ECONOMICS CENTER FOR EDUCATION AND RESEARCH

June 30, 2016

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT INCLUDING SUPPLEMENTARY INFORMATION

Economics Center

ECONOMICS CENTER FOR EDUCATION AND RESEARCH
TABLE OF CONTENTS

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, 2016 and 2015, and the related statements of activities 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, 2016 and 2015, 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.

Other Matters

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The statement of functional expenses for the years ended June 30, 2016 and 2015 on page 13 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

VonLehman & Company Inc.

Fort Mitchell, Kentucky
October 20, 2016

ECONOMICS CENTER FOR EDUCATION AND RESEARCH

STATEMENTS OF FINANCIAL POSITION

ASSETS

	June 30, 2016	June 30, 2015
Current Assets		
Cash and Cash Equivalents	$ 408,956	$ 494,916
Accounts Receivable, Net	238,257	147,513
Pledges Receivable	38,909	152,458
Total Current Assets	686,122	794,887
Investments	1,298,735	1,401,731
Property, Equipment, and Software	533,000	615,000
Pledges Receivable - Less Current Portion	15,950	25,950
Total Assets	$ 2,533,807	$ 2,837,568

LIABILITIES AND NET ASSETS

	June 30, 2016	June 30, 2015
Current Liabilities		
Accounts Payable and Accrued Expenses	$ -	$ 43,322
Payable to Related Party	16,030	16,287
Deferred Revenue	50,000	70,000
Total Current Liabilities	66,030	129,609
Long-Term Liabilities (Less Current Portion)		
Deferred Revenue	172,000	222,000
Total Liabilities	238,030	351,609
Net Assets		
Unrestricted	1,001,399	1,074,764
Temporarily Restricted	1,294,378	1,411,195
Total Net Assets	2,295,777	2,485,959
Total Liabilities and Net Assets	$ 2,533,807	$ 2,837,568

See accompanying notes.

ECONOMICS CENTER FOR EDUCATION AND RESEARCH
STATEMENTS OF ACTIVITIES

	Year Ended June 30, 2016			Year Ended June 30, 2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenue, Gains and Other Support						
Contract Research	$ 802,102	$ -	$ 802,102	$ 516,480	$ -	$ 516,480
Program Revenue and Tuition	171,859	-	171,859	221,822	-	221,822
Contributions	573,169	-	573,169	595,409	-	595,409
Investment Income	7,639	42,100	49,739	27,709	55,971	83,680
Loss on Investments	(17,312)	(53,252)	(70,564)	(44,498)	(42,812)	(87,310)
In-kind Contributions	188,217	-	188,217	221,151	-	221,151
Total Revenue, Gains and Other Support	1,725,674	(11,152)	1,714,522	1,538,073	13,159	1,551,232
Net Assets Released From Restrictions	105,665	(105,665)	-	879,733	(879,733)	-
Total Revenue, Gains and Other Support and Net Assets Released From Restrictions	1,831,339	(116,817)	1,714,522	2,417,806	(866,574)	1,551,232
Expenses						
Program Services	1,472,184	-	1,472,184	1,294,099	-	1,294,099
Management and General	303,431	-	303,431	391,076	-	391,076
Fundraising and Development	129,089	-	129,089	130,056	-	130,056
Total Expenses	1,904,704	-	1,904,704	1,815,231	-	1,815,231
Change in Net Assets	(73,365)	(116,817)	(190,182)	602,575	(866,574)	(263,999)
Net Assets at Beginning of Year	1,074,764	1,411,195	2,485,959	472,189	2,277,769	2,749,958
Net Assets at End of Year	$ 1,001,399	$ 1,294,378	$ 2,295,777	$ 1,074,764	$ 1,411,195	$ 2,485,959

See accompanying notes.

ECONOMICS CENTER FOR EDUCATION AND RESEARCH
STATEMENTS OF CASH FLOWS

	Years Ended June 30,	
	2016	**2015**
Cash Flows From Operating Activities		
Change in Net Assets	$ (190,182)	$ (263,999)
Adjustments to Reconcile Change in Net Assets to Net Cash Flows From Operating Activities		
Depreciation	82,000	-
Loss on Investments	70,564	87,310
Changes In		
Accounts Receivable, Net	(90,744)	71,905
Pledges Receivable	123,549	84,846
Accounts Payable and Accrued Expenses	(43,322)	36,997
Payable to Related Party	(257)	(10,178)
Deferred Revenue	(70,000)	292,000
Net Cash Flows (Used) Provided by Operating Activities	(118,392)	298,881
Cash Flows From Investing Activities		
Purchase of Investments	(698,834)	(830,865)
Proceeds From Sale of Investments	731,266	1,497,531
Purchase of Software	-	(615,000)
Net Cash Flows Provided by Investing Activities	32,432	51,666
Net Change in Cash and Cash Equivalents	(85,960)	350,547
Beginning Cash and Cash Equivalents Balance	494,916	144,369
Ending Cash and Cash Equivalents Balance	$ 408,956	$ 494,916

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.

A summary of significant accounting policies applied in the accompanying financial statements are as follows:

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. Based on these criteria, the Center has estimated an allowance for doubtful accounts of $-0- at both June 30, 2016 and 2015.

Investments

Investments are stated at fair market value. Investment income and dividends are included in unrestricted revenue unless restricted by donor or law. Realized and unrealized gains (losses) are shown as increases (decreases) in net assets in the period in which the gain (loss) is recognized.

Property, Equipment, and Software

Property, equipment, and software are stated at cost or, if contributed, market value at date of gift, and depreciated over the estimated useful lives of the related assets. Depreciation is computed on the straight-line method. The Center's property, equipment, and software consists solely of software placed in service as of June 30, 2016 and will be depreciated over five years. Maintenance and repairs are charged to operations when incurred. Significant betterments and renewals are capitalized.

Classes of Net Assets

The accompanying financial statements have been prepared in conformity with the requirements of generally accepted accounting principles. Accordingly, the net assets of the Center are reported in each of the following three classes: a) unrestricted net assets, b) temporarily restricted net assets, and c) permanently restricted net assets.

Net assets of the two restricted classes are created only by donor-imposed restrictions on their use. All other net assets are legally unrestricted and are reported as part of the unrestricted class.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Classes of Net Assets (Continued)

The Center's temporarily restricted net assets are restricted by donors for specific operating purposes and are currently not available for use until commitments regarding their use have been fulfilled.

As of both June 30, 2016 and 2015, the Center did not have any permanently restricted net assets.

Revenue and Support Recognition

The Center records revenue from contributions, fees for services, interest and miscellaneous sources when earned. Revenue from government grants which reimburse the actual costs of the programs is recognized as such costs are incurred and reimbursements are determinable.

Contributions, including unconditional promises to give, are recorded as made. All contributions are available for unrestricted use unless specifically restricted by a donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give, due in subsequent years, are reported at present value net of estimated uncollectible pledges, using risk-free interest rates.

Recognition of Donor Restrictions

Donor restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. Public support and revenue, including unconditional promises to give, are considered available for unrestricted use unless temporarily or permanently restricted by the donor. Temporarily restricted support is reported as unrestricted support if the restriction expires in the reporting period in which the support is received.

Donated Services, Property, Equipment, and Software

The Center utilizes donated office space and office equipment. The Center has no ownership in these facilities or equipment. The value of rent and use of equipment for these donated facilities and equipment are measured at fair value.

Donations of property, equipment, and software are recorded as contributions at fair value at the date of donation. Such donations are reported as increases in unrestricted net assets 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.

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.

Advertising Costs

The Center expenses the cost of advertising when incurred.

Functional Allocation of Expenses

The costs of providing various programs and services have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and services benefited.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

The Economics Center for Education and Research is a 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, 2016 and 2015. 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, 2016 or 2015.

Subsequent Events

The Center has evaluated subsequent events through October 20, 2016, which is the date the financial statements were available to be issued.

NOTE 2 – CASH AND CASH FLOW INFORMATION

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. At June 30, 2016 and 2015, respectively, the Center had $260,130 and $270,675 in cash in financial institutions in excess of insured limits.

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.

NOTE 3 – PLEDGES RECEIVABLE

Pledges receivable were as follows:

	June 30, 2016	June 30, 2015
Amounts Due in		
Less than One Year	$ 38,909	$ 152,458
One to Five Years	15,950	25,950
Pledges Receivable	$ 54,859	$ 178,408

NOTE 4 – INVESTMENTS

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

	June 30, 2016	June 30, 2015
Money Market Funds	$ -	$ 1,724
Common Stocks	-	99,630
Mutual Funds	-	458,036
UC Foundation Pooled Investments	1,298,735	842,341
	$ 1,298,735	$ 1,401,731

Investment activity was as follows:

	Years Ended June 30, 2016	Years Ended June 30, 2015
Interest and Dividends (Net of Investment Fees of $1,793 and $6,072, Respectively)	$ 49,739	$ 83,680
Net Realized and Unrealized Loss	(70,564)	(87,310)
	$ (20,825)	$ (3,630)

NOTE 5 – 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.

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.

NOTE 5 – FAIR VALUE MEASUREMENTS (Continued)

Following is a description of the valuation methodologies 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, 2016 or 2015.

Mutual Funds - Valued at the net asset value (NAV) of shares held by the Center at year end.

Common Stocks - Valued at the closing price reported on the active market in which the individual stocks are traded.

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 methods 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, 2016:

	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	$ -	$ -	$ 1,298,735	$ 1,298,735

The following table sets forth by level, within the fair value hierarchy, the assets at fair value as of June 30, 2015:

	Level 1	Level 2	Level 3	Total
Money Market Funds	$ 1,724	$ -	$ -	$ 1,724
Common Stocks				
International Equities	12,600	-	-	12,600
Equity	11,484	-	-	11,484
Mid-Cap Blend	36,976	-	-	36,976
Bond Funds	38,570	-	-	38,570
Subtotal Common Stocks	99,630	-	-	99,630
Mutual Funds				
International	74,318	-	-	74,318
Mid-Cap	22,037	-	-	22,037
Large-Cap	18,054	-	-	18,054
Emerging Markets	56,281	-	-	56,281
Bond Funds	200,838	-	-	200,838
Equity Funds	86,508	-	-	86,508
Subtotal Mutual Funds	458,036	-	-	458,036
UC Foundation Investment Pool	-	-	842,341	842,341
Total Assets at Fair Value	$ 559,390	$ -	$ 842,341	$ 1,401,731

NOTE 5 – FAIR VALUE MEASUREMENTS (Continued)

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,	
	2016	2015
Balance, Beginning of Year	$ 842,341	$ 975,600
Investment Income	45,754	55,971
Unrealized Loss	(52,261)	(42,812)
Purchases	508,655	14,553
Withdrawals	(45,754)	(160,971)
Balance, End of Year	$ 1,298,735	$ 842,341

NOTE 6 – DEFERRED REVENUE

As of June 30, 2016 and 2015, the Center had deferred revenue of $222,000 and $292,000, respectively. The balance at both June 30, 2016 and 2015 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, only $70,000 and $90,000 were earned during the year ended June 30, 2016 and 2015, respectively. This deferred revenue of $222,000 will be recognized as income in the following years:

Years Ending June 30,	
2017	$ 50,000
2018	50,000
2019	50,000
2020	72,000
	$ 222,000

NOTE 7 – NET ASSETS

Net assets are classified as follows:

	June 30,	
	2016	2015
Unrestricted Net Assets	$ 1,001,399	$ 1,074,764
Temporarily Restricted Net Assets		
The George Vredeveld Legacy Fund	429,665	429,665
The Alpaugh i-Learning Economic Education Fund	66,978	139,189
The Alpaugh Family Chair in Economics	797,735	842,341
Total Temporarily Restricted Net Assets	1,294,378	1,411,195
Total Net Assets	$ 2,295,777	$ 2,485,959

NOTE 7 – NET ASSETS (Continued)

Temporarily restricted net assets are included in the following accounts in the statements of financial position:

	June 30, 2016	June 30, 2015
Cash and Cash Equivalents	$ 6,222	$ 9,334
Pledges Receivable	-	100,129
Investments	1,288,156	1,301,732
	$ 1,294,378	$ 1,411,195

NOTE 8 – IN-KIND CONTRIBUTIONS

In-Kind contributions, recorded as contributions and an expense, consisted of the following:

	Years Ended June 30, 2016	Years Ended June 30, 2015
Facilities	$ 125,220	$ 125,220
Tuition	-	45,117
Marketing	25,000	25,000
Salaries	37,563	24,081
Miscellaneous	434	1,733
Total In-Kind Contributions	$ 188,217	$ 221,151

NOTE 9 – RETIREMENT PLAN EXPENSE

The Center's contributions and expenses related to the SEP during the years ended June 30, 2016 and 2015 were $44,822 and $28,867, respectively.

NOTE 10 – MARKETING AND ADVERTISING EXPENSE

The Center incurred marketing and advertising expense of $57,263 and $80,584 for the years ended June 30, 2016 and 2015, respectively.

NOTE 11 – 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 $44,535 and $123,312 for the years ended June 30, 2016 and 2015, respectively, that the Center used for program expenses, including salaries and scholarships for students. UC also provided office space and industry research support of $162,783 and $149,301 for the years ended June 30, 2016 and 2015, respectively, and the amounts are recorded as in-kind contributions and expense in the statements of activities. As of June 30, 2016 and 2015, the Center had accounts payable totaling $16,030 and $16,287, respectively, to parties within UC.

NOTE 12 – RISKS AND UNCERTAINTIES

The Center invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit 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.

SUPPLEMENTARY INFORMATION

ECONOMICS CENTER FOR EDUCATION AND RESEARCH
STATEMENTS OF FUNCTIONAL EXPENSES

	Year Ended June 30, 2016				Year Ended June 30, 2015			
	Program Services	Management and General	Fundraising and Development	Total	Program Services	Management and General	Fundraising and Development	Total
Salaries and Wages	$ 744,794	$ 161,762	$ 44,446	$ 951,002	$ 607,944	$ 158,590	$ 42,330	$ 808,864
Employee Benefits	180,640	51,764	13,333	245,737	184,788	50,273	13,038	248,099
Accounting, Legal and Contracted Services	27,278	19,587	-	46,865	18,673	116,698	-	135,371
Advertising and Promotion	46,383	2,864	8,016	57,263	64,467	4,835	11,282	80,584
Office Expenses	13,237	34,040	-	47,277	11,131	28,622	-	39,753
Overhead Expense (CECH)	19,854	-	-	19,854	-	-	-	-
Occupancy	93,330	20,276	11,614	125,220	93,330	20,276	11,614	125,220
Travel	4,323	1,822	-	6,145	6,486	3,492	-	9,978
Conferences, Conventions, and Meetings	14,158	11,316	30,033	55,507	9,661	8,290	30,354	48,305
Depreciation Expense	82,000	-	-	82,000	-	-	-	-
Tuition Expense	79,110	-	-	79,110	140,404	-	-	140,404
Program Expense	167,077	-	21,647	188,724	157,215	-	21,438	178,653
Total Expenses	$ 1,472,184	$ 303,431	$ 129,089	$ 1,904,704	$ 1,294,099	$ 391,076	$ 130,056	$ 1,815,231