



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

## **Financial Statements**

*For the Year Ended August 31, 2023*

*(With Summarized Financial Information for the Year Ended August 31, 2022)*



**and  
Report Thereon**



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

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**For the Year Ended August 31, 2023**

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## **INDEPENDENT AUDITORS' REPORT**

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

### ***Opinion***

We have audited the financial statements of the National Association for the Education of Young Children (NAEYC), which comprise the statement of financial position as of August 31, 2023, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of NAEYC as of August 31, 2023, 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.

### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of NAEYC and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about NAEYC's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit 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 NAEYC's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about NAEYC's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

### **Other Matter**

#### ***Report on Summarized Comparative Information***

We have previously audited NAEYC's 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 31, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Marcum LLP*

Washington, DC  
February 12, 2024

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

**STATEMENT OF FINANCIAL POSITION**

**August 31, 2023**

**(With Summarized Financial Information as of August 31, 2022)**

|  | 2023          | 2022          |
|--|---------------|---------------|
| <b>ASSETS</b>  |               |               |
| Current assets   |               |               |
| Cash and cash equivalents  | \$ 10,460,009 | \$ 9,774,187  |
| Accounts and other receivables, net of allowance for<br>doubtful accounts of \$556,696 | 3,386,090     | 1,305,547     |
| Grants receivable  | 375,000       | 700,000       |
| Inventory, net of reserve of \$83,104  | 254,516       | 287,730       |
| Prepaid expenses and other current assets  | 494,884       | 463,908       |
|  | 14,970,499    | 12,531,372    |
| Long-term investments  | 28,713,854    | 26,479,781    |
| Property and equipment, net  | 3,946,230     | 4,922,844     |
| Right of use asset   | 12,413,600    | 13,425,201    |
| Security deposit   | 443,865       | 443,865       |
|  | \$ 60,488,048 | \$ 57,803,063 |
| <b>LIABILITIES</b>   |               |               |
| Current liabilities  |               |               |
| Accounts payable and accrued expenses  | \$ 1,815,995  | \$ 1,734,399  |
| Due to affiliates  | 112,066       | 104,311       |
| Accrued annual leave   | 459,863       | 423,648       |
| Operating lease liability, current   | 1,195,354     | 1,103,409     |
| Contract liabilities:  |               |               |
| Membership dues  | 1,159,250     | 1,209,903     |
| Conference   | 1,682,807     | 982,613       |
| Contracts  | 1,552,999     | 115,025       |
| Other  | 501,790       | 338,014       |
|  | 8,480,124     | 6,011,322     |
| Long-term liabilities  |               |               |
| Operating lease liability, net of current  | 16,773,955    | 17,969,309    |
|  | 16,773,955    | 17,969,309    |
|  | 25,254,079    | 23,980,631    |
| <b>NET ASSETS</b>  |               |               |
| Without donor restrictions   | 32,853,369    | 31,347,498    |
| With donor restrictions  | 2,380,600     | 2,474,934     |
|  | 35,233,969    | 33,822,432    |
|  | \$ 60,488,048 | \$ 57,803,063 |

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, 2023**

**(With Summarized Financial Information for the Year Ended August 31, 2022)**

|   | Without Donor<br>Restrictions | With Donor<br>Restrictions | 2023<br>Total        | 2022<br>Total        |
|---|-------------------------------|----------------------------|----------------------|----------------------|
| <b>REVENUE</b>                                |                               |                            |                      |                      |
| Fees:   |                               |                            |                      |                      |
| Accreditation                                 | \$ 5,520,077                  | \$ -                       | \$ 5,520,077         | \$ 4,537,003         |
| Membership                                    | 2,566,995                     | -                          | 2,566,995            | 2,442,934            |
| Conferences and seminars                      | 4,986,671                     | -                          | 4,986,671            | 2,408,679            |
| Publications                                  | 3,172,747                     | -                          | 3,172,747            | 3,161,014            |
| Grants and contributions                      | 59,672                        | 1,300,664                  | 1,360,336            | 2,147,214            |
| Employee retention credit                     | 1,859,992                     | -                          | 1,859,992            | -                    |
| Contracts and consulting                      | 1,059,514                     | -                          | 1,059,514            | 1,384,716            |
| Investment income (loss)                      | 2,157,058                     | -                          | 2,157,058            | (4,563,552)          |
| Net assets released from restrictions         | 1,394,998                     | (1,394,998)                | -                    | -                    |
|   | <b>22,777,724</b>             | <b>(94,334)</b>            | <b>22,683,390</b>    | <b>11,518,008</b>    |
| <b>EXPENSES</b>                               |                               |                            |                      |                      |
| Program Services:                             |                               |                            |                      |                      |
| Accreditation and Early Learning Systems      | 6,344,331                     | -                          | 6,344,331            | 5,910,685            |
| Conferences and seminars                      | 2,748,432                     | -                          | 2,748,432            | 1,589,636            |
| Contract, grants and awards                   | 2,564,667                     | -                          | 2,564,667            | 2,206,329            |
| Publications                                  | 1,963,056                     | -                          | 1,963,056            | 2,650,179            |
| Membership                                    | 1,622,796                     | -                          | 1,622,796            | 1,146,335            |
|   | <b>15,243,282</b>             | <b>-</b>                   | <b>15,243,282</b>    | <b>13,503,164</b>    |
| Supporting Services:                          |                               |                            |                      |                      |
| Management and general                        | 5,760,910                     | -                          | 5,760,910            | 4,664,487            |
|   | <b>5,760,910</b>              | <b>-</b>                   | <b>5,760,910</b>     | <b>4,664,487</b>     |
|   | <b>21,004,192</b>             | <b>-</b>                   | <b>21,004,192</b>    | <b>18,167,651</b>    |
| Change in net assets before other items       | 1,773,532                     | (94,334)                   | 1,679,198            | (6,649,643)          |
| Other items                                   |                               |                            |                      |                      |
| (Loss) Gain on sale of property and equipment | (267,661)                     | -                          | (267,661)            | 275,460              |
| PPP forgiveness                               | -                             | -                          | -                    | 1,565,000            |
| <b>CHANGE IN NET ASSETS</b>                   | <b>1,505,871</b>              | <b>(94,334)</b>            | <b>1,411,537</b>     | <b>(4,809,183)</b>   |
| <b>NET ASSETS, BEGINNING OF YEAR</b>          | <b>31,347,498</b>             | <b>2,474,934</b>           | <b>33,822,432</b>    | <b>38,631,615</b>    |
| <b>NET ASSETS, END OF YEAR</b>                | <b>\$ 32,853,369</b>          | <b>\$ 2,380,600</b>        | <b>\$ 35,233,969</b> | <b>\$ 33,822,432</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, 2023**

**(With Summarized Financial Information for the Year Ended August 31, 2022)**

|                                 | Program Services                         |                          |                              |                     |                     | Supporting Services    |                        |                      |                      |
|---------------------------------|--|--------------------------|------------------------------|---------------------|---------------------|------------------------|------------------------|----------------------|----------------------|
|                                 | Accreditation and Early Learning Systems | Conferences and Seminars | Contracts, Grants and Awards | Publications        | Membership          | Total Program Services | Management and General | 2023 Total           | 2022 Total           |
| Personnel                       | \$ 3,218,427                             | \$ 523,210               | \$ 1,379,320                 | \$ 681,854          | \$ 675,681          | \$ 6,478,492           | \$ 2,837,095           | \$ 9,315,587         | \$ 8,581,254         |
| Consultants and contractors     | 102,596                                  | 65,165                   | 311,465                      | 33,093              | 19,426              | 531,745                | 1,462,961              | 1,994,706            | 2,001,466            |
| Meeting facilities and services | 156,939                                  | 1,427,098                | 31,591                       | 2,724               | 25,424              | 1,643,776              | 49,828                 | 1,693,604            | 707,818              |
| Occupancy                       | 827,328                                  | 118,727                  | 370,146                      | 172,036             | 147,143             | 1,635,380              | -                      | 1,635,380            | 1,597,648            |
| Travel                          | 1,184,848                                | 31,958                   | 46,995                       | 10,092              | 3,834               | 1,277,727              | 115,364                | 1,393,091            | 1,103,563            |
| Printing and production         | 5,599                                    | 109,894                  | 11,697                       | 452,809             | 240,867             | 820,866                | 23,157                 | 844,023              | 613,372              |
| Depreciation and amortization   | 346,067                                  | 22,868                   | 64,854                       | 119,484             | 121,730             | 675,003                | 64,049                 | 739,052              | 731,480              |
| Equipment and technology        | 19,434                                   | 17,340                   | 15,695                       | 11,552              | 123,171             | 187,192                | 472,713                | 659,905              | 680,089              |
| Office supplies and services    | 42,585                                   | 76,397                   | 79,620                       | 118,824             | 51,141              | 368,567                | 233,254                | 601,821              | 372,948              |
| Commissions                     | -  | 111,588                  | -                            | 298,665             | -                   | 410,253                | -                      | 410,253              | 336,600              |
| Bad debt expense                | 351,239                                  | -                        | -                            | 344                 | 100                 | 351,683                | 108                    | 351,791              | 58,841               |
| Postage and delivery            | 2,718                                    | 4,942                    | 28                           | 49,220              | 144,783             | 201,691                | 106,067                | 307,758              | 280,383              |
| Bank and credit card fees       | 82,188                                   | 96,426                   | -                            | 12,359              | 69,496              | 260,469                | 40,577                 | 301,046              | 297,560              |
| Subgrants                       | -  | -                        | 238,845                      | -                   | -                   | 238,845                | -                      | 238,845              | 386,070              |
| Utilities                       | -  | 96,871                   | -                            | -                   | -                   | 96,871                 | 109,268                | 206,139              | 116,772              |
| Insurance                       | 4,363                                    | 45,948                   | -                            | -                   | -                   | 50,311                 | 138,564                | 188,875              | 162,041              |
| Professional services           | -  | -                        | 14,411                       | -                   | -                   | 14,411                 | 107,905                | 122,316              | 139,746              |
| <b>TOTAL EXPENSES</b>           | <b>\$ 6,344,331</b>                      | <b>\$ 2,748,432</b>      | <b>\$ 2,564,667</b>          | <b>\$ 1,963,056</b> | <b>\$ 1,622,796</b> | <b>\$ 15,243,282</b>   | <b>\$ 5,760,910</b>    | <b>\$ 21,004,192</b> | <b>\$ 18,167,651</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, 2023**

**(With Summarized Financial Information for the Year Ended August 31, 2022)**

|   | 2023                 | 2022                |
|---|----------------------|---------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |                      |                     |
| Change in net assets  | \$ 1,411,537         | \$ (4,809,183)      |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: |                      |                     |
| Net (depreciation) appreciation of investments  | (2,157,058)          | 4,563,552           |
| Depreciation and amortization of property and equipment                                     | 739,052              | 731,480             |
| Amortization of right of use asset  | 1,011,601            | 818,937             |
| Gain (Loss) on sale of property and equipment   | 267,661              | (275,460)           |
| Forgiveness of PPP loan   | -                    | (1,565,000)         |
| Reserve for inventory obsolescence  | 23,137               | (73,584)            |
| Cash contributions for permanent endowment  | (75,000)             | -                   |
| Change in assets and liabilities  |                      |                     |
| Accounts and other receivables  | (2,080,543)          | 710,097             |
| Grants receivable   | 325,000              | 462,104             |
| Inventory   | 10,077               | 33,789              |
| Prepaid expenses and other current assets   | (30,976)             | (105,120)           |
| Security deposit  | -                    | 147,955             |
| Accounts payable and accrued expenses   | 81,596               | 642,754             |
| Accrued annual leave  | 36,215               | (80,248)            |
| Contract liabilities  | 2,251,291            | 1,005,976           |
| Due to affiliates   | 7,755                | 14,167              |
| Operating lease liability   | (1,103,409)          | -                   |
| <b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>  | <b>717,936</b>       | <b>2,222,216</b>    |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |                      |                     |
| Purchases of property and equipment   | (30,099)             | (73,223)            |
| Proceeds on sale of property and equipment  | -                    | 275,460             |
| Purchases of investments  | (77,015)             | -                   |
| <b>NET CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES</b>                                  | <b>(107,114)</b>     | <b>202,237</b>      |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>   |                      |                     |
| Cash contributions for permanent endowment  | 75,000               | -                   |
| <b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>  | <b>75,000</b>        | <b>-</b>            |
| <b>NET INCREASE IN CASH</b>   | <b>685,822</b>       | <b>2,424,453</b>    |
| <b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>   | <b>9,774,187</b>     | <b>7,349,734</b>    |
| <b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>   | <b>\$ 10,460,009</b> | <b>\$ 9,774,187</b> |
| <b>SUPPLEMENTAL CASH FLOW INFORMATION</b>   |                      |                     |
| Forgiveness of Paycheck Protection loan   | <b>\$ -</b>          | <b>\$ 1,565,000</b> |

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, 2023

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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, 2023

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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, 2023, 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, 2023

### 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<br/>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, 2023, 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, 2023, NAEYC had the Phyllis L. Richards Endowment Fund, wherein the principal must remain in perpetuity and the investment earnings, including any net gains or losses, must be used for the purposes specified by the donor

#### **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.

##### *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, 2023

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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. 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 utilizes 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.

##### *Employee Retention Credit*

The Employee Retention Credit (ERC) is considered a conditional grant and was recognized when NAEYC met the conditions for receiving the credit set by the federal government and recognized in the quarters when NAEYC was eligible to receive it.

#### **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 monthly.

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

**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended August 31, 2023**

2. Summary of Significant Accounting Policies (continued)

**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, 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, 2023, fundraising expenses were \$22,127, and are included with management and general expenses in the statement of activities.

**Reclassifications**

Certain amounts in the 2022 financial statements have been reclassified to conform to the 2023 presentation.

3. Investments and Fair Value Measurement

Investments measured at fair value on a recurring basis are as follows as of August 31, 2023:

|               | <u>Total<br/>Fair Value</u> | 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        | \$ 17,927,725               | \$ 17,927,725   | \$ -  | \$ -   |
| Fixed-income  | <u>10,786,129</u>           | <u>10,786,129</u>   | <u>-</u>  | <u>-</u>   |
|               | <u>\$ 28,713,854</u>        | <u>\$ 28,713,854</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, 2023.

*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, 2023**

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4. Property and Equipment

Property and equipment consist of the following at August 31, 2023:

|  |                     |
|--|---------------------|
| Leasehold improvements                             | \$ 3,823,392        |
| Computer equipment and software                    | <u>3,336,584</u>    |
| Total Property and Equipment                       | 7,159,976           |
| Less: Accumulated Depreciation<br>and Amortization | <u>(3,213,746)</u>  |
| Property and Equipment, Net                        | <u>\$ 3,946,230</u> |

Depreciation and amortization expenses for the year ended August 31, 2023 amounted to \$739,052.

5. Employee Retention Credit

During the year ended August 31, 2023, NAEYC applied for the ERC by amending its quarterly IRS payroll tax returns based on the wages NAEYC paid to its employees during 2020 and 2021. NAEYC was eligible for the ERC because it had a significant decline in revenue since the beginning of the pandemic through the third calendar quarter of 2021. In July 2023, NAEYC received the ERC payment in the amount of \$1,859,992. The ERC is included in the accompanying statement of activities for the year ended August 31, 2023.

6. Net Assets

As of August 31, 2023, net assets with donor restrictions were restricted for the following purposes.

|   |                     |
|---|---------------------|
| Subject to NAEYC's spending policy and appropriation: |                     |
| Endowment fund restricted in perpetuity               | \$ 75,000           |
| Subject to expenditure for specified purpose:         |                     |
| Early childhood profession                            | 2,060,243           |
| Early childhood education and development             | <u>245,357</u>      |
| Total Subject to Expenditure for Specified Purpose    | <u>\$ 2,380,600</u> |

7. Endowment Net Assets

*Interpretation of Relevant Law*

The Board of Directors of NAEYC has interpreted the enacted version of the District of Columbia Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds,

# NATIONAL ASSOCIATION FOR THE EDUCATION OF YOUNG CHILDREN

## NOTES TO FINANCIAL STATEMENTS For the Year Ended August 31, 2023

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### 7. Endowment Net Assets (continued)

#### Interpretation of Relevant Law (continued)

absent explicit donor stipulations to the contrary. As a result of this interpretation, NAEYC classifies as net assets with donor restrictions the historical value of gifts donated to the permanent endowment and the related appreciation. Applicable accumulated amounts are appropriated for expenditure by NAEYC in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, NAEYC considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund.
- The purposes of NAEYC and the donor-restricted endowment fund.
- General economic conditions.
- The possible effects of inflation and deflation.
- The expected total return from income and the appreciation of investments.
- Other resources of NAEYC.
- The investment policies of NAEYC.

#### Return Objectives and Risk Parameters

The mission of NAEYC's long-term investment pool is to provide a common investment vehicle that will generate a stable and continuously growing income stream for NAEYC's endowment, for which NAEYC is both the trustee and the beneficiary. The overall goal of the investment pool is to preserve the purchasing power of the future stream of endowment payout for those funds and activities supported by the endowments and, to the extent this is achieved, to cause the principal to grow in value over time. Other goals include:

- To maximize return within reasonable and prudent levels of risk.
- To maximize the value of the endowment while maintaining liquidity needed to support spending in prolonged down markets.

#### Strategies Employed for Achieving Objectives

Extensive diversification is sought at all times. Experience has shown that financial markets and inflation rates are cyclical and, therefore, control of volatility will be achieved through diversification of asset classes and selection of managers of diverse investment styles. The Board of Directors examines the correlation of historic returns among each asset class and manager. Investment managers are appointed following a systematic search for those with demonstrated quality in the style desired. Managers are given discretion to manage funds entrusted in accordance with the style for which they are employed, provided they comply with the restrictions and limitations that may be determined by NAEYC from time to time.

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

**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended August 31, 2023**

7. Endowment Net Assets (continued)

Spending Policy

NAEYC will appropriate for expenditure no more than 5% of the total market value of endowment principal in any single fiscal year in order to balance the effects of inflation as well as continue to maintain endowment principal.

From time to time, the fair value of assets associated with individual endowment funds may fall below the fair value of the original gifts. Deficiencies of this nature are reported as part of net assets without donor restrictions. As of August 31, 2023, there were no such deficiencies.

The endowment activity was as follows for the year ended August 31, 2023:

|  | <u>Without<br/>Donor<br/>Restrictions</u> | <u>With Donor<br/>Restrictions</u> | <u>Total</u>     |
|--|---|------------------------------------|------------------|
| Endowment net assets,<br>beginning of year           | \$ -                                      | \$ -                               | \$ -             |
| Net investment income/ (loss)                        | -   | -                                  | -                |
| Contributions/Additions                              | -   | 75,000                             | 75,000           |
| Appropriation of endowment<br>assets for expenditure | <u>-</u>                                  | <u>-</u>                           | <u>-</u>         |
| Endowment Net Assets,<br>End of Year                 | <u>\$ -</u>                               | <u>\$ 75,000</u>                   | <u>\$ 75,000</u> |

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, 2023, were as follows:

|  |                      |
|--|----------------------|
| Cash and cash equivalents  | \$ 10,460,009        |
| Investments  | 28,713,854           |
| Accounts receivable  | 3,386,090            |
| Grants receivable  | <u>375,000</u>       |
| Total Financial Assets Available Within One Year                           | 42,934,953           |
| Less:  |                      |
| Amounts unavailable for general expenditures within one year:              |                      |
| Due to donors' restriction for endowment funds                             | (75,000)             |
| Due to donors' restriction for specified purpose                           | <u>(2,305,600)</u>   |
| Financial Assets Available to Meet<br>General Expenditures Within One Year | <u>\$ 40,554,353</u> |



# NATIONAL ASSOCIATION FOR THE EDUCATION OF YOUNG CHILDREN

## NOTES TO FINANCIAL STATEMENTS For the Year Ended August 31, 2023

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### 8. Availability and Liquidity (continued)

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. 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.

### 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, 2023 was \$220,893.

### 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 2023 was \$1,330,068 and NAEYC remitted a total of \$1,322,300 to Affiliates. The total amounts payable to Affiliates as of August 31, 2023 was \$112,066, and due to the nature of the transaction, are not included in NAEYC's revenue and expenses for the year ended August 31, 2023.

### 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 January 15, 2021. The lease includes 12 months of abated rent plus any unused tenant improvement allowance and annual

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NOTES TO FINANCIAL STATEMENTS  
For the Year Ended August 31, 2023

11. Leases (continued)

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, 2023 was \$1,635,380 and is included in Occupancy in the accompanying statement of functional expenses. NAEYC has no other significant leasing activities.

Future minimum lease payments under the lease are as follows:

| For the Year Ending<br><u>August 31,</u> |                      |
|--|----------------------|
| 2024                                     | \$ 1,892,596         |
| 2025                                     | 1,939,859            |
| 2026                                     | 1,988,356            |
| 2027                                     | 2,038,065            |
| 2028                                     | 2,089,016            |
| Thereafter                               | <u>12,249,984</u>    |
| Total Lease Liability                    | 22,197,876           |
| Less: Present Value Discount             | (4,228,567)          |
| Less: Current Portion                    | <u>(1,195,354)</u>   |
| Lease Liability, Net of Current          | <u>\$ 16,773,955</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, 2023, the Federal Deposit Insurance Corporation (FDIC) insured balances of a depositor, per financial institution, up to \$250,000. As of August 31, 2023, the amount held by NAEYC in excess of the amount guaranteed by the FDIC was approximately \$9,903,000.

**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, 2023

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### 13. Income Taxes

Under Section 501(c)(3) of the Internal Revenue Code, NAEYC is exempt from federal taxes on income other than net unrelated business income. For the year ended August 31, 2023, 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, 2023, 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, 2023, 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, 2023, 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, 2022, 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 12, 2024, the date the financial statements were available to be issued. There were no events or transactions noted that would materially impact the financial statements.