



COUNCIL FOR
**Economic
Education**

Teaching Opportunity®

From: Nan J. Morrison, President and CEO

RE: 2016 Financial Statements

Representing the sixth year of an unrestricted balanced budget, the Council for Economic Education ended Fiscal 2016 with a surplus of \$62K after depreciation of \$27K.

CEE's overall financial position remains good. Total Assets were \$3.8 million at the end of the fiscal year and Liabilities were only \$0.7 million.

Program spending for the year was \$4.0 million or 73% of all expense incurred. We are pleased that our Management and General expenses were 13% of the total. Total Net Assets decreased by \$1.3 million as a portion of a large restricted grant that was received in FY12 was used to support programs in FY16 as planned.

The 2016 audit had a clean opinion.

Council for Economic Education

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

December 31, 2016

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Independent Auditor's Report

To the Board of Directors
Council for Economic Education

We have audited the accompanying financial statements of Council for Economic Education ("CEE"), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities and changes in net assets and cash flows for the year 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 audit. We conducted our audit 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 Council for Economic Education as of December 31, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.



New York, New York
June 20, 2017

Council for Economic Education

Statement of Financial Position
December 31, 2016

Assets

Cash and cash equivalents	\$ 1,952,076
Accounts receivable, net of allowance for doubtful accounts of \$500	86,995
Contributions receivable, net of allowance for doubtful accounts of \$9,000	478,081
Prepaid expenses and other assets	177,125
Publications inventory, net of reserve for obsolescence of \$12,000	86,185
Investments	516,401
Restricted investments	385,128
Deferred rent	7,729
Fixed assets, net	<u>69,436</u>
Total assets	<u>\$ 3,759,156</u>

Liabilities and Net Assets

Liabilities	
Accounts payable and accrued expenses	\$ 330,349
Deferred rent	232,234
Deferred revenue	95,717
Capital lease obligations	<u>10,564</u>
Total liabilities	<u>668,864</u>
Commitments	
Net assets	
Unrestricted	2,317,157
Temporarily restricted	<u>773,135</u>
Total net assets	<u>3,090,292</u>
Total liabilities and net assets	<u>\$ 3,759,156</u>

See Notes to the Financial Statements.

Council for Economic Education

**Statement of Activities and Changes in Net Assets
Year Ended December 31, 2016**

	Unrestricted	Temporarily restricted	Total
Support and revenue			
Contributions	\$ 1,202,374	\$ 1,381,231	\$ 2,583,605
Educational materials and services	691,192	-	691,192
Special event revenue, net of direct costs of \$175,617	604,018	-	604,018
Affiliate dues and conference fees	29,350	-	29,350
Other income	284,220	-	284,220
Interest and dividends	16,286	-	16,286
Net assets released from restrictions	2,710,756	(2,710,756)	-
Total support and revenue	5,538,196	(1,329,525)	4,208,671
Expenses			
Program services			
Core programs	3,335,492	-	3,335,492
Other	665,762	-	665,762
Total program services	4,001,254	-	4,001,254
Support services			
Management and general	737,924	-	737,924
Fundraising	736,719	-	736,719
Total support services	1,474,643	-	1,474,643
Total expenses	5,475,897	-	5,475,897
Changes in net assets	62,299	(1,329,525)	(1,267,226)
Net assets, beginning	2,254,858	2,102,660	4,357,518
Net assets, end	\$ 2,317,157	\$ 773,135	\$ 3,090,292

See Notes to the Financial Statements.

Council for Economic Education

Statement of Cash Flows
Year Ended December 31, 2016

Cash flows from operating activities	
Changes in net assets	\$ (1,267,226)
Adjustments to reconcile changes in net assets to net cash used in operating activities	
Depreciation and amortization	27,357
Provision for bad debts	15,791
Changes in operating assets and liabilities	
Accounts receivable	2,720
Contributions receivable	89,757
Prepaid expenses and other assets	(78,779)
Publications inventory	(5,650)
Accounts payable and accrued expenses	(99,238)
Deferred rent	(78,305)
Deferred revenue	74,717
	<hr/>
Net cash used in operating activities	(1,318,856)
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Cash flows from investing activities	
Purchase of fixed assets	(30,119)
Purchase of investments	(4,572)
	<hr/>
Net cash used in investing activities	(34,691)
	<hr/>
Cash flows from financing activities	
Payments made on capital lease obligations	(4,029)
Changes in restricted investments	(22)
	<hr/>
Net cash used in financing activities	(4,051)
	<hr/>
Net decrease in cash and cash equivalents	(1,357,598)
	<hr/>
Cash and cash equivalents, beginning	3,309,674
	<hr/>
Cash and cash equivalents, end	\$ 1,952,076
	<hr/>
Supplemental disclosure of cash flow data	
Interest paid under capital leases	\$ 892
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See Notes to the Financial Statements.

Council for Economic Education

**Notes to Financial Statements
December 31, 2016**

Note 1 - Organization

The Council for Economic Education ("CEE") was incorporated in 1949 in the District of Columbia as a not-for-profit organization.

CEE is a leading organization in the United States that focuses on the economic and financial education of students from kindergarten through high school - and CEE has been doing so for almost 70 years. CEE delivers the fourth "R" - a real-world understanding of how to build fruitful lives - to America's young people. CEE's goal is to reach and teach every child to create a more informed citizenry capable of making better decisions as savers, investors, borrowers, voters, and participants in the global economy. CEE does this by educating the educators, providing the curriculum tools, the pedagogical support, and the community of peers that instruct, inspire, and guide. All resources and programs are developed by educators, and delivered by CEE's national network of affiliates. CEE delivers its programs through in-person local workshops and also online via EconEdLink. EconEdLink, a free online educator gateway for economic and personal finance lessons and resources, reaches over one million unique visitors per year.

Following is a brief description of CEE's major program services:

Core

CEE's program activities support improving kindergarten through grade 12 economic and financial education through delivery of teacher professional development training and the development of engaging, interactive resources that align to state and national standards. CEE's efforts include the following activities:

- Conduct professional development, online and offline
- Create resources and curriculum
- Produce and support standards and assessment
- Advocate for personal finance and economic education
- Conduct the National Economic Challenge
- Create and provide teacher awards

Other Program Services

CEE's Other Program Services for the year ended December 31, 2016 consisted of the following:

Technology	\$ 39,044
Marketing and communications	<u>626,718</u>
Total	<u>\$ 665,762</u>

CEE has been classified as a 501(c)(3) organization and is exempt from federal income taxes under Section 501(a) of the U.S. Internal Revenue Code. Accordingly, no provision for income taxes is reflected in the accompanying financial statements. Additionally, CEE has been classified as an organization which is not a private foundation under Section 509(a)(2).

Council for Economic Education

Notes to Financial Statements December 31, 2016

CEE's primary source of revenue is from grants, philanthropic contributions and educational materials and services.

Note 2 - Liquidity

As of the year ended December 31, 2016, and consistent with past years, CEE's operating activities have resulted in losses from operations. This is primarily due to planned spending over several years from a substantial one-time restricted grant received in 2012. Management intends to reduce future losses from operations through continued outreach to existing and new funders and major donors, as well as continuing to diversify funding streams and focusing on those that yield the highest revenue potential. In addition, management will continue to monitor its overall expenses and achieve cost savings through the renegotiation of certain lease arrangements and other non-programmatic areas.

Note 3 - Summary of significant accounting policies

Basis of presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. The accompanying financial statements reflect only the accounts of CEE (considered the national office) and do not include the financial position, changes in net assets and cash flows of affiliated state councils, which are not controlled by CEE, as such entities do not meet the consolidation criteria established by accounting principles generally accepted in the United States of America.

Classification of net assets

CEE classifies its net assets into three categories which are unrestricted, temporarily restricted, and permanently restricted.

Unrestricted - include expendable resources that are not subject to donor-imposed stipulations and, therefore, may be expended for any purpose in performing the primary objectives of CEE.

Temporarily restricted - include resources subject to donor-imposed stipulations that limit their use either through purpose or time restrictions. When donor restrictions expire, that is, when a time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported as net assets released from restrictions.

Permanently restricted - include resources subject to donor-imposed stipulations, requiring that the principal be maintained in perpetuity, but permit CEE to expend part or all of the income and gains derived therefrom. There were no permanently restricted net assets at December 31, 2016.

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 disclosures of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. The most significant estimates relate to the useful lives assigned to furniture and equipment, reserves for inventory obsolescence and allowances for potentially uncollectible receivables. Accordingly, actual results could differ from those estimates.

Council for Economic Education

Notes to Financial Statements December 31, 2016

Cash and cash equivalents

CEE considers all highly liquid financial instruments with original maturities of three months or less when purchased to be cash equivalents. CEE places its temporary cash investments with high-credit quality financial institutions.

Publications inventory

Publications inventory is stated at the lower of weighted-average cost or market value, less an estimated reserve for obsolete and slow-moving items. It represents the value of sellable books, excluding both promotional items, as well as educational materials paid for by restricted funds, which were both expensed at the time of production.

Investments

CEE records its investments at fair value with changes in the fair value of investments recorded in the statement of activities and changes in net assets. Investment income or loss (including gains and losses on investments, interest and dividends) is included in the statement of activities and changes in net assets as increases or decreases in unrestricted net assets unless the income or loss is restricted by donor or law. Realized gains or losses are recognized on the specific identification method.

Furniture and equipment

Furniture and equipment are carried at original cost (or fair value, if donated), provided the respective asset cost is \$5,000 or more and its useful life exceeds three years. Such assets are depreciated over their estimated useful lives, which range from three to five years, using the straight-line method. Leasehold improvements and capital lease equipment are amortized over the lesser of their estimated useful lives of the asset or term of the respective lease.

Deferred rent

CEE occupies office space under a lease containing escalation clauses and a lease incentive that requires normalization of the rental expense over the life of the lease. This results in deferred rent, which is reflected in the accompanying statement of financial position.

Revenue recognition

Contribution revenue is recorded at fair value when received or pledged. Amounts are recorded as temporarily or permanently restricted if they have donor stipulations that limit the use of the donated asset. When a donor restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets as net assets released from restrictions. Unconditional contributions that are expected to be collected within one year are recorded at their net realizable value. Unconditional contributions that are expected to be collected beyond one year are recorded at the present value of their net realizable value using risk free interest rates applicable to the years in which the contributions are to be received.

Revenue and expenses incurred relative to special events are recognized upon occurrence of the respective event. CEE reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. Unconditional promises to give are recognized when such promises are received.

Contributed goods and services

CEE benefits from volunteer services. The value of volunteer services is not recognized in the accompanying financial statements as they do not meet the criteria for recognition. In addition, CEE, on occasion, receives contributed goods and services from third parties but has historically

Council for Economic Education

Notes to Financial Statements December 31, 2016

not recorded such contributions due to their immaterial nature. Donated marketable securities totaled \$182,796, and there were no contributed goods and services received by CEE for the year ended December 31, 2016.

Functional allocation of expenses

The cost of providing the various programs and other activities has been summarized on a functional basis in the statement of activities and changes in net assets. Accordingly, certain costs have been allocated between program services and support services based on an analysis of personnel time and space utilized for the related activities.

Income taxes

CEE has no unrecognized tax benefits as of December 31, 2016. CEE's federal and state income tax returns prior to fiscal year 2013 are closed and management continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings.

If applicable, CEE will recognize interest and penalties associated with tax matters as management and general expenses and include accrued interest and penalties with the related tax liability in the statement of financial position. There were no interest or penalties for the year ended December 31, 2016.

Subsequent events

CEE has evaluated subsequent events through June 20, 2017, which is the date the financial statements were available to be issued. There were no significant events requiring adjustment or disclosure to the accompanying financial statements.

Note 4 - Concentrations of credit risk

Financial instruments that potentially subject CEE to concentrations of credit risk consist principally of cash and cash equivalents, accounts and contributions receivable. At times during the year, CEE's cash balances may exceed the limits of Federal Deposit Insurance Corporation insurance coverage. At December 31, 2016, CEE's uninsured cash and cash equivalent balances totaled approximately \$1,914,000. CEE monitors its financial institutions and the concentration of credit risk on a regular basis and does not anticipate nonperformance by the financial institutions.

Accounts and contributions receivable credit risk is limited due to the nature of the receivables. CEE regularly monitors its receivables and establishes an allowance account for those amounts that are not deemed collectible.

Note 5 - Contributions receivable

Contributions receivable consists of individual and foundation grants. Of the contributions receivable, \$398,846 is due within one year and the balance of \$88,235 is due within two years at December 31, 2016.

Note 6 - Investments

At December 31, 2016, the fair value of investments and restricted investments consisted of certificates of deposits in the amount of \$901,023 and a common stock valued at \$506.

Council for Economic Education

Notes to Financial Statements December 31, 2016

Note 7 - Fair value measurements

CEE values its financial assets and liabilities based on 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. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy prioritizes observable and unobservable inputs used to measure fair value into three broad levels, which are described below:

- Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.
- Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.
- Level 3: Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

In determining fair value, CEE utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible as well as considers counterparty credit risk in its assessment of fair value.

Financial assets carried at fair value at December 31, 2016 are classified in the table below in one of the three categories described above:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificates of deposit	\$ -	\$ 901,023	\$ -	\$ 901,023
Common stock	<u>506</u>	<u>-</u>	<u>-</u>	<u>506</u>
Total	<u>\$ 506</u>	<u>\$ 901,023</u>	<u>\$ -</u>	<u>\$ 901,529</u>

Investments in common stock are valued using market prices on active markets (Level 1). Level 1 instrument valuations are obtained from real-time quotes for transactions in active exchange markets involving identical assets.

Investments in certificates of deposit are designated as Level 2 instruments and valuations are obtained from readily-available pricing sources of comparable instruments.

The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although CEE believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

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Notes to Financial Statements
December 31, 2016

Note 8 - Furniture and equipment, net

Furniture and equipment, net at December 31, 2016 consist of the following:

	<u>Estimated useful lives</u>	<u>Amount</u>
Office furniture and equipment	3-5 years	\$ 412,078
Leasehold improvements	10 years	23,521
Web development in progress	N/A	<u>16,570</u>
Total		452,169
Less accumulated depreciation and amortization		<u>(382,733)</u>
Total		<u><u>\$ 69,436</u></u>

Depreciation and amortization expense for the year ended December 31, 2016 totaled \$27,357.

Note 9 - Temporarily restricted net assets

At December 31, 2016, temporarily restricted net assets are available for the following purposes in future periods:

National economics challenge	\$ 53,192
Marketing	78,531
Professional development	207,667
Resource and curriculum	150,888
Teacher awards	150,826
All other temporarily restricted programs	<u>132,031</u>
Total	<u><u>\$ 773,135</u></u>

Net assets released from donor restrictions for the year ended December 31, 2016 were released by incurring expenses satisfying the program restrictions and the expiration of time restrictions specified by the donors.

Note 10 - Capital lease obligations

Included in furniture and equipment on the accompanying statement of financial position is various equipment acquired under capital lease arrangements. The equipment is being amortized on a straight-line basis over the lesser of its estimated useful life or the respective term of the lease. The corresponding obligations under the capital leases represent the present value of the rental payments discounted by the interest rates implicit in the lease agreements.

Council for Economic Education

**Notes to Financial Statements
December 31, 2016**

Capital lease arrangements at December 31, 2016 consisted of the following:

Cost	\$ 209,561
Less accumulated amortization	<u>200,241</u>
Total	<u><u>\$ 9,320</u></u>

Annual payments subsequent to December 31, 2016 are as follows:

2017	\$ 4,920
2018	4,920
2019	<u>1,639</u>
	11,479
Less interest payments	<u>(915)</u>
Total	<u><u>\$ 10,564</u></u>

Interest expense for the year ended December 31, 2016 was \$892.

Note 11 - Line of credit

On January 2016, CEE established a \$1,000,000, unsecured, revolving line of credit with a financial institution. Interest is payable monthly on outstanding balances based on an adjustable rate equal to LIBOR plus 3.75%. The maturity date is January 20, 2018. At December 31, 2016, there were no outstanding balances or related interest expense on this line of credit.

Note 12 - Employee benefit plan

CEE maintains a 401(k) profit sharing plan which covers substantially all employees. The plan provides for a matching contribution by CEE equal to 100% of an employee's deferral contribution, up to 3% of their compensation for the plan year, plus an additional 50% match for each additional percentage up to 5%.

Contributions to the plan for the year ended December 31, 2016 amounted to \$59,453.

Note 13 - Commitments and contingencies

Operating leases

Certain of CEE's operating leases contain annual base rental increases. In accordance with accounting principles generally accepted in the United States of America, rent expense is recognized on a straight-line basis, including future base rental increases, over the life of the lease rather than in accordance with the actual lease payments. These leases expire in May 2019. Deferred rent expense represents the adjustment to future rents as a result of using the straight-line method. Additionally, during 2008 CEE entered into a letter of credit facility in lieu of a security deposit for its new space. In connection with this letter of credit, which was not drawn at December 31, 2016, CEE pledged a certificate of deposit that required a minimum amount to be held as a security totaling \$280,000. As of December 31, 2016, the balance held in the pledged certificate of deposit was \$385,128, and is reflected as restricted investments in the accompanying statement of financial position.

Council for Economic Education

**Notes to Financial Statements
December 31, 2016**

Future minimum operating lease payments are as follows:

2017	\$	740,128
2018		754,930
2019		<u>320,187</u>
Total	\$	<u>1,815,245</u>

Rent expense for the year ended December 31, 2016 totaled \$655,039.

CEE entered into a sublease agreement in July 2012, to sublet the vacant space in its New York office. The sublease expired December 31, 2016, and was subsequently renewed by one of two original tenants through May 31, 2019 with a new second tenant subletting the remaining of the original subleased space through May 31, 2019. Rental income totaled \$243,689 for the year ended December 31, 2016 and is included in other income on the statement of activities and changes in net assets.

Future minimum rental income to be received by CEE is as follows:

2017	\$	250,883
2018		256,896
2019		<u>109,185</u>
Total	\$	<u>616,964</u>

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