Foundation for Teaching Economics

Financial Report
December 31, 2014

Contents

McGladrey

Independent Auditor's Report

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

Report on the Financial Statements
We have audited the accompanying financial statements of Foundation for Teaching Economics (the Foundation), which comprise the statement of financial position as of December 31, 2014, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Foundation for Teaching Economics as of December 31, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

McGladrey LLP

Gaithersburg, Maryland
June 1, 2015

Foundation for Teaching Economics

Statement of Financial Position
December 31, 2014

Assets		
Cash	$	1,127,237
Investments		65,029
Accounts Receivable		22,697
Contributions Receivable		414,536
Prepaid Expenses and Deposits		51,200
Furniture and Equipment, Net		23,823
	$	1,704,522
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	$	280,196
Capital lease obligations		6,848
		287,044
Commitments (Note 6)		
Net Assets		
Unrestricted		989,711
Temporarily restricted		427,767
		1,417,478
	$	1,704,522

See Notes to Financial Statements.

Foundation for Teaching Economics

Statement of Activities
Year Ended December 31, 2014

	Unrestricted	Temporarily Restricted	Total
Revenues and Support			
Contributions	$ 2,091,546	$ 546,267	$ 2,637,813
Program income	488,328	-	488,328
Investment income	1,591	-	1,591
Net assets released from restrictions	398,800	(398,800)	-
Total revenues and support	2,980,265	147,467	3,127,732
Expenses			
Educational programs	2,043,938	-	2,043,938
Management and general	312,726	-	312,726
Public affairs and development	300,607	-	300,607
Total expenses	2,657,271	-	2,657,271
Change in net assets	322,994	147,467	470,461
Net Assets			
Beginning	666,717	280,300	947,017
Ending	$ 989,711	$ 427,767	$ 1,417,478

See Notes to Financial Statements.

Foundation for Teaching Economics

Statement of Cash Flows
Year Ended December 31, 2014

Cash Flows From Operating Activities		
Change in net assets	$	470,461
Reconciliation of change in net assets to net cash provided by operating activities:		
Depreciation		15,630
Net unrealized and realized gain on investments		(1,170)
Changes in assets and liabilities:		
Decrease in:		
Accounts receivable		7,189
Contributions receivable		309,464
Prepaid expenses and deposits		8,284
Increase in:		
Accounts payable and accrued expenses		27,767
Net cash provided by operating activities		837,625
Cash Flows From Investing Activities		
Purchase of equipment		(6,710)
Purchase of investments		(42,394)
Net cash used in investing activities		(49,104)
Cash Flows From Financing Activities		
Payments on capital lease		(12,010)
Net cash used in financing activities		(12,010)
Net increase in cash		776,511
Cash		
Beginning		350,726
Ending	$	1,127,237
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest	$	1,075

See Notes to Financial Statements.

Note 1. Nature of Activities and Significant Accounting Policies

Nature of activities: The Foundation for Teaching Economics (the Foundation) 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.

A summary of the Foundation's significant accounting policies follows:

Basis of accounting: The financial statements are prepared on the accrual basis of accounting, whereby revenue is recognized when earned and expenses are recognized when incurred.

Basis of presentation: The accompanying financial statement presentation follows the recommendations under the Not-for-Profit Entities Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). Under this ASC, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. As of December 31, 2014, the Foundation had no permanently restricted net assets.

Unrestricted net assets are the net assets that are neither permanently restricted nor temporarily restricted by donor-imposed stipulations.

Temporarily restricted net assets result from contributions whose use is limited by donor-imposed stipulations that either expire by the passage of time or can be fulfilled and removed by actions of the Foundation pursuant to those stipulations. Net assets may be temporarily restricted for various purposes, such as use in future periods or use for specified purposes.

Financial risk: The Foundation maintains its cash in bank deposit accounts, which, at times, may exceed federally insured limits. The Foundation has not experienced any losses in such accounts and believes the Foundation is not exposed to any significant risk related to cash.

The Foundation invests in professionally managed portfolio that contains money market funds and common stocks. Such investments are exposed to various risks, such as interest rate, market and credit. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term could materially affect investment balances and the amounts reported in the financial statements.

Contributions receivable: Contributions receivable consist of unconditional promises to give, primarily from private foundation grants. These are carried at original amount pledged less an estimate made for doubtful promises based on a review of all outstanding pledges on an annual basis. The Foundation’s contributions receivable are due in the next year. Management determines the allowance for doubtful accounts by regularly evaluating individual promises to give and considering history of donors and proven collectability of past donations. Contributions receivable are written off when deemed uncollectible. Recoveries of previously written-off contributions receivable are recorded when received. Contributions receivable totaling $414,536 were collected in 2015.

Note 1. Nature of Business and Significant Accounting Policies (Continued)

Investments: Investments in marketable securities are reflected at their fair market value (based on closing values at 4 p.m. Eastern Time on the last trading day of the fiscal year). To adjust the carrying value of these investments, realized and unrealized gains and losses are recorded as realized and unrealized gains on investments in the statement of activities.

Furniture and equipment: Furniture and computer equipment is stated at cost. The Foundation capitalizes all expenditures for furniture and equipment in excess of $500. Depreciation is computed using the straight-line method over estimated five-year useful lives.

Revenue recognition: Contributions received and unconditional promises to give are measured at their fair values and are reported as increases in unrestricted, temporarily restricted, or permanently restricted net assets, according to donor stipulations.

Income taxes: The Foundation is generally exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code. In addition, the Foundation qualifies for charitable contribution deductions and has been classified as an organization that is not a private foundation. Income that is not related to exempt purposes, less applicable deductions, is subject to federal and state corporate income taxes. The Foundation did not have any significant net unrelated business income for the year ended December 31, 2014.

The Foundation follows the accounting standard on accounting for uncertainty in income taxes, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, the Association may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The guidance on accounting for uncertainty in income taxes also addresses de-recognition, classification, interest and penalties on income taxes, and accounting in interim periods.

Management evaluated the Foundation's tax positions and concluded that the Foundation has taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance. Generally, the Foundation is no longer subject to income tax examinations by the U.S. federal, state, or local tax authorities for years before 2011.

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

Use of estimates: The preparation of financial statements 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent events: The Foundation evaluated subsequent events through June 1, 2015, which is the date the financial statements were available to be issued.

Note 2. Foundation for Teaching Economics Fund

On September 1, 2012, the Foundation entered into an acquisition agreement with The Fund for American Studies (TFAS), and the Jaquelin Home Foundation (JHF) effective January 1, 2013. Under the terms of the agreement, the Foundation has amended its bylaws, effective January 1, 2013, to designate TFAS as the sole member of the Foundation and to empower JHF to designate one Trustee. The agreement provides for the continuation of the mission of the Foundation under the control of TFAS with funding by JHF. In accordance with the agreement, during 2013 the Foundation transferred a significant portion of its investments to JHF to be held as the Foundation for Teaching Economics Fund (the Fund).

As part of the acquisition agreement, the Foundation transferred investments with a fair value of $5,486,510 to JHF in March 2013, with the understanding that the income and principal pertaining to these assets would be distributed to the Foundation annually based on a budget provided by the Foundation. The Fund is to be used exclusively to support the Foundation's programs so long as TFAS carries out these programs in a manner consistent with the Foundation's mission. Because JHF maintains variance powers over these funds and has final discretion over distributions to the Foundation, the Foundation has accounted for the transfer as a contribution to JHF in its statement of activities for the year ended December 31, 2013. The Foundation recognized distributions from the Fund totaling $1,533,588 during 2014, which are included in contributions in the statement of activities.

Note 3. Investments and Fair Value Measurements

Investments consist of the following at December 31, 2014:

Money market	$ 41,850
Common stock	23,179
	$ 65,029

The Fair Value Measurement Topic of the Codification establishes a fair value hierarchy that is based on the valuation inputs used in the fair value measurements. The topic requires that assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1 Quoted market prices in active markets for identical assets or liabilities.

Level 2 Observable market-based inputs or unobservable inputs corroborated by market data.

Level 3 Unobservable inputs that are not corroborated by market data.

In determining the appropriate levels, the Foundation performs a detailed analysis of the assets that are subject to the Fair Value Measurement Topic. Investments in common stocks are classified as Level 1 instruments, as they are publicly traded on public exchanges.

Note. 3 Investments and Fair Value Measurements (Continued)

The table below reconciles total investments at December 31, 2014:

Investments at cost	$	41,850
Investment at fair value		23,179
	$	65,029

Note 4. Furniture and Equipment

Furniture and equipment consist of the following at December 31, 2014:

Furniture and equipment	$	93,544
Computer equipment		77,147
		170,691
Less accumulated depreciation		(146,868)
	$	23,823

Included in the furniture and equipment amounts presented above at December 31, 2014, are equipment acquired under capital leases with a net book value of $6,848. Depreciation expense for the year ended December 31, 2014, was $15,630.

Note 5. Net Assets

Net assets of $398,800 were released from restrictions during the year ended December 31, 2014, due to the expiration of time restrictions or satisfaction of purposes, or by the occurrence of other events, as specified by the donors.

Temporarily restricted net assets consist of the following at December 31, 2014:

Economics for Leaders	$	397,767
Foundation for Teaching Economics Programs		25,000
Environment and the Economy		5,000
	$	427,767

Note 6. Lease Obligations

The Foundation is obligated under a non-cancelable operating lease agreement for its office facility and capital leases for office equipment. Total rent expense for the facility was approximately $51,500 for the year ended December 31, 2014. Future minimum payments under such lease agreements are as follows:

Year Ending December 31,	Operating Lease	Capital Leases
2015	$ 48,026	$ 7,000
Minimum lease payments	$ 48,026	7,000
Less amount representing interest		(152)
Capital lease obligation		$ 6,848

Note 7. Retirement Plan

The Foundation maintains a retirement plan (the Plan) under Internal Revenue Code Section 403(b), that is available to all active employees. The Foundation contributes to the Plan at a rate of 10% of the employee's total compensation. Total contributions to the Plan charged to expense were $49,077 for the year ended December 31, 2014.

Note 8. Related Party Transactions

During the year ended December 31, 2014, TFAS provided certain administrative support to the Foundation in the amount of $69,945. TFAS billed for this amount in December 2014 and the Foundation included the amount in accounts payable and accrued expenses on the statement of financial position at December 31, 2014.