



FROM: The Council for Economic Education

RE: 2020 Audited Financial Statements

CEE's financial results for FY20 show a decrease in Net Assets of \$795K, a result of the pandemic's impact which reduced revenue and support by \$2.4M compared to prior year. CEE received a PPP loan in early 2020, which was forgiven in 2021. If CEE had been able to recognize the forgiveness of its PPP loan in 2020, the decrease in Net Assets would be \$437K.

Despite the reduction in funding, CEE was able to successfully continue its programs by delivering them virtually rather than in person. CEE served more teachers than ever through existing and new virtual channels--webinars, Summer Institutes (800), Conference (50% growth)--that together reached over 10,000 educators virtually, double that of 2019. Econ Ed Link saw an approximate 7% increase in the number of sessions over prior year.

CEE's financial condition at the end of FY20 was good: Assets were \$4,345K (including \$2,578K in cash and equivalents) close to the FY19 Assets balance of \$4,754K. Liabilities at the end of the year were \$815K of which \$358K represented the PPP loan which, as noted above, was forgiven in 2021.

Council for Economic Education

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

December 31, 2020 and 2019

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, 2020 and 2019, 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, 2020 and 2019, 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
October 26, 2021

Council for Economic Education

**Statements of Financial Position
December 31, 2020 and 2019**

Assets

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 2,578,014	\$ 2,378,018
Accounts receivable, net of allowance for doubtful accounts of \$5,261 in 2020 and \$5,761 in 2019	63,331	125,072
Contributions receivable, net of allowance for doubtful accounts of \$0 in 2020 and 2019	1,145,635	1,415,656
Prepaid expenses and other assets	169,540	145,093
Publications inventory, net of reserve for obsolescence of \$12,000 in 2020 and 2019	85,539	95,970
Investments	38,246	22,609
Restricted investments	55,967	280,112
Fixed assets, net	<u>208,774</u>	<u>292,014</u>
 Total assets	 <u>\$ 4,345,046</u>	 <u>\$ 4,754,544</u>

Liabilities and Net Assets

Liabilities		
Accounts payable and accrued expenses	\$ 343,488	\$ 284,639
Loan payable	358,320	-
Deferred rent	74,564	45,364
Deferred revenue	22,783	78,738
Capital lease obligations	<u>15,560</u>	<u>20,474</u>
 Total liabilities	 <u>814,715</u>	 <u>429,215</u>
 Commitments and contingencies		
Net assets		
Without donor restrictions	1,450,733	1,850,799
With donor restrictions	<u>2,079,598</u>	<u>2,474,530</u>
 Total net assets	 <u>3,530,331</u>	 <u>4,325,329</u>
 Total liabilities and net assets	 <u>\$ 4,345,046</u>	 <u>\$ 4,754,544</u>

See Notes to Financial Statements.

Council for Economic Education

**Statements of Activities and Changes in Net Assets
Years Ended December 31, 2020 and 2019**

	2020			2019		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Support and revenue						
Contributions	\$ 1,149,573	\$ 1,937,331	\$ 3,086,904	\$ 1,047,421	\$ 3,033,910	\$ 4,081,331
Fair value of net assets acquired	-	-	-	138,474	590,698	729,172
Conference registrations and exhibitor fees	47,596	-	47,596	93,082	-	93,082
Educational materials and services	446,969	-	446,969	583,582	-	583,582
Special event revenue, net of direct costs of \$87,489 in 2020 and \$211,697 in 2019	296,135	-	296,135	591,506	-	591,506
Affiliate dues	16,500	-	16,500	27,500	-	27,500
Other income	273,097	-	273,097	460,214	-	460,214
Interest and dividends	24,644	-	24,644	24,618	-	24,618
Net assets released from restrictions	2,332,263	(2,332,263)	-	2,391,481	(2,391,481)	-
Total support and revenue	4,586,777	(394,932)	4,191,845	5,357,878	1,233,127	6,591,005
Expenses						
Program services						
Core programs	3,198,613	-	3,198,613	3,336,787	-	3,336,787
Other	331,847	-	331,847	560,040	-	560,040
Total program services	3,530,460	-	3,530,460	3,896,827	-	3,896,827
Support services						
Management and general	700,197	-	700,197	675,314	-	675,314
Fundraising	756,186	-	756,186	626,200	-	626,200
Total support services	1,456,383	-	1,456,383	1,301,514	-	1,301,514
Total expenses	4,986,843	-	4,986,843	5,198,341	-	5,198,341
Change in net assets	(400,066)	(394,932)	(794,998)	159,537	1,233,127	1,392,664
Net assets, beginning	1,850,799	2,474,530	4,325,329	1,691,262	1,241,403	2,932,665
Net assets, end	\$ 1,450,733	\$ 2,079,598	\$ 3,530,331	\$ 1,850,799	\$ 2,474,530	\$ 4,325,329

See Notes to Financial Statements.

Council for Economic Education

Statement of Functional Expenses Year Ended December 31, 2020

	Core programs	Other programs	Total program services	Management and general	Fundraising	Direct costs - special event	Total support services	Total
Salaries	\$ 1,257,973	\$ 159,216	\$ 1,417,189	\$ 326,039	\$ 432,137	\$ -	\$ 758,176	\$ 2,175,365
Payroll tax and fringe benefits	260,438	33,759	294,197	56,352	86,730	-	143,082	437,279
Occupancy	207,780	217	207,997	24,381	46,571	-	70,952	278,949
Depreciation and amortization	73,698	-	73,698	10,220	-	-	10,220	83,918
Professional fees and consultants	636,728	82,777	719,505	256,362	169,613	15,651	441,626	1,161,131
Travel	9,459	-	9,459	1,562	1,104	-	2,666	12,125
Sub-grant expenses	301,770	-	301,770	-	-	-	-	301,770
Insurance	13,075	-	13,075	1,569	3,000	-	4,569	17,644
Bad debt	43	-	43	-	-	-	-	43
Cost of goods sold	56,632	-	56,632	-	-	-	-	56,632
Events expense	132,500	31,089	163,589	4,529	1,582	64,948	71,059	234,648
Printing	7,495	-	7,495	-	4,539	4,931	9,470	16,965
Repairs and maintenance	-	-	-	4,519	-	-	4,519	4,519
Supplies	11,878	700	12,578	2,434	2,021	-	4,455	17,033
Teacher training	900	-	900	-	-	-	-	900
Miscellaneous	228,244	24,089	252,333	12,230	8,889	1,959	23,078	275,411
Total	3,198,613	331,847	3,530,460	700,197	756,186	87,489	1,543,872	5,074,332
Less expenses included with revenues on the statement of activities and changes in net assets	-	-	-	-	-	(87,489)	(87,489)	(87,489)
Total expenses	\$ 3,198,613	\$ 331,847	\$ 3,530,460	\$ 700,197	\$ 756,186	\$ -	\$ 1,456,383	\$ 4,986,843

See Notes to Financial Statements.

Council for Economic Education

**Statement of Functional Expenses
Year Ended December 31, 2019**

	<u>Core programs</u>	<u>Other programs</u>	<u>Total program services</u>	<u>Management and general</u>	<u>Fundraising</u>	<u>Direct costs - special event</u>	<u>Total support services</u>	<u>Total</u>
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	15,000	342,082	974,715
Travel	45,056	8,079	53,135	4,989	3,186	714	8,889	62,024
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	179,459	194,560	515,023
Printing	23,506	12,445	35,951	3,954	17,158	12,504	33,616	69,567
Repairs and maintenance	140	-	140	20,605	-	-	20,605	20,745
Supplies	20,248	905	21,153	6,567	531	243	7,341	28,494
Teacher training	5,124	-	5,124	-	-	-	-	5,124
Miscellaneous	278,763	58,207	336,970	73,352	49,710	3,777	126,839	463,809
Total	3,336,787	560,040	3,896,827	675,314	626,200	211,697	1,513,211	5,410,038
Less expenses included with revenues on the statement of activities and changes in net assets	-	-	-	-	-	(211,697)	(211,697)	(211,697)
Total expenses	\$ 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
Statements of Cash Flows
Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities		
Change in net assets	\$ (794,998)	\$ 1,392,664
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities		
Depreciation and amortization	83,918	80,614
Provision for bad debts	43	34
Fair value of net assets acquired	-	(729,172)
Realized and unrealized gain on investments	(2,305)	(1,929)
Donated investments	(77,061)	(41,128)
Proceeds from sale of donated investments	63,729	32,521
Interest and dividends from restricted investments	(3,245)	(75)
Changes in operating assets and liabilities		
Accounts receivable	61,698	(81,107)
Contributions receivable	270,021	(563,776)
Prepaid expenses and other assets	(25,125)	16,248
Publications inventory	10,431	(45,374)
Accounts payable and accrued expenses	58,849	(112,446)
Deferred rent	29,200	12,397
Deferred revenue	(55,955)	48,848
Net cash (used in) provided by operating activities	<u>(380,800)</u>	<u>8,319</u>
Cash flows from investing activities		
Proceeds from sale of restricted investments	227,390	-
Cash received through acquisition	-	233,361
Purchase of fixed assets	-	(31,757)
Net cash provided by investing activities	<u>227,390</u>	<u>201,604</u>
Cash flows from financing activities		
Proceeds from Paycheck Protection Program loan	358,320	-
Principal payments made on capital lease obligations	(4,914)	(6,531)
Net cash provided by (used in) financing activities	<u>353,406</u>	<u>(6,531)</u>
Net increase in cash and cash equivalents	199,996	203,392
Cash and cash equivalents, beginning	<u>2,378,018</u>	<u>2,174,626</u>
Cash and cash equivalents, end	<u>\$ 2,578,014</u>	<u>\$ 2,378,018</u>

See Notes to Financial Statements.

Council for Economic Education

Notes to Financial Statements December 31, 2020 and 2019

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 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 almost 800,000 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, 2020 and 2019 consisted of the following:

	<u>2020</u>	<u>2019</u>
Technology	\$ 42,972	\$ 55,893
Marketing and communications	<u>288,875</u>	<u>504,147</u>
Total	<u>\$ 331,847</u>	<u>\$ 560,040</u>

Council for Economic Education

Notes to Financial Statements December 31, 2020 and 2019

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, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 2,578,014	\$ 2,378,018
Accounts receivable, net	63,331	125,072
Contributions receivable, net	1,145,635	1,415,656
Investments	<u>38,246</u>	<u>22,609</u>
Total financial assets	3,825,226	3,941,355
Less amounts not available for general expenditures within one year due to donor-imposed restrictions	<u>(2,079,598)</u>	<u>(2,474,530)</u>
Total financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,745,628</u>	<u>\$ 1,466,825</u>

CEE has access to a \$1 million line of credit which can be used for unanticipated liquidity needs. As of December 31, 2020, there are no borrowings under this line of credit (see Note 9).

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, 2020 and 2019

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 and restricted 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, and direct investment expenses) 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. Restricted investments represents amount pledged for a letter of credit associated with an operating lease held by CEE (see Note 11).

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, 2020 and 2019

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.

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 is recognized when control of the promised goods or services is transferred to CEE's customers, in an amount that reflects the consideration expected to be entitled in exchange for those goods or services. Education materials and services revenue is recognized when the materials are delivered to the customer.

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, 2020 and 2019, CEE received donated legal services with an approximate fair value of \$0 and \$25,000, respectively. These services were recorded as contributions without donor restrictions, and legal expenses in the accompanying financial statements for the years ended December 31, 2020 and 2019. In addition, CEE received donated marketable securities of \$77,061 and \$41,128 as of December 31, 2020 and 2019, respectively.

Council for Economic Education

Notes to Financial Statements December 31, 2020 and 2019

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.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation.

Income taxes

CEE has no unrecognized tax benefits as of December 31, 2020 and 2019. CEE's federal and state income tax returns prior to fiscal year 2017 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, 2020 and 2019.

Subsequent events

CEE has evaluated subsequent events through October 26, 2021, which is the date the financial statements were available to be issued.

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, net

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 approximately 0.13% and 2% as of December 31, 2020 and 2019, respectively.

Council for Economic Education

Notes to Financial Statements December 31, 2020 and 2019

Contributions receivable are estimated to be collected as follows at December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Within one year	\$ 1,060,856	\$ 1,123,322
In one to five years	<u>85,000</u>	<u>307,961</u>
Total contributions receivable	1,145,856	1,431,283
Less discount to present value	<u>221</u>	<u>15,627</u>
Contributions receivable, net	<u><u>\$ 1,145,635</u></u>	<u><u>\$ 1,415,656</u></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.

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.

Council for Economic Education

Notes to Financial Statements December 31, 2020 and 2019

Financial assets carried at fair value at December 31, 2020 and 2019 are classified in the table below in one of the three categories described above:

	2020			
	Level 1	Level 2	Level 3	Total
Certificates of deposit	\$ -	\$ 55,967	\$ -	\$ 55,967
Common stock	38,246	-	-	38,246
Total	\$ 38,246	\$ 55,967	\$ -	\$ 94,213
	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

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.

Note 7 - Fixed assets, net

Fixed assets, net at December 31, 2020 and 2019 consisted of the following:

	Estimated useful lives	2020	2019
Office furniture and equipment	3 - 5 years	\$ 600,800	\$ 600,800
Leasehold improvements	10 years	23,521	23,521
Total		624,321	624,321
Less accumulated depreciation and amortization		(415,547)	(332,307)
Total		\$ 208,774	\$ 292,014

Council for Economic Education

Notes to Financial Statements December 31, 2020 and 2019

Depreciation and amortization expense for the years ended December 31, 2020 and 2019 totaled \$83,918 and \$80,614, respectively, which \$678 and \$1,357 is related to the amortization of intangible assets for the years ended December 31, 2020 and 2019, respectively.

Note 8 - Net assets with donor restrictions

At December 31, 2020 and 2019, net assets with donor restrictions were restricted for the following purpose or periods:

	2020	2019
Digital transformation	\$ 20,682	\$ 252,178
Family Financial Literacy Nights	1,476	254,918
Invest in Girls	953,767	674,426
National Economics Challenge	-	45,285
National Personal Finance Challenge	193,426	195,878
Professional development	631,844	550,352
Resources and curriculum	60,000	279,581
Teacher awards	95,370	102,277
All other with restriction programs	123,033	119,635
Total	<u>\$ 2,079,598</u>	<u>\$ 2,474,530</u>

Net assets released from donor restrictions for the years ended December 31, 2020 and 2019 were released by incurring expenses satisfying the program restrictions and/or the expiration of time restrictions specified by the donors.

Note 9 - 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 4.9% for 2020 and LIBOR plus 6.8% for 2019. At December 31, 2020 and 2019, there were no outstanding balances or related interest expense on this line of credit. The maturity date has been extended to February 1, 2022.

Note 10 - 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, 2020 and 2019 amounted to \$69,148 and \$62,159, respectively.

Council for Economic Education

Notes to Financial Statements December 31, 2020 and 2019

Note 11 - 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 deposit for its new space to \$94,538. During 2020, the letter of credit facility was further reduced to \$55,967. In connection with this letter of credit, which was not drawn at December 31, 2020 and 2019, CEE pledged a certificate of deposit that required a minimum amount to be held as security totaling \$55,967 and \$94,538, respectively. As of December 31, 2020 and 2019, the balance held in the pledged certificate of deposit was \$55,967 and \$280,112, respectively, and is reflected as restricted investments in the accompanying statements of financial position.

Minimum noncancelable lease commitments for office facilities exclusive of any future escalation charges, due in each of the five years subsequent to December 31, 2020 are as follows:

2021	\$	234,131
2022		238,814
2023		251,231
2024		261,714
2025		266,949
Thereafter		<u>180,777</u>
Total	\$	<u>1,433,616</u>

Rent expense was \$239,833 and \$412,706 for the years ended December 31, 2020 and 2019, 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 \$0 and \$111,199 for the years ended December 31, 2020 and 2019, respectively, and is included in other income on the statements of activities and changes in net assets.

Note 12 - 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.

Council for Economic Education

Notes to Financial Statements December 31, 2020 and 2019

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>

Note 13 - Risks and uncertainties

In early 2020 and continuing into 2021, an outbreak of a novel strain of coronavirus (COVID-19) emerged globally. As a result, events have occurred, including mandates from federal, state and local authorities, leading to an overall decline in economic activity. CEE is not able to estimate the length or severity of this outbreak and the related financial impact. Management plans to adjust its operations accordingly, as well as other cost saving measures, if necessary. If the length of the outbreak and related effects on CEE's operations continues for an extended period of time, CEE may seek alternative measures to finance its operations. CEE is closely monitoring any negative impact to the organization's financial position, results of operations, and cash flows that may occur due to this outbreak. The aggregate effect of the financial impact and duration cannot be reasonably estimated at this time.

Note 14 - Payment Protection Program loan

In 2020, CEE received loan proceeds in the amount of \$358,320 under the Paycheck Protection Program ("PPP"). Established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), the PPP provides for loans to qualifying businesses in amounts up to 2.5 times the business's average monthly payroll expenses. PPP loans and accrued interest are forgivable after a "covered period" (8 or 24 weeks) as long as the borrower maintains its payroll levels and uses the loan proceeds for eligible purposes, including payroll, benefits, rent, and utilities. The forgiveness amount will be reduced if the borrower terminates employees or reduces salaries during the covered period. In accordance to the promissory note, the PPP loan is payable over two years at an interest rate of 0.98% per annum, with a deferral of payments for six months from the date of the note. CEE intends to use the respective PPP loan proceeds for purposes consistent with the PPP and apply for forgiveness. Subsequent to December 31, 2020, CEE was granted forgiveness and legally released from its first PPP loan obligation. Accordingly, CEE will recognize \$358,320 of loan forgiveness income for the year ending December 31, 2021.

On January 31, 2021, CEE subsequently obtained approval for a second PPP loan in the amount of \$371,960. CEE intends to use the second PPP loan proceeds for purposes consistent with the PPP and apply for forgiveness within 10 months after the last day of the covered period.



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