Network for Teaching Entrepreneurship and Related Organization

Consolidated Financial Statements and Supplementary Information
Year Ended June 30, 2017

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Consolidated Financial Statements and Supplementary Information

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Contents

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Independent Auditor's Report

To the Board of Directors
Network for Teaching Entrepreneurship
and Related Organization
New York, New York

We have audited the accompanying consolidated financial statements of Network for Teaching Entrepreneurship and Related Organization (the "Organization"), which comprise the consolidated statement of financial position as of June 30, 2017, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audit. We conducted our audit 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Network for Teaching Entrepreneurship and Related Organization as of June 30, 2017, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Other Information

Our audit of the consolidated financial statements was conducted for the purpose of forming an opinion on those statements as a whole. The supplementary information presented on pages 24 through 26 of this report is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Report on Summarized Comparative Information

We have previously audited Network for Teaching Entrepreneurship and Related Organization's 2016 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated November 14, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

BDO USA, LLP

December 6, 2017

Network for Teaching Entrepreneurship and Related Organization

Consolidated Statement of Financial Position
(with comparative totals for 2016)

June 30,	**2017**	2016
Assets		
Cash and cash equivalents (Note 2)	**$11,592,959**	$ 9,560,318
Investments, at fair value (Notes 2 and 3)	**8,481**	7,246
Accounts receivable, net of allowances of $31,994 for both years (Note 2)	**210,087**	35,454
Contributions receivable, net (Notes 2 and 4)	**5,647,702**	4,190,123
Employee and teacher advances	**31,612**	28,914
Inventories (Note 2)	**45,121**	60,280
Prepaid expenses and other assets	**264,857**	177,140
Cash and investments held in perpetuity (Notes 3 and 13)	**11,943,310**	10,911,218
Fixed assets, net (Notes 2 and 5)	**231,257**	287,221
	$29,975,386	$25,257,914
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	**$ 858,226**	$ 1,110,834
Accrued compensation and related liabilities	**362,926**	272,444
Deferred rent (Note 8)	**391,526**	410,328
Other liabilities (Note 7)	**200,000**	328,750
Total Liabilities	**1,812,678**	2,122,356
Commitments and Contingencies (Notes 2, 6, 7, 8, 9, 10, 11 and 13)		
Net Assets (Deficit) (Notes 2, 9, 10 and 13):		
Unrestricted	**(4,901,450)**	(3,489,151)
Temporarily restricted	**22,331,567**	15,892,118
Permanently restricted	**10,732,591**	10,732,591
Total Net Assets	**28,162,708**	23,135,558
	$29,975,386	$25,257,914

See accompanying notes to consolidated financial statements.

Network for Teaching Entrepreneurship and Related Organization

Consolidated Statement of Activities
(with comparative totals for 2016)

Year ended June 30,

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2017	Total 2016
Support and Revenues:					
Contributions	$ 3,542,935	$13,705,730	$ -	**$17,248,665**	$20,182,909
License fees	58,000	-	-	**58,000**	104,500
Contract services	552,299	-	-	**552,299**	366,897
Training fees	198,659	-	-	**198,659**	127,800
Material sales	147,796	-	-	**147,796**	106,023
In-kind support (Note 8)	40,465	-	-	**40,465**	227,727
Teachers' in-kind contribution (Notes 2 and 12)	3,380,927	-	-	**3,380,927**	3,293,796
Special events income, net of direct benefit to donors of $65,326 and $314,766 in 2017 and 2016, respectively	50,287	-	-	**50,287**	279,596
Miscellaneous income	25,200	-	-	**25,200**	57,781
Royalty income	103,502	-	-	**103,502**	139,761
Net assets released from restrictions (Note 9)	8,773,950	(8,773,950)	-	**-**	-
Total Support and Revenues	16,874,020	4,931,780	-	**21,805,800**	24,886,790
Expenses:					
Program services	14,465,843	-	-	**14,465,843**	13,350,245
Supporting services:					
Management and general	2,374,005	-	-	**2,374,005**	2,338,060
Fundraising	1,458,485	-	-	**1,458,485**	1,632,296
Total Supporting Services	3,832,490	-	-	**3,832,490**	3,970,356
Total Expenses	18,298,333	-	-	**18,298,333**	17,320,601
Change in Net Assets Before Nonoperating Revenues	(1,424,313)	4,931,780	-	**3,507,467**	7,566,189
Nonoperating Revenues:					
Net gains (losses) on investments (Notes 2 and 3)	397	1,327,406	-	**1,327,803**	(9,678)
Interest and dividend income (Notes 2 and 3)	11,617	180,263	-	**191,880**	150,609
Change in Net Assets	(1,412,299)	6,439,449	-	**5,027,150**	7,707,120
Net Assets (Deficit), Beginning of Year	(3,489,151)	15,892,118	10,732,591	**23,135,558**	15,428,438
Net Assets (Deficit), End of Year	**$ (4,901,450)**	**$22,331,567**	**$10,732,591**	**$28,162,708**	$23,135,558

See accompanying notes to consolidated financial statements.

Network for Teaching Entrepreneurship and Related Organization

Consolidated Statement of Functional Expenses
(with comparative totals for 2016)

Year ended June 30,

		Supporting Services			Total	
	Program Services	Management and General	Fundraising	Total Supporting Services	**2017**	2016
Salaries and wages	$ 4,593,788	$1,089,201	$ 884,996	$1,974,197	**$ 6,567,985**	$ 5,972,381
Payroll taxes and fringe benefits	965,295	241,367	184,175	425,542	**1,390,837**	1,325,119
Total Salaries and Benefits	5,559,083	1,330,568	1,069,171	2,399,739	**7,958,822**	7,297,500
Students - expenses	1,822,106	-	-	-	**1,822,106**	1,679,741
Teachers - expenses	516,669	-	-	-	**516,669**	501,273
Occupancy	586,713	263,719	70,287	334,006	**920,719**	836,723
Telephone, copier and postage	150,353	47,165	16,869	64,034	**214,387**	352,501
Travel and entertainment	477,791	66,277	90,574	156,851	**634,642**	437,456
Marketing expense	62,117	10,000	206	10,206	**72,323**	20,501
Consulting and professional fees	1,116,877	238,975	135,606	374,581	**1,491,458**	1,173,705
Equipment, furniture and fixtures	74,133	13,458	3,452	16,910	**91,043**	115,039
IT hosting and maintenance	57,988	90,631	35,848	126,479	**184,467**	120,185
Office supplies	83,105	16,753	1,902	18,655	**101,760**	106,362
Publications and subscriptions	79,920	4,469	875	5,344	**85,264**	148,563
Interest and fees	55,423	117,626	2,345	119,971	**175,394**	263,425
Bad debt	-	16,376	-	16,376	**16,376**	122,975
Insurance	34,445	75,790	27,559	103,349	**137,794**	122,673
Conference and events	271,621	525	1,768	2,293	**273,914**	301,652
Cost of materials	57,535	-	-	-	**57,535**	59,257
Miscellaneous expenses	40,772	23,509	2,023	25,532	**66,304**	83,583
Total Expenses Before In-Kind Expenses and Teacher Services and Depreciation and Amortization Expense	11,046,651	2,315,841	1,458,485	3,774,326	**14,820,977**	13,743,114
In-kind expenses and teacher services (Notes 2 and 12)	3,419,192	2,200	-	2,200	**3,421,392**	3,521,523
Depreciation and amortization expense	-	55,964	-	55,964	**55,964**	55,964
Total Expenses	**$14,465,843**	**$2,374,005**	**$1,458,485**	**$3,832,490**	**$18,298,333**	$17,320,601

See accompanying notes to consolidated financial statements.

Network for Teaching Entrepreneurship and Related Organization

Consolidated Statement of Cash Flows
(with comparative totals for 2016)

Year ended June 30,	**2017**	2016
Cash Flows From Operating Activities:		
Change in net assets	**$ 5,027,150**	$ 7,707,120
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	**55,964**	55,964
Change in present value of contributions receivable	**3,257**	19,978
Net unrealized (gains) losses on investments	**(822,958)**	639,174
Net realized gains on investments	**(504,844)**	(629,496)
Donated securities	**(34,116)**	(69,998)
Provision for bad debt	**16,376**	122,975
Decrease (increase) in:		
Accounts receivable	**(191,009)**	61,207
Contributions receivable	**(1,460,836)**	1,068,369
Employee and teacher advances	**(2,698)**	39,472
Inventory	**15,159**	(24,248)
Prepaid expenses and other assets	**(87,717)**	(47,790)
(Decrease) increase in:		
Accounts payable and accrued expenses	**(252,608)**	(123,844)
Accrued compensation and related liabilities	**90,482**	(3,346)
Deferred rent	**(18,802)**	(18,808)
Other liabilities	**(128,750)**	(207,500)
Net Cash Provided By Operating Activities	**1,704,050**	8,589,229
Cash Flows From Investing Activities:		
Purchases of investments	**(1,135,262)**	(3,397,224)
Proceeds from sales of investments	**1,463,853**	2,112,977
Net Cash Provided By (Used In) Investing Activities	**328,591**	(1,284,247)
Cash Flows From Financing Activities:		
Repayment of line of credit	**-**	(900,000)
Proceeds from line of credit	**-**	900,000
Net Cash Used In Financing Activities	**-**	-
Net Increase in Cash and Cash Equivalents	**2,032,641**	7,304,982
Cash and Cash Equivalents, Beginning of Year	**9,560,318**	2,255,336
Cash and Cash Equivalents, End of Year	**$11,592,959**	$ 9,560,318

See accompanying notes to consolidated financial statements.

1. Nature of Organization

Network for Teaching Entrepreneurship and Related Organization (the "Organization") provides entrepreneurship education to young people from low-income communities. The Organization publishes curriculum, trains teachers to teach the program, and works with those educators to facilitate experiential learning for youth, culminating in each student's creation of an original business plan. The Organization's program is integrated into the school day, either as a stand-alone course or as modules in economics, math, or other relevant subjects.

2. Summary of Significant Accounting Policies

(a) Principles of Consolidation

The consolidated financial statements include the accounts of the Network for Teaching Entrepreneurship ("NFTE") and NFTE Endowment Fund, Inc., a related organization through common Board membership, common management and/or common ownership. All material intercompany transactions and balances have been eliminated.

(b) General

The consolidated financial statements have been prepared on an accrual basis and conform to accounting principles generally accepted in the United States of America ("U.S. GAAP"), as applicable to not-for-profit organizations. In the consolidated statement of financial position, assets are presented in order of liquidity or conversion to cash and liabilities are presented according to their maturity resulting in the use of cash.

(c) Financial Statement Presentation

The classification of the Organization's net assets and its support, revenue and expenses is based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of three classes of net assets, permanently restricted, temporarily restricted and unrestricted, be displayed in a consolidated statement of financial position and that the amounts of change in each of those classes of net assets be displayed in a consolidated statement of activities.

Income from investment gains and losses, including unrealized gains and losses, dividends, interest and other investments should be reported as increases (or decreases) in unrestricted net assets unless the use of the income received is limited by donor-imposed restrictions or New York Prudent Management of Institutional Funds Act ("NYPMIFA"). Also see Note 13. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated passage of time has elapsed) are reported as net assets released from restrictions.

The classes of net assets are defined as follows:

(i) **Permanently Restricted** - Net assets resulting from contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization.

(ii) **Temporarily Restricted** - Net assets resulting from contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations.

(iii) **Unrestricted** - The part of net assets that is neither permanently nor temporarily restricted by donor-imposed stipulations.

(d) Cash and Cash Equivalents

The Organization considers all investments with a maturity of three months or less at the time of purchase, other than those held in the Organization's investment portfolio, to be cash equivalents. Cash money market held in the Organization's investment portfolio is not included in the fair value hierarchy table.

(e) Contributions Receivable

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions.

The fair value of all contributions, including unconditional promises to give, is recognized in the period pledged or received.

(f) Fixed Assets

Fixed assets are recorded at cost. Expenditures for maintenance, repairs and minor renewals are expensed as incurred. Major expenditures for renewals and betterments are capitalized. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets, as follows:

Furniture and equipment	5 to 10 years
Curriculum design and internal use of software	3 years
Leasehold improvements	Lesser of lease term or 15 years

The useful lives are estimated based on historical experience with similar assets, taking into account anticipated technological or other changes.

(g) Impairment of Long-Lived Assets

The Organization reviews long-lived assets, including property and equipment, for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset are less than the carrying amount of that asset. As of June 30, 2017, there have been no such losses.

(h) Internal Use Software

The Organization accounts for its internal use software under Accounting Standards Codification ("ASC") 350-40, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use." Accordingly, the Organization capitalizes costs of computer software developed or obtained for internal use that are specifically identifiable, have determinate lives and relate to probable future programmatic use. For the year ended June 30, 2017, the Organization did not incur any costs that needed to be capitalized.

(i) Revenue Recognition

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities as net assets released from restrictions. Contributions are considered to be available for unrestricted use and recorded as such, unless specifically restricted by the donor.

Restricted contributions received in the same year in which the restrictions are met are recorded as an increase to restricted support at the time of receipt and as net assets released from restrictions. Unconditional promises to give with payments due in future periods are presumed to be time restricted by the donor until received and are reported as temporarily restricted net assets.

The Organization reports gifts of land, buildings and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

The Organization also has contracts with government and third parties for the performance of various services. The Organization recognizes revenue as expenses are incurred to a maximum of the grant award. The Organization records deferred revenue for receipts received in advance of the program performance.

Training fees are recorded as revenue when training services are provided. License fees, material sales and royalty income are recognized when incurred.

(j) In-Kind Contributions

Amounts are reported in the consolidated financial statements for voluntary donations of services if those services create or enhance non-financial assets or require specialized skills provided by individuals possessing those skills and which would typically be purchased if not provided by donation.

Typically, the Organization's programs are taught by teachers and youth workers who are paid directly by their institutions. These individuals are an integral part of delivering the Organization's programs to its targeted students. The Organization, therefore, includes an average portion of those salaries (based on the hours delivering the Organization experience) in the consolidated financial statements as a required specialized skill provided, which would have to be purchased if it was not paid for by others.

(k) Inventories

Inventories consist of educational materials used in programs and also sold to third parties. Inventories are stated at the lower of cost or market. Cost is determined by the weighted average cost method.

(l) Prepublication Costs

Prepublication costs, principally outside preparation costs, are amortized primarily from the year of publication over their estimated useful lives of three years, using the straight-line method.

(m) Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses and other disclosures in the consolidated financial statements. Accordingly, actual results could differ from those estimates.

(n) Income Taxes

The Organization is exempt from Federal and state income taxes under Section 501(c)(3) and 509(a)(3) of the Internal Revenue Code and, therefore, has made no provision for income taxes in the accompanying consolidated financial statements. In addition, NFTE Endowment Fund, Inc. is a type 2 supporting organization and the Organization has been determined by the Internal Revenue Service not to be a “private foundation” within the meaning of Section 509(a) of the Internal Revenue Code. There was no unrelated business income for 2017.

In addition, the Organization has not taken an uncertain tax position that would require provision of a liability under U.S. GAAP, “Accounting for Uncertainty in Income Taxes.” See Note 2(o).

(o) Accounting for Uncertainty in Income Taxes

Under U.S. GAAP, an organization must recognize the tax benefit associated with tax positions taken for tax return purposes when it is more likely than not that the position will be sustained. The Organization does not believe there are any material uncertain tax positions and, accordingly, it has not recognized any liability for unrecognized tax benefits. The Organization has filed for and received income tax exemptions in the jurisdictions where it is required to do so. Additionally, the Organization has filed Internal Revenue Service Form 990 tax returns, as required, and all other applicable returns in jurisdictions where it is required. For the year ended June 30, 2017, there were no interest or penalties recorded or included in the statement of activities.

(p) Comparative Financial Information

The consolidated financial statements include certain prior year summarized comparative information. With respect to consolidated statement of activities, prior year information is not presented by net asset class. With respect to the consolidated statement of functional expenses, the prior year expenses by expense classification are presented in total rather than by functional category. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the prior year consolidated financial statements from which the summarized information was derived.

(q) Concentration of Credit Risk

Financial instruments which potentially subject the Organization to concentration of credit risk consist primarily of cash and cash equivalents. At various times, the Organization has cash deposits at financial institutions, which exceed the FDIC insurance limits. The Organization has not experienced any losses on cash and cash equivalents.

(r) Functional Allocation of Expenses

The costs of providing the Organization's various programs and other activities have been summarized on a functional basis in the accompanying consolidated financial statements. Accordingly, certain costs have been allocated among the programs and supporting services benefited using specific identification and allocation percentages.

(s) Fair Value Measurements

U.S. GAAP defines fair value, establishes a framework for measuring fair value and expands the disclosures about fair value measurements. U.S. GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in a principal or most advantageous market. Fair value is a market-based measurement that is determined based on inputs, which refer broadly to assumptions that market participants use in pricing assets or liabilities. These inputs can be readily observable, market corroborated, or unobservable. U.S. GAAP established a fair value hierarchy, which prioritizes the inputs to valuation techniques used to measure fair value in three broad levels. The standard requires that assets and liabilities be classified in their entirety based on the level of input that is significant to the fair value measurement. Assessing the significance of a particular input may require judgment considering factors specific to the asset or liability, and may affect the valuation of the asset or liability and their placement within the fair value hierarchy. The Organization classifies fair value balances based on the fair value hierarchy defined by U.S. GAAP as follows:

Level 1 - Valuations are based on observable inputs that reflect quoted market prices in active markets for identical investments at the reporting date.

Level 2 - Valuations are based on (i) quoted prices - those investments, or similar investments, in active markets, (ii) quoted prices - those investments, or similar investments, in markets that are not active, or (iii) pricing inputs other than quoted prices that are directly or indirectly observable at the reporting date. Level 2 assets include those investments or similar investments that are redeemable at or near the balance sheet date and for which a model was derived for valuation.

Level 3 - Valuations are based on pricing inputs that are unobservable and include situations where (i) there is little, if any, market activity for the investments, (ii) the investments cannot be independently valued, or (iii) the investments cannot be immediately redeemed at or near the fiscal year-end.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Investment income is recognized when earned and consists of interest, dividends, and realized and unrealized gains and losses. Dividends are recorded on the ex-dividend date. Purchases and sales are recorded on a trade-date basis.

(t) Risks and Uncertainties

The Organization's investments consist of a variety of investment securities and investment funds. Investments in general are exposed to various risks, such as interest rate, credit, and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the value of the Organization's investments will occur in the near term and that such changes could materially affect the amounts reported in the accompanying consolidated financial statements.

(u) Net Asset Classifications

On September 17, 2010, New York State enacted NYPMIFA. This law, which is a modified version of The Uniform Prudent Management of Institutional Funds Act ("UPMIFA"), made significant changes to the rules governing how New York not-for-profit organizations may manage, invest and spend their endowment funds. The new law is designed to allow organizations to cope more easily with fluctuations in the value of their endowments and to afford them greater access to funds needed to support their programs and services in difficult financial times. This law provides some relief to organizations that have found themselves with underwater endowments. It also expands the options available to organizations seeking relief from donor restrictions on funds that have become obsolete, impracticable or wasteful. NYPMIFA applies to New York not-for-profit, education and religious corporations, associations organized and operated exclusively for charitable purposes and certain trusts.

(v) Nonretirement Postemployment Benefits

The Organization provides certain postemployment benefits to eligible former or inactive employees and their dependents during the period subsequent to employment but prior to retirement and accrues for the related cost over the service lives of the employees. These benefits include certain healthcare coverage and severance benefits.

(w) Accounts Receivable, Net

Accounts receivable represents government contract and third-party revenues that have been billed but not collected as of the date of the accompanying consolidated financial statements. The Organization provides an allowance for doubtful accounts based upon prior year experience and management's assessment of the collectability of specific accounts. The allowance for doubtful accounts was $31,994 for the year ended June 30, 2017.

(x) Relevant Accounting Developments

(i) Revenue From Contracts With Customers (Topic 606)

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, "Revenue from Contracts with Customers (Topic 606)," which is a comprehensive new revenue recognition standard that will supersede existing revenue recognition guidance. The core principle of the guidance 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 FASB issued ASU 2015-14 that deferred the effective date for the Organization until annual periods beginning after December 15, 2018. Earlier adoption is permitted subject to certain limitations. The amendments in this update are required to be applied retrospectively to each prior reporting period presented or with the cumulative effect being recognized at the date of initial application. Management is currently evaluating the impact of this ASU on its consolidated financial statements.

(ii) Leases (Topic 842)

In February 2016, the FASB issued ASU 2016-02, "Leases (Topic 842)," to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial positon and disclosing key information about leasing arrangements for lessees and lessors. The new standard applies a right-of-use ("ROU") model that requires, for all leases with a lease term of more than 12 months, an asset representing its ROU the underlying asset for the lease term and a liability to make lease payments to be recorded. The ASU is effective for the Organization's fiscal years beginning after December 15, 2019, with early adoption permitted. Management is currently evaluating the impact of this ASU on its consolidated financial statements.

(iii) Not-for-Profit Entities (Topic 958) and Health Care Entities (Topic 954) – Presentation of Financial Statements of Not-for-Profit Entities

In August 2016, the FASB issued ASU 2016-14, "Not-for-Profit Entities (Topic 958) and Health Care Entities (Topic 954) – Presentation of Financial Statements of Not-for-Profit Entities." The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled "net assets without donor restrictions" and "net assets with donor restrictions", (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. The ASU is effective for the Organization's financial statements for fiscal years beginning after December 15, 2017. Early adoption is permitted. The provisions of the ASU must be applied on a retrospective basis for all years presented although certain optional practical expedients are available for periods prior to adoption. Management is currently evaluating the impact of this ASU on its consolidated financial statements.

3. Investments and Fair Value Measurements

The Organization's cost and fair value of investments are as follows:

June 30, 2017

	Fair Value	Cost
Cash money market	$ 357,042	$ 357,042
Money market fund	401,578	401,578
Mutual funds	11,135,641	8,558,508
Equities	8,481	7,253
Fund of hedge funds	49,049	38,160
	$11,951,791	$9,362,541

Net investment income consisted of the following:

Year ended June 30, 2017	
Interest and dividend income	$ 191,880
Net realized gains on investments	504,845
Net unrealized gains on investments	822,958
	$1,519,683

The Organization's assets and liabilities recorded at fair value have been categorized based upon a fair value hierarchy in accordance with U.S. GAAP. See Note 2 for a discussion of the Organization's policies regarding this hierarchy.

A description of the valuation techniques applied to the Organization's major categories of assets measured at fair value are as follows. There were no changes in valuation methodology as of June 30, 2017.

Equities

These investments are priced using nationally recognized pricing services based on observable market data and are classified as Level 1.

Money Market Fund

The money market fund is valued based on the net asset value ("NAV") of the shares held by the Organization. NAV is based upon the fair value of the money market fund's underlying investments. The Organization's investments in the money market fund can be redeemed immediately at the current NAV per share. There were no unfunded commitments as of June 30, 2017.

Mutual Funds

The Organization has investments in mutual funds. For these investments, the Organization has ownership interest in the mutual fund but not in the individual securities held by the fund. The assets of each mutual fund consist primarily of shares of the underlying holdings. These mutual funds are invested primarily in investment-grade bonds and large and mid-capitalization equity securities. Each mutual fund's NAV is the value of a single share which is actively traded on national securities exchanges. The mutual funds are valued at the last unadjusted quoted NAV of shares held on a daily basis and are classified as Level 1.

Fund of Hedge Funds

The Organization invests with a fund of hedge funds manager. For this investment, the Organization has access to the manager but not to the individual positions of the manager. A significant amount of the fund of hedge funds' investments consists of illiquid assets. The Organization uses NAV or its equivalent to determine the fair value of all investments which (i) do not have a readily determinable fair value and (ii) prepare its investees' financial statements consistent with the measurement principles of an investment company or an entity with the attributes of an investment company. Investments for which fair value is measured using NAV per share or its equivalent as a practical expedient have not been categorized within the fair value hierarchy, and certain related tables have been appropriately excluded from the consolidated financial statements.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Organization's financial assets at fair value as of June 30, 2017:

	Level 1	Total
Equities	$ 8,481	$ 8,481
Money market fund	401,578	401,578
Mutual funds	11,135,641	11,135,641
Fund of hedge funds*	-	49,049
Total		$11,594,749

* Certain investments that are measured at fair value using the NAV per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy table. The fair value amounts presented in the preceding table is intended to permit reconciliation of the fair value hierarchy to the accompanying consolidated statement of financial position.

The Organization had no financial assets or financial liabilities that were measured at fair value on a non-recurring basis during the year ended June 30, 2017. In addition, there were no transfers between levels during the year ended June 30, 2017.

In accordance with ASU No. 2009-12, the Organization's disclosures include the category, fair value, redemption frequency, and redemption notice period for those assets whose fair value is estimated using the NAV per share or its equivalent for which the fair value is not readily determinable, as of June 30, 2017. The following table for June 30, 2017, sets forth a summary of the Organization's investments with a reported NAV:

Investments	Fair Value	Unfunded Commitments	Redemption Frequency	Other Redemption Restrictions	Redemption Notice Period
SIRE SPV, LLC	$49,049	None	None	Redemptions are made based on the value of assets are liquidated, less expenses incurred	None

4. Contributions Receivable, Net

Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows using a discount rate of 0.75%.

The Organization's contributions receivable at June 30, 2017 consist of:

Amounts due in:	
One year or less	$3,810,558
Between two to five years	1,633,076
Thereafter	250,000
	5,693,634
Less: Discount to present value	(45,932)
	$5,647,702

5. Fixed Assets, Net

Fixed assets, net consist of the following:

June 30, 2017	
Leasehold improvements	$ 275,392
Computer equipment	791,844
Equipment and fixtures	548,139
Curriculum design and internal use software	1,199,939
	2,815,314
Less: Accumulated depreciation and amortization	(2,584,057)
	$ 231,257

For the year ended June 30, 2017, depreciation and amortization expense was $55,964.

6. Retirement Plan

The Organization has a 403(b) defined contribution plan (the "Plan") which is offered to all employees of the Organization. Employees are permitted to make voluntary contributions to the Plan based on a percentage of their annual compensation but not more than permitted under Internal Revenue Service regulations. The Organization makes discretionary matching contributions of 50% of employee voluntary contributions, not to exceed 3% of the employee's base compensation. The Organization expensed $137,485 in matching contributions for the year ended June 30, 2017.

7. Other Liabilities

The Organization signed agreements with two former senior executives, which include payments in future years. As of June 30, 2017, $200,000 remained payable under these agreements. This amount is reflected under the other liabilities section of the consolidated statement of financial position as of June 30, 2017.

8. Leases

The Organization leases office space under various leases expiring at various dates through June 30, 2025.

Future minimum annual lease payments at June 30, 2017 are as follows:

Year ending June 30,	
2018	$ 604,997
2019	580,668
2020	587,419
2021	558,008
2022	553,386
Thereafter	1,521,812
	$4,406,290

The Organization entered into a 15-year lease agreement in November 2009, which included 8 months of free rent. For financial statement purposes, base rent is amortized on a straight-line basis over the term of the lease at an average monthly amount of $40,356. The amortized free rent is equivalent to approximately $323,000 over the life of the lease.

Rent expense was approximately $727,000 for the year ended June 30, 2017. Included in in-kind expense is approximately $4,340 of donated rent for the year ended June 30, 2017.

The Organization has a letter of credit with a financial institution in the amount of $228,672 to cover the security deposit on the lease space for the New York City office. The initial letter of credit expired on March 31, 2017 but is automatically extended annually, however not beyond May 30, 2025, unless either party gives a 60-day written notice for expiration.

9. Temporarily Restricted Net Assets

At June 30, 2017, temporarily restricted net assets are available for the following purposes:

June 30, 2017	
Program office delivery	$ 1,417,469
Entrepreneurship teacher corps	5,549,045
Curriculum and platform development	3,489,112
General program and operations	11,875,941
	$22,331,567

Temporarily restricted net assets were released from restrictions during the year ended June 30, 2017 in fulfillment of the following purposes or due to the expiration of time restrictions:

Year ended June 30, 2017	
Program office delivery	$1,064,675
Partner programs	144,834
Entrepreneurship teacher corps	450,955
Curriculum and platform development	1,252,211
General program and operations	5,861,275
	$8,773,950

10. Permanently Restricted Net Assets

Permanently restricted net assets represent donor-restricted contributions to be held in perpetuity. Those contributions plus the pro rata share of the change in portfolio valuation are expendable for the following purposes at June 30, 2017:

June 30, 2017	
Regional programs	$ 42,059
Teacher training and development	2,277,966
Deferred compensation	511,108
Volunteers	150,000
Alumni services	912,665
General operations	6,838,793
	$10,732,591

11. Line of Credit

The Organization has a $1,700,000 secured working capital line of credit with a bank which is available through February 14, 2018. The interest rate is subject to change from time to time based on changes in the LIBOR rate. The loan is collateralized by a perfected security interest in the Organization's inventory, chattel paper, accounts receivable, equipment, and general intangibles. At June 30, 2017, there was no outstanding line of credit balance.

12. Teachers' In-Kind Contribution

The Organization's valuation of teachers' in-kind contribution for the year ended June 30, 2017 totaled $3,380,927. This represents 72,402 classroom hours which the Organization taught. The average teacher salary was selected on a city-by-city basis from the U.S. Department of Labor – Bureau of Labor Statistics.

13. Endowment Fund

NFTE Endowment Fund, Inc. is a separate legal entity and is governed by a separate Board of Directors and maintains a donor-restricted endowment fund (the "Endowment Fund") consisting of various funds that have been established for various purposes and have been classified as permanently restricted net assets (see Note 10).

The Board of Directors of NFTE Endowment Fund, Inc. has interpreted NYPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Endowment Fund is classified as permanently restricted net assets and includes the following:

- the original value of gifts donated to the permanent endowment;
- the original value of subsequent gifts to the permanent endowment; and
- accumulation of the permanent endowment made in accordance with the direction of applicable donor instructions.

The remaining portion of the Endowment Fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by NFTE Endowment Fund, Inc. in a manner consistent with the donor's intent. In accordance with NYPMIFA, NFTE Endowment Fund, Inc. considers the following factors in making a determination to appropriate or accumulate Endowment Fund:

- the duration and preservation of the fund;
- the purposes of NFTE Endowment Fund, Inc. and the Endowment Fund;
- general economic conditions;
- the possible effect of inflation and deflation;
- the expected total return from income and the appreciation of investments;
- the investment policies of NFTE Endowment Fund, Inc.; and
- other resources of NFTE Endowment Fund, Inc.

For the year ended June 30, 2017, all assets included in NFTE Endowment Fund, Inc.'s Endowment Fund are as follows:

Cash money market	$ 357,042
Money market fund	401,578
Mutual funds	11,135,641
Fund of hedge funds	49,049
Total	$11,943,310

The following table provides a reconciliation of the change in NFTE Endowment Fund, Inc.'s Endowment Fund net assets for the year ended June 30, 2017:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets (deficit), beginning of year	$(750,476)	$ 907,892	$10,732,591	$10,890,007
Investment income	-	180,263	-	180,263
Net (depreciation) appreciation	(6)	1,327,406	-	1,327,400
Contributions	-	-	-	-
Appropriation of endowment assets for expenditure	-	(454,360)	-	(454,360)
Endowment net assets (deficit), end of year	$(750,482)	$1,961,201	$10,732,591	$11,943,310

NFTE Endowment Fund, Inc. has adopted investment and spending policies for endowment assets that attempt to provide sufficient income to meet various program and operational expenses, and to extend the pursuit of NFTE Endowment Fund, Inc.'s mission in perpetuity. The minimum targeted rate of return on NFTE Endowment Fund, Inc.'s investment assets is 5 percent plus the average rate of U.S. inflation over the previous three calendar years.

Under this policy, as approved by the Board of Directors of NFTE Endowment Fund, Inc., the investment performance of NFTE Endowment Fund, Inc.'s portfolio will be measured relative to the following benchmarks:

- S&P 500 for the Vanguard 500 Index Fund Investor;
- S&P 500 Index for the Davis New York Venture Fund;
- S&P 500 Index for the Sound Shore Fund;
- Barclays Capital US Aggregate Index for BlackRock Total Return;
- Dow Credit Suisse Long/Short Equity Edge Fund Index for the Fund of Hedge Funds; and
- Barclays 5 - 10 year U.S. Credit Index for the Vanguard Intermediate Term Investment Grade Fund.

To satisfy its long-term rate-of-return objectives, NFTE Endowment Fund, Inc. relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). NFTE Endowment Fund, Inc. targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

NFTE Endowment Fund, Inc.'s asset allocation also includes alternative equity investments. Within the alternative equity investment categories, NFTE Endowment Fund, Inc. is mindful of each investment manager's strategies and the liquidity of each manager's investment portfolio (see Note 3).

NFTE Endowment Fund, Inc. may appropriate for distribution each year 5 percent of its invested assets based upon their rolling average value over the prior twelve quarters. In establishing this policy, NFTE Endowment Fund, Inc. considered the long-term expected return on its endowment. Accordingly, over the long term, NFTE Endowment Fund, Inc. expects the current spending policy to allow its endowment to grow annually.

In 2017, the Board of Directors of NFTE Endowment Fund, Inc. approved for appropriation of $475,496, of which $21,211 was used to relieve the intercompany payable to NFTE Endowment and agreed to release additional net assets to pay NFTE Endowment Fund, Inc.'s administrative expenses.

14. Subsequent Events

The Organization's management has performed subsequent events procedures through December 6, 2017, which is the date the consolidated financial statements were available to be issued, and there were no subsequent events requiring adjustment to the consolidated financial statements or disclosures as stated herein.

Supplementary Information

Network for Teaching Entrepreneurship and Related Organization

Schedule of Consolidating Financial Position
(with comparative totals for 2016)

June 30,

	Network for Teaching Entrepreneurship	NFTE Endowment Fund, Inc.	Eliminations	Total 2017	Total 2016
Assets					
Cash and cash equivalents	$11,592,959	$ -	$-	**$11,592,959**	$ 9,560,318
Investments, at fair value	8,481	-	-	**8,481**	7,246
Accounts receivable, net	210,087	-	-	**210,087**	35,454
Contributions receivable, net	5,647,702	-	-	**5,647,702**	4,190,123
Employee and teacher advances	31,612	-	-	**31,612**	28,914
Inventories	45,121	-	-	**45,121**	60,280
Prepaid expenses and other assets	264,857	-	-	**264,857**	177,140
Cash and investments held in perpetuity		11,943,310	-	**11,943,310**	10,911,218
Fixed assets, net	231,257	-	-	**231,257**	287,221
	$18,032,076	**$11,943,310**	**$-**	**$29,975,386**	$25,257,914
Liabilities and Net Assets					
Liabilities:					
Accounts payable and accrued expenses	$ 858,226	$ -	$-	**$ 858,226**	$ 1,110,834
Accrued compensation and related liabilities	362,926	-	-	**362,926**	272,444
Deferred rent	391,526	-	-	**391,526**	410,328
Other liabilities	200,000	-	-	**200,000**	328,750
Total Liabilities	1,812,678	-	-	**1,812,678**	2,122,356
Commitments and Contingencies					
Net Assets (Deficit):					
Unrestricted	(4,150,968)	(750,482)	-	**(4,901,450)**	(3,489,151)
Temporarily restricted	20,370,366	1,961,201	-	**22,331,567**	15,892,118
Permanently restricted	-	10,732,591	-	**10,732,591**	10,732,591
Total Net Assets	16,219,398	11,943,310	-	**28,162,708**	23,135,558
	$18,032,076	**$11,943,310**	**$-**	**$29,975,386**	$25,257,914

Network for Teaching Entrepreneurship and Related Organization

Schedule of Consolidating Activities
(with comparative totals for 2016)

Year ended June 30,

	Network for Teaching Entrepreneurship	NFTE Endowment Fund, Inc.	Eliminations	Total 2017	Total 2016
Support and Revenues:					
Contributions	$17,248,665	$ -	$ -	**$17,248,665**	$20,182,909
Contributions from endowment	433,000	-	(433,000)	**-**	-
License fees	58,000	-	-	**58,000**	104,500
Contract services	552,299	-	-	**552,299**	366,897
Training fees	198,659	-	-	**198,659**	127,800
Material sales	147,796	-	-	**147,796**	106,023
In-kind support	40,465	-	-	**40,465**	227,727
Teachers in-kind contribution	3,380,927	-	-	**3,380,927**	3,293,796
Special events income, net of direct benefit to donors of $65,326 and $314,766 in 2017 and 2016, respectively	50,287	-	-	**50,287**	279,596
Miscellaneous income	25,200	-	-	**25,200**	57,781
Royalty income	103,502	-	-	**103,502**	139,761
Total Support and Revenues	22,238,800	-	(433,000)	**21,805,800**	24,886,790
Expenses:					
Program services	14,465,843	433,000	(433,000)	**14,465,843**	13,350,245
Supporting services:					
Management and general	2,352,639	21,366	-	**2,374,005**	2,338,060
Fundraising	1,458,485	-	-	**1,458,485**	1,632,296
Total Supporting Services	3,811,124	21,366	-	**3,832,490**	3,970,356
Total Expenses	18,276,967	454,366	(433,000)	**18,298,333**	17,320,601
Change in Net Assets Before Nonoperating Revenues	3,961,833	(454,366)	-	**3,507,467**	7,566,189
Nonoperating Revenues:					
Net gains (losses) on investments	397	1,327,406	-	**1,327,803**	(9,678)
Interest and dividend income	11,617	180,263	-	**191,880**	150,609
Change in Net Assets	3,973,847	1,053,303	-	**5,027,150**	7,707,120
Net Assets, Beginning of Year	12,245,551	10,890,007	-	**23,135,558**	15,428,438
Net Assets, End of Year	**$16,219,398**	**$11,943,310**	**$ -**	**$28,162,708**	$23,135,558

Network for Teaching Entrepreneurship and Related Organization

Schedule of Fiscal Year Trend Analysis
(in thousands)

	2008**	2009**	2010**	2011**	2012**	2013**	2014**	2015**	2016**	**2017***
Total assets	$20,273	$15,883	$15,273	$16,779	$16,615	$17,112	$17,740	$17,904	$25,258	**$29,975**
Total liabilities	1,444	926	1,729	2,081	1,705	1,658	2,182	2,476	2,122	**1,813**
Temporarily restricted revenue	8,063	5,236	3,759	5,520	4,188	4,683	6,449	7,023	14,277	**13,706**
Temporarily restricted net assets released	(6,617)	(5,804)	(5,738)	(4,436)	(4,536)	(5,284)	(5,619)	(7,293)	(6,369)	**(8,774)**
Total revenues	19,147	12,223	13,336	13,758	14,679	17,180	17,875	17,820	24,887	**21,806**
Total expenses	15,800	16,094	14,751	13,673	14,675	17,544	19,210	18,245	17,321	**18,298**
Operating Surplus (Deficit)	$ 3,457	$ (3,032)	$ (1,998)	$ 84	$ 4	$ (364)	$ (1,335)	$ (425)	$ 7,566	**$ 3,508**
Nonoperating surplus (deficit)	(110)	(839)	583	1,070	208	908	1,438	296	141	**1,519**
Net Surplus (Deficit)	$ 3,347	$ (3,871)	$(1,415)	$ 1,154	$ 212	$ 544	$ 103	$ (129)	$ 7,707	**$ 5,027**

** Includes Teacher in-kind started in 2008 $(1,459K), 2009 $(1,387K), 2010 $(1,501), 2011 $(1,972), 2012 $(2,371), 2013 $(2,426), 2014 $(2,854), 2015 $(3,069), 2016 $(3,294) and 2017 ($3,381).