

Council for Economic Education

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

December 31, 2023 and 2022

Council for Economic Education

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Independent Auditor's Report

To the Board of Directors
Council for Economic Education

Opinion

We have audited the financial statements of Council for Economic Education, which comprise the statements of financial position as of December 31, 2023 and 2022, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Council for Economic Education as of December 31, 2023 and 2022, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Council for Economic Education and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Council for Economic Education's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Council for Economic Education's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Council for Economic Education's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audits.

CohnReznick LLP

New York, New York
July 22, 2024

Council for Economic Education

**Statements of Financial Position
December 31, 2023 and 2022**

Assets

	2023	2022
Cash and cash equivalents	\$ 613,453	\$ 1,361,023
Accounts receivable, net of allowance for credit losses of \$0 in 2023 and 2022	53,856	41,253
Contributions receivable, net of allowance for doubtful accounts of \$1,000 in 2023 and 2022	555,097	1,202,647
Prepaid expenses and other assets	92,497	241,445
Publications inventory, net of reserve for obsolescence of \$12,000 in 2023 and 2022	102,292	69,670
Investments	1,043,524	1,674,728
Restricted investments	56,113	56,076
Fixed assets, net	73,825	80,027
Operating lease assets	667,899	912,378
Total assets	\$ 3,258,556	\$ 5,639,247

Liabilities and Net Assets

Liabilities		
Accounts payable and accrued expenses	\$ 343,339	\$ 369,886
Deferred revenue	7,599	10,299
Operating lease liabilities	737,786	993,663
Finance lease liabilities	18,274	22,421
Total liabilities	1,106,998	1,396,269
Commitments and contingencies		
Net assets		
Without donor restrictions	731,564	1,563,398
With donor restrictions	1,419,994	2,679,580
Total net assets	2,151,558	4,242,978
Total liabilities and net assets	\$ 3,258,556	\$ 5,639,247

See Notes to Financial Statements.

Council for Economic Education

**Statements of Activities and Changes in Net Assets
Years Ended December 31, 2023 and 2022**

	2023			2022		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Support and revenue						
Contributions	\$ 1,374,065	\$ 3,038,855	\$ 4,412,920	\$ 1,148,959	\$ 3,628,768	\$ 4,777,727
Conference registrations and exhibitor fees	93,179	-	93,179	89,042	-	89,042
Educational materials and services	417,979	-	417,979	358,451	-	358,451
Special event revenue, net of direct costs of \$152,005 in 2023 and \$177,976 in 2022	375,434	-	375,434	382,623	-	382,623
Affiliate dues	28,000	-	28,000	26,750	-	26,750
Royalty and license fees	460,705	-	460,705	390,815	-	390,815
In-kind donations	150,500	-	150,500	-	-	-
Other income	205,113	-	205,113	647,724	-	647,724
Interest and dividends	72,844	-	72,844	8,731	-	8,731
Net assets released from restrictions	4,298,441	(4,298,441)	-	4,106,333	(4,106,333)	-
Total support and revenue	7,476,260	(1,259,586)	6,216,674	7,159,428	(477,565)	6,681,863
Expenses						
Program services						
Core programs	5,355,297	-	5,355,297	4,752,791	-	4,752,791
Other	865,202	-	865,202	807,995	-	807,995
Total program services	6,220,499	-	6,220,499	5,560,786	-	5,560,786
Support services						
Management and general	925,898	-	925,898	762,609	-	762,609
Fundraising	1,161,697	-	1,161,697	852,472	-	852,472
Total support services	2,087,595	-	2,087,595	1,615,081	-	1,615,081
Total expenses	8,308,094	-	8,308,094	7,175,867	-	7,175,867
Change in net assets	(831,834)	(1,259,586)	(2,091,420)	(16,439)	(477,565)	(494,004)
Net assets, beginning	1,563,398	2,679,580	4,242,978	1,579,837	3,157,145	4,736,982
Net assets, end	<u>\$ 731,564</u>	<u>\$ 1,419,994</u>	<u>\$ 2,151,558</u>	<u>\$ 1,563,398</u>	<u>\$ 2,679,580</u>	<u>\$ 4,242,978</u>

See Notes to Financial Statements.

Council for Economic Education

**Statement of Functional Expenses
Year Ended December 31, 2023**

	Core programs	Other programs	Total program services	Management and general	Fundraising	Direct costs - special event	Total support services	Total
Salaries	\$ 2,047,391	\$ 243,146	\$ 2,290,537	\$ 208,523	\$ 748,559	\$ -	\$ 957,082	\$ 3,247,619
Payroll tax and fringe benefits	454,049	51,532	505,581	46,951	159,753	-	206,704	712,285
Occupancy	218,964	17,410	236,374	14,263	47,574	-	61,837	298,211
Depreciation and amortization	43,088	-	43,088	10,670	-	-	10,670	53,758
Professional fees and consultants	1,416,450	265,564	1,682,014	476,405	94,381	-	570,786	2,252,800
Travel	181,372	16,730	198,102	10,046	15,245	-	25,291	223,393
Sub-grant expenses	281,309	-	281,309	3,500	-	-	3,500	284,809
Insurance	14,920	-	14,920	932	3,093	-	4,025	18,945
Bad debt	2,647	-	2,647	10,539	-	-	10,539	13,186
Cost of goods sold	61,061	-	61,061	-	-	-	-	61,061
Events expense	251,816	201,676	453,492	5,292	18,550	152,005	175,847	629,339
Printing	4,531	1,147	5,678	-	26,193	-	26,193	31,871
Repairs and maintenance	-	-	-	1,334	-	-	1,334	1,334
Supplies	110,363	424	110,787	3,981	307	-	4,288	115,075
Teacher training	36,100	23,931	60,031	-	-	-	-	60,031
Miscellaneous	231,236	43,642	274,878	133,462	48,042	-	181,504	456,382
Total	5,355,297	865,202	6,220,499	925,898	1,161,697	152,005	2,239,600	8,460,099
Less expenses included with revenues on the statement of activities and changes in net assets	-	-	-	-	-	(152,005)	(152,005)	(152,005)
Total expenses	\$ 5,355,297	\$ 865,202	\$ 6,220,499	\$ 925,898	\$ 1,161,697	\$ -	\$ 2,087,595	\$ 8,308,094

See Notes to Financial Statements.

Council for Economic Education

**Statement of Functional Expenses
Year Ended December 31, 2022**

	<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	\$ 1,831,210	\$ 282,206	\$ 2,113,416	\$ 312,409	\$ 540,563	\$ -	\$ 852,972	\$ 2,966,388
Payroll tax and fringe benefits	377,095	57,868	434,963	52,428	114,320	-	166,748	601,711
Occupancy	222,530	25	222,555	14,253	31,960	-	46,213	268,768
Depreciation and amortization	69,323	-	69,323	8,305	-	-	8,305	77,628
Professional fees and consultants	1,140,251	154,635	1,294,886	240,123	90,070	-	330,193	1,625,079
Travel	129,370	7,349	136,719	2,799	4,673	805	8,277	144,996
Sub-grant expenses	446,058	-	446,058	-	-	-	-	446,058
Insurance	13,761	-	13,761	1,341	1,971	-	3,312	17,073
Bad debt	16	-	16	36,073	-	-	36,073	36,089
Cost of goods sold	48,513	-	48,513	-	-	-	-	48,513
Events expense	259,530	185,199	444,729	8,663	15,609	166,882	191,154	635,883
Printing	3,026	904	3,930	3,504	9,258	9,818	22,580	26,510
Repairs and maintenance	-	-	-	3,270	-	-	3,270	3,270
Supplies	34,172	2,135	36,307	10,882	280	392	11,554	47,861
Teacher training	135	29,086	29,221	-	-	-	-	29,221
Miscellaneous	177,801	88,588	266,389	68,559	43,768	79	112,406	378,795
Total	4,752,791	807,995	5,560,786	762,609	852,472	177,976	1,793,057	7,353,843
Less expenses included with revenues on the statement of activities and changes in net assets	-	-	-	-	-	(177,976)	(177,976)	(177,976)
Total expenses	\$ 4,752,791	\$ 807,995	\$ 5,560,786	\$ 762,609	\$ 852,472	\$ -	\$ 1,615,081	\$ 7,175,867

See Notes to Financial Statements.

Council for Economic Education
Statements of Cash Flows
Years Ended December 31, 2023 and 2022

	2023	2022
Cash flows from operating activities		
Change in net assets	\$ (2,091,420)	\$ (494,004)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation and amortization	53,758	77,628
Bad debt expense	13,186	36,089
Noncash operating lease costs	254,817	241,277
Loss on disposal of fixed assets	-	6,908
Gain on extinguishment of capital lease obligation	-	(10,647)
Gain on extinguishment of debt	-	(371,960)
Net realized and unrealized loss (gain) on investments	3,995	(8,763)
Donated investments	(4,839)	(29,204)
Proceeds from sale of donated investments	2,790	55,526
Interest and dividends from restricted investments	(37)	(19)
Changes in operating assets and liabilities		
Accounts receivable	(25,789)	6,677
Contributions receivable	647,550	(283,570)
Prepaid expenses and other assets	148,948	(33,612)
Publications inventory	(32,622)	29,101
Accounts payable and accrued expenses	(26,547)	(38,145)
Operating lease liabilities	(266,215)	(240,258)
Deferred revenue	(2,700)	(17,200)
	<u>(1,325,125)</u>	<u>(1,074,176)</u>
Net cash used in operating activities		
Cash flows from investing activities		
Purchase of investments	(3,060,660)	(1,670,746)
Proceeds from sale of investments	3,689,918	-
Purchase of fixed assets	(47,556)	(12,646)
	<u>581,702</u>	<u>(1,683,392)</u>
Net cash provided by (used in) investing activities		
Cash flows from financing activities		
Principal payments made on finance leases	(4,147)	(1,003)
	<u>(747,570)</u>	<u>(2,758,571)</u>
Net decrease in cash and cash equivalents		
Cash and cash equivalents, beginning	1,361,023	4,119,594
Cash and cash equivalents, end	<u>\$ 613,453</u>	<u>\$ 1,361,023</u>
Supplemental disclosure of cash flow information		
Cash paid for interest	<u>\$ 788</u>	<u>\$ 228</u>
Supplemental disclosure of noncash investing and Forgiveness of debt	<u>\$ -</u>	<u>\$ 371,960</u>
Gain on extinguishment of capital lease obligation	<u>\$ -</u>	<u>\$ 10,647</u>
Assets acquired under finance lease	<u>\$ -</u>	<u>\$ 23,424</u>

See Notes to Financial Statements.

Council for Economic Education

Notes to Financial Statements December 31, 2023 and 2022

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 K-12 students about economics and personal finance 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 and have done so for almost 75 years. All resources and programs are developed by educators and delivered by our nearly 180 affiliates across the country in every state. EconEdLink, our free online gateway for economic and personal finance lessons and resources for educators, attracts over 300,000 unique visitors per year. Through our student-facing programs, including Invest in Girls, the National Personal Finance Challenge, and the National Economics Challenge, CEE continues to inform, motivate, and inspire young minds across the country.

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, 2023 and 2022 consisted of the following:

	<u>2023</u>	<u>2022</u>
Technology	\$ 47,100	\$ 47,657
Marketing and communications	818,102	760,338
Total	<u>\$ 865,202</u>	<u>\$ 807,995</u>

Council for Economic Education

Notes to Financial Statements December 31, 2023 and 2022

Technology program services allow CEE the ability to more effectively provide virtual programs and events to teachers, students, and families. These core audiences for CEE can participate in this programming live, or choose to participate and learn asynchronously at a time and place convenient for them, allowing CEE to increase their reach and effectiveness.

Marketing and communications drive awareness of and participation in CEE's programmatic efforts for teachers, students, and families. Marketing and communications also include advocacy efforts to increase states' requirements in personal finance and economic education, resulting in increased access to these important topics for K-12 students.

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 statements of financial position date, comprise the following at December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 613,453	\$ 1,361,023
Accounts receivable, net	53,856	41,253
Contributions receivable, net	555,097	1,202,647
Investments	<u>1,043,524</u>	<u>1,674,728</u>
Total financial assets	2,265,930	4,279,651
Less: amounts not available for general expenditures within one year due to donor-imposed restrictions	<u>(1,372,994)</u>	<u>(2,679,580)</u>
Total financial assets available to meet cash needs for general expenditures within one year	<u>\$ 892,936</u>	<u>\$ 1,600,071</u>

CEE has access to a line of credit which can be used for unanticipated liquidity needs. As of December 31, 2023 and 2022, there are no borrowings under this line of credit (see Note 9). CEE's practice is to structure its financial assets to be available as its general expenses, liabilities, and obligations come due. In addition to financial assets available to meet general expenditures over the next year, CEE operates with a balanced budget and anticipates collecting sufficient revenue and annual support contributions to cover general expenditures.

Council for Economic Education

Notes to Financial Statements December 31, 2023 and 2022

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.

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 CEE.

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. Cash and cash equivalents held by CEE's investment managers are included as investments.

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.

Council for Economic Education

Notes to Financial Statements December 31, 2023 and 2022

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 represent amount pledged for a letter of credit associated with an operating lease held by CEE (see Note 11).

Fixed assets

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.

Revenue recognition

Transactions where the resource provider often receives 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.

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. Royalty and license fees revenue arise from licensing of CEE's name, logo, and other intellectual property and is recognized when usage occurs.

Council for Economic Education

Notes to Financial Statements December 31, 2023 and 2022

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 receivables are recognized when such promises are received.

Contributed goods and services

CEE recognizes contribution services if the services received create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of tangible assets and materials are recognized at fair market value when received. During the years ended December 31, 2023 and 2022, CEE received donated legal and consultant services with a fair value of \$150,500 and \$0, respectively (see Note 12). In addition, CEE received donated marketable securities of \$4,839 and \$29,204 as of December 31, 2023 and 2022, 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 is exempt from federal income tax under the provisions of Section 501(c)(3) of the Internal Revenue Code; therefore, no provision for income taxes is included in CEE's financial statements. CEE has no unrecognized tax benefits at December 31, 2023 and 2022. CEE's federal and state Informational returns prior to fiscal year 2020 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 part of the income tax provision and include accrued interest and penalties with the related tax liability in the statements of financial position. There were no interest or penalties paid for the years ended December 31, 2023 and 2022. Management has analyzed the tax positions taken by CEE and has concluded that, as of December 31, 2023 and 2022, there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements.

New accounting pronouncements

In June 2016, the Financial Accounting Standards Board issued Accounting Standards Update No. 2016-13, *Financial Instruments - Credit Losses* ("Topic 326"): Measurement of Credit Losses on Financial Instruments, which significantly changed how entities will measure credit losses for most financial assets and certain other instruments that are not accounted for at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. The financial statements will reflect the measurement of credit losses for newly recognized financial assets, as well as the expected increases or decreases of expected credit losses during the period. The measurement of expected credit losses is based on relevant information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount. Financial assets held by CEE that are subject to the guidance in Topic 326 is accounts receivable.

Council for Economic Education

Notes to Financial Statements December 31, 2023 and 2022

CEE implemented Topic 326 through a modified-retrospective approach on January 1, 2023. The adoption of Topic 326 did not have a material impact on the CEE's financial statements.

Subsequent events

CEE has evaluated subsequent events through July 22, 2024, 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 due in more than one year have been discounted to their present value using a discount rate of approximately 5% and 3% as of December 31, 2023 and 2022, respectively.

Contributions receivable are estimated to be collected as follows at December 31, 2023 and 2022:

	2023	2022
Within one year	\$ 546,572	\$ 966,224
In one to five years	10,000	244,688
Total contributions receivable	556,572	1,210,912
Less		
Allowance for doubtful accounts	1,000	1,000
Discount to present value	475	7,265
Contributions receivable, net	<u>\$ 555,097</u>	<u>\$ 1,202,647</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.

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Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.

Level 3: Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

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

Financial assets carried at fair value at December 31, 2023 and 2022 are classified in the table below in one of the three categories described above:

	2023			
	Level 1	Level 2	Level 3	Total
Certificates of deposit	\$ -	\$ 56,113	\$ -	\$ 56,113
Government money market fund	1,043,524	-	-	1,043,524
Total	\$ 1,043,524	\$ 56,113	\$ -	\$ 1,099,637
	2022			
	Level 1	Level 2	Level 3	Total
Certificates of deposit	\$ -	\$ 56,076	\$ -	\$ 56,076
Government money market fund	1,004,285	-	-	1,004,285
U.S. Treasury bills	670,443	-	-	670,443
Total	\$ 1,674,728	\$ 56,076	\$ -	\$ 1,730,804

Investments in U.S. Treasury bills and money market funds 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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Note 7 - Fixed assets, net

Fixed assets, net at December 31, 2023 and 2022 consisted of the following:

	Estimated useful lives	2023	2022
Office furniture and equipment	3 - 5 years	\$ 658,629	\$ 611,073
Leasehold improvements	10 years	23,521	23,521
Total		682,150	634,594
Less accumulated depreciation and amortization		<u>(608,325)</u>	<u>(554,567)</u>
Total		<u>\$ 73,825</u>	<u>\$ 80,027</u>

Office furniture and equipment includes finance lease right-of-use assets of \$23,424 as of December 31, 2023 and 2022. See Note 11 regarding CEE's leases.

Depreciation and amortization expense for the years ended December 31, 2023 and 2022 totaled \$53,758 and \$77,628, respectively.

Note 8 - Net assets with donor restrictions

At December 31, 2023 and 2022, net assets with donor restrictions were restricted for the following purpose or periods:

	2023	2022
Digital transformation	\$ 4,930	\$ 23,153
Family financial literacy nights	63,233	13,431
Invest in girls	535,175	910,215
National personal finance challenge	220,978	245,443
Professional development	337,531	1,030,315
Resources and curriculum	166,339	213,226
Advocacy	-	122,220
Teacher awards	44,317	46,072
All other with time and program restrictions	47,491	75,505
Total	<u>\$ 1,419,994</u>	<u>\$ 2,679,580</u>

Net assets released from donor restrictions for the years ended December 31, 2023 and 2022 were released by incurring expenses satisfying the program restrictions and/or the expiration of time restrictions specified by the donors.

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Note 9 - Line of credit

In December 2022, CEE established a \$750,000 unsecured, revolving line of credit with a financial institution expiring in December 2024. For 2023 and 2022, interest is payable monthly on outstanding balances based on an adjusted rate equal to LIBOR plus 3% and 3.972%, respectively. At December 31, 2023 and 2022, there were no outstanding balances or related interest expense on this line of credit.

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, 2023 and 2022 amounted to \$107,162 and \$82,373, respectively.

Note 11 - Leases

CEE leases building space and office equipment. All contracts that implicitly or explicitly involve property, plant and equipment are evaluated to determine whether they are or contain a lease.

At lease commencement, CEE recognizes a lease liability, which is measured at the present value of future minimum lease payments, and a corresponding right-of-use asset equal to the lease liability and initial direct costs. CEE has elected and applies the practical expedient to combine nonlease components with their related lease components and account for them as a single combined lease component for all its leases. CEE remeasures lease liabilities and related right-of-use assets whenever there is a change to the lease term and/or there is a change in the amount of future lease payments, but only when such changes do not qualify to be accounted for as a separate contract. Right-of-use assets are assessed and remeasured for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable.

CEE determines an appropriate discount rate to apply when determining the present value of the remaining lease payments for purposes of measuring or remeasuring lease liabilities. As the rate implicit in the lease is generally not readily determinable, as a practical expedient, CEE elected to use the risk-free rate for leases related to building space and office equipment.

For accounting purposes, CEE's leases commence on the earlier of (i) the date upon which CEE obtains control of the underlying asset or (ii) the contractual effective date of a lease. Lease commencement for most of CEE's leases coincides with the contractual effective date. CEE's leases generally have minimum base terms with renewal options or fixed terms with early termination options. Such renewal options are exercisable at the option of CEE and, when exercised, usually provide for rental payments during the extension period at then current market rates or at pre-determined rental amounts. Unless CEE determines that it is reasonably certain that the term of a lease will be extended, such as through the exercise of a renewal option or nonexercise of an early termination option, the term of a lease begins at lease commencement and spans for the duration of the minimum noncancellable contractual term. When the exercise of a renewal option or nonexercise of early termination option is reasonably certain, the lease term is measured as ending at the end of the renewal period or on the date an early termination may be exercised.

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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. Rental payments on the lease provide for fixed minimum payments that increase over the lease term at predetermined amounts. 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, 2023 and 2022, CEE pledged a certificate of deposit that required a minimum amount to be held as security totaling \$55,967. As of December 31, 2023 and 2022, the balance held in the pledged certificate of deposit was \$56,113 and \$56,076, respectively, and is reflected as restricted investments in the accompanying statements of financial position.

Rent expense related to the office space was \$239,833 and \$239,831 for the years ended December 31, 2023 and 2022, respectively, and is reflected as occupancy expenses in the accompanying statements of functional expenses. Utilities expense related to the office space was \$21,769 and \$11,231 for the years ended December 31, 2023 and 2022, respectively, and is reflected as occupancy expenses in the accompanying statements of functional expenses.

Equipment leases have lease terms of five years. Rental payments on these leases typically provide for fixed payments that increase over the lease term at predetermined amounts, are included in the measurement of lease payments, and are therefore included in the measurement of lease liabilities.

The following provides information about CEE's right-of-use assets and lease liabilities for its operating and finance leases as of December 31, 2023 and 2022:

Statement of Financial Position		2023	2022
Classification			
<u>Right-of-use assets</u>			
Finance leases	Fixed assets, net	\$ 17,868	\$ 22,317
Operating leases	Operating lease assets	667,899	912,378
Total lease assets		\$ 685,767	\$ 934,695
<u>Lease liabilities</u>			
Finance leases	Finance lease liabilities	\$ 18,274	\$ 22,421
Operating leases	Operating lease liabilities	737,786	993,663
Total lease liabilities		\$ 756,060	\$ 1,016,084

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The components of CEE's finance lease cost for the years ended December 31, 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
Amortization expense	\$ 4,449	\$ 1,107
Interest expense	<u>788</u>	<u>228</u>
Total finance lease cost	<u>\$ 5,237</u>	<u>\$ 1,335</u>

Cash paid for amounts included in the measurement of lease liabilities:

	<u>2023</u>	<u>2022</u>
Operating leases	\$ 266,215	\$ 253,797
Finance leases	\$ 4,935	\$ 1,231

Weighted average remaining lease term and weighted average discount rate for operating lease as of December 31:

	<u>2023</u>	<u>2022</u>
Weighted average remaining term (in years)	2.7	3.7
Weighted average discount rate	1.21%	1.21%

Weighted average remaining lease term and weighted average discount rate for finance lease as of December 31:

	<u>2023</u>	<u>2022</u>
Weighted average remaining term (in years)	4	5
Weighted average discount rate	3.84%	3.84%

Annual maturity analysis of CEE's lease liabilities as of December 31, 2023:

<u>Calendar year</u>	<u>Operating leases</u>	<u>Finance leases</u>
2024	\$ 276,698	\$ 4,920
2025	281,932	4,920
2026	191,536	4,920
2027	<u>-</u>	<u>4,920</u>
Total minimum lease payments	750,166	19,680
Less: Interest	<u>12,380</u>	<u>1,406</u>
Present value of lease liabilities	<u>\$ 737,786</u>	<u>\$ 18,274</u>

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Note 12 - In-kind donations

CEE recognizes in-kind contribution revenue and a corresponding expense in an amount approximating the estimate fair value of the services at the time of the donation. All in-kind donations were free of donor-imposed restrictions and were utilized by CEE's supporting services.

The following contributions of nonfinancial assets were received for the year ended December 31:

	<u>2023</u>	<u>2022</u>
Donated legal services	\$ 128,000	\$ -
Donated consulting services	<u>22,500</u>	<u>-</u>
Total in-kind donations	<u>\$ 150,500</u>	<u>\$ -</u>

Donated legal and consulting services included in management and general are valued based on the number of hours donated and hourly rates of the attorney providing the services. These services are included in professional fees and consultants on the statements of functional expenses.



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