

**NAFSA: Association of International Educators**

**Financial Statements  
and Independent Auditor's Report**

**December 31, 2021 and 2020**

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# NAFSA: Association of International Educators

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## Independent Auditor's Report

To the Board of Directors  
NAFSA: Association of International Educators  
Washington, D.C.

### *Opinion*

We have audited the accompanying financial statements of NAFSA: Association of International Educators ("NAFSA"), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of NAFSA: Association of International Educators as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### *Basis for Opinion*

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

### *Responsibility 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 NAFSA: Association of International Educators' ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

*Auditor's 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 auditor's 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, including omissions, 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 NAFSA: Association of International Educators' 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 NAFSA: Association of International Educators' 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.

*CohnReznick LLP*

Bethesda, Maryland  
April 5, 2022

**NAFSA: Association of International Educators**

**Statements of Financial Position  
December 31, 2021 and 2020**

Assets

	<u>2021</u>	<u>2020</u>
Current assets		
Cash and cash equivalents	\$ 7,664,428	\$ 10,193,723
Accounts receivable, net of allowance for uncollectible accounts of \$0 for 2021 and 2020	124,263	210,942
Prepaid expenses	<u>456,251</u>	<u>426,252</u>
Total current assets	<u>8,244,942</u>	<u>10,830,917</u>
Noncurrent assets		
Investments	6,869,655	6,074,068
Property and equipment, net	2,422,946	1,114,742
Prepaid expenses, net of current portion	<u>656,730</u>	<u>506,686</u>
Total noncurrent assets	<u>9,949,331</u>	<u>7,695,496</u>
Total assets	<u>\$ 18,194,273</u>	<u>\$ 18,526,413</u>

Liabilities and Net Assets

Current liabilities		
Accounts payable and accrued expenses	\$ 304,064	\$ 398,654
Grants payable	120,000	30,000
Deferred membership dues	1,343,975	1,324,039
Other deferred revenue	<u>3,752,454</u>	<u>4,035,399</u>
Total current liabilities	5,520,493	5,788,092
Deferred rent	755,067	-
Deferred lease incentives	1,914,143	402,200
Other liabilities	<u>480,011</u>	<u>433,346</u>
Total liabilities	<u>8,669,714</u>	<u>6,623,638</u>
Commitments and contingencies	<u>-</u>	<u>-</u>
Net assets		
Without donor restrictions	8,496,010	10,842,468
With donor restrictions	<u>1,028,549</u>	<u>1,060,307</u>
Total net assets	<u>9,524,559</u>	<u>11,902,775</u>
Total liabilities and net assets	<u>\$ 18,194,273</u>	<u>\$ 18,526,413</u>

See Notes to Financial Statements.

**NAFSA: Association of International Educators**

**Statements of Activities  
Years Ended December 31, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
Revenue and support		
Conferences	\$ 2,416,954	\$ 243,953
Membership dues	2,461,684	2,944,985
Corporate and member support	614,762	628,495
Products and services sales	908,702	908,306
Programs and events	801,313	578,883
Grant revenue - Paycheck Protection Program	1,645,785	1,303,264
Gain on lease termination	-	161,454
Other	1,425	1,857
Net assets released from restriction	<u>120,000</u>	<u>47,790</u>
Total revenue and support	<u>8,970,625</u>	<u>6,818,987</u>
Expenses		
Operating expenses		
Salaries, taxes, and benefits	7,836,327	9,497,406
Purchased services	845,893	1,156,024
Conferences and meetings	546,416	867,166
Publications and communications	67,208	68,120
Marketing and advertising	173,167	141,137
Occupancy expenses	627,755	394,498
Technology, printing, office and other	1,430,025	1,510,895
Depreciation and amortization	351,978	390,183
Grants	<u>120,000</u>	<u>32,000</u>
Total expenses	<u>11,998,769</u>	<u>14,057,429</u>
Change in net assets without donor restrictions before unrealized gains (losses) on investments and interest, dividends and realized gains, net of investment fees	(3,028,144)	(7,238,442)
Unrealized gains (losses) on investments	238,653	(826,839)
Interest, dividends and realized gains, net of investment fees	<u>443,033</u>	<u>1,146,487</u>
Change in net assets without donor restrictions	<u>(2,346,458)</u>	<u>(6,918,794)</u>
Change in net assets with donor restrictions		
Contributions	-	5,790
Unrealized gains on investments	25,783	10,220
Interest, dividends and realized gains, net of investment fees	62,459	65,448
Net assets released from restriction	<u>(120,000)</u>	<u>(47,790)</u>
Change in net assets with donor restrictions	<u>(31,758)</u>	<u>33,668</u>
Change in net assets	<u>\$ (2,378,216)</u>	<u>\$ (6,885,126)</u>

See Notes to Financial Statements.

**NAFSA: Association of International Educators**

**Statements of Changes in Net Assets  
Years Ended December 31, 2021 and 2020**

	<u>Net assets without donor restrictions</u>	<u>Net assets with donor restrictions</u>	<u>Total</u>
Net assets at January 1, 2020	\$ 17,761,262	\$ 1,026,639	\$ 18,787,901
Change in net assets	<u>(6,918,794)</u>	<u>33,668</u>	<u>(6,885,126)</u>
Net assets at December 31, 2020	10,842,468	1,060,307	11,902,775
Change in net assets	<u>(2,346,458)</u>	<u>(31,758)</u>	<u>(2,378,216)</u>
Net assets at December 31, 2021	<u>\$ 8,496,010</u>	<u>\$ 1,028,549</u>	<u>\$ 9,524,559</u>

See Notes to Financial Statements.

**NAFSA: Association of International Educators**

**Statement of Functional Expenses  
Year Ended December 31, 2021**

	Member programs and services	Conferences	Publications	Public policy	Regional activity	Total program services	General and administrative	Organizational advancement	Governance	Total supporting services	Total
Salaries, taxes and benefits	\$ 3,416,230	\$ 1,250,996	\$ 436,152	\$ 784,142	\$ -	\$ 5,887,520	\$ 1,608,275	\$ 340,532	\$ -	\$ 1,948,807	\$ 7,836,327
Purchased services	123,948	148,442	97,134	15,000	38,298	422,822	369,010	7,121	46,940	423,071	845,893
Conferences and meetings	100,567	8,535	-	-	426,269	535,371	2,551	-	8,494	11,045	546,416
Publications and communications	14,230	1,457	51,521	-	-	67,208	-	-	-	-	67,208
Marketing and advertising	52,928	106,988	12,906	-	-	172,822	-	345	-	345	173,167
Occupancy expenses	-	-	-	-	-	-	627,755	-	-	627,755	627,755
Technology, printing, office and other	362,749	354,242	36,411	81,819	7,149	842,370	578,495	5,530	3,630	587,655	1,430,025
Depreciation and amortization	131,803	-	13,730	15,416	-	160,949	191,029	-	-	191,029	351,978
Grants	120,000	-	-	-	-	120,000	-	-	-	-	120,000
<b>Total expenses</b>	<b>\$ 4,322,455</b>	<b>\$ 1,870,660</b>	<b>\$ 647,854</b>	<b>\$ 896,377</b>	<b>\$ 471,716</b>	<b>\$ 8,209,062</b>	<b>\$ 3,377,115</b>	<b>\$ 353,528</b>	<b>\$ 59,064</b>	<b>\$ 3,789,707</b>	<b>\$ 11,998,769</b>

See Notes to Financial Statements.



**NAFSA: Association of International Educators**

**Statement of Functional Expenses  
Year Ended December 31, 2020**

	Member programs and services	Conferences	Publications	Public policy	Regional activity	Total program services	General and administrative	Organizational advancement	Governance	Total supporting services	Total
Salaries, taxes and benefits	\$ 4,172,265	\$ 1,786,814	\$ 462,173	\$ 937,709	\$ -	\$ 7,358,961	\$ 1,835,782	\$ 302,663	\$ -	\$ 2,138,445	\$ 9,497,406
Purchased services	196,307	157,965	111,552	56,036	35,950	557,810	591,087	7,127	-	598,214	1,156,024
Conferences and meetings	322,609	291,933	-	11,613	199,515	825,670	22,998	6,534	11,964	41,496	867,166
Publications and communications	7,419	-	60,701	-	-	68,120	-	-	-	-	68,120
Marketing and advertising	47,752	82,382	10,798	-	-	140,932	-	205	-	205	141,137
Occupancy expenses	-	-	-	-	977	977	393,521	-	-	393,521	394,498
Technology, printing, office and other	452,747	343,301	17,692	100,314	10,843	924,897	577,159	6,339	2,500	585,998	1,510,895
Depreciation and amortization	179,106	629	13,974	24,149	-	217,858	172,325	-	-	172,325	390,183
Grants	32,000	-	-	-	-	32,000	-	-	-	-	32,000
<b>Total expenses</b>	<b>\$ 5,410,205</b>	<b>\$ 2,663,024</b>	<b>\$ 676,890</b>	<b>\$ 1,129,821</b>	<b>\$ 247,285</b>	<b>\$ 10,127,225</b>	<b>\$ 3,592,872</b>	<b>\$ 322,868</b>	<b>\$ 14,464</b>	<b>\$ 3,930,204</b>	<b>\$ 14,057,429</b>

See Notes to Financial Statements.

**NAFSA: Association of International Educators**

**Statements of Cash Flows  
Years Ended December 31, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities		
Change in net assets	\$ (2,378,216)	\$ (6,885,126)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Net realized gains on sales of investments	(407,443)	(1,046,854)
Unrealized losses (gains)	(264,436)	816,619
Loss on disposal of property and equipment	-	788,546
Depreciation and amortization	351,978	390,183
Bad debt expense (recovery)	1,697	(25,000)
Paycheck Protection Program loan forgiveness	(1,645,785)	(1,303,264)
Change in:		
Accounts receivable	84,982	(108,809)
Prepaid expenses	(180,043)	(298,112)
Deposits	-	19,569
Accounts payable and accrued expenses	(94,590)	(90,688)
Grants payable	90,000	(30,000)
Deferred rent	755,067	(243,647)
Deferred membership dues	19,936	(517,224)
Other deferred revenue	(282,945)	(67,703)
Deferred lease incentives	(117,681)	191,217
Other liabilities	46,665	67,590
	<u>(4,020,814)</u>	<u>(8,342,703)</u>
Net cash used in operating activities		
Cash flows from investing activities		
Purchases of certificates of deposit	(498,000)	-
Redemptions of certificates of deposit	498,000	4,305,665
Purchase of investments	(674,244)	(7,201,269)
Proceeds from sales of investments	550,536	17,153,895
Purchase of property and equipment	(30,558)	(250,578)
	<u>(154,266)</u>	<u>14,007,713</u>
Net cash (used in) provided by investing activities		
Cash flows from financing activities		
Proceeds from Paycheck Protection Program Loan	1,645,785	1,312,127
Principal payments on Paycheck Protection Program Loan	-	(8,863)
	<u>1,645,785</u>	<u>1,303,264</u>
Net cash provided by financing activities		
Net (decrease) increase in cash and cash equivalents	(2,529,295)	6,968,274
Cash and cash equivalents, beginning	<u>10,193,723</u>	<u>3,225,449</u>
Cash and cash equivalents, end	<u>\$ 7,664,428</u>	<u>\$ 10,193,723</u>
Noncash investing activity		
Lessor-paid leasehold improvements (lease incentive)	<u>\$ 1,629,624</u>	<u>\$ 210,983</u>
Noncash financing activity		
Paycheck Protection Program loan forgiveness	<u>\$ 1,645,785</u>	<u>\$ 1,303,264</u>

See Notes to Financial Statements.

# **NAFSA: Association of International Educators**

## **Notes to Financial Statements December 31, 2021 and 2020**

### **Note 1 - Organization and significant accounting policies**

#### **Organization**

NAFSA: Association of International Educators ("NAFSA") was incorporated in Washington, D.C. in January 1989, is headquartered in Washington, D.C., and serves international educators and their institutions and organizations.

NAFSA is the largest and most comprehensive association of professionals committed to advancing international higher education. NAFSA realizes its values, vision, and mission by convening people to advance international education. Based in the United States, NAFSA provides high-quality programs, products, services, and physical and virtual meeting spaces for the worldwide community of international educators. As a self-supporting, not-for-profit organization, NAFSA depends on effective governance and a strong, increasingly diverse financial foundation. NAFSA celebrates innovation and values highly talented volunteer leaders and staff, and is committed to working in a professional and collegial manner and to respecting others - values that are at the heart of international education.

NAFSA believes that international education advances learning and scholarship, fosters understanding and respect among people of diverse backgrounds and perspectives, is essential for developing globally competent individuals, and builds leadership for the global community. NAFSA believes that international education lies at the core of an interconnected world characterized by diversity, equity, inclusion, social justice, and well-being for all. NAFSA believes that diversity in our classrooms, our communities, and our workplaces is our strength. NAFSA seeks to conduct international education in socially, economically, and environmentally sustainable ways.

NAFSA is organized into 11 regions whose purpose is to advance NAFSA's mission and respond to the needs of NAFSA members within various geographic areas around the country. NAFSA provides technical and conference registration assistance to the regions. The regions have adopted Operating Procedures that provide a framework for governance as well as various procedural guidelines, including guidelines on communications with NAFSA. Under the governance, operating agreements, policies and procedures of the regions, NAFSA exercises control over the regions and has ownership of the regions' assets and assumes the liabilities of the regions. As a result, the activities of the regions are included within the NAFSA financial statements.

#### **Basis of accounting**

The accompanying financial statements have been prepared using the accrual basis of accounting. Consequently, revenue is recognized when earned and expenses when the obligation is incurred.

#### **Use of estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent 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**

NAFSA considers all highly liquid instruments, which are to be used for current operations and which have an original maturity of three months or less, to be cash and cash equivalents, except for highly liquid instruments held within its investment portfolios.

## NAFSA: Association of International Educators

### Notes to Financial Statements December 31, 2021 and 2020

#### **Certificates of deposit**

Certificates of deposit from various institutions are recorded at fair value and are maintained within a single investment account housed by NAFSA's investment advisor.

#### **Accounts receivable**

NAFSA records accounts receivable net of an allowance for uncollectible accounts when necessary. Accounts receivable are comprised primarily of advertising, sponsorship, and lease incentive receivables. The allowance is determined based on a review of the estimated collectability of the specific accounts, plus a general provision based on historical loss experience and existing economic conditions. Uncollectible amounts are charged off against the allowance for uncollectible accounts once management determines an account, or a portion thereof, to be worthless. Bad debt expense (recovery) of \$1,697 and (\$25,000) was recorded for the years ended December 31, 2021 and 2020, respectively.

#### **Investments**

Investments are reported using the fair value measurement standard. Liquid instruments which are to be used for the long-term purposes of NAFSA are classified as investments. Investments include annuities relating to NAFSA's 457(b) Plan.

NAFSA reports investments in accordance with FASB Accounting Standards Codification ("FASB ASC") Topic 820, *Fair Value Measurement*. FASB ASC Topic 820 defines *fair value* under U.S. generally accepted accounting principles, establishes a framework for measuring fair value and enhances disclosures about fair value measurements. *Fair value* is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction.

FASB ASC Topic 820 establishes a fair value hierarchy that encourages the use of observable inputs when measuring fair value, but allows for unobservable inputs when observable inputs do not exist. The following provides a description of the three levels of inputs that may be used to measure fair value of NAFSA investments under FASB ASC Topic 820:

Level 1 - Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and provide highest quality inputs.

Level 2 - Level 2 inputs are based primarily on quoted prices for identical assets in inactive markets or similar assets in active or inactive markets or other significant market-observable inputs. Cash and money funds have been valued at the closing price reported by the fund sponsor from an actively traded exchange. Annuities are presented at the underlying fair value of the mutual funds. Certificates of deposit are valued based upon recently executed transactions, market price quotations and pricing models that factor in interest rates.

Level 3 - Level 3 inputs provide the lowest quality inputs because there are no significant observable inputs.

All investments have been valued using a market approach. There were no changes in the valuation techniques during the current year.

## NAFSA: Association of International Educators

### Notes to Financial Statements December 31, 2021 and 2020

#### Alternative investments

NAFSA has an investment in the PMF Fund, L.P. (the "PMF Fund"), which is considered an alternative investment. This investment is not readily marketable and is often highly illiquid. The estimated fair value of the alternative investment is subject to a high degree of uncertainty and the actual fair values could differ materially from the estimated fair values.

The PMF Fund began operations on March 31, 2014 as a nondiversified, closed-end management investment company. The PMF Fund is a liquidating fund that has an expected duration of 10 years. At December 31, 2021 and 2020, NAFSA's investment in the PMF Fund was \$292,012 and \$339,083, respectively. The PMF Fund is carried on NAFSA's December 31, 2021 and 2020 statements of financial position at the fund's Net Asset Value ("NAV"). The valuation of the PMF Fund investments is determined as of the close of business at the end of any fiscal period, generally monthly, as calculated by UMB Fund Services, Inc., the PMF Fund's independent administrator (the "Independent Administrator") at December 31, 2021 and 2020, in consultation with Endowment Advisers, L.P. (the "Adviser"). The PMF Fund's valuation policies are overseen by a valuation committee established by the PMF Fund Board to oversee the valuation of the investments, to make recommendations to the PMF Fund Board on valuation-related matters, and to oversee implementation by the Adviser of such valuation policies. The PMF Fund restricts the right to liquidations. Distributions from the PMF Fund are generally distributed quarterly, based upon excess cash as defined.

#### Property and equipment

Property and equipment in excess of \$2,500 are stated at cost and depreciated using the straight-line method over their estimated useful lives ranging from three to 10 years. Leasehold improvements are amortized using the straight-line method over the shorter of the useful lives of the improvements or the terms of the related lease.

#### Net asset classification

NAFSA's net assets are classified into two categories: *net assets without donor restrictions* and *net assets with donor restrictions*. Net assets without donor restrictions are net assets that are not restricted by donor stipulations for a time or purpose restriction. Net assets with donor restrictions result from contributions and bequests, investment income earned on restricted contributions, and investment income earned and appropriated from endowments. Use of net assets with donor restrictions is limited by donor-imposed purposes or time restrictions that have not yet been fulfilled by actions of NAFSA pursuant to these stipulations or by the passage of time.

Net assets with donor restrictions also result from contributions whose use is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by NAFSA's actions. The income and gains generated by these assets may be unrestricted or restricted according to donor stipulations.

#### Revenue recognition

Membership dues - NAFSA provides essential career and program benefits to members via principles of good practice, providing training and professional development, convening networking opportunities and collaborative dialogues, and advocating for international education. For membership dues, revenue is recognized over the period to which the dues apply. Other revenue received in advance and not yet earned is deferred to the applicable period.

## **NAFSA: Association of International Educators**

### **Notes to Financial Statements December 31, 2021 and 2020**

Conferences - NAFSA holds various meetings and workshops centered on advancing the future of international education and exchange. Conference revenue is comprised of conference registration, exhibit and workshop revenue. Revenue from these events is recognized upon the occurrence of the events. Other revenue received in advance and not yet earned is deferred to the applicable period.

Corporate and member support - NAFSA offers sponsorship opportunities for various products and events, and maintains a global partnership program which allows organizations and institutions access to NAFSA's membership community and resources. Sponsorship revenues are recognized upon the occurrence of the related event or distribution of applicable product. For global partnership dues, revenue is recognized over the period to which the dues apply. Other revenue received in advance and not yet earned is deferred to the applicable period.

#### **Contributions**

Transactions where the resource provider often receives value indirectly by providing a societal benefit, although the societal benefit is not considered to be of commensurate value, are deemed to be contributions. Contributions are classified as either conditional or unconditional. A conditional contribution is a transaction where NAFSA must overcome a barrier or hurdle to be entitled to the resource and the resource provider is released from the obligation to fund or has the right of return of any advanced funding if NAFSA fails to overcome the barrier. NAFSA recognizes the contribution revenue in corporate and member support on the statements of activities upon overcoming the barrier or hurdle. Any funding received prior to overcoming the barrier is recognized as refundable advance. At December 31, 2021 and 2020, NAFSA had no refundable advances.

Unconditional contributions are recognized as revenue and receivable when the commitment to contribute is received.

Conditional and unconditional contributions are recorded as either with donor restrictions or without donor restrictions. Contributions are recognized as contributions with donor restrictions if they are received with donor stipulations that limit the use of the donated asset. Contributions received with no donor stipulations are recorded as contributions without donor restrictions. 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 as net assets without donor restrictions and are reported in the statements of activities as net assets released from restriction. Donor-restricted contributions whose conditions and restrictions expire during the same fiscal year are recognized as contributions without donor restrictions.

#### **Income tax status**

NAFSA is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The NAFSA informational and income tax returns include the activities of the 11 regions. Income from certain activities not directly related to NAFSA's tax-exempt purpose is subject to taxation as unrelated business income. Unrelated business income was received in the form of job registry revenue for the years ended December 31, 2021 and 2020. NAFSA believes it has appropriate support for any tax position taken and, as such, does not have any uncertain tax positions that are material to the financial statements. NAFSA recognizes interest and penalties expense related to uncertain tax positions in general and administrative expenses on the statements of activities and accounts payable and accrued expenses in the statements of financial position. NAFSA reported no penalties and interest related to uncertain tax positions for the years ended December 31, 2021 and 2020. Tax years prior to 2018 are no longer subject to examination by the IRS or the tax jurisdiction

## **NAFSA: Association of International Educators**

### **Notes to Financial Statements December 31, 2021 and 2020**

of the District of Columbia. Income tax expense related to unrelated business taxable income was approximately \$20,900 and \$2,700 for the years ended December 31, 2021 and 2020, respectively.

#### **Description of activities**

**Member programs and services** - Represents expenses related to the provision of professional practice support information to members and the coordination and communication of membership benefits to the members and prospective members, as well as expenses related to educational activities designed to support professional development by promoting core competencies, mid-level training needs, leadership symposium programming and grants and scholarships for prospective members.

**Conferences** - NAFSA provides various workshops and meetings that serve as a forum for the latest developments in international educational exchange. These meetings offer a concentrated opportunity for the exchange of ideas and offer a network for sharing information to increase awareness of and support for international education.

**Publications** - NAFSA maintains a website and produces various publications, magazines and newsletters. These publications represent NAFSA's commitment to the ongoing enhancement of international educational exchange.

**Public Policy** - Represents expenses incurred to link NAFSA members with Congress and federal agencies, advocating for support for exchange programs and for removing barriers to exchange and informing membership of government actions affecting educational exchange.

**Regional Activities** - Regional expenses are comprised primarily of meeting related expenses for specific meetings and workshops at the local level as well as travel assistance to the needs of NAFSA members within their respective geographic areas.

**General and Administrative Expenses** - Includes the functions necessary for executive management; to maintain an adequate working environment; to maintain and support management information systems; and to manage human resources and financial and budgetary responsibilities of NAFSA.

**Organizational Advancement** - Represents expenses incurred to maintain NAFSA's various fund drives as it seeks to increase awareness of and support for international education in higher education, in government and in the community.

**Governance** - Expenses necessary to ensure proper administrative functions of the Board of Directors and the governance structure of NAFSA.

#### **Functional allocation of expenses**

The direct costs of providing various programs and other activities have been summarized on a functional basis. Costs incurred by a program or supporting service are charged directly to that service. Indirect costs have not been allocated among the programs and supporting services benefitted.

#### **Reclassifications**

Certain reclassifications have been made to the 2020 amounts to conform to the 2021 presentation.

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### Notes to Financial Statements December 31, 2021 and 2020

#### Subsequent events

NAFSA has evaluated events and transactions for potential recognition or disclosure through April 5, 2022, the date the financial statements were available to be issued.

#### Note 2 - Liquidity and availability of resources

Typically, NAFSA strives to maintain liquid financial assets sufficient to cover a rolling three months of general operating expenditures. Financial assets in excess of daily cash requirements are invested in certificates of deposit and short-term investments, and financial assets in excess of three-month reserves are invested according to NAFSA's Board-approved Investment Policy Statement.

The following table reflects NAFSA's financial assets as of December 31, 2021 and 2020, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position. Amounts not available include certain 457(b) plan assets, alternative investments with redemption limitations as more fully described in Note 1, and net assets with donor-imposed restrictions.

In the event the need arises, the long-term investments could be liquidated to meet operational needs and are not excluded in the following table. NAFSA also maintains a credit facility with Bank of America, N.A. through Merrill Lynch as an additional source of liquidity. Note 6 contains further information about NAFSA's line of credit, including its borrowing capacity:

	December 31,	
	2021	2020
Financial assets		
Cash and cash equivalents	\$ 7,664,428	\$ 10,193,723
Investments	6,869,655	6,074,068
Accounts receivable, net of allowance for uncollectible accounts	124,263	210,942
	<u>14,658,346</u>	<u>16,478,733</u>
Less: those unavailable for general expenditure within one year due to:		
457(b) plan investment assets	(480,011)	(433,346)
Investments with redemption limitations	(292,012)	(339,083)
Investments subject to donor restrictions	<u>(1,028,549)</u>	<u>(1,060,307)</u>
	<u>(1,800,572)</u>	<u>(1,832,736)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 12,857,774</u>	<u>\$ 14,645,997</u>

#### Note 3 - Concentration of credit risk

NAFSA maintains balances at banks in excess of Federal Deposit Insurance Corporation coverage. Funds on deposit with the National Bank of Canada totaled \$58,677 at December 31, 2021 and were fully insured under the Canada Deposit Insurance Corporation. The total amount of uninsured deposits at December 31, 2021 amounted to approximately \$1,380,000.



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**Note 4 - Investments**

Investments are stated at fair value and consist of the following at:

	December 31,	
	2021	2020
Cash and money funds	\$ 1,007,418	\$ 598,311
Equity securities	229,034	177,612
Mutual funds - equity	668,058	786,516
Mutual funds - fixed income	715,874	819,982
Exchange-traded funds - equity	2,807,200	2,497,114
Exchange-traded funds - fixed income	670,048	422,104
Alternative investment	292,012	339,083
Annuities - deferred compensation plan	480,011	433,346
	<u>\$ 6,869,655</u>	<u>\$ 6,074,068</u>

Investments include endowments which had a fair value of \$878,780 and \$790,581 at December 31, 2021 and 2020, respectively.

Investment income consists of the following for the years ended:

	December 31, 2021		
	Without donor restrictions	With donor restrictions	Total
Interest and dividends	\$ 85,214	\$ 12,835	\$ 98,049
Realized gains on sales of investments, net	<u>357,819</u>	<u>49,624</u>	<u>407,443</u>
	443,033	62,459	505,492
Unrealized gains	<u>238,653</u>	<u>25,783</u>	<u>264,436</u>
	<u>\$ 681,686</u>	<u>\$ 88,242</u>	<u>\$ 769,928</u>
	December 31, 2020		
	Without donor restrictions	With donor restrictions	Total
Interest and dividends	\$ 152,486	\$ 12,595	\$ 165,081
Realized gains on sales of investments, net	<u>994,001</u>	<u>52,853</u>	<u>1,046,854</u>
	1,146,487	65,448	1,211,935
Unrealized gains (losses)	<u>(826,839)</u>	<u>10,220</u>	<u>(816,619)</u>
	<u>\$ 319,648</u>	<u>\$ 75,668</u>	<u>\$ 395,316</u>

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**Note 5 - Property and equipment**

Property and equipment consists of the following at:

	December 31,	
	2021	2020
Leasehold improvements	\$ 1,736,025	\$ 322,331
Furniture and equipment	527,625	424,643
Computer equipment and software	1,683,961	1,540,455
	3,947,611	2,287,429
Less accumulated depreciation and amortization	(1,524,665)	(1,172,687)
Net property and equipment	\$ 2,422,946	\$ 1,114,742

**Note 6 - Line of credit**

NAFSA maintains a credit facility with Bank of America, N.A. through Merrill Lynch. The facility is secured by selected investment securities held through Merrill Lynch and due on demand. The interest rate through October 31, 2021 was LIBOR plus a spread as determined by the bank. Effective November 1, 2021, the LIBOR rate was replaced with the Bloomberg Short-Term Yield Index rate. The spread was 2.38% in 2021 and 2020. The borrowing capacity under the facility fluctuates in proportion to the pledged collateral, which had a fair value of \$5,851,456 and \$7,031,298 at December 31, 2021 and 2020, respectively. NAFSA's borrowing capacity under the facility was \$0 at both December 31, 2021 and 2020. However, at both December 31, 2021 and 2020, NAFSA maintained the ability to reinvest pledged collateral into eligible securities to increase its borrowing capacity. This credit facility is maintained to finance working capital requirements. The credit facility was not used during 2021 or 2020.

**Note 7 - Leases**

The building in which NAFSA leased office space during 2020 was sold April 9, 2020. NAFSA reached an agreement to vacate the building no later than December 31, 2020 and its lease was terminated in 2020. In exchange for agreeing to the early lease termination, NAFSA received compensation. For the year ended December 31, 2020, NAFSA recognized a gain on lease termination of \$161,454, which represented the excess of compensation received over the unamortized property and equipment written off upon vacating the property. Unamortized deferred rent related to the lease in the amount of \$395,067 was offset against rent expense in 2020.

In October 2020, NAFSA entered into a lease agreement for new office space with an effective date of March 12, 2021. The lease has an expiration date of July 31, 2033 and includes an early termination option effective March 1, 2030. Beginning March 12, 2021, the lease provides for monthly base rent payments of \$81,715 escalating at 2.5% per year with an abatement of rent payments for the first 24 months of the lease term. The lease also requires NAFSA to pay a prorated share of the building's annual operating expenses and real estate taxes in excess of established base amounts. The lease also provides a tenant allowance of \$2,493,000 and funds not utilized for tenant improvements are eligible for conversion to additional rent abatement. In 2021, NAFSA converted \$445,739 of unused tenant improvement funds into rent abatement through July 2023 with partial coverage into August 2023. As of December 31, 2021 and 2020,

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NAFSA had utilized \$2,047,261 and \$402,200, respectively, in tenant improvements costs, which are reported as deferred lease incentives on the statement of financial position and amortized over the term of the lease. Rent expense, including NAFSA's prorated share of the annual operating expenses and real estate taxes, net of amortization of lease incentives and writing off unamortized deferred rent in 2020, totaled \$622,390 and \$372,623, for 2021 and 2020, respectively. Additionally, in accordance with the lease agreement, in lieu of a security deposit, NAFSA established an irrevocable standby letter of credit in favor of the landlord in the amount of \$163,430.

In addition, NAFSA leases equipment under two operating leases. Rent expense under the leases, including service and maintenance costs, was \$43,071 and \$43,812 for each of the years ended December 31, 2021 and 2020.

Future minimum lease payments are as follows:

Year ending December 31,	Office	Equipment	Total
2022	\$ -	\$ 32,540	\$ 32,540
2023	378,480	3,225	381,705
2024	1,051,741	-	1,051,741
2025	1,078,056	-	1,078,056
2026	1,105,036	-	1,105,036
Thereafter	7,999,095	-	7,999,095
Total	<u>\$ 11,612,409</u>	<u>\$ 35,765</u>	<u>\$ 11,648,174</u>

**Note 8 - Net assets with donor restrictions**

As of December 31, 2021 and 2020, net assets with donor restrictions are restricted for the following purposes:

Subject to expenditure for specified purpose, or restricted in perpetuity:

	December 31,	
	2021	2020
Purpose:		
Endowment	\$ 303,324	\$ 335,082
Professional development	6,125	6,125
Total purpose restricted net assets	309,449	341,207
Perpetual - endowment:		
Scholarships	719,100	719,100
Total net assets with restrictions	<u>\$ 1,028,549</u>	<u>\$ 1,060,307</u>

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### Notes to Financial Statements December 31, 2021 and 2020

#### Note 9 - Endowments

##### Interpretation of relevant law

In December 1988, NAFSA was named as the remainderman in an irrevocable unitrust agreement (the agreement) executed by Tamara H. Bryant. As the remainderman listed in the trust, NAFSA and Mrs. Bryant executed an agreement in January 1989 designating these funds to the "Tamara H. Bryant Endowed Scholarship Fund." In 2006, NAFSA received \$719,059 from the unitrust and in 2007 an additional \$41 was donated, which brings the total principal balance of the fund to \$719,100.

The Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"), which became effective in the District of Columbia in July 2008, as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary, and has designated the Finance & Audit Committee of the Board of Directors to act as agent for the Board to implement the policy. As a result of this interpretation, NAFSA classifies as an endowment (a) the original value of gifts to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in the endowment is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by NAFSA in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, NAFSA considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the funds
- (2) The purposes of NAFSA and the donor-restricted endowment funds
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of NAFSA
- (7) The investment policies of NAFSA

##### Return objectives and risk parameters

The investment policy establishes a benchmark return objective through diversification of asset classes. The primary return benchmark of the portfolio is to produce a level of return in excess of the market as represented by a benchmark index or mix of indexes reflective of the portfolio's return objectives and risk tolerance, and is based on policy allocation targets. A secondary performance target of the portfolio is a total return objective of 7% net of investment fees over three- to five-year rolling time periods and a full market cycle. Actual returns in any given year may vary from this amount. To satisfy its long-term rate of return objectives and reduce the overall volatility of the portfolio, NAFSA has divided its portfolio into two segments. One segment is designed to pursue an absolute return strategy and the other is to pursue a relative return strategy. The absolute return strategy is comprised of alternative assets using funds that can be invested for infinite time periods. The relative return strategy is comprised of a traditional allocation of stocks, fixed income and cash

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that more closely track securities market fluctuations. Both segments aspire to integrate socially responsible investments into the overall portfolio via sustainable, socially conscious and ethical investments while seeking to consider both financial return and social good to bring about a positive social change.

**Strategies employed for achieving objectives**

To satisfy its long-term rate-of-return objectives, NAFSA relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

**Spending policy and how the investment objectives relate to spending policy**

Based on the agreement, the income earned on the principal of the endowment is to be used to provide recognition and financial assistance to outstanding Burmese or East Asian students enrolled or planning to enroll in graduate schools in the United States, or outstanding African American students enrolled or planning to enroll in a study abroad program through an accredited university or college. Each candidate must demonstrate financial need for funds to meet tuition and fees for his or her educational program. The Endowment Policy establishes an Endowment Fund Program Committee of the Board of Directors and provides that this committee shall review at least annually and recommend appropriate action to the Board of Directors for the distribution of income and asset appreciation of the general fund and donor designated funds.

Changes in endowment net assets for the years ended December 31, 2021 and 2020, are summarized below:

	Without donor restrictions	With donor restrictions	Total
Endowment net assets, January 1, 2020	\$ -	\$ 1,010,514	\$ 1,010,514
Interest, dividends and realized gains, net of fees	-	65,448	65,448
Unrealized gains	-	10,220	10,220
Appropriations	-	(32,000)	(32,000)
Changes in endowment net assets	-	43,668	43,668
Endowment net assets, December 31, 2020	-	1,054,182	1,054,182
Interest, dividends and realized gains, net of fees	-	62,459	62,459
Unrealized gains	-	25,783	25,783
Appropriations	-	(120,000)	(120,000)
Changes in endowment net assets	-	(31,758)	(31,758)
Endowment net assets, December 31, 2021	\$ -	\$ 1,022,424	\$ 1,022,424

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### **Notes to Financial Statements December 31, 2021 and 2020**

#### **Note 10 - Retirement plans**

NAFSA maintained a 403(b) plan (the "Plan") in 2020 and 2021 under which employees can make elective deferrals to the Plan. The Plan covers all employees who meet certain eligibility requirements. The Plan contains a nondiscretionary match of 3% of compensation, a discretionary employer contribution, and a discretionary employer match. The discretionary employer contribution was 2% through September 30, 2020. The discretionary employer match ranged from 0% to 4% through September 30, 2020, depending on the level of individual employee contributions. Effective October 1, 2020, and through 2021, the discretionary employer contribution was changed to 0% and the discretionary employer match range was changed to 0% to 2%. Employer contributions to the Plan for the years ended December 31, 2021 and 2020 were \$310,869 and \$569,943, respectively.

NAFSA also maintains a participant directed deferred compensation plan in accordance with Section 457(b) of the Internal Revenue Code. The deferred compensation plan covers top-hat employees of NAFSA as defined in the deferred compensation plan documents. All contributions to the deferred compensation plan are from elective deferrals from eligible employees' wages. NAFSA does not contribute any nonelective funds to the deferred compensation plan. On the accompanying statements of financial position, deferred compensation plan assets of \$480,011 and \$433,346 are included in investments, and deferred compensation plan liabilities of \$480,011 and \$433,346 are included in other liabilities as of December 31, 2021 and 2020, respectively. NAFSA's deferred compensation plan assets remain subject to the claims of NAFSA's general creditors.

#### **Note 11 - Commitments and contingencies**

NAFSA has executed contracts for future annual conferences through 2027. In the event of cancellation, NAFSA may be required to pay various costs as stipulated in the contracts, the amounts of which are dependent upon the respective dates of cancellation. NAFSA has obtained event cancellation insurance to cover potential liabilities arising from the cancellation of its 2022 conferences. The insurance has exclusions regarding communicable diseases and other causes. As of April 5, 2022, there are no plans to cancel future annual conferences. Due to the numerous variables involved, NAFSA's ultimate liability, or potential range of loss, under these contracts prior to any insurance coverage would range between \$0 and \$9,700,000.

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**Note 12 - Fair value measurements**

NAFSA has determined the fair value of certain assets through application of FASB ASC Topic 820, *Fair Value Measurement*. Fair values of assets measured on a recurring basis as of December 31, 2021 and 2020 are as follows:

	Fair value measurement at reportable date using			
	Fair value	Quoted prices in active markets for identical assets/liabilities (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
<u>December 31, 2021</u>				
Assets				
Cash and money funds	\$ 1,007,418	\$ -	\$ 1,007,418	\$ -
Equity securities	229,034	229,034	-	-
Mutual funds - equity	668,058	668,058	-	-
Mutual funds - fixed income	715,874	715,874	-	-
Exchange-traded funds - equity	2,807,200	2,807,200	-	-
Exchange-traded funds - fixed income	670,048	670,048	-	-
Alternative investment - limited partnership	292,012	-	-	292,012
Annuities	480,011	-	392,703	87,308
	<u>\$ 6,869,655</u>	<u>\$ 5,090,214</u>	<u>\$ 1,400,121</u>	<u>\$ 379,320</u>
Liabilities				
Other liabilities	<u>\$ (480,011)</u>	<u>\$ -</u>	<u>\$ (392,703)</u>	<u>\$ (87,308)</u>
<u>December 31, 2020</u>				
Assets				
Cash and money funds	\$ 598,311	\$ -	\$ 598,311	\$ -
Equity securities	177,612	177,612	-	-
Mutual funds - equity	786,516	786,516	-	-
Mutual funds - fixed income	819,982	819,982	-	-
Exchange-traded funds - equity	2,497,114	2,497,114	-	-
Exchange-traded funds - fixed income	422,104	422,104	-	-
Alternative investment - limited partnership	339,083	-	-	339,083
Annuities	433,346	-	351,740	81,606
	<u>\$ 6,074,068</u>	<u>\$ 4,703,328</u>	<u>\$ 950,051</u>	<u>\$ 420,689</u>
Liabilities				
Other liabilities	<u>\$ (433,346)</u>	<u>\$ -</u>	<u>\$ (351,740)</u>	<u>\$ (81,606)</u>

There were no transfers into or out of Level 3 of the fair value hierarchy above, nor were there any purchases or issues of Level 3 assets or liabilities during the years ended December 31, 2021 and 2020.

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#### **Note 13 - Paycheck Protection Program loans**

On May 4, 2020, NAFSA entered into an unsecured promissory note with a commercial bank for an aggregate principal amount of \$1,312,127 pursuant to the Paycheck Protection Program (the "PPP Loan"), which was established under the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") and is administered by the U.S. Small Business Administration (the "SBA"). Under the CARES Act, PPP Loan recipients meeting certain criteria set by the SBA may be eligible for full or partial forgiveness of such loans. During the year ended December 31, 2020, NAFSA submitted its application for PPP Loan forgiveness and received notice from its lender on November 15, 2020 that the SBA approved forgiveness of \$1,303,264 of the PPP Loan and the related interest thereon. Accordingly, NAFSA derecognized \$1,303,264 of the PPP Loan and recognized corresponding grant revenue. There is a six-year period during which the SBA can review NAFSA's forgiveness calculation. The remaining balance of \$8,863 of the PPP Loan not forgiven had an interest rate of 1% and was fully repaid as of December 31, 2020.

On January 27, 2021, NAFSA entered into a second unsecured promissory note with a commercial bank for an aggregate principal amount of \$1,645,785 pursuant to the second round of the Paycheck Protection Program (the "Second PPP Loan"), which was established under the Consolidated Appropriations Act, 2021 (the "Appropriations Act") and is administered by the SBA. The outstanding borrowings under the Second PPP Loan bear interest at a rate of 1% per year and have a maturity of December 2025. Under the Appropriations Act, Second PPP Loan recipients meeting certain criteria set by the SBA may be eligible for full or partial forgiveness of such loans. During the year ended December 31, 2021, NAFSA submitted its application for Second PPP Loan forgiveness and received notice from its lender on September 2, 2021 that the SBA approved forgiveness of the full \$1,645,785 of the Second PPP Loan and the related interest thereon. Accordingly, NAFSA derecognized \$1,645,785 of the Second PPP Loan and recognized corresponding grant revenue. There is a six-year period during which the SBA can review NAFSA's forgiveness calculation.

#### **Note 14 - Risks and uncertainties**

The spread of a novel strain of the coronavirus ("COVID-19") has caused significant business disruptions in the United States beginning in the first quarter of 2020. In 2020, NAFSA canceled its annual conference, which had been scheduled for May 2020. Additionally, NAFSA converted its 2021 annual conference to a virtual event. In 2021, NAFSA paid \$487,652 in penalties resulting from various contract cancellations, of which \$397,970 resulted from regional meeting cancellations. As of April 5, 2022, NAFSA intends to hold its 2022 annual conference as an in-person event.

The economic impact of the business disruptions caused by COVID-19 is uncertain. The extent of any effects these disruptions may have on the operations and financial position of NAFSA will depend on future developments, which cannot be determined at this time.





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