

NATIONAL COUNCIL FOR GEOGRAPHIC EDUCATION AND AFFILIATE

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2012 AND 2011

KOSITZKA, WICKS & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS



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KOSITZKA, WICKS & COMPANY
Certified Public Accountants

Independent Auditor's Report

The Board of Directors
National Council for Geographic Education

We have audited the accompanying consolidated financial statements of **National Council for Geographic Education** (a nonprofit organization) and affiliate, which comprise the consolidated statements of financial position as of December 31, 2012 and 2011, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related consolidated notes to the financial statements.

Management's Responsibility for the 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 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the 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 National Council for Geographic Education as of December 31, 2012 and 2011, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Kositzka, Wicks and Company

Alexandria, Virginia
October 21, 2013

National Council for Geographic Education

Consolidated Statements of Financial Position December 31,

	2012	2011
Assets		
Current assets		
Cash and cash equivalents	\$ 58,873	\$ 82,810
Accounts receivable	9,982	21,932
	<u>68,855</u>	<u>104,742</u>
NCGE investments	1,012,508	929,467
GENIP investments	121,535	155,413
	<u>1,134,043</u>	<u>1,084,880</u>
Property and equipment, net	<u>3,504</u>	<u>2,441</u>
Total assets	<u>\$ 1,206,402</u>	<u>\$ 1,192,063</u>
Liabilities and net assets		
Current liabilities		
Accounts payable	\$ 10,410	\$ 4,630
Deferred revenue	-	480
	<u>10,410</u>	<u>5,110</u>
Net assets		
Unrestricted		
NCGE unrestricted	232,366	195,205
NCGE board designated		
21st Century Endowment	628,116	628,053
GENIP unrestricted	134,176	167,158
Temporarily restricted	33,381	30,343
Permanently restricted	167,953	166,194
Total net assets	<u>1,195,992</u>	<u>1,186,953</u>
Total liabilities and net assets	<u>\$ 1,206,402</u>	<u>\$ 1,192,063</u>

The accompanying independent auditor's report and notes are an integral part of the financial statements.

National Council for Geographic Education

Consolidated Statement of Activities for the year ended December 31, 2012

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Revenue				
Federal grants	\$ 248,066	\$ -	\$ -	\$ 248,066
Annual conference	138,322	-	-	138,322
Contributions and sponsorships	11,284	-	-	11,284
Member dues	56,496	-	-	56,496
Member events	420	-	-	420
Publications	36,227	-	-	36,227
Royalties	65,573	-	-	65,573
Investment income, net	23,266	7,038	1,759	32,063
Other income	4,429	-	-	4,429
Net assets released from restriction	4,000	(4,000)	-	-
	<u>588,083</u>	<u>3,038</u>	<u>1,759</u>	<u>592,880</u>
GENIP income	10,000	-	-	10,000
GENIP investment loss, net	15,122	-	-	15,122
	<u>25,122</u>	<u>-</u>	<u>-</u>	<u>25,122</u>
Total revenue	613,205	3,038	1,759	618,002
Expenses				
Program services	518,384	-	-	518,384
Management and general	90,579	-	-	90,579
Total expenses	608,963	-	-	608,963
Change in net assets	4,242	3,038	1,759	9,039
Net assets, beginning of year	990,416	30,343	166,194	1,186,953
Net assets, end of year	<u>\$ 994,658</u>	<u>\$ 33,381</u>	<u>\$ 167,953</u>	<u>\$ 1,195,992</u>

The accompanying independent auditor's report and notes are an integral part of the financial statements.

National Council for Geographic Education

Statement of Activities for the year ended December 31, 2011

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Revenue				
Federal grants	\$ 300,767	\$ -	\$ -	\$ 300,767
Annual conference	185,546	-	-	185,546
Contributions and sponsorships	5,827	100	-	5,927
Member dues	42,430	-	-	42,430
Member events	1,420	-	-	1,420
Publications	9,844	-	-	9,844
Royalties	44,184	-	-	44,184
Investment income, net	21,445	8,027	2,007	31,479
Other income	2,862	-	-	2,862
Net assets released from restriction	7,400	(7,400)	-	-
	<u>621,725</u>	<u>727</u>	<u>2,007</u>	<u>624,459</u>
GENIP income	15,531	-	-	15,531
GENIP investment loss, net	(3,761)	-	-	(3,761)
	<u>11,770</u>	<u>-</u>	<u>-</u>	<u>11,770</u>
Total revenue	633,495	727	2,007	636,229
Expenses				
Program services	512,441	-	-	512,441
Management and general	79,583	-	-	79,583
Total expenses	592,024	-	-	592,024
Change in net assets	41,471	727	2,007	44,205
Net assets, beginning of year	948,945	29,616	164,187	1,142,748
Net assets, end of year	<u>\$ 990,416</u>	<u>\$ 30,343</u>	<u>\$ 166,194</u>	<u>\$ 1,186,953</u>

The accompanying independent auditor's report and notes are an integral part of the financial statements.

National Council for Geographic Education

Consolidated Statement of Functional Expenses for the year ended December 31, 2012

	Programs	Management and general	Total
	<u> </u>	<u> </u>	<u> </u>
Salaries	\$ 72,286	\$ 72,286	\$ 144,572
Employee benefits	9,537	9,538	19,075
Payroll taxes	4,937	4,937	9,874
Program expenses	155,271	-	155,271
Conferences and meetings	107,300	-	107,300
Travel and mileage	16,742	-	16,742
Professional fees	34,315	-	34,315
Printing	63,011	-	63,011
Office expense	19,251	-	19,251
NCGE awards	4,915	-	4,915
Program administration	4,899	-	4,899
Dues and subscriptions	1,185	-	1,185
Rent	3,000	3,000	6,000
Postage	7,046	-	7,046
Insurance	1,707	-	1,707
Office supplies	9,698	-	9,698
Advertising	1,512	-	1,512
Staff development	777	-	777
Depreciation	-	818	818
Repairs and maintenance	119	-	119
Telephone	120	-	120
Royalties expense	450	-	450
Miscellaneous	91	-	91
Bank fees	215	-	215
	<u> </u>	<u> </u>	<u> </u>
Total expenses	<u>\$ 518,384</u>	<u>\$ 90,579</u>	<u>\$ 608,963</u>

The accompanying independent auditor's report and notes are an integral part of the financial statements.

National Council for Geographic Education

Statement of Functional Expenses for the year ended December 31, 2011

	Programs				
	Programs	GENIP programs	Total	Management and general	Total
Salaries	\$ 56,874	\$ -	\$ 56,874	\$ 56,874	\$ 113,748
Employee benefits	9,507	-	9,507	9,507	19,014
Payroll taxes	3,467	-	3,467	3,467	6,934
Program expenses	216,779	8,045	224,824	-	224,824
Conferences and meetings	105,616	2,994	108,610	-	108,610
Travel and mileage	32,899	-	32,899	-	32,899
Professional fees	9,600	-	9,600	6,431	16,031
Printing	18,167	-	18,167	-	18,167
Office expense	11,643	-	11,643	-	11,643
NCGE awards	8,889	-	8,889	-	8,889
Program administration	6,030	-	6,030	-	6,030
Dues and subscriptions	5,851	-	5,851	-	5,851
Rent	2,750	-	2,750	2,750	5,500
Postage	3,352	-	3,352	-	3,352
Insurance	3,059	-	3,059	-	3,059
Office supplies	2,979	-	2,979	-	2,979
Advertising	1,398	-	1,398	-	1,398
Staff development	1,050	-	1,050	-	1,050
Depreciation	-	-	-	554	554
Repairs and maintenance	516	-	516	-	516
Telephone	482	-	482	-	482
Miscellaneous	350	-	350	-	350
Bank fees	120	24	144	-	144
Total expenses	\$ 501,378	\$ 11,063	\$ 512,441	\$ 79,583	\$ 592,024

The accompanying independent auditor's report and notes are an integral part of the financial statements.

National Council for Geographic Education

Consolidated Statements of Cash Flows for the years ended December 31,

	2012	2011
Cash flows from operating activities		
Increase in net assets	\$ 9,039	\$ 44,205
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	818	554
Unrealized (gain) loss on investments	(23,714)	16,235
(Increase) decrease in operating assets		
Accounts receivable	11,950	(21,472)
Increase (decrease) in operating liabilities		
Accounts payable	5,780	(14,557)
Deferred revenue	(480)	480
Net cash provided by operating activities	<u>3,393</u>	<u>25,445</u>
Cash flows from investing activities		
Purchase of equipment	(1,881)	(2,009)
Cash withdrawal from investments	53,000	-
Purchases of investments and reinvestments	(78,449)	(43,929)
Net cash used by investing activities	<u>(27,330)</u>	<u>(45,938)</u>
Net change in cash and cash equivalents	(23,937)	(20,493)
Cash and cash equivalents, beginning of year	82,810	103,303
Cash and cash equivalents, end of year	<u>\$ 58,873</u>	<u>\$ 82,810</u>
Supplemental disclosure of cash flow information		
Cash paid for interest	<u>\$ -</u>	<u>\$ -</u>
Income taxes paid	<u>\$ -</u>	<u>\$ -</u>

The accompanying independent auditor's report and notes are an integral part of the financial statements.

National Council for Geographic Education

Consolidated Notes to Financial Statements December 31, 2012 and 2011

1. Organization and purpose

National Council for Geographic Education (NCGE) is a 501(c)(3) nonprofit organization, and was incorporated under the laws of the District of Columbia in 1957. NCGE's mission is to enhance the status and quality of geography teaching and learning.

The Geographic Education National Implementation Project (GENIP) is a consortium of geographic associations committed to improving the status and quality of geography education in the United States. GENIP is organized as an affiliate working group under NCGE. It operates its own checking and investment accounts.

2. Summary of significant accounting policies

Principles of consolidation

The consolidated financial statements of NCGE have been prepared on the accrual basis of accounting and included the accounts of NCGE and GENIP. All material intercompany balances and transactions have been eliminated in consolidation. Transactions between GENIP and NCGE include membership dues paid by NCGE to GENIP, fiscal fees paid by GENIP to NCGE and certain publication revenue and program expenses.

In 2011, there were no material intercompany balances, therefore these transactions are included in revenue and expenses.

Basis of accounting

The financial statements of NCGE are prepared using the accrual method of accounting. In accordance with this method of accounting, revenue is recognized in the period in which it is earned and expenses are recognized in the period in which they are incurred. All revenue and expenses which are applicable to future periods have been presented as deferred revenue or prepaid expenses on the accompanying statement of financial position.

Financial statement presentation

NCGE is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Use of estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

See independent auditor's report.

National Council for Geographic Education

Consolidated Notes to Financial Statements December 31, 2012 and 2011

2. Summary of significant accounting policies (continued)

Cash and cash equivalents

For purposes of the statement of cash flows, NCGE considers all cash and unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. It is NCGE's policy not to classify certificates of deposit as cash and cash equivalents. FDIC insurance is \$250,000 per depositor, per insured bank. For the years ended December 31, 2012 and 2011, all cash was covered by the FDIC.

Accounts receivable

Accounts receivable consist of unconditional promises to give that are expected to be collected within one year and are recorded at net realizable value. Accounts receivable at December 31, 2012 and 2011, consist of outstanding invoices from reimbursable grants, publication purchases and various membership activities.

Property and equipment

Property and equipment are reported in the financial statements at cost, net of accumulated depreciation. The equipment is depreciated over a useful life using the straight-line method.

Contributions

Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. NCGE 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, or if they are designated as support for future periods. 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 statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

Functional classification of expenses

The costs of providing the programs and services are summarized on a functional basis in the accompanying financial statements. Accordingly, certain costs have been allocated among the programs and services benefited. Expenses have been allocated between the program and management and general functions based on a combination of specific identification and allocation by management.

Fair value of financial assets and liabilities

Financial assets with carrying values approximating fair value include cash and cash equivalents and accounts receivable. Financial liabilities with carrying values approximating fair value include accounts payable and deferred revenue. The carrying value of these financial assets and liabilities approximates fair value due to their short maturities and any associated interest rates approximate current market rates.

See independent auditor's report.

National Council for Geographic Education

Consolidated Notes to Financial Statements December 31, 2012 and 2011

2. Summary of significant accounting policies (continued)

Compensated absences

Employees are entitled to paid vacation and paid sick days. It is NCGE's policy to recognize the cost of compensated absences when actually paid to employees. As a result, no accrued leave has been recorded.

Publications and resources

Members and the general public can purchase publications and resources. Management has elected to record costs involved in the production of the publications in the current year as expense. The effect of not valuing publications on hand at the end of the year is not materially different from the results that would have been obtained had a valuation method been followed.

Investments

Investments are carried at their fair market values based on publicly available market data obtained from services independent of NCGE. Investment income or loss (including gains and losses on investments, interest, and dividends) is included in the statement of activities as increases or decreases in unrestricted net assets unless the income or loss is restricted by donor or law.

Income taxes

NCGE is exempt from federal income tax as a non-profit organization described in Section 501(c)(3) of the Internal Revenue Code and is classified as an organization other than a private foundation. The Organization did not have a liability for unrelated business income for the years ended December 31, 2012 and 2011.

The material jurisdictions subject to potential examination by taxing authorities include the U.S. and D.C. Management does not believe that the ultimate outcome of any future examinations of open tax years will have a material impact on the Organization's results of operations. Tax years that remain subject to examination by the IRS are years 2010 through 2012.

3. Cash and cash equivalents

Cash and cash equivalents as of December 31, 2012 and 2011, consisted of the following:

	<u>2012</u>	<u>2011</u>
NCGE Checking account	\$ 23,919	\$ 69,567
GENIP Checking account	33,339	12,452
NCGE Petty cash	1,615	791
	<u>\$ 58,873</u>	<u>\$ 82,810</u>

See independent auditor's report.

National Council for Geographic Education

Consolidated Notes to Financial Statements December 31, 2012 and 2011

4. Property and equipment

A summary of depreciation expense and accumulated depreciation at December 31, 2012 and 2011 was as follows:

	2012			
	<u>Cost</u>	<u>Accumulated depreciation</u>	<u>Depreciation expense</u>	<u>Useful life</u>
Computer equipment	<u>\$ 4,987</u>	<u>\$ 1,483</u>	<u>\$ 818</u>	3-5 years

	2011			
	<u>Cost</u>	<u>Accumulated depreciation</u>	<u>Depreciation expense</u>	<u>Useful life</u>
Computer equipment	<u>\$ 3,106</u>	<u>\$ 665</u>	<u>\$ 554</u>	3-5 years

5. Investments

Investment income (loss) for the years ended December 31, 2012 and 2011, consisted of the following:

	NCGE	
	<u>2012</u>	<u>2011</u>
Unrealized gain (loss)	\$ 14,983	\$ (5,419)
Interest and dividend income	17,080	36,898
	<u>\$ 32,063</u>	<u>\$ 31,479</u>

	GENIP	
	<u>2012</u>	<u>2011</u>
Unrealized gain (loss)	\$ 8,731	\$ (10,816)
Interest and dividend income	6,391	7,055
	<u>\$ 15,122</u>	<u>\$ (3,761)</u>

See independent auditor's report.

National Council for Geographic Education

Consolidated Notes to Financial Statements December 31, 2012 and 2011

6. Temporarily restricted net assets

Temporarily restricted net assets as of December 31, 2012 and 2011, consisted of the following:

	<u>2011</u>	<u>Additions</u>	<u>Releases</u>	<u>2012</u>
<i>Restricted for future programs</i>				
E. Willard and Ruby S. Miller Geographic Education Research Fund	\$ 25,445	\$ 7,038	\$ 4,000	\$ 28,483
Women in Geographic Education	4,898	-	-	4,898
	<u>\$ 30,343</u>	<u>\$ 7,038</u>	<u>\$ 4,000</u>	<u>\$ 33,381</u>
	<u>2010</u>	<u>Additions</u>	<u>Releases</u>	<u>2011</u>
<i>Restricted for future programs</i>				
E. Willard and Ruby S. Miller Geographic Education Research Fund	\$ 24,818	\$ 8,027	\$ 7,400	\$ 25,445
Women in Geographic Education	4,798	100	-	4,898
	<u>\$ 29,616</u>	<u>\$ 8,127</u>	<u>\$ 7,400</u>	<u>\$ 30,343</u>

7. Permanently restricted net assets

In 2004, NCGE was the recipient of a distribution from the Estate of R.S. Miller. According to the will, the initial distribution and any subsequent distributions or investment income are allocated according to the following restrictions: 20% is permanently restricted and must remain in the investment account and 80% is designated to be used as scholarship and grant monies to further the mission goals of NCGE. Any monies not granted during the year must be carried forward to the following year.

See independent auditor's report.

National Council for Geographic Education

Consolidated Notes to Financial Statements December 31, 2012 and 2011

7. Permanently restricted net assets (continued)

Permanently restricted net assets as of December 31, 2012 and 2011, included the following:

	<u>2011</u>	<u>Additions</u>	<u>Releases</u>	<u>2012</u>
E. Willard and Ruby S. Miller Geographic Education Research Fund	<u>\$ 166,194</u>	<u>\$ 1,759</u>	<u>\$ -</u>	<u>\$ 167,953</u>

	<u>2010</u>	<u>Additions</u>	<u>Releases</u>	<u>2011</u>
E. Willard and Ruby S. Miller Geographic Education Research Fund	<u>\$ 164,187</u>	<u>\$ 2,007</u>	<u>\$ -</u>	<u>\$ 166,194</u>

8. Endowment fund and Board designated funds

The NCGE Endowment Funds consists of one individual fund established for a variety of purposes. The endowment funds include both donor-restricted funds and funds designated by the Board of Directors to function as an endowment. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Directors of NCGE has interpreted the Virginia Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gifts as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, NCGE classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted 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 the organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

See independent auditor's report.

National Council for Geographic Education

Consolidated Notes to Financial Statements December 31, 2012 and 2011

8. Endowment fund and Board designated funds (continued)

In accordance with UPMIFA, NCGE considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of NCGE and the donor-restricted endowment fund
3. General economic conditions
4. The possible effects of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of NCGE
7. The investment policies of NCGE

Return Objectives and Risk Parameters

NCGE has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds as well as board-designated funds. Under the policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 index while assuming a moderate level of investment risk. NCGE expects its endowment funds, over time, to provide an average rate of return of approximately three percent annually. Actual returns in any given year may vary from this amount.

Strategies employed for achieving objectives

To satisfy its long-term rate-of-return objectives, NCGE 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). NCGE targets a diversified asset allocation that places a greater emphasis on equity-based investments and to achieve its long-term return objectives within prudent risk constraints.

Spending policy and how the investment objectives relate to spending policy

The amounts appropriated for distribution by NCGE vary. NCGE specifically seeks projects that improve or promote geographic education by: increasing services for geography teachers and students at all levels; providing creative materials for teacher training and classroom use; encouraging research on geography learning; and analyzing progress toward meeting the national geography standards.

See independent auditor's report.

National Council for Geographic Education

Consolidated Notes to Financial Statements December 31, 2012 and 2011

8. Endowment fund and Board designated funds (continued)

Net asset composition by type of fund

The net assets consisted of the following as of December 31, 2012:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Donor restricted endowment funds	\$ -	\$ 33,381	\$ 167,953	\$ 201,334
Board designated funds (not subject to UPMIFA)	<u>628,116</u>	<u>-</u>	<u>-</u>	<u>628,116</u>
Endowment funds as of December 31, 2012	<u>\$ 628,116</u>	<u>\$ 33,381</u>	<u>\$ 167,953</u>	<u>\$ 829,450</u>

The net assets consisted of the following as of December 31, 2011:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Donor restricted endowment funds	\$ -	\$ 30,343	\$ 166,194	\$ 196,537
Board designated funds (not subject to UPMIFA)	<u>628,053</u>	<u>-</u>	<u>-</u>	<u>628,053</u>
Endowment funds as of December 31, 2011	<u>\$ 628,053</u>	<u>\$ 30,343</u>	<u>\$ 166,194</u>	<u>\$ 824,590</u>

See independent auditor's report.

National Council for Geographic Education

Consolidated Notes to Financial Statements December 31, 2012 and 2011

8. Endowment fund and Board designated funds (continued)

Changes in endowment and Board designated net assets

The net activity consisted of the following as of December 31, 2012 :

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Donor restricted endowment and Board designated funds as of December 31, 2011	\$ 628,053	\$ 30,343	\$ 166,194	\$ 824,590
Investment return				
Investment income	63	7,038	1,759	8,860
Amounts of investment income expended	<u>-</u>	<u>(4,000)</u>	<u>-</u>	<u>(4,000)</u>
Donor restricted endowment and Board designated funds as of December 31, 2012	<u>\$ 628,116</u>	<u>\$ 33,381</u>	<u>\$ 167,953</u>	<u>\$ 829,450</u>

The net activity consisted of the following as of December 31, 2011:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Donor restricted endowment and Board designated funds as of December 31, 2010	\$ 608,106	\$ 28,832	\$ 163,966	\$ 800,904
Investment return				
Investment income	20,796	8,027	2,007	30,830
Net appreciation (depreciation)	<u>(849)</u>	<u>884</u>	<u>221</u>	<u>256</u>
Total investment return	19,947	8,911	2,228	31,086
Amounts of investment income expended	<u>-</u>	<u>(7,400)</u>	<u>-</u>	<u>(7,400)</u>
Donor restricted endowment and Board designated funds as of December 31, 2011	<u>\$ 628,053</u>	<u>\$ 30,343</u>	<u>\$ 166,194</u>	<u>\$ 824,590</u>

See independent auditor's report.

National Council for Geographic Education

Consolidated Notes to Financial Statements December 31, 2012 and 2011

8. Endowment fund and Board designated funds (continued)

Funds with deficiencies

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 NCGE to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are reported in unrestricted net assets. These deficiencies may result from unfavorable market fluctuations and continued appropriation for certain programs deemed prudent by the Board of Directors.

9. Fair value measurements

In accordance with FASB ASC 820-10, NCGE classifies its investments into Level 1, which refers to securities valued using quoted prices from active markets for identical assets; Level 2, which refers to securities not traded on an active market but for which observable market inputs are readily available; and Level 3, which refers to securities valued based on significant unobservable inputs. Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

NCGE assets measured at fair value on a recurring basis are summarized below as of December 31, 2012:

	NCGE			
	Level 1	Level 2	Level 3	Total
Cash and sweep balances	\$ 674,214	\$ -	\$ -	\$ 674,214
Corporate bonds	72,610	-	-	72,610
Asset backed securities				
Government	-	31,905	-	31,905
Corporate mortgage	-	36,756	-	36,756
Mutual funds				
Open end	87,115	-	-	87,115
Close end	13,881	-	-	13,881
Preferreds / Fixed rate cap securities	96,027	-	-	96,027
Total	<u>\$ 943,847</u>	<u>\$ 68,661</u>	<u>\$ -</u>	<u>\$ 1,012,508</u>

See independent auditor's report.

National Council for Geographic Education

Consolidated Notes to Financial Statements December 31, 2012 and 2011

9. Fair value measurements (continued)

NCGE assets measured at fair value on a recurring basis are summarized below as of December 31, 2011:

	NCGE			
	Level 1	Level 2	Level 3	Total
Cash and sweep balances	\$ 652,356	\$ -	\$ -	\$ 652,356
Corporate bonds	43,195	-	-	43,195
Asset backed securities				
Government	-	32,541	-	32,541
Corporate mortgage	-	34,908	-	34,908
Mutual funds				
Open end	47,406	-	-	47,406
Close end	34,900	-	-	34,900
Preferreds / Fixed rate cap securities	84,161	-	-	84,161
Total	<u>\$ 862,018</u>	<u>\$ 67,449</u>	<u>\$ -</u>	<u>\$ 929,467</u>

GENIP assets measured at fair value on a recurring basis are summarized below as of December 31, 2012:

	GENIP			
	Level 1	Level 2	Level 3	Total
Cash and sweep balances	\$ 1,371	\$ -	\$ -	\$ 1,371
Corporate bonds	4,754	-	-	4,754
Mutual funds				
Open end	64,801	-	-	64,801
Close end	30,421	-	-	30,421
Preferreds / Fixed rate cap securities	20,188	-	-	20,188
Total	<u>\$ 121,535</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 121,535</u>

See independent auditor's report.

National Council for Geographic Education

Consolidated Notes to Financial Statements December 31, 2012 and 2011

9. Fair value measurements (continued)

GENIP assets measured at fair value on a recurring basis are summarized below as of December 31, 2011:

	GENIP			
	Level 1	Level 2	Level 3	Total
Cash and sweep balances	\$ 14,130	\$ -	\$ -	\$ 14,130
Corporate bonds	4,298	-	-	4,298
Mutual funds				
Open end	64,920	-	-	64,920
Close end	28,028	-	-	28,028
Preferreds / Fixed rate cap securities	44,037	-	-	44,037
Total	<u>\$ 155,413</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 155,413</u>

10. Lease commitments

NCGE rents office space from the National Geographic Society. Rent expense for the years ended December 31, 2012 and 2011 were \$6,000 and \$5,500 respectively. Subsequently, the lease was renewed through January 31, 2014. Future minimum lease payments will be \$6,000 for the year ended December 31, 2012 and \$500 for the year ending December 31, 2014.

11. Subsequent events

The NCGE assessed events occurring subsequent to December 31, 2012 through October 21, 2013, the date the financial statements were available to be issued, for potential recognition and disclosure in the financial statements. No events have occurred that would require adjustment to or disclosure in the financial statements.

See independent auditor's report.

SUPPLEMENTAL INFORMATION

National Council for Geographic Education

Consolidating Statement of Financial Position December 31, 2012

	NCGE	GENIP	Eliminations	Total
Assets				
Current assets				
Cash and cash equivalents	\$ 25,534	\$ 33,339	\$ -	\$ 58,873
Accounts receivable	41,404	11,432	(42,854)	9,982
	<u>66,938</u>	<u>44,771</u>	<u>(42,854)</u>	<u>68,855</u>
Investments	1,012,508	121,535	-	1,134,043
Property and equipment, net	<u>3,504</u>	<u>-</u>	<u>-</u>	<u>3,504</u>
Total assets	<u>\$ 1,082,950</u>	<u>\$ 166,306</u>	<u>\$ (42,854)</u>	<u>\$ 1,206,402</u>
Liabilities and net assets				
Current liabilities				
Accounts payable	\$ 21,134	\$ 32,130	\$ (42,854)	\$ 10,410
Net assets				
Unrestricted				
Unrestricted	232,429	134,176	-	366,605
NCGE board designated 21st Century Endowment	628,053	-	-	628,053
Temporarily restricted	33,381	-	-	33,381
Permanently restricted	<u>167,953</u>	<u>-</u>	<u>-</u>	<u>167,953</u>
Total net assets	<u>1,061,816</u>	<u>134,176</u>	<u>-</u>	<u>1,195,992</u>
Total liabilities and net assets	<u>\$ 1,082,950</u>	<u>\$ 166,306</u>	<u>\$ (42,854)</u>	<u>\$ 1,206,402</u>

The accompanying independent auditor's report and notes are an integral part of the financial statements.

National Council for Geographic Education

Consolidating Statement of Activities for the year ended December 31, 2012

	<u>NCGE</u>	<u>GENIP</u>	<u>Eliminations</u>	<u>Total</u>
Revenue				
Federal grants	\$ 248,066	\$ -	\$ -	\$ 248,066
Annual conference	138,322	-	-	138,322
Contributions and sponsorships	11,284	-	-	11,284
Member dues	56,496	15,000	(5,000)	66,496
Member events	420	-	-	420
Publications	84,649	12,412	(60,834)	36,227
Royalties	65,573	-	-	65,573
Investment income, net	32,063	15,122	-	47,185
Other income	4,429	-	-	4,429
Total revenue	<u>641,302</u>	<u>42,534</u>	<u>(65,834)</u>	<u>618,002</u>
Expenses				
Program services	508,702	75,516	(65,834)	518,384
Management and general	90,579	-	-	90,579
Total expenses	<u>599,281</u>	<u>75,516</u>	<u>(65,834)</u>	<u>608,963</u>
Change in net assets	42,021	(32,982)	-	9,039
Net assets, beginning of year	<u>1,019,795</u>	<u>167,158</u>	<u>-</u>	<u>1,186,953</u>
Net assets, end of year	<u><u>\$ 1,061,816</u></u>	<u><u>\$ 134,176</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,195,992</u></u>

The accompanying independent auditor's report and notes are an integral part of the financial statements.

National Council for Geographic Education

Consolidating Statement of Functional Expenses for the year ended December 31, 2012

	Programs				Management and general	Total
	NCGE Programs	GENIP programs	Eliminations	Total		
Salaries	\$ 72,286	\$ -	\$ -	\$ 72,286	\$ 72,286	\$ 144,572
Employee benefits	9,537	-	-	9,537	9,538	19,075
Payroll taxes	4,937	-	-	4,937	4,937	9,874
Program expenses	155,271	17,000	(17,000)	155,271	-	155,271
Conferences and meetings	97,857	9,443	-	107,300	-	107,300
Travel and mileage	16,742	-	-	16,742	-	16,742
Professional fees	34,315	-	-	34,315	-	34,315
Printing	45,384	49,049	(31,422)	63,011	-	63,011
Office expense	19,251	-	-	19,251	-	19,251
NCGE awards	4,915	-	-	4,915	-	4,915
Program administration	4,899	-	-	4,899	-	4,899
Dues and subscriptions	1,185	-	-	1,185	-	1,185
Rent	3,000	-	-	3,000	3,000	6,000
Postage	7,046	-	-	7,046	-	7,046
Insurance	1,707	-	-	1,707	-	1,707
Office supplies	9,698	-	-	9,698	-	9,698
Advertising	1,512	-	-	1,512	-	1,512
Staff development	777	-	-	777	-	777
Depreciation	-	-	-	-	818	818
Repairs and maintenance	119	-	-	119	-	119
Telephone	120	-	-	120	-	120
Royalties expense	17,862	-	(17,412)	450	-	450
Miscellaneous	91	-	-	91	-	91
Bank fees	191	24	-	215	-	215
Total expenses	\$ 508,702	\$ 75,516	\$ (65,834)	\$ 518,384	\$ 90,579	\$ 608,963

The accompanying independent auditor's report and notes are an integral part of the financial statements.