

Financial Statements Together with
Report of Independent Certified Public
Accountants

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

October 31, 2021 and 2020

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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, 2021 and 2020, the related statements of activities, functional expenses 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 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, 2021 and 2020, 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 21, 2022

SIFMA Foundation for Investor Education (FIE), Inc.

STATEMENTS OF FINANCIAL POSITION

October 31,

	<u>2021</u>	<u>2020</u>
ASSETS		
Current assets		
Cash	\$ 618,581	\$ 139,085
Contributions receivable	881,179	1,426,500
Accounts and other receivables	25,855	1,630
Investments	10,389,267	9,173,342
Other assets	15,145	40,582
	<u>11,930,027</u>	<u>10,781,138</u>
Total current assets		
	<u>11,930,027</u>	<u>10,781,138</u>
Fixed assets	-	-
	<u>-</u>	<u>-</u>
Total assets	<u>\$ 11,930,027</u>	<u>\$ 10,781,138</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and other liabilities	\$ 160,294	\$ 107,218
Due to SIFMA	410,796	380,040
	<u>571,090</u>	<u>487,258</u>
Total liabilities		
	<u>571,090</u>	<u>487,258</u>
Net assets		
Without donor restrictions	10,692,270	9,293,881
With donor restrictions	666,667	1,000,000
	<u>11,358,937</u>	<u>10,293,881</u>
Total liabilities and net assets	<u>\$ 11,930,027</u>	<u>\$ 10,781,138</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,

	2021	2020
Changes in net assets without donor restrictions		
Revenues and other operating support		
Contributions and other revenues		
Contributions	\$ 2,094,492	\$ 1,973,526
Contributed services	464,000	495,000
Stock market game processing fees	295,463	383,035
Investment return used in operations	149,497	197,188
Net assets released from restrictions	333,333	363,333
Total contributions and other revenues	3,336,785	3,412,082
Fund-raising event		
Ticket revenue and sales	1,242,739	1,008,098
Direct costs	(133,306)	-
Net support from fund-raising event	1,109,433	1,008,098
Total revenues and other operating support	4,446,218	4,420,180
Operating expenses		
Program services		
Stock Market Game, InvestWrite, Capitol Hill Challenge, Invest It Forward	3,689,286	3,623,422
Support Services		
Management and general	517,394	478,364
Fund-raising	257,964	237,174
Total support services	775,358	715,538
Total expenses	4,464,644	4,338,960
(Decrease) increase in net assets without donor restrictions from operations	(18,426)	81,220
Nonoperating activity		
Investment return, net of amounts used in operations	1,416,815	228,068
Increase in net assets without donor restrictions	1,398,389	309,288
Changes in net assets with donor restrictions		
Contributions	-	1,000,000
Net assets released from restrictions	(333,333)	(363,333)
(Decrease) increase in net assets with donor restrictions	(333,333)	636,667
Increase in net assets	1,065,056	945,955
Net assets, beginning of year	10,293,881	9,347,926
Net assets, end of year	\$ 11,358,937	\$ 10,293,881

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, 2021

	Program Services			Supporting Services			Total
	Stock Market Game	Investwrite Capital Hill Challenge Invest it Forward	Total Program Services	Fundraising	Management and General	Total Supporting Services	
Salaries	\$ 1,338,296	\$ 182,185	\$ 1,520,481	\$ 167,095	\$ 313,234	\$ 480,329	\$ 2,000,810
Employee benefits	432,622	58,894	491,516	54,016	101,257	155,273	646,789
Professional fees and consulting services	466,721	43,601	510,322	-	21,900	21,900	532,222
Awards, grants, contributions, and sponsorships	140,211	71,339	211,550	874	-	874	212,424
Travel and entertainment	27,606	-	27,606	14	40	54	27,660
Regional processing fees	334,996	-	334,996	-	-	-	334,996
Contributed services	356,800	-	356,800	35,750	71,450	107,200	464,000
Technology	82,653	82,622	165,275	-	200	200	165,475
Miscellaneous	69,198	1,542	70,740	215	9,313	9,528	80,268
	<u>\$ 3,249,103</u>	<u>\$ 440,183</u>	<u>\$ 3,689,286</u>	<u>\$ 257,964</u>	<u>\$ 517,394</u>	<u>\$ 775,358</u>	<u>\$ 4,464,644</u>

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

SIFMA Foundation for Investor Education (FIE), Inc.

STATEMENT OF FUNCTIONAL EXPENSES

Year ended October 31, 2020

	Program Services			Supporting Services			Total
	Stock Market Game	Investwrite Capital Hill Challenge Invest it Forward	Total Program Services	Fundraising	Management and General	Total Supporting Services	
Salaries	\$ 1,293,367	\$ 169,536	\$ 1,462,903	\$ 152,720	\$ 307,632	\$ 460,352	\$ 1,923,255
Employee benefits	407,361	53,397	460,758	48,299	92,744	141,043	601,801
Professional fees and consulting services	379,403	62,359	441,762	-	-	-	441,762
Awards, grants, contributions, and sponsorships	195,802	49,927	245,729	-	-	-	245,729
Travel and entertainment	8,311	98	8,409	-	212	212	8,621
Regional processing fees	380,499	-	380,499	-	-	-	380,499
Contributed services	383,000	-	383,000	36,000	76,000	112,000	495,000
Technology	98,230	81,554	179,784	-	201	201	179,985
Miscellaneous	59,417	1,161	60,578	155	1,575	1,730	62,308
	<u>\$ 3,205,390</u>	<u>\$ 418,032</u>	<u>\$ 3,623,422</u>	<u>\$ 237,174</u>	<u>\$ 478,364</u>	<u>\$ 715,538</u>	<u>\$ 4,338,960</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,

	2021	2020
Cash flows from operating activities:		
Increase in net assets	\$ 1,065,056	\$ 945,955
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities:		
Realized and unrealized gains on investments	(1,416,815)	(228,068)
Changes in operating assets and liabilities:		
Contributions receivable	545,321	(1,095,000)
Accounts and other receivables	(24,225)	(1,040)
Other assets	25,437	(36,438)
Accounts payable and other liabilities	53,076	6,155
Due to/from SIFMA	30,756	34,991
	278,606	(373,445)
Cash flows from investing activities:		
Sales of investments	850,000	350,000
Purchase of investments	(649,110)	(196,681)
	200,890	153,319
NET INCREASE (DECREASE) IN CASH	479,496	(220,126)
Cash, beginning of year	139,085	359,211
Cash, end of year	\$ 618,581	\$ 139,085

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

SIFMA Foundation for Investor Education (FIE), Inc.

NOTES TO FINANCIAL STATEMENTS

October 31, 2021 and 2020

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.

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, 2021 or 2020.

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 recognizes contribution revenues in accordance with Financial Accounting Standards Board (“FASB”) Accounting Standards Update (“ASU”) 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. In accordance with ASU 2018-08, the Foundation evaluates whether a transfer of assets is (1) an exchange

SIFMA Foundation for Investor Education (FIE), Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

October 31, 2021 and 2020

transaction in which a resource provider is receiving commensurate value in return for the resources transferred or (2) a contribution. If the transfer of assets is determined to be an exchange transaction, the Foundation applies guidance under Accounting Standards Codification 606, *Revenue from Contracts with Customers*. If the transfer of assets is determined to be a contribution, the Foundation evaluates whether the contribution is conditional based upon whether the agreement includes both (1) one or more barriers that must be overcome before the Foundation is entitled to the assets transferred and promised and (2) a right of return of assets transferred or a right of return.

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. 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. There were no conditional promises to give made to the Foundation during fiscal 2021 or fiscal 2020.

Revenue Recognition

The Foundation recognizes revenue in accordance with FASB Topic ASC 606, *Revenue from Contracts with Customers* ("ASC 606"). The core principle of the standard 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 in exchange for those goods or services.

Stock market game processing fees are recognized as revenues at the point in time in which the customer receives services. There are no deferred revenues recognized related to stock market game processing fees as of October 31, 2021 or 2020.

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 furniture, fixtures, and equipment costing \$5,000 or more and which have a useful life of more than one year. As of October 31, 2021 and 2020, 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

SIFMA Foundation for Investor Education (FIE), Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

October 31, 2021 and 2020

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; and

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 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. The Foundation's Tribute Dinner was held on October 27, 2021.

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, 2021 and 2020, 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 2020 financial statements in order to conform to the fiscal 2021 presentation. Such reclassifications did not change total net assets, revenues, program or supporting services expenses or changes in net assets as reflected in the fiscal 2020 financial statements.

SIFMA Foundation for Investor Education (FIE), Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

October 31, 2021 and 2020

NOTE 3 - INVESTMENTS

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

	<u>2021</u>	<u>2020</u>
Equity securities mutual funds	\$ 5,141,128	\$ 4,055,492
Fixed income securities mutual funds	4,893,323	4,853,061
Money market fund	<u>354,816</u>	<u>264,789</u>
	<u>\$ 10,389,267</u>	<u>\$ 9,173,342</u>

At October 31, 2021 and 2020, 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 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, 2021 and 2020 was \$464,000 and \$495,000, 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, 2021 and 2020, the Foundation had payables of \$410,796 and \$380,040, respectively. The Foundation's payable balance was subsequently paid in full.

SIFMA Foundation for Investor Education (FIE), Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

October 31, 2021 and 2020

NOTE 6 - CONTRIBUTIONS AND CONTRIBUTIONS RECEIVABLE

Contribution revenue consisted of the following for the years ended October 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Contributions without donor restrictions:		
SIFMA member firms	\$ 1,388,723	\$ 1,417,701
Outside corporations, foundations, and other	<u>705,769</u>	<u>555,751</u>
Total contributions without donor restrictions	2,094,492	1,973,452
Contributions with donor restrictions:		
Financial exchanges, corporations, and foundations	<u>-</u>	<u>1,000,000</u>
Total contributions	<u>\$ 2,094,492</u>	<u>\$ 2,973,452</u>

Contributions receivable totaling \$881,179 and \$1,426,500 at October 31, 2021 and 2020, respectively, are due within one year. One donor represented 38% and 70% of gross contributions receivable at October 31, 2021 and 2020, respectively.

NOTE 7 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of October 31, 2021 and 2020 consisted of contributions restricted for the Capitol Hill Challenge totaling \$666,667 and \$1,000,000, respectively.

Donor restricted contributions totaling \$333,333 were released for the year ended October 31, 2021 and 2020, respectively, for Capitol Hill Challenge and Title One Schools.

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.

SIFMA Foundation for Investor Education (FIE), Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

October 31, 2021 and 2020

As of October 31, 2021 and 2020, 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>2021</u>	<u>2020</u>
Cash	\$ 618,581	\$ 139,085
Contributions receivable	881,179	1,426,500
Accounts and other receivables	25,855	1,630
Investments	<u>10,389,267</u>	<u>9,173,342</u>
Total financial assets	11,914,882	10,740,557
Less: those unavailable for general expenditures within one year due to donor-imposed restrictions	<u>(666,667)</u>	<u>(1,000,000)</u>
Total financial assets available within one year for general expenditures	<u>\$ 11,248,215</u>	<u>\$ 9,740,557</u>

NOTE 9 - COVID-19

The COVID-19 outbreak has adversely impacted the level of economic activity around the world and disrupted normal business activities in every sector of the economy. As a result of these events, the Foundation moved to virtual and or hybrid events and added online learning to supplement its programming and expects to continue with these virtual and or hybrid options until in-person gatherings can safely resume.

NOTE 10 - SUBSEQUENT EVENTS

The Foundation evaluated subsequent events after the statement of financial position date of October 31, 2021 through April 21, 2022, 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.