

Financial Statements Together with
Report of Independent Certified Public
Accountants

**SIFMA Foundation for Investor Education
(FIE), Inc.**

October 31, 2019 and 2018

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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, 2019 and 2018, the related statements of activities and cash flows for the years then ended, the related statement of functional expenses for the year ended October 31, 2019, 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 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 SIFMA Foundation for Investor Education (FIE), Inc. as of October 31, 2019 and 2018, 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.

Grant Thornton LLP

New York, New York
April 24, 2020

SIFMA Foundation for Investor Education (FIE), Inc.

STATEMENTS OF FINANCIAL POSITION

As of October 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 359,211	\$ 840,490
Contributions receivable (Note 6)	331,500	569,850
Accounts and other receivables	590	1,750
Investments (Note 3)	9,098,593	8,299,822
Other assets	<u>4,144</u>	<u>9,182</u>
Total current assets	9,794,038	9,721,094
Fixed assets (Note 2)	<u>-</u>	<u>-</u>
Total assets	<u>\$ 9,794,038</u>	<u>\$ 9,721,094</u>
LIABILITIES AND NET ASSETS		
Accounts payable and other liabilities	\$ 101,063	\$ 82,415
Due to SIFMA (Note 5)	<u>345,049</u>	<u>399,964</u>
Total liabilities	<u>446,112</u>	<u>482,379</u>
NET ASSETS		
Without donor restrictions	8,984,593	8,905,382
With donor restrictions (Note 7)	<u>363,333</u>	<u>333,333</u>
Total net assets	<u>9,347,926</u>	<u>9,238,715</u>
Total liabilities and net assets	<u>\$ 9,794,038</u>	<u>\$ 9,721,094</u>

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

SIFMA Foundation for Investor Education (FIE), Inc.

STATEMENTS OF ACTIVITIES

Years ended October 31, 2019 and 2018

	2019	2018
Changes in net assets without donor restrictions		
Revenues and other operating support		
Contributions and other revenues		
Contributions (Note 6)	\$ 1,748,010	\$ 2,381,499
Contributed services (Note 5)	498,000	511,000
Stock market game processing fees	397,928	324,021
Investment return used in operations	219,486	172,935
Other income	70	85
Net assets released from restrictions (Note 7)	333,333	100,000
Total contributions and other revenues	3,196,827	3,489,540
Fund-raising event		
Ticket revenue and sales	752,370	1,218,600
Direct costs	(160,560)	(207,708)
Net support from fund-raising event	591,810	1,010,892
Total revenues and other operating support	3,788,637	4,500,432
Operating expenses		
Program services		
Stock Market Game, InvestWrite, Capitol Hill Challenge, Invest It Forward	3,533,603	3,476,037
Support services		
Management and general	513,198	447,345
Fund-raising	242,944	204,165
Total support services	756,142	651,510
Total expenses	4,289,745	4,127,547
(Decrease) increase in net assets without donor restrictions from operations	(501,108)	372,885
Nonoperating activity		
Investment return, net of amounts used in operations	580,319	(158,030)
Increase in net assets without donor restrictions	79,211	214,855
Changes in net assets with donor restrictions		
Contributions (Note 6)	363,333	333,333
Net assets released from restrictions (Note 7)	(333,333)	(100,000)
Increase in net assets with donor restrictions	30,000	233,333
Increase in net assets	109,211	448,188
Net assets, beginning of year	9,238,715	8,790,527
Net assets, end of year	\$ 9,347,926	\$ 9,238,715

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

SIFMA Foundation for Investor Education (FIE), Inc.

STATEMENT OF FUNCTIONAL EXPENSES

Year ended October 31, 2019 with summarized comparative totals for 2018

	2019						2018
	Program Services			Supporting Services			
	Stock Market Game	Investwrite Capital Hill Challenge Invest it Forward	Total	Management and General	Fund-raising	Total	
Salaries	\$ 1,236,123	\$ 176,330	\$ 1,412,453	\$ 318,562	\$ 157,985	\$ 1,889,000	\$ 1,626,142
Employee benefits	375,244	53,528	428,772	96,704	47,959	573,435	556,228
Professional fees and consulting services	381,592	53,306	434,898	5,406	-	440,304	420,692
Awards, grants, contributions, and sponsorships	173,052	34,494	207,546	2,683	-	210,229	240,298
Travel and entertainment	40,426	44,387	84,813	3,872	-	88,685	167,993
Regional processing fees	358,008	-	358,008	-	-	358,008	358,845
Contributed services	383,000	-	383,000	78,000	37,000	498,000	511,000
Technology	91,661	71,910	163,571	503	-	164,074	186,839
Miscellaneous	55,861	4,681	60,542	7,468	-	68,010	59,510
Total expenses - 2019	<u>\$ 3,094,967</u>	<u>\$ 438,636</u>	<u>\$ 3,533,603</u>	<u>\$ 513,198</u>	<u>\$ 242,944</u>	<u>\$ 4,289,745</u>	
Total expenses - 2018	<u>\$ 3,054,240</u>	<u>\$ 421,797</u>	<u>\$ 3,476,037</u>	<u>\$ 447,345</u>	<u>\$ 204,165</u>		<u>\$ 4,127,547</u>

The accompanying notes are an integral part of this financial statement.

SIFMA Foundation for Investor Education (FIE), Inc.

STATEMENTS OF CASH FLOWS

Years ended October 31, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Increase in net assets	\$ 109,211	\$ 448,188
Adjustment to reconcile increase in net assets to net cash (used in) provided by operating activities		
Depreciation	-	722
Realized and unrealized (gains) losses on investments	(580,319)	158,030
Changes in operating assets and liabilities		
Contributions receivable	238,350	4,430
Accounts and other receivables	1,160	2,820
Other assets	5,038	31,936
Accounts payable and other liabilities	18,648	(286,231)
Due to/from SIFMA	(54,915)	246,237
Net cash (used in) provided by operating activities	(262,827)	606,132
Cash flows from investing activities:		
Purchase of investments	(218,452)	(1,170,744)
Net cash used in investing activities	(218,452)	(1,170,744)
Net decrease in cash	(481,279)	(564,612)
Cash, beginning of year	840,490	1,405,102
Cash, end of year	\$ 359,211	\$ 840,490

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

SIFMA Foundation for Investor Education (FIE), Inc.

NOTES TO FINANCIAL STATEMENTS

October 31, 2019 and 2018

NOTE 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 through its programs, the Stock Market Game, InvestWrite, Capitol Hill Challenge, and Invest It Forward.

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

NOTE 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.

In August 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2016-14, Not-for-Profit Entities (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities* (“ASU 2016-14”). The ASU amends the current reporting model for not-for-profit organizations and requires certain additional disclosures. The significant changes include:

- Requiring the presentation of two net asset classes classified as “net assets without donor restrictions” and “net assets with donor restrictions”;
- Modifying the presentation of underwater endowment funds and related disclosures;
- Requiring the use of the placed in-service approach to recognize the satisfaction of restrictions on gifts used to acquire or construct long-lived assets, absent explicit donor stipulations otherwise;
- Requiring that all not-for-profits present an analysis of expenses by function and nature in a separate statement or in the notes to the financial statements;
- Requiring disclosure of quantitative and qualitative information regarding liquidity;
- Presenting investment return net of external and direct internal investment expenses; and,
- Modifying other financial statement reporting requirements and disclosures intended to increase the usefulness to the reader.

SIFMA Foundation for Investor Education (FIE), Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

October 31, 2019 and 2018

For the year ended October 31, 2019, the Foundation adopted the relevant provisions of ASU 2016-14 and similarly revised the presentation of its fiscal 2018 financial statements to align with the new reporting presentation. A presentation of net assets as previously reported as of October 31, 2018, and as required under ASU 2016-14 follows:

	October 31, 2018			Total
	Presentation under ASU 2016-14			
	As Previously Presented	Without Donor Restrictions	With Donor Restrictions	
Net assets:				
Unrestricted	\$ 8,905,382	\$ 8,905,382	\$ -	\$ 8,905,382
Temporarily restricted	333,333	-	333,333	333,333
Total net assets	\$ 9,238,715	\$ 8,905,382	\$ 333,333	\$ 9,238,715

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:

Net Assets without Donor Restrictions - The part of net assets that is not restricted by donor-imposed stipulations and is available for the day-to-day operations of the Foundation.

Net Assets with Donor Restrictions - 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 net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Net assets with donor restrictions also includes the corpus of gifts, which must be maintained in perpetuity, but allow for the expenditure of net investment income and gains earned on the corpus for either specified or unspecified purposes in accordance with donor stipulations. The Foundation does not hold any such net assets as of October 31, 2019 or 2018.

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 general use unless specifically restricted by a donor. Contributions subject to donor-imposed restrictions are recorded as support with donor restrictions and are reclassified as net assets without donor restrictions when the donor-imposed restriction has been fulfilled and/or the stipulated time period has elapsed.

SIFMA Foundation for Investor Education (FIE), Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

October 31, 2019 and 2018

Contributions with donor-imposed restrictions that are met in the same accounting period are recorded as income without donor restrictions. 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. The Foundation received notification of certain intentions to give during fiscal years 2019 and 2018 in the amounts of \$120,000 and \$240,000, 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. As of October 31, 2019 and 2018, the Foundation had fixed assets totaling \$8,668 that were fully depreciated.

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 and functional expenses. Certain costs have been allocated among the programs and supporting services benefited. These allocations are based on actual usage and management's best estimates.

Fundraising Event

Revenues from event tickets are reported in the fiscal year in which the event is held. All proceeds from ticket sales for special events received prior to year-end, but relating to events held subsequent to the

SIFMA Foundation for Investor Education (FIE), Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

October 31, 2019 and 2018

statement of financial position date are recorded as deferred revenue. Direct costs of events are reported in the fiscal year in which the event occurs.

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, 2019 and 2018, 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.

Reclassifications

Certain reclassifications were made to the fiscal 2018 financial statements in order to conform to the fiscal 2019 presentation. Such reclassifications did not change total assets, liabilities, net assets or changes in net assets as reflected in the fiscal 2018 financial statements.

NOTE 3 - INVESTMENTS

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

	<u>2019</u>	<u>2018</u>
Equity securities mutual funds	\$ 3,832,225	\$ 3,404,051
Fixed income securities mutual funds	4,655,352	2,812,392
Money market fund	611,016	2,083,379
	<u>\$ 9,098,593</u>	<u>\$ 8,299,822</u>

At October 31, 2019 and 2018, all of the Foundation's investments were classified as Level 1 in the fair value hierarchy.

NOTE 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 Section 501(c)(3) of the Internal Revenue Code (the "Code"), 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

SIFMA Foundation for Investor Education (FIE), Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

October 31, 2019 and 2018

maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations in jurisdictions for which it has nexus; and to identify and evaluate other matters that may be considered tax positions. The Foundation has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

NOTE 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, 2019 and 2018 was \$498,000 and \$511,000, 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 and functional expenses.

Further, SIFMA, on behalf of the Foundation, pays certain expenses for which it is subsequently reimbursed by the Foundation. On October 31, 2019 and 2018, the Foundation had payables of \$345,049 and \$399,964, respectively. The Foundation's payable balance was subsequently paid in full.

NOTE 6 - CONTRIBUTIONS AND CONTRIBUTIONS RECEIVABLE

Contribution revenue consisted of the following for the years ended October 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Contributions without donor restrictions:		
SIFMA member firms	\$ 1,247,957	\$ 1,462,018
Outside corporations, foundations, and other	500,053	919,481
Total contributions without donor restrictions	1,748,010	2,381,499
Contributions with donor restrictions:		
Financial exchanges, corporations, and foundations	363,333	333,333
Total contributions	<u>\$ 2,111,343</u>	<u>\$ 2,714,832</u>

Contributions receivable totaling \$331,500 and \$569,850 at October 31, 2019 and 2018, respectively, are due within one year. One donor represented 30% and 44% of gross contributions receivable at October 31, 2019 and 2018, respectively.

NOTE 7 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of October 31, 2019 and 2018 consisted of contributions restricted for the Capitol Hill Challenge and Title One Schools totaling \$363,333 and Capitol Hill Challenge totaling \$333,333, respectively.

For the year ended October 31, 2019, \$333,333 was released for the Capitol Hill Challenge and for the year ended October 31, 2018, \$100,000 was released for the Teacher Professional Development Program.

SIFMA Foundation for Investor Education (FIE), Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

October 31, 2019 and 2018

NOTE 8 - LIQUIDITY AND AVAILABILITY

The Foundation regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Foundation has various sources of liquidity at its disposal, including cash and cash equivalents, which fund daily operating activity, and long term investments, which are maintained to fund long-term liabilities as well as any extraordinary financial situation that should arise.

In addition to financial assets available to meet general expenditures over the next 12 months, the Foundation operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures. Refer to the statement of cash flows which identifies the sources and uses of the Foundation's cash.

As of October 31, 2019, the following tables show the total financial assets held by the Foundation and the amounts of those financial assets that could readily be made available within one year of the balance sheet date to meet general expenditures:

	<u>2019</u>
Cash	\$ 359,211
Contributions receivable	331,500
Accounts and other receivables	590
Investments	9,098,593
Other assets	4,144
Total financial assets	<u>9,794,038</u>
Less those unavailable for general expenditures within one year due to donor-imposed restrictions	<u>(363,333)</u>
Total financial assets available within one year for general expenditures	<u>\$ 9,430,705</u>

NOTE 9 - SUBSEQUENT EVENTS

The Foundation evaluated subsequent events after the statement of financial position date of October 31, 2019 through April 24, 2020, 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, except for the matters disclosed below and within Note 5.

On March 11, 2020, the World Health Organization officially declared COVID-19, the disease caused by the novel coronavirus, a pandemic. Management is closely monitoring the financial implications that may impact the Foundation. Due to the many uncertainties associated with the disease, management is unable to determine the financial impact.