

Financial Statements Together with
Report of Independent Certified Public Accountants

SIFMA FOUNDATION FOR INVESTOR EDUCATION (FIE), INC.

For the years ended October 31, 2014 and 2013

SIFMA FOUNDATION FOR INVESTOR EDUCATION (FIE), INC.

TABLE OF CONTENTS

	Page
Report of Independent Certified Public Accountants	1 - 2
Financial Statements:	
Statements of Financial Position as of October 31, 2014 and 2013	3
Statements of Activities for the years ended October 31, 2014 and 2013	4
Statements of Cash Flows for the years ended October 31, 2014 and 2013	5
Notes to Financial Statements	6 - 9



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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors of
SIFMA Foundation for Investor Education (FIE), Inc.

We have audited the accompanying statements of financial position of SIFMA Foundation for Investor Education (“FIE”), Inc. (the “Foundation”) as of October 31, 2014 and 2013, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements. These financial statements are the responsibility of the Foundation’s management. Our responsibility is to express an opinion on these financial statements based on our audits.

Management’s responsibility for the financial statements

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

Auditor’s responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation, as of October 31, 2014 and 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Grant Thornton LLP

New York, New York
March 10, 2015

SIFMA FOUNDATION FOR INVESTOR EDUCATION (FIE), INC.
Statements of Financial Position
As of October 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
ASSETS		
Cash	\$ 1,356,239	\$ 2,036,416
Contributions	67,500	22,500
Due from SIFMA (Note 5)	1,717	-
Investments (Note 3)	5,615,115	4,311,915
Other assets	<u>-</u>	<u>4,318</u>
Total current assets	7,040,571	6,375,149
Fixed assets	<u>8,794</u>	<u>-</u>
Total assets	<u>\$ 7,049,365</u>	<u>\$ 6,375,149</u>
LIABILITIES AND NET ASSETS		
Accounts payable and other liabilities	\$ 217,816	\$ 289,587
Deferred income	263,750	428,000
Due to SIFMA (Note 5)	-	203,223
Grants payable	<u>29,861</u>	<u>37,361</u>
Total liabilities	<u>511,427</u>	<u>958,171</u>
NET ASSETS		
Unrestricted	6,297,938	5,191,978
Temporary restricted (Note 7)	<u>240,000</u>	<u>225,000</u>
Total net assets	<u>6,537,938</u>	<u>5,416,978</u>
Total liabilities and net assets	<u>\$ 7,049,365</u>	<u>\$ 6,375,149</u>

The accompanying notes are an integral part of these financial statements.

SIFMA FOUNDATION FOR INVESTOR EDUCATION (FIE), INC.
Statements of Activities
For the years ended October 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
CHANGES IN UNRESTRICTED NET ASSETS		
Revenues and other operating support:		
Contributions and other revenues:		
Contributions (Note 6)	\$ 2,791,818	\$ 2,397,226
Contributed services (Note 5)	487,000	445,673
Stock market game processing fees	401,261	421,809
Interest and dividend income	89,197	141,052
Other income	-	119
Net assets released from restrictions	<u>225,000</u>	<u>61,797</u>
Total contributions and other revenues	<u>3,994,276</u>	<u>3,467,676</u>
Fund-raising event:		
Ticket revenue and sales	638,133	-
Direct costs	<u>(70,326)</u>	<u>-</u>
Net support from fund-raising event	<u>567,807</u>	<u>-</u>
Total revenues and other operating support	<u>4,562,083</u>	<u>3,467,676</u>
Operating expenses:		
Program services:		
Stock market game	<u>2,859,304</u>	<u>2,671,544</u>
Support services:		
Management and general	420,129	378,599
Fund-raising	<u>392,741</u>	<u>364,242</u>
Total support services	<u>812,870</u>	<u>742,841</u>
Total expenses	<u>3,672,174</u>	<u>3,414,385</u>
Increase in unrestricted net assets from operations	889,909	53,291
Nonoperating activity:		
Realized and unrealized gains on investments	<u>216,051</u>	<u>144,828</u>
Increase in unrestricted net assets	<u>1,105,960</u>	<u>198,119</u>
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS		
Contributions (Note 6)	240,000	225,000
Net assets released from restrictions	<u>(225,000)</u>	<u>(61,797)</u>
Increase in temporarily restricted net assets	<u>15,000</u>	<u>163,203</u>
Increase in net assets	1,120,960	361,322
Net assets, beginning of year	<u>5,416,978</u>	<u>5,055,656</u>
Net assets, end of year	<u>\$ 6,537,938</u>	<u>\$ 5,416,978</u>

The accompanying notes are an integral part of these financial statements.

SIFMA FOUNDATION FOR INVESTOR EDUCATION (FIE), INC.
Statements of Cash Flows
For the years ended October 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 1,120,960	\$ 361,322
Adjustment to reconcile increase in net assets to net cash provided by operating activities:		
Realized and unrealized gains on investments	(216,051)	(144,828)
Changes in operating assets and liabilities:		
Contributions receivable	(45,000)	473,700
Due to/from SIFMA	(204,940)	171,162
Accounts and other receivables	-	1,150
Other assets	4,318	15,731
Accounts payable and other liabilities	(71,771)	(37,943)
Deferred income	(164,250)	428,000
Grants payable	<u>(7,500)</u>	<u>(5,000)</u>
Net cash provided by operating activities	<u>415,766</u>	<u>1,263,294</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(8,794)	-
Purchase of investments	(1,087,149)	(961,966)
Proceeds from sale of investments	<u>-</u>	<u>3,231</u>
Net cash used in investing activities	<u>(1,095,943)</u>	<u>(958,735)</u>
Net (decrease) increase in cash	(680,177)	304,559
Cash, beginning of year	<u>2,036,416</u>	<u>1,731,857</u>
Cash, end of year	<u>\$ 1,356,239</u>	<u>\$ 2,036,416</u>

The accompanying notes are an integral part of these financial statements.

SIFMA FOUNDATION FOR INVESTOR EDUCATION (FIE), INC.

Notes to Financial Statements

October 31, 2014 and 2013

1. THE FOUNDATION

SIFMA Foundation for Investor Education (FIE), Inc. (the “Foundation”), formerly known as Foundation for Investor Education (“FIE”), is a tax-exempt not-for-profit educational organization, which was incorporated under the laws of the State of Delaware on December 13, 1976. The primary purpose of the Foundation is to improve investor education nationwide and help millions of Americans prepare for their financial future primarily through its program, the stock market game.

The Foundation receives support primarily from Securities Industry and Financial Markets Association (“SIFMA”), SIFMA member firms, and securities industry organizations (Notes 5 and 6).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements of the Foundation have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States (“US GAAP”). The significant accounting policies followed are described below.

Net Asset Classifications

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

Unrestricted - The part of net assets that is neither permanently nor temporarily restricted by donor-imposed stipulations and is available for the day-to-day operations of the Foundation.

Temporarily Restricted - Net assets resulting from contributions and other inflows of assets whose use by the Foundation is limited by donor-imposed stipulations that either expire by passage of time and/or can be fulfilled and removed by actions of the Foundation pursuant to those stipulations. When such stipulations end or are fulfilled, such temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently Restricted - Net assets resulting from contributions and other inflows of assets whose use by the Foundation is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Foundation. The Foundation had no permanently restricted net assets at October 31, 2014 and 2013.

Contributions

The Foundation records contributions of cash and other assets as well as unconditional promises to give (pledges) in the period in which they are received. Pledges considered likely of collection within one year are recorded at their net realizable value. Contributions to be received after one year are discounted to present value using a credit adjusted rate of return. All contributions are considered available for unrestricted use unless specifically restricted by a donor.

SIFMA FOUNDATION FOR INVESTOR EDUCATION (FIE), INC.
Notes to Financial Statements
October 31, 2014 and 2013

Investments

Investments consist primarily of publicly traded mutual funds, carried at fair value, valued based on published closing prices as of the last business day of the fiscal year.

Fixed Assets

Depreciation of furniture, fixtures, and equipment is computed on a straight-line basis over the estimated useful lives of the related assets as follows:

Furniture, fixtures, and equipment	3 - 7 years
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The Foundation capitalizes property and equipment costing \$5,000 or more and which have a useful life of more than one year.

Fair Value Measurements

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The fair value hierarchy requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of inputs that may be used to measure fair value are as follows:

- Level 1: Quoted prices in active markets for identical assets or liabilities.
- Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3: Unobservable inputs that are supported by little or no market activity.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Certain costs have been allocated among the programs and supporting services benefited. These allocations are based on actual usage and management's best estimates.

Concentrations of Credit Risk

Cash and investments are exposed to various risks, such as interest rate, market and credit risks. To minimize such risks, the Foundation maintains its cash in various bank deposit accounts which, at times, may exceed federally insured limits, and in a diversified investment portfolio. At October 31, 2014 and 2013, the Foundation's cash and investments were placed with high credit quality financial institutions and, accordingly, the Foundation does not believe this to be a significant risk.

SIFMA FOUNDATION FOR INVESTOR EDUCATION (FIE), INC.
Notes to Financial Statements
October 31, 2014 and 2013

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. INVESTMENTS

Investments are carried at fair value and consist of the following:

	October 31,	
	2014	2013
Equity securities mutual funds	\$ 2,358,419	\$ 1,673,841
Fixed income securities mutual funds	3,243,740	2,625,119
Money market fund	12,956	12,955
	<u>\$ 5,615,115</u>	<u>\$ 4,311,915</u>

At October 31, 2014 and 2013, all of the Foundation's investments were classified as Level 1 in the fair value hierarchy.

4. TAXES

The Foundation is exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code. Accordingly, the Foundation is not subject to income taxes except to the extent it has taxable income from activities that are not related to its exempt purposes. The Foundation utilizes a threshold for more likely than not for recognition and derecognition of tax positions taken or expected to be taken in a tax return. No provision for income taxes was required for fiscal 2014 or 2013.

The Foundation conforms with the provisions of ASC 740, "Income Taxes". Under ASC 740, an organization must recognize the tax benefit associated with tax positions taken for tax return purposes when it is more likely than that not the position will be sustained upon examination by a taxing authority. The implementation of ASC 740 had no impact on the Foundation's financial statements. The Foundation does not believe it has taken any material uncertain tax positions and, accordingly, it has not recorded any liability for uncertain tax positions. The Foundation has filed for and received income tax exemptions in the jurisdictions where it is required to do so. Additionally, the Foundation has filed IRS Form 990 information returns, as required, and all other applicable returns in jurisdictions where so required. The tax years ending October 31, 2011, 2012, 2013 and 2014 are still open to audit for both federal and state purposes.

5. RELATED-PARTY TRANSACTIONS AND CONTRIBUTED SERVICES

SIFMA provides office space and administrative services to the Foundation. The estimated fair value of these services for the years ended October 31, 2014 and 2013 was \$487,000 and \$445,673, respectively, which has been reported as revenue and expense.

SIFMA FOUNDATION FOR INVESTOR EDUCATION (FIE), INC.
Notes to Financial Statements
October 31, 2014 and 2013

Foundation staff are seconded employees of SIFMA and are covered under all SIFMA benefit plans, including health, retirement, and other plans. The Foundation reimburses SIFMA for the employment costs of these staff, which costs are recorded as compensation expense and functionalized in the statements of activities.

Further, SIFMA, on behalf of the Foundation, pays certain expenses for which it is subsequently reimbursed by the Foundation. On October 31, 2014 and 2013, the Foundation had receivables of \$1,717 and payables of \$203,223, respectively.

6. CONTRIBUTIONS AND CONTRIBUTIONS RECEIVABLE

Contribution revenue consisted of the following for the years ended October 31, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Unrestricted contributions:		
SIFMA member firms	\$ 1,719,806	\$ 1,652,632
Outside corporations, foundations, and other	<u>1,072,012</u>	<u>744,594</u>
Total unrestricted contributions	2,791,818	2,397,226
Restricted contributions:		
Financial exchanges, corporations, and foundations	<u>240,000</u>	<u>225,000</u>
Total contributions	<u>\$ 3,031,818</u>	<u>\$ 2,622,226</u>

Contributions receivable at October 31, 2014 and 2013 were due within one year. One donor represented 96% and 44% of gross contributions receivable at October 31, 2014 and 2013, respectively.

7. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at October 31, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Stock market game programs in Saint Louis and Minneapolis	<u>\$ 240,000</u>	<u>\$ 225,000</u>
Total temporarily restricted net assets	<u>\$ 240,000</u>	<u>\$ 225,000</u>

8. SUBSEQUENT EVENTS

The Foundation evaluated subsequent events after the statement of financial position date of October 31, 2014 through March 10, 2015, which was the date the financial statements were available to be issued. The Foundation is unaware of any events which would require recognition or disclosure in the accompanying financial statements.