



## **Financial Statements**

**Nellie Mae Education Foundation, Inc.**

**December 31, 2023 and 2022**



# NELLIE MAE EDUCATION FOUNDATION, INC.

## *Financial Statements*

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## *Independent Auditors' Report*

To the Board of Directors  
Nellie Mae Education Foundation, Inc.

### ***Opinion***

We have audited the financial statements of Nellie Mae Education Foundation, Inc. (the "Foundation"), which comprise the statements of financial position as of December 31, 2023 and 2022, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as of December 31, 2023 and 2022, and the results of its operations 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation 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.

### ***Responsibilities of Management 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, 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 the Foundation's ability to continue as a going concern for one year after the date that the financial statements are authorized to be issued.



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

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

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

*Maya Heyman McCann P.C.*

June 12, 2024  
Boston, Massachusetts

# NELLIE MAE EDUCATION FOUNDATION, INC.

## Statements of Financial Position

**December 31,**  
**2023**                      **2022**  
**(in thousands)**

### Assets

Cash and cash equivalents	\$	1,174	\$	975
Investments		517,272		480,730
Accrued investment income		383		408
Operating lease right-of-use asset		291		557
Other assets		<u>297</u>		<u>526</u>
<b>Total assets</b>	<b>\$</b>	<b><u>519,417</u></b>	<b>\$</b>	<b><u>483,196</u></b>

### Liabilities and Net Assets

Accounts payable and accrued expenses	\$	1,124	\$	1,586
Operating lease obligation		378		716
Grants payable		<u>10,086</u>		<u>11,779</u>
<b>Total liabilities</b>		<b><u>11,588</u></b>		<b><u>14,081</u></b>
Net assets without donor restrictions		<u>507,829</u>		<u>469,115</u>
<b>Total net assets</b>		<b><u>507,829</u></b>		<b><u>469,115</u></b>
<b>Total liabilities and net assets</b>	<b>\$</b>	<b><u>519,417</u></b>	<b>\$</b>	<b><u>483,196</u></b>

**NELLIE MAE EDUCATION FOUNDATION, INC.**

***Statements of Activities***

	<b>Years Ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
	<b>(in thousands)</b>	
<b>Revenues:</b>		
Interest and dividend income, net of fees	\$ 3,227	\$ 2,026
Net realized gains on investments	16,738	19,395
Net unrealized gains (losses) on investments	40,390	(96,077)
Grants	200	700
	<u>60,555</u>	<u>(73,956)</u>
<b>Expenses:</b>		
Program services:		
Grants awarded, net	14,645	17,814
Program advancement	577	786
Program management expenses	3,749	3,394
Total program services	<u>18,971</u>	<u>21,994</u>
Administrative expenses	2,870	3,206
	<u>21,841</u>	<u>25,200</u>
<b>Change in net assets without donor restrictions</b>	<b>38,714</b>	<b>(99,156)</b>
Net assets without donor restrictions, beginning	<u>469,115</u>	<u>568,271</u>
<b>Net assets without donor restrictions, ending</b>	<b>\$ <u>507,829</u></b>	<b>\$ <u>469,115</u></b>

**NELLIE MAE EDUCATION FOUNDATION, INC.**

**Statements of Cash Flows**

	<b>Years Ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
	<i>(in thousands)</i>	
<b>Cash flows from operating activities:</b>		
Change in net assets without donor restrictions	\$ 38,714	\$ (99,156)
Adjustments to reconcile change in net assets without donor restrictions to net cash used in operating activities:		
Realized gains on investments	(16,738)	(19,395)
Unrealized (gains) losses on investments	(40,390)	96,077
Amortization of right-of-use asset - operating leases	266	272
Changes in operating assets and liabilities:		
Accrued investment income	25	(40)
Accounts payable, accrued expenses	(462)	12
Other assets	229	172
Grants payable	(1,693)	(3,648)
Operating lease obligation	(338)	(335)
	<u>(20,387)</u>	<u>(26,041)</u>
<b>Net cash used in operating activities</b>	<b>(20,387)</b>	<b>(26,041)</b>
<b>Cash flows from investing activities:</b>		
Purchases of investments	(164,242)	(261,631)
Proceeds from sale of investments	184,828	288,419
	<u>20,586</u>	<u>26,788</u>
<b>Net cash provided by investing activities</b>	<b>20,586</b>	<b>26,788</b>
<b>Net increase in cash and cash equivalents</b>	<b>199</b>	<b>747</b>
Cash and cash equivalents, beginning	<u>975</u>	<u>228</u>
<b>Cash and cash equivalents, ending</b>	<b>\$ <u>1,174</u></b>	<b>\$ <u>975</u></b>

# NELLIE MAE EDUCATION FOUNDATION, INC.

## ***Notes to Financial Statements (in thousands)***

### ***Note 1 - Nature of Operations and Summary of Significant Accounting Policies***

Nellie Mae Education Foundation, Inc. (the "Foundation") is a Massachusetts not-for-profit corporation. The mission of the Foundation is to champion efforts that prioritize community goals that challenge racial inequities and advance excellent, student-centered public education for all New England youth and is operated as a Massachusetts not-for-profit corporation to support educational organizations.

A summary of significant accounting policies consistently applied in the preparation of the financial statements follows:

#### ***Financial Statement Presentation***

The accompanying financial statements of the Foundation have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. The Foundation's net assets are currently without donor restrictions and, from time to time, net assets with donor restrictions which are defined as follows:

*Net Assets Without Donor Restrictions* – Net assets available for general use and not subject to donor restrictions. Net assets without donor restrictions also includes the net investment in fixed assets which amounted to \$290 and \$473 at December 31, 2023 and 2022, respectively, and is included in other assets in the Statements of Financial Position.

*Net Assets With Donor Restrictions* – Net assets subject to donor-imposed restrictions that may or will be met, either by the passage of time or the events specified by the donor, or which may be perpetual. There are no net assets with donor restrictions at December 31, 2023 or 2022.

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

The Foundation considers cash equivalents to include highly liquid instruments that have a maturity of ninety days or less when purchased. Such amounts are carried at cost plus accrued interest. Certain of these accounts have limited deposit insurance while others may not have such insurance. The Foundation utilizes an overnight sweep account with its depository institution with such sweep account purchasing U.S. Treasury obligations and repurchase agreements secured by U.S. Treasury obligations. Cash held by investment managers is considered part of investments given the expectation of near-term reinvestment. The Foundation monitors its exposure associated with cash and cash equivalents and has not experienced any losses in such accounts.



# NELLIE MAE EDUCATION FOUNDATION, INC.

## *Notes to Financial Statements (in thousands)*

### **Note 1 - Nature of Operations and Summary of Significant Accounting Policies (Continued)**

#### ***Investments and Fair Value Measurements***

The Foundation reports required types of financial instruments in accordance with fair value standards. Investments are carried at fair value on a recurring basis. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. These standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or valuation techniques) to determine fair value. Fair value standards allow for certain investments to be valued at the net asset value (“NAV”) per share if certain criteria are met. In addition, the fair value standards also require the Foundation to classify and report recurring fair values of financial instruments (but for those measured using NAV which are separately stated) into a three-level hierarchy based on the priority of inputs to the valuation technique as follows:

*Level 1* – Quoted prices are available in active markets for identical instruments as of the reporting date. Instruments which are generally included in this category include listed equity and debt securities actively traded on an exchange.

*Level 2* – Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.

*Level 3* – Pricing inputs are unobservable for the instrument and include situations where there is little, if any, market activity for the instrument. The inputs into the determination of fair value require significant management judgment or estimation.

In some instances, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such instances, an instrument’s level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

It is possible that redemption rights may be restricted or eliminated by investment managers in the future in accordance with the underlying fund agreements.

Market price is affected by a number of factors, including the type of instrument and the characteristics specific to the instrument, as well as the effects of market, interest and credit risk. Instruments with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. It is reasonably possible that change in values of these instruments will occur in the near term and that such changes could materially affect amounts reported in these financial statements.

# NELLIE MAE EDUCATION FOUNDATION, INC.

## *Notes to Financial Statements (in thousands)*

### **Note 1 - Nature of Operations and Summary of Significant Accounting Policies (Continued)**

#### **Revenues**

The Foundation primarily generates revenues from investments. Revenues primarily include interest, dividends, and net realized gains (losses) on the sale of investments as well as the net change in fair value of investments held at the end of the year. Interest and dividend income is net of investment management fees. Gains and losses on investments are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law.

#### **Grant Awards**

Grant awards are expensed when the grant is awarded and all significant conditions are met. Grants payable represents unpaid amounts associated with grants that have been awarded. Such amounts are generally payable in one year or less. There were no grants made with significant unmet conditions at December 31, 2023 and 2022, therefore grants were determined to be unconditional when made and thus fully recorded as unobligated.

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

The costs of providing the various programs and activities and supporting services have been summarized on a functional basis in the Statements of Activities. Certain costs have been allocated among the programs and supporting services benefited based on time and effort percentages.

#### **Income Taxes**

The Foundation is organized and operated as an organization generally exempt from taxation under Internal Revenue Code ("IRC") Section 501(c)(3). Given the limited taxable activities of the Foundation, management has concluded that disclosures related to tax provisions are not necessary.

Pursuant to its Articles of Organization, the Foundation operates exclusively for the benefit of, and to promote the charitable and educational purposes of, educational organizations, including universities, colleges, secondary schools, elementary schools, and other educational organizations which are described in IRC Section 501(c)(3) and which are not private foundations as described in IRC Section 509(a).

The Foundation's activities include making grants to the public charities it supports and providing services to those organizations. A majority of the Foundation's directors are representatives of organizations that would be eligible to receive support from the Foundation. In certain cases, grants are made to organizations with which officers and directors are affiliated. In this case, the Foundation operates to support many of the non-profit organizations which are represented on the Foundation's board and grants are made on a regular basis by the Foundation to those supported organizations consistent with its status as a supporting organization. The Foundation has a conflict of interest policy to prevent any officer or director from receiving any economic benefit from any grant or grant payment made by the Foundation. In addition, the committee that nominates board members is composed entirely of directors who are also officers, directors, key employees or persons serving in a leadership role in public charities that would be eligible to receive support from the Foundation. All directors recuse themselves during votes that would grant monies to their respective organizations.

# NELLIE MAE EDUCATION FOUNDATION, INC.

## ***Notes to Financial Statements (in thousands)***

### ***Note 1 - Nature of Operations and Summary of Significant Accounting Policies (Continued)***

#### ***Uncertain Tax Positions***

The Foundation accounts for the effect of any uncertain tax positions based on a “more likely than not” threshold to the recognition of the tax positions being sustained based on the technical merits of the position under scrutiny by the applicable taxing authority. If a tax position or positions are deemed to result in uncertainties of those positions, the unrecognized tax benefit is estimated based on a “cumulative probability assessment” that aggregates the estimated tax liability for all uncertain tax positions. Interest and penalties assessed, if any, are accrued as income tax expense.

The Foundation has identified its tax status as a tax exempt entity and its determinations as to its income being related or unrelated as its only significant tax positions and has determined that such tax positions do not result in an uncertainty requiring recognition. The Foundation is not currently under examination by any taxing jurisdiction. Federal and state income tax returns are generally open for three years following the date filed.

#### ***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, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could vary from those estimates and assumptions.

#### ***Leases***

The Foundation leases office space and equipment under operating lease arrangements through January 2025 for which expense is recognized on a straight-line basis over the lease term.

Right-of-use (“ROU”) assets represent the Foundation’s right to use an underlying asset for the lease term and lease liabilities represent the Foundation’s obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As the Foundation’s leases do not provide an implicit rate, the Foundation uses a risk-free rate based on the information available at commencement date in determining the present value of lease payments. Given the de minimis nature of the balances, further disclosure is omitted.

Lease expense was approximately \$299 and \$297 for the years ended December 31, 2023 and 2022, respectively.

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

The Foundation has evaluated subsequent events through June 12, 2024, the date the financial statements were authorized to be issued and determined that no items required adjustment or disclosure to these statements.

# NELLIE MAE EDUCATION FOUNDATION, INC.

## *Notes to Financial Statements* *(in thousands)*

### **Note 2 - Available Resources and Liquidity**

The Foundation regularly monitors liquidity to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Foundation has various sources of liquidity at its disposal, including cash and cash equivalents and investments.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Foundation considers all expenditures related to its ongoing activities of awarding grants as well as the conduct of services undertaken to support those activities to be general expenditures.

The table below presents financial assets available for general expenditures within one year at December 31 (in thousands):

	<b>2023</b>	<b>2022</b>
Financial assets at year end:		
Cash and cash equivalents	\$ 1,174	\$ 975
Investments	517,272	480,730
Accrued investment income	383	408
	<u>518,829</u>	<u>482,113</u>
<b>Total financial assets at year end</b>	<b>518,829</b>	<b>482,113</b>
Less amounts not available to be used within one year:		
Illiquid investments	63,606	62,653
	<u>63,606</u>	<u>62,653</u>
<b>Financial assets available to meet     general expenditures within one year</b>	<b>\$ <u>455,223</u></b>	<b>\$ <u>419,460</u></b>

**NELLIE MAE EDUCATION FOUNDATION, INC.**

**Notes to Financial Statements**  
**(in thousands)**

**Note 3 - Fair Values of Financial Instruments**

The valuation of the Foundation's instruments using the fair value hierarchy consisted of the following at December 31:

	<b>2023</b>		
	<b>Investments Measured at NAV</b>	<b>Level 1</b>	<b>Total</b>
Cash equivalents	\$ -	\$ 835	\$ 835
Domestic equity funds	79,141	68,514	147,655
Foreign equity funds	70,525	52,588	123,113
Fixed income - U.S. Treasury securities	-	48,331	48,331
Alternative strategies:			
Investment funds - distressed credit	36,710	-	36,710
Investment funds - long/short equity	22,916	-	22,916
Investment fund - multi-strategy	41,041	-	41,041
Investment fund - global fixed income	11,657	-	11,657
Real estate fund	13,016	21,307	34,323
Direct real asset - timber	20	-	20
Private commodity	6,446	-	6,446
Private equity	43,723	-	43,723
Natural resources fund-of-funds	502	-	502
	<b>\$ 325,697</b>	<b>\$ 191,575</b>	<b>\$ 517,272</b>

**NELLIE MAE EDUCATION FOUNDATION, INC.**

**Notes to Financial Statements  
(in thousands)**

**Note 3 - Fair Values of Financial Instruments (Continued)**

	<b>2022</b>		
	<b>Investments Measured at NAV</b>	<b>Level 1</b>	<b>Total</b>
Cash equivalents	\$ -	\$ 2,968	\$ 2,968
Domestic equity funds	69,681	57,854	127,535
Foreign equity funds	62,298	45,672	107,970
Fixed income - U.S. Treasury securities	-	51,110	51,110
Alternative strategies:			
Investment funds - distressed credit	34,302	-	34,302
Investment funds - long/short equity	20,531	-	20,531
Investment fund - multi-strategy	44,648	-	44,648
Investment fund - global fixed income	10,757	-	10,757
Real estate fund	13,472	18,255	31,727
Direct real asset - timber	49	-	49
Private commodity	6,242	-	6,242
Private equity	42,142	-	42,142
Natural resources fund-of-funds	749	-	749
	<b>\$ 304,871</b>	<b>\$ 175,859</b>	<b>\$ 480,730</b>

The redemption frequency of investments is as follows for the year ended December 31, 2023:

Daily	\$ 179,099
Weekly	12,056
Monthly	45,267
Quarterly	120,125
Semi Annual	33,416
Annual	63,703
Illiquid	63,606
<b>Total</b>	<b>\$ 517,272</b>

**NELLIE MAE EDUCATION FOUNDATION, INC.**

***Notes to Financial Statements***  
***(in thousands)***

***Note 3 - Fair Values of Financial Instruments (Continued)***

Investment activity was as follows for the years ended December 31:

	<b>2023</b>	<b>2022</b>
Investments, at beginning of year	\$ <u>480,730</u>	\$ <u>584,200</u>
Investment return:		
Interest and dividend income	4,398	3,137
Net unrealized gains (losses)	40,390	(96,077)
Net realized gains	<u>16,738</u>	<u>19,395</u>
<b>Net gains (losses) on investments</b>	<b>61,526</b>	<b>(73,545)</b>
Transfer to operations	(24,000)	(29,000)
Management fees and other deductions	<u>(984)</u>	<u>(925)</u>
<b>Investments, at end of year</b>	<b>\$ <u><u>517,272</u></u></b>	<b>\$ <u><u>480,730</u></u></b>

Investment activity in the table above does not include the activity of accrued investment income.

On an annual basis, spending policy guidelines are presented to the Board of Directors for review and acceptance.

Management has no intentions or plans to liquidate any NAV practical expedient investments at other than NAV per share.

Unfunded commitments under various investment vehicles amount to approximately \$40.4 million at December 31, 2023.

**NELLIE MAE EDUCATION FOUNDATION, INC.**

**Notes to Financial Statements**  
**(in thousands)**

**Note 4 - Functional Expenses**

The tables below present expenses by natural and functional classifications for the years ended December 31:

	<b>2023</b>		
	<b>Program Services</b>	<b>Administrative</b>	<b>Total</b>
Salaries and wages	\$ 2,004	\$ 1,492	\$ 3,496
Payroll taxes and benefits	562	385	947
Professional fees for service	1,086	579	1,665
Rent and utilities	178	122	300
Travel and conferences	65	45	110
Office expense	83	57	140
Technology	83	57	140
Insurance	33	23	56
Other expenses	107	24	131
Depreciation and amortization	125	86	211
Grants awarded, net	14,645	-	14,645
	<b>\$ 18,971</b>	<b>\$ 2,870</b>	<b>\$ 21,841</b>
	<b>\$ 18,971</b>	<b>\$ 2,870</b>	<b>\$ 21,841</b>
	<b>2022</b>		
	<b>Program Services</b>	<b>Administrative</b>	<b>Total</b>
Salaries and wages	\$ 1,900	\$ 1,864	\$ 3,764
Payroll taxes and benefits	515	409	924
Professional fees for service	1,139	571	1,710
Rent and utilities	174	123	297
Travel and conferences	55	13	68
Office expense	48	34	82
Technology	74	69	143
Insurance	32	22	54
Other expenses	108	6	114
Depreciation and amortization	135	95	230
Grants awarded, net	17,814	-	17,814
	<b>\$ 21,994</b>	<b>\$ 3,206</b>	<b>\$ 25,200</b>
	<b>\$ 21,994</b>	<b>\$ 3,206</b>	<b>\$ 25,200</b>



# NELLIE MAE EDUCATION FOUNDATION, INC.

## *Notes to Financial Statements* *(in thousands)*

### **Note 5 - Retirement Plan**

The Foundation sponsors a qualified 401(k) defined contribution plan (the "Plan") for its employees. Employees are eligible to participate in the Plan upon meeting criteria of age, service, and minimum hours of work, among other criteria. Under the Plan, the Foundation makes a contribution of 8% of compensation in addition to matching salary reduction elections by employees on a dollar-for-dollar basis, up to 6% of annual compensation. The Plan also provides for additional employer contributions in certain circumstances. The Foundation's policy is to fund all costs on a current basis. Expenses incurred related to the Plan were \$336 and \$392 for the years ended December 31, 2023 and 2022, respectively.