

From: Nan J. Morrison

Re: 2019 Financial Statements

The Council for Economic Education ended Fiscal 2019 with a surplus of \$1.3M before and \$1.4M after depreciation. The Change in Net Assets increased by \$1.3M over prior year. We also saw an increase of 27% or \$1.0 M in Contributions from the prior year. Total revenues increased by 35% or \$1.7M over prior year, while total expenses increased by 10% or \$445K over 2018. Fiscal year 2019 includes the May 1 acquisition of non-profit Invest in Girls, which contributed \$729K in the form of an asset transfer.

CEE's overall financial position remains good. Total Assets were \$4.8M at the end of 2019 and Liabilities were only \$429K.

Program spending for this year was \$3.9M or 75% of all expenses incurred. We are pleased that our Management and General expenses were 13% of the total.

The audit had a clean opinion, as it has since 2011.

Council for Economic Education

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

December 31, 2019 and 2018

Council for Economic Education

Index

	<u>Page</u>
Independent Auditor's Report	2
Financial Statements	
Statements of Financial Position	3
Statements of Activities and Changes in Net Assets	4
Statements of Functional Expenses	5
Statements of Cash Flows	7
Notes to Financial Statements	8

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, which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities and 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 audits 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, 2019 and 2018, 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.



New York, New York
August 3, 2020

Council for Economic Education

**Statements of Financial Position
December 31, 2019 and 2018**

Assets

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 2,378,018	\$ 2,174,626
Accounts receivable, net of allowance for doubtful accounts of \$5,761 in 2019 and \$500 in 2018	125,072	43,999
Contributions receivable, net of allowance for doubtful accounts of \$0 in 2019 and 2018	1,415,656	358,372
Prepaid expenses and other assets	145,093	156,382
Publications inventory, net of reserve for obsolescence of \$12,000 in 2019 and 2018	95,970	50,596
Investments	22,609	12,073
Restricted investments	280,112	280,037
Deferred rent	-	14,288
Fixed assets, net	<u>292,014</u>	<u>335,511</u>
 Total assets	 <u>\$ 4,754,544</u>	 <u>\$ 3,425,884</u>

Liabilities and Net Assets

Liabilities		
Accounts payable and accrued expenses	\$ 284,639	\$ 396,219
Deferred rent	45,364	47,255
Deferred revenue	78,738	22,740
Capital lease obligations	<u>20,474</u>	<u>27,005</u>
 Total liabilities	 <u>429,215</u>	 <u>493,219</u>
 Commitments and contingencies		
 Net assets		
Without donor restrictions	1,850,799	1,691,262
With donor restrictions	<u>2,474,530</u>	<u>1,241,403</u>
 Total net assets	 <u>4,325,329</u>	 <u>2,932,665</u>
 Total liabilities and net assets	 <u>\$ 4,754,544</u>	 <u>\$ 3,425,884</u>

See Notes to Financial Statements.

Council for Economic Education
Statement of Activities and Changes in Net Assets
Years Ended December 31, 2019 and 2018

	2019			2018		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Support and revenue						
Contributions	\$ 1,047,421	\$ 3,033,910	\$ 4,081,331	\$ 1,465,062	\$ 1,818,390	\$ 3,283,452
Fair value of net assets acquired	138,474	590,698	729,172	-	-	-
Conference registrations and exhibitor fees	93,082	-	93,082	119,940	-	119,940
Educational materials and services	583,582	-	583,582	516,935	-	516,935
Special event revenue, net of direct costs of \$211,697 and \$178,007 in 2019 and 2018, respectively	591,506	-	591,506	404,516	-	404,516
Affiliate dues	27,500	-	27,500	19,675	-	19,675
Other income	460,214	-	460,214	519,987	-	519,987
Interest and dividends	24,618	-	24,618	19,459	-	19,459
Net assets released from restrictions	2,391,481	(2,391,481)	-	1,771,728	(1,771,728)	-
Total support and revenue	<u>5,357,878</u>	<u>1,233,127</u>	<u>6,591,005</u>	<u>4,837,302</u>	<u>46,662</u>	<u>4,883,964</u>
Expenses						
Program services						
Core programs	3,336,787	-	3,336,787	2,919,267	-	2,919,267
Other	560,040	-	560,040	525,387	-	525,387
Total program services	<u>3,896,827</u>	<u>-</u>	<u>3,896,827</u>	<u>3,444,654</u>	<u>-</u>	<u>3,444,654</u>
Support services						
Management and general	675,314	-	675,314	718,029	-	718,029
Fundraising	626,200	-	626,200	580,692	-	580,692
Total support services	<u>1,301,514</u>	<u>-</u>	<u>1,301,514</u>	<u>1,298,721</u>	<u>-</u>	<u>1,298,721</u>
Total expenses	<u>5,198,341</u>	<u>-</u>	<u>5,198,341</u>	<u>4,743,375</u>	<u>-</u>	<u>4,743,375</u>
Change in net assets	159,537	1,233,127	1,392,664	93,927	46,662	140,589
Net assets, beginning	1,691,262	1,241,403	2,932,665	1,597,335	1,194,741	2,792,076
Net assets, end	<u>\$ 1,850,799</u>	<u>\$ 2,474,530</u>	<u>\$ 4,325,329</u>	<u>\$ 1,691,262</u>	<u>\$ 1,241,403</u>	<u>\$ 2,932,665</u>

See Notes to Financial Statements.

Council for Economic Education
Statement of Functional Expenses
Year Ended December 31, 2019

	Core programs	Other programs	Total Program services	Management and general	Fundraising	Total support services	Total
Salaries	\$ 1,120,278	\$ 211,847	\$ 1,332,125	\$ 162,134	\$ 350,956	\$ 513,090	\$ 1,845,215
Payroll tax and fringe benefits	212,465	40,726	253,191	31,525	67,609	99,134	352,325
Occupancy	329,455	-	329,455	68,699	83,480	152,179	481,634
Depreciation and amortization	71,380	-	71,380	9,234	-	9,234	80,614
Professional fees and consultants	571,317	61,316	632,633	277,292	49,790	327,082	959,715
Travel	45,056	8,079	53,135	4,989	3,186	8,175	61,310
Sub-grant expenses	414,078	-	414,078	-	-	-	414,078
Insurance	15,142	-	15,142	2,050	3,592	5,642	20,784
Bad debt	34	-	34	-	-	-	34
Cost of goods sold	75,853	-	75,853	-	-	-	75,853
Events expense	153,948	166,515	320,463	14,913	188	15,101	335,564
Printing	23,506	12,445	35,951	3,954	17,158	21,112	57,063
Repairs and maintenance	140	-	140	20,605	-	20,605	20,745
Supplies	20,248	905	21,153	6,567	531	7,098	28,251
Teacher training	5,124	-	5,124	-	-	-	5,124
Miscellaneous	278,763	58,207	336,970	73,352	49,710	123,062	460,032
Total	\$ 3,336,787	\$ 560,040	\$ 3,896,827	\$ 675,314	\$ 626,200	\$ 1,301,514	\$ 5,198,341

See Notes to Financial Statements.

Council for Economic Education

**Statement of Functional Expenses
Year Ended December 31, 2018**

	<u>Core programs</u>	<u>Other programs</u>	<u>Total Program services</u>	<u>Management and general</u>	<u>Fundraising</u>	<u>Total support services</u>	<u>Total</u>
Salaries	\$ 894,073	\$ 217,768	\$ 1,111,841	\$ 218,824	\$ 328,886	\$ 547,710	\$ 1,659,551
Payroll tax and fringe benefits	165,331	41,025	206,356	36,738	59,726	96,464	302,820
Occupancy	493,764	449	494,213	75,829	116,925	192,754	686,967
Depreciation and amortization	24,745	-	24,745	28,457	-	28,457	53,202
Professional fees and consultants	419,177	46,901	466,078	278,451	6,669	285,120	751,198
Travel	43,832	10,507	54,339	3,005	2,809	5,814	60,153
Sub-grant expenses	335,956	-	335,956	-	-	-	335,956
Insurance	8,621	-	8,621	7,357	1,993	9,350	17,971
Bad debt	1,556	-	1,556	-	5,350	5,350	6,906
Cost of goods sold	65,698	-	65,698	-	-	-	65,698
Events expense	128,296	102,413	230,709	6,837	8,658	15,495	246,204
Printing	7,462	8,419	15,881	3,011	16,503	19,514	35,395
Repairs and maintenance	-	35	35	2,931	-	2,931	2,966
Supplies	6,075	793	6,868	5,306	280	5,586	12,454
Teacher training	45,913	-	45,913	-	-	-	45,913
Miscellaneous	278,768	97,077	375,845	51,283	32,893	84,176	460,021
Total	\$ 2,919,267	\$ 525,387	\$ 3,444,654	\$ 718,029	\$ 580,692	\$ 1,298,721	\$ 4,743,375

See Notes to Financial Statements.

Council for Economic Education
Statements of Cash Flows
Years Ended December 31, 2019 and 2018

	2019	2018
Cash flows from operating activities		
Change in net assets	\$ 1,392,664	\$ 140,589
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	80,614	53,202
Provision for bad debts	34	6,906
Fair value of net assets acquired	(729,172)	-
Realized and unrealized gain on investments	(1,929)	(92)
Donated investments	(41,128)	(37,251)
Proceeds from sale of donated investments	32,521	27,258
Changes in operating assets and liabilities		
Accounts receivable	(81,107)	52,129
Contributions receivable	(563,776)	378,836
Prepaid expenses and other assets	16,248	45,083
Publications inventory	(45,374)	13,646
Accounts payable and accrued expenses	(112,446)	164,510
Deferred rent	12,397	(105,067)
Deferred revenue	48,848	(1,725)
	8,394	738,024
Net cash provided by operating activities		
Cash flows from investing activities		
Cash received through acquisition	233,361	-
Purchase of fixed assets	(31,757)	(181,104)
	201,604	(181,104)
Net cash provided by (used in) investing activities		
Cash flows from financing activities		
Principal payments made on capital lease obligations	(6,531)	(5,039)
Changes in restricted investments	(75)	(37)
	(6,606)	(5,076)
Net cash used in financing activities		
Net increase in cash and cash equivalents	203,392	551,844
Cash and cash equivalents, beginning	2,174,626	1,622,782
Cash and cash equivalents, end	\$ 2,378,018	\$ 2,174,626
Supplemental disclosure of cash flow data		
Interest paid under capital leases	\$ -	\$ 315
Assets acquired under capital lease	\$ -	\$ 25,797

See Notes to Financial Statements.

Council for Economic Education

Notes to Financial Statements December 31, 2019 and 2018

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 mission is to equip K-12 students with the tools and knowledge of personal finance and economics so that they can make better decisions for themselves, their families, and their communities.

We carry out our mission by providing resources and training to K-12 educators, as well as to students and their families, and have done so for over 70 years. All resources and programs are developed by educators and delivered by almost 200 affiliates across the country in every state. EconEdLink, our free online educator gateway for economic and personal finance lessons and resources, attracts more than 700,000 unique visitors per year.

We also advocate for more and better education in personal finance and economics, primarily through the biennial Survey of the States.

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

Core

CEE's programs improve kindergarten through grade 12 economic and financial education by providing teacher professional development and engaging, interactive resources that align to state and national standards. Several programs are also provided directly to students and their families. CEE's efforts include the following activities:

- Conduct educator professional development, online and offline
- Create and provide K-12 lessons, tools and curriculum
- Conduct programs for female high school students
- Conduct the National Economics and National Personal Finance Challenges
- Produce and support standards and assessment
- Advocate for personal finance and economic education
- Bestow teacher awards

Other program services

CEE's other program services for the years ended December 31, 2019 and 2018 consisted of the following:

	2019	2018
Technology	\$ 55,893	\$ 48,864
Marketing and communications	504,147	476,523
Total	<u>\$ 560,040</u>	<u>\$ 525,387</u>

Council for Economic Education

Notes to Financial Statements December 31, 2019 and 2018

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).

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

Note 2 - Liquidity and availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following at December 31, 2019 and 2018:

	2019	2018
Cash and cash equivalents	\$ 2,378,018	\$ 2,174,626
Accounts receivable, net	125,072	43,999
Contributions receivable, net	1,415,656	358,372
Investments	22,609	12,073
Total financial assets	3,941,355	2,589,070
Less those not available for general expenditures within one year due to donor-imposed restrictions	<u>(2,474,530)</u>	<u>(1,241,403)</u>
Total financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,466,825</u>	<u>\$ 1,347,667</u>

CEE has access to a \$1 million line of credit which can be used for unanticipated liquidity needs. As of December 31, 2019, there are no borrowings under this line of credit (see Note 10).

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 ("GAAP"). 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 GAAP.

Classification of net assets

Net assets, revenue and releases from restriction are classified based on the existence or absence of donor imposed restrictions. Accordingly, the net assets of CEE and the changes therein are classified and reported in two categories of net assets:

Net Assets without Donor Restrictions - Net assets that are not subject to donor-imposed restrictions, including the net investment in fixed assets, gifts with no donor restriction and current funds without donor restriction.

Council for Economic Education

Notes to Financial Statements December 31, 2019 and 2018

Net Assets with Donor Restrictions - Net assets that are restricted by a donor for use for a specific purpose or in a future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed.

Also included in this category are net assets subject to donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization.

Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Use of estimates

The preparation of financial statements in conformity with GAAP 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.

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 statements of activities and changes in net assets. Investment income or loss (including gains and losses on investments, interest and dividends) is included in the statements of activities and changes in net assets as increases or decreases in net assets without restriction 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 10 years, using the straight-line method. Leasehold improvements and capital lease equipment are amortized over the lesser of the estimated useful lives of the asset or term of the respective lease.

Council for Economic Education

Notes to Financial Statements December 31, 2019 and 2018

Construction-in-progress

All costs, including interest expense associated with the acquisition and development of property, are capitalized as construction-in-progress. Depreciation does not commence on construction-in-progress until the asset has been placed in service.

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 statements of financial position.

Revenue recognition

Transactions where the resource provider often receive 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 CEE has to 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 CEE fails to overcome the barrier. CEE recognizes the contribution revenue upon overcoming the barrier or hurdle. Any funding received prior to overcoming the barrier is recognized as refundable advance.

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 and changes in net assets as net assets released from restriction. Donor-restricted contributions whose restrictions expire during the same fiscal year are recognized as contribution without donor restrictions.

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue.

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 with donor restriction support if they are received with donor stipulations that limit the use of the donated assets. Contributions receivable are recognized when such promises are received.

Contributed goods and services

During the years ended December 31, 2019 and 2018, CEE received donated legal services with an approximate fair value of \$25,000 and \$190,000, respectively. These services were recorded as contributions without donor restrictions, and legal expenses in the accompanying financial statements as of December 31, 2019 and 2018. In addition, CEE received donated marketable securities of \$41,121 and \$37,249 as of December 31, 2019 and 2018, respectively.

Council for Economic Education

Notes to Financial Statements December 31, 2019 and 2018

CEE receives donated volunteer services. The value of the volunteer services is not recognized in the accompanying financial statements as they do not meet the criteria for recognition.

Functional allocation of expenses

The cost of providing the various programs and other activities has been summarized on a functional basis in the statements 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, 2019 and 2018. CEE's federal and state income tax returns prior to fiscal year 2016 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 statements of financial position. There were no interest or penalties for the years ended December 31, 2019 and 2018.

Subsequent events

The full financial impact of the coronavirus pandemic ("COVID-19") on CEE is currently unknown. CEE continues to offer its programs teaching kindergarten through grade 12 students about economics and personal finance. CEE has been able to carry out the majority of its programs virtually and as funding allows, and to pursue additional funding. CEE has reduced its expenses (both personnel-related and all other operating expenses) to offset anticipated reductions in revenue resulting from COVID-19 in order to maintain a balanced budget. CEE will continue to actively monitor the situation and may take further actions if needed to offset any additional reductions in revenue.

In April 17, 2020, CEE received a loan of \$358,320 from the Paycheck Protection Program created by the CARES ("The Coronavirus Aid, Relief, and Economic Security") Act. The loan is used to maintain the payroll and the specific expenses affected by COVID-19. We expect to meet the requirements for the full amount of the loan to be forgiven.

CEE has evaluated subsequent events through August 3, 2020, which is the date the financial statements were available to be issued. There were no other significant events requiring adjustment or disclosure to the accompanying financial statements.

New accounting pronouncement

On January 1, 2019, CEE adopted Financial Accounting Standard Board ("FASB") Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers*. 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 the entity expects to be entitled in exchange for those goods or services, as well as additional qualitative and quantitative disclosures about revenues. The impact of adopting ASU 2014-09 was not material to total revenue, or total net assets.

Council for Economic Education

Notes to Financial Statements December 31, 2019 and 2018

In June 2018, FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. CEE has implemented the provisions of ASU 2018-08 applicable to both contributions received and to contributions made in the accompanying financial statements under a modified prospective basis. Accordingly, there is no effect on net assets in connection with CEE's implementation of ASU 2018-08.

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. 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 have been recorded at present value. Contributions receivable due in more than one year have been discounted to their present value using a discount rate of 2%.

Contributions receivable are estimated to be collected as follows at December 31, 2019 and 2018:

	2019	2018
Within one year	\$ 1,123,322	\$ 358,372
In one to five years	307,961	-
Total contributions receivable	1,431,283	358,372
Less discount to present value	15,627	-
Contributions receivable, net	<u>\$ 1,415,656</u>	<u>\$ 358,372</u>

Note 6 - Investments, restricted investments and 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.

Council for Economic Education

Notes to Financial Statements December 31, 2019 and 2018

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 considering counterparty credit risk in its assessment of fair value.

Financial assets carried at fair value at December 31, 2019 and 2018 are classified in the table below in one of the three categories described above:

	2019			
	Level 1	Level 2	Level 3	Total
Certificates of deposit	\$ -	\$ 280,112	\$ -	\$ 280,112
Common stock	22,609	-	-	22,609
Total	\$ 22,609	\$ 280,112	\$ -	\$ 302,721

	2018			
	Level 1	Level 2	Level 3	Total
Certificates of deposit	\$ -	\$ 280,037	\$ -	\$ 280,037
Common stock	12,073	-	-	12,073
Total	\$ 12,073	\$ 280,037	\$ -	\$ 292,110

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.

Council for Economic Education

**Notes to Financial Statements
December 31, 2019 and 2018**

Note 7 - Fixed assets, net

Fixed assets, net at December 31, 2019 and 2018 consisted of the following:

	Estimated useful lives	2019	2018
Office furniture and equipment	3 - 5 years	\$ 600,800	\$ 508,903
Leasehold improvements	10 years	23,521	23,521
Construction-in-progress	N/A	-	56,140
Total		624,321	588,564
Less accumulated depreciation and amortization		<u>(332,307)</u>	<u>(253,053)</u>
Total		<u>\$ 292,014</u>	<u>\$ 335,511</u>

Depreciation and amortization expense for the years ended December 31, 2019 and 2018 totaled \$80,614 and \$53,202, respectively.

Note 8 - Net assets with donor restrictions

At December 31, 2019 and 2018, net assets with donor restrictions were restricted for the following purpose or periods:

	2019	2018
Digital transformation	\$ 252,178	\$ 382,299
Family Financial Literacy Nights	254,918	-
Invest in Girls	674,426	-
National Economics Challenge	45,285	-
National Personal Finance Challenge	195,878	149,966
Professional development	550,352	116,983
Resources and curriculum	279,581	225,764
Teacher awards	102,277	62,277
All other with-restriction programs	119,635	304,114
Total	<u>\$ 2,474,530</u>	<u>\$ 1,241,403</u>

Net assets released from donor restrictions for the years ended December 31, 2019 and 2018 were released by incurring expenses satisfying the program restrictions and/or the expiration of time restrictions specified by the donors.

Note 9 - Capital lease obligations

Included in furniture and equipment on the accompanying statements 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

Council for Economic Education

Notes to Financial Statements December 31, 2019 and 2018

corresponding obligations under the capital leases represent the present value of the rental payments discounted by the interest rates implicit in the lease agreements.

Capital lease arrangements at December 31, 2019 and 2018 consisted of the following:

	2019	2018
Cost	\$ 25,797	\$ 25,798
Less accumulated amortization	5,323	410
Total	<u>\$ 20,474</u>	<u>\$ 25,388</u>

Annual payments subsequent to December 31, 2019 are as follows:

2020	\$ 4,914
2021	4,914
2022	4,914
2023	4,914
Thereafter	<u>818</u>
Total	<u>\$ 20,474</u>

Note 10 - Line of credit

In 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 6.8%. At December 31, 2019 and 2018, there were no outstanding balances or related interest expense on this line of credit. The maturity date has been extended to October 11, 2020.

Note 11 - 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 years ended December 31, 2019 and 2018 amounted to \$62,159 and \$57,113, respectively.

Note 12 - Commitments and contingencies

Operating leases

Certain of CEE's operating leases contain annual base rental increases. In accordance with GAAP, 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. Deferred rent expense represents the adjustment to future rents as a result of using the straight-line method.

CEE amended its lease in January 2019, with CEE relocating to a smaller space within the same building and extending the term of the lease for an additional period of seven years and three months. Additionally, the amended lease modified CEE's letter of credit facility in lieu of security

Council for Economic Education

Notes to Financial Statements December 31, 2019 and 2018

deposit for its new space. In connection with this letter of credit, which was not drawn at December 31, 2019, CEE pledged a certificate of deposit that required a minimum amount to be held as security totaling \$94,538. As of December 31, 2019 and 2018, the balance held in the pledged certificate of deposit was \$280,112 and \$280,037, respectively, and is reflected as restricted investments in the accompanying statements of financial position.

Minimum non-cancelable lease commitments for office facilities exclusive of any future escalation charges, due in each of the five years subsequent to December 31, 2019 are as follows:

2020	\$	210,632
2021		234,131
2022		238,814
2023		251,231
2024		261,714
Thereafter		<u>447,726</u>
Total	\$	<u>1,644,248</u>

Rent expense was \$412,706 and \$655,039 for the years ended December 31, 2019 and 2018, respectively.

CEE entered into a sublease agreement in July 2012, to sublet the vacant space in its New York office. The sublease expired on May 31, 2019. Rental income totaled \$111,199 and \$295,619 for the years ended December 31, 2019 and 2018, respectively, and is included in other income on the statements of activities and changes in net assets.

Note 13 - Acquisition of Invest in Girls

Pursuant to a Master Services Agreement between CEE and Invest in Girls ("IIG"), a Massachusetts not-for-profit organization, dated September 28, 2018, CEE and IIG expressed their intent to move forward with the acquisition of IIG's net assets by CEE. In March of 2019, the Massachusetts Attorney General's Office signed an Interlocutory Order providing provisional approval of the acquisition of IIG's net assets by CEE. On May 6, 2019, CEE and IIG entered into an asset transfer agreement, whereas, IIG transferred to CEE and CEE accepted, at no cost all of IIG's net assets with the intent of furthering IIG's mission. On June 14, 2019, the Supreme Judicial Court of Massachusetts confirmed that IIG was dissolved.

The following represents net assets that were transferred from IIG in accordance with the asset transfer agreement as of May 6, 2019:

Cash	\$	233,361
Contributions receivable, net of present value discount of \$6,492		493,508
Other assets		6,316
Fixed assets		4,003
Accounts payable and accrued expenses		(866)
Deferred revenue		<u>(7,150)</u>
Total	\$	<u>729,172</u>



Independent Member of Nexia International

cohnreznick.com