NAFSA: Association of International Educators

Financial Statements
and Independent Auditor's Report

December 31, 2022 and 2021

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NAFSA: Association of International Educators

Index

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, 2022 and 2021, 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, 2022 and 2021, 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 audits.

CohnReznick LLP

Bethesda, Maryland
April 6, 2023

NAFSA: Association of International Educators

Statements of Financial Position
December 31, 2022 and 2021

Assets

	2022	2021
Current assets		
Cash and cash equivalents	$ 5,108,845	$ 7,664,428
Accounts receivable	1,739,658	124,263
Prepaid expenses	845,737	456,251
Total current assets	7,694,240	8,244,942
Noncurrent assets		
Investments	9,109,860	6,869,655
Property and equipment, net	2,082,065	2,422,946
Right-of-use asset operating lease	7,126,490	-
Prepaid expenses, net of current portion	349,249	656,730
Total noncurrent assets	18,667,664	9,949,331
Total assets	$ 26,361,904	$ 18,194,273

Liabilities and Net Assets

	2022	2021
Current liabilities		
Accounts payable and accrued expenses	$ 704,729	$ 304,064
Grants payable	80,000	120,000
Deferred membership dues	1,447,240	1,343,975
Other deferred revenue	3,207,887	3,752,454
Operating lease obligation, current portion	205,824	-
Total current liabilities	5,645,680	5,520,493
Deferred rent	-	755,067
Deferred lease incentives	-	1,914,143
Other liabilities	383,699	480,011
Operating lease obligation, net of current portion	10,361,951	-
Total liabilities	16,391,330	8,669,714
Commitments and contingencies	-	-
Net assets		
Without donor restrictions	9,023,272	8,496,010
With donor restrictions	947,302	1,028,549
Total net assets	9,970,574	9,524,559
Total liabilities and net assets	$ 26,361,904	$ 18,194,273

See Notes to Financial Statements.

NAFSA: Association of International Educators

Statements of Activities
Years Ended December 31, 2022 and 2021

	2022	2021
Revenue and support		
Conferences	$ 9,105,509	$ 2,416,954
Membership dues	2,582,431	2,461,684
Corporate and member support	934,118	614,762
Products and services sales	853,965	908,702
Programs and events	1,041,289	801,313
Grant revenue - Paycheck Protection Program	-	1,645,785
Employee Retention Credit revenue	1,647,561	-
Other	11,210	1,425
Net assets released from restriction	-	120,000
Total revenue and support	16,176,083	8,970,625
Expenses		
Operating expenses		
Salaries, taxes, and benefits	6,945,430	7,836,327
Purchased services	1,609,571	845,893
Conferences and meetings	3,448,803	546,416
Publications and communications	49,521	67,208
Marketing and advertising	251,942	173,167
Occupancy expenses	790,646	627,755
Technology, printing, office and other	1,637,378	1,430,025
Depreciation and amortization	343,055	351,978
Grants	-	120,000
Total expenses	15,076,346	11,998,769
Change in net assets without donor restrictions before unrealized gains (losses) on investments and interest, dividends and realized gains (losses), net of investment fees	1,099,737	(3,028,144)
Unrealized gains (losses) on investments	(627,770)	238,653
Interest, dividends and realized gains (losses), net of investment fees	55,295	443,033
Change in net assets without donor restrictions	527,262	(2,346,458)
Change in net assets with donor restrictions		
Contributions	17,000	-
Unrealized gains (losses) on investments	(104,033)	25,783
Interest, dividends and realized gains (losses), net of investment fees	5,786	62,459
Net assets released from restriction	-	(120,000)
Change in net assets with donor restrictions	(81,247)	(31,758)
Change in net assets	$ 446,015	$ (2,378,216)

See Notes to Financial Statements.

NAFSA: Association of International Educators

Statements of Changes in Net Assets
Years Ended December 31, 2022 and 2021

	Net assets without donor restrictions	Net assets with donor restrictions	Total
Net assets at January 1, 2021	$ 10,842,468	$ 1,060,307	$ 11,902,775
Change in net assets	(2,346,458)	(31,758)	(2,378,216)
Net assets at December 31, 2021	8,496,010	1,028,549	9,524,559
Change in net assets	527,262	(81,247)	446,015
Net assets at December 31, 2022	$ 9,023,272	$ 947,302	$ 9,970,574

See Notes to Financial Statements.

NAFSA: Association of International Educators

Statement of Functional Expenses
Year Ended December 31, 2022

	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	$ 3,028,133	$ 1,166,226	$ 367,273	$ 757,065	$ -	$ 5,318,697	$ 1,546,804	$ 79,929	$ -	$ 1,626,733	$ 6,945,430
Purchased services	307,410	637,522	60,251	18,955	14,130	1,038,268	551,313	8,139	11,851	571,303	1,609,571
Conferences and meetings	175,670	2,117,754	2,020	(2,376)	1,054,752	3,347,820	27,594	-	73,389	100,983	3,448,803
Publications and communications	677	918	47,926	-	-	49,521	-	-	-	-	49,521
Marketing and advertising	112,103	131,171	7,902	30	144	251,350	-	592	-	592	251,942
Occupancy expenses	-	-	-	-	-	-	790,646	-	-	790,646	790,646
Technology, printing, office and other	401,991	287,763	29,312	54,268	15,085	788,419	838,776	6,693	3,490	848,959	1,637,378
Depreciation and amortization	119,028	-	13,730	14,643	-	147,401	195,654	-	-	195,654	343,055
Total expenses	$ 4,145,012	$ 4,341,354	$ 528,414	$ 842,585	$ 1,084,111	$ 10,941,476	$ 3,950,787	$ 95,353	$ 88,730	$ 4,134,870	$ 15,076,346

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
Total expenses	$ 4,322,455	$ 1,870,660	$ 647,854	$ 896,377	$ 471,716	$ 8,209,062	$ 3,377,115	$ 353,528	$ 59,064	$ 3,789,707	$ 11,998,769

See Notes to Financial Statements.

NAFSA: Association of International Educators

Statements of Cash Flows
Years Ended December 31, 2022 and 2021

	2022	2021
Cash flows from operating activities		
Change in net assets	$ 446,015	$ (2,378,216)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Net realized losses (gains) on sales of investments	44,291	(407,443)
Unrealized losses (gains)	731,803	(264,436)
Depreciation and amortization	343,055	351,978
Amortization of operating lease right-of-use asset	601,331	-
Bad debt expense (recovery)	(649)	1,697
Paycheck Protection Program loan forgiveness	-	(1,645,785)
Change in		
Accounts receivable	(1,614,746)	84,982
Prepaid expenses	(82,005)	(180,043)
Accounts payable and accrued expenses	400,665	(94,590)
Grants payable	(40,000)	90,000
Deferred rent	-	755,067
Deferred membership dues	103,265	19,936
Other deferred revenue	(544,567)	(282,945)
Deferred lease incentives	-	(117,681)
Operating lease obligation	170,744	-
Other liabilities	(96,312)	46,665
Net cash provided by (used in) operating activities	462,890	(4,020,814)
Cash flows from investing activities		
Purchases of certificates of deposit	-	(498,000)
Redemptions of certificates of deposit	-	498,000
Purchase of investments	(5,885,336)	(674,244)
Proceeds from sales of investments	2,869,037	550,536
Purchase of property and equipment	(2,174)	(30,558)
Net cash used in investing activities	(3,018,473)	(154,266)
Cash flows from financing activities		
Proceeds from Paycheck Protection Program Loan	-	1,645,785
Net cash provided by financing activities	-	1,645,785
Net decrease in cash and cash equivalents	(2,555,583)	(2,529,295)
Cash and cash equivalents, beginning	7,664,428	10,193,723
Cash and cash equivalents, end	$ 5,108,845	$ 7,664,428
Noncash investing activity		
Lessor-paid leasehold improvements (lease incentive)	$ -	$ 1,629,624
Noncash financing activity		
Paycheck Protection Program loan forgiveness	$ -	$ 1,645,785
Supplemental cash flow information		
Cash paid for income taxes	$ 34,300	$ -

See Notes to Financial Statements.

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 world's largest and most diverse nonprofit association dedicated to international education and exchange, working to advance policies and practices that ensure a more interconnected, peaceful world today and for generations to come. 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.

Accounts receivable
NAFSA records accounts receivable net of an allowance for uncollectible accounts when necessary. Accounts receivable are comprised primarily of advertising and sponsorship receivables, as well as uncollected Employee Retention Credit funds. 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 (recovery) expense of ($649) and $1,697 was recorded for the years ended December 31, 2022 and 2021, 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. US treasury bills are not exchange traded investments and are valued using a market approach based on quoted prices from pricing sources utilized by investment managers.

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.

Under Accounting Standards Update 2015-07, *Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*, investments that are measured at fair value using NAV as a practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in the fair value table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of financial position.

Alternative investment

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, 2022 and 2021, NAFSA's investment in the PMF Fund was $209,833 and $292,012, respectively. The PMF Fund is carried on NAFSA's December 31, 2022 and 2021, 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, 2022 and 2021, 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.

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, 2022 and 2021, NAFSA had no refundable advances.

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

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 advertising and job registry revenue for the years ended December 31, 2022 and 2021. Management has analyzed the tax positions taken by NAFSA and has concluded that, as of December 31, 2022, there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in 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, 2022 and 2021. Tax years prior to 2019 are no longer subject to examination by the

IRS or the tax jurisdiction of the District of Columbia. Income tax expense related to unrelated business taxable income was approximately $42,500 and $20,900 for the years ended December 31, 2022 and 2021, 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. Certain indirect costs have been allocated among the programs and supporting services benefitted based upon employees’ departmental assignments and the direct expenditures incurred within each program.

Accounting pronouncement adopted
Effective January 1, 2022, NAFSA adopted Accounting Standards Update 2016-02 (as amended), Leases ("Topic 842"). Under Topic 842, a lessee determines if an arrangement contains a lease at inception based on whether the lessee has the right to control the asset during the contract period and other facts and circumstances. NAFSA has determined that its signed agreement for office space fits the criteria under Topic 842. Under Topic 842, right-of-use assets and operating lease obligations are recognized based on the present value of lease payments over the lease term, where the initial term of the lease exceeds twelve months, using an appropriate discount rate. As the rate implicit in the lease is generally not readily determinable, NAFSA has elected to use a risk-free rate as the discount rate. The operating lease obligation is reduced as cash payments are made under the terms of the lease. Interest is charged to occupancy expense for the difference. The operating lease right-of-use asset is amortized over the lease term and reflected as occupancy expense in the accompanying financial statements. Lease expense is recognized on a straight-line basis over the term of the lease. Unless NAFSA determines that it is reasonably certain that the term of a lease will be terminated early or extended through a renewal option, the term of a lease spans for the duration of the minimum noncancellable contractual term. There are no residual value guarantees.

NAFSA has elected not to restate comparative periods, and has elected the practical expedient to apply the provisions of Topic 842 at the adoption date instead of applying them to the earliest comparative period presented in the financial statements. NAFSA has also elected the package of other practical expedients permitted under the transition guidance within the new standard, which among other provisions, allowed it to carry forward the historical lease classification of operating leases.

The adoption of Topic 842 has been applied effective January 1, 2022. On January 1, 2022, NAFSA recognized a right-of-use asset operating lease of $7,727,821 and an operating lease obligation of $10,397,032 in connection with transitioning to Topic 842. The adoption of Topic 842 also resulted in a decrease of $2,669,210 in deferred rent and deferred lease incentives, which was reclassified to the right-of-use asset operating lease upon adoption. The adoption of Topic 842 did not have a material impact on NAFSA's results of operations or cash flows.

NAFSA has several noncore equipment leases for various office equipment, which are not considered material to NAFSA's overall financial statements and have not been included in the adoption of Topic 842. Rental payments for these equipment leases are recorded as part of technology, printing, office and other within the accompanying statements of activities.

Subsequent events
NAFSA has evaluated events and transactions for potential recognition or disclosure through April 6, 2023, 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 three months of cash requirements are invested in certificates of deposit and short-term investments, and financial assets in excess of one year are invested according to NAFSA's Board-approved Investment Policy Statement.

The following table reflects NAFSA's financial assets as of December 31, 2022 and 2021, 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,	
	2022	2021
Financial assets		
Cash and cash equivalents	$ 5,108,845	$ 7,664,428
Investments	9,109,860	6,869,655
Accounts receivable, net of allowance for uncollectible accounts	1,739,658	124,263
	15,958,363	14,658,346
Less: those unavailable for general expenditure within one year due to:		
457(b) plan investment assets	(383,699)	(480,011)
Investments with redemption limitations	(209,833)	(292,012)
Investments subject to donor restrictions	(947,302)	(1,028,549)
	(1,540,834)	(1,800,572)
Financial assets available to meet cash needs for general expenditures within one year	$ 14,417,529	$ 12,857,774

Note 3 - Concentration of credit risk

NAFSA maintains balances at banks in excess of Federal Deposit Insurance Corporation coverage. The total amount of uninsured deposits at December 31, 2022, amounted to approximately $2,610,000.

Note 4 - Investments

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

	December 31, 2022	December 31, 2021
Cash and money funds	$ 730,230	$ 1,007,418
US Treasury bills	3,064,659	-
Equity securities	236,617	229,034
Mutual funds - equity	594,360	668,058
Mutual funds - fixed income	799,117	715,874
Exchange-traded funds - equity	2,646,848	2,807,200
Exchange-traded funds - fixed income	444,497	670,048
Alternative investment	209,833	292,012
Annuities - deferred compensation plan	383,699	480,011
	$ 9,109,860	$ 6,869,655

Investments include endowments which had a fair value of $779,059 and $878,780 at December 31, 2022 and 2021, respectively.

Investment income (loss) consists of the following for the years ended:

	December 31, 2022		
	Without donor restrictions	With donor restrictions	Total
Interest and dividends	$ 91,579	$ 13,793	$ 105,372
Realized losses on sales of investments, net	(36,284)	(8,007)	(44,291)
	55,295	5,786	61,081
Unrealized losses	(627,770)	(104,033)	(731,803)
	$ (572,475)	$ (98,247)	$ (670,722)

	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	357,819	49,624	407,443
	443,033	62,459	505,492
Unrealized gains	238,653	25,783	264,436
	$ 681,686	$ 88,242	$ 769,928

Note 5 - Property and equipment

Property and equipment consists of the following at:

	December 31,	
	2022	2021
Leasehold improvements	$ 1,736,025	$ 1,736,025
Furniture and equipment	527,625	527,625
Computer equipment and software	1,289,311	1,683,961
	3,552,961	3,947,611
Less accumulated depreciation and amortization	(1,470,896)	(1,524,665)
Net property and equipment	$ 2,082,065	$ 2,422,946

Depreciation and amortization expense totaled $343,055 and $351,978 for the years ended December 31, 2022 and 2021, respectively.

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 1.75% and 2.38% in 2022 and 2021, respectively. The borrowing capacity under the facility fluctuates in proportion to the pledged collateral, which had a fair value of $5,278,940 and $5,851,456 at December 31, 2022 and 2021, respectively. NAFSA's borrowing capacity under the facility was $3,697,106 and $0 at December 31, 2022 and 2021, respectively. However, at both December 31, 2022 and 2021, 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 2022 or 2021.

Note 7 - Lease

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, exercisable at the option of NAFSA and subject to a termination payment when exercised. The lease also contains one five-year renewal option. Beginning March 12, 2021, the lease requires 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 provided a tenant improvement allowance of $2,493,000 and funds not utilized for tenant improvements were 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, NAFSA reported $1,914,143 as deferred lease incentives on the statement of financial position (prior to the adoption of Topic 842). Rent expense, including NAFSA's prorated share of the annual operating expenses and real estate taxes, totaled $781,984 and $622,390, for 2022 and 2021, 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.

Future minimum lease payments under the office lease agreement are as follows:

Year ending December 31,	
2023	$ 378,480
2024	1,051,741
2025	1,078,056
2026	1,105,036
2027	1,132,681
Thereafter	6,866,415
Subtotal	$ 11,612,409
Less: Imputed interest at 1.63%	(1,044,634)
Present value of net minimum lease payments	10,567,775
Less: current liability portion	(205,824)
Noncurrent liability portion	$ 10,361,951

Other lease information:

Cash paid for amounts included in the measurement of lease obligations	$ -
Weighted-average annual discount rate operating leases	1.63%
Weighted-average remaining lease term (years)	10.5

Note 8 - Net assets with donor restrictions

As of December 31, 2022 and 2021, net assets with donor restrictions are restricted for the following purposes:

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

	December 31, 2022	December 31, 2021
Purpose:		
Endowment	$ 205,077	$ 303,324
Academy scholarships	17,000	-
Professional development	6,125	6,125
Total purpose restricted net assets	228,202	309,449
Perpetual - endowment:		
Scholarships	719,100	719,100
Total net assets with restrictions	$ 947,302	$ 1,028,549

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 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, 2022 and 2021, are summarized below:

	Without donor restrictions	With donor restrictions	Total
Endowment net assets, January 1, 2021	$ -	$ 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
Interest, dividends and realized losses, net of fees	-	5,786	5,786
Unrealized losses	-	(104,033)	(104,033)
Changes in endowment net assets	-	(98,247)	(98,247)
Endowment net assets, December 31, 2022	$ -	$ 924,177	$ 924,177

Note 10 - Retirement plans

NAFSA maintained a 403(b) plan (the "Plan") in 2021 and 2022 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. In 2021 and 2022, the discretionary employer contribution was 0% and the discretionary employer match ranged from 0% to 2%, depending on the level of individual employee contributions. Employer contributions to the Plan for the years ended December 31, 2022 and 2021 were $273,996 and $310,869, 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 $383,699 and $480,011 are included in investments, and deferred compensation plan liabilities of $383,699 and $480,011 are included in other liabilities as of December 31, 2022 and 2021, 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 a cancellation of its 2023 and 2024 conferences. The insurance has exclusions regarding communicable diseases and other causes. As of April 6, 2023, 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 $10,800,000.

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, 2022 and 2021 are as follows:

	Fair value measurement at reportable date using				
	Fair value	Net Asset Value	Quoted prices in active markets for identical assets/liabilities (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
December 31, 2022					
Assets					
Cash and money funds	$ 730,230	$ -	$ -	$ 730,230	$ -
US Treasury bills	3,064,659	-	-	3,064,659	-
Equity securities	236,617	-	236,617	-	-
Mutual funds - equity	594,360	-	594,360	-	-
Mutual funds - fixed income	799,117	-	799,117	-	-
Exchange-traded funds - equity	2,646,848	-	2,646,848	-	-
Exchange-traded funds - fixed income	444,497	-	444,497	-	-
Alternative investment - limited partnership	209,833	209,833	-	-	-
Annuities	383,699	-	-	294,298	89,401
	$ 9,109,860	$ 209,833	$ 4,721,439	$ 4,089,187	$ 89,401
Liabilities					
Other liabilities	$ (383,699)	$ -	$ -	$ (294,298)	$ (89,401)
December 31, 2021					
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
	$ 6,869,655	$ 292,012	$ 5,090,214	$ 1,400,121	$ 87,308
Liabilities					
Other liabilities	$ (480,011)	$ -	$ -	$ (392,703)	$ (87,308)

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, 2022 and 2021.

Note 13 - Paycheck Protection Program Loan and Employee Retention Tax Credits

On January 27, 2021, NAFSA entered into an 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 "PPP Loan"), which was established under the Consolidated Appropriations Act, 2021 (the "Appropriations Act") and is administered by the U.S. Small Business Administration (the "SBA"). The outstanding borrowings under the PPP Loan incurred interest at a rate of 1% per year and had a maturity of December 2025. Under the Appropriations Act, PPP Loan recipients meeting certain criteria set by the SBA were eligible for full or partial forgiveness of such loans. During the year ended December 31, 2021, NAFSA submitted its application for PPP Loan forgiveness and received notice from its lender on September 2, 2021 that the SBA had approved forgiveness of the full $1,645,785 of the PPP Loan and the related interest thereon. Accordingly, NAFSA derecognized $1,645,785 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.

As provided for under the Coronavirus Aid, Relief and Economic Security (CARES) Act in 2020 and amended by the Taxpayer Certainty and Disaster Relief Act of 2020, during the year ended December 31, 2022, NAFSA claimed refundable payroll tax credits (Employee Retention Tax Credits) totaling $1,647,561, which are recorded as revenue on the accompanying statements of activities and as accounts receivable on the accompanying statements of financial position.

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