NAFSA: Association of International Educators

Financial Statements
and Independent Auditor's Report

December 31, 2020 and 2019

CohnReznick
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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.

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, 2020 and 2019, 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.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of NAFSA: Association of International Educators as of December 31, 2020 and 2019, 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.

CohnReznick LLP

Bethesda, Maryland
April 15, 2021

NAFSA: Association of International Educators

Statements of Financial Position
December 31, 2020 and 2019

Assets

	2020	2019
Current assets		
Cash and cash equivalents	$ 10,193,723	$ 3,225,449
Certificates of deposit	-	4,305,665
Accounts receivable, net of allowance for uncollectible accounts of $0 and $25,000 for 2020 and 2019, respectively	210,942	77,133
Prepaid expenses	426,252	515,212
Total current assets	10,830,917	8,123,459
Noncurrent assets		
Investments	6,074,068	15,796,459
Property and equipment, net	1,114,742	1,831,910
Prepaid expenses, net of current portion	506,686	119,614
Deposits	-	19,569
Total noncurrent assets	7,695,496	17,767,552
Total assets	$ 18,526,413	$ 25,891,011

Liabilities and Net Assets

	2020	2019
Current liabilities		
Accounts payable and accrued expenses	$ 398,654	$ 489,342
Grants payable	30,000	60,000
Deferred membership dues	1,324,039	1,841,263
Other deferred revenue	4,035,399	4,103,102
Total current liabilities	5,788,092	6,493,707
Deferred rent	-	243,647
Deferred lease incentives	402,200	-
Other liabilities	433,346	365,756
Total liabilities	6,623,638	7,103,110
Net assets		
Without donor restrictions	10,842,468	17,761,262
With donor restrictions	1,060,307	1,026,639
Total net assets	11,902,775	18,787,901
Total liabilities and net assets	$ 18,526,413	$ 25,891,011

See Notes to Financial Statements.

NAFSA: Association of International Educators

Statements of Activities
Years Ended December 31, 2020 and 2019

	2020	2019
Revenue and support		
Conferences	$ 243,953	$ 14,312,817
Membership dues	2,944,985	3,487,576
Corporate and member support	628,495	1,245,211
Products and services sales	908,306	1,205,102
Programs and events	578,883	964,892
Grant revenue - Paycheck Protection Program	1,303,264	-
Gain on lease termination	161,454	-
Other	1,857	28,914
Net assets released from restriction	47,790	90,000
Total revenue and support	6,818,987	21,334,512
Expenses		
Operating expenses		
Salaries, taxes, and benefits	9,497,406	9,619,969
Purchased services	1,156,024	1,424,694
Conferences and meetings	867,166	5,763,707
Publications and communications	68,120	110,628
Marketing and advertising	141,137	370,642
Occupancy expenses	394,498	690,048
Technology, printing, office and other	1,510,895	2,301,020
Depreciation and amortization	390,183	421,251
Grants	32,000	90,000
Total expenses	14,057,429	20,791,959
Change in net assets without donor restrictions before unrealized gains (losses) on investments and interest, dividends and realized gains, net of investment fees	(7,238,442)	542,553
Unrealized gains (losses) on investments	(826,839)	1,700,729
Interest, dividends and realized gains, net of investment fees	1,146,487	519,505
Change in net assets without donor restrictions	(6,918,794)	2,762,787
Change in net assets with donor restrictions		
Contributions	5,790	10,000
Unrealized gains on investments	10,220	95,315
Interest, dividends and realized gains, net of investment fees	65,448	23,496
Net assets released from restriction	(47,790)	(90,000)
Change in net assets with donor restrictions	33,668	38,811
Change in net assets	$ (6,885,126)	$ 2,801,598

See Notes to Financial Statements.

NAFSA: Association of International Educators

Statements of Changes in Net Assets
Years Ended December 31, 2020 and 2019

	Net assets without donor restrictions	Net assets with donor restrictions	Total
Net assets at January 1, 2019	$ 14,998,475	$ 987,828	$ 15,986,303
Change in net assets	2,762,787	38,811	2,801,598
Net assets at December 31, 2019	17,761,262	1,026,639	18,787,901
Change in net assets	(6,918,794)	33,668	(6,885,126)
Net assets at December 31, 2020	$ 10,842,468	$ 1,060,307	$ 11,902,775

See Notes to Financial Statements.

NAFSA: Association of International Educators

Statement of Functional Expenses
Year Ended December 31, 2020

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

See Notes to Financial Statements.

NAFSA: Association of International Educators

Statement of Functional Expenses
Year Ended December 31, 2019

	Member programs and services	Conferences	Publications	Public policy	Regional activity	Total program services	General and administrative	Organizational advancement	Governance	Total supporting services	Total
Salaries, taxes and benefits	$ 4,230,770	$ 1,733,956	$ 636,303	$ 981,330	$ -	$ 7,582,359	$ 1,722,873	$ 314,737	$ -	$ 2,037,610	$ 9,619,969
Purchased services	216,067	556,291	162,466	47,389	11,807	994,020	413,585	17,089	-	430,674	1,424,694
Conferences and meetings	749,533	3,310,327	9,680	93,450	1,401,885	5,564,875	72,108	11,477	115,247	198,832	5,763,707
Publications and communications	6,483	-	104,145	-	-	110,628	-	-	-	-	110,628
Marketing and advertising	109,039	218,666	40,736	600	153	369,194	-	1,448	-	1,448	370,642
Occupancy expenses	-	-	-	-	1,563	1,563	688,485	-	-	688,485	690,048
Technology, printing, office and other	603,169	455,152	140,126	140,996	25,746	1,365,189	921,663	9,917	4,251	935,831	2,301,020
Depreciation and amortization	222,302	2,170	2,642	18,623	-	245,737	175,514	-	-	175,514	421,251
Grants	90,000	-	-	-	-	90,000	-	-	-	-	90,000
Total expenses	$ 6,227,363	$ 6,276,562	$ 1,096,098	$ 1,282,388	$ 1,441,154	$ 16,323,565	$ 3,994,228	$ 354,668	$ 119,498	$ 4,468,394	$ 20,791,959

See Notes to Financial Statements.

NAFSA: Association of International Educators

Statements of Cash Flows
Years Ended December 31, 2020 and 2019

	2020	2019
Cash flows from operating activities		
Change in net assets	$ (6,885,126)	$ 2,801,598
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities		
Net realized gains on sales of investments	(1,046,854)	(112,471)
Unrealized losses (gains)	816,619	(1,796,044)
Loss on disposal of property and equipment	788,546	-
Depreciation and amortization	390,183	421,251
Bad debt recovery	(25,000)	(13,529)
Paycheck Protection Program loan forgiveness	(1,303,264)	-
Change in:		
Accounts receivable	(108,809)	(11,333)
Prepaid expenses	(298,112)	2,605
Deposits	19,569	-
Accounts payable and accrued expenses	(90,688)	(414,265)
Grants payable	(30,000)	60,000
Deferred rent	(243,647)	243,647
Deferred membership dues	(517,224)	91,221
Other deferred revenue	(67,703)	(91,805)
Deferred lease incentives	191,217	-
Other liabilities	67,590	(27,624)
Net cash (used in) provided by operating activities	(8,342,703)	1,153,251
Cash flows from investing activities		
Purchases of certificates of deposit	-	(4,984,000)
Redemptions of certificates of deposit	4,305,665	4,373,598
Proceeds from sales of investments	17,153,895	3,764,689
Purchases of investments	(7,201,269)	(4,144,762)
Purchase of property and equipment	(250,578)	(354,259)
Net cash provided by (used in) investing activities	14,007,713	(1,344,734)
Cash flows from financing activities		
Proceeds from Paycheck Protection Program Loan	1,312,127	-
Principal payments on Paycheck Protection Program Loan	(8,863)	-
Net cash provided by financing activities	1,303,264	-
Net increase (decrease) in cash and cash equivalents	6,968,274	(191,483)
Cash and cash equivalents, beginning	3,225,449	3,416,932
Cash and cash equivalents, end	$ 10,193,723	$ 3,225,449
Noncash investing activity		
Lessor-paid leasehold improvements (lease incentive)	$ 210,983	$ -
Noncash financing activity		
Paycheck Protection Program loan forgiveness	$ 1,303,264	$ -
Supplemental cash flow information		
Cash paid for income taxes	$ -	$ 28,456

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

NAFSA believes that international education advances learning and scholarship, fosters understanding and respect among people of diverse backgrounds and perspectives, is essential for developing globally competent individuals, and builds leadership for the global community. NAFSA believes that international education lies at the core of an interconnected world characterized by diversity, equity, inclusion, social justice, and well-being for all.

NAFSA 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.

Effective January 1, 2015, certain changes were made with respect to the governance, operating agreements, bylaws, oversight, policies and procedures of the regions that resulted in NAFSA exercising control over the regions and having ownership of the regions' assets and assuming 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.

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

Accounts receivable
NAFSA records accounts receivable net of an allowance for uncollectible accounts when necessary. Accounts receivable are comprised primarily of advertising, sponsorship, and lease incentive receivables. The allowance is determined based on a review of the estimated collectability of the specific accounts, plus a general provision based on historical loss experience and existing economic conditions. Uncollectible amounts are charged off against the allowance for uncollectible accounts once management determines an account, or a portion thereof, to be worthless. Bad debt recovery of $25,000 and $13,529 was recorded for the years ended December 31, 2020 and 2019, respectively.

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

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

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

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

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

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

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

Alternative investments

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

The PMF Fund began operations on March 31, 2014 as a nondiversified, closed-end management investment company. The PMF Fund is a liquidating fund that has an expected duration of 10 years. At December 31, 2020 and 2019, NAFSA's investment in the PMF Fund was $339,083 and $366,601, respectively. The PMF Fund is carried on NAFSA's December 31, 2020 and 2019 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, 2020 and 2019, 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, 2020 and 2019, NAFSA had no refundable advances.

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

Conditional and unconditional contributions are recorded as either with donor restrictions or without donor restrictions. Contributions are recognized as contributions with donor restrictions if they are received with donor stipulations that limit the use of the donated asset. Contributions received with no donor stipulations are recorded as contributions without donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and are reported in the statements of activities as net assets released from restriction. Donor-restricted contributions whose conditions and restrictions expire during the same fiscal year are recognized as contributions without donor restrictions.

Income tax status

NAFSA is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The NAFSA informational and income tax returns include the activities of the 11 regions. Income from certain activities not directly related to NAFSA's tax-exempt purpose is subject to taxation as unrelated business income. Unrelated business income was received in the form of advertising revenue for the years ended December 31, 2020 and 2019. NAFSA believes it has appropriate support for any tax position taken and, as such, does not have any uncertain tax positions that are material to the financial statements. NAFSA recognizes interest and penalties expense related to uncertain tax positions in general and administrative expenses on the statements of activities and accounts payable and accrued expenses in the statements of financial position. NAFSA reported no penalties and interest related to uncertain tax positions for the years ended December 31, 2020 and 2019. Tax years prior to 2017 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 $0 and $5,000 for the years ended December 31, 2020 and 2019, respectively.

Description of activities

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

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

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

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

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

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

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

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

Functional allocation of expenses

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

Adoption of new accounting principles

During the year ended December 31, 2020, NAFSA adopted FASB Accounting Standards Update 2018-13*, Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement* ("ASU 2018-13"). This ASU provided revised guidance to improve the effectiveness of the disclosure requirements for fair value measurements. Adopting the new standard did not have a material effect on NAFSA's fair value measurements for the years ended December 31, 2020 and 2019.

During the year ended December 31, 2019, NAFSA adopted the provisions of Accounting Standards Update 2014-09, *Revenue from Contracts with Customers* ("ASU 2014-09"). This ASU provides new revenue recognition guidance that superseded existing revenue recognition guidance. The update, as amended, requires the recognition of revenue related to the transfer of goods or services to customers which reflects the consideration to which NAFSA expects to be entitled in exchange for those goods or services. Adopting the new standard did not have a material effect on the timing of NAFSA's revenue recognition for the years ended December 31, 2020 and 2019. Accounts receivable of $52,271 and deferred revenue of $5,944,949, respectively, existed as of January 1, 2019 upon implementation of ASU 2014-09.

Subsequent events

NAFSA has evaluated events and transactions for potential recognition or disclosure through April 15, 2021, the date the financial statements were available to be issued. See Note 15 for disclosures of the subsequent event that management has concluded requires disclosure in the financial statements.

Note 2 - Liquidity and availability of resources

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

In March 2020, NAFSA cancelled its in-person annual conference. After discussions with NAFSA’s financial advisors and the Board’s Finance and Audit Committee, NAFSA transferred $10 million of long-term investments to short-term investments to reduce exposure to market volatility and provide liquidity for NAFSA’s operations.

The following table reflects NAFSA's financial assets as of December 31, 2020 and 2019, 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. Authority for use of invested funds is delegated to the Executive Director and Chief Executive Officer in consultation with NAFSA's Treasurer (Chair of the Finance and Audit Committee). NAFSA's Executive Director and Chief Executive Officer must receive prior approval from the Executive Committee if the use of the invested funds will take longer than 12 months to replenish. 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, 2020	December 31, 2019
Financial assets		
Cash and cash equivalents	$ 10,193,723	$ 3,225,449
Certificates of deposit	-	4,305,665
Investments	6,074,068	15,796,459
Accounts receivable, net of allowance for uncollectible accounts	210,942	77,133
	16,478,733	23,404,706
Less: those unavailable for general expenditure within one year due to:		
457(b) plan investment assets	(433,346)	(365,756)
Investments with redemption limitations	(339,083)	(366,601)
Investments subject to donor restrictions	(1,060,307)	(1,026,639)
	(1,832,736)	(1,758,996)
Financial assets available to meet cash needs for general expenditures within one year	$ 14,645,997	$ 21,645,710

Note 3 - Concentration of credit risk

NAFSA maintains balances at banks in excess of Federal Deposit Insurance Corporation coverage. Funds on deposit with the National Bank of Canada totaled $58,981 at December 31, 2020 and were fully insured under the Canada Deposit Insurance Corporation. The total amount of uninsured deposits at December 31, 2020 amounted to approximately $2,840,000.

Note 4 - Investments

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

	December 31, 2020	December 31, 2019
Cash and money funds	$ 598,311	$ 718,517
Equity securities	177,612	520,271
Mutual funds - equity	786,516	2,158,977
Mutual funds - fixed income	819,982	3,380,193
Exchange-traded funds	2,919,218	8,286,144
Alternative investment	339,083	366,601
Annuities - deferred compensation plan	433,346	365,756
	$ 6,074,068	$ 15,796,459

Investments include endowments which had a fair value of $790,581 and $811,409 at December 31, 2020 and 2019, respectively.

Investment income consists of the following for the years ended:

December 31, 2020	Without donor restrictions	With donor restrictions	Total
Interest and dividends	$ 152,486	$ 12,595	$ 165,081
Realized gains on sales of investments, net	994,001	52,853	1,046,854
	1,146,487	65,448	1,211,935
Unrealized (losses) gains	(826,839)	10,220	(816,619)
	$ 319,648	$ 75,668	$ 395,316

December 31, 2019	Without donor restrictions	With donor restrictions	Total
Interest and dividends	$ 411,454	$ 19,076	$ 430,530
Realized gains on sales of investments, net	108,051	4,420	112,471
	519,505	23,496	543,001
Unrealized gains	1,700,729	95,315	1,796,044
	$ 2,220,234	$ 118,811	$ 2,339,045

Note 5 - Property and equipment

Property and equipment consists of the following at:

	December 31, 2020	December 31, 2019
Leasehold improvements	$ 322,331	$ 1,210,489
Furniture and equipment	424,643	413,605
Computer equipment and software	1,540,455	1,941,637
	2,287,429	3,565,731
Less accumulated depreciation and amortization	(1,172,687)	(1,733,821)
Net property and equipment	$ 1,114,742	$ 1,831,910

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 is due on demand with interest at the LIBOR rate plus 2.38%. The borrowing capacity under the facility fluctuates in proportion to the pledged collateral, which had a fair value of $7,031,298 and $4,595,636 at December 31, 2020 and 2019, respectively. As of December 31, 2020 and 2019, NAFSA's borrowing capacity under the facility was $0 and $3,551,580, respectively. However, at December 31, 2020, NAFSA maintained the ability to reinvest pledged collateral into eligible securities to increase its borrowing capacity. This credit facility is maintained to finance working capital requirements. The credit facility was not used during 2020 or 2019.

Note 7 - Operating leases

The building in which NAFSA leased office space during 2019 and 2020 was sold April 9, 2020. NAFSA reached an agreement to vacate the building no later than December 31, 2020 and its lease was terminated in 2020. In exchange for agreeing to the early lease termination, NAFSA received compensation. For the year ended December 31, 2020, NAFSA has recognized a gain on lease termination of $161,454, which represents the excess of compensation received over the unamortized property and equipment written off upon vacating the property. Unamortized deferred rent related to the lease in the amount of $395,067 has been offset against rent expense in 2020. Rent expense, including NAFSA's prorated share of the annual operating expenses, net of writing off unamortized deferred rent in 2020, totaled $372,623 and $662,411, for 2020 and 2019, respectively.

In October 2020, NAFSA entered into a lease agreement for new office space with an effective date of March 1, 2021. The lease has an expiration date of June 30, 2033 and includes an early termination option effective March 1, 2030. Beginning March 1, 2021, the lease provides for monthly base rent payments of $81,715 escalating at 2.5% per year with an abatement of rent payments for the first 24 months of the lease term. The lease also requires NAFSA to pay for a prorated share of the annual operating expenses and provides a tenant allowance of approximately $2,500,000. As of December 31, 2020, NAFSA has utilized $402,200 in costs related to the tenant allowance, which are reported as deferred lease incentives on the statement of financial position.

Additionally, in accordance with the lease agreement, in lieu of a security deposit, NAFSA established an irrevocable standby letter of credit in favor of the landlord in the amount of $163,430.

In addition, NAFSA leases equipment under two operating leases. Rent expense under the leases, including service and maintenance costs, was $43,812 and $42,998 for each of the years ended December 31, 2020 and 2019.

Future minimum lease payments are as follows:

Year ending December 31,	Office	Equipment	Total
2021	$ -	$ 35,178	$ 35,178
2022	-	32,540	32,540
2023	858,562	3,225	861,787
2024	1,051,741	-	1,051,741
2025	1,078,056	-	1,078,056
Thereafter	8,994,218	-	8,994,218
Total	$ 11,982,577	$ 70,943	$ 12,053,520

Note 8 - Net assets with donor restrictions

As of December 31, 2020 and 2019, net assets with donor restrictions are restricted for the following purposes:

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

	December 31, 2020	December 31, 2019
Purpose:		
Endowment	$ 335,082	$ 291,414
Professional development	6,125	16,125
Total purpose restricted net assets	341,207	307,539
Perpetual - endowment:		
Scholarships	719,100	719,100
Total net assets with restrictions	$ 1,060,307	$ 1,026,639

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, 2020 and 2019, are summarized below:

	Without donor restrictions	With donor restrictions	Total
Endowment net assets, January 1, 2019	$ -	$ 981,703	$ 981,703
Interest, dividends and realized gains, net of fees	-	23,496	23,496
Unrealized gains	-	95,315	95,315
Appropriations	-	(90,000)	(90,000)
Changes in endowment net assets	-	28,811	28,811
Endowment net assets, December 31, 2019	-	1,010,514	1,010,514
Interest, dividends and realized gains, net of fees	-	65,448	65,448
Unrealized gains	-	10,220	10,220
Appropriations	-	(32,000)	(32,000)
Changes in endowment net assets	-	43,668	43,668
Endowment net assets, December 31, 2020	$ -	$ 1,054,182	$ 1,054,182

Note 10 - Retirement plans

NAFSA maintained a 403(b) plan (the "Plan") in 2019 and 2020 under which employees can make elective deferrals to the Plan. The Plan covers all employees who meet certain eligibility requirements. The Plan contains a nondiscretionary match of 3% of compensation, a discretionary employer contribution, and a discretionary employer match. The discretionary employer contribution was 2% for 2019 and 2% through September 30, 2020. The discretionary employer match ranged from 0% to 4% for 2019 and continued through September 30, 2020, depending on the level of individual employee contributions. Effective October 1, 2020, the discretionary employer contribution was changed to 0% and the discretionary employer match range was changed to 0% to 2%. Employer contributions to the Plan for the years ended December 31, 2020 and 2019 were $569,943 and $655,753, 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 $433,346 and $365,756 are included in investments, and deferred compensation plan liabilities of $433,346 and $365,756 are included in other liabilities as of December 31, 2020 and 2019, respectively. NAFSA's deferred compensation plan assets remain subject to the claims of NAFSA's general creditors.

Note 11 - Commitments and contingencies

NAFSA has executed contracts for future annual conferences through 2027. In the event of cancellation, NAFSA may be required to pay various costs as stipulated in the contracts, the amounts of which are dependent upon the respective dates of cancellation. NAFSA has obtained event cancellation insurance to cover potential liabilities arising from the cancellation of its 2021 and 2022 conferences. The insurance has exclusions regarding communicable diseases and other causes.

In December 2020, due to the COVID-19 global pandemic, NAFSA decided to convert its annual conference scheduled for May 2021 to a virtual event. NAFSA notified the hotels and conference center that it was canceling its contracts pursuant to the force majeure provisions of the contracts and should not be liable for any cancellation penalties. Negotiations with the hotels and conference center are ongoing regarding the potential penalties. No amounts have been recorded in the financial statements for the effects of this matter.

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 $8,700,000.

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, 2020 and 2019 are as follows:

	Fair value measurement at reportable date using			
	Fair value	Quoted prices in active markets for identical assets/liabilities (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
December 31, 2020				
Assets				
Cash and money funds	$ 598,311	$ -	$ 598,311	$ -
Equity securities	177,612	177,612	-	-
Mutual funds - equity	786,516	786,516	-	-
Mutual funds - fixed income	819,982	819,982	-	-
Exchange-traded funds	2,919,218	2,919,218	-	-
Alternative investment - limited partnership	339,083	-	-	339,083
Annuities	433,346	-	351,740	81,606
Certificates of deposit	-	-	-	-
	$ 6,074,068	$ 4,703,328	$ 950,051	$ 420,689
Liabilities				
Other liabilities	$ (433,346)	$ -	$ (351,740)	$ (81,606)
December 31, 2019				
Assets				
Cash and money funds	$ 718,517	$ -	$ 718,517	$ -
Equity securities	520,271	520,271	-	-
Mutual funds - equity	2,158,977	2,158,977	-	-
Mutual funds - fixed income	3,380,193	3,380,193	-	-
Exchange-traded funds	8,286,144	8,286,144	-	-
Alternative investment - limited partnership	366,601	-	-	366,601
Annuities	365,756	-	285,603	80,153
Certificates of deposit	4,305,665	-	4,305,665	-
	$ 20,102,124	$ 14,345,585	$ 5,309,785	$ 446,754
Liabilities				
Other liabilities	$ (365,756)	$ -	$ (285,603)	$ (80,153)

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, 2020 and 2019.

Note 13 - Paycheck protection program loan and grant

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

Note 14 - Risks and uncertainties

The spread of a novel strain of the coronavirus ("COVID-19") has caused significant business disruptions in the United States beginning in the first quarter of 2020. In 2020, NAFSA canceled its annual conference, which had been scheduled for May 2020. Additionally, NAFSA has decided to convert its annual conference, scheduled for May 2021, to a virtual event.

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

Note 15 - Subsequent event

On January 27, 2021, NAFSA entered into an unsecured promissory note with a commercial bank for an aggregate principal amount of approximately $1,645,000 pursuant to the second round of the Paycheck Protection Program (the "Second PPP Loan"), which was established under the Consolidated Appropriations Act, 2021 (the "Appropriations Act") and is administered by the SBA. The outstanding borrowings under the Second PPP Loan bear interest at a rate of 1% per year and have a maturity of December 2025. Under the Appropriations Act, Second PPP Loan recipients meeting certain criteria set by the SBA may be eligible for full or partial forgiveness of such loans. NAFSA believes it will qualify for full or partial Second PPP Loan forgiveness. However, there is no assurance NAFSA's Second PPP Loan or any portion thereof will be forgiven. The Second PPP Loan promissory note contains customary events of default relating to, among other things, payment defaults, breach of representations and warranties, or provisions of the promissory note. The occurrence of an event of default may result in the repayment of all amounts outstanding and/or filing suit and obtaining judgment against NAFSA.

CohnReznick

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