ECONOMICS CENTER FOR EDUCATION AND RESEARCH

June 30, 2017

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT INCLUDING SUPPLEMENTARY INFORMATION

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, 2017 and 2016, 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, 2017 and 2016, 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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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, 2017 and 2016 on page 11 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 Wright, Kentucky
September 21, 2017

ECONOMICS CENTER FOR EDUCATION AND RESEARCH
STATEMENTS OF FINANCIAL POSITION

ASSETS

	June 30, 2017	June 30, 2016
Current Assets		
Cash and Cash Equivalents	$ 365,107	$ 408,956
Accounts Receivable, Net	301,287	238,257
Pledges Receivable	12,500	38,909
Total Current Assets	678,894	686,122
Investments	1,382,072	1,298,735
Property, Equipment, and Software, Net	410,000	533,000
Pledges Receivable - Less Current Portion	-	15,950
Total Assets	$ 2,470,966	$ 2,533,807

LIABILITIES AND NET ASSETS

	2017	2016
Current Liabilities		
Accounts Payable and Accrued Expenses	$ 12,527	$ -
Payable to Related Party	17,610	16,030
Deferred Revenue	50,000	50,000
Total Current Liabilities	80,137	66,030
Long-Term Liabilities (Less Current Portion)		
Deferred Revenue	122,000	172,000
Total Liabilities	202,137	238,030
Net Assets		
Unrestricted	1,116,029	1,001,399
Temporarily Restricted	852,800	994,378
Permanently Restricted	300,000	300,000
Total Net Assets	2,268,829	2,295,777
Total Liabilities and Net Assets	$ 2,470,966	$ 2,533,807

See accompanying notes.

ECONOMICS CENTER FOR EDUCATION AND RESEARCH
STATEMENTS OF ACTIVITIES

	Year Ended June 30, 2017				Year Ended June 30, 2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue, Gains and Other Support								
Contract Research	$ 1,006,390	$ -	$ -	$ 1,006,390	$ 802,102	$ -	$ -	$ 802,102
Program Revenue and Tuition	698,141	-	-	698,141	171,859	-	-	171,859
Contributions	472,159	-	-	472,159	573,169	-	-	573,169
Investment Income	13,874	51,739	-	65,613	7,639	42,100	-	49,739
Gain (Loss) on Investments	28,245	45,248	-	73,493	(17,312)	(53,252)	-	(70,564)
In-kind Contributions	164,335	-	-	164,335	188,217	-	-	188,217
Total Revenue, Gains and Other Support	2,383,144	96,987	-	2,480,131	1,725,674	(11,152)	-	1,714,522
Net Assets Released From Restrictions	238,565	(238,565)	-	-	105,665	(105,665)	-	-
Total Revenue, Gains and Other Support and Net Assets Released From Restrictions	2,621,709	(141,578)	-	2,480,131	1,831,339	(116,817)	-	1,714,522
Expenses								
Program Services	2,018,145	-	-	2,018,145	1,472,184	-	-	1,472,184
Management and General	308,330	-	-	308,330	303,431	-	-	303,431
Fundraising and Development	180,604	-	-	180,604	129,089	-	-	129,089
				-				-
Total Expenses	2,507,079	-	-	2,507,079	1,904,704	-	-	1,904,704
Change in Net Assets	114,630	(141,578)	-	(26,948)	(73,365)	(116,817)	-	(190,182)
Net Assets at Beginning of Year	1,001,399	994,378	300,000	2,295,777	1,074,764	1,111,195	300,000	2,485,959
Net Assets at End of Year	$ 1,116,029	$ 852,800	$ 300,000	$ 2,268,829	$ 1,001,399	$ 994,378	$ 300,000	$ 2,295,777

See accompanying notes.

ECONOMICS CENTER FOR EDUCATION AND RESEARCH

STATEMENTS OF CASH FLOWS

	Years Ended June 30,	
	2017	**2016**
Cash Flows From Operating Activities		
Change in Net Assets	$ (26,948)	$ (190,182)
Adjustments to Reconcile Change in Net Assets to Net Cash Flows From Operating Activities		
Depreciation	123,000	82,000
(Gain) Loss on Investments	(73,493)	70,564
Changes In		
Accounts Receivable, Net	(63,030)	(90,744)
Pledges Receivable	42,359	123,549
Accounts Payable and Accrued Expenses	12,527	(43,322)
Payable to Related Party	1,580	(257)
Deferred Revenue	(50,000)	(70,000)
Net Cash Flows Used by Operating Activities	(34,005)	(118,392)
Cash Flows From Investing Activities		
Purchase of Investments	(9,844)	(698,834)
Proceeds From Sale of Investments	-	731,266
Net Cash Flows (Used) Provided by Investing Activities	(9,844)	32,432
Net Change in Cash and Cash Equivalents	(43,849)	(85,960)
Beginning Cash and Cash Equivalents Balance	408,956	494,916
Ending Cash and Cash Equivalents Balance	$ 365,107	$ 408,956

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. Based on these criteria, the Center has estimated an allowance for doubtful accounts of $-0- at both June 30, 2017 and 2016.

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 during the year ended 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. Property, Equipment, and Software are shown net of accumulated depreciation of $205,000 and $82,000 at June 30, 2017 and 2016, respectively.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

The Center's permanently restricted net assets consist of a donor specified amount that the Center must hold and invest in perpetuity.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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, 2017 and 2016. 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, 2017 or 2016.

Reclassifications

Certain amounts in the prior period financial statements have been reclassified for comparative purposes to conform with the presentation in current year financial statements.

Subsequent Events

The Center has evaluated subsequent events through September 21, 2017, 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, 2017 and 2016, respectively, the Center had $-0- and $160,130 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, 2017	June 30, 2016
Amounts Due in		
Less than One Year	$ 12,500	$ 38,909
One to Five Years	-	15,950
Pledges Receivable	$ 12,500	$ 54,859

NOTE 4 – INVESTMENTS

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

	2017	2016
UC Foundation Pooled Investments	$ 1,382,072	$ 1,298,735

Investment activity was as follows:

	Years Ended June 30, 2017	Years Ended June 30, 2016
Interest and Dividends (Net of Investment Fees of $6,130 and $1,793, Respectively)	$ 65,613	$ 49,739
Net Realized and Unrealized Gain (Loss)	73,493	(70,564)
	$ 139,106	$ (20,825)

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.

NOTE 5 – 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 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, 2017 or 2016.

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, 2017:

	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	$ -	$ -	$ 1,382,072	$ 1,382,072

The following table sets forth by level, within the fair value hierarchy, the assets at fair value as of June 30, 2016:

UC Foundation Investment Pool	$ -	$ -	$ 1,298,735	$ 1,298,735

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,	
	2017	2016
Balance, Beginning of Year	$ 1,298,735	$ 842,341
Investment Income	63,991	45,754
Gain (Loss)	73,493	(52,261)
Purchases	15,972	508,655
Withdrawals	(70,119)	(45,754)
Balance, End of Year	$ 1,382,072	$ 1,298,735

NOTE 6 – DEFERRED REVENUE

As of June 30, 2017 and 2016, the Center had deferred revenue of $172,000 and $222,000, respectively. The balance at both June 30, 2017 and 2016 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 $50,000 and $70,000 were earned during the year ended June 30, 2017 and 2016, respectively. This deferred revenue of $172,000 will be recognized as income in the following years:

Years Ending June 30,		
2017	$	50,000
2018		50,000
2019		72,000
	$	172,000

NOTE 7 – NET ASSETS

Net assets are classified as follows:

	June 30, 2017	June 30, 2016
Unrestricted Net Assets	$ 1,116,029	$ 1,001,399
Temporarily Restricted Net Assets		
The George Vredeveld Legacy Fund	-	129,665
The Alpaugh i-Learning Economic Education Fund	-	66,978
The Alpaugh Family Chair in Economics	852,800	797,735
Total Temporarily Restricted Net Assets	852,800	994,378
Permanently Restricted Net Assets		
The George Vredeveld Legacy Fund	300,000	300,000
Total Net Assets	$ 2,268,829	$ 2,295,777

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

	2017	2016
Cash and Cash Equivalents	$ 5,374	$ 6,222
Investments	847,426	988,156
	$ 852,800	$ 994,378

Permanently restricted net assets are included in the investment accounts in the statements of financial position.

During the current year, the Center determined that the original $300,000 donated from the George Vredeveld Legacy Fund is considered permanently restricted. This balance has been reclassified in the financial statements to appropriately reflect the designation.

NOTE 8 – IN-KIND CONTRIBUTIONS

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

	Years Ended June 30, 2017	Years Ended June 30, 2016
Facilities	$ 125,220	$ 125,220
Marketing	9,000	25,000
Salaries	28,456	37,563
COE General Fund	411	-
Miscellaneous	1,248	434
Total In-Kind Contributions	$ 164,335	$ 188,217

NOTE 9 – RETIREMENT PLAN EXPENSE

The Center’s contributions and expenses related to the SEP during the years ended June 30, 2017 and 2016 were $65,436 and $44,822, respectively.

NOTE 10 – MARKETING AND ADVERTISING EXPENSE

The Center incurred marketing and advertising expense of $54,518 and $57,263 for the years ended June 30, 2017 and 2016, 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 $61,782 and $44,101 for the years ended June 30, 2017 and 2016, respectively, that the Center used for program expenses, including salaries and scholarships for students. UC also provided office space and industry research support of $153,676 and $162,783 for the years ended June 30, 2017 and 2016, respectively, and the amounts are recorded as in-kind contributions and expense in the statements of activities. As of June 30, 2017 and 2016, the Center had accounts payable totaling $17,610 and $16,030, 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, 2017				Year Ended June 30, 2016			
	Program Services	Management and General	Fundraising and Development	Total	Program Services	Management and General	Fundraising and Development	Total
Salaries and Wages	$ 958,808	$ 164,997	$ 45,335	$ 1,169,140	$ 744,794	$ 161,762	$ 44,446	$ 951,002
Employee Benefits	193,951	52,799	13,601	260,351	180,640	51,764	13,333	245,737
Accounting, Legal and Contracted Services	28,904	17,060	-	45,964	27,278	19,587	-	46,865
Advertising and Promotion	43,866	2,694	7,958	54,518	46,383	2,864	8,016	57,263
Office Expenses	61,124	35,014	-	96,138	13,237	34,040	-	47,277
Overhead Expense (CECH)	43,150	-	-	43,150	19,854	-	-	19,854
Occupancy	93,330	20,276	11,614	125,220	93,330	20,276	11,614	125,220
Travel	8,737	1,525	-	10,262	4,323	1,822	-	6,145
Conferences, Conventions, and Meetings	13,768	13,965	97,651	125,384	14,158	11,316	30,033	55,507
Depreciation Expense	123,000	-	-	123,000	82,000	-	-	82,000
Tuition Expense	105,887	-	-	105,887	79,110	-	-	79,110
Program Expense	343,620	-	4,445	348,065	167,077	-	21,647	188,724
Total Expenses	$ 2,018,145	$ 308,330	$ 180,604	$ 2,507,079	$ 1,472,184	$ 303,431	$ 129,089	$ 1,904,704