

Financial Statements Together with
Report of Independent Certified Public
Accountants

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

October 31, 2020 and 2019

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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, 2020 and 2019, 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, 2020 and 2019, 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, 2021

SIFMA Foundation for Investor Education (FIE), Inc.

STATEMENTS OF FINANCIAL POSITION

As of October 31, 2020 and 2019

	2020	2019
ASSETS		
CURRENT ASSETS		
Cash	\$ 139,085	\$ 359,211
Contributions receivable (Note 6)	1,426,500	331,500
Accounts and other receivables	1,630	590
Investments (Note 3)	9,173,342	9,098,593
Other assets	40,582	4,144
Total current assets	10,781,139	9,794,038
Fixed assets (Note 2)	-	-
Total assets	\$ 10,781,139	\$ 9,794,038
LIABILITIES AND NET ASSETS		
Accounts payable and other liabilities	\$ 107,218	\$ 101,063
Due to SIFMA (Note 5)	380,040	345,049
Total liabilities	487,258	446,112
NET ASSETS		
Without donor restrictions	9,293,881	8,984,593
With donor restrictions (Note 7)	1,000,000	363,333
Total net assets	10,293,881	9,347,926
Total liabilities and net assets	\$ 10,781,139	\$ 9,794,038

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, 2020 and 2019

	2020	2019
Changes in net assets without donor restrictions		
Revenues and other operating support		
Contributions and other revenues		
Contributions (Note 6)	\$ 1,973,527	\$ 1,748,080
Contributed services (Note 5)	495,000	498,000
Stock market game processing fees	383,035	397,928
Investment return used in operations	197,188	219,486
Net assets released from restrictions (Note 7)	363,333	333,333
Total contributions and other revenues	3,412,083	3,196,827
Fund-raising event		
Ticket revenue and sales	1,008,098	752,370
Direct costs	(199)	(160,560)
Net support from fund-raising event	1,007,899	591,810
Total revenues and other operating support	4,419,982	3,788,637
Operating expenses		
Program services		
Stock Market Game, InvestWrite, Capitol Hill Challenge, Invest It Forward	3,623,422	3,533,603
Support services		
Management and general	478,364	513,198
Fund-raising	236,976	242,944
Total support services	715,340	756,142
Total expenses	4,338,762	4,289,745
(Decrease) increase in net assets without donor restrictions from operations	81,220	(501,108)
Nonoperating activity		
Investment return, net of amounts used in operations	228,068	580,319
Increase in net assets without donor restrictions	309,288	79,211
Changes in net assets with donor restrictions		
Contributions (Note 6)	1,000,000	363,333
Net assets released from restrictions (Note 7)	(363,333)	(333,333)
Increase in net assets with donor restrictions	636,667	30,000
Increase in net assets	945,955	109,211
Net assets, beginning of year	9,347,926	9,238,715
Net assets, end of year	\$ 10,293,881	\$ 9,347,926

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, 2020 with summarized comparative information for the year ended October 31, 2019

	2020						2019 Total
	Program Services			Supporting Services			
	Stock Market Game	Investwrite Capital Hill Challenge Invest it Forward	Total	Management and General	Fund-raising	Total	
Salaries	\$ 1,293,367	\$ 169,536	\$ 1,462,903	\$ 307,632	\$ 152,720	\$ 1,923,255	\$ 1,889,000
Employee benefits	407,361	53,397	460,758	92,744	48,101	601,603	573,435
Professional fees and consulting services	379,403	62,359	441,762	-	-	441,762	440,304
Awards, grants, contributions, and sponsorships	195,802	49,927	245,729	-	-	245,729	210,229
Travel and entertainment	8,311	98	8,409	212	-	8,621	88,685
Regional processing fees	380,499	-	380,499	-	-	380,499	358,008
Contributed services	383,000	-	383,000	76,000	36,000	495,000	498,000
Technology	98,230	81,554	179,784	201	-	179,985	164,074
Miscellaneous	59,417	1,161	60,578	1,575	155	62,308	68,010
Total expenses	<u>\$ 3,205,390</u>	<u>\$ 418,032</u>	<u>\$ 3,623,422</u>	<u>\$ 478,364</u>	<u>\$ 236,976</u>	<u>\$ 4,338,762</u>	<u>\$ 4,289,745</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, 2019

	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
Employee benefits	375,244	53,528	428,772	96,704	47,959	573,435
Professional fees and consulting services	381,592	53,306	434,898	5,406	-	440,304
Awards, grants, contributions, and sponsorships	173,052	34,494	207,546	2,683	-	210,229
Travel and entertainment	40,426	44,387	84,813	3,872	-	88,685
Regional processing fees	358,008	-	358,008	-	-	358,008
Contributed services	383,000	-	383,000	78,000	37,000	498,000
Technology	91,661	71,910	163,571	503	-	164,074
Miscellaneous	55,861	4,681	60,542	7,468	-	68,010
Total expenses	<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>

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, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Increase in net assets	\$ 945,955	\$ 109,211
Adjustment to reconcile increase in net assets to net cash used in operating activities		
Realized and unrealized gains on investments	(228,068)	(580,319)
Changes in operating assets and liabilities		
Contributions receivable	(1,095,000)	238,350
Accounts and other receivables	(1,040)	1,160
Other assets	(36,438)	5,038
Accounts payable and other liabilities	6,155	18,648
Due to/from SIFMA	34,991	(54,915)
Net cash used in operating activities	(373,445)	(262,827)
Cash flows from investing activities:		
Sales of investments	350,000	-
Purchases of investments	(196,681)	(218,452)
Net cash provided by (used in) investing activities	153,319	(218,452)
Net decrease in cash	(220,126)	(481,279)
Cash, beginning of year	359,211	840,490
Cash, end of year	\$ 139,085	\$ 359,211

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

SIFMA Foundation for Investor Education (FIE), Inc.

NOTES TO FINANCIAL STATEMENTS

October 31, 2020 and 2019

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, 2020 or 2019.

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.

SIFMA Foundation for Investor Education (FIE), Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

October 31, 2020 and 2019

Contributions

During fiscal 2020, the Foundation adopted 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*, using the modified retrospective approach. In accordance with ASU 2018-08, the Foundation evaluates whether a transfer of assets is (1) an exchange 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 adoption of ASU 2018-08 during fiscal 2020 did not have a material impact on the Foundation’s financial statements either from the standpoint of contributions received or contributions made.

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. The Foundation received notification of certain intentions to give during fiscal year 2019 in the amount of \$120,000. However, due to their conditional nature, these gifts have not been reflected in the accompanying financial statements. There were no conditional promises to give made to the Foundation during fiscal 2020.

Revenue Recognition

Effective November 1, 2019, the Foundation early adopted FASB ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606) (“ASC 606”), using the retrospective method of application to all contracts existing on November 1, 2018. 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. The adoption of the standard had no impact on the Foundation’s current or historical financial position, changes in net assets or cash flows. Additionally, the Foundation does not anticipate that the standard will have an impact on the amount or timing of when the Foundation recognizes revenue prospectively.

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, 2020 or 2019.

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.

SIFMA Foundation for Investor Education (FIE), Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

October 31, 2020 and 2019

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, 2020 and 2019, 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; 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 28, 2020 as a virtual event, and as a result, direct expenses related to the event were minimal.

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, 2020 and 2019, 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 - CONTINUED

October 31, 2020 and 2019

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.

NOTE 3 - INVESTMENTS

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

	<u>2020</u>	<u>2019</u>
Equity securities mutual funds	\$ 4,055,492	\$ 3,832,225
Fixed income securities mutual funds	4,853,061	4,655,352
Money market fund	<u>264,789</u>	<u>611,016</u>
	<u>\$ 9,173,342</u>	<u>\$ 9,098,593</u>

At October 31, 2020 and 2019, 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, 2020 and 2019 was \$495,000 and \$498,000, 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.

SIFMA Foundation for Investor Education (FIE), Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

October 31, 2020 and 2019

Further, SIFMA, on behalf of the Foundation, pays certain expenses for which it is subsequently reimbursed by the Foundation. On October 31, 2020 and 2019, the Foundation had payables of \$380,040 and \$345,049, 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, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Contributions without donor restrictions:		
SIFMA member firms	\$ 1,417,701	\$ 1,247,957
Outside corporations, foundations, and other	<u>555,751</u>	<u>500,053</u>
Total contributions without donor restrictions	1,973,452	1,748,010
Contributions with donor restrictions:		
Financial exchanges, corporations, and foundations	<u>1,000,000</u>	<u>363,333</u>
Total contributions	<u>\$ 2,973,452</u>	<u>\$ 2,111,343</u>

Contributions receivable totaling \$1,426,500 and \$331,500 at October 31, 2020 and 2019, respectively, are due within one year. One donor represented 70% and 30% of gross contributions receivable at October 31, 2020 and 2019, respectively.

NOTE 7 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of October 31, 2020 and 2019 consisted of contributions restricted for the Capitol Hill Challenge totaling \$1,000,000 and Capitol Hill Challenge and Title One Schools totaling \$363,333, respectively.

For the year ended October 31, 2020, \$363,333 was released for Capitol Hill Challenge and Title One Schools and for the year ended October 31, 2019, \$333,333 was released for the Capitol Hill Challenge.

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, 2020 and 2019

As of October 31, 2020 and 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>2020</u>	<u>2019</u>
Cash	\$ 139,085	\$ 359,211
Contributions receivable	1,426,500	331,500
Accounts and other receivables	1,630	590
Investments	<u>9,173,342</u>	<u>9,098,593</u>
Total financial assets	<u>10,740,557</u>	<u>9,789,894</u>
Less those unavailable for general expenditures within one year due to donor-imposed restrictions	<u>(1,000,000)</u>	<u>(363,333)</u>
Total financial assets available within one year for general expenditures	<u>\$ 9,740,557</u>	<u>\$ 9,426,561</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 events and added online learning to supplement its programming for the balance of fiscal year 2020 and expects to continue with these virtual 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, 2020 through April 21, 2021, 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.