

**NAF**

Financial Statements

December 31, 2023

## Independent Auditors' Report

### Board of Directors NAF

#### *Opinion*

We have audited the accompanying financial statements of NAF, which comprise the statement of financial position as of December 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 financial statements referred to above present fairly, in all material respects, the financial position of NAF as of December 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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of Financial Statements section of our report. We are required to be independent of NAF 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.

#### *Emphasis-of-Matter*

NAF has experienced recurring operating losses for the last several years that has significantly reduced its total net assets. Management's plan regarding this matter is discussed in Note 11. Our opinion is not modified with respect to this matter.

#### *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 NAF'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 generally accepted auditing standards 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 generally accepted auditing standards, 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 the 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 NAF's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant 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 NAF'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.

***Report on Summarized Comparative Information***

We have previously audited NAF's December 31, 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 20, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022 is consistent, in all material respects, with the audited financial statements from which it has been derived.

*PKF O'Connor Davies, LLP*

November 8, 2024

## NAF

Statement of Financial Position  
December 31, 2023  
(with comparative amounts at December 31, 2022)

	<u>2023</u>	<u>2022</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 4,956,327	\$ 2,179,339
Contributions and grants receivable	1,852,141	3,833,290
Other receivables, net of allowance of \$177,083 in 2023 and \$162,242 in 2022	810,483	934,149
Prepaid expenses and other assets	159,812	512,850
Investments	2,013,913	6,947,027
Equipment, furniture and fixtures, net	1,426	3,637
Right of use asset - operating lease, net	<u>-</u>	<u>4,671,541</u>
	<u>\$ 9,794,102</u>	<u>\$ 19,081,833</u>
 <b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Accounts payable and accrued expenses	\$ 1,114,731	\$ 490,900
Refundable advance	1,200,000	-
Deferred revenue	463,363	489,348
Lease liability, operating lease	<u>-</u>	<u>5,263,391</u>
Total Liabilities	<u>2,778,094</u>	<u>6,243,639</u>
Net Assets		
Without donor restrictions	898,561	4,685,411
With donor restrictions	<u>6,117,447</u>	<u>8,152,783</u>
Total Net Assets	<u>7,016,008</u>	<u>12,838,194</u>
	<u>\$ 9,794,102</u>	<u>\$ 19,081,833</u>

See notes to financial statements

# NAF

## Statement of Activities Year Ended December 31, 2023 (with summarized totals for year ended December 31, 2022)

	2023			2022 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
<b>SUPPORT AND REVENUE</b>				
Contributions and grants	\$ 223,180	\$ 15,693,903	\$ 15,917,083	\$ 10,602,635
Membership fees	1,007,974	-	1,007,974	1,272,849
Registration fees	345,755	-	345,755	306,212
Contract revenue	659,639	-	659,639	280,297
Investment return	232,777	79,770	312,547	(373,120)
Special events	1,745,063	-	1,745,063	1,086,150
Contributed non-financial assets	88,732	-	88,732	41,018
Net assets released from restrictions	17,809,009	(17,809,009)	-	-
Total Support and Revenue	<u>22,112,129</u>	<u>(2,035,336)</u>	<u>20,076,793</u>	<u>13,216,041</u>
<b>EXPENSES</b>				
Program services	<u>17,906,652</u>	-	<u>17,906,652</u>	<u>16,450,300</u>
Supporting Services				
Management and general	4,525,565	-	4,525,565	5,439,539
Fundraising	<u>3,098,350</u>	-	<u>3,098,350</u>	<u>2,918,091</u>
Total Supporting Services	<u>7,623,915</u>	-	<u>7,623,915</u>	<u>8,357,630</u>
Total Expenses	<u>25,530,567</u>	-	<u>25,530,567</u>	<u>24,807,930</u>
(Deficiency) Support and Revenue Over Expenses	(3,418,438)	(2,035,336)	(5,453,774)	(11,591,889)
<b>NON-OPERATING ACTIVITY</b>				
Loss on lease termination	<u>(368,412)</u>	-	<u>(368,412)</u>	-
Change in Net Assets	(3,786,850)	(2,035,336)	(5,822,186)	(11,591,889)
<b>NET ASSETS</b>				
Beginning of year	<u>4,685,411</u>	<u>8,152,783</u>	<u>12,838,194</u>	<u>24,430,083</u>
End of year	<u>\$ 898,561</u>	<u>\$ 6,117,447</u>	<u>\$ 7,016,008</u>	<u>\$ 12,838,194</u>

See notes to financial statements

**NAF**

Statement of Functional Expenses  
Year Ended December 31, 2023  
(with summarized totals for the year ended December 31, 2022)

	Supporting Services			Total Supporting Services	2023 Total	2022 Total
	Program Services	Management and General	Fundraising			
Salaries and benefits	\$ 9,825,117	\$ 1,913,184	\$ 1,756,961	\$ 3,670,145	\$ 13,495,262	\$ 13,054,182
Travel	981,233	278,339	58,292	336,631	1,317,864	1,346,772
Consulting and professional fees	3,726,283	1,052,832	976,684	2,029,516	5,755,799	5,743,495
Rent and occupancy	401,193	820,072	177,775	997,847	1,399,040	1,262,249
Scholarships and grants	1,107,365	50,452	23,821	74,273	1,181,638	1,358,783
Software licensing	932,735	194,430	15,917	210,347	1,143,082	1,219,819
Other expenses	932,726	214,045	88,900	302,945	1,235,671	819,909
Depreciation	-	2,211	-	2,211	2,211	2,721
	<u>\$ 17,906,652</u>	<u>\$ 4,525,565</u>	<u>\$ 3,098,350</u>	<u>\$ 7,623,915</u>	<u>\$ 25,530,567</u>	<u>\$ 24,807,930</u>
Total Expenses						

See notes to financial statements

## NAF

### Statement of Cash Flows Year Ended December 31, 2023 (with comparative amounts for year ended December 31, 2022)

	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (5,822,186)	\$ (11,591,889)
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	2,211	2,721
Provision for bad debts	262,353	(35,050)
Provision for credit losses	14,841	-
Discount on pledges	(11,844)	(96,908)
Net realized and unrealized (gains) losses on investments	(219,121)	581,246
Donated stock	(163,200)	-
Proceeds from sale of donated stock	164,493	-
Amortization of right of use asset - operating lease	630,742	620,697
Gain on operating lease termination	(621,341)	-
Changes in assets and liabilities		
Contributions and grants receivable	1,730,640	2,525,389
Other receivables	108,825	(387,953)
Prepaid expenses and other assets	353,038	(92,017)
Accounts payable and accrued expenses	623,831	(2,051,660)
PPP refundable advance	-	(116,877)
Refundable advance	1,200,000	-
Deferred revenue	(25,985)	29,725
Lease liabilities	(601,251)	(574,472)
Net Cash from Operating Activities	(2,373,954)	(11,187,048)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments	(58,289)	(133,501)
Proceeds from sale of investments	5,209,231	6,672,019
Net Cash from Investing Activities	5,150,942	6,538,518
Net Change in Cash and Cash Equivalents	2,776,988	(4,648,530)
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	2,179,339	6,827,869
End of year	\$ 4,956,327	\$ 2,179,339

See notes to financial statements

# NAF

## Notes to Financial Statements December 31, 2023

### 1. **Organization and Tax Status**

NAF was incorporated in July 1988 and began operations in 1989 as an educational organization. The purpose of NAF is to strengthen and expand a diverse pool of high school graduates prepared for college and/or careers. NAF's network consists of over 600 academies across 34 states which serve approximately 113,000 students. NAF academies primarily specialize in hospitality and tourism (Academy of Hospitality and Tourism), finance (Academy of Finance), information technology (Academy of Information Technology), engineering (Academy of Engineering), and health sciences (Academy of Health Sciences). With NAF's assistance and support, 99% of affiliated seniors graduated high school with 89% of those graduates indicating they were college bound. NAF establishes program goals and produces curriculum and assessments for national distribution to the academies and provides teacher training and on-site assistance to the academies, with a specialization in connecting academies to the business world through a model that offers paid internships to students and advisory boards comprised of local professionals.

NAF operates as a not-for-profit corporation under Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes. Accordingly, it is not subject to income taxes, except to the extent it has taxable income from activities that are not related to its exempt purpose.

### 2. **Summary of Significant Accounting Policies**

#### ***Basis of Presentation and Use of Estimates***

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), which 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 revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

#### ***Adoption of New Accounting Pronouncement***

In June 2016, the Financial Accounting Standards Board issued an accounting pronouncement related to the measurement of credit losses on financial instruments. This pronouncement and subsequently issued Accounting Standards Updates, clarified certain provisions of the new guidance, changed the impairment model for most financial assets and required the use of an "expected loss" model for instruments measured at amortized cost. Under this model, entities are required to estimate the lifetime expected credit losses on such instruments and record an allowance to offset the amortized cost basis of the financial asset, resulting in a net presentation of the amount expected to be collected on the financial asset. The adoption of this guidance on January 1, 2023, did not have a material effect on the financial statements.



## NAF

Notes to Financial Statements  
December 31, 2023

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

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

Cash and cash equivalents represent highly liquid debt instruments with maturities of three months or less at time of purchase, except for those cash equivalents invested for long-term purposes.

#### ***Fair Value Measurements***

NAF follows U.S. GAAP guidance on *Fair Value Measurements* which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

#### ***Investments Valuation and Income Recognition***

Investments are carried at fair value.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded when earned and dividends are recorded on the ex-dividend date. Realized and unrealized gains and losses are included in the determination of the change in net assets.

#### ***Net Asset Presentation***

NAF's financial statements distinguish between net assets without donor restrictions and net assets with donor restrictions.

*Net assets without donor restrictions* – consist of resources available for the general support of NAF's operations. Net assets without donor restrictions may be used at the discretion of NAF's management and Board of Directors.

*Net assets with donor restrictions* – represent amounts restricted by donors to be used for specific activities or at some future date, or which require NAF to maintain in perpetuity, including funds that are subject to restrictions or gift instruments requiring that the principal be invested in perpetuity and the income be used for specific or general purposes. When a donor restriction expires, that is, when a time restriction ends or a purpose restriction is fulfilled, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Income and gains earned on endowment fund investments are available to be used in the "without donor restrictions" or "with donor restrictions" net asset classes based upon stipulations by the donors.

## NAF

Notes to Financial Statements  
December 31, 2023

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

#### ***Other Receivables and Allowance for Credit Losses***

Other receivables represent membership fees, registration fees, and contract fees earned but not yet collected. Prior to January 1, 2023, other receivables were recorded at the amount invoices less an allowance for doubtful accounts. The net amount of other receivables and corresponding allowance for doubtful accounts were presented on the statement of financial position. Receivable balances were assessed at every reporting date for collectability and an allowance was recorded in the receivable was considered uncollectable. Subsequent to January 1, 2023, other receivables are recorded at amortized cost less an allowance for credit losses that are not expected to be recovered. The amount of other receivables and corresponding allowance for credit losses are presented on the statement of financial position. NAF maintains allowances for credit losses resulting from the expected failure or inability of its customers to make required payments. NAF recognizes the allowance for credit losses at inception and reassesses at every reporting date based on the asset's expected collectability. The allowance is based on multiple factors including historical experiences with uncollectible accounts, the credit quality of the customer base, the aging of such receivables and current macroeconomic conditions as well as expectations of conditions in the future, if applicable. NAF's allowance for credit losses is based on the assessment of the collectability of assets pooled together with similar risk characteristics.

NAF records a provision for expected credit losses using a historical loss-rate method based on the ratio of historical write-offs to its average other receivables. At each reporting period, NAF assesses whether financial assets in a pool continue to display similar risk characteristics. If particular receivables no longer display risk characteristics that are similar to those of the receivables in the pool, NAF may determine that it needs to move those receivables to a different pool or perform an individual assessment of expected credit losses for those specific receivables.

NAF's other receivable are short-term in nature and written off only when all collection attempts have failed in accordance with NAF's accounting policy election. The total amount of write-offs was immaterial to the financial statements as a whole for the year ended December 31, 2023.

The following table provides a roll-forward of the allowance for credit losses that is deducted from other receivable to present the net amount expected to be collected for the year ended December 31, 2023:

Balance at beginning of year	\$	162,242
Provision for expected credit losses		14,841
Amounts written off charged against the allowance		-
Balance at end of year	\$	<u>177,083</u>

## NAF

Notes to Financial Statements  
December 31, 2023

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

#### ***Allowance for Doubtful Accounts***

NAF determines whether an allowance for uncollectible balances should be provided for contribution and grants receivables. Such estimates are based on management's assessment of the aged basis of its contribution and grants receivables, current economic conditions, subsequent receipts and historical information. Contribution and grants receivable are written off against the allowance for doubtful accounts when all reasonable collection efforts have been exhausted.

#### ***Contributions and Grants***

Contributions and grants, which include unconditional promises to give, are recognized as revenue in the period received. Unconditional promises to give are recognized as grants and contributions revenue in the period such promises are made by donors. Net realizable value is estimated by giving consideration to anticipated future cash receipts (after allowance is made for uncollectible contributions) and discounting such amounts at a risk-adjusted rate commensurate with the duration of the donor's payment plan.

In subsequent periods, the discount rate is unchanged and the allowance for uncollectible contributions is reassessed and adjusted if necessary. Amortization of the discount is recorded as additional grants and contributions revenue.

Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met.

#### ***Refundable Advance***

Amounts received related to conditional contributions, if any, are reported as a refundable advance until the conditions have been substantially met.

#### ***Contributed Non-Financial Assets***

Contributed non-financial assets are recorded as revenue and expense at the time the items are received, which is also the time they are placed into service. Donated services are reported as revenue and expense at their fair value if such services create value or would have been purchased if not provided by donation, require specialized skills, and are provided by individuals possessing such specialized skills.

NAF received contributions of nonfinancial assets and contributed services for the years ended December 31 as follows:

Type	2023	2022	Usage in Program/Activities	Donor Restrictions	Fair Value Techniques
Legal Services	\$ 88,732	\$ 41,018	Program/Activities	None	Estimated based on current rates of legal services provided by law firm

## NAF

Notes to Financial Statements  
December 31, 2023

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

#### ***Membership Fees and Registration Fees***

Membership fees consist of a one-time lump-sum fee for new programs within a school district during the initial year of planning and an annual sliding scale membership fee thereafter based on the number of academies in a district. Registration fees consist of fees for NAF hosted conferences. These fees are recorded as revenue when NAF's performance obligation is satisfied, when the program or conference takes place. Amounts received in advance are recorded as deferred revenue. As of January 1, 2022, contract assets consisted of membership fees receivable of \$707,800. As of December 31, 2023 and 2022, contract assets consisted of membership fees receivable of \$915,600 and \$838,625. As of January 1, 2022, contract liabilities consisted of deferred revenue of \$459,623.

#### ***Contract Revenue***

NAF enters into agreements with school districts to provide additional support in the form of extended services for the implementation of NAF's academy model as requested. This most often takes the form of supplemental training and consulting. These agreements are recorded as revenue when the training and consulting is provided. Amounts received in advance are recorded as deferred revenue.

#### ***Special Events***

NAF hosts a limited number of special fundraising events, such as an annual gala and a Chairman's dinner. Related revenues are recognized when such events take place and are recorded within special events revenue in the statement of activities. Amounts received in advance (if any) are reported as deferred revenue.

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

The costs of providing the various program and supporting services have been summarized on a functional basis. Therefore, expenses require allocation on a reasonable basis that is consistently applied. NAF allocated direct costs to program services. Supporting services include management and general and fundraising. Allocated expenses among program services and management and general and fundraising include salaries and benefits, travel, consulting and professional fees, rent and occupancy, software licensing, other expenses, and depreciation which are allocated based on time and costs where efforts are made.

#### ***Reclassification***

Certain information in the prior year's financial statements has been reclassified to conform the current year's presentation.

## NAF

Notes to Financial Statements  
December 31, 2023

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

#### **Leases**

NAF leases office space and determines if an arrangement is a lease at inception. Operating leases are included in right-of-use “(ROU)” assets – operating lease assets and operating lease liabilities on the accompanying statement of financial position.

ROU assets represent the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. When leases do not provide an implicit borrowing rate, NAF uses a risk-free rate based on the information available at the commencement date in determining the present value of lease payments. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

NAF’s lease agreements does not contain any material residual value guarantees or material restrictive covenants.

Subsequent to fiscal year 2023, NAF entered into a settlement agreement to terminate its operating lease agreement effective December 31, 2023.

#### ***Prior Year Summarized Comparative Information***

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with NAF’s financial statements as of and for the year ended December 31, 2022, from which the summarized comparative information was derived.

#### ***Operating Measure***

NAF has elected to present an operating measure in its statements of activities. Accordingly, items affecting operations are segregated from those not affecting operations. The item not affecting operations consist of the loss on lease termination.

#### ***Accounting for Uncertainty in Income Taxes***

NAF recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Management has determined that NAF has no uncertain tax positions that would require financial statement recognition or disclosure. NAF is no longer subject to examinations by the applicable taxing jurisdictions for periods prior to 2020.

## NAF

### Notes to Financial Statements December 31, 2023

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

##### ***Subsequent Events***

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is November 8, 2024.

#### 3. Concentration of Credit Risk

Financial instruments that potentially subject NAF to concentrations of credit and market risk consist principally of cash and cash equivalents on deposit with financial institutions, and investment holdings with financial institutions, which from time to time may exceed the Federal Deposit Insurance Corporation ("FDIC") limit and/or Securities Investor Protection Corporation ("SIPC") limit. The investment portfolio is diversified by type of investments and industry concentrations so that no individual investment or group of investments represents a significant concentration of credit risk. Deposits held at financial institutions insured by the FDIC are insured up to \$250,000. Investment holdings at financial institutions insured by the SIPC are insured up to \$500,000 (\$250,000 for cash holdings). As of December 31, 2023, NAF's uninsured cash and cash equivalents on deposit total \$4,781,847, and uninsured investment holdings total \$1,013,913. As of December 31, 2022, NAF's uninsured cash and cash equivalents on deposit total \$1,929,339, and uninsured investment holdings total \$5,937,082. Three donors comprised 76% of contributions and grants receivable and five donors comprised of 61% of contributions and grants revenue in 2023, whereas one donor comprised 65% of contributions and grants receivable and three donors comprised of 57% of contributions and grants revenue in 2022.

#### 4. Contributions and Grants Receivable

Contributions and grants receivable consisted of the following as of December 31:

	<u>2023</u>	<u>2022</u>
Amounts expected to be collected in:		
Less than one year	\$ 1,587,797	\$ 3,829,790
One to five years	<u>315,000</u>	<u>66,000</u>
	1,902,797	3,895,790
Less discount to present value	<u>(50,656)</u>	<u>(62,500)</u>
	<u>\$ 1,852,141</u>	<u>\$ 3,833,290</u>

Based on its prior experience with donors and grantors, management expects the contributions and grants receivables to be fully collectible. Accordingly, no allowance for doubtful accounts has been provided. Future years' payments have been discounted to present value at an annual rate of 4.00% in 2023 and 2022.

**NAF**

Notes to Financial Statements  
December 31, 2023

**5. Investments**

The following are the classes and major categories of investments at December 31, grouped by the fair value hierarchy for those investments measured at fair value on a recurring basis:

	2023		
	Level 1		Total
U.S. common stocks	\$ 578,181		\$ 578,181
U.S. government obligations	37,469		37,469
Mutual Funds			
Corporate bonds	770,913		770,913
Total Investment at Fair Value	\$ 1,386,563		1,386,563
Money market funds and temporary cash investments, at cost			627,350
Total Investments			\$ 2,013,913
	2022		
	Level 1	Level 2	Total
U.S. common stocks	\$ 3,006,312	\$ -	\$ 3,006,312
U.S. government obligations	1,180,770	-	1,180,770
Corporate bonds	-	1,143,869	1,143,869
Mutual Funds			
Corporate bonds	733,567	-	733,567
Index funds	9,579	-	9,579
Fixed income fund	366	-	366
Total Investments	\$ 4,930,594	\$ 1,143,869	6,074,463
Money market funds and temporary cash investments, at cost			872,564
Total Investments			\$ 6,947,027

## NAF

### Notes to Financial Statements December 31, 2023

#### 6. Net Assets with Donor Restrictions

Net assets with donor restrictions were available for the following purposes and time restrictions as of December 31:

	2023	2022
Subject to expenditure for specified purpose and time:		
Academy Development/STEM	\$ 271,631	\$ 1,937,493
Core operations	589,779	1,603,503
Future Ready/Work Based Learning	2,372,843	1,997,870
Other time and purpose restrictions	1,521,980	461,478
Grants/Scholarship/awards	399,131	461,019
Corporate relations/Engagement	432,083	1,161,420
Total Subject to Expenditure for Specified Purpose and Time	5,587,447	7,622,783
Held as endowment and subject to NAF's spending policy and appropriation:		
Aldo Papone Endowment	500,000	500,000
Jesse Blackman Endowment	30,000	30,000
	530,000	530,000
Total Net Assets with Donor Restrictions	\$ 6,117,447	\$ 8,152,783

Endowment fund net assets as of December 31, 2023 and 2022 consist of investments held in perpetuity. NAF's endowment fund net assets comprised the following two funds as of December 31, 2023 and 2022:

The Aldo Papone Endowment was established by the American Express Company in 1991 to provide funds for grant awards to outstanding U.S. academy programs.

The Jesse Blackman Endowment was established in 1994 with a contribution from the American Express Company. The purpose of the Jesse Blackman Endowment is to provide funds for a scholarship to an outstanding student in the Hospitality and Tourism program.



## NAF

### Notes to Financial Statements December 31, 2023

#### 6. Net Assets with Donor Restrictions (*continued*)

Net assets were released from donor restrictions which satisfied the following restrictions for the years ended December 31:

	<u>2023</u>	<u>2022</u>
Academy Development/STEM	\$ 4,471,201	\$ 4,770,179
Core operations	4,886,381	6,288,817
Future Ready/Work Based Learning	3,379,275	3,687,789
Other time and purpose restrictions	2,436,631	1,133,488
Grants/Scholarships/Awards	1,119,593	848,483
Corporate relations/Engagement	1,515,928	997,229
	<u>\$ 17,809,009</u>	<u>\$ 17,725,985</u>

#### 7. Endowments

##### **General**

NAF maintains donor-restricted funds whose purpose is to provide long term support for its programs. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The Board of Directors looks to the explicit direction of the donor and provisions of the New York Prudent Management of Institutional Funds Act (“NYPMIFA”) when classifying such funds.

##### **Interpretation of Law**

NAF has interpreted NYPMIFA as requiring the preservation of the value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary and except in those cases where the law allows appropriation for spending of the original gift amounts. As a result of this interpretation, NAF classifies as investments held in perpetuity (a) the original value of the gifts donated to the endowment, (b) the original value of subsequent gifts to the investments held in perpetuity, and (c) accumulations of investment returns to the 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 as held in perpetuity is subject to expenditure by the Board of Directors in a manner consistent with the standard of prudence prescribed by NYPMIFA.

## NAF

### Notes to Financial Statements December 31, 2023

#### 7. Endowments *(continued)*

##### ***Investment Strategy and Procedure***

Investments held in perpetuity are those given to NAF with a donor-imposed restriction that the funds are not to be expended but are to be invested for the purpose of generating investment income (as defined by each gift instrument) for the support of NAF. The principal of the funds is to be maintained in perpetuity. The donor may place restrictions on the purpose(s) for which the investment income may be expended. NAF's Board of Directors has a fiduciary responsibility to comply with the restrictions imposed by the donors of these funds.

NAF's investment and spending procedure for endowment assets are in accordance with the request of the donor. Endowment assets include those assets of donor-restricted funds that NAF must hold in perpetuity.

In accordance with these procedures, as approved by the Board of Directors, the endowment assets are invested in a manner to provide that sufficient assets are available as a source of liquidity for the intended use of the funds, achieve the optimal return possible within the specified risk parameters, prudently invest assets in a high-quality diversified manner and adhere to established guidelines.

Changes in endowment net assets for the years ended December 31, are as follows:

	2023		
	With Donor Restrictions		
	Cumulative Earnings	Original Gift Amount	Total
Endowment net assets, beginning of year	\$ 122,102	\$ 530,000	\$ 652,102
Interest and dividends, net	14,716	-	14,716
Net realized and unrealized gain	65,054	-	65,054
Endowment net assets, end of year	<u>\$ 201,872</u>	<u>\$ 530,000</u>	<u>\$ 731,872</u>
	2022		
	With Donor Restrictions		
	Cumulative Earnings	Original Gift Amount	Total
Endowment net assets, beginning of year	\$ 177,442	\$ 530,000	\$ 707,442
Interest and dividends, net	13,970	-	13,970
Net realized and unrealized loss	(69,310)	-	(69,310)
Endowment net assets, end of year	<u>\$ 122,102</u>	<u>\$ 530,000</u>	<u>\$ 652,102</u>

## NAF

### Notes to Financial Statements December 31, 2023

#### 7. Endowments (*continued*)

##### ***Spending Policy***

NAF has a policy of appropriating endowment assets for distribution each year in accordance with the endowment donor specifications. Such appropriated assets are granted to students as part of the scholarship program guidelines established by the donors.

##### ***Funds with Deficiencies***

Due to unfavorable market fluctuations, from time to time the fair value of assets associated with individual donor-restricted endowment funds may decline below historic dollar value of the donor's original contribution to be held in perpetuity. When this occurs, U.S. GAAP requires that such excess losses be absorbed by the net assets with donor restrictions of NAF. NAF is not aware of any funds with deficiencies as of December 31, 2023 and 2022.

##### ***Return Objectives and Risk Parameters***

NAF has adopted investment and spending policies that attempt to provide a predictable stream of funding programs supported by its endowments while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that NAF must hold in perpetuity or for a donor-specified period(s). To satisfy its long-term rate-of-return objectives, NAF 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).

#### 8. Liquidity and Availability of Financial Assets

As part of NAF's liquidity management strategy, NAF structures its financial assets to be available as its general expenditures, liabilities and other obligations come due. NAF's working capital and cash flows have cyclical variations during the year attributable to the cash receipts of contributions and grants, and membership fees.

## NAF

### Notes to Financial Statements December 31, 2023

#### 8. Liquidity and Availability of Financial Assets *(continued)*

The following reflects NAF's financial assets as of December 31, reduced by amounts not available for general use within one year of that date because of contractual or donor-imposed restrictions:

	2023	2022
Financial assets:		
Cash and cash equivalents	\$ 4,956,327	\$ 2,179,339
Contributions and grants receivable	1,852,141	3,833,290
Other receivables, net	810,483	934,149
Investments	2,013,913	6,947,027
Total Financial Assets Available Within One Year	9,632,864	13,893,805
Less: amounts unavailable for general expenditures due to:		
Contributions and grants receivable - Due in future years	315,000	66,000
Deferred compensation plans	-	9,945
Restricted by donor with time or purpose restrictions	5,070,575	5,682,491
Donor restricted endowment funds	731,872	652,102
	6,117,447	6,410,538
Financial Assets at Year End Available to Meet Cash Needs for General Expenditures Within One Year	\$ 3,515,417	\$ 7,483,267

#### 9. Retirement Plans

As of January 1, 2020, NAF administers a single qualified plan, a 403(b) savings plan, to which NAF contributes a fixed 9% or 13% of employees' compensation based on whether an employee has achieved five or more years of credited service. The plan is funded on a semi-monthly basis. Employees are also permitted to make voluntary contributions to this same plan, without any additional employer match. This plan was terminated effective December 31, 2022.

Effective January 1, 2023, NAF participates in a single qualified plan, a 401(k) plan. NAF employees are eligible to participate if they are 21 years of age and have completed 1,000 hours of service in a one-year computation period. Employees are also permitted to make voluntary contributions to this same plan, without any additional employer match. A qualified non-elective contribution shall be made to the 401(k) plan for each pay period equal to 3% up to 6% of an eligible member's compensation for such pay period.

## NAF

### Notes to Financial Statements December 31, 2023

#### 10. Retirement Plans *(continued)*

The related total expense under this plan for the years ended December 31, 2023 and 2022 was \$785,158 and \$984,530.

NAF also maintained a 457(b) non-Governmental Deferred Compensation Plan (the 457 Plan) for certain senior members of management. The 457 Plan is a nonqualified deferred compensation plan subject to the provisions of the Internal Revenue Service (IRS) Section 457. The 457(b) plan was terminated on December 28, 2022. All remaining plan assets were distributed in January 2023. The related expenses under this plan were \$9,945 for the year ended December 31, 2022. At December 31, 2022, the deferred compensation payable amounted to \$9,512, and is reflected in investments and accounts payable and accrued expenses in the accompanying statement of financial position.

#### 11. Lease Termination

NAF had a lease agreement commencing in January 2020 for ten years with annual rent payments escalating each year.

Subsequent to year end, NAF entered into a settlement agreement to terminate its operating lease agreement effective as of December 31, 2023. This settlement agreement resulted in a payment due of \$750,000 to the landlord, as well as the landlord retaining the original security deposit of \$239,753. In addition, this lease termination resulted in the reversal of the ROU asset and corresponding lease liability on the statement of financial position at December 31, 2023, which netted to a gain of \$621,341. In total, the lease termination resulted in a loss of \$368,412 which is reported in the non-operating section of the statement of activities for the year ended December 31, 2023.

For the years ended December 31, 2023 and 2022, cash paid for the operating lease was \$686,069 and \$669,336 and rent expense amounted to \$715,561 for both years.

#### 12. Management Discussion and Analysis

In both 2022 and 2023, NAF invested in several new or expanded key programmatic offerings which resulted in an unrestricted deficiency of revenues over expenses of \$4.2 million and \$3.8 million, respectively. This included the impact of hiring upwards of 15 new staff primarily focused on service delivery and execution of NAF's ambitious strategic plan.

Beginning in 2024, through a combination of administrative cost savings, reduced operational spending, and securing several new multi-year grants as well as increased individual giving, NAF intends to incrementally restore unrestricted net assets (reserves) in the targeted amount of \$1.5 million per year over the ensuing three years.

## NAF

### Notes to Financial Statements December 31, 2023

#### 12. Management Discussion and Analysis (*continued*)

Examples of these cost saving and spending reductions include changing payroll, health insurance, and pension plan providers and plans as part of a larger migration to a professional employment organization as well as other fringe benefit changes and reductions resulting in nearly \$750,000 of annual savings. Such efficiencies, coupled with select restructuring and rightsizing of administrative and programmatic staff, and associated savings of \$1 million per year, has enabled NAF to maintain its programmatic integrity and output while simultaneously building a foundation of financial sustainability for the future. NAF also successfully migrated to a fully remote working environment, closing their office on December 31, 2023, resulting in a recurring savings on rent and utilities of nearly \$800,000 per year over the next five years.

In addition, there are several donors who have pledged to provide up to \$31 million in awards and intentions to give which will not be recognized until such donor conditions are fully satisfied or waived, or awards from donors who utilize donor-advised funds for charitable giving purposes, whereby associated revenues are not recognized until such funds are received.

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