

From: Nan J. Morrison

Re: 2018 Financial Statements

The Council for Economic Education ended Fiscal 2018 with a surplus of \$194K before and \$141K after depreciation. The Change in Net Assets improved by \$439K over prior year. We also saw an increase of 35% or \$380K in unrestricted Contributions from the prior year. Total revenues increased by 4% or \$206K over prior year, while total expenses decreased by 5% or \$233K over 2017.

CEE's overall financial position remains good. Total Assets were \$3.4 million at the end of 2018 and Liabilities were only \$493K.

Program spending for this year was \$3.4 million or 73% of all expenses incurred. We are pleased that our Management and General expenses were 15% 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, 2018 and 2017

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, 2018 and 2017, and the related statements of activities and changes in net assets 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, 2018 and 2017, 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.

Effect of Adopting New Accounting Standard

As discussed in Note 3 to the financial statements, Council for Economic Education adopted Financial Accounting Standards Board's Accounting Standards Update ("ASU") 2016-14, *Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities* as of and for the year ended December 31, 2018. Our opinion is not modified with respect to that matter.

CohnReznick LLP

New York, New York
July 25, 2019

Council for Economic Education

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Council for Economic Education

**Statements of Financial Position
December 31, 2018 and 2017**

Assets

	2018	2017
Cash and cash equivalents	\$ 2,174,626	\$ 1,622,782
Accounts receivable, net of allowance for doubtful accounts of \$500 in 2018 and 2017	43,999	103,034
Contributions receivable, net of allowance for doubtful accounts of \$0 in 2018 and 2017	358,372	737,208
Prepaid expenses and other assets	156,382	202,822
Publications inventory, net of reserve for obsolescence of \$12,000 in 2018 and 2017	50,596	64,242
Investments	12,073	1,988
Restricted investments	280,037	280,000
Deferred rent	14,288	9,112
Fixed assets, net	335,511	180,455
Total assets	\$ 3,425,884	\$ 3,201,643

Liabilities and Net Assets

Liabilities		
Accounts payable and accrued expenses	\$ 396,219	\$ 231,709
Deferred rent	47,255	147,146
Deferred revenue	22,740	24,465
Capital lease obligations	27,005	6,247
Total liabilities	493,219	409,567
Commitments and contingencies		
Net assets		
Without donor restrictions	1,691,262	1,597,335
With donor restrictions	1,241,403	1,194,741
Total net assets	2,932,665	2,792,076
Total liabilities and net assets	\$ 3,425,884	\$ 3,201,643

See Notes to Financial Statements.

Council for Economic Education

**Statements of Activities and Changes in Net Assets
Years Ended December 31, 2018 and 2017**

	2018			2017		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Support and revenue						
Contributions	\$ 1,465,062	\$ 1,818,390	\$ 3,283,452	\$ 1,085,273	\$ 1,948,782	\$ 3,034,055
Conference registrations and exhibitor fees	119,940	-	119,940	146,939	-	146,939
Educational materials and services	516,935	-	516,935	663,470	-	663,470
Special event revenue, net of direct costs of \$178,007 and \$168,350 in 2018 and 2017, respectively	404,516	-	404,516	438,483	-	438,483
Affiliate dues	19,675	-	19,675	25,750	-	25,750
Other income	519,987	-	519,987	354,656	-	354,656
Interest and dividends	19,459	-	19,459	14,466	-	14,466
Net assets released from restrictions	1,771,728	(1,771,728)	-	1,527,176	(1,527,176)	-
Total support and revenue	4,837,302	46,662	4,883,964	4,256,213	421,606	4,677,819
Expenses						
Program services						
Core programs	2,919,267	-	2,919,267	2,802,727	-	2,802,727
Other	525,387	-	525,387	694,040	-	694,040
Total program services	3,444,654	-	3,444,654	3,496,767	-	3,496,767
Support services						
Management and general	718,029	-	718,029	760,756	-	760,756
Fundraising	580,692	-	580,692	718,512	-	718,512
Total support services	1,298,721	-	1,298,721	1,479,268	-	1,479,268
Total expenses	4,743,375	-	4,743,375	4,976,035	-	4,976,035
Change in net assets	93,927	46,662	140,589	(719,822)	421,606	(298,216)
Net assets, beginning	1,597,335	1,194,741	2,792,076	2,317,157	773,135	3,090,292
Net assets, end	\$ 1,691,262	\$ 1,241,403	\$ 2,932,665	\$ 1,597,335	\$ 1,194,741	\$ 2,792,076

See Notes to Financial Statements.

Council for Economic Education
Statements of Cash Flows
Years Ended December 31, 2018 and 2017

	2018	2017
Cash flows from operating activities		
Change in net assets	\$ 140,589	\$ (298,216)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	53,202	29,393
Provision for bad debts	6,906	1,558
Realized and unrealized gain on investments	(92)	-
Donated investments	(37,251)	-
Proceeds from sale of donated investments	27,258	-
Changes in operating assets and liabilities		
Accounts receivable	52,129	(17,597)
Contributions receivable	378,836	(259,127)
Prepaid expenses and other assets	45,083	(27,054)
Publications inventory	13,646	21,943
Accounts payable and accrued expenses	164,510	(98,640)
Deferred rent	(105,067)	(86,471)
Deferred revenue	(1,725)	(71,252)
	<u>738,024</u>	<u>(805,463)</u>
Net cash provided by (used in) operating activities		
Cash flows from investing activities		
Purchase of fixed assets	(181,104)	(139,055)
Proceeds from sale of investments	-	514,413
	<u>(181,104)</u>	<u>375,358</u>
Net cash provided by (used in) investing activities		
Cash flows from financing activities		
Principal payments made on capital lease obligations	(5,039)	(4,317)
Changes in restricted investments	(37)	105,128
	<u>(5,076)</u>	<u>100,811</u>
Net cash provided by (used in) financing activities		
Net increase (decrease) in cash and cash equivalents	551,844	(329,294)
Cash and cash equivalents, beginning	1,622,782	1,952,076
Cash and cash equivalents, end	<u>\$ 2,174,626</u>	<u>\$ 1,622,782</u>
Supplemental disclosure of cash flow data		
Interest paid under capital leases	<u>\$ 315</u>	<u>\$ 601</u>
Assets acquired under capital lease	<u>\$ 25,797</u>	<u>\$ -</u>

See Notes to Financial Statements.

Council for Economic Education

Notes to Financial Statements December 31, 2018 and 2017

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's mission is to teach kindergarten through grade 12 students about economics and personal finance - and CEE has been doing so for 70 years. CEE's goal is to reach and teach every child in every district and school so that they can make better decisions for themselves, their families and communities.

CEE carries out its mission by educating the educators, providing the curriculum tools, the pedagogical support and the community of peers that instruct, inspire and guide. CEE strives to meet the teachers where they are with what they need. All resources and programs are developed by educators and delivered by nearly 200 affiliates across the country in every state. 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 700,000 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 Economics and National Personal Finance Challenges
- Create and provide teacher awards

Other Program Services

CEE's Other Program Services for the years ended December 31, 2018 and 2017 consisted of the following:

	<u>2018</u>	<u>2017</u>
Technology	\$ 48,864	\$ 30,896
Marketing and communications	<u>476,523</u>	<u>663,144</u>
Total	<u>\$ 525,387</u>	<u>\$ 694,040</u>

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Notes to Financial Statements December 31, 2018 and 2017

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:

Cash and cash equivalents	\$ 2,174,626
Accounts receivable, net	43,999
Contributions receivable, net	358,372
Investments	<u>12,073</u>
Total financial assets at December 31, 2018	2,589,070
Less those not available for general expenditures within one year due to	
Donor-imposed restrictions	<u>(1,241,403)</u>
Total financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,347,667</u>

CEE also has access to a \$1 million line of credit which can be used for unanticipated liquidity needs. As of December 31, 2018, there are no borrowings under this line of credit.

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, revenues and releases from restriction are classified based on the existence or absence of donor- or board-imposed restrictions. Accordingly, the net assets of the Organization 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.

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Notes to Financial Statements December 31, 2018 and 2017

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 ten 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.

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Notes to Financial Statements December 31, 2018 and 2017

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

Contribution revenue is recorded at fair value when received or pledged. Amounts are recorded as with donor restriction 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), net assets with donor restriction are reclassified to net assets without donor restriction and reported in the statements of activities and changes in net assets as net assets released from restrictions. Contributions receivable that are expected to be collected within one year are recorded at their net realizable value. Contributions receivable that are expected to be collected beyond one year are recorded at the present value of estimated future cash flows. Contributions receivable are not included as support until such time as the condition is substantially met.

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, 2018 and 2017, CEE received donated legal services with an approximate fair value of \$190,000 and \$23,000, respectively. These services were recorded as without donor restriction contributions, and legal expenses in the accompanying financial statements as of December 31, 2018 and 2017. In addition, CEE received donated marketable securities of \$37,249 and \$102,575 as of December 31, 2018 and 2017, respectively.

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, 2018 and 2017. CEE's federal and state income tax returns prior to fiscal year 2015 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

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Notes to Financial Statements December 31, 2018 and 2017

statements of financial position. There were no interest or penalties for the years ended December 31, 2018 and 2017.

Subsequent events

In January 2019, CEE amended its lease agreement with its landlord to extend the lease for an additional seven years and three months (87 months in total) and to relocate from its current space to a smaller space on another floor. Total commitment for the new lease is approximately \$1.8 million. The financial statements do not reflect this future commitment.

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 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 assets by CEE, and on June 14, 2019, the Supreme Judicial Court of Massachusetts confirmed that IIG is dissolved. The financial statements do not reflect transactions related to this acquisition.

CEE has evaluated subsequent events through July 25, 2019, 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.

Adoption of new accounting pronouncement

For the year ended December 31, 2018, CEE adopted the Financial Accounting Standards Board's Accounting Standards Update ("ASU") No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return between not-for-profit entities. A key change required by ASU 2016-14 is the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets, if applicable, are now reported as net assets with donor restrictions.

A summary of 2017 net asset reclassifications driven by the adoption of ASU 2016-14 as of January 1, 2018 is presented below:

Net asset classifications	ASU 2016-14 classifications		
	Without donor restrictions	With donor restrictions	Total net assets
As previously presented			
Unrestricted	\$ 1,597,335	\$ -	\$ 1,597,335
Temporarily restricted	-	1,194,741	1,194,741
Net assets, as reclassified, as of January 1, 2018	<u>\$ 1,597,335</u>	<u>\$ 1,194,741</u>	<u>\$ 2,792,076</u>

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**Notes to Financial Statements
December 31, 2018 and 2017**

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's uninsured cash and cash equivalent balances totaled approximately \$1,917,000 and \$1,246,000 as of December 31, 2018 and 2017, respectively. 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, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Within one year	\$ 358,372	\$ 694,973
In one to five years	<u>-</u>	<u>44,000</u>
Total contributions receivable	358,372	738,973
Less discount to present value	<u>-</u>	<u>(1,765)</u>
Contributions receivable, net	<u>\$ 358,372</u>	<u>\$ 737,208</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.
- 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.

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**Notes to Financial Statements
December 31, 2018 and 2017**

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, 2018 and 2017 are classified in the table below in one of the three categories described above:

	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

	2017			
	Level 1	Level 2	Level 3	Total
Certificates of deposit	\$ -	\$ 280,000	\$ -	\$ 280,000
Common stock	1,988	-	-	1,988
Total	\$ 1,988	\$ 280,000	\$ -	\$ 281,988

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, 2018 and 2017**

Note 7 - Furniture and equipment, net

Furniture and equipment, net at December 31, 2018 and 2017 consisted of the following:

	Estimated useful lives	2018	2017
Office furniture and equipment	3 - 5 years	\$ 508,903	\$ 445,219
Leasehold improvements	10 years	23,521	23,521
Construction-in-progress	N/A	56,140	122,484
Total		588,564	591,224
Less accumulated depreciation and amortization		<u>(253,053)</u>	<u>(410,769)</u>
Total		<u>\$ 335,511</u>	<u>\$ 180,455</u>

Depreciation and amortization expense for the years ended December 31, 2018 and 2017 totaled \$53,202 and \$29,393, respectively. During 2018, CEE wrote-off approximately \$209,000 of fully depreciated assets no longer in service.

Note 8 - Net assets with donor restrictions

At December 31, 2018 and 2017, net assets with donor restrictions were available for the following purposes in future periods:

	2018	2017
Digital transformation	\$ 382,299	\$ 197,740
Marketing	-	20,311
National Economics Challenge	-	12,500
Professional development	116,983	539,339
Resources and curriculum	225,764	186,783
Teacher awards	62,277	97,277
Thought leadership	-	100,000
National Personal Finance Challenge	149,966	-
All other with restriction programs	304,114	40,791
Total	<u>\$ 1,241,403</u>	<u>\$ 1,194,741</u>

Net assets released from donor restrictions for the years ended December 31, 2018 and 2017 were released by incurring expenses satisfying the program restrictions and 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, 2018 and 2017

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, 2018 and 2017 consisted of the following:

	<u>2018</u>	<u>2017</u>
Cost	\$ 25,798	\$ 209,561
Less accumulated amortization	<u>410</u>	<u>204,383</u>
Total	<u>\$ 25,388</u>	<u>\$ 5,178</u>

Annual payments subsequent to December 31, 2018 are as follows:

2019	\$ 6,553
2020	4,914
2021	4,914
2022	4,914
Thereafter	<u>5,733</u>
	27,028
Less interest payments	<u>(23)</u>
Total	<u>\$ 27,005</u>

Interest expense for the years ended December 31, 2018 and 2017 was \$315 and \$601, respectively.

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 3.75%. At December 31, 2018 and 2017, there were no outstanding balances or related interest expense on this line of credit. The maturity date has been extended to August 20, 2019.

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, 2018 and 2017 amounted to \$57,113 and \$66,750, respectively.

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Notes to Financial Statements December 31, 2018 and 2017

Note 12 - Functional expenses

CEE's expenses by functional and natural classification for the year ended December 31, 2018 and a summary of those expenses categorized by natural classification for the year ended December 31, 2017 is as follows:

	2018				Total	2017
	Core programs	Other programs	Management and general	Fundraising		
Salaries	\$ 894,073	\$ 217,768	\$ 218,824	\$ 328,886	\$ 1,659,551	\$ 1,963,328
Payroll tax and fringe benefits	165,331	41,025	36,738	59,726	302,820	390,223
Occupancy	493,764	449	75,829	116,925	686,967	698,737
Depreciation and amortization	24,745	-	28,457	-	53,202	29,392
Professional fees and consultants	419,177	46,901	278,451	6,669	751,198	759,251
Travel	43,832	10,507	3,005	2,809	60,153	47,752
Sub-grant expenses	335,956	-	-	-	335,956	110,815
Insurance	8,621	-	7,357	1,993	17,971	17,100
Bad debt	1,556	-	-	5,350	6,906	1,558
Cost of goods sold	65,698	-	-	-	65,698	78,971
Events expense	128,296	102,413	6,837	8,658	246,204	358,797
Printing	7,462	8,419	3,011	16,503	35,395	36,557
Repairs and maintenance	-	35	2,931	-	2,966	5,370
Supplies	6,075	793	5,306	280	12,454	13,962
Teacher training	45,913	-	-	-	45,913	68,470
Miscellaneous	278,768	97,077	51,283	32,893	460,021	395,752
Total	\$ 2,919,267	\$ 525,387	\$ 718,029	\$ 580,692	\$ 4,743,375	\$ 4,976,035

Note 13 - 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. 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, 2018, CEE pledged a certificate of deposit that required a minimum amount to be held as security totaling \$245,000. As of December 31, 2018 and 2017, the balance held in the pledged certificate of deposit was \$280,037 and \$280,000, respectively, and is reflected as restricted investments in the accompanying statements of financial position.

Future minimum operating lease payments will be \$320,187 for the year ending December 31, 2019.

Rent expense for each of the years ended December 31, 2018 and 2017 was \$655,039.

CEE entered into a sublease agreement in July 2012, to sublet the vacant space in its New York office. The sublease expired on 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 \$295,619 and \$252,270 for the years ended December 31, 2018 and 2017, respectively, and is included in other income on the statements of activities and changes in net assets.

Future minimum rental income to be received by CEE is \$125,064 for the year ended December 31, 2019.

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