

Network for Teaching Entrepreneurship and Related Organization

Consolidated Financial Statements
and Supplementary Information
Year Ended June 30, 2019

**Network for Teaching Entrepreneurship
and Related Organization**

Consolidated Financial Statements and Supplementary Information
Year Ended June 30, 2019

Network for Teaching Entrepreneurship and Related Organization

Contents

Independent Auditor's Report	3-4
Consolidated Financial Statements	
Statement of Financial Position as of June 30, 2019	5
Statement of Activities for the Year Ended June 30, 2019	6
Statement of Functional Expenses for the Year Ended June 30, 2019	7
Statement of Cash Flows for the Year Ended June 30, 2019	8
Notes to Consolidated Financial Statements	9-23
Supplementary Information	
Schedule of Consolidating Financial Position as of June 30, 2019	25
Schedule of Consolidating Activities for the Year Ended June 30, 2019	26
Schedule of Fiscal Year Trend Analysis	27



Independent Auditor's Report

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, 2019, 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, 2019, 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 25 through 27 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 to 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 2018 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated December 4, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

BDO USA, LLP

December 23, 2019

Network for Teaching Entrepreneurship and Related Organization

Consolidated Statement of Financial Position (with comparative totals for 2018)

<i>June 30,</i>	2019	2018
Assets		
Cash and cash equivalents (Note 2)	\$ 2,881,408	\$ 5,330,045
Investments, at fair value (Notes 2 and 4)	-	9,703
Accounts receivable, net of allowances of \$31,994 for both years (Note 2)	301,152	348,195
Contributions receivable, net (Notes 2 and 5)	3,775,640	6,089,472
Employee and teacher advances	29,075	21,987
Inventories (Note 2)	28,203	46,966
Prepaid expenses and other assets	221,870	480,868
Cash and investments held in perpetuity (Notes 4 and 14)	12,385,650	12,304,089
Fixed assets, net (Notes 2 and 6)	119,330	175,293
	\$ 19,742,328	\$ 24,806,618
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 940,023	\$ 784,777
Accrued compensation and related liabilities	216,896	192,559
Deferred rent (Note 9)	353,920	372,723
Other liabilities (Note 8)	100,000	150,000
Total Liabilities	1,610,839	1,500,059
Commitments and Contingencies (Notes 2, 7, 8, 9, 11, 12 and 14)		
Net Assets (Deficit) (Notes 2, 10, 11 and 14)		
Without donor restriction	(3,484,053)	(4,856,947)
With donor restriction	21,615,542	28,163,506
Total Net Assets	18,131,489	23,306,559
	\$ 19,742,328	\$ 24,806,618

See accompanying notes to consolidated financial statements.

Network for Teaching Entrepreneurship and Related Organization

Consolidated Statement of Activities (with comparative totals for 2018)

Year ended June 30,

	Without Donor Restriction	With Donor Restriction	Total	
			2019	2018
Support and Revenues				
Contributions	\$ 2,516,997	\$ 4,259,643	\$ 6,776,640	\$ 7,737,643
License fees	28,500	-	28,500	32,500
Contract services	1,297,259	-	1,297,259	938,799
Training fees	139,450	-	139,450	308,588
Material sales	95,215	-	95,215	172,714
Teachers' and other in-kind contribution (Notes 2 and 13)	4,757,311	-	4,757,311	4,165,832
Special events income, net	40,890	-	40,890	39,762
Miscellaneous income	109,837	-	109,837	72,651
Royalty income	101,820	-	101,820	229,827
Net assets released from restrictions (Note 10)	11,446,423	(11,446,423)	-	-
Total Support and Revenues	20,533,702	(7,186,780)	13,346,922	13,698,316
Expenses				
Program services	15,510,670	-	15,510,670	15,933,628
Supporting services:				
Management and general	1,964,571	-	1,964,571	1,958,613
Fundraising	1,719,972	-	1,719,972	1,546,840
Total Supporting Services	3,684,543	-	3,684,543	3,505,453
Total Expenses	19,195,213	-	19,195,213	19,439,081
Change in Net Assets, before nonoperating revenues	1,338,489	(7,186,780)	(5,848,291)	(5,740,765)
Nonoperating Revenues				
Investment return, net (Notes 2 and 4)	34,405	638,816	673,221	884,616
Change in Net Assets	1,372,894	(6,547,964)	(5,175,070)	(4,856,149)
Net Assets (Deficit), beginning of year	(4,856,947)	28,163,506	23,306,559	28,162,708
Net Assets (Deficit), end of year	\$ (3,484,053)	\$ 21,615,542	\$ 18,131,489	\$ 23,306,559

See accompanying notes to consolidated financial statements.

Network for Teaching Entrepreneurship and Related Organization

Consolidated Statement of Functional Expenses (with comparative totals for 2018)

Year ended June 30,

	Supporting Services				Total	
	Program Services	Management and General	Fundraising	Total Supporting Services	2019	2018
Salaries and wages	\$ 4,541,074	\$ 889,937	\$ 1,053,274	\$ 1,943,211	\$ 6,484,285	\$ 6,828,371
Payroll taxes and fringe benefits	1,025,586	181,527	184,554	366,081	1,391,667	1,487,385
Total Salaries and Benefits	5,566,660	1,071,464	1,237,828	2,309,292	7,875,952	8,315,756
Students - expenses	1,494,539	-	-	-	1,494,539	1,643,205
Teachers - expenses	970,079	-	-	-	970,079	631,928
Occupancy	539,695	249,170	56,065	305,235	844,930	840,147
Telephone, copier and postage	77,397	25,142	14,304	39,446	116,843	152,516
Travel and entertainment	394,115	20,221	104,069	124,290	518,405	709,157
Marketing expense	51,517	-	12,112	12,112	63,629	125,667
Consulting and professional fees	1,005,009	334,669	239,742	574,411	1,579,420	1,587,417
Equipment, furniture and fixtures	34,291	4,864	8,078	12,942	47,233	57,626
IT hosting and maintenance	69,771	28,375	5,036	33,411	103,182	208,783
Office supplies	88,884	20,205	2,391	22,596	111,480	118,074
Publications and subscriptions	69,681	8,663	3,635	12,298	81,979	97,913
Interest and fees	2,758	20,593	130	20,723	23,481	27,771
Bad debt	-	74,555	-	74,555	74,555	60,973
Insurance	80,416	35,269	25,395	60,664	141,080	138,187
Conference and events	193,078	79	1,888	1,967	195,045	395,327
Cost of materials	35,518	-	-	-	35,518	65,708
Miscellaneous expenses	79,951	15,338	9,299	24,637	104,588	41,130
Total Expenses, before in-kind expenses and teacher services and depreciation and amortization expense	10,753,359	1,908,607	1,719,972	3,628,579	14,381,938	15,217,285
In-Kind Expenses and Teacher Services (Notes 2 and 13)	4,757,311	-	-	-	4,757,311	4,165,832
Depreciation and Amortization Expense	-	55,964	-	55,964	55,964	55,964
Total Expenses	\$ 15,510,670	\$ 1,964,571	\$ 1,719,972	\$ 3,684,543	\$ 19,195,213	\$ 19,439,081

See accompanying notes to consolidated financial statements.

Network for Teaching Entrepreneurship and Related Organization

Consolidated Statement of Cash Flows (with comparative totals for 2018)

<i>Year ended June 30,</i>	2019	2018
Cash Flows from Operating Activities		
Change in net assets	\$ (5,175,070)	\$ (4,856,149)
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	20,659	4,627
Net unrealized gains on investments	(8,932)	(46,527)
Net realized gains on investments	(420,698)	(630,261)
Donated securities	(44,790)	(60,126)
Provision for bad debt	74,555	60,973
(Increase) decrease in:		
Accounts receivable	(27,512)	(199,081)
Contributions receivable	2,293,173	(446,397)
Employee and teacher advances	(7,088)	9,625
Inventory	18,763	(1,845)
Prepaid expenses and other assets	258,998	(216,011)
Increase (decrease) in:		
Accounts payable and accrued expenses	155,246	(73,449)
Accrued compensation and related liabilities	24,337	(170,367)
Deferred rent	(18,803)	(18,803)
Other liabilities	(50,000)	(50,000)
Net Cash Used in Operating Activities	(2,851,198)	(6,637,827)
Cash Flows from Investing Activities		
Purchases of investments	(1,360,092)	(2,321,589)
Proceeds from sales of investments	1,762,653	2,696,502
Net Cash Provided by Investing Activities	402,561	374,913
Net Decrease in Cash and Cash Equivalents	(2,448,637)	(6,262,914)
Cash and Cash Equivalents, beginning of year	5,330,045	11,592,959
Cash and Cash Equivalents, end of year	\$ 2,881,408	\$ 5,330,045

See accompanying notes to consolidated financial statements.

Network for Teaching Entrepreneurship and Related Organization

Notes to Consolidated Financial Statements

1. Nature of Organization

The 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

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.

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.

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 the classes of net assets—with donor restrictions and without donor restrictions—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.

The classes of net assets are defined as follows:

With Donor Restrictions - This class consists of 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. When such stipulations end or are fulfilled, such donor-restricted net assets are reclassified to net assets without donor restrictions and reported in the consolidated statement of operations. 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 are classified as net assets with donor restrictions- perpetual in nature.

Without Donor Restrictions - This class consists of the part of net assets that is not restricted by donor-imposed stipulations.

Network for Teaching Entrepreneurship and Related Organization

Notes to Consolidated Financial Statements

Investment return, net, should be reported as increases (or decreases) in without donor restriction, 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 14). Expirations of with-donor-restriction 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.

Measure of Operations

The Organization includes in its measure of operations:

- All revenues and expenses that are an integral part of its programs and supporting activities
- Net assets released from restrictions to support operating expenditures

The Organization excludes from its measure of operations:

- Investment return, net of expenses

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 for long-term purposes, to be cash equivalents.

Contributions Receivable

Contributions received are recorded as without donor restriction or with donor restriction, depending on the existence or nature of any donor restrictions.

The fair value of all contributions, including unconditional promises to give, is recognized as revenue at the time that the donor's unconditional promise is received.

Conditional promises are recorded when the donor-imposed conditions are substantially met.

Fixed Assets

Fixed assets are recorded at cost. Expenditures for maintenance, repairs and minor renewals are expensed as incurred. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets. The Organization's policy is to capitalize expenditures in excess of \$5,000, which represent new purchases, or extend the life of existing fixed assets. The current estimated useful lives are 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.

Network for Teaching Entrepreneurship and Related Organization

Notes to Consolidated Financial Statements

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, 2019, there have been no such losses.

Revenue Recognition

The Organization reports gifts of cash and other assets as with donor restriction 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—with donor-restricted net assets are reclassified to without donor-restricted net assets and reported in the consolidated statement of activities 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 with donor-restricted net assets.

The Organization reports gifts of land, buildings and equipment as without donor restriction 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 with donor restriction. 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 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 earned.

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.

Network for Teaching Entrepreneurship and Related Organization

Notes to Consolidated Financial Statements

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.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP 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.

Income Taxes

The Organization was incorporated in the State of New York and is exempt from federal and state income taxes under Section 501(c)(3) and 509(a)(3) of the Internal Revenue Code (IRC) 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 (IRS) not to be a "private foundation" within the meaning of Section 509(a) of the IRC.

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 IRS Form 990 tax returns, as required, and all other applicable returns in jurisdictions where it is required.

Comparative Financial Information

The consolidated financial statements include certain prior-year summarized comparative information. With respect to the 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 U.S. GAAP. Accordingly, such information should be read in conjunction with the prior-year consolidated financial statements from which the summarized information was derived.

Concentration of Credit Risk

Financial instruments that 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 Federal Deposit Insurance Corporation insurance limits. The Organization has not experienced any losses on cash and cash equivalents.

Network for Teaching Entrepreneurship and Related Organization

Notes to Consolidated Financial Statements

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 based on management's calculations. Direct expenses are assigned to the various programs and supporting services based upon actual costs incurred. Certain categories of expenses are attributable to one or more program or supporting functions of the Organization. Those expenses are allocated based upon various allocation factors, including square footage occupied and time and effort.

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 return, net is recognized when earned. Dividends are recorded on the ex-dividend date. Purchases and sales are recorded on a trade-date basis.

Network for Teaching Entrepreneurship and Related Organization

Notes to Consolidated Financial Statements

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.

Applicability of the New York Prudent Management of Institutional Funds Act

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 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.

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.

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, 2019.

Reclassifications

Certain amounts included in the fiscal year 2018 consolidated financial statements have been reclassified to conform to the fiscal year 2019 presentation.

Recently Adopted Accounting Pronouncement

Not-for-Profit Financial Statement Reporting

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14 to improve the presentation of financial statements of not-for-profit entities. ASU 2016-14 impacts all not-for-profit entities in the scope of Topic 958, as well as health care entities subject to the nonprofit guidance in Topic 954. This is the first major change to the nonprofit financial statement model in over 20 years, which is intended to provide more useful information to donors, grantors, and other users. These statements reflect the adoption of ASU 2016-14, which has been applied for fiscal 2019.

Network for Teaching Entrepreneurship and Related Organization

Notes to Consolidated Financial Statements

Accounting Pronouncements Issued but Not Yet Adopted

Revenue from Contracts with Customers (Topic 606)

In May 2014, the FASB issued 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, which 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.

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 position 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.

Not-for-Profit Grant and Contributions Accounting (Topic 606)

In June 2018, the FASB issued ASU 2018-08, "Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made." This ASU was issued to standardize how grants and other contracts received and made are classified across the sector, as either an exchange transaction or a contribution. The standard provides guidance to assist in the determination of whether a transaction is a contribution or an exchange transaction. If the transaction is deemed to be a contribution, the guidance provides factors to consider with regard to whether the contribution is conditional or unconditional. For contributions received, if determined to be an unconditional contribution, the determination will then need to be made as to whether the contribution is restricted. The ASU will assist in the determination of the nature of the transaction, which will then govern the revenue and expense recognition methodology and timing of the transaction. The ASU is effective for transactions in which the entity serves as the resource recipient to annual periods beginning after December 15, 2018. Management of the Organization is currently evaluating the impact of this ASU on its consolidated financial statements.

Network for Teaching Entrepreneurship and Related Organization

Notes to Consolidated Financial Statements

3. Liquidity and Availability of Resources

The Organization's financial assets available for use within one year of the statement of financial position date for general expenditure are as follows:

June 30, 2019

Cash and cash equivalents	\$	2,881,408
Accounts receivable, net of allowance		301,152
Contributions receivable, net		3,775,640
Appropriation of investment return for operation		826,000
Total Financial Assets Available to Management for General Expenditures		7,784,200
Less:		
Amounts unavailable to Management for general expenditures within one year:		
Contributions receivable, non-current portion		1,131,077
Total Financial Assets Available to Management for General Expenditures Within One Year		\$ 6,653,123

Liquidity Management

The Organization expects approximately \$8,400,000 of amounts restricted with purpose restrictions to be released within one year. In relation to with donor restricted net assets, management has the ability to adjust expenditures based on cash available, therefore these amounts are not included in the table above as a reduction to total financial assets available to management for general expenditures within one year.

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. In addition, the Organization invests cash in excess of daily requirements in short-term investments. To help manage unanticipated liquidity needs, the Organization also has a committed line of credit in the amount of \$1,700,000, which was undrawn at June 30, 2019.

4. Fair Value Measurements

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, 2019.

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.

Network for Teaching Entrepreneurship and Related Organization

Notes to Consolidated Financial Statements

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, 2019.

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 as a practical expedient 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:

<i>June 30, 2019</i>		Level 1	Total
Money-market fund	\$	1,727,921	\$ 1,727,921
Mutual funds		10,610,395	10,610,395
Fund of hedge funds*		-	47,334
Total	\$	12,338,316	\$ 12,385,650

* 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 are 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, 2019. In addition, there were no transfers between levels during the year ended June 30, 2019.

Network for Teaching Entrepreneurship and Related Organization

Notes to Consolidated Financial Statements

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, 2019.

The following table sets forth a summary of the Organization's investments with a reported NAV:

June 30, 2019

Investments	Fair Value	Unfunded Commitments	Redemption Frequency	Other Redemption Restrictions	Redemption Notice Period
SIRE SPV, LLC	\$ 47,334	None	None	Redemptions are made based on the value of assets that are liquidated, less expenses incurred	None

5. 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 consist of:

June 30, 2019

Amounts due in:		
One year or less	\$	2,665,210
Between two to five years		1,081,077
Thereafter		50,000
		<hr/>
		3,796,287
Less: discount to present value		(20,647)
		<hr/>
	\$	3,775,640

NFTE received a conditional promise to give for \$2,000,000. This pledge is a challenge grant and is contingent on NFTE raising at least this same amount by December 2020, from other third-party sources in support of certain specified projects within the challenge time frame. NFTE has not recognized or received any revenue from this conditional pledge.

Network for Teaching Entrepreneurship and Related Organization

Notes to Consolidated Financial Statements

6. Fixed Assets, Net

Fixed assets, net, consist of the following:

June 30, 2019

Leasehold improvements	\$	275,392
Computer equipment		791,844
Furniture and fixtures		548,139
Curriculum design and internal use software		1,199,939
		<hr/>
		2,815,314
Less: accumulated depreciation and amortization		(2,695,984)
		<hr/>
	\$	119,330

For the year ended June 30, 2019, depreciation and amortization expense was \$55,964.

7. 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 IRS 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 \$134,817 in matching contributions for the year ended June 30, 2019.

8. Other Liabilities

The Organization signed an agreement with one former senior executive, which include payments in future years. As of June 30, 2019, \$100,000 remained payable under this agreement. This amount is reflected under the other liabilities section of the consolidated statement of financial position as of June 30, 2019.

9. Leases

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

Future minimum annual lease payments are as follows:

Year ending June 30,

2020	\$	587,419
2021		558,008
2022		553,386
2023		553,386
Thereafter		968,426
		<hr/>
	\$	3,220,625

Network for Teaching Entrepreneurship and Related Organization

Notes to Consolidated Financial Statements

The Organization entered into a 15-year lease agreement in November 2009, which included eight 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 and deferred rent amounted to \$703,300 and \$353,920, respectively, for the year ended June 30, 2019.

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 is automatically extended annually on March 31, however not beyond May 30, 2025, unless either party gives a 60-day written notice for expiration.

10. With Donor-Restricted Net Assets - Purpose Restricted

With donor-restricted net assets are available for the following purposes:

June 30, 2019

Program office delivery	\$	907,531
Entrepreneurship teacher corps		734,759
Curriculum and platform development		744,075
Multiple programs and operations		8,496,586
	\$	10,882,951

With donor-restricted net assets were released from restrictions during the year ended June 30, 2019 in fulfillment of the following purposes or due to the expiration of time restrictions:

Year ended June 30, 2019

Program office delivery	\$	1,031,313
Partner programs		70,000
Entrepreneurship teacher corps		2,287,780
Curriculum and platform development		3,260,982
Multiple programs and operations		4,796,348
	\$	11,446,423

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Network for Teaching Entrepreneurship and Related Organization

Notes to Consolidated Financial Statements

11. With Donor-Restriction Net Assets - Held in Perpetuity

With donor-restriction - perpetual in nature 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:

June 30, 2019

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

12. 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, 2020 and is subject to annual renewal. 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, 2019, there was no outstanding line of credit balance.

13. Teachers' and Other In-Kind Contribution

The Organization's valuation of teachers' in-kind contribution for the year ended June 30, 2019 totaled \$4,748,581. This represents 104,688 classroom hours that 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. The remaining in-kind amount of \$8,730 relates to other support provided.

14. 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 with donor-restricted net assets - held in perpetuity (see Note 11).

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 with donor restriction - perpetual in nature and includes the following:

- the original value of gifts donated to the endowment
- the original value of subsequent gifts to the endowment

Network for Teaching Entrepreneurship and Related Organization

Notes to Consolidated Financial Statements

- accumulation of the endowment made in accordance with the direction of applicable donor instructions

The remaining portion of the Endowment Fund that is not classified as with donor restriction - perpetual in nature is classified as with donor restriction - purpose restricted 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.
- other resources of NFTE Endowment Fund, Inc.

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, 2019:

	Without Donor Restriction	With Donor Restrictions	Total
Endowment Net Assets (Deficit), beginning of year	\$ (750,476)	\$ 13,054,565	\$ 12,304,089
Investment return, net	-	638,816	638,816
Appropriation of endowment assets for expenditure	-	(557,255)	(557,255)
Endowment Net Assets (Deficit), end of year	\$ (750,476)	\$ 13,136,126	\$ 12,385,650

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. Of the \$13,136,126, \$10,732,591 is included in with donor restrictions net assets - held in perpetuity, with the remaining amount of \$2,403,535 included in with donor restrictions net assets - purpose restrictions.

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Network for Teaching Entrepreneurship and Related Organization

Notes to Consolidated Financial Statements

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
- Morningstar Large-Cap Value 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
- 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 4).

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. There were no deficiencies as of June 30, 2019.

NFTE Endowment Fund, Inc. may appropriate for distribution each year 5% of its invested assets based upon their rolling average value over the prior twelve quarters, which is in line with their targeted rate of return. 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 2019, the Board of Directors of NFTE Endowment Fund, Inc. approved for appropriation \$557,255, which is included in net assets released from restrictions in the consolidated statement of activities.

15. Subsequent Events

The Organization's management has performed subsequent events procedures through December 23, 2019, 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 2018)

June 30,

	Network for Teaching Entrepreneurship	NFTE Endowment Fund, Inc.	Eliminations	Total	
				2019	2018
Assets					
Cash and cash equivalents \$	2,881,408	\$ -	\$ -	\$ 2,881,408	\$ 5,330,045
Investments, at fair value	-	-	-	-	9,703
Accounts receivable, net	301,152	-	-	301,152	348,195
Contributions receivable, net	3,775,640	-	-	3,775,640	6,089,472
Employee and teacher advances	29,075	-	-	29,075	21,987
Inventories	28,203	-	-	28,203	46,966
Prepaid expenses and other assets	221,870	-	-	221,870	480,868
Cash and investments held in perpetuity	-	12,385,650	-	12,385,650	12,304,089
Fixed assets, net	119,330	-	-	119,330	175,293
	\$ 7,356,678	\$ 12,385,650	\$ -	\$ 19,742,328	\$ 24,806,618
Liabilities and Net Assets					
Liabilities					
Accounts payable and accrued expenses \$	940,023	\$ -	\$ -	\$ 940,023	\$ 784,777
Accrued compensation and related liabilities	216,896	-	-	216,896	192,559
Deferred rent	353,920	-	-	353,920	372,723
Other liabilities	100,000	-	-	100,000	150,000
Total Liabilities	1,610,839	-	-	1,610,839	1,500,059
Commitments and Contingencies					
Net Assets (Deficit)					
Without donor restriction	(2,733,577)	(750,476)	-	(3,484,053)	(4,856,947)
With donor restriction	8,479,416	13,136,126	-	21,615,542	28,163,506
Total Net Assets	5,745,839	12,385,650	-	18,131,489	23,306,559
	\$ 7,356,678	\$ 12,385,650	\$ -	\$ 19,742,328	\$ 24,806,618

Network for Teaching Entrepreneurship and Related Organization

Schedule of Consolidating Activities (with comparative totals for 2018)

Year ended June 30,

	Network for Teaching Entrepreneurship	NFTE Endowment Fund, Inc.	Eliminations	Total	
				2019	2018
Support and Revenues					
Contributions	\$ 6,776,640	\$ -	\$ -	\$ 6,776,640	\$ 7,737,643
Contributions from endowment	535,000	-	(535,000)	-	-
License fees	28,500	-	-	28,500	32,500
Contract services	1,297,259	-	-	1,297,259	938,799
Training fees	139,450	-	-	139,450	308,588
Material sales	95,215	-	-	95,215	172,714
Teachers and other in-kind contribution	4,757,311	-	-	4,757,311	4,165,832
Special events income, net	40,890	-	-	40,890	39,762
Miscellaneous income	109,837	-	-	109,837	72,651
Royalty income	101,820	-	-	101,820	229,827
Total Support and Revenues	13,881,922	-	(535,000)	13,346,922	13,698,316
Expenses					
Program services	15,510,670	-	-	15,510,670	15,933,628
Contribution expense	-	535,000	(535,000)	-	-
Total Program Services	15,510,670	535,000	(535,000)	15,510,670	15,933,628
Supporting services:					
Management and general	1,942,316	22,255	-	1,964,571	1,958,613
Fundraising	1,719,972	-	-	1,719,972	1,546,840
Total Supporting Services	3,662,288	22,255	-	3,684,543	3,505,453
Total Expenses	19,172,958	557,255	(535,000)	19,195,213	19,439,081
Change in Net Assets, before nonoperating revenues	(5,291,036)	(557,255)	-	(5,848,291)	(5,740,765)
Nonoperating Revenues					
Investment return, net	34,405	638,816	-	673,221	884,616
Change in Net Assets	(5,256,631)	81,561	-	(5,175,070)	(4,856,149)
Net Assets, beginning of year	11,002,470	12,304,089	-	23,306,559	28,162,708
Net Assets, end of year	\$ 5,745,839	\$ 12,385,650	\$ -	\$ 18,131,489	\$ 23,306,559

Network for Teaching Entrepreneurship and Related Organization

Schedule of Fiscal Year Trend Analysis (in thousands)

	2009**	2010**	2011**	2012**	2013**	2014**	2015**	2016**	2017**	2018**	2019**
Assets and Liabilities											
Total assets	\$ 15,883	\$ 15,273	\$ 16,779	\$ 16,615	\$ 17,112	\$ 17,740	\$ 17,904	\$ 25,258	\$ 29,975	\$ 24,807	\$ 19,742
Total liabilities	926	1,729	2,081	1,705	1,658	2,182	2,476	2,122	1,813	1,500	1,611
With Donor Restrictions											
Revenue -											
purpose-restricted	\$ 5,236	\$ 3,759	\$ 5,520	\$ 4,188	\$ 4,683	\$ 6,449	\$ 7,023	\$ 14,277	\$ 13,706	\$ 5,514	\$ 4,260
Assets -											
purpose-restricted released	(5,804)	(5,738)	(4,436)	(4,536)	(5,284)	(5,619)	(7,293)	(6,369)	(8,774)	(11,287)	(11,446)
Revenue and Expense											
Total revenues	\$ 13,352	\$ 13,336	\$ 13,758	\$ 14,679	\$ 17,180	\$ 17,875	\$ 17,820	\$ 24,887	\$ 21,806	\$ 13,698	\$ 13,347
Total expenses	16,094	15,334	13,673	14,675	17,544	19,210	18,245	17,321	18,298	19,439	19,195
Surplus (Deficit)											
Operating	\$ (2,742)	\$ (1,998)	\$ 85	\$ 4	\$ (364)	\$ (1,335)	\$ (425)	\$ 7,566	\$ 3,508	\$ (5,741)	\$ (5,848)
Nonoperating	(1,129)	583	1,070	208	908	1,438	296	141	1,519	885	673
Net Surplus (Deficit)	\$ (3,871)	\$ (1,415)	\$ 1,155	\$ 212	\$ 544	\$ 103	\$ (129)	\$ 7,707	\$ 5,027	\$ (4,856)	\$ (5,175)

** Includes Teacher in-kind in 2009 \$(1,387), 2010 \$(1,501), 2011 \$(1,972), 2012 \$(2,371), 2013 \$(2,426), 2014 \$(2,854), 2015 \$(3,069), 2016 \$(3,294), 2017 \$(3,381), 2018 \$(4,162) and 2019 \$(4,748).