THE FOUNDATION FOR ECONOMIC EDUCATION, INC.

FINANCIAL STATEMENTS AND ADDITIONAL INFORMATION

Year Ended March 31, 2013

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees

THE FOUNDATION FOR ECONOMIC EDUCATION, INC.

Report on the Financial Statements

We have audited the accompanying financial statements of the Foundation for Economic Education, Inc. (the "Organization"), which comprise the statements of financial position as of March 31, 2013, and the related statements of activities, and cash flows for the year 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.

Auditors' 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 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 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 auditors' 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 the Foundation for Economic Education, Inc. as of March 31, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Mayer Hoffman McCann P.C.

Atlanta, Georgia
November 8, 2013

THE FOUNDATION FOR ECONOMIC EDUCATION, INC.

STATEMENT OF NET ASSETS

March 31, 2013

A S S E T S

CURRENT ASSETS		
Cash and cash equivalents	$	803,551
Unconditional promises to give, net		34,513
Inventory		15,316
Investments		1,601,313
Accrued interest receivable		16,940
Prepaid expenses and other current assets		132,576
TOTAL CURRENT ASSETS		2,604,209
PROPERTY AND EQUIPMENT, net		232,360
NONCURRENT ASSETS		
Investments - restricted for long term purposes		1,495,305
Investment in privately held company		1,526,000
Investments - held in trust		125,165
Beneficial interest in investments - held in trust by others		279,212
TOTAL NONCURRENT ASSETS		3,425,682
TOTAL ASSETS	$	6,262,251

L I A B I L I T I E S

CURRENT LIABILITIES		
Accounts payable and other accrued expenses	$	185,508
Deferred revenue		100,188
Income taxes payable		91,731
Current portion of charitable gift annuity		11,017
Current maturities of capital lease		5,400
TOTAL CURRENT LIABILITIES		393,844
LONG-TERM LIABILITIES		
Charitable gift annuity, net of current portion		22,204
Capital lease, net of current portion		1,350
Funds held in trust		125,165
TOTAL LONG-TERM LIABILITIES		148,719
TOTAL LIABILITIES		542,563

N E T A S S E T S

Unrestricted		3,922,852
Unrestricted - reserve on charitable gift annuity		100,000
TOTAL UNRESTRICTED		4,022,852
Temporarily restricted		201,531
Permanently restricted		1,495,305
TOTAL NET ASSETS		5,719,688
TOTAL LIABILITIES AND NET ASSETS	$	6,262,251

See Notes to Financial Statements

THE FOUNDATION FOR ECONOMIC EDUCATION, INC.

STATEMENT ACTIVITIES

Year Ended March 31, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS, AND OTHER SUPPORT				
Contributions	$ 2,320,452	$ 31,884	$ -	$ 2,352,336
Publication income, net of cost of $47,557	11,025	-	-	11,025
Royalties	35,429	-	-	35,429
Net investment income (loss), net of custodial fees of $20,432	708,217	981	(2,320)	706,878
Miscellaneous	24,630	-	-	24,630
	3,099,753	32,865	(2,320)	3,130,298
Net assets released from restrictions	137,750	(137,750)	-	-
TOTAL REVENUES, GAINS, AND OTHER SUPPORT	3,237,503	(104,885)	(2,320)	3,130,298
EXPENSES				
Program Services				
Seminars and lectures	1,246,675	-	-	1,246,675
Books and publications	358,892	-	-	358,892
Website outreach	520,902	-	-	520,902
Total Program Services	2,126,469	-	-	2,126,469
Support Services				
Management and general	563,094	-	-	563,094
Fundraising/development	353,414	-	-	353,414
Total Support Services	916,508	-	-	916,508
TOTAL EXPENSES	3,042,977	-	-	3,042,977
INCREASE (DECREASE) IN NET ASSETS	194,526	(104,885)	(2,320)	87,321
NET ASSETS, beginning of year	3,828,326	306,416	1,497,625	5,632,367
NET ASSETS, end of year	$ 4,022,852	$ 201,531	$ 1,495,305	$ 5,719,688

See Notes to Financial Statements

THE FOUNDATION FOR ECONOMIC EDUCATION, INC.

STATEMENT OF CASH FLOWS

Year Ended March 31, 2013

CASH FLOWS FROM OPERATING ACTIVITIES	
Net increase in net assets	$ 87,321
Adjustments to reconcile net inrease in net assets to net cash flows from operating activities:	
Depreciation	62,380
Unrealized gain on investments	(659,973)
Realized gain on sale of investments	(4,935)
Interest on charitable gift annuities	3,054
Decrease (increase) in operating assets:	
Unconditional promises to give, net	143,116
Inventory	11,047
Accounts receivable	3,014
Accrued interest receivable	(4,687)
Prepaid expenses and other current assets	47,108
Increase (decrease) in operating liabilities:	
Accounts payable and other accrued expenses	83,517
Deferred revenue	(18,352)
NET CASH FLOWS FROM OPERATING ACTIVITIES	(247,390)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of property and equipment	(38,613)
Distributions from investment in privately held company	182,926
Escrow deposit receivable	100,165
Purchase of investments	(1,650,226)
Proceeds from sale of investments	1,547,592
NET CASH FLOWS FROM INVESTING ACTIVITIES	141,844
CASH FLOWS FROM FINANCING ACTIVITIES	
Payment of charitable gift annuities	(13,250)
Payment of capital lease	(5,398)
NET CASH FLOWS FROM FINANCING ACTIVITIES	(18,648)
NET DECREASE IN CASH	(124,194)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	927,745
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 803,551

See Notes to Financial Statements

(1) Nature of organization and summary of significant accounting policies

Nature of activities - The Foundation for Economic Education, Inc. ("Foundation") is a non-profit organization incorporated in the State of New York. Its purpose is to promote the principles of sound economics, including individual freedom, private property, limited government and free trade. The Foundation publishes pamphlets, books and *The Freeman* monthly magazine, as well as opinion editorials dealing with topics of economics, history and moral philosophy. The Foundation also conducts introductory and advanced seminars, debates and runs web sites promoting economic education.

Basis of accounting - The Foundation prepares its financial statements on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles ("U.S. GAAP").

Basis of presentation - The Foundation's financial statement presentation follows the recommendations of FASB ASC 958, *Not-for-Profit Entities*. Under FASB ASC 958, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

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 financial statements, and the reported amounts of revenues and expenses during the reporting period.

Material estimates that are particularly susceptible to significant change relate to the determination of the fair value of investment (Note 2), in particular the Level 3 investments. Actual results could differ from those estimates.

Cash and cash equivalents - The Foundation considers cash on hand, money markets, unrestricted demand deposits in banks, and certificates of deposit with original maturities of three months or less, to be cash equivalents for the purpose of the statement of cash flows.

Inventory - The Foundation maintains an inventory of its publications for sale. Inventory is stated at the lower of cost or market determined on a first-in first-out basis.

(1) Nature of organization and summary of significant accounting policies - continued

Investments - The Foundation has adopted FASB ASC 958-320, *Accounting for Certain Investments Held by Not-For-Profit Organizations*, whereby investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statements of financial position. Gains and losses on investments are recognized in the statement of activities as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulations or by law.

On September 17, 2010, New York State passed the New York State Prudent Management of Institutional Funds Act ("NYPMIF A"), its version of the Uniform Prudent Management of Institutional Funds Act ("UPMIF A"). All not-for-profit organizations formed in New York must apply this law. The Foundation classifies donor-restricted endowment funds as permanently restricted net assets, unless otherwise stipulated by the donor: (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the funds.

From time to time, the fair value of the assets associated with an individual donor-restricted endowment fund may fall below the fund's historical dollar value. Under NYPMIFA, the Foundation may spend below the historical dollar value of its endowment funds, if determined to be prudent, unless specific donors have stipulated to the contrary. FASB ASC 958.205 *Not for Profit Entities Presentation of Financial Statements* requires the portion of a donor restricted endowment fund that is not classified as permanently restricted to be classified as temporarily restricted net assets until appropriated for expenditure.

The Foundation’s investment policies, as approved by the Board of Trustees, are as follows. Unrestricted funds are considered a liquid reserve for expenses, to the extent they amount to less than twelve months’ budgeted expenses, and as such they are invested in short-term highly-rated fixed-income instruments. Restricted funds are invested as directed by the donors, where applicable, and otherwise in a combination of short- and medium-term highly-rated fixed-income instruments. The primary objective at this time is preservation of principal, while generating a modest yield.

On an annual or more frequent basis, the Foundation calculates the amounts distributable from each of its restricted accounts and releases such amounts for expenditure on the purposes specified by the respective donors, as summarized in Note 3.

(1) Nature of organization and summary of significant accounting policies - continued

Depreciation - Property and equipment are stated at cost and depreciated using an accelerated method over the estimated useful lives. Maintenance and repairs, which do not extend the life of an asset, are expensed as incurred. Property is evaluated for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Estimated useful lives are as follows:

Assets	Useful Lives
Computer equipment and software	3 - 5 years
Furniture and equipment	5 - 7 years
Building and improvements	10 – 39 years

Contributed services - Donated services are recognized as contributions if the services create or enhance non-financial assets or if the services required specialized skills, are performed by people with those skills, and would otherwise be purchased by the Foundation. In addition, volunteers provide assistance with specific programs that is not recognized as revenue since the recognition criteria were not met.

Contributions and unconditional promises to give - The Foundation has adopted Financial Accounting Standards Board (F ASB) Codification Section 958.605 *Not for Profit Entities Revenue Recognition*. FASB Codification Section 958.605 requires that unconditional promises to give (pledges) be recorded as receivables and revenue and requires that the organization distinguish between contributions received for each net asset category in accordance with donor-imposed restrictions. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Contributions are recognized when the donor makes a promise to give that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

The Foundation uses the allowance method to determine uncollectible promises receivable. The allowance is based upon prior years' experience and managements' analysis of specific promise made. Management believes that all of the unconditional promises to give are collectible, and therefore no allowance was recorded at March 31, 2013.

Advertising - Advertising costs are expended as incurred. For the year ended March 31, 2013, the costs expended were $37,346.

(1) Nature of organization and summary of significant accounting policies - continued

Income taxes - The Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code ("IRC") of 1954, as amended, and, as such, is not subject to income taxes on income received for exempt purposes. Income from certain activities not directly related to the Foundation's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Organization holds an investment in an S-Corporation that is considered a pass-through entity under the IRC. Accordingly, the Organization is liable of any income tax generated from this unrelated business income received from its investment. During the year ended March 31, 2013, the Organization recorded income tax expense of $94,700 on this unrelated business activity. Income taxes paid totaled $1,000 for 2013.

Uncertain tax positions - The Foundation accounts for the effect of any uncertain tax positions based on a more likely than not threshold to the recognition of the tax positions being sustained based on the technical merits of the position under scrutiny by the applicable taxing authority. If a tax position or positions are deemed to result in uncertainties of those positions, the unrecognized tax benefit is estimated based on a cumulative probability assessment that aggregates the estimated tax liability for all uncertain tax positions. The Foundation has identified its tax status as a tax exempt entity as a tax position; however, the Foundation has determined that such tax position does not result in an uncertainty requiring recognition. The Foundation believes it is no longer subject to tax examinations for years prior to 2009.

Fair value - US GAAP defines fair value and establishes a hierarchy for reporting the reliability of input measurements used to assess fair value for all assets and liabilities. Fair value is defined as the selling price that would be received for an asset, or paid to transfer a liability, in the principal or most advantageous market on the measurement date. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 - Observable inputs such as quoted market prices in active markets for identical assets or liabilities.

Level 2 - Directly or indirectly observable inputs for quoted and other than quoted prices for identical or similar assets or liabilities in active or non-active markets.

Level 3 - Unobservable inputs not corroborated by market data, therefore requiring the entity to use the best information available in the circumstances, including the entity's own data.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

(2) Fair value measurements

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at March 31, 2013.

Obligations of the U.S. government or its agencies: Certain obligations are valued at the closing price reported on the active market on which the individual securities are traded. Other are valued based on yields currently available on comparable securities of issuers with similar credit ratings. When quoted prices are not available for identical or similar bonds, the bond is valued under a discounted cash flow approach that maximizes observable inputs, such as current yields of similar instruments, but includes adjustments for certain risks that may not be observable, such as credit and liquidity risks.

Mutual funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the Organization are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily Net Asset Value ("NAV") and to transact at that price. The mutual funds held by the Organization are deemed to be actively traded.

Common stock: The Organization has a 1.38% ownership in a privately held company. The estimate of the investment's fair value was $1,526,000 at March 31, 2013 and is recorded in noncurrent assets due to the illiquid nature of the investment. In 2013, the Organization estimated fair value using a weighted-average estimate using both income and market approaches that incorporate observable inputs from comparable companies. However, the stock is not traded in an active market, and therefore the investment is recorded at fair value using level 3 inputs.

The preceding methods described may produce a fair value calculation that may not be indicative of the net realizable value or reflective of future fair values. Furthermore, although the Organization 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.

The following tables set forth by level, within the fair value hierarchy, the Foundation's investments, including beneficial interests held in investments, at fair value as of March 31, 2013:

	Level 1	Level 2	Level 3	Total
Government securities	$ 2,998,920	$ -	$ -	$ 2,998,920
Common stock	-	-	1,526,000	1,526,000
Mutual funds	502,075	-	-	502,075
Total investments at fair value	$ 3,500,995	$ -	$ 1,526,000	$ 5,026,995

(2) Fair value measurements - continued

The following tables set forth a summary of changes in the fair value of the Foundation's level 3 assets for the year ended March 31, 2013. The unrealized gain from level 3 investment is recorded in net investment income on the statement of activities.

Balance, beginning of year	$ 1,028,600
Unrealized gain	497,400
Balance, end of year	$ 1,526,000

The following table presents the Level 3 investment, the valuation techniques used to measure the fair value of that investment, and the significant unobservable inputs and the range of values for those inputs. Changes in these inputs may result in a significant change in the fair value of the investment.

Description	Fair Value	Valuation Techniques	Unobservable Inputs	Range
Common Stock	$ 1,526,000	Discounted cash flow	Weighted average cost of capital	12%
			Discount for lack of marketability	18%
		Capitalized earnings	Price to earnings multiple	12.48
			Discount for lack of marketability	28%

The following presents the fair value and cost basis of the investments as of March 31, 2013, and the composition of the net investment gain for the year ended March 31, 2013:

	Cost	Fair Value
Government securities	$ 2,955,000	$ 2,998,920
Common stock	890,585	1,526,000
Mututal funds	544,326	502,075
	$ 4,389,911	$ 5,026,995
Interest and dividends	$ 62,402	
Realized gains	4,935	
Unrealized gains	659,973	
Investment fees	(20,432)	
Net investment income	$ 706,878	

(3) Restrictions on net assets

The composition of endowment and restricted net assets and change in endowment and restricted net assets was as follows for the year ended March, 31, 2013:

	Temporarily Restricted	Permanently Restricted	Total
Investments, beginning of year	$ 306,416	$ 1,497,625	$ 1,804,041
Investment income (loss)	981	(2,320)	(1,339)
Contributions	25,000	-	25,000
Amounts approved for expenditure	(137,750)	-	(137,750)
Other	6,884	-	6,884
Investments, end of year	$ 201,531	$ 1,495,305	$ 1,696,836

Temporarily restricted net assets
Temporarily restricted net asset are restricted either by time or for future programs. Temporarily restricted net assets are maintained in segregated investment accounts when required by the donor. These net assets are reflected in current investments on the statement of net assets. These restrictions are classified as follows at March 31, 2013:

Western Mass. Discussion	$ 21,996
Maughmer/WSU Project	8,782
Whitman Scholarships	34,390
Eugene Thorpe Award	26,850
Hecht Foundation - Summer Seminars	84,513
Earhart Foundation - Summer Seminars	25,000
	$ 201,531

Permanently restricted net assets
Permanently restricted net assets include contributions and grants specified by the donors to be used for endowment, and consisted of the following as of March 31, 2013. These investments are held for long-term purposes and are recorded in noncurrent investments and investments held in trust on the statements of net assets.

	Required Balance	Fund Balance
Berkheimer Endowment	$ 156,915	$ 156,915
Krogdahl Trust	31,561	31,561
Maughmer Bequest	1,100,075	1,091,792
Warren Trust	157,617	126,761
Charlene Barr Chalberg Endowment	90,000	88,276
Corpus	1,536,168	
Market reduction	(40,863)	
Adjusted Corpus	$ 1,495,305	$ 1,495,305

(3) <u>Restrictions on net assets - continued</u>

The following is a brief summary of the stipulations of the donor for the previously mentioned endowment funds:

a. The Berkheimer Endowment requires that income generated from the endowment is first added to corpus up to the CPI index of the fund and the remaining balance is to be used for unrestricted purposes.
b. The Krogdahl Trust does not restrict the use of income generated and therefore, can be used for unrestricted purposes.
c. The Maughmer bequest requires that 20% of net earnings be expended for agreed-upon projects of the Foundation for Economic Education-Maughmer Fund, located at Washington State University. The remaining 80% of net earnings is required to be expended by the Foundation on the education of students in the Mountain and/or in the Pacific States.
d. The Warren Trust does not restrict the use of income generated and therefore, can be used for unrestricted purposes. The corpus of the trust was equally divided between the Foundation and another not-for-profit organization. The funds are held in a separate investment account and the income generated, if any, is distributed in accordance with the trust. The Foundation's share of the corpus is reflected as permanently restricted net assets, and is reported as investment held in trust on the statement of net assets.
e. The Charlene Barr Chalberg Endowment requires that the income generated from the endowment is to be used for "Charlene Barr Memorial Scholarships" to support high school students attending the Freedom 101 Program.

(4) <u>Promises to give</u>

Unconditional promises to give consist of the following:

	Restricted to Future Period
Due in less than one year	$ 35,000
Less: unamortized discount	(487)
	$ 34,513

(5) <u>Beneficial trusts</u>

The Foundation is the beneficiary of charitable remainder trusts. The trustee of these trusts is not the Foundation and they are held and administered by others on its behalf. When the trusts are terminated, the trust assets will be distributed to the Foundation. The combined trust assets held are reported at their fair value of $279,212 with a cost basis of $262,061. These trust assets are not restricted by the grantor and are recorded as unrestricted net assets.

Net realized/unrealized loss and interest income was reported in the statement of activities for the year ended March 31, 2013 of $(9,789) and $20,544, respectively.

(6) Charitable gift annuities

On December 3, 2007, a charitable gift annuity agreement (split-dollar agreement) was executed by a donor with the Foundation. The donor provided the Foundation with a charitable gift of $50,000 to establish a segregated investment account. An annual annuity payment of $4,550, paid on a quarterly basis, was calculated using a 9.1 % discount rate. The present value of the future annuity payments to the beneficiaries, using a 5.3481% actuarial rate, was $8,277 at March 31, 2013. The present value is to be re-calculated on annual basis and any adjustments are to be reported in the statement of activities. For the year ending March 31, 2013, quarterly payments totaling $4,550 were made and $912 was reported on the statement of activities.

On December 1, 2009, another charitable gift annuity agreement (split-dollar agreement) was executed by the same donor above with the Foundation. The donor provided the Foundation with a charitable gift of $100,000. An annual annuity payment of $8,700, paid on a quarterly basis, was calculated using an 8.7% discount rate. The present value of the future annuity payments to the beneficiaries, using a 5.129% actuarial rate, was $24,944 at March 31, 2013. The present value is to be recalculated on annual basis and any adjustments are to be reported in the statement of activities. For the year ending March 31, 2013, quarterly payments totaling $8,700 were made and $2,141 was reported on the statement of activities.

New York State required that the Foundation establish a reserve account for its Charitable Gift Annuities. The Foundation has established a $100,000 reserve account. The future maturities of the charitable gift annuities are as follows at March 31, 2013:

2014	$	11,017
2015		11,904
2016		8,164
2017		2,136
Total	$	33,221

(7) Building sale contract

On January 26, 2011, the Foundation entered into a Purchase and Sale Agreement to sell its real property in Irvington, New York, for a price of $3,100,000. The Purchaser's obligation to purchase is contingent upon securing certain approvals from local and state authorities (the "Approvals") necessary to develop a project of certain size on the property for use as an assisted living and memory care facility. The contract provides for a Due Diligence Period of sixty days, followed by an Approval Contingency Period of two years and four potential six-month extensions thereafter. Upon execution of the Agreement, the Purchaser remitted to an escrow account a non-refundable deposit of $100,000, creditable against purchase price. This amount, together with interest thereon, was released to the Foundation (per the Agreement) after one year of the Approval Period had elapsed. A second such deposit (the "Second Deposit") of $100,000 was due on March 26, 2012, but the parties agreed to extend the due date for the Second Deposit to January 26, 2013 while increasing the amount thereof to $125,000. The Second Deposit has not been remitted by the Purchaser. An Extension Payment of $50,000 became payable to the Foundation on March 26, 2013. Such Extension Payment has not been remitted by the Purchaser. A second Extension Payment of $50,000, was payable on September 26, 2013 and has not been remitted by the Purchaser.

The Approvals have not been secured from the related authorities. Due to the continuing uncertainty with respect to the securing of the Approvals, the Foundation did not record a receivable with respect to the Second Deposit or the Extension Payment as of March 31, 2013.

(8) Property and equipment

Property and equipment consist of the following:

Cost	
Land	$ 9,122
Building and improvements	945,720
Furniture and equipment	683,331
Computer equipment	476,531
Total cost	2,114,704
Accumulated depreciation and amortization	1,882,344
Net property and equipment	$ 232,360

(9) Retirement plan

The Foundation sponsors a tax-deferred annuity plan under section 403 (b) of the Internal Revenue Code. All employees are eligible to participate in this plan, to which they may contribute any whole percentage of their salary up to the maximum permitted by law. During 2013, the Foundation contributed approximately $7,000 to the trustee for the employee contributions to this plan.

(10) Leases

The Foundation leases office equipment under various, long-term, non-cancellable operating lease agreements expiring through July 2015. Approximate minimum lease payments under these operating leases are as follows:

2014	$	15,516
2015		1,350
Total	$	16,866

Rent expense, net of deferred lease incentive amortization and including common area maintenance charges, was approximately $16,000 for the year ended March 31, 2013.

(11) Concentration of credit risk

The Foundation maintains cash balances at several financial institutions and brokerage firms. The cash accounts at each of these financial institutions are insured by the Federal Deposit Insurance Corp., and other insurance organizations up to $250,000. At March 31, 2013, the uninsured cash balance was approximately $480,000.

(12) Subsequent events

The Company has evaluated subsequent events through November 8, 2013, which is the date the financial statements were available to be issued.

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INDEPENDENT AUDITORS' REPORT ON ADDITIONAL INFORMATION

To the Board of Trustees

THE FOUNDATION FOR ECONOMIC EDUCATION, INC.

We have audited the financial statements of the Foundation for Economic Education, Inc. as of and for the year ended March 31, 2013, and have issued our report thereon dated November 8, 2013, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Mayer Hoffman McCann P.C.

Atlanta, Georgia
November 8, 2013

THE FOUNDATION FOR ECONOMIC EDUCATION, INC.

SCHEDULE OF FUNCTIONAL EXPENSES

Year Ended March 31, 2013

	Program Services				Support Services			
	Seminars & Lectures	Books & Publications	Website Outreach	Total Programs	Management & General	Fundraising / Development	Total Support Services	Total
Salaries	$ 260,720	$ 69,468	$ 244,121	$ 574,309	$ 92,541	$ 128,281	$ 220,822	$ 795,131
Payroll Taxes and Employee Benefits	57,890	15,424	54,204	127,518	20,548	28,483	49,031	176,549
Employee Training	1,552	375	1,319	3,246	500	693	1,193	4,439
Employee Travel	208,680	4,407	10,412	223,499	40,129	19,105	59,234	282,733
Internship	36,748	208	57	37,013	10	734	744	37,757
Grants to Organizations/Donations	300	-	-	300	5,500	-	5,500	5,800
Seminar Student Expenses	209,302	-	-	209,302	-	-	-	209,302
Professional Fees	148,056	79,470	66,422	293,948	132,270	48,073	180,343	474,291
Outside Services	53,804	141,397	12,292	207,493	84,653	36,856	121,509	329,002
Supplies	30,830	3,777	6,143	40,750	8,158	5,369	13,527	54,277
Postage and Delivery	6,912	10,890	255	18,057	16,357	17,985	34,342	52,399
Telephone	9,192	3,007	3,954	16,153	1,499	2,876	4,375	20,528
Utilities	15,691	4,181	14,692	34,564	5,569	7,720	13,289	47,853
Maintenance and Repairs	25,752	6,862	24,113	56,727	9,141	12,671	21,812	78,539
Rental Expenses	83,782	7,224	25,387	116,393	9,624	13,340	22,964	139,357
Travel - Other	42,774	681	2,860	46,315	12,813	3,871	16,684	62,999
Advertising and Promotional Expenses	13,271	485	19,455	33,211	3,117	1,020	4,137	37,348
Insurance	10,920	2,910	10,225	24,055	3,876	5,373	9,249	33,304
Real Estate Taxes	4,350	1,159	4,073	9,582	1,544	2,140	3,684	13,266
Dues and Subscriptions	3,013	212	181	3,406	1,558	407	1,965	5,371
Small Gifts and Awards	298	-	-	298	-	-	-	298
Bank Charges	1,238	561	1,159	2,958	1,723	609	2,332	5,290
Credit Card and Other Fees	454	744	426	1,624	9,760	7,725	17,485	19,109
License and Permits	692	-	-	692	-	19	19	711
Statutory Fees	-	-	-	-	244	-	244	244
Depreciation	20,454	5,450	19,152	45,056	7,260	10,064	17,324	62,380
Income Taxes	-	-	-	-	94,700	-	94,700	94,700
	$ 1,246,675	$ 358,892	$ 520,902	$ 2,126,469	$ 563,094	$ 353,414	$ 916,508	$ 3,042,977

See Independent Auditors' Report on Additional Information