

The mission of the

Foundation for Teaching Economics

is to introduce young individuals,

selected for their leadership potential,

to an economic way of thinking about

national and international issues, and

to promote excellence in economic education

by helping teachers of economics become

more effective educators.



FTE AT A GLANCE

PROGRAMS	Number of Programs in 2006	Number of Students in 2006	Number of Teachers in 2006	Students Impacted Since 1991*
ECONOMICS AND LEADERSHIP One-week, residential programs where teachers learn how to use interactive approaches to teach economics and students are introduced to economics and leadership.	15	525	250	5,952,929
ECONOMIC FORCES IN AMERICAN HISTORY Six-day, residential, cross-curricular programs that show teachers how to integrate economics into American history courses.	6	—	270	4,136,670
THE ENVIRONMENT AND THE ECONOMY Four-day, residential, multi-disciplinary programs to demonstrate the use of economic analysis in addressing environmental issues.	15	—	375	3,228,444
IS CAPITALISM GOOD FOR THE POOR? In-service training programs where teachers learn how to use the FTE's 5-lesson unit focused on capitalism and poverty.	25	—	700	538,110
ONLINE COURSES Web-based professional development courses for teachers seeking to improve their knowledge of economics, and an accredited course for students.	4	—	100	296,730
OTHER PROGRAM OFFERINGS A variety of four-day, one-day and half-day programs that give teachers hands-on training in how to use FTE-developed lesson plans.	22	—	550	6,588,270
CENTRAL EUROPEAN PROGRAMS One-week, residential programs that provide students with economic and leadership training and that show economics teachers how to be more effective in teaching about capitalism.	5	120	170	565,000

FOUNDED

1975 as a 501(c)(3) nonprofit corporation

PURPOSE

To introduce young individuals, selected for their leadership potential, to an economic way of thinking about national and international issues, and to promote excellence in economic education by helping teachers of economics become more effective educators.

KEY PERSONNEL

William J. Hume, Chairman
 Gary M. Walton, President
 Board of Trustees: 15 members

WEBSITE

For detailed information about the FTE, including programs for students and resources for teachers, visit www.fte.org.

GEOGRAPHIC AREA SERVED

Programs are conducted nationwide and in Central Europe and draw participants from around the world.

PARTICIPANTS ARE SELECTED

Participants are selected with help from partner organizations.

COST

Programs are free. All room, board and materials are provided by the FTE.

FINANCES

- 2006 Budget: \$4.2 million
- Endowment Utilization: \$1.6 million
- Fundraising and Grants: \$2.6 million

PROFESSIONAL TEACHERS ASSOCIATION

- 3,600 members
- Frequent newsletters
- Ongoing support
- Annual professional development seminar

STUDENT ALUMNI TRACKING

- 5,115 members in Alumni Association
- Newsletter distributed every four months
- Three EFL Alumni Reunions in 2006

*estimated

LETTER FROM THE CHAIRMAN



Dear Friends, Colleagues, and Supporters,

The FTE is engaged in helping teachers do a better job of making economics understandable. We accomplish this by showing high school social studies teachers how to use enlightening lesson plans and simulations that make learning economics anything but dismal. Rather than defining correct answers, the FTE shows teachers how to empower their students with an economic way of thinking, so that they can make informed decisions about choices they will face.

Our numbers are impressive: in 2005, 616 students attended FTE leadership programs in the United States and in Central Europe; over the past 15 years, more than 13,000 teachers — who have taught more than 16,000,000 students — have attended professional development sessions. Technology is an increasingly important factor in how the FTE is reaching teachers, with our website supplying lesson plans (*7,000 hits per month*) and our online professional development programs impacting countries around the world.

Parents of students report remarkable changes in their children after attending an FTE program and teachers' feedback confirms the usefulness of FTE materials and lesson plans in their classrooms. The FTE continues to receive high praise from independent evaluators who measure program results and provide us with information about where we need to improve. The 2005 Evaluation & Supporting Data can be found on the FTE's website, www.fte.org.

During the year, The Gillette Company, a major contributor and FTE partner, was acquired by The Procter & Gamble Company, and I am pleased to report that funding from the combined companies will continue at the same level in 2006. Another significant development is HSBC-North America's commitment to fund all 15 of the FTE's Environmental programs in 2006. Many other contributors, who also understand the FTE's mission and recognize the return on their investment, made 2005 the best fundraising year in the FTE's history. These contributions will affect many students and will have far-reaching impacts.

Milton Friedman points out that capitalism is a necessary condition for political freedom, that political freedom and economic freedom go hand in hand. FTE programs, like "Is Capitalism Good for the Poor?", are giving teachers a better understanding of how free markets benefit society and giving them lesson plans to carry that message into their classrooms.

The case for economic education is not hard to make — well-informed citizens make better decisions and lead better lives. That is the goal of all FTE programs, and I invite you to look closely at our activities and the results described in the following pages.

Sincerely,

A handwritten signature in black ink that reads "William J. Hume". The signature is written in a cursive style and is underlined with a single horizontal stroke.

William J. Hume
Chairman

SYNERGY AT WORK



“The Delaware Council’s collaborative programs with the FTE are producing award-winning teachers, and I could not be more proud of our partnership and the results we are achieving together.”

Dr. Jim O’Neill
*President
Delaware Council on
Economic Education*



RATIONALE

It does not make sense for the FTE to duplicate the strengths and expertise of other organizations, especially if we can convince them to be partners in our projects. By partnering with others, the FTE leverages its own and the partners’ resources, and everyone’s impacts are extended.

FTE PARTNERSHIPS

U.S. PARTNERS

Alabama Council on Economic Education
Alaska Council on Economic Education
Arizona Council on Economic Education
Arkansas Council on Economic Education
Asset Builders of America, Inc.
California Association of School Economics Teachers
California Council on Economic Education
California Future Business Leaders of America
Capital Partners for Education
Center for Economic Education, University of Hawaii
Center for Economic Education,
University of Illinois at Chicago
Center for Economic Education, Temple University
Center for Economic Education, Virginia State University
Center for Entrepreneurship and Economic Education
Center for Market Processes
Center for Teacher Excellence
Cleveland Center for Economic Education Collegiate School
Colorado Council on Economic Education
Colorado Council for the Social Studies
Council on Economic Education in Maryland
Delaware Council on Economic Education
Distributive Education Clubs of America
East Central European Scholarship Program
Economic Education Council of Massachusetts
EconomicsAmerica of Michigan
Environmental Literacy Council
Equifax Consumer Education
Federal Reserve Bank of Boston
Federal Reserve Bank of Cleveland
Federal Reserve Bank of Dallas - Houston Office
Federal Reserve Bank of New York
Federal Reserve Bank of San Francisco
Florida Council on Economic Education
Fraser Institute
Future Business Leaders of America - Phi Beta Lambda, Inc.
GE Fund College Bound Program
Georgia Council on Economic Education
Greater Cincinnati Center for Economic Education
Hawaii Council on Economic Education
Hillsdale College
Horace Mann School
Hugh O'Brian Youth Foundation
Idaho Council on Economic Education
Illinois Council on Economic Education
Illinois CIBER
Indiana Council for Economic Education
Institute for Humane Studies
Junior Achievement
Junior Achievement International
Kansas Council on Economic Education
Kentucky Council on Economic Education
Louisiana Council for Economic Education
Maine Council on Economic Education
Maryland Council on Economic Education
Massachusetts Council on Economic Education
Miami Dade Community College Center for
Economic Education
Millikin University
Ministry of Education, Bahamas
Minnesota Council on Economic Education
Missouri Council on Economic Education

Montana Council on Economic Education
National Catholic Educational Association Secondary
School Department
National Council on Economic Education
National Foundation for Teaching Entrepreneurship
Nebraska Council on Economic Education
Nevada Council on Economic Education
New Mexico Council for Economic Education
New York State Council for Social Studies
North Carolina Council on Economic Education
Office of the Resident Commissioner of Puerto Rico
Oklahoma Council on Economic Education
Oregon Council on Economic Education
Pennsylvania Council on Economic Education
Political Economy Research Center
Rhode Island Council on Economic Education
Securities Industry Foundation for Economic Education
South Carolina Council on Economic Education
South Dakota Council on Economic Education
Texas Council on Economic Education
The National FFA Organization
United States Naval Sea Cadet Corps
The University of Texas, McCombs School of Business
University of Virginia Center for Politics
Utah Council on Economic Education
Vermont Council on Economic Education
Virginia Council on Economic Education
Washington Council on Economic Education
Wisconsin Council on Economic Education
Youth Entrepreneurship of Kansas

INTERNSHIP PARTNERS

Americans for Prosperity
Aspen Strategy Group
Aspen Communications & Society Program
Capital Research Center
The Cato Institute
Center for Equal Opportunity
Center for Immigration Studies
Citizens Against Government Waste
Community Preservation and Development Corporation
Competitive Enterprise Institute
Future Business Leaders of America - Phi Beta Lambda
The Heritage Foundation
The Hudson Institute
The Institute for Humane Studies
The Institute for Justice
National Taxpayers Union Foundation
The Pacific Research Institute
The Tax Foundation

EUROPEAN PARTNERS

American University in Bulgaria
Bulgarian Ministry of Education
Junior Achievement of Hungary
Junior Achievement of Romania
Liberal Institute (Czech Republic)
The F. A. Hayek Foundation (Slovakia)



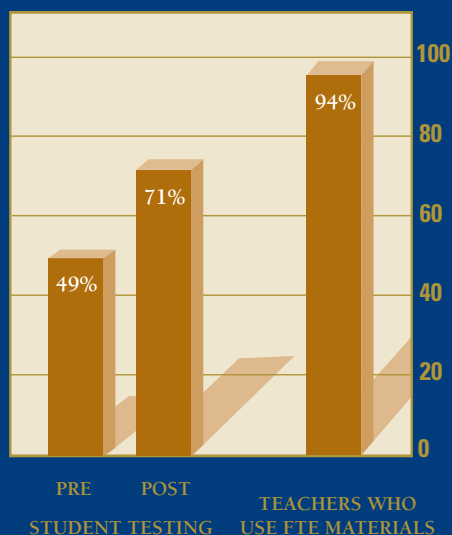
Dr. Dana L. Kelly (standing) and Dr. Ina V.S. Mullis (sitting), Independent Evaluators

MEASURING RESULTS

In 2005, Dr. Ina V. S. Mullis and Dr. Dana L. Kelly, authorities in measuring student learning, conducted in-depth evaluations of all FTE programs. The FTE uses this independent assessment to measure impacts and uncover program weaknesses.

Their 2005 report concludes:

"Consistent with past performance, FTE has delivered programs in economics education that have been given high marks and accolades from participating students and teachers. With an impressive set of programs addressing a range of issues in economics, and a stellar body of instructors and leadership staff, FTE continues to make a substantial impact on the teaching and learning of economics."



FTE PROGRAMS

ECONOMICS AND LEADERSHIP

One-week, residential programs where teachers learn how to use interactive approaches to teach economics and students are introduced to economics and leadership.

ECONOMIC FORCES IN AMERICAN HISTORY

Six-day, residential, cross-curricular programs that show teachers how to integrate economics into American history courses.

THE ENVIRONMENT AND THE ECONOMY

Four-day, residential, multi-disciplinary programs to demonstrate the use of economic analysis in addressing environmental issues.

IS CAPITALISM GOOD FOR THE POOR?

In-service training programs where teachers learn how to use the FTE's 5-lesson unit focused on capitalism and poverty.

ONLINE COURSES

Web-based professional development courses for teachers seeking to improve their knowledge of economics, and an accredited course for students.

OTHER PROGRAM OFFERINGS

A variety of four-day, one-day and half-day programs that give teachers hands-on training in how to use FTE-developed lesson plans.

CENTRAL EUROPEAN PROGRAMS

One-week, residential programs that provide students with economic and leadership training and that show economics teachers how to be more effective in teaching about capitalism.

INTERNSHIPS FOR LEADERS

Eight-week internships for FTE alumni at nonprofit organizations in Washington, DC and San Francisco, CA.



IMPACT IN THE CLASSROOM

RATIONALE

An understanding of economics provides knowledge that is indispensable in making political decisions, and it behooves us to educate the next generation of voters with an economic way of thinking if America is to remain a great country.

Economics and Leadership programs promote an understanding of market economies by giving teachers resources they need and giving students training that will serve them well.

ECONOMICS AND LEADERSHIP

PROGRAM DESCRIPTION

These week-long, residential programs provide high school students and teachers with economic and leadership training. Teachers observe classes in which master instructors engage students in learning through experiential activities. Teachers then discuss ways to incorporate FTE materials and teaching methods into their own classrooms. Students learn how to apply economic principles in leadership situations.

SUPPLY & DEMAND

- 15 Economics and Leadership programs will be offered in 2006
- High school students with leadership potential compete for 30 openings at each program
- Partner organizations will help recruit 25 teachers to each program
- 723 students and teachers attended these programs last year

BENEFITS & COSTS

- Meets teachers' continuing education requirements with graduate-level credit
- Teachers receive valuable classroom materials and improve their understanding of market economics
- Students have a fun-filled week while gaining an economic way of thinking and useful leadership skills
- Cost to the FTE: \$66,000 per program
- Cost to participants: none

MORE INFORMATION: www.fte.org/teachers/programs





EXPLAINING THE PAST

RATIONALE

If students are truly to understand the past, teachers of American history need to include explanations of economic forces that have caused changes in our society.

The FTE's Economic Forces in American History programs offer social studies teachers professional development courses where they can learn how to use lesson plans that apply economic analysis to important events in our country's history.

ECONOMIC FORCES IN AMERICAN HISTORY

PROGRAM DESCRIPTION

These six-day, residential, cross-curricular programs help teachers incorporate economic reasoning into their high school American history courses. Program instructors provide economic explanations of pivotal historical events. Teachers learn how to use simulations based on historical circumstances — allowing students to relive history, rather than just hear or read about the past.

Topics include: *immigration; rise of big government; causes of the Great Depression; the New Deal; and many more.*

SUPPLY & DEMAND


- 6 EFIAH programs will be offered in 2006 with openings for 270 teachers
- Partner organizations will help market the programs, ensuring large numbers of applicants

BENEFITS & COSTS

- Meets teachers' continuing education requirements with graduate-level credit
- Teachers become more effective teachers of American history
- Teachers receive valuable classroom materials and improve their understanding of market economics
- Cost to the FTE: \$60,000 per program
- Cost to participants: none

MORE INFORMATION: www.fte.org/teachers/programs





MYTHS VS REALITY

RATIONALE

Environmental issues often make attention-grabbing headlines. Due to this publicity, they make wonderful “teaching opportunities” for classroom teachers.

The Environment and the Economy programs are successful because the FTE takes headlines and turns them into well-thought-out lesson plans, supported by background research — and then shows teachers how to use economics to solve thorny environmental problems.

THE ENVIRONMENT AND THE ECONOMY

PROGRAM DESCRIPTION

During these four-day, residential programs, teachers learn how to use environmental issues as vehicles to teach economic principles. Instructors demonstrate strategies for applying economic reasoning to solve common environmental problems, and attendees learn how to use lesson plans that involve students through the use of games and simulations. One day of the program is devoted to a field trip, where teachers get a first-hand look at an environmentally challenging situation.

SUPPLY & DEMAND


- 15 E&E programs will be conducted in 2006; funded by HSBC-North America
- Partner organizations will cooperate in recruiting 30 teachers to each program
- 294 teachers attended these programs last year

BENEFITS & COSTS

- Meets teachers' continuing education requirements with graduate-level credit
- Teachers receive classroom-ready lesson plans that are fun for students
- Turns current issues into teaching opportunities
- Cost to the FTE: \$32,000 per program
- Cost to participants: none

MORE INFORMATION: www.fte.org/teachers/programs





HIGH-QUALITY LESSONS

RATIONALE

Teachers want classroom materials that are easy to use, cover the content, meet current standards, and are effective in helping students learn.

*In response, the FTE provides teachers with high-quality lesson plans — and background materials and training to go with them. The most recent lesson unit, *Is Capitalism Good for the Poor?*, uses economic reasoning to analyze the impact of capitalist institutions on the well-being of the world's poor.*

IS CAPITALISM GOOD FOR THE POOR?

PROGRAM DESCRIPTION

Over the course of 30 years, the FTE has created a variety of classroom-ready economic education materials to help high school teachers do a better job of teaching students to be productive and informed citizens. The FTE's unit, *Is Capitalism Good for the Poor?*, goes to the heart of a widely held belief that capitalism is flawed because it is not fair — especially, that capitalism is not fair to the poor. The unit explains how capitalism fosters freedom, material well-being and cooperation in society, and how capitalism has been good for the poor.

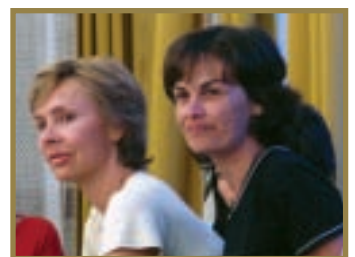
SUPPLY & DEMAND

- The lesson unit is available in CD/DVD format
- Distributed free to social studies teachers, to schools of education, to other economic education organizations, to international educational institutions, and to textbook writers
- In 2006, the FTE will conduct 25 in-service training workshops to introduce the unit to teachers
- 2,300 teachers have requested copies of the unit

BENEFITS & COSTS

- Teachers receive a well-researched, fully documented, ready-to-use set of lessons that address an emotionally charged issue
- Cost to the FTE: \$805,000
- Cost of the unit for teachers or at workshops: none

MORE INFORMATION: www.fte.org/teachers/programs





REACHING OUT INTERNET COURSES

RATIONALE

Many teachers are attracted to the convenience of "distance education" to meet their continuing education requirements.

In response, the FTE is becoming more virtual, offering Internet-based courses that allow economics teachers to "attend" the best of the FTE's programs from home. The FTE is able to go to teachers who might never be able to come to us — saving both time and money.

ONLINE COURSES

PROGRAM DESCRIPTION

Teachers are under pressure to become adept at including Internet sources of information and technology-based teaching strategies in their classrooms. The FTE's online programs serve two purposes: (1) professional development (*with university-level credit*) for high school teachers, and (2) practice and familiarity with computer-based learning systems. Because there are no other professional development courses designed for high school economics teachers and accredited with graduate-level credit, the FTE's Economics Online Courses for Teachers® are unique.

SUPPLY & DEMAND

- 4 online courses will be offered in 2006
- The FTE markets these courses aggressively through its network of partners
- 108 teachers from around the world enrolled in online programs in 2005

BENEFITS & COSTS

- Meets teachers' continuing education requirements with graduate-level credit
- Teachers take the course at their own pace
- No travel, no classroom
- Cost to the FTE: \$5,000 per program
- Cost to participants: none

MORE INFORMATION: www.fte.org/teachers/programs





TEACHING THE TEACHERS

RATIONALE

One size does not fit all.

*Realizing that different teachers have different needs, the FTE offers a variety of other programs that show teachers how to use FTE-developed materials in their classrooms. Some are after-school, in-service seminars; others are longer residential programs that focus on a particular topic. As an example, *The Right Start in Teaching Economics* four-day residential program targets new teachers.*

OTHER PROGRAM OFFERINGS

PROGRAM DESCRIPTION

The FTE is constantly developing lesson plans that reflect current events so that teachers will have a better chance of keeping their students' attention. Whether it is explaining why the economy of the Soviet Union collapsed; examining the economics of international trade; or using the issue of water rights to help teach about incentives, opportunity cost, property rights, marginal costs and benefits, and public choice, FTE seminars and materials provide teachers with background information, real-world examples, and classroom activities.

SUPPLY & DEMAND

- 22 other programs will be conducted by the FTE in 2006
- New topics and new programs are continually being developed
- All programs are in response to teacher suggestions or requests
- 571 teachers attended these programs in 2005

BENEFITS & COSTS

- Resources that make teachers more effective
- Sound, market-based materials
- Teachers receive classroom-ready lesson plans that are fun for students
- Cost to the FTE: varies, depending on the program
- Cost to participants: none

MORE INFORMATION: www.fte.org/teachers/programs



CENTRAL EUROPEAN PROGRAMS

PROGRAM DESCRIPTION

Countries in Central Europe are forging ahead with economic reforms, restructuring their trading partnerships, and adjusting government institutions to accommodate free markets. FTE programs are helping teachers and students in Bulgaria, the Czech Republic, Hungary, Romania and Slovakia understand the economic principles that will make those changes work.

SUPPLY & DEMAND

- 5 programs will be offered in 2006
- High school students with leadership potential compete for 30 openings at each program
- In-country partners recruit 30 teachers to each program
- In 2005, all five programs were over-subscribed

BENEFITS & COSTS

- Teachers receive valuable classroom materials and improve their understanding of market economics
- Students have a fun-filled week while gaining economic insights and useful leadership skills
- Cost to the FTE: \$50,000 per program
- Cost to participants: none

MORE INFORMATION: www.fte.org/centraleurope

RATIONALE

Experience shows that FTE programs and materials are just as effective for teachers in the countries of Central Europe as they are for teachers in the United States.

INTERNSHIPS FOR LEADERS



PROGRAM DESCRIPTION

The FTE arranges eight-week (Jul-Aug) internships at nonprofit organizations in Washington, DC and San Francisco, CA. FTE alumni in college are eligible to apply. Competition for the openings is fierce because the internships are at prestigious organizations. In addition, the interns take part in “advanced” leadership training in a non-academic setting.

SUPPLY & DEMAND

- 24 internships will be offered in 2006
- 1,625 FTE alumni in college are eligible for the 2006 openings
- Applications exceed openings

BENEFITS & COSTS

- A unique summer job for FTE alumni in college
- Special leadership training sessions
- A weekly speaker series
- A \$2,000 stipend for each intern
- Cost to the FTE: \$4,400 per internship
- Cost to the interns: none

MORE INFORMATION: www.fte.org/students/alumni

RATIONALE

The FTE is committed to maintaining close ties with its student alumni, and one way to accomplish this is by providing ongoing opportunities to study economics or further hone leadership skills. An example of those opportunities is the FTE’s internship program.



SUPPORT FOR TEACHERS

TEACHERS ASSOCIATION

The Foundation for Teaching Economics supports a 3,600-member Professional Teachers Association.

The Association facilitates the exchange of ideas and provides members with important and timely information that classroom teachers need. Members are able to count on the FTE not simply as the sponsor of “a program I attended,” but rather as a committed, ongoing partner in improving economics instruction and professional development for educators.

ONLINE SUPPORT

The number of exemplary lesson plans on the FTE’s website continues to grow. Any teacher can access the materials, with rights granted to reproduce them.

If teachers need help with the lesson plans or concepts presented at FTE programs, they can post questions and receive answers quickly on the FTE’s bulletin board. Student alumni have their own FTE-sponsored bulletin board to maintain contact and find information on events and programs offered by the FTE and its partners.

CONTRIBUTORS IN 2005

\$50,000 +

Anonymous
Citigroup Foundation
The Gillette Company
HSBC - North America
William J. and Patricia B. Hume Fund
The Burton D. Morgan Foundation
John Templeton Foundation

\$10,000 +

Rose-Marie and Jack R. Anderson
Foundation
S. D. Bechtel, Jr. Foundation
Russell L. Carson
D&DF Foundation
Carl and Judy Ferenbach
John and Mary Franklin Foundation
Walter Lantz Foundation
The Ambrose Monell Foundation
M. J. Murdock Charitable Trust
Dan Murphy Foundation
PACCAR Foundation
Raleigh L. Shaklee
The Cortopassi Institute
The Towbes Foundation
The Whitehead Foundation

\$5,000 +

Anonymous
The Anschutz Foundation
The Armstrong Foundation
Costco Wholesale
First Data Western Union Foundation
The Fluor Foundation
Goldman, Sachs & Company
Mr. and Mrs. Robert M. Hart
Hawley Family Foundation
The Hershey Company
George H. and Leslie P. Hume
Northrop Grumman Corporation
G. F. Ohrstrom
Edwin A. Seipp, Jr.
Jack B. St. Clair
Mrs. Alfred Wilsey, Sr.
William and Diane Zuendt

\$1,000 +

Anonymous
CHS Foundation
The Grey Family Foundation
Ted W. and Ladislas L. Hall Fund
Hillcrest Foundation, founded by
Mrs. W. W. Caruth, Sr.
Mrs. Jaquelin H. Hume
Jay Jacobs and Liz Hume
The Franklin and Catherine
Johnson Foundation
Donald H. Keltner
Laural Foundation
The David E. Maguire Foundation Inc.
The Joseph Meyerhoff Fund
Milken Family Foundation
William J. Moloney
Nancy B. Munger
Don and Liz Raiff
The Roe Foundation
Shenandoah Foundation
Douglas Wheeler
Liz and Chris Wright
Marcia and Paul Wythes

Contributions go entirely to support actual program expenses. All of the administrative, overhead and fundraising costs of the FTE are paid for by income from an endowment.

CONTRIBUTORS IN 2005

\$500 +

Gary and Susan Conway
Keith H. Erdman
Pamela Slaten and Price Fishback
Garvey Kansas Foundation
Edward A. Landry
Chase J. McAllister
Dr. Richard Sylla
Dr. Herbert J. Walberg
Pierluigi Zappacosta and
Enrica D'Ettore

\$100 +

Angie Avlonitis *
Mike and Elaine Bacsa *
LTJG Matthew S. Bailey *
Parents of Andrew Ball *
Stephen G. Besold *
Susan Buchanan *
Paul W. Chapman *
Gregory M. Claus *
Jack Couch *
Pat and Linton Deck
Matt and Jane DeLorenzo *
Gregory C. Donadio *
Dr. Chester E. Finn, Jr.
Kenneth and Mary Fitzpatrick *
Christopher and Michele Ford *
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Granite Construction Incorporated
Mr. and Mrs. Louis Hajas *
Josephine G. Hardin
Michael and Lori Height *
Sydney and Forrest Hicks
Jim Klauder
Paul Kochanowski *
The Edward A. & Catherine L. Lozick
Foundation
Iver Lyche
Kathy and Richard Marshall

Jeff McLean *
Mr. and Mrs. Scott McLeod *
Virginia Meachum *
Warren D. Miller
Ara and Ronnie Moomjian *
Chris Mumford
Andrew Munoz *
Ravi Patel *
Richard H. Peterson
Alvan Rosenberg
Donald R. Saul, Jr. *
Scottish Rite Bodies Valley of Santa Barbara
Wayne L. Smith *
George Thornton *
Jeff and Maria Upperman *
Jennifer Hardee Vanasse *
John Vilcheck *
Art Woolf *

\$99 -

28 individuals made a contribution of less than \$100.

Many program participants made a contribution to the FTE in 2005. They are marked with an *.

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of the Foundation for Teaching Economics
Davis, California

We have audited the accompanying statements of financial position of the Foundation for Teaching Economics (the "Foundation") as of December 31, 2005 and 2004, and the related statements of activities and changes in net assets and of cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of the Foundation for Teaching Economics as of December 31, 2005 and 2004, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.



February 21, 2006

FOUNDATION FOR TEACHING ECONOMICS

STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2005 and 2004

ASSETS	2005	2004
CASH AND CASH EQUIVALENTS	\$ 751,813	\$ 644,243
CONTRIBUTIONS RECEIVABLE	551,455	71,663
INVESTMENTS:		
Readily marketable—at fair value	12,019,299	9,692,053
Nonreadily marketable—at cost	<u>281,316</u>	<u>503,526</u>
Total investments	12,300,615	10,195,579
PREPAIDS AND OTHER ASSETS	80,934	75,811
FURNITURE AND EQUIPMENT—Net	<u>70,113</u>	<u>55,826</u>
TOTAL ASSETS	\$ 13,754,930	\$ 11,043,122
LIABILITIES AND NET ASSETS		
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	\$ 160,479	\$ 193,483
CAPITAL LEASE OBLIGATIONS	<u>41,931</u>	<u>21,235</u>
TOTAL LIABILITIES	202,410	214,718
NET ASSETS		
UNRESTRICTED		
Operating	707,654	558,858
Board-designated endowment	<u>12,309,866</u>	<u>10,202,546</u>
Total unrestricted net assets	13,017,520	10,761,404
TEMPORARILY RESTRICTED	<u>535,000</u>	<u>67,000</u>
Total net assets	<u>13,552,520</u>	<u>10,828,404</u>
TOTAL LIABILITIES AND NET ASSETS	\$ 13,754,930	\$ 11,043,122

See notes to the financial statements.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2005 and 2004

	2005			2004	
	<i>Unrestricted</i>		<i>Temporarily Restricted</i>	Total	Total
	Operating	Board-Designated Endowment			
REVENUES AND SUPPORT:					
Contributions and promises to give	\$ 813,348	\$	\$ 1,698,985	\$ 2,512,333	\$ 1,956,889
Program income	73,774			73,774	64,700
Dividend income	600,851			600,851	633,230
Interest and other income	561			561	2,056
Net unrealized and realized gain on investments		3,926,463		3,926,463	6,309,198
Net assets released from restriction	1,230,985		(1,230,985)		
Total revenue and support	2,719,519	3,926,463	468,000	7,113,982	8,966,073
EXPENSES:					
Educational programs	3,155,028			3,155,028	3,130,167
Management and general	922,330			922,330	294,732
Public affairs and development	312,508			312,508	320,416
Total expenses	4,389,866			4,389,866	3,745,315
CHANGE IN NET ASSETS FROM OPERATING ACTIVITIES	(1,670,347)	3,926,463	468,000	2,724,116	5,220,758
TRANSFERS	1,819,143	(1,819,143)			
NET ASSETS—Beginning of year	558,858	10,202,546	67,000	10,828,404	5,607,646
NET ASSETS—End of year	\$ 707,654	\$12,309,866	\$ 535,000	\$ 13,552,520	\$10,828,404

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2005 and 2004

	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets from operating activities	\$ 2,724,116	\$ 5,220,758
Adjustments to reconcile to net cash provided by (used) in operating activities:		
Depreciation	28,383	27,925
Net unrealized and realized gain on investments	(3,926,463)	(6,309,198)
Changes in assets and liabilities:		
Contributions receivables	(479,792)	17,466
Prepays and other assets	(5,123)	1,100
Accounts payable and accrued liabilities	(33,004)	41,759
Net cash used in operating activities	(1,691,883)	(1,000,192)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of equipment	(9,970)	(15,030)
Purchase of investments	(4,089,891)	(6,682,418)
Proceeds from sale of investments	5,911,318	7,611,459
Net cash provided by investing activities	1,811,457	914,011
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on capital lease	(12,004)	(11,255)
NET DECREASE IN CASH AND CASH EQUIVALENTS	107,570	(97,436)
CASH AND CASH EQUIVALENTS—Beginning of year	644,243	741,679
CASH AND CASH EQUIVALENTS—End of year	\$ 751,813	\$ 644,243
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for interest	\$ 2,663	\$ 2,613
Cash paid for income tax	\$ 678,006	\$ 51,581
NONCASH TRANSACTION:		
Acquisition assets under capital lease	\$ 32,700	\$ -

See notes to the financial statements.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2005 and 2004

1. SIGNIFICANT ACCOUNTING POLICIES

Organization – The Foundation for Teaching Economics (the “FTE”) is a not-for-profit entity organized for the purpose of introducing young individuals, selected for their leadership potential, to an economic way of thinking about national and international issues and to promote excellence in economic education by helping teachers of economics become more effective educators.

Basis of Presentation – The accompanying financial statements are prepared on the accrual basis of accounting. Accordingly, revenues are recognized when earned and expenses are recognized when incurred. The financial statements are presented on the basis of unrestricted, temporarily restricted, and permanently restricted net assets. As of December 31, 2005 and 2004, the Foundation had no permanently restricted net assets. Temporarily restricted and unrestricted operating net assets represent expendable net assets that are available for support of the FTE operations. Temporarily restricted net assets represent contributions and promises to give that are designated for future periods or restricted by the donor for specific purposes. Temporarily restricted net assets were released from restriction in 2005 and 2004, primarily through the expenditure of funds for purposes which fulfilled donor-imposed restrictions. Promises to give are recorded as contributions revenue and contributions receivable in the period in which the promise is received.

Board-designated endowment net assets represent unrestricted assets that are subject to self-imposed or Executive Committee-designated restrictions of gift instruments. During 1986, the primary donor of endowment assets placed the authority for determining future use of the endowment assets with the Executive Committee of the FTE.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Cash and Cash Equivalents – Cash and cash equivalents include all investments with maturities at the time of purchase of three months or less.

Furniture and Equipment – Furniture and computer equipment are stated at cost. Depreciation on furniture and equipment is computed using the straight-line method over estimated useful lives of five years.

Contributions Receivable – Contributions receivable consist of unconditional promises to give. All contributions receivable recorded at December 31, 2005 and 2004, were expected to be collected within one year. Conditional promises to give are not included as support until the conditions are substantially met.

Investments – All debt and equity securities with readily determinable fair values are carried at estimated fair value, using quoted market prices. Other investments, such as an equity investment in a closely-held private company, are stated at cost. Investments received through gifts are recorded at estimated fair value at the date of donation. Gains and losses that result from market fluctuations are recognized in the period such fluctuations occur. Investments consist of common stock and mutual funds. There is no public market for the common stock. The issuing company of the common stock has redeemed such securities from time to time based on its net book value at redemption, but this entity is not obligated to redeem the securities held by the FTE. The contributed stock was recorded at their fair market value as of the contribution date. This investment is currently recorded at historical cost, less adjustments for stock redeemed. Dividends received from this investment are recorded as investment income. A member of the Executive Committee of the FTE is a director of this company in which the FTE has a material investment.

Income Tax Status – The FTE is a not-for-profit corporation, exempt from federal and state income taxes under Internal Revenue Service Code Section 501(c)(3). The FTE is, however, subject to unrelated business income taxes on any income generated from operations not related to its exempt purpose, primarily income generated by the FTE’s share of earnings on its investment in limited partnership units. The FTE’s income tax expense included in management and general expense for the year ended December 31, 2005 and 2004, amounted to \$678,006 and \$51,581, respectively, which resulted from the sale of the FTE’s limited partnership investment.

Reclassifications – Certain reclassifications have been made to the 2004 financial statement amounts to conform with the 2005 financial statement presentation.

2. INVESTMENTS

In 2005, the FTE redeemed 26,708 shares of Class C Common Stock of Basic American, Inc., realizing a gain of \$3,777,847. During 2004, FTE realized a gain of \$3,765,940 on the redemption of 29,135 shares of Class C Common Stock of Basic American, Inc. In addition, the FTE sold a limited partnership interest in BAF Energy, Inc., realizing a gain of \$1,879,648.

Investments at December 31, 2005 consisted of the following:

	Carrying Value	Estimated Market Value (Unaudited)
Readily marketable:		
Mutual funds	\$ 12,019,299	\$ 12,019,299
Nonreadily marketable:		
Common stock	281,316	5,064,023
Total	\$ 12,300,615	\$ 17,083,322

Investments at December 31, 2004 consisted of the following:

	Carrying Value	Estimated Market Value (Unaudited)
Readily marketable:		
Mutual funds	\$ 9,692,053	\$ 9,692,053
Nonreadily marketable:		
Common stock	503,526	8,326,342
Total	\$ 10,195,579	\$ 18,018,395

Net unrealized and realized gain on investments included in the accompanying statement of activities and changes in net assets for the years ended December 31, 2005 and 2004, consist of the following:

	2005	2004
Net unrealized gain	\$ 23,402	\$ 663,693
Net realized gain	3,903,061	5,645,505
	\$ 3,926,463	\$ 6,309,198

3. FURNITURE AND EQUIPMENT

Furniture and equipment at December 31, 2005 and 2004, consist of the following:

	2005	2004
Furniture and fixtures	\$ 173,729	\$ 165,181
Computer equipment	153,865	145,203
Total	327,594	310,384
Less accumulated depreciation	(27,481)	(254,559)
Net property and equipment	\$ 70,113	\$ 55,826

4. LEASES

The FTE is obligated under capital and noncancelable operating leases for office equipment and an office facility. Total rent expense for operating leases was \$72,117 and \$70,331 for the years ended December 31, 2005 and 2004, respectively. Future minimum payments on capital and operating leases as of December 31, 2005, are as follows:

	Operating Leases	Capital Leases
Year ending December 31:		
2006	\$ 69,841	\$ 15,442
2007	71,477	12,661
2008	73,149	8,339
2009	65,310	7,827
2010		3,987
Minimum lease payments	\$ 279,777	48,256
Less: amount representing interest		(6,325)
Capital lease obligation		\$ 41,931

Furniture and fixtures under capital lease arrangements had a net book value of \$39,669 as of December 31, 2005, net of accumulated depreciation of \$23,248.

FTE STAFF



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JEANE McNAMARA
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Director of Curriculum Development



DON FELL
Program Director

2006 PROGRAM DATES

GILLETTE ECONOMICS FOR LEADERS

Austin, TX	June 18-25
Williamsburg, VA	June 25-July 2
San Juan, PR	June 25-July 2
Ithaca, NY	July 9-16
Decatur, IL	July 9-16
Hillsdale, MI	July 16-23
San Francisco, CA	July 16-23
Claremont, CA	July 23-30
Boston, MA	July 30-August 6
Vancouver, BC	August 6-13

FTE LEADERS

Wooster, OH	June 18-25
Wooster, OH	June 25-July 2
Ithaca, NY	July 2-9
Claremont, CA	July 30-August 6
Boston, MA	July 30-August 6

ECONOMIC FORCES IN AMERICAN HISTORY

Wooster, OH	June 19-23
Honolulu, HI	June 26-July 1
Newark, DE	July 3-7
Charleston, SC	July 10-15
New York, NY	July 11-14
Las Vegas, NV	July 24-29

HSBC INSTITUTE ENVIRONMENT AND THE ECONOMY

Brentwood, TN	January 28-31
San Juan, PR	February 4-7
Virginia Beach, VA	March 18-21
Lake Louise, Alberta	April 22-25
Harrisburg, PA	April 29-May 2
Spearfish, SD	June 7-10
Saint Charles, IL	June 14-17
Whistler, BC	July 8-11
Breckenridge, CO	July 22-25
Woodstock, VT	August 5-8
Bass Lake, CA	September 23-26
Tucson, AZ	September 30-October 2
Maui, HI	October 14-17
Zion, UT	October 22-25
Hilton Head, SC	November 11-14

OTHER PROGRAM OFFERINGS

See the FTE website at www.fte.org for all schedules.



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