



COUNCIL FOR
**Economic
Education**

Teaching Opportunity®

2010 AUDITED FINANCIALS



From: Nan J. Morrison, President and CEO

Re: 2010 Financial Statements

The 2010 financial results reflect a \$1.1 million decrease in net assets due primarily to expenses incurred for temporarily restricted grants received in prior years whose restrictions were met in 2010. In addition, the Council reviewed its inventory, fixed assets, and accounts receivable balances and determined that approximately \$350K needed to be written off. This write-off was a one-time expense. However, the Council's financial position remains strong; total assets were \$4.8 million, and liabilities were only \$1 million.

Financial results for 2011 will show a significant improvement compared to 2010 based on our preliminary analysis.

Financial Statements and OMB Circular A-133
Supplementary Information Together with
Reports of Independent Certified Public Accountants

COUNCIL FOR ECONOMIC EDUCATION

As of December 31, 2010 and 2009



Audit • Tax • Advisory

Grant Thornton LLP
666 Third Avenue, 13th Floor
New York, NY 10017-4011

T 212.599.0100

F 212.370.4520

www.GrantThornton.com

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors of the
Council for Economic Education:

We have audited the accompanying statements of financial position of the Council for Economic Education (“CEE”) as of December 31, 2010 and 2009, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of CEE’s management. 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 established by the American Institute of Certified Public Accountants and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of CEE’s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Council for Economic Education as of December 31, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 2, 2011, on our consideration of CEE’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of CEE’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements, as of and for the years ended December 31, 2010 and 2009, taken as a whole. The accompanying Schedule of Expenditures of Federal Awards for the year ended December 31, 2010, is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is not a required part of the basic 2010 financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic 2010 financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic 2010 financial statements taken as a whole.

Grant Thornton LLP

New York, New York
September 2, 2011

COUNCIL FOR ECONOMIC EDUCATION
Statements of Financial Position
As of December 31, 2010 and 2009

ASSETS	<u>2010</u>	<u>2009</u>
Cash and cash equivalents	\$ 2,601,489	\$ 3,433,444
Accounts receivable, net of allowance for doubtful accounts of \$4,000 in 2010 and \$13,067 in 2009	53,948	250,505
Government grants receivable	524,387	391,646
Contributions receivable (Note 3)	116,909	286,474
Prepaid expenses and other assets	114,688	86,154
Publications inventory, net of reserve for obsolescence of \$28,000 in 2010 and \$66,508 in 2009	255,046	542,865
Investments (Note 4)	399,355	348,389
Restricted investment (Notes 4 and 10)	489,909	580,709
Fixed assets, net (Note 5)	198,152	359,653
Total assets	<u>\$ 4,753,883</u>	<u>\$ 6,279,839</u>
 LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 720,204	\$ 1,106,757
Deferred rent (Note 10)	205,995	165,038
Capital lease obligations (Note 8)	95,756	132,586
Total liabilities	<u>1,021,955</u>	<u>1,404,381</u>
 Commitments and contingencies (Note 10)		
NET ASSETS		
Unrestricted	1,392,296	1,784,736
Temporarily restricted (Note 6)	2,314,998	2,966,088
Permanently restricted (Note 7)	24,634	124,634
Total net assets	<u>3,731,928</u>	<u>4,875,458</u>
Total liabilities and net assets	<u>\$ 4,753,883</u>	<u>\$ 6,279,839</u>

The accompanying notes are an integral part of these statements.

COUNCIL FOR ECONOMIC EDUCATION
Statement of Activities
For the year ended December 31, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE				
Government grants	\$ 6,427,551	\$ -	\$ -	\$ 6,427,551
Affiliate dues	25,550	-	-	25,550
Educational materials and services	1,102,514	-	-	1,102,514
Special event revenue, net of direct costs of \$132,482	269,118	-	-	269,118
Grants and contributions	641,640	1,612,180	-	2,253,820
Other income	34,045	-	-	34,045
Net appreciation in fair value of investments (Note 4)	40,611	-	-	40,611
Interest and dividends (Note 4)	15,878	-	-	15,878
Net assets released from restrictions (Note 6)	<u>2,363,270</u>	<u>(2,363,270)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>10,920,177</u>	<u>(751,090)</u>	<u>-</u>	<u>10,169,087</u>
EXPENSES				
Program services:				
Core programs	3,105,758	-	-	3,105,758
Economics <i>International</i>	4,324,906	-	-	4,324,906
Other (Note 11)	<u>1,170,564</u>	<u>-</u>	<u>-</u>	<u>1,170,564</u>
Total program services	<u>8,601,228</u>	<u>-</u>	<u>-</u>	<u>8,601,228</u>
Support services:				
Management and general	2,314,122	-	-	2,314,122
Fundraising	<u>397,267</u>	<u>-</u>	<u>-</u>	<u>397,267</u>
Total support services	<u>2,711,389</u>	<u>-</u>	<u>-</u>	<u>2,711,389</u>
Total expenses	<u>11,312,617</u>	<u>-</u>	<u>-</u>	<u>11,312,617</u>
Net asset reclassification (Note 7)	<u>-</u>	<u>100,000</u>	<u>(100,000)</u>	<u>-</u>
Change in net assets	(392,440)	(651,090)	(100,000)	(1,143,530)
Net assets, beginning of year	<u>1,784,736</u>	<u>2,966,088</u>	<u>124,634</u>	<u>4,875,458</u>
Net assets, end of year	<u>\$ 1,392,296</u>	<u>\$ 2,314,998</u>	<u>\$ 24,634</u>	<u>\$ 3,731,928</u>

The accompanying notes are an integral part of this statement.

COUNCIL FOR ECONOMIC EDUCATION
Statement of Activities
For the year ended December 31, 2009

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE				
Government grants	\$ 6,503,083	\$ -	\$ -	\$ 6,503,083
Affiliate dues	35,550	-	-	35,550
Educational materials and services	1,600,011	-	-	1,600,011
Special event revenue, net of direct costs of \$144,595	190,155	-	-	190,155
Grants and contributions	422,131	2,016,666	-	2,438,797
Other income	14,853	-	-	14,853
Net appreciation in fair value of investments (Note 4)	73,798	-	-	73,798
Interest and dividends (Note 4)	23,309	-	-	23,309
Net assets released from restrictions (Note 6)	<u>4,302,478</u>	<u>(4,302,478)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>13,165,368</u>	<u>(2,285,812)</u>	<u>-</u>	<u>10,879,556</u>
EXPENSES				
Program services:				
Core programs	5,418,443	-	-	5,418,443
Economics <i>International</i>	4,149,165	-	-	4,149,165
Other (Note 11)	<u>1,310,939</u>	<u>-</u>	<u>-</u>	<u>1,310,939</u>
Total program services	<u>10,878,547</u>	<u>-</u>	<u>-</u>	<u>10,878,547</u>
Support services:				
Management and general	1,974,658	-	-	1,974,658
Fundraising	<u>331,311</u>	<u>-</u>	<u>-</u>	<u>331,311</u>
Total support services	<u>2,305,969</u>	<u>-</u>	<u>-</u>	<u>2,305,969</u>
Total expenses	<u>13,184,516</u>	<u>-</u>	<u>-</u>	<u>13,184,516</u>
Reduction of contributions receivable	<u>99,874</u>	<u>150,850</u>	<u>-</u>	<u>250,724</u>
Change in net assets	(119,022)	(2,436,662)	-	(2,555,684)
Net assets, beginning of year	<u>1,903,758</u>	<u>5,402,750</u>	<u>124,634</u>	<u>7,431,142</u>
Net assets, end of year	<u>\$ 1,784,736</u>	<u>\$ 2,966,088</u>	<u>\$ 124,634</u>	<u>\$ 4,875,458</u>

The accompanying notes are an integral part of this statement.

COUNCIL FOR ECONOMIC EDUCATION
Statements of Cash Flows
For the years ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (1,143,530)	\$ (2,555,684)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	139,777	124,276
Loss on disposal of property	27,931	-
Net appreciation in fair value of investments	(40,611)	(73,798)
Change in provision for doubtful accounts and inventory obsolescence	(47,575)	11,723
Changes in assets and liabilities:		
Accounts receivable	205,624	2,667
Government grants receivable	(132,741)	(105,984)
Contributions receivable	169,565	2,020,632
Prepaid expenses and other assets	(28,534)	8,900
Publications inventory	326,327	29,721
Accounts payable and accrued expenses	(386,553)	258,470
Deferred revenue	-	(150,000)
Deferred rent	40,957	115,547
Net cash used in operating activities	<u>(869,363)</u>	<u>(313,530)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(10,355)	(9,892)
Sale of investments	-	33,096
Capital acquisitions	<u>(6,207)</u>	<u>(155,974)</u>
Net cash used in investing activities	<u>(16,562)</u>	<u>(132,770)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Changes in capital lease obligations	(36,830)	88,311
Changes in restricted investment	<u>90,800</u>	<u>-</u>
Net cash provided by financing activities	<u>53,970</u>	<u>88,311</u>
Net decrease in cash and cash equivalents	(831,955)	(357,989)
Cash and cash equivalents, beginning of year	<u>3,433,444</u>	<u>3,791,433</u>
Cash and cash equivalents, end of year	<u>\$ 2,601,489</u>	<u>\$ 3,433,444</u>
Supplemental cash flow information:		
Interest paid under capital leases	<u>\$ 1,043</u>	<u>\$ 448</u>
Equipment acquired under capital leases	<u>\$ -</u>	<u>\$ 128,394</u>

The accompanying notes are an integral part of these statements.

COUNCIL FOR ECONOMIC EDUCATION

Notes to Financial Statements

For the year ended December 31, 2010

1. ORGANIZATION AND NATURE OF ACTIVITIES

The Council for Economic Education ("CEE"), formerly the National Council on Economic Education ("NCEE"), was incorporated in 1949 in the District of Columbia as a not-for-profit organization. The mission of CEE is two-fold: to advocate for better and greater school-based economic and personal finance education at the K-12 level; and to educate young people in the United States and around the world, primarily through well-prepared teachers, so they may become empowered with economic and financial literacy.

CEE offers comprehensive, best-in-class K-12 economic and personal finance education programs, including the basics of entrepreneurship, consisting of teaching resources across the curriculum, professional development for teachers, and nationally normed assessment instruments. Each year, CEE's programs reach more than 150,000 K-12 teachers and over 15 million students in the United States and in more than 30 other countries. These programs are delivered through a diversified system: directly from CEE, through a network of affiliated state councils and university-based Centers for Economic Education, and through other partner organizations.

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).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Presentation

Net assets are classified based upon the existence or absence of donor-imposed restrictions, as follows:

Unrestricted - Net assets 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 - Net assets that are subject to donor-imposed stipulations that will be met either by actions of CEE and/or the passage of time. As such restrictions are satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying statements of activities as net assets released from restrictions.

Permanently Restricted - Net assets that are subject to donor-imposed stipulations requiring that the corpus of the gift be retained permanently. Generally, the donors of these resources permit earnings to be used for operational or specific purposes.

COUNCIL FOR ECONOMIC EDUCATION

Notes to Financial Statements

For the year ended December 31, 2010

Cash and Cash Equivalents

Cash and cash equivalents are recorded at fair value and are comprised of highly liquid financial instruments with original maturities of three months or less from the date of purchase.

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.

Investments

Investments are recorded at fair value. Interest, dividends and net gains or losses are included in the accompanying statements of activities.

CEE adopted guidance which defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the inputs used to measure fair value and enhances disclosure requirements for fair value measurements. The standard maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available.

Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from independent sources. Unobservable inputs reflect assumptions that market participants would use in pricing the asset or liability based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the transparency of inputs as follows:

- Level 1 - Quoted prices are available in active markets for identical assets or liabilities. A quoted price for an identical asset or liability in an active market provides the most reliable fair value measurement because it is directly observable to the market.
- Level 2 - Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable. The nature of these securities include investments for which quoted prices are available but traded less frequently and investments that are fair valued using other securities, the parameters of which can be directly observed.
- Level 3 - Securities that have little to no pricing observability. These securities are measured using management's best estimate of fair value, where the inputs into the determination of fair value are not observable and require significant management judgment or estimation.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes "observable" requires significant judgment by CEE. CEE considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. CEE measures fair value as the price that would be received to sell an asset or paid to settle a liability (the exit price) in an orderly transaction between market participants at the measurement date. The categorization of a financial instrument within

COUNCIL FOR ECONOMIC EDUCATION
Notes to Financial Statements
For the year ended December 31, 2010

the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to CEE's perceived risk of that instrument.

Fixed Assets

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

Revenue Recognition

Government grant revenues are recorded when expenditures are incurred in connection with the purpose of the respective grant.

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. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is met, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying statements of activities as net assets released from restrictions.

Unconditional promises to give are recognized when such promise is 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 not recorded such contributions due to their immaterial nature. During the year ended December 31, 2010, however, CEE received \$189,642 of contributed legal services that are recorded within grants and contributions revenue in the accompanying 2010 statement of activities.

Uncertain Tax Positions

CEE follows guidance that requires that a tax position be recognized or derecognized based on a "more likely than not" threshold. This applies to positions taken or expected to be taken in a tax return. During fiscal 2010, CEE evaluated its tax positions and concluded that it does not have any uncertain tax positions that meet the above criteria. Accordingly, no provision has been reported in accompanying financial statements. The tax years ended 2007, 2008, and 2009 are still open to audit for both federal and state purposes.

Subsequent Events

The Council evaluated its subsequent events through September 2, 2011, the date the financial statements were available to be issued and determined that other than the matter described below, there were no significant events requiring adjustment or disclosure to the accompanying financial statements.

COUNCIL FOR ECONOMIC EDUCATION
Notes to Financial Statements
For the year ended December 31, 2010

The Council's Cooperative Civic Education and Economic Education Exchange Program grant award of approximately \$5 million, which had been funded by the U.S. Department of Education expired on July 31, 2011 with a time-only extension until December 31, 2011, will not be renewed for future periods.

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The most significant estimates relate to the useful lives assigned to fixed assets, reserves for inventory obsolescence and allowances for potentially uncollectible receivables. Actual results could differ from those estimates.

3. CONTRIBUTIONS RECEIVABLE

Contributions receivable at December 31, 2010 and 2009, consisted of the following:

	<u>2010</u>	<u>2009</u>
Amounts due in less than one year	\$ 116,909	\$ 286,474

CEE did not receive any multi-year pledges during the years ended December 31, 2010 and 2009.

4. INVESTMENTS AND RESTRICTED INVESTMENT

Investments and CEE's restricted investment, at fair value, at December 31, 2010 and 2009, consisted of the following, all of which were categorized as Level 1.

	<u>2010</u>	<u>2009</u>
Investments - mutual funds	\$ 399,355	\$ 348,389
Restricted investment - certificate of deposit	\$ 489,909	\$ 580,709

Investment return for the years ended December 31, 2010 and 2009 consisted of the following:

	<u>2010</u>	<u>2009</u>
Interest and dividends	\$ 15,878	\$ 23,309
Net appreciation (depreciation)	40,611	73,798
	<u>\$ 56,489</u>	<u>\$ 97,107</u>

COUNCIL FOR ECONOMIC EDUCATION
Notes to Financial Statements
For the year ended December 31, 2010

Investment management and custodial fees for the years ended December 31, 2010 and 2009 were \$2,800 for each year.

5. FIXED ASSETS, NET

Fixed assets, net, at December 31, 2010 and 2009, consisted of the following:

	<u>2010</u>	<u>2009</u>
Office furniture and equipment	\$ 311,472	\$ 912,826
Leasehold improvements	<u>17,621</u>	<u>164,840</u>
	329,093	1,077,666
Less: accumulated depreciation and amortization	<u>(130,941)</u>	<u>(718,013)</u>
	<u>\$ 198,152</u>	<u>\$ 359,653</u>

Depreciation and amortization expense for the years ended December 31, 2010 and 2009, totaled \$139,777 and \$124,276, respectively. During the year ended December 31, 2010, CEE recognized a loss from the disposal of certain of its property of \$27,931.

6. TEMPORARILY RESTRICTED NET ASSETS

At December 31, 2010 and 2009, temporarily restricted net assets were available for the following:

	<u>2010</u>	<u>2009</u>
National Center for Economic and Financial Education	\$ -	\$ 292,735
National Economics Challenge Program	22,720	-
Entrepreneurship Economic Publications Online Module	171,292	-
Personal Finance Video Series Teacher Training Program	43,919	75,687
Comprehensive Economic Education CD-ROM Program	915,103	457,658
Capital Markets Teacher Institute Program	29,140	33,475
Online Economic and Financial Education Program	252,790	437,660
K-12 Personal Finance Program Revision	593,487	895,444
Professional Development Online Module - Globalization	2,045	85,064
Personal Finance Institute Program	146,798	239,938
Teaching Financial Crisis Curriculum Program	2,658	85,574
All other temporarily restricted programs	<u>135,045</u>	<u>362,853</u>
	<u>\$ 2,314,998</u>	<u>\$ 2,966,088</u>

COUNCIL FOR ECONOMIC EDUCATION
Notes to Financial Statements
For the year ended December 31, 2010

Temporarily restricted net assets were released from restrictions during the years ended December 31, 2010 and 2009, respectively, in satisfaction of donor time or use restrictions as follows:

	<u>2010</u>	<u>2009</u>
National Center for Economic and Financial Education	\$ 292,735	\$ 457,806
Student Economics Challenge Program	-	341,666
High School Curriculum in Ethics and Economics	-	80,566
Personal Finance Video Series Teacher Training Program	66,768	96,339
Comprehensive Economic Education CD-ROM Program	359,055	990,724
Youth Entrepreneurship Programs	-	268,776
Capital Markets Teacher Institute Program	-	65,297
Online Economic and Financial Education Program	517,870	549,272
Investment Education Teacher Training Program	195,680	478,493
K-12 Personal Finance Program Revision	351,957	205,673
Investments Education Online Game	-	137,996
Personal Finance Institute Program	93,139	135,062
Entrepreneurship Economic Publications Online Module	8,708	-
National Economics Challenge Program	77,280	-
Teaching Financial Crisis Curriculum Program	82,916	4,426
All other temporarily restricted programs	317,162	490,382
	<u>\$ 2,363,270</u>	<u>\$ 4,302,478</u>

7. PERMANENTLY RESTRICTED NET ASSETS

For the year ended December 31, 2009, CEE only adopted the disclosure provisions of, "Endowments of Not-for-Profit Organizations," as the State of New York had not yet enacted a version of the 2006 Uniform Prudent Management of Institutional Funds Act ("UPMIFA"). Among other things, this guidance addressed the net asset classification of donor-restricted endowment funds for organizations subject to an enacted version of UPMIFA. In September 2010, New York State passed its own version of UPMIFA ("NYPMIFA") which applies to CEE's fiscal 2010 financial statements.

Effective upon enactment of NYPMIFA, CEE has interpreted NYPMIFA as requiring the preservation of the fair value of the original gift, as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, CEE classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) the accumulations to the permanent endowment made in accordance with the directions of the applicable donor instrument.

COUNCIL FOR ECONOMIC EDUCATION
Notes to Financial Statements
For the year ended December 31, 2010

A key component of this guidance is a requirement to classify the remaining accumulations related to the donor-restricted endowment fund that are not classified in permanently restricted net assets as temporarily restricted net assets until those amounts are appropriated for expenditure by CEE in a manner consistent with the standard of prudence prescribed by NYPMIFA. At December 31, 2010, CEE determined that there were no unspent accumulated gains previously recorded as unrestricted and, therefore, no such transfers were considered necessary.

At December 31, 2009, permanently restricted net assets totaled \$124,634 and all earnings from permanently restricted donor-endowments were available for operations.

In conjunction with CEE's NYPMIFA adoption, management performed an analysis of all permanently restricted endowment funds. With the assistance of legal counsel, CEE determined that \$100,000 of its previously reported permanently restricted net assets were best characterized as temporarily restricted net assets based upon interpretation of available historical documentation. Therefore, a reclassification of net assets was reflected in the accompanying 2010 statement of activities.

At December 31, 2010, remaining permanently restricted net assets totaled \$24,634.

8. CAPITAL LEASE OBLIGATIONS

Included in office furniture and equipment within fixed assets on the accompanying statements of financial position are various equipment acquired under capital lease arrangements with a cost of \$188,850 and \$230,032 at December 31, 2010 and 2009, respectively with accumulated amortization of approximately \$93,094 and \$97,446 at December 31, 2010 and 2009, respectively. The equipment is amortized on a straight-line basis over the lesser of its estimated useful life or the respective term of the lease. The corresponding obligation under the capital leases represents the present value of the rental payments discounted by the interest rates implicit in the lease agreements. Annual payments subsequent to December 31, 2010, follow:

2011	\$ 37,324
2012	26,723
2013	24,648
2014	7,061
	<u>\$ 95,756</u>

Interest expense for the years ended December 31, 2010 and 2009, was \$1,043 and \$448, respectively.

9. PENSION PLAN

CEE sponsors a defined contribution pension plan for all eligible employees through the purchase of individual annuities with the Teachers Insurance and Annuity Association. CEE contributes 8.5% of eligible salaries to this plan. For the years ended December 31, 2010 and 2009, pension expense totaled \$167,701 and \$215,210, respectively.

COUNCIL FOR ECONOMIC EDUCATION
Notes to Financial Statements
For the year ended December 31, 2010

10. COMMITMENTS AND CONTINGENCIES

Certain of CEE's operating leases contain annual base rental increases. In accordance with US 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. 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, 2010 nor 2009, CEE pledged certificates of deposit totaling approximately \$490,000 and \$580,000, respectively which are reflected as restricted investments in the accompanying statements of financial position.

Future minimum operating lease payments follow:

2011	\$	610,548
2012		597,708
2013		593,014
2014		633,783
2015		633,783
Thereafter		<u>2,165,425</u>
	\$	<u>5,234,261</u>

Rent expense for the years ended December 31, 2010 and 2009, was \$785,095 and \$806,259, respectively.

Contingencies

In the normal course of its operations, CEE is a party to various legal proceedings and complaints, some of which are covered by insurance. While it is not feasible to predict the ultimate outcomes of such matters, management of CEE is not aware of any claims or contingencies that would have a material adverse effect on CEE's financial position, changes in net assets or cash flows.

11. OTHER PROGRAM SERVICES EXPENSES

CEE's other program services expenses for the years ended December 31, 2010 and 2009, consisted of the following:

	<u>2010</u>	<u>2009</u>
Affiliated councils and centers	\$ 171,576	\$ 52,783
Program development, coordination and oversight	29,802	176,290
Technology	68,832	260,983
Publications development and cost of sales	655,088	550,643
Marketing and communications	164,581	234,172
Economic and financial education advocacy	45,737	14,036
Media, public and government relations	<u>34,948</u>	<u>22,032</u>
	<u>\$ 1,170,564</u>	<u>\$ 1,310,939</u>

COUNCIL FOR ECONOMIC EDUCATION
Schedule of Expenditures of Federal Awards
For the year ended December 31, 2010

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures of Federal Awards</u>
U.S. DEPARTMENT OF EDUCATION:		
International Education Exchange	84.304	\$ 5,198,894
Fund for the Improvement of Education	84.215	<u>1,228,657</u>
 Total Expenditures of Federal Awards		 <u>\$ 6,427,551</u>

The accompanying note to the Schedule of Expenditures Federal Awards should be read in conjunction with this schedule.

COUNCIL FOR ECONOMIC EDUCATION
Note to Schedule of Expenditures of Federal Awards
For the year ended December 31, 2010

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant expenditures of the Council for Economic Education ("CEE") for the year ended December 31, 2010, and was prepared on the accrual basis of accounting. This schedule is presented in accordance with the provisions of the U.S. Office of Management and Budget ("OMB") Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. During 2010, CEE did not provide any funding to subrecipients.