FINANCIAL STATEMENTS For the Year Ended August 31, 2021

### 11. Leases (continued)

Future minimum lease payments under the lease are as follows:

| For the Year Ending<br>August 31, |                      |
|-----------------------------------|----------------------|
| 2022                              | \$ 621,711           |
| 2023                              | 1,846,456            |
| 2024                              | 1,892,596            |
| 2025                              | 1,939,859            |
| 2026                              | 1,988,356            |
| Thereafter                        | <u>16,377,064</u>    |
| Total Lease Liability             | 24,666,042           |
| Less: Present Value Discount      | (5,739,469)          |
| Less: Current Portion             | <u>(146,145)</u>     |
| Lease Liability, Net of Current   | <u>\$ 18,780,428</u> |

### 12. Concentrations and Contingencies

#### **Concentration of Credit Risk**

The cash and cash equivalents of NAEYC are comprised of amounts in accounts at financial institutions. While the amounts at times exceed the amount guaranteed by federal agencies and, therefore, bear some risk, NAEYC has not experienced, nor does it anticipate, any loss of funds. As of August 31, 2021, the Federal Deposit Insurance Corporation (FDIC) insured balances of a depositor, per financial institution, up to \$250,000. As of August 31, 2021, the amount held by NAEYC in excess of the amount guaranteed by the FDIC was \$6,978,365.

#### **Risk and Uncertainty**

The Coronavirus Disease 2019 (COVID-19) outbreak has caused business disruption through mandated and voluntary closings of businesses across the globe for non-essential services and widespread economic impact. While the disruption is currently expected to be temporary, there is considerable uncertainty about the duration of closings. NAEYC has been able to continue operations in a remote environment; however, at this point, the extent to which COVID-19 will impact NAEYC's financial condition or results of operations is uncertain and being evaluated by management and the Board.

#### **Other Matters**

NAEYC is subject to legal actions arising in the ordinary course of its operations. In management's opinion, NAEYC has adequate legal defenses and/or insurance coverage with respect to the eventuality of such actions. Management does not believe any settlement or judgment would significantly affect NAEYC's financial position or results of operations.

# **NATIONAL ASSOCIATION FOR THE EDUCATION OF YOUNG CHILDREN**

## **NOTES TO FINANCIAL STATEMENTS** **For the Year Ended August 31, 2021**

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### **13. Income Taxes**

Under Section 501(c)(3) of the IRC, NAEYC is exempt from federal taxes on income other than net unrelated business income. For the year ended August 31, 2021, no provision for income taxes was made, as NAEYC had no significant net unrelated business income.

NAEYC adopted the authoritative guidance relating to accounting for uncertainty in income taxes. These provisions provide consistent guidance for the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribe a threshold of "more likely than not" for recognition and derecognition of a tax provision taken or expected to be taken in a tax return. NAEYC evaluated its uncertainty in income taxes for the year ended August 31, 2021, and determined that there are no matters that would require recognition in the financial statements or which might have any effect on NAEYC's tax-exempt status. As of August 31, 2021, the statute of limitations remained open for the U.S. jurisdictions in which NAEYC files tax returns; however, there are currently no examinations pending or in process. NAEYC's policy is to recognize interest and/or penalties related to uncertainty in income taxes, if any, in income tax or interest expense. As of August 31, 2021, NAEYC had no accrual for interest and/or penalties.

### **14. Prior Year Summarized Financial Information**

The accompanying financial statements include certain prior year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with NAEYC's financial statements for the year ended August 31, 2020, from which the summarized information was derived.

### **15. Subsequent Events**

In preparing these financial statements, NAEYC has evaluated events and transactions for potential recognition or disclosure through February 25, 2022, the date the financial statements were available to be issued. Except for the application and approval for loan forgiveness described in Note 5, there were no events or transactions were noted that would materially impact the financial statements.