

Financial Statements Together with
Report of Independent Certified Public Accountants

SIFMA FOUNDATION FOR INVESTOR EDUCATION (FIE), INC.

For the years ended October 31, 2016 and 2015

SIFMA FOUNDATION FOR INVESTOR EDUCATION (FIE), INC.

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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 financial statements of SIFMA Foundation for Investor Education (FIE), Inc. (the “Foundation”) which comprise the statements of financial position as of October 31, 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.

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 Foundation’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 Foundation’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 SIFMA Foundation for Investor Education (FIE), Inc. as of October 31, 2016 and 2015, 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.

A handwritten signature in cursive script that reads "Grant Thornton LLP".

New York, New York
April 24, 2017

SIFMA FOUNDATION FOR INVESTOR EDUCATION (FIE), INC.
Statements of Financial Position
As of October 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash	\$ 2,222,568	\$ 2,465,532
Contributions receivable (Note 6)	261,440	376,500
Accounts and other receivables	21,945	40,317
Investments (Note 3)	5,965,472	5,749,890
Other assets	<u>2,349</u>	<u>8,012</u>
Total current assets	8,473,774	8,640,251
Fixed assets	<u>3,612</u>	<u>6,501</u>
Total assets	<u>\$ 8,477,386</u>	<u>\$ 8,646,752</u>
LIABILITIES AND NET ASSETS		
Accounts payable and other liabilities	\$ 326,139	\$ 231,246
Due to SIFMA (Note 5)	382,939	668,490
Grants payable	<u>7,361</u>	<u>24,861</u>
Total liabilities	<u>716,439</u>	<u>924,597</u>
NET ASSETS		
Unrestricted	7,660,947	7,482,155
Temporary restricted (Note 7)	<u>100,000</u>	<u>240,000</u>
Total net assets	<u>7,760,947</u>	<u>7,722,155</u>
Total liabilities and net assets	<u>\$ 8,477,386</u>	<u>\$ 8,646,752</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, 2016 and 2015

	<u>2016</u>	<u>2015</u>
CHANGES IN UNRESTRICTED NET ASSETS		
Revenues and other operating support		
Contributions and other revenues		
Contributions (Note 6)	\$ 2,163,873	\$ 2,341,513
Contributed services (Note 5)	522,000	506,000
Stock market game processing fees	396,507	389,774
Interest and dividend income	116,634	109,830
Other income	97	58
Net assets released from restrictions	385,000	240,000
Total contributions and other revenues	<u>3,584,111</u>	<u>3,587,175</u>
Fund-raising event (Note 8)		
Ticket revenue and sales	937,770	1,821,750
Direct costs	(104,533)	(133,709)
Net support from fund-raising event	<u>833,237</u>	<u>1,688,041</u>
Total revenues and other operating support	<u>4,417,348</u>	<u>5,275,216</u>
Operating expenses		
Program services		
Stock market game, Invest Write, Capitol Hill Challenge, Invest it Forward	<u>3,443,375</u>	<u>3,227,567</u>
Support services		
Management and general	419,749	419,027
Fund-raising	477,894	471,352
Total support services	<u>897,643</u>	<u>890,379</u>
Total expenses	<u>4,341,018</u>	<u>4,117,946</u>
Increase in unrestricted net assets from operations	76,330	1,157,270
Nonoperating activity		
Realized and unrealized gains on investments	<u>102,462</u>	<u>26,947</u>
Increase in unrestricted net assets	<u>178,792</u>	<u>1,184,217</u>
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS		
Contributions (Note 6)	245,000	240,000
Net assets released from restrictions	<u>(385,000)</u>	<u>(240,000)</u>
Decrease in temporarily restricted net assets	<u>(140,000)</u>	<u>-</u>
Increase in net assets	38,792	1,184,217
Net assets, beginning of year	<u>7,722,155</u>	<u>6,537,938</u>
Net assets, end of year	<u>\$ 7,760,947</u>	<u>\$ 7,722,155</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, 2016 and 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 38,792	\$ 1,184,217
Adjustment to reconcile increase in net assets to net cash (used in) provided by operating activities		
Depreciation	2,889	2,167
Loss on disposal of fixed assets	-	126
Realized and unrealized gains on investments	(102,462)	(26,947)
Changes in operating assets and liabilities		
Contributions receivable	115,060	(309,000)
Accounts and other receivables	18,372	(40,317)
Other assets	5,663	(8,012)
Accounts payable and other liabilities	94,893	13,430
Due to/from SIFMA	(285,551)	670,207
Grants payable	(17,500)	(5,000)
Deferred income	-	(263,750)
	<u> </u>	<u> </u>
Net cash (used in) provided by operating activities	<u>(129,844)</u>	<u>1,217,121</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	274	-
Purchase of investments	<u>(113,394)</u>	<u>(107,828)</u>
	<u> </u>	<u> </u>
Net cash used in investing activities	<u>(113,120)</u>	<u>(107,828)</u>
	<u> </u>	<u> </u>
Net (decrease) increase in cash	(242,964)	1,109,293
Cash, beginning of year	<u>2,465,532</u>	<u>1,356,239</u>
Cash, end of year	<u>\$ 2,222,568</u>	<u>\$ 2,465,532</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, 2016 and 2015

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 of America (“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, 2016 and 2015.

Cash Equivalents

Cash and cash equivalents include all highly liquid financial instruments purchased with original maturities of three months or less from the date of purchase and all money market mutual funds.

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

SIFMA FOUNDATION FOR INVESTOR EDUCATION (FIE), INC.
Notes to Financial Statements
October 31, 2016 and 2015

unrestricted use unless specifically restricted by a donor. Contributions subject to donor-imposed restrictions are recorded as temporarily restricted support and are reclassified as unrestricted when the donor-imposed restriction has been fulfilled and/or the stipulated time period has elapsed. Contributions with donor-imposed restrictions that are met in the same accounting period are recorded as unrestricted income. Receivables are written-off when deemed uncollectable.

Conditional promises to give are not recognized until they become unconditional promises to give, that is, when the conditions on which they depend are substantially met. During fiscal years 2016 and 2015, the Foundation received notification of certain intentions to give in the amount of \$240,000 and \$490,000, respectively. However, due to their conditional nature, these gifts have not been reflected in the accompanying financial statements.

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.

SIFMA FOUNDATION FOR INVESTOR EDUCATION (FIE), INC.
Notes to Financial Statements
October 31, 2016 and 2015

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, 2016 and 2015, 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.

Use of Estimates

The preparation of financial statements in conformity with US GAAP 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,	
	2016	2015
Equity securities mutual funds	\$ 2,605,966	\$ 2,452,448
Fixed income securities mutual funds	3,346,775	3,284,483
Money market fund	<u>12,731</u>	<u>12,959</u>
	<u>\$ 5,965,472</u>	<u>\$ 5,749,890</u>

At October 31, 2016 and 2015, all of the Foundation's investments were classified as Level 1 in the fair value hierarchy.

4. TAXES

The Foundation follows guidance that clarifies the accounting for uncertainty in tax positions taken or expected to be taken in a tax return, including issues relating to financial statement recognition and measurement. This guidance provides that the tax effects from an uncertain tax position can only be recognized in the financial statements if the position is "more-likely-than-not" to be sustained if the position were to be challenged by a taxing authority. The assessment of the tax position is based solely on the technical merits of the position, without regard to the likelihood that the tax position may be challenged.

The Foundation is exempt from federal income tax under IRC section 501(c)(3), though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code. The Foundation has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations in jurisdictions for which it was nexus; and to identify and evaluate other matters that may be considered tax positions. The tax years ended October 31, 2013, 2014, 2015, and 2016 are still open to audit for both federal and state purposes. The

SIFMA FOUNDATION FOR INVESTOR EDUCATION (FIE), INC.
Notes to Financial Statements
October 31, 2016 and 2015

Foundation has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements 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, 2016 and 2015 was \$522,000 and \$506,000, respectively, which has been reported as revenue and expense.

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, 2016 and 2015, the Foundation had payables of \$382,939 and \$668,490, respectively. The Foundation's payable balance was subsequently paid in full.

6. CONTRIBUTIONS AND CONTRIBUTIONS RECEIVABLE

Contribution revenue consisted of the following for the years ended October 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Unrestricted contributions:		
SIFMA member firms	\$ 1,627,493	\$ 1,717,537
Outside corporations, foundations, and other	<u>536,380</u>	<u>623,976</u>
Total unrestricted contributions	2,163,873	2,341,513
Temporarily restricted contributions:		
Financial exchanges, corporations, and foundations	<u>245,000</u>	<u>240,000</u>
Total contributions	<u>\$ 2,408,873</u>	<u>\$ 2,581,513</u>

Contributions receivable totaling \$261,440 and \$376,500 at October 31, 2016 and 2015, respectively, are due within one year. One donor represented 46% and 16% of gross contributions receivable at October 31, 2016 and 2015, respectively.

SIFMA FOUNDATION FOR INVESTOR EDUCATION (FIE), INC.
Notes to Financial Statements
October 31, 2016 and 2015

7. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at October 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Stock market game programs in Saint Louis and Minneapolis	\$ -	\$ 240,000
Teacher Professional Development Program	<u>100,000</u>	<u>-</u>
Total temporarily restricted net assets	<u>\$ 100,000</u>	<u>\$ 240,000</u>

For the year ended October 31, 2016, \$360,000 was released for the stock market game programs in Saint Louis and Minneapolis and \$25,000 was released for the teacher professional development program. For the year ended October 31, 2015, \$240,000 was released for the stock market game programs in Saint Louis and Minneapolis.

8. FUNDRAISING EVENT

The Foundation holds one annual Tribute Dinner each calendar year in order to raise funding for operations. During the year ended October 31, 2015, the Foundation, due to the timing of the events, recognized revenue for two Tribute Dinners, which occurred on November 10, 2014 and October 20, 2015, respectively. During the year ended October 31, 2016, the Foundation recognized revenue for one Tribute Dinner which was held on October 5, 2016.

9. SUBSEQUENT EVENTS

The Foundation evaluated subsequent events after the statement of financial position date of October 31, 2016 through April 24, 2017, 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.