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INDEPENDENT AUDITOR'S REPORT

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, 2011 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 generally accepted auditing standards 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, 2011, 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 12, 2011
# Statement of Financial Position

**The Foundation for Economic Education, Inc.**

**March 31, 2011**

## Assets

### Current Assets

- Cash and cash equivalents: $607,799
- Unconditional promises to give: $301,495
- Inventory: $32,812
- Investments: $3,306,004
- Investment in privately held Company: $1,015,800
- Accrued interest receivable: $16,159
- Prepaid expenses and other current assets: $110,022

**Total Current Assets:** $5,390,091

### Other Assets

- Security Deposit: $1,046
- Investments - held in trust: $133,542
- Investments - held in trust by others: $353,591

**Total Other Assets:** $488,179

**Total Assets:** $6,256,963

## Liabilities and Net Assets

### Current Liabilities

- Capital lease - current portion: $5,399
- Accounts payable and sundry liabilities: $141,464
- Charitable gift annuities - current portion: $9,437

**Total Current Liabilities:** $156,300

### Other Liabilities

- Capital lease: $11,698
- Funds held in trust: $133,542
- Charitable gift annuities: $43,417

**Total Other Liabilities:** $188,657

**Total Liabilities:** $444,993

## Net Assets

- Unrestricted: $3,712,340
- Unrestricted - reserve on charitable gift annuity: $100,000

**Total Unrestricted:** $3,812,340

- Temporarily restricted: $514,530
- Permanently restricted: $1,485,100

**Total Net Assets:** $5,811,970

**Total Liabilities and Net Assets:** $6,256,963

See independent auditor’s report and notes to financial statements.
THE FOUNDATION FOR ECONOMIC EDUCATION, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2011

<table>
<thead>
<tr>
<th>Revenues, Gains and Other Support</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contributions</td>
</tr>
<tr>
<td>Publication income(loss)(net of cost of $35,920)</td>
</tr>
<tr>
<td>Royalties</td>
</tr>
<tr>
<td>S Corporation income(loss)(taxes of $90)</td>
</tr>
<tr>
<td>Net investment income (loss)</td>
</tr>
<tr>
<td>Miscellaneous</td>
</tr>
<tr>
<td>Net assets released from restrictions</td>
</tr>
<tr>
<td>Satisfaction of time and program restrictions</td>
</tr>
</tbody>
</table>

Total Revenues, Gains and Other Support | 3,672,764 | 366,327 | 10,389 | 3,949,480 |

Expenses

Program Services

Seminars and lectures | 1,307,958 | - | - | 1,307,958 |
Books and publications | 599,584 | - | - | 599,584 |
Website outreach | 343,592 | - | - | 343,592 |

Total Program Services | 2,251,134 | - | - | 2,251,134 |

Supporting Services

Management and general | 385,062 | - | - | 385,062 |
Fund raising/development | 212,239 | - | - | 212,239 |

Total Supporting Services | 597,301 | - | - | 597,301 |

Total Expenses | 2,848,435 | - | - | 2,848,435 |

INCREASE (DECREASE) IN NET ASSETS | 824,329 | 266,327 | 10,389 | 1,101,045 |

NET ASSETS, BEGINNING OF YEAR | 2,745,818 | 248,233 | 1,474,711 | 4,468,732 |
PRIOR PERIOD ADJUSTMENT | 242,193 | - | - | 242,193 |
NET ASSETS, BEGINNING OF YEAR, RESTATE | 2,988,011 | 248,233 | 1,474,711 | 4,710,925 |

NET ASSETS, AT END OF YEAR | $3,812,340 | $514,530 | $1,485,100 | $5,811,970 |
CASH FLOWS FROM OPERATING ACTIVITIES
Increase in net assets $ 1,101,045

Adjustments to reconcile changes in net assets to net cash used by operating activities:

Depreciation 81,070
Prior period adjustment 15,000
Unrealized gain on investments (134,071)
Realized loss on sale of investments 6,116
Donated equities in investments (16,316)
Increase in unconditional promises to give (228,276)
Increase in inventory (2,666)
Increase in accrued interest receivable (647)
Increase in prepaid expenses and other assets (12,044)
Increase in accounts payable and sundry liabilities 53,803

NET CASH PROVIDED BY OPERATING ACTIVITIES 863,014

CASH FLOWS FROM INVESTING ACTIVITIES
Purchase of property and equipment (18,242)
Net payments for funds held in trust (2,515)
Net payments for charitable gift annuity (10,815)
Purchase of investments (2,334,224)
Proceeds from sale of investments 1,939,458

NET CASH USED BY INVESTING ACTIVITIES (426,338)

CASH FLOWS FROM FINANCING ACTIVITIES
Payments for capital leases (4,949)

NET INCREASE IN CASH AND CASH EQUIVALENTS 431,727

CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR 176,072

CASH AND CASH EQUIVALENTS AT END OF YEAR $ 607,799

Supplemental disclosures of cash flow information:
Cash paid during the year for
Interest $ -0-
Income taxes $ (1,651)

See independent auditor's report and notes to financial statements.
NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. ORGANIZATION

The Foundation for Economic Education, Inc. ("Foundation") is a not-for-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 websites promoting economic education.

B. 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.

C. 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 expended. Depreciation is recorded on the straight line method over the estimated useful lives of the assets.

D. 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.

E. INVESTMENTS

The Foundation reports investments in accordance with Statement of Financial Accounting Standards (SFAS) No. 124 Accounting for Certain Investments Held by Not-For-Profit Organizations. Under SFAS No. 124, the Foundation reflects investments at fair value in the statement of financial position. Unrealized gains and losses on investments are reflected in the statement of activities as increases and decreases in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulations or by law.
NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. INVESTMENTS (Continued)

As amended by SFAS Staff Position, donors that create endowment funds can require that their gifts be invested in perpetuity or for a specific term. As described previously, some donors may require that the portion of the income, gains or both be added to gift and invested subject to similar restrictions. In states, such as New York State, that have enacted a version of the Uniform management of Institutional Funds Act of 1972 ("UMIFA") whose relevant law is based on trust law, it is generally understood that at least the amount of the original gift and any required accumulation is not expendable, although the value of the investments purchased may occasionally fall below that amount. Future appreciation of the investments generally restores the value to the required level. In states that have enacted its provisions, UMIFA describes "historical dollar value" as the amount that is not expendable. In states that have enacted the Uniform Prudent Management of Institutional Funds Act of 2006 ("UPMIFA"), which is further explained in SFAS Staff Position 117-1, whereby the elimination of the historical dollar value threshold on the net asset classification of the donor restricted endowment fund without explicit donor stipulation. New York State has not adopted UPMIFA.

F. ADVERTISING

Advertising costs are expended as incurred. For the year ended March 31, 2011, the costs expended were $7,043.

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.

H. FINANCIAL STATEMENTS

The Foundation presents its financial statements in accordance with SFAS No. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS No. 117, the Organization 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.
NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

I. CONTRIBUTIONS AND UNCONDITIONAL PROMISES TO GIVE

The Foundation reports contributions received in accordance with SFAS No. 116 Accounting for Contributions Received and Contributions Made. In accordance with SFAS No. 116, 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 management's analysis of specific promise made. Management believes that all of the unconditional promises to give are collectible.

J. 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.

K. 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.
NOTE 2 - NET ASSETS

A. Unrestricted Net Assets

An analysis of the changes in unrestricted net assets for the year ended March 31, 2011, is as follows:

<table>
<thead>
<tr>
<th></th>
<th>Property And Operating</th>
<th>Property Equipment</th>
<th>Reserve Gift Total</th>
<th>Reserve Gift Annuity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Assets, April 1,2010</td>
<td>$2,304,333</td>
<td>$341,487</td>
<td>$2,645,818</td>
<td>$100,000</td>
</tr>
<tr>
<td>Changes in Net Assets</td>
<td>905,399</td>
<td>(81,070)</td>
<td>824,329</td>
<td>-0-</td>
</tr>
<tr>
<td>Prior Period Adjustment</td>
<td>242,193</td>
<td>-0-</td>
<td>242,193</td>
<td>-0-</td>
</tr>
<tr>
<td>Appropriations</td>
<td>(18,242)</td>
<td>18,242</td>
<td>-0-</td>
<td>-0-</td>
</tr>
<tr>
<td>Net Assets, March 31,2011</td>
<td>$3,433,683</td>
<td>$278,657</td>
<td>$3,712,340</td>
<td>$100,000</td>
</tr>
</tbody>
</table>

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 6,249
- Whitman Scholarships 34,389
- Eugene Thrope Award 25,651
- Austrian Economics 20,000
- Anthology of Economic History 20,000
- Hecht Fdn - Summer Seminars Multi-Year 254,975
- Louis Church - Summer Seminars Multi-Year 48,520
- Patterson - Atlanta Students 15,000
- Summer Session Conference 2011 25,000
- Student Summer Seminars 2011 40,000

**Total** $514,530

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 $150,397
- Krogdahl Trust 31,561 31,561
- Maughmer Bequest $1,100,075 $1,081,653
- Warren Trust 157,617 133,436
- Charlene Barr Chalberg Endowment $90,000 $88,053
  Corpus 1,529,650
  Market reduction (44,550)
  Adjusted Corpus $1,485,100 $1,485,100
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 - INVESTMENTS

Investments at March 31, 2011 consist of the following:

<table>
<thead>
<tr>
<th></th>
<th>Market Value</th>
<th>Cost/Basis</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government Securities</td>
<td>$ 3,248,701</td>
<td>$ 3,256,470</td>
</tr>
<tr>
<td>Common Stock and Equities</td>
<td>1,015,800</td>
<td>1,393,921</td>
</tr>
<tr>
<td>Mutual Funds and Other</td>
<td>544,436</td>
<td>516,087</td>
</tr>
<tr>
<td></td>
<td>4,808,937</td>
<td>5,166,478</td>
</tr>
<tr>
<td>Less: Investments held in trust</td>
<td>(133,542)</td>
<td>(133,542)</td>
</tr>
<tr>
<td>Less: Investments held in trust by others</td>
<td>(353,591)</td>
<td>(325,922)</td>
</tr>
<tr>
<td>Less: Investment in privately held Company</td>
<td>(1,015,800)</td>
<td>(1,393,921)</td>
</tr>
<tr>
<td></td>
<td>$ 3,306,004</td>
<td>$ 3,313,093</td>
</tr>
</tbody>
</table>
NOTE 3 - INVESTMENTS (Continued)

A) See Note 6 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 1K.

For the year ended March 31, 2011, the Foundation reported net income
of $24,744 and $90 of unrelated business income tax expense.

The following is summary of net investment income for the year ended March
31, 2011:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest and dividends</td>
<td>$ 77,853</td>
</tr>
<tr>
<td>Realized (loss) on sale of investments</td>
<td>(6,116)</td>
</tr>
<tr>
<td>Unrealized (loss) on investments</td>
<td>134,071</td>
</tr>
<tr>
<td></td>
<td>205,808</td>
</tr>
<tr>
<td>Portfolio management fees</td>
<td>(17,705)</td>
</tr>
<tr>
<td></td>
<td>188,103</td>
</tr>
</tbody>
</table>

NOTE 4 - UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give, as of March 31, 2011, are due as follows:

<table>
<thead>
<tr>
<th>Due Date</th>
<th>Unrestricted</th>
<th>Restricted To Future Period</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Due in less than one year</td>
<td>$ 73,000</td>
<td>$ 110,000</td>
<td>$ 183,000</td>
</tr>
<tr>
<td>Due in one to two years</td>
<td>-0-</td>
<td>127,333</td>
<td>127,333</td>
</tr>
<tr>
<td>Due on two to three years</td>
<td>-0-</td>
<td>10,000</td>
<td>10,000</td>
</tr>
<tr>
<td></td>
<td>73,000</td>
<td>247,333</td>
<td>320,333</td>
</tr>
<tr>
<td>Less: present value @ 5%</td>
<td>-0-</td>
<td>(18,838)</td>
<td>(18,838)</td>
</tr>
<tr>
<td></td>
<td>$ 73,000</td>
<td>$ 228,495</td>
<td>$ 301,495</td>
</tr>
</tbody>
</table>

Based on management’s experience, uncollectible promises are not expected.
NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment, as of March 31, 2011, consist of the following:

<table>
<thead>
<tr>
<th></th>
<th>Useful Life</th>
<th>Cost/Basis</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buildings and improvements</td>
<td>10/33.3/39 years</td>
<td>$ 949,842</td>
</tr>
<tr>
<td>Furniture and equipment</td>
<td>5/7/16.6 years</td>
<td>683,331</td>
</tr>
<tr>
<td>Computer equipment</td>
<td>5 years</td>
<td>395,523</td>
</tr>
<tr>
<td>Less: accumulated depreciation</td>
<td></td>
<td>2,028,696</td>
</tr>
<tr>
<td>Land</td>
<td></td>
<td>1,750,039</td>
</tr>
<tr>
<td></td>
<td></td>
<td>278,657</td>
</tr>
<tr>
<td></td>
<td></td>
<td>9,122</td>
</tr>
<tr>
<td></td>
<td></td>
<td>$ 269,535</td>
</tr>
</tbody>
</table>

Depreciation expense for the year ended March 31, 2011 was $81,070.

Computer equipment above includes software purchased with a capital lease of $26,994, with a book value of $9,373.

Maturities of capital lease long term

| Year ending March 31, 2013 | $ 5,399 |
| Year ending March 31, 2014 | 5,399 |
| Year ending March 31, 2015 | 900 |
| Total                       | $11,698 |

NOTE 6 - 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, 2011, the uninsured cash balance totals $90,487.

NOTE 7 - FUNCTIONAL ALLOCATION OF EXPENSES

The cost 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 8 - DONATED SERVICES

The Foundation receives donated services from unpaid volunteers. The value of such contributions is not reflected in the statement of activities because the criteria for recognition under SFAS No. 116 have not been satisfied.
NOTE 9 - 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 10 - INVESTMENTS/FUNDS HELD IN TRUST BY OTHERS

In prior years, two donors established trusts naming the Foundation as the remainder 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 market value of $101,836 with a cost basis of $96,031.

A prior period adjustment was reported to reflect an another established trust naming the Foundation as a 50% remainder beneficiary of a charitable uni-trust. This trust was established on May 15, 2009 and the trustee of this trust is also not the Foundation and is held and administered by another on its behalf. When the trust is terminated, the trust assets will be distributed to the Foundation. The trust assets held (50%) are reported at their fair market value of $251,755 with a cost basis of $229,891.

Net realized/unrealized gain and interest income was reported in the statement of activities for the year ended March 31, 2011 of $32,560 and $8,162, respectively.

NOTE 11 - EVALUATION OF SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events through August 12, 2011, the date which the financial statements were available to be issued.

NOTE 12 - PRIOR PERIOD ADJUSTMENTS

The Foundation reported a prior period adjustment of $242,193, for the following reasons: 1) to record the 50% balance, as of March 31, 2010, of the established charitable uni-trust, of $227,193 (see Note 10), and 2) record an estimated $15,000, for gold coins that were donated in prior years but not reflected on the books.
NOTE 13 - 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 $15,254 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, 2011, quarterly payments of $4,550 plus $1,137 in arrears were made and $1,894 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 a 8.7% discount rate. The present value of the future annuity payments to the beneficiaries, using a 5.129% actuarial rate, was $37,600 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, 2011, quarterly payments of $8,700 plus $2,175 in arrears were made and $3,853 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 14 - DEPOSIT HELD IN ESCROW/PAYABLE

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 $2,100,000. The purchaser is to use the property as an assisted living facility and the agreement provides for a approval contingency (zoning and others). On the first anniversary of agreement or the Due Diligence Effective Period (January 4, 2011), a non-refundable deposit will be provided and held in an interest bearing escrow account. The deposit of $100,000 was received on January 27, 2011 by the escrow agent. If after the first anniversary of Due Diligence Expiration Date (March 5, 2011) and if the purchaser has not terminated the agreement by March 5, 2012, then the deposit will be paid to the Foundation.

NOTE 15 - 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:
NOTE 15 - COMMITMENTS AND CONTINGENCY (Continued)

Year ending March 31, 2012 $ 10,116
Year ending March 31, 2013 10,116
Year ending March 31, 2014 10,116
$ 30,348

B) The Foundation's unrelated business income tax returns for the years ended March 31, 2010, 2009 and 2008 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, 2011, there is $0 payable to the trustee for the employee contributions to this plan.

D) The Foundation has renewed its existing management and maintenance contract with the Building Contractor on July 18, 2010. The contract requires monthly installments of $7,161 and expires on July 18, 2011.

NOTE 16 - FAIR VALUE MEASUREMENTS

SFAS Accounting Standards Codification ("ASC 820") Fair Value Measurements 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.
NOTE 16 - FAIR VALUE MEASUREMENTS (Continued)

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. 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. The have been no changes in the methodologies used at March 31, 2011.

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, 2011.

<table>
<thead>
<tr>
<th></th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government Securities-Fixed</td>
<td>$3,248,701</td>
<td>$0</td>
<td>$0</td>
<td>$3,348,701</td>
</tr>
<tr>
<td>Common Stock</td>
<td>-0</td>
<td>-0</td>
<td>1,015,800</td>
<td>1,015,800</td>
</tr>
<tr>
<td>Preferred Stock</td>
<td>-0</td>
<td>-0</td>
<td>-0</td>
<td>-0</td>
</tr>
<tr>
<td>Mutual funds-Fixed Income</td>
<td>544,436</td>
<td>0</td>
<td>0</td>
<td>150,587</td>
</tr>
<tr>
<td>Total assets at fair value</td>
<td>$3,793,137</td>
<td>$0</td>
<td>$1,015,800</td>
<td>$4,808,937</td>
</tr>
</tbody>
</table>
ADDITIONAL INFORMATION
INDEPENDENT AUDITOR’S REPORT ON ADDITIONAL INFORMATION

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

Our report on our audit of the basic financial statements of The Foundation for Economic Education, Inc. for 2010 appears on page 1. The audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Schedule of Functional Expenses for the year ended March 31, 2011 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, 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 12, 2011
# THE FOUNDATION FOR ECONOMIC EDUCATION, INC.

## FUNCTIONAL EXPENSES

FOR THE YEAR ENDED MARCH 31, 2011

<table>
<thead>
<tr>
<th>Program Services</th>
<th>Seminars &amp; Lectures</th>
<th>Books &amp; Publications</th>
<th>Website Outreach</th>
<th>Total Programs</th>
<th>Supporting Services</th>
<th>Management &amp; General</th>
<th>Fund Raising/Development</th>
<th>Total Supporting Services</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries</td>
<td>$ 262,401</td>
<td>$ 200,634</td>
<td>$145,100</td>
<td>$ 628,135</td>
<td>$ 73,652</td>
<td>$ 85,941</td>
<td>$ 159,593</td>
<td>$ 787,728</td>
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</tr>
<tr>
<td>Payroll Taxes and Employee Benefits</td>
<td>57,404</td>
<td>40,782</td>
<td>29,454</td>
<td>127,660</td>
<td>14,971</td>
<td>17,469</td>
<td>32,440</td>
<td>160,120</td>
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<tr>
<td>Employee Training</td>
<td>1,742</td>
<td>1,238</td>
<td>855</td>
<td>3,875</td>
<td>453</td>
<td>530</td>
<td>983</td>
<td>4,858</td>
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</tr>
<tr>
<td>Employee Travel</td>
<td>44,496</td>
<td>4,621</td>
<td>5,846</td>
<td>54,963</td>
<td>41,834</td>
<td>7,220</td>
<td>49,054</td>
<td>104,017</td>
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<td>Internship</td>
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<td>-</td>
<td>14,480</td>
<td>7,850</td>
<td>-</td>
<td>7,850</td>
<td>22,330</td>
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<tr>
<td>Grants to Organizations/Donations</td>
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<td>-</td>
<td>4,993</td>
<td>500</td>
<td>240</td>
<td>740</td>
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</tr>
<tr>
<td>Seminar Student Expenses</td>
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<td>-</td>
<td>-</td>
<td>476,802</td>
<td>-</td>
<td>-</td>
<td>-</td>
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</tr>
<tr>
<td>Professional Fees</td>
<td>131,505</td>
<td>71,627</td>
<td>22,024</td>
<td>225,156</td>
<td>107,299</td>
<td>1,295</td>
<td>108,594</td>
<td>333,750</td>
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<tr>
<td>Outside Services</td>
<td>57,358</td>
<td>133,738</td>
<td>52,019</td>
<td>243,117</td>
<td>53,402</td>
<td>36,057</td>
<td>89,459</td>
<td>332,576</td>
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</tr>
<tr>
<td>Supplies</td>
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<td>4,290</td>
<td>36,756</td>
<td>6,317</td>
<td>5,933</td>
<td>11,910</td>
<td>46,656</td>
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<tr>
<td>Postage and Delivery</td>
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<td>24,697</td>
<td>13</td>
<td>34,062</td>
<td>12,098</td>
<td>6,150</td>
<td>19,048</td>
<td>53,110</td>
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<tr>
<td>Telephone</td>
<td>9,679</td>
<td>6,875</td>
<td>4,972</td>
<td>21,526</td>
<td>2,524</td>
<td>2,945</td>
<td>5,469</td>
<td>26,995</td>
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<tr>
<td>Utilities</td>
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<td>11,068</td>
<td>8,513</td>
<td>37,156</td>
<td>4,367</td>
<td>5,084</td>
<td>9,411</td>
<td>46,597</td>
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<tr>
<td>Maintenance and Repairs</td>
<td>44,742</td>
<td>31,787</td>
<td>22,919</td>
<td>99,518</td>
<td>11,669</td>
<td>13,616</td>
<td>25,285</td>
<td>124,803</td>
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</tr>
<tr>
<td>Rental Expenses</td>
<td>49,633</td>
<td>35,262</td>
<td>25,592</td>
<td>100,487</td>
<td>12,946</td>
<td>15,104</td>
<td>28,050</td>
<td>138,447</td>
<td></td>
</tr>
<tr>
<td>Travel - Other</td>
<td>31,922</td>
<td>3,235</td>
<td>968</td>
<td>36,125</td>
<td>5,748</td>
<td>2,598</td>
<td>8,336</td>
<td>44,462</td>
<td></td>
</tr>
<tr>
<td>Advertising and Promotional Expenses</td>
<td>5,573</td>
<td>1,005</td>
<td>209</td>
<td>6,887</td>
<td>175</td>
<td>-</td>
<td>175</td>
<td>7,062</td>
<td></td>
</tr>
<tr>
<td>Insurance</td>
<td>6,095</td>
<td>4,331</td>
<td>3,112</td>
<td>13,538</td>
<td>1,590</td>
<td>1,855</td>
<td>3,445</td>
<td>17,003</td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
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<td>20,649</td>
<td>14,913</td>
<td>64,625</td>
<td>7,579</td>
<td>8,846</td>
<td>16,425</td>
<td>91,070</td>
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</tr>
<tr>
<td>Real Estate Taxes</td>
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<td>3,375</td>
<td>2,441</td>
<td>10,567</td>
<td>1,240</td>
<td>1,446</td>
<td>2,686</td>
<td>13,253</td>
<td></td>
</tr>
<tr>
<td>Dues and Subscriptions</td>
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<td>562</td>
<td>68</td>
<td>700</td>
<td>2,496</td>
<td>140</td>
<td>2,636</td>
<td>3,336</td>
<td></td>
</tr>
<tr>
<td>Small Gifts and Awards</td>
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<td>-</td>
<td>-</td>
<td>-</td>
<td>236</td>
<td>111</td>
<td>347</td>
<td>347</td>
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</tr>
<tr>
<td>Bank Charges</td>
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<td>-</td>
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<td>-</td>
<td>1,378</td>
<td>-</td>
<td>1,378</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Credit Card and Other Fees</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>12,923</td>
<td>-</td>
<td>12,923</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Statutory Fees</td>
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<td>-</td>
<td>-</td>
<td>-</td>
<td>1,018</td>
<td>-</td>
<td>1,018</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>License and Permits</td>
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<td>19</td>
<td>14</td>
<td>60</td>
<td>7</td>
<td>8</td>
<td>15</td>
<td>75</td>
<td></td>
</tr>
</tbody>
</table>

| Total Expenses    | $ 1,307,958 | $ 599,584 | $ 343,592 | $ 2,251,134 | $ 385,062 | $ 212,239 | $ 597,301 | $ 2,848,435 |

See independent auditor's report on additional information.