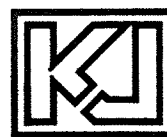


**THE FOUNDATION FOR ECONOMIC
EDUCATION, INC.**

**FINANCIAL STATEMENTS
AND
ADDITIONAL INFORMATION**

MARCH 31, 2012



KASS & JAFFE, PC
CERTIFIED PUBLIC ACCOUNTANTS

THE FOUNDATION FOR ECONOMIC EDUCATION, INC.

MARCH 31, 2012

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditors' Report	1
Financial Statements:	
Statement of Financial Position	2
Statement of Activities	3
Statement of Cash Flows	4
Notes to Financial Statements	5-15
Supplemental Information	
Independent Auditors' Report on Supplemental Information	17
Schedule of Functional Expenses	18



KASS & JAFFE, PC
CERTIFIED PUBLIC ACCOUNTANTS

1025 WESTCHESTER AVENUE
WHITE PLAINS, NY 10604

TELEPHONE: 914-948-7800
FAX: 914-948-7877

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
The Foundation for Economic Education, Inc.
Irvington, New York 10533

We have audited the accompanying statement of financial position of The Foundation for Economic Education, Inc. as of March 31, 2012, and the related statements of activities, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Foundation for Economic Education, Inc. as of March 31, 2012, and the changes in its net assets and its cash flows for the year then ended in conformity with generally accepted accounting principles in the United States of America.

Kass & Jaffe, P.C.

White Plains, New York
August 21, 2012

THE FOUNDATION FOR ECONOMIC EDUCATION, INC.
STATEMENT OF FINANCIAL POSITION
MARCH 31, 2012

ASSETS

Current Assets

Cash and cash equivalents	\$ 927,745
Escrow deposit receivable	100,165
Unconditional promises to give	167,629
Inventory	26,363
Investments	2,919,367
Investment in privately held Company	1,028,600
Accounts receivable	3,014
Accrued interest receivable	12,253
Prepaid expenses and other current assets	178,638
TOTAL CURRENT ASSETS	<u>5,363,774</u>

Property and equipment, at cost	
net of accumulated depreciation of \$1,819,964	<u>256,127</u>

Other Assets

Security deposit	1,046
Investments - held in trust	130,922
Investments - held in trust by others	369,677
TOTAL OTHER ASSETS	<u>501,645</u>

<u>TOTAL ASSETS</u>	<u>\$ 6,121,546</u>
---------------------	---------------------

LIABILITIES AND NET ASSETS

Current Liabilities

Capital lease - current portion	\$ 5,399
Accounts payable and sundry liabilities	193,722
Deferred revenues	118,540
Charitable gift annuities - current portion	10,196
TOTAL CURRENT LIABILITIES	<u>327,857</u>

Other Liabilities

Capital lease	6,749
Funds held in trust	130,922
Charitable gift annuities	33,221
TOTAL OTHER LIABILITIES	<u>170,892</u>
TOTAL LIABILITIES	<u>498,749</u>

Net Assets

Unrestricted	3,718,756
Unrestricted - reserve on charitable gift annuity	100,000
TOTAL UNRESTRICTED	<u>3,818,756</u>
Temporarily restricted	306,416
Permanently restricted	1,497,625
TOTAL NET ASSETS	<u>5,622,797</u>

<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$ 6,121,546</u>
---	---------------------

THE FOUNDATION FOR ECONOMIC EDUCATION, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<u>Revenues, Gains and Other Support</u>				
Contributions	\$ 2,290,245	\$ 31,634	\$ -	\$ 2,321,879
Publication income (loss) (net of cost of \$52,282)	2,126	-	-	2,126
Royalties	33,747	-	-	33,747
S Corporation income (loss) (net of taxes of \$28,027)	150,107	-	-	150,107
Net investment income (loss)	(35,337)	2,752	12,525	(20,060)
Miscellaneous	500	-	-	500
	<u>2,441,388</u>	<u>34,386</u>	<u>12,525</u>	<u>2,488,299</u>
Net assets released from restrictions				
Satisfaction of time and program restrictions	<u>236,594</u>	<u>(236,594)</u>	<u>-</u>	<u>-</u>
Total Revenues, Gains and Other Support	<u>2,677,982</u>	<u>(202,208)</u>	<u>12,525</u>	<u>2,488,299</u>
<u>Expenses</u>				
<u>Program Services</u>				
Seminars and lectures	1,082,698	-	-	1,082,698
Books and publications	604,025	-	-	604,025
Website outreach	<u>315,863</u>	<u>-</u>	<u>-</u>	<u>315,863</u>
Total Program Services	<u>2,002,586</u>	<u>-</u>	<u>-</u>	<u>2,002,586</u>
<u>Supporting Services</u>				
Management and general	410,185	-	-	410,185
Fund raising/development	<u>286,606</u>	<u>-</u>	<u>-</u>	<u>286,606</u>
Total Supporting Services	<u>696,791</u>	<u>-</u>	<u>-</u>	<u>696,791</u>
Total Expenses	<u>2,699,377</u>	<u>-</u>	<u>-</u>	<u>2,699,377</u>
INCREASE (DECREASE) IN NET ASSETS	<u>(21,395)</u>	<u>(202,208)</u>	<u>12,525</u>	<u>(211,078)</u>
NET ASSETS, AT BEGINNING OF YEAR	3,812,340	514,530	1,485,100	5,811,970
PRIOR PERIOD ADJUSTMENT	<u>27,811</u>	<u>(5,906)</u>	<u>-</u>	<u>21,905</u>
NET ASSETS, AT END OF YEAR	<u>\$ 3,818,756</u>	<u>\$ 306,416</u>	<u>\$ 1,497,625</u>	<u>\$ 5,622,797</u>

THE FOUNDATION FOR ECONOMIC EDUCATION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2012

CASH FLOWS FROM OPERATING ACTIVITIES

Net increase (decrease) in net assets	\$ (211,078)
Adjustments to reconcile changes in net assets to cash provided (used) by operating activities:	
Depreciation	69,924
Prior period adjustments	(5,906)
Unrealized (gain) loss on investments	50,697
Realized (gain) loss on sale of investments	24,291
Donated equities in investments	(6,695)
(Increase) decrease in:	
Escrow deposit receivable	(100,165)
Escrow deposit held in trust	100,036
Unconditional promises to give	133,866
Inventory	6,449
Accounts receivable	(2,160)
Accrued interest receivable	3,906
Prepaid expenses and other assets	(69,469)
Increase (decrease) in:	
Accounts payable and sundry liabilities	52,258
Escrow deposit payable	(100,036)
Deferred revenues	<u>118,540</u>

<u>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</u>	<u>64,456</u>
--	----------------------

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of property and equipment	(47,394)
Net payments for funds held in trust	(2,620)
Net payments for charitable gift annuity	(9,437)
Purchase of investments	(1,714,775)
Proceeds from sale of investments	<u>2,034,665</u>

<u>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</u>	<u>260,439</u>
--	-----------------------

CASH FLOWS FROM INVESTING ACTIVITIES

Payments for capital leases	<u>(4,949)</u>
-----------------------------	----------------

<u>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>	319,946
--	----------------

<u>CASH AND CASH EQUIVALENTS, AT BEGINNING OF YEAR</u>	<u>607,799</u>
---	-----------------------

<u>CASH AND CASH EQUIVALENTS, AT END OF YEAR</u>	<u>\$ 927,745</u>
---	--------------------------

SUPPLEMENTAL DISCLOSURE:

Cash paid during the year for:	
Interest	\$ <u><u>-</u></u>
Income taxes	\$ <u><u>-</u></u>

See independent auditors' report and notes to financial statements.

THE FOUNDATION FOR ECONOMIC EDUCATION, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2012

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. ORGANIZATION

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.

B. BASIS OF PRESENTATION

The foundation has adopted Financial Accounting Standards Board Accounting Standard Codification ("FASB ASC") Section 958.205 *Not for Profit Entities Presentation of Financial Statements* (formerly SFAS No. 117). FASB ASC 958.205 requires the statements be organized on the basis of unrestricted, temporarily restricted, and permanently restricted net assets for external reporting. This presentation demonstrates the existence or absence of donor-imposed restrictions. The financial statements include a Statement of Financial Position, a Statement of Activities, a Statement of Cash Flows, and related notes. In addition, we have provided a Supplemental Schedule of Functional Expenses for 2011. The Financial Accounting Standards Board is the accepted standard setting body for non-profit organizations.

C. CASH AND CASH EQUIVALENTS

The Foundation considers all highly liquid instruments with a maturity of three months or less, including its investment in money market funds, to be cash equivalents.

D. PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost or, if donated, at the fair value at the date of the donation. Major renewals and improvements are capitalized, while replacements, maintenance and repairs, which do not materially extend the useful lives of the assets, are expensed. Depreciation is recorded on the straight line method over the estimated useful lives of the assets.

E. 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.

THE FOUNDATION OF ECONOMIC EDUCATION, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2012

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

F. INVESTMENTS

The Foundation reports investments in accordance with FASB ASC Section 958.320 *Accounting for Certain Investments Held by Not-For-Profit Organization* (formerly SFAS No. 124). FASB ASC 958.320 requires investments in equity securities with readily determinable fair values and all investments in debt securities to be measured at fair value in the statement of financial position. Gains and losses on investments are reported 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, 201, New York State passed the New York State Prudent Management of Institutional Funds Act ("NYPMIFA"), its version of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"). 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.

F. ADVERTISING

Advertising costs are expensed as incurred. For the year ended March 31, 2012, the costs expended were \$22,328.

G. ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

THE FOUNDATION FOR ECONOMIC EDUCATION, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2012

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

H. CONTRIBUTIONS AND UNCONDITIONAL PROMISES TO GIVE

The Foundation has adopted Financial Accounting Standards Board (FASB) Codification Section 958.605 *Not for Profit Entities Revenue Recognition* (formerly SFAS No. 116). 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.

I. ACCOUNTS RECEIVABLE

The Foundation considers accounts receivable to be fully collectible, therefore, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to bad debt expense when that determination is made.

J. INCOME TAXES

The Foundation has been granted exemption from federal income taxation pursuant to Section 501(c)(3) of the Internal Revenue Code and has been classified as an organization which is not a private foundation. However, the Foundation has unrelated business income and therefore, files and remits unrelated business income taxes on those activities.

THE FOUNDATION FOR ECONOMIC EDUCATION, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2012

NOTE 2 - NET ASSETS

A. Unrestricted Net Assets

An analysis of the changes in unrestricted net assets for the year ended March 31, 2012, is as follows:

	<u>Operating</u>	<u>Property And Equipment</u>	<u>Total</u>	<u>Reserve Gift Annuity</u>
Net Assets, April 1, 2011	\$ 3,433,683	\$ 278,657	\$ 3,712,340	\$ 100,000
Changes in Net Assets	48,529	(69,924)	(21,395)	-
Prior Period Adjustment	27,811	-	27,811	-
Appropriations	<u>(47,394)</u>	<u>47,394</u>	<u>-</u>	<u>-</u>
Net Assets, March 31, 2012	<u>\$ 3,462,629</u>	<u>\$ 256,127</u>	<u>\$ 3,718,756</u>	<u>\$ 100,000</u>

B. Temporarily Restricted Net Assets

Temporarily restricted net assets are restricted either by time or for future programs. These restrictions are classified as such:

Western Mass. Discussion	\$ 24,746
Maughmer/WSU Project	8,318
Whitman Scholarships	34,389
Eugene Thorpe Award	26,334
Hecht Fdn - Summer Seminars Multi-Year	179,183
Louis Church - Summer Seminars Multi-Year	<u>33,446</u>
	<u>\$306,416</u>

C. Permanently Restricted Net Assets

Permanently restricted net assets include contributions and grants specified by the donor to be used for endowment as follows:

Berkheimer Endowment	\$ 150,397	\$ 154,636
Krogdahl Trust	31,561	31,561
Maughmer Bequest	1,100,075	1,089,931
Warren Trust	157,617	132,397
Charlene Barr Chalberg Endowment	<u>90,000</u>	<u>89,100</u>
Corpus	1,529,650	
Market reduction	<u>(32,025)</u>	
Adjusted Corpus	<u>\$1,497,625</u>	<u>\$1,497,625</u>

THE FOUNDATION FOR ECONOMIC EDUCATION, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2012

NOTE 2 - NET ASSETS (Continued)

C. Permanently Restricted Net Assets (Continued)

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.
- 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.

NOTE 3- ESCROW DEPOSIT RECEIVABLE

On January 26, 2010, a purchase/sale agreement was made by the Foundation to sell the existing property ("as is") in Irvington, New York, whereby its main offices are located, for a sale price of \$3,100,000. The purchaser is to use the property as an assisted living facility and the agreement provides for an approval contingency (zoning and others). After the first anniversary of the agreement or the Due Diligence Effective Period (January 4, 2012), a non-refundable deposit of \$100,000 was provided and held in an interest bearing escrow account. After the first anniversary of Due Diligence Expiration Date (March 5, 2012) and since the purchaser had not terminated the agreement by March 5, 2012, the deposit became payable to the Foundation. The escrow deposit receivable as of March 31, 2012 is \$100,165, which represent the deposit plus accrued interest. An additional ("Second Deposit") of \$100,000 was due March 2012 to escrow agent, but was not received as of August 21, 2012 (see Note 16).

THE FOUNDATION FOR ECONOMIC EDUCATION, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2012

NOTE 4 - UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give, as of March 31, 2012, are due as follows:

	<u>Unrestricted</u>	<u>Restricted To Future Period</u>	<u>Total</u>
Due in less than one year	\$ 30,000	\$ 117,500	\$ 147,500
Due in two to five years	-	28,500	28,500
	<u>30,000</u>	<u>146,000</u>	<u>176,000</u>
Less: present value @ 5%	-	(8,371)	(8,371)
	<u>\$ 30,000</u>	<u>\$ 137,629</u>	<u>\$ 167,629</u>

Based on management's experience, uncollectible promises are not expected.

NOTE 5 - INVESTMENTS

Investments at March 31, 2012 consist of the following:

	<u>Market Value</u>	<u>Cost / Basis</u>
Government Securities	\$ 2,841,869	\$ 2,856,807
Common Stock and Equities	1,032,071	1,476,495
Corporate Bonds	22,815	31,542
Mutual Funds and Other	551,811	504,670
	<u>4,448,566</u>	<u>4,869,514</u>
Less: Investments held in trust	(130,922)	(130,922)
Less: Investments held in trust by others	(369,677)	(344,385)
Less: Investment in privately held Company	(1,028,600)	(1,473,128)
	<u>\$ 2,919,367</u>	<u>\$ 2,921,079</u>

A) See Note 9 for investment held in a trust.

B) During the year ended March 31, 2001, the Foundation received a donation of 20,000 shares in a privately held S Corporation. The investment is less than 5% of the ownership and is stated at fair value based on an independent annual appraisal. The Foundation reports its share of the income generated and passed-through by the S Corporation. In accordance with the Internal Revenue Code, the Foundation is liable and remits unrelated business income taxes on that income, see Note 1J.

THE FOUNDATION FOR ECONOMIC EDUCATION, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2012

NOTE 5 – INVESTMENTS (Continued)

For the year ended March 31, 2012, the Foundation reported net income of \$178,134 and \$28,027 of unrelated business income tax expense.

The following is summary of net investment income for the year ended March 31, 2012:

Interest and dividends	\$ 75,451
Realized gain (loss) on sale of investments	(24,291)
Unrealized gain (loss) on investments	(50,697)
	<u>463</u>
Portfolio management fees	(20,523)
	<u>\$ (20,060)</u>

NOTE 6 - PROPERTY AND EQUIPMENT

Property and equipment, as of March 31, 2012, consist of the following:

	<u>Useful Life</u>	<u>Cost / Basis</u>
Buildings and improvements	10 / 33.3 / 39 years	\$ 940,720
Furniture and equipment	5 / 7 / 16.6 years	683,331
Computer equipment	5 years	442,918
		<u>2,066,969</u>
Less: accumulated depreciation		1,819,964
		<u>247,005</u>
Land		9,122
		<u>\$ 256,127</u>

Depreciation expense for the year ended March 31, 2012 was \$69,924.

Computer equipment above includes software purchased with a capital lease of \$26,994, with a book value of \$375.

Maturities of long-term capital leases are as follows:

Year ending March 31, 2014	\$ 5,399
Year ending March 31, 2015	<u>1,350</u>
	<u>\$ 6,749</u>

THE FOUNDATION FOR ECONOMIC EDUCATION, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2012

NOTE 7 - INVESTMENT/FUNDS HELD IN TRUST

During the year ended March 31, 2004, the Foundation became the executor of the Warren Trust. 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, see note 2C.

NOTE 8 - INVESTMENTS/FUNDS HELD IN TRUST BY OTHERS

In prior years, two donors established trusts naming the Foundation as the beneficiary of charitable remainder trusts. On May 15, 2009, another donor established a trust naming the Foundation as a 50% remainder beneficiary of a charitable uni-trust. 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 market value of \$341,866 with a cost basis of \$317,402.

A prior period adjustment was reported to reflect another established trust naming the Foundation as the beneficiary of a charitable remainder trust. 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 market value of \$27,811 with a cost basis of \$26,983. Therefore, reported totals at fair market value and cost basis are \$369,677 and \$344,385, respectively.

Net realized/unrealized gain and interest income was reported in the statement of activities for the year ended March 31, 2012 of \$1,195 and \$2,507 respectively.

NOTE 9 - CHARITABLE GIFT ANNUITY

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 \$11,914 and shown in liabilities. 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, 2012, quarterly payments totaling \$4,550 were made and \$1,210 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,

THE FOUNDATION FOR ECONOMIC EDUCATION, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2012

NOTE 9 - CHARITABLE GIFT ANNUITY (Continued)

using a 5.129% actuarial rate, was \$31,503 and shown in liabilities. 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, 2012, quarterly payments totaling \$8,700 were made and \$2,603 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.

NOTE 10 - COMMITMENTS AND CONTINGENCY

- A) The Foundation leases various office equipment which are accounted for as operating leases. The following is a summary of the future minimum lease payments:

Year ending March 31, 2013	\$ 10,116
Year ending March 31, 2014	<u>10,116</u>
	\$ <u>20,232</u>

- B) The Foundation's unrelated business income tax returns for the years ended March 31, 2011, 2010 and 2009 are subject to audit by the appropriate tax authorities.
- C) 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. As of March 31, 2012, there is \$0 payable to the trustee for the employee contributions to this plan.
- D) The Foundation renewed its existing management and maintenance contract with the Building Contractor on July 18, 2011. The contract requires monthly installments of \$7,161 and expires on July 18, 2012.

NOTE 11 - CONCENTRATION OF CREDIT RISK

The Foundation maintains cash balances at several financial institutions and brokerage firms in New York. 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, 2012, the uninsured cash balance totals \$101,061.

NOTE 12 - DONATED 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.

THE FOUNDATION FOR ECONOMIC EDUCATION, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2012

NOTE 13 - FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and the supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and the supporting services benefitted.

NOTE 14 - PRIOR PERIOD ADJUSTMENTS

The Foundation reported a prior period adjustment of \$21,905, for the following reasons: 1) to record the balance, as of March 31, 2011, of the established charitable remainder trust, of \$27,811 (see Note 9 above), and 2) record \$5,906 for payable of grant funds received in prior year which were not expensed/earned.

NOTE 15 - FAIR VALUE MEASUREMENTS

FASB ASC 820 *Fair Value Measurements and Disclosures* establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The three levels of the fair value hierarchy under ASC 820 are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the plan has the ability to access.

Level 2: Inputs to the valuation methodology include:

- A) Quoted prices for similar assets or liabilities in active markets;
- B) Quoted prices for identical or similar assets or liabilities in inactive markets;
- C) Inputs other than quoted prices that are observable for asset or liability;
- D) Inputs that are derived principally from or corroborated by observable marked data by correlation or other means.

Level 3: Inputs to the valuation methodology are unobservable.

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.

THE FOUNDATION FOR ECONOMIC EDUCATION, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2012

NOTE 15 - FAIR VALUE MEASUREMENTS (Continued)

Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The 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, 2012.

Mutual funds: Valued at the net asset value of shares held at year end.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Foundation's investments at fair value as of March 31, 2012.

	Level 1	Level 2	Level 3	Total
Government Securities - Fixed Income	\$ 2,841,869	\$ -	\$ -	\$ 2,841,869
Common Stock	3,471	-	1,028,600	1,032,071
Preferred Stock	-	-	-	-
Corporate Bonds	22,815	-	-	22,815
Mutual Funds - Fixed Income	551,811			551,811
	<u>\$ 3,419,966</u>	<u>\$ -</u>	<u>\$ 1,028,600</u>	<u>\$ 4,448,566</u>

NOTE 16 - EVALUATION OF SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events through August 21, 2012, the date which the financial statements were available to be issued.

The First Deposit on the sale of property (see Note 3) was not received until September 7, 2012, in the amount of \$100,213 with additional interest. The Second Deposit due in March 2012, was increased to \$125,000 on September 10, 2012 in order to avoid default on the agreement. Payment is due either when the Final Environmental Impact Report is received or January 26, 2013.

SUPPLEMENTAL INFORMATION



KASS & JAFFE, PC
CERTIFIED PUBLIC ACCOUNTANTS

1025 WESTCHESTER AVENUE
WHITE PLAINS, NY 10604

TELEPHONE: 914-948-7800
FAX: 914-948-7877

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTAL INFORMATION

To the Board of Trustees
The Foundation for Economic Education, Inc.
Irvington, New York 10533

Our report on our audit of basic financial statements of The Foundation for Economic Education, Inc. for 2011 appears on page 1. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental information in Schedule of Functional Expenses for the year ended March 31, 2012 (page 18) is presented for purposes of additional analysis and is not a required part of the basic 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. This information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to 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 basic financial statements taken as a whole.

Kass & Jaffe, P.C.

White Plains, New York
August 21, 2012

THE FOUNDATION FOR ECONOMIC EDUCATION, INC.
FUNCTIONAL EXPENSES
FOR THE YEAR ENDED MARCH 31, 2012

	PROGRAM SERVICES				SUPPORTING SERVICES			TOTAL
	SEMINARS & LECTURES	BOOKS & PUBLICATIONS	WEBSITE OUTREACH	TOTAL PROGRAMS	MANAGEMENT & GENERAL	FUND RAISING/ DEVELOPMENT	TOTAL SUPPORTING SERVICES	
Salaries	\$ 221,131	\$ 209,139	\$ 133,339	\$ 563,609	\$ 88,733	\$ 131,535	\$ 220,268	\$ 783,877
Payroll Taxes and Employee Benefits	51,056	48,286	30,785	130,127	20,487	30,369	50,856	180,983
Employee Training	1,640	1,551	989	4,180	657	976	1,633	5,813
Employee Travel	78,269	4,621	5,846	88,736	41,834	7,220	49,054	137,790
Internship	21,110	-	-	21,110	7,850	-	7,850	28,960
Grants to Organizations/Donations	610	-	-	610	500	240	740	1,350
Seminar Student Expenses	388,751	-	-	388,751	-	-	-	388,751
Professional Fees	107,293	71,627	22,024	200,944	107,299	1,295	108,594	309,538
Outside Services	36,702	133,738	52,019	222,459	53,402	36,057	89,459	311,918
Supplies	25,934	3,278	4,290	33,502	6,317	5,593	11,910	45,412
Postage and Delivery	4,719	24,697	33	29,449	12,898	6,150	19,048	48,497
Telephone	5,942	5,617	3,581	15,140	2,383	3,533	5,916	21,056
Utilities	16,318	15,433	9,840	41,591	6,548	9,707	16,255	57,846
Maintenance and Repairs	24,835	23,488	14,975	63,298	9,966	14,772	24,738	88,036
Rental Expenses	30,930	29,253	18,650	78,833	12,413	18,398	30,811	109,644
Travel - Other	10,534	3,235	968	14,737	5,748	2,588	8,336	23,073
Advertising and Promotional Expenses	20,859	1,005	289	22,153	175	-	175	22,328
Insurance	8,022	7,588	4,838	20,448	3,220	4,772	7,992	28,440
Depreciation	19,725	18,656	11,894	50,275	7,915	11,734	19,649	69,924
Real Estate Taxes	929	879	560	2,368	374	553	927	3,295
Dues and Subscriptions	2,886	562	68	3,516	2,496	140	2,636	6,152
Small Gifts and Awards	3,052	-	-	3,052	236	111	347	3,399
Bank Charges	-	-	-	-	2,559	-	2,559	2,559
Credit Card and Other Fees	-	-	-	-	14,865	-	14,865	14,865
Statutory Fees	-	-	-	-	728	-	728	728
License and Permits	21	20	13	54	8	13	21	75
Miscellaneous	1,430	1,352	862	3,644	574	850	1,424	5,068
Total Expenses	\$ 1,082,698	\$ 604,025	\$ 315,863	\$ 2,002,586	\$ 410,185	\$ 286,606	\$ 696,791	\$ 2,699,377

See independent auditors' report on additional information.