ECONOMICS CENTER FOR EDUCATION AND RESEARCH

June 30, 2019

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

EconomicsCenter

ECONOMICS CENTER FOR EDUCATION AND RESEARCH
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VonLehman
CPA & ADVISORY FIRM

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Economics Center for Education and Research
Cincinnati, Ohio

Report on the Financial Statements

We have audited the accompanying financial statements of the Economics Center for Education and Research, (a 501(c)(3) Nonprofit Center), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Managements' 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 the financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Economics Center for Education and Research as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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Emphasis of Matter

As discussed in the notes to the financial statements, during 2019, Economics Center for Education and Research adopted Accounting Standards Update (ASU) Number 2016-14, *Not-for-Profit Entities (Topic 958)*: *Presentation of Financial Statements of Not-for-Profits Entities*. Our opinion is not modified with respect to this matter.

VonLehman & Company Inc.

Fort Wright, Kentucky
November 5, 2019

ECONOMICS CENTER FOR EDUCATION AND RESEARCH
STATEMENTS OF FINANCIAL POSITION

ASSETS

	June 30, 2019	June 30, 2018
Current Assets		
Cash and Cash Equivalents	$ 432,580	$ 396,319
Accounts Receivable	189,741	187,039
Pledges Receivable	50,000	250,000
Total Current Assets	672,321	833,358
Investments	1,961,009	1,724,439
Property, Equipment, and Software, Net	181,500	287,000
Pledges Receivable - Less Current Portion	100,000	200,000
Total Assets	$ 2,914,830	$ 3,044,797

LIABILITIES AND NET ASSETS

	2019	2018
Current Liabilities		
Accounts Payable	$ 9,716	$ 4,841
Payable to Related Party	20,650	20,050
Deferred Revenue	72,000	50,000
Total Current Liabilities	102,366	74,891
Long-Term Liabilities (Less Current Portion)		
Deferred Revenue	-	72,000
Total Liabilities	102,366	146,891
Net Assets		
Without Donor Restrictions	920,374	719,181
With Donor Restrictions	1,892,090	2,178,725
Total Net Assets	2,812,464	2,897,906
Total Liabilities and Net Assets	$ 2,914,830	$ 3,044,797

See accompanying notes.

ECONOMICS CENTER FOR EDUCATION AND RESEARCH
STATEMENTS OF ACTIVITIES

	Year Ended June 30, 2019			Year Ended June 30, 2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Support, and Gains						
Contract Research	$ 573,761	$ -	$ 573,761	$ 562,323	$ -	$ 562,323
Program Revenue and Tuition	453,077	-	453,077	416,806	-	416,806
Contributions	1,014,261	74,996	1,089,257	725,009	1,000,000	1,725,009
Net Investment Return	72,585	8,369	80,954	64,745	25,925	90,670
In-Kind Contributions	171,140	-	171,140	194,403	-	194,403
Total Revenue, Support and Gains	2,284,824	83,365	2,368,189	1,963,286	1,025,925	2,989,211
Net Assets Released From Restrictions	370,000	(370,000)	-	-	-	-
Total Revenue, Support, Gains and Reclassifications	2,654,824	(286,635)	2,368,189	1,963,286	1,025,925	2,989,211
Expenses						
Program Services	2,060,211	-	2,060,211	1,975,979	-	1,975,979
Management and General	241,006	-	241,006	248,632	-	248,632
Fundraising and Development	152,414	-	152,414	135,523	-	135,523
Total Expenses	2,453,631	-	2,453,631	2,360,134	-	2,360,134
Change in Net Assets	201,193	(286,635)	(85,442)	(396,848)	1,025,925	629,077
Net Assets, Beginning of Year	719,181	2,178,725	2,897,906	1,116,029	1,152,800	2,268,829
Net Assets, End of Year	$ 920,374	$ 1,892,090	$ 2,812,464	$ 719,181	$ 2,178,725	$ 2,897,906

See accompanying notes.

ECONOMICS CENTER FOR EDUCATION AND RESEARCH
STATEMENTS OF FUNCTIONAL EXPENSES

	Year Ended June 30, 2019				Year Ended June 30, 2018			
	Program Services	Management and General	Fundraising and Development	Total	Program Services	Management and General	Fundraising and Development	Total
Salaries and Wages	$ 854,868	$ 146,758	$ 47,167	$ 1,048,793	$ 895,512	$ 151,297	$ 46,242	$ 1,093,051
Employee Benefits	191,250	32,492	10,523	234,265	211,341	35,706	10,848	257,895
Accounting, Legal and Contracted Services	31,554	16,108	-	47,662	25,473	15,830	-	41,303
Advertising and Promotion	106,495	3,775	45,040	155,310	81,115	2,865	33,876	117,856
Office Expenses	21,778	11,730	-	33,508	22,289	13,111	-	35,400
Overhead Expense (CECH)	27,307	-	-	27,307	25,616	-	-	25,616
Occupancy	93,330	20,276	11,614	125,220	93,330	20,276	11,614	125,220
Travel	3,688	983	-	4,671	5,608	1,972	-	7,580
Conferences, Conventions, and Meetings	9,379	8,884	38,070	56,333	7,031	7,575	32,943	47,549
Depreciation Expense	126,500	-	-	126,500	123,000	-	-	123,000
Tuition Expense	113,375	-	-	113,375	113,481	-	-	113,481
Program Expense	480,687	-	-	480,687	372,183	-	-	372,183
Total Expenses by Function	$ 2,060,211	$ 241,006	$ 152,414	$ 2,453,631	$ 1,975,979	$ 248,632	$ 135,523	$ 2,360,134

See accompanying notes.

ECONOMICS CENTER FOR EDUCATION AND RESEARCH
STATEMENTS OF CASH FLOWS

	Years Ended June 30, 2019	2018
Cash Flows From Operating Activities		
Change in Net Assets	$ (85,442)	$ 629,077
Adjustments to Reconcile Change in Net Assets to Net Cash Flows From Operating Activities		
Depreciation	126,500	123,000
Net Investment Return on Investments	(80,831)	(90,670)
Changes In		
Accounts Receivable	(2,702)	114,248
Pledges Receivable	300,000	(437,500)
Accounts Payable	4,875	(7,686)
Payable to Related Party	600	2,440
Deferred Revenue	(50,000)	(50,000)
Net Cash Flows Provided by Operating Activities	213,000	282,909
Cash Flows From Investing Activities		
Purchase of Property, Equipment, and Software	(21,000)	-
Purchase of Investments	(390,478)	(320,691)
Proceeds From Sale of Investments	234,739	68,994
Net Cash Flows Used by Investing Activities	(176,739)	(251,697)
Net Change in Cash and Cash Equivalents	36,261	31,212
Cash and Cash Equivalents, Beginning of Year	396,319	365,107
Cash and Cash Equivalents, Ending of Year	$ 432,580	$ 396,319

See accompanying notes.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The Economics Center for Education and Research (the Center) is a nonprofit corporation established to promote understanding of basic economic principles primarily in the Greater Cincinnati area. The Center is affiliated with the Ohio Council on Economic Education and the National Council of Economic Education. The Center also receives funding from the University of Cincinnati (UC) to assist in carrying out its programs at UC.

Use of Estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Certain estimates relate to unsettled transactions and events as of the date of the financial statements. Other estimates relate to assumptions about the ongoing operations and may impact future periods. Accordingly, upon settlement, actual results may differ from estimated amounts.

Accounts and Pledges Receivable

Accounts receivable and pledges receivable are stated at contractual outstanding balances, net of any allowance for doubtful accounts. Accounts and pledges are considered past due if any portion of an account or pledge has not been paid in full within the contractual terms of the account. The Center begins to assess its ability to collect receivables that are over 90 days past due and provides for an adequate allowance for doubtful accounts based on the Center's collection history, the financial stability and recent payment history of the grantors and clients, and other pertinent factors. Accounts and pledges receivables are written off as uncollectible after the Center has used reasonable collection efforts and deems them uncollectible. Based on these criteria, no allowance for doubtful accounts and uncollectible pledges receivable has been provided at June 30, 2019 and 2018 since the Center does not expect any material losses.

Investments

Investments if purchased are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment return (loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less any external and direct internal investment expenses. Cash equivalents, and other securities and investments held in brokerage accounts are protected by the Securities Investor Protection Corporation (SIPC) in the event of broker-dealer failure, up to $500,000 of protection for each brokerage account with a limit of $250,000 for claims of uninvested cash balances. The SIPC insurance does not protect against market losses on investments.

Property, Equipment, and Software

Property, equipment, and software are stated at cost or, if donated, market value at date of donation, and depreciated over the estimated useful lives of the related assets. Depreciation is computed on the straight-line method. Maintenance and repairs are charged to operations when they occur. Betterments and renewals are capitalized for items in excess of $5,000.

Software	5 Years
Vehicles	5 Years

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Long-Lived Assets

Long-lived assets to be held and used are tested for recoverability whenever events or changes in circumstances indicate that the related carrying amount may not be recoverable. When required, impairment losses on assets to be held and used are measured based on the fair value of the asset, and long-lived assets to be disposed of by sale are reported at the lower of the carrying amount or fair value less costs to sell. Long-lived assets were measured for impairment. No adjustments were deemed necessary during both the years ended June 30, 2019 and 2018.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

The Center reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Revenue and Support Recognition

Revenue is recognized when earned. Program payments received in advance are deferred to the applicable period in which the related services are performed or expenditures are incurred, respectively. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Donated Services, Property, Equipment, and Software

Donations of office space, equipment and in-kind contributions are recorded as contributions at fair value at the date of donation. Such donations are reported as increases in net assets without donor restrictions unless the donor has restricted the donated asset to a specific purpose.

Donated services are recognized as contributions if the services a) create or enhance nonfinancial assets or b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Center.

The Center has significant time contributed to its mission through volunteers. However, the statements of activities do not reflect the value of the services as they don’t meet recognition criteria required under U.S. GAAP.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Advertising Costs

The Center expenses advertising costs as they are incurred.

Retirement Plan

The Center has a simplified employee pension plan (‘SEP”) covering employees paid by the Center. Employees paid through UC are not eligible for participation in the SEP. Under the plan, eligible employees may contribute a percentage of their salaries. The Center will contribute fifteen percent of their salary. By its nature, the plan is fully funded.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated include occupancy and depreciation, which are allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, professional services, office expenses, information technology, insurance, and other, which are allocated on the basis of estimates of time and effort.

Income Taxes

The Economics Center for Education and Research is an Ohio nonprofit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes.

The Center has adopted the provisions of the accounting pronouncement related to accounting for uncertainty in income taxes. The Center recognized no interest or penalties in the statements of activities for both of the years ended June 30, 2019 and 2018. If the situation arose in which the Center would have interest to recognize, it would recognize this as interest expense and penalties would be recognized in other expenses. Currently, the prior three years are open under federal and state statutes of limitations and remain subject to review and change. The Center is not currently under audit nor has the Center been contacted by these jurisdictions.

Based on the evaluation of the Center’s tax positions, management believes all positions taken would be upheld under an examination. Therefore, no provision for the effects of uncertain tax positions have been recorded for either of the years ended June 30, 2019 or 2018.

Recently Issued Significant Accounting Standards

Revenue Recognition Standards

In May, 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606). The core principle of Topic 606 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. This standard may have an impact on the timing of when an entity recognizes certain revenue. The ASU is effective for nonpublic entities for years beginning after December 15, 2018.

In June, 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made* (Topic 958). The core principle of the guidance is to clarify and improve current guidance about whether a transfer of assets is a contribution or an exchange transaction by evaluating whether the resource provider is receiving commensurate value in return for the resources transferred. The ASU is effective for nonpublic entities for years beginning after December 15, 2018.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Lease Accounting Standard

In February, 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases* (Topic 842.) The core principle of Topic 842 is that a lessee should recognize the assets and liabilities that arise from leases that are not excluded by this standard. Such leases create an asset and a liability for the lessee in accordance with FASB Concepts Statement No. 6, *Elements of Financial Statements,* and therefore, recognition of those lease assets and lease liabilities represents an improvement over previous GAAP, which did not require lease assets and lease liabilities to be recognized for most leases. The ASU is effective for nonpublic entities for years beginning after December 15, 2020.

The Center is currently in the process of evaluating the impact of adoption of these ASUs on its financial statements.

Change in Accounting Principle

In August, 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities* (Topic 958). The core principles of Topic 958 are a reduction in the number of net asset categories from three to two, reporting investment return net of external and internal investment expenses, the placed-in-service approach for reporting expirations of restrictions on donated assets and enhanced disclosures regarding designations and donor restrictions, qualitative and quantitative liquidity information, expense allocation methods, expenses by natural classification and function and underwater endowments. The Center implemented ASU 2016-14 and adjusted presentation in these statements accordingly. The ASU has been applied retrospectively to all periods presented with no changes to net assets.

Subsequent Events

The Center has evaluated subsequent events through November 5, 2019, which is the date the financial statements were available to be issued.

NOTE 2 – LIQUIDITY

Financial assets available for general use and without donor or other restrictions limiting their use, within one year of the statement of financial position are comprised of the following:

	June 30, 2019
Cash and Cash Equivalents, Without Restrictions	$ 432,580
Operating Investments, Without Restrictions	218,919
Accounts Receivable	189,741
Pledges Receivable	50,000
Total Financial Assets Available	$ 891,240

In addition to the above, the Center's restricted funds held in the Alpaugh Family Chair allows for an annual distribution of $105,000 for operating expenses.

NOTE 3 – CASH AND CASH FLOWS

For purposes of the cash flows statements, the Center considers all highly liquid investments available for current use with an initial maturity of three months or less to be a cash equivalent.

At various times throughout the year, the Center may have cash in financial institutions in excess of insured limits. The Federal Deposit Insurance Corporation (FDIC) insures account balances up to $250,000 for each business depositor.

NOTE 4 – PLEDGES RECEIVABLE

Pledges receivable were as follows:

	June 30, 2019	June 30, 2018
Amounts Due in		
Less than One Year	$ 50,000	$ 250,000
One to Five Years	100,000	200,000
Pledges Receivable	$ 150,000	$ 450,000

NOTE 5 – INVESTMENTS

The following is a summary of the market value of investments:

UC Foundation Pooled Investments	$ 1,961,009	$ 1,724,439

NOTE 6 – FAIR VALUE MEASUREMENTS

U.S. GAAP provides the 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 (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB 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 Center has the ability to access.

Level 2 – Inputs for the valuation methodology include:

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

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

NOTE 6 – FAIR VALUE MEASUREMENTS (Continued)

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.

Following is a description of the valuation methodology used for assets and liabilities measured at fair value. There have been no changes in the methodologies used for either of the years ended June 30, 2019 or 2018.

UC Foundation Pooled Investments – Valued at the net asset value (NAV) of shares held by the UC Foundation at year end and allocated to the Center based upon its apportioned shares.

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

The following table sets forth by level, within the fair value hierarchy, the assets at fair value as of June 30, 2019:

	Quoted Price in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
UC Foundation Investment Pool	$ -	$ -	$ 1,961,009	$ 1,961,009

The following table sets forth by level, within the fair value hierarchy, the assets at fair value as of June 30, 2018:

UC Foundation Investment Pool	$ -	$ -	$ 1,724,439	$ 1,724,439

The following is a reconciliation of Level 3 assets for which significant unobservable inputs for investments were used to determine the fair value for the Center:

	Years Ended June 30, 2019	2018
Balance, Beginning of Year	$ 1,724,439	$ 1,382,072
Net Investment Return	84,155	90,670
Purchases	387,154	320,691
Withdrawals	(234,739)	(68,994)
Balance, End of Year	$ 1,961,009	$ 1,724,439

Risks and Uncertainties

The Center invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credits risks. Due to the level of risks associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect account balances and amounts reported in the statements of financial position.

NOTE 7 – PROPERTY, EQUIPMENT, AND SOFTWARE

Property, equipment, and software and related accumulated depreciation consists of the following:

	June 30, 2019	June 30, 2018
Software	$ 615,000	$ 615,000
Vehicles	21,000	-
	636,000	615,000
Less Accumulated Depreciation	454,500	328,000
Total Property, Equipment, and Software, Net	$ 181,500	$ 287,000

NOTE 8 – DEFERRED REVENUE

As of June 30, 2019 and 2018, the Center had deferred revenue of $72,000 and $122,000, respectively. The balance at both June 30, 2019 and 2018 relate to the Hamilton County Straight A Grant. The Center received the total of the grant funds during the year ended June 30, 2015, which amounted to $382,000. However, in both the years ended June 30, 2019 and 2018 only $50,000 was earned. This deferred revenue of $72,000 will be recognized as income during the year ended June 30, 2020.

NOTE 9 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted as follows:

	2019	2018
Subject to a Expenditure for Specific Purpose		
Fifth Third Foundation Professional Development	$ 250,000	$ 500,000
Restricted-Purpose Distributions		
The Alpaugh Family Chair in Economics	767,056	878,725
	1,017,056	1,378,725
Not Subject to Spending Policy or Appropriations		
The Susan Sargen StEP Fund	500,000	500,000
The Wachs Family Foundation	75,034	-
The George Vredeveld Legacy Fund	300,000	300,000
	875,034	800,000
Total Net Assets with Donor Restrictions	$ 1,892,090	$ 2,178,725

NOTE 9 – NET ASSETS WITH DONOR RESTRICTIONS (Continued)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows:

	June 30, 2019	June 30, 2018
Satisfaction of Purpose Restrictions		
Fifth Third Foundation Professional Development	$ 250,000	$ -
Restricted-Purpose Distributions		
The Alpaugh Family Chair in Economics	120,000	-
Total Net Assets Released From Restrictions	$ 370,000	$ -

NOTE 10 – ENDOWMENTS

The Center's endowment consists of an individual fund established for support of graduate students in the field of economics. Its endowment includes donor-restricted funds. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Trustees of the Center has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the contributed value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Center retains in perpetuity (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instruction at the time the accumulation is added to the fund. The remaining portion of the donor restricted endowment fund are classified as with donor restrictions net assets until those amounts are appropriated for expenditure by the Center in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Center considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Center and (7) the Center's investment policies.

Investment Return Objectives, Risk Parameters and Strategies. The Center has adopted investment and spending policies, approved by the Board of Trustees, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of 4.5%, while growing the funds, if possible. Therefore, the Center expects its endowment assets, over time, to produce an average rate of return of approximately 7% annually. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

NOTE 10 – ENDOWMENTS (Continued)

Spending Policy. The Center has a policy of appropriating for distribution each year 4.5% of its endowment fund's average fair value using one of the following methods: 1) average value of the endowment using the trailing twelve quarters, 2) average value of the endowment using the trailing four quarters or 3) value of the endowment using the most recent quarter. In establishing this policy, the Center considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, many of which must be maintained in perpetuity because of donor restrictions, and the possible effects of inflation. The Center expects the current spending policy to allow its endowment funds to grow at a nominal average rate of 7% annually. This is consistent with the Center's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through new gifts and investment return.

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The Center has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. The Center received a donor restricted endowment as a transfer from the University of Cincinnati Foundation in 2019. The endowment was transferred to the Center in an underwater position. At June 30, 2019, funds with original gift values of $100,000, fair values of $75,034, and deficiencies of $24,966 were reported in net assets with donor restrictions.

Endowment net asset composition by type of fund as of June 30, 2019 is as follows:

	With Donor Restrictions
Donor Restricted Endowment Funds	$ 75,034

Changes in endowment net assets for the year ended June 30, 2019 are as follows:

Endowment Net Assets, Beginning of Year	$ -
Contributions	74,996
Investment Return, Net	38
Endowment Net Assets, End of Year	$ 75,034

NOTE 11 – DONATED SERVICES, EQUIPMENT, AND IN-KIND CONTRIBUTIONS

For the year ended June 30, 2019 the Center received in-kind contributions as follows:

	Program Services	Management and General	Fundraising and Development	Total
Facilities	$ 93,330	$ 20,276	$ 11,614	$ 125,220
Marketing	-	-	25,000	25,000
Program Expenses	19,401	-	-	19,401
Miscellaneous	-	1,519	-	1,519
Total	$ 112,731	$ 21,795	$ 36,614	$ 171,140

For the year ended June 30, 2018 the Center received in-kind contributions as follows:

	Program Services	Management and General	Fundraising and Development	Total
Facilities	$ 93,330	$ 20,276	$ 11,614	$ 125,220
Marketing	-	-	25,000	25,000
Program Expenses	42,644	-	-	42,644
Miscellaneous	-	1,539	-	1,539
Total	$ 135,974	$ 21,815	$ 36,614	$ 194,403

NOTE 12 – RETIREMENT PLAN EXPENSE

The Center’s contributions and expenses related to the SEP during the years ended June 30, 2019 and 2018 were $42,318 and $53,004, respectively.

NOTE 13 – MARKETING AND ADVERTISING EXPENSE

The Center incurred marketing and advertising expense of $136,649 and $117,252 for the years ended June 30, 2019 and 2018, respectively.

NOTE 14 – RELATED PARTY TRANSACTIONS

The Center has an ongoing agreement with the University of Cincinnati (UC) whereby UC serves as the host institution for the Center’s programs. UC provides certain support activities and acts as an agent for the disbursement of funds. UC allocated $86,179 and $89,512 for the years ended June 30, 2019 and 2018, respectively, that the Center used for program expenses, including salaries and scholarships for students. UC also provided office space and industry research support of $125,220 and $145,635 for the years ended June 30, 2019 and 2018, respectively, and the amounts are recorded as in-kind contributions and expense in the statements of activities. As of June 30, 2019 and 2018, the Center had accounts payable totaling $20,650 and $20,050, respectively, to parties within UC.