ECONOMICS CENTER FOR EDUCATION AND RESEARCH

June 30, 2018

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT INCLUDING SUPPLEMENTARY INFORMATION

ECONOMICS CENTER FOR EDUCATION AND RESEARCH
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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, 2018 and 2017, 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, 2018 and 2017, 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 accompanying supplementary information, the statements of functional expenses for the years ended June 30, 2018 and 2017 as listed in the table of contents, are presented for purposes of additional analysis and are 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
November 6, 2018

ECONOMICS CENTER FOR EDUCATION AND RESEARCH
STATEMENTS OF FINANCIAL POSITION

ASSETS

	June 30,	
	2018	**2017**
Current Assets		
Cash and Cash Equivalents	$ 396,319	$ 365,107
Accounts Receivable, Net	187,039	301,287
Pledges Receivable	250,000	12,500
Total Current Assets	833,358	678,894
Investments	1,724,439	1,382,072
Property, Equipment, and Software, Net	287,000	410,000
Pledges Receivable - Less Current Portion	200,000	-
Total Assets	$ 3,044,797	$ 2,470,966

LIABILITIES AND NET ASSETS

	2018	2017
Current Liabilities		
Accounts Payable and Accrued Expenses	$ 4,841	$ 12,527
Payable to Related Party	20,050	17,610
Deferred Revenue	50,000	50,000
Total Current Liabilities	74,891	80,137
Long-Term Liabilities (Less Current Portion)		
Deferred Revenue	72,000	122,000
Total Liabilities	146,891	202,137
Net Assets		
Unrestricted	719,181	1,116,029
Temporarily Restricted	1,378,725	852,800
Permanently Restricted	800,000	300,000
Total Net Assets	2,897,906	2,268,829
Total Liabilities and Net Assets	$ 3,044,797	$ 2,470,966

See accompanying notes.

ECONOMICS CENTER FOR EDUCATION AND RESEARCH
STATEMENTS OF ACTIVITIES

	Year Ended June 30, 2018				Year Ended June 30, 2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue, Gains and Other Support								
Contract Research	$ 562,323	$ -	$ -	$ 562,323	$ 1,006,390	$ -	$ -	$ 1,006,390
Program Revenue and Tuition	416,806	-	-	416,806	698,141	-	-	698,141
Contributions	725,009	500,000	500,000	1,725,009	472,159	-	-	472,159
Investment Income	66,036	6,898	-	72,934	13,874	51,739	-	65,613
Gain on Investments	6,475	19,027	-	25,502	28,245	45,248	-	73,493
In-kind Contributions	194,403	-	-	194,403	164,335	-	-	164,335
Total Revenue, Gains and Other Support	1,971,052	525,925	500,000	2,996,977	2,383,144	96,987	-	2,480,131
Net Assets Released From Restrictions	-	-	-	-	238,565	(238,565)	-	-
Total Revenue, Gains and Other Support and Net Assets Released From Restrictions	1,971,052	525,925	500,000	2,996,977	2,621,709	(141,578)	-	2,480,131
Expenses								
Program Services	1,975,979	-	-	1,975,979	2,018,145	-	-	2,018,145
Management and General	248,632	-	-	248,632	308,330	-	-	308,330
Fundraising and Development	143,289	-	-	143,289	180,604	-	-	180,604
Total Expenses	2,367,900	-	-	2,367,900	2,507,079	-	-	2,507,079
Change in Net Assets	(396,848)	525,925	500,000	629,077	114,630	(141,578)	-	(26,948)
Net Assets at Beginning of Year	1,116,029	852,800	300,000	2,268,829	1,001,399	994,378	300,000	2,295,777
Net Assets at End of Year	$ 719,181	$ 1,378,725	$ 800,000	$ 2,897,906	$ 1,116,029	$ 852,800	$ 300,000	$ 2,268,829

See accompanying notes.

ECONOMICS CENTER FOR EDUCATION AND RESEARCH
STATEMENTS OF CASH FLOWS

	Years Ended June 30,	
	2018	**2017**
Cash Flows From Operating Activities		
Change in Net Assets	$ 629,077	$ (26,948)
Adjustments to Reconcile Change in Net Assets to Net Cash Flows From Operating Activities		
Depreciation	123,000	123,000
Investment Income	(98,414)	(137,483)
Changes In		
Accounts Receivable, Net	114,248	(63,030)
Pledges Receivable	(437,500)	42,359
Accounts Payable and Accrued Expenses	(7,686)	12,527
Payable to Related Party	2,440	1,580
Deferred Revenue	(50,000)	(50,000)
Net Cash Flows Provided (Used) by Operating Activities	275,165	(97,995)
Cash Flows From Investing Activities		
Purchase of Investments	(320,691)	(15,973)
Proceeds From Sale of Investments	76,738	70,119
Net Cash Flows (Used) Provided by Investing Activities	(243,953)	54,146
Net Change in Cash and Cash Equivalents	31,212	(43,849)
Beginning Cash and Cash Equivalents Balance	365,107	408,956
Ending Cash and Cash Equivalents Balance	$ 396,319	$ 365,107

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, 2018 and 2017.

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 $328,000 and $205,000 at June 30, 2018 and 2017, respectively.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2018 and 2017. 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, 2018 or 2017.

Recently Issued Significant Accounting Standards

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, 2019.

Revenue Recognition Standard

In May, 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers. The core principle of the guidance 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.

Nonprofit Standard

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 the guidance 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 ASU is effective for years beginning after December 15, 2017.

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

Subsequent Events

The Center has evaluated subsequent events through November 6, 2018, 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.

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, 2018	June 30, 2017
Amounts Due in		
Less than One Year	$ 250,000	$ 12,500
One to Five Years	200,000	-
Pledges Receivable	$ 450,000	$ 12,500

NOTE 4 – INVESTMENTS

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

	2018	2017
UC Foundation Pooled Investments	$ 1,724,439	$ 1,382,072

Investment activity was as follows:

	Years Ended June 30, 2018	Years Ended June 30, 2017
Interest and Dividends (Net of Investment Fees of $7,743 and $6,130, Respectively)	$ 72,912	$ 63,990
Net Realized and Unrealized Gain	25,502	73,493
	$ 98,414	$ 137,483

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.

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, 2018 or 2017.

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.

NOTE 5 – FAIR VALUE MEASUREMENTS (Continued)

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

	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	$ -	$ -	$ 1,724,439	$ 1,724,439

The following table sets forth by level, within the fair value hierarchy, the assets at fair value as of June 30, 2017:

UC Foundation Investment Pool	$ -	$ -	$ 1,382,072	$ 1,382,072

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,	
	2018	2017
Balance, Beginning of Year	$ 1,382,072	$ 1,298,735
Investment Income	72,912	63,990
Gain	25,502	73,493
Purchases	320,691	15,973
Withdrawals	(76,738)	(70,119)
Balance, End of Year	$ 1,724,439	$ 1,382,072

NOTE 6 – DEFERRED REVENUE

As of June 30, 2018 and 2017, the Center had deferred revenue of $122,000 and $172,000, respectively. The balance at both June 30, 2018 and 2017 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, 2018 and 2017 only $50,000 was earned. This deferred revenue of $122,000 will be recognized as income in the following years:

Years Ending June 30,	
2019	$ 50,000
2020	72,000
	$ 122,000

NOTE 7 – NET ASSETS

Net assets are classified as follows:

	June 30, 2018		June 30, 2017
Unrestricted Net Assets	$	719,181	$ 1,116,029
Temporarily Restricted Net Assets			
Fifth Third Foundation Professional Development		500,000	-
The Alpaugh Family Chair in Economics		878,725	852,800
Total Temporarily Restricted Net Assets		1,378,725	852,800
Permanently Restricted Net Assets			
The Susan Sargen StEP Fund		500,000	-
The George Vredeveld Legacy Fund		300,000	300,000
Total Temporarily Restricted Net Assets		800,000	300,000
Total Net Assets	$	2,897,906	$ 2,268,829

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

	2018	2017
Cash and Cash Equivalents	$ 250,000	$ -
Pledges Receivable	450,000	-
Investments	1,478,725	1,152,800
	$ 2,178,725	$ 1,152,800

NOTE 8 – IN-KIND CONTRIBUTIONS

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

	Years Ended June 30, 2018	Years Ended June 30, 2017
Facilities	$ 125,220	$ 125,220
Marketing	25,000	9,000
Salaries	20,414	28,456
COE General Fund	-	411
Program Expenses	22,230	-
Miscellaneous	1,539	1,248
Total In-Kind Contributions	$ 194,403	$ 164,335

NOTE 9 – RETIREMENT PLAN EXPENSE

The Center's contributions and expenses related to the SEP during the years ended June 30, 2018 and 2017 were $53,004 and $65,436, respectively.

NOTE 10 – MARKETING AND ADVERTISING EXPENSE

The Center incurred marketing and advertising expense of $117,856 and $54,518 for the years ended June 30, 2018 and 2017, 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 $91,510 and $62,194 for the years ended June 30, 2018 and 2017, respectively that the Center used for program expenses, including salaries and scholarships for students. UC also provided office space and industry research support of $145,635 and $153,676 for the years ended June 30, 2018 and 2017, respectively, and the amounts are recorded as in-kind contributions and expense in the statements of activities. As of June 30, 2018 and 2017, the Center had accounts payable totaling $20,050 and $17,610, 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, 2018				Year Ended June 30, 2017			
	Program Services	Management and General	Fundraising and Development	Total	Program Services	Management and General	Fundraising and Development	Total
Salaries and Wages	$ 895,512	$ 151,297	$ 46,242	$ 1,093,051	$ 958,808	$ 164,997	$ 45,335	$ 1,169,140
Employee Benefits	211,341	35,706	10,848	257,895	193,951	52,799	13,601	260,351
Accounting, Legal and Contracted Services	25,473	15,830	-	41,303	28,904	17,060	-	45,964
Advertising and Promotion	81,115	2,865	33,876	117,856	43,866	2,694	7,958	54,518
Office Expenses	22,289	13,111	-	35,400	61,124	35,014	-	96,138
Overhead Expense (CECH)	25,616	-	-	25,616	43,150	-	-	43,150
Occupancy	93,330	20,276	11,614	125,220	93,330	20,276	11,614	125,220
Travel	5,608	1,972	-	7,580	8,737	1,525	-	10,262
Conferences, Conventions, and Meetings	7,031	7,575	40,709	55,315	13,768	13,965	97,651	125,384
Depreciation Expense	123,000	-	-	123,000	123,000	-	-	123,000
Tuition Expense	113,481	-	-	113,481	105,887	-	-	105,887
Program Expense	372,183	-	-	372,183	343,620	-	4,445	348,065
Total Expenses	$ 1,975,979	$ 248,632	$ 143,289	$ 2,367,900	$ 2,018,145	$ 308,330	$ 180,604	$ 2,507,079