

**AMERICAN ASSOCIATION OF COLLEGIATE
REGISTRARS AND ADMISSIONS OFFICERS
(AACRAO)**

AUDITED FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2023

American Association of Collegiate Registrars and Admissions Officers (AACRAO)

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Independent Auditor's Report

Board of Directors
Association of Collegiate Registrars and Admissions Officers
Washington, D.C.

Opinion

We have audited the accompanying financial statements of **American Association of Collegiate Registrars and Admissions Officers** (a nonprofit organization), which comprise the Statement of Financial Position as of September 30, 2023, and the related Statements of Activities and Changes in Net Assets, Functional Expenses, and Cash Flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **American Association of Collegiate Registrars and Admissions Officers** as of September 30, 2023, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of **American Association of Collegiate Registrars and Admissions Officers** and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

Independent Auditor's Report (Continued)

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about **American Association of Collegiate Registrars and Admissions Officers'** ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

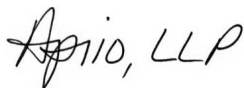
Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 **American Association of Collegiate Registrars and Admissions Officers'** internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about **American Association of Collegiate Registrars and Admissions Officers'** ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.



Rockville, Maryland
January 31, 2024

American Association of Collegiate Registrars and Admissions Officers

Statement of Financial Position

<i>September 30,</i>	2023
Assets	
Cash and cash equivalents	\$ 2,754,264
Investments	10,510,654
Employee retention credit receivable	777,081
Accounts receivable, net	546,090
Interest rate swap asset	316,576
Prepaid expenses and other assets	660,239
Property and equipment, net	6,798,928
Total assets	\$ 22,363,832
Liabilities and Net Assets	
Accounts payable	\$ 324,419
Accrued expenses	549,959
Deferred revenue	3,423,105
Debt, net unamortized debt issuance costs	5,177,522
Total liabilities	9,475,005
Net assets	
Without donor restrictions	
Board designated funds	10,557,111
Undesignated	1,529,918
Total net assets without donor restrictions	12,087,029
With donor restrictions	801,798
Total net assets	12,888,827
Total liabilities and net assets	\$ 22,363,832

The accompanying Notes to Financial Statements are an integral part of these financial statements.

American Association of Collegiate Registrars and Admissions Officers

Statement of Activities and Changes in Net Assets

<i>For the year ended September 30, 2023</i>	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue			
Service fees	\$ 1,669,272	\$ -	\$ 1,669,272
Membership fees	3,123,925	-	3,123,925
Registrations	2,564,155	-	2,564,155
Publication sales	677,994	-	677,994
Exhibit fees	378,328	-	378,328
Sponsorships	591,219	-	591,219
Advertising	194,470	-	194,470
Corporate dues	108,233	-	108,233
Other income	24,601	-	24,601
Contributions	786,421	500,000	1,286,421
Net assets released from restrictions	1,371,946	(1,371,946)	-
Total support and revenue	11,490,564	(871,946)	10,618,618
Expenses			
Program services			
Memberships	526,103	-	526,103
Strategy and planning	751,182	-	751,182
Consulting	1,319,808	-	1,319,808
Training, grants, and special projects	1,507,059	-	1,507,059
Research and policy	1,651,942	-	1,651,942
Education and member development	3,202,370	-	3,202,370
Total program services	8,958,464	-	8,958,464
Supporting activities			
General and administrative	2,908,347	-	2,908,347
Governance	416,866	-	416,866
Total supporting activities	3,325,213	-	3,325,213
Total expenses	12,283,677	-	12,283,677
Change in net assets from operations	(793,113)	(871,946)	(1,665,059)
Nonoperating income			
Net investment income	1,181,446	-	1,181,446
Gain on interest rate swap	357,880	-	357,880
Total nonoperating income	1,539,326	-	1,539,326
Change in net assets	746,213	(871,946)	(125,733)
Net assets, beginning of year	11,340,816	1,673,744	13,014,560
Net assets, end of year	\$ 12,087,029	\$ 801,798	\$ 12,888,827

The accompanying Notes to Financial Statements are an integral part of these financial statements.

American Association of Collegiate Registrars and Admissions Officers

Statement of Functional Expenses

For the Year Ended September 30, 2023	Program Services							Supporting Activities			Total Expenses
	Memberships	Strategy and planning	Consulting	Training, grants, and special projects	Research and policy	Education and member development	Total Program Services	General and administrative	Governance	Total Supporting Activities	
Salaries, wages, and benefits	\$ 374,872	\$ 552,960	\$ 671,843	\$ 326,620	\$ 953,156	\$ 1,050,300	\$ 3,929,751	\$ 1,641,190	\$ 106,927	\$ 1,748,117	\$ 5,677,868
Consulting and outside services	5,118	15,992	289,574	348,916	258,737	219,555	1,137,892	163,008	-	163,008	1,300,900
Meeting costs	-	-	2,748	6,627	1,149	973,316	983,840	8,355	9,784	18,139	1,001,979
Meals and entertainment	3,460	2,033	26,369	163,607	17,308	262,957	475,734	7,356	81,349	88,705	564,439
Legal and accounting	38,729	55,328	66,393	33,197	94,057	100,629	388,333	154,916	19,481	174,397	562,730
Memberships and subscriptions	2,540	13,084	240	1,480	48,461	44,129	109,934	440,237	21,253	461,490	571,424
Lodging	3,850	6,640	44,729	121,237	25,821	93,306	295,583	5,958	76,042	82,000	377,583
Travel	1,460	2,624	72,594	134,937	32,262	44,797	288,674	20,208	68,490	88,698	377,372
Bank charges	23,661	26,918	32,454	16,151	46,170	50,506	195,860	75,370	5,384	80,754	276,614
Interest expense	7,955	-	23,864	13,258	31,818	66,288	143,183	121,968	-	121,968	265,151
Awards, scholarships, and grants	500	-	-	225,000	3,000	1,344	229,844	-	-	-	229,844
Depreciation	23,257	30,234	23,257	11,628	48,839	55,816	193,031	34,884	4,651	39,535	232,566
Supplies, equipment and maintenance	183	17	2,913	44,742	2,579	6,906	57,340	48,448	16,637	65,085	122,425
Property taxes	11,496	14,944	11,496	5,748	24,141	27,590	95,415	17,243	2,299	19,542	114,957
Communications and internet	-	-	18	-	331	52,917	53,266	34,844	39	34,883	88,149
Printing, production, and duplicating	9,419	5,669	16,400	5,460	-	54,653	91,601	3,901	-	3,901	95,502
Condo fees	7,427	9,655	7,427	3,713	15,596	17,824	61,642	11,141	1,485	12,626	74,268
Utilities and maintenance	6,243	8,116	6,243	3,122	13,110	14,983	51,817	9,364	1,249	10,613	62,430
Registration fees	-	-	2,068	8,637	745	16,089	27,539	17,126	250	17,376	44,915
Insurance	1,012	1,446	1,735	867	2,458	2,602	10,120	4,047	289	4,336	14,456
Postage and delivery	1,375	42	3,294	1,908	-	26,914	33,533	1,113	153	1,266	34,799
Training and development	-	549	1,420	27,205	50	-	29,224	11,834	35	11,869	41,093
Information technology	-	-	-	41	23,415	11,603	35,059	5,603	-	5,603	40,662
General taxes	3,546	4,931	6,089	2,958	8,382	-	25,906	13,806	986	14,792	40,698
Bad debt expense	-	-	6,640	-	-	-	6,640	36,695	-	36,695	43,335
Advertising and promotion	-	-	-	-	-	-	-	1,943	-	1,943	1,943
Marketing	-	-	-	-	-	1,020	1,020	-	-	-	1,020
Other expenses	-	-	-	-	357	6,326	6,683	17,789	83	17,872	24,555
Total expenses	\$ 526,103	\$ 751,182	\$ 1,319,808	\$ 1,507,059	\$ 1,651,942	\$ 3,202,370	\$ 8,958,464	\$ 2,908,347	\$ 416,866	\$ 3,325,213	\$ 12,283,677

The accompanying Notes to Financial Statements are an integral part of these financial statements.

American Association of Collegiate Registrars and Admissions Officers

Statement of Cash Flows

<i>For the Years Ended September 30,</i>	2023
Cash flows from operating activities	
Change in net assets	\$ (125,733)
Adjustments to reconcile change in net assets to net cash used by operating activities	
Net realized and unrealized gain on investments	(901,071)
Gain on interest rate swap	(357,880)
Depreciation	232,566
Amortization of debt issuance costs	22,047
(Increase) decrease in assets	
Accounts receivable	(22,063)
Promises to give	415,440
Employee retention credit receivable	(777,081)
Prepaid expenses and other assets	(167,915)
Increase (decrease) in liabilities	
Accounts payable	178,231
Accrued expenses	196,590
Deferred revenue	507,158
Net cash used by operating activities	(799,711)
Cash flows from investing activities	
Proceeds from sales and maturities of investments	1,068,942
Purchases and transfers of investments	(1,300,259)
Purchases of property and equipment	(68,672)
Net cash used by investing activities	(299,989)
Cash flows from financing activities	
Principal payments on debt	(133,821)
Net cash used by financing activities	(133,821)
Net change in cash and cash equivalents	(1,233,521)
Cash and cash equivalents, beginning of year	3,987,785
Cash and cash equivalents, end of year	\$ 2,754,264
Supplemental information	
Cash paid for interest	\$ 250,002
Cash paid for tax	\$ 132,646

The accompanying Notes to Financial Statements are an integral part of these financial statements.

American Association of Collegiate Registrars and Admissions Officers (AACRAO)

Notes to Financial Statements

1. Organization and significant accounting policies

Organization: American Association of Collegiate Registrars and Admissions Officers (the "Association") was founded in 1910 and incorporated in 1999 as a nonprofit organization in the District of Columbia. The Association is a nonprofit, voluntary, professional association of more than 11,000 higher education admissions and registration professionals who represent more than 2,600 institutions and agencies in the United States and are in over 40 countries around the world. The mission of the Association is to serve and advance higher education by providing leadership in academic and enrollment services. The primary support for the Association is from service fees, membership fees, and registrations.

Basis of accounting: The Association prepares its financial statements on the accrual basis of accounting. Revenue, other than contributions, is recognized when earned and expenses are recognized when the obligation is incurred.

Net assets: In accordance with the accounting guidance for the presentation of the financial statements of not-for-profit entities, information regarding the financial position and activities is required to be reported according to the following classes of net assets:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed stipulations. Revenue from sources other than contributions and investment income are reported as increases in net assets without donor restrictions. Net assets without donor restrictions include Board-designated resources.

Net assets with donor restrictions: Net assets that are subject to donor-imposed stipulations that may be met by the actions of the Association, or the passage of time, or that may be maintained in perpetuity. The Association had no net assets with donor restrictions to be maintained in perpetuity at September 30, 2023.

Income taxes: The Association is exempt from the payment of income taxes under Section 501(c)(3) of the Internal Revenue Code and is classified as other than a private foundation within the meaning of Section 509(a)(2) of the Internal Revenue Code.

The Association evaluates uncertainty in income tax positions based on a more-likely-than-not recognition standard. If that threshold is met, the tax position is then measured at the largest amount that is greater than 50% likely of being realized upon ultimate settlement.

American Association of Collegiate Registrars and Admissions Officers (AACRAO)

Notes to Financial Statements

For the year ended September 30, 2023, the Association had unrelated business taxable income of \$49,896, which resulted in \$16,606 of income tax. Accrued income tax of \$16,606 is included in accounts payable on the corresponding Statement of Financial Position as of September 30, 2023.

The Association believes that it has appropriate support for income tax positions taken. Therefore, management has not identified any uncertain income tax positions. Generally, income tax returns related to the current and three prior years remain open for examination by taxing authorities.

Use of estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from estimates.

Cash and cash equivalents: For financial statement purposes, the Association considers demand deposits and money market funds not held within the Association's investment portfolios to be cash and cash equivalents. The Association also considers all highly-liquid investments purchased with a maturity of three months or less to be cash equivalents.

The Organization maintains cash deposits in two U.S. domiciled banks which, at times, may exceed the Federal Deposit Insurance Corporation insured limit of \$250,000 per depositor per financial institution. At June 30, 2023, the Organization's U.S. based cash balances held at these domicile banks exceeded the insured limits by approximately \$2,255,000. The Organization has not experienced any losses in such accounts through the date of this report. The Organization believes it is not exposed to any significant financial risk on cash.

Investments: Investments in equity and debt securities with readily determinable fair values are measured at fair value in the Statement of Financial Position. Investment income or loss (including realized and unrealized gains and losses on investments, interest and dividends) is included in the Statement of Activities and Changes in Net Assets, net of investment expenses, as increases or decreases in net assets.

The Association invests funds in a professionally managed investment portfolio of money market funds, fixed income, equity securities, government securities, and certificates of deposit. Such investments are exposed to various risks, such as fluctuations in market value and credit risk. Thus, it is at least reasonably possible that changes in these risks could materially affect investment balances and the amounts reported in the financial statements.

American Association of Collegiate Registrars and Admissions Officers (AACRAO)

Notes to Financial Statements

Fair value of financial instruments: The carrying amounts, including cash and cash equivalents, accounts receivable, accounts payable, and accrued liabilities approximate fair value because of the short maturity of these instruments. The fair value of investments is based upon quoted market prices, or, if unavailable, is determined by investment managers.

Impairment of long-lived-assets: The Organization reviews its property and equipment for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. When recovery is reviewed, if the undiscounted cash flows estimated to be generated by the property and equipment are less than its carrying amount, management compares the carrying amount of the property and equipment to its fair value in order to determine whether an impairment loss has occurred. The amount of the impairment loss is equal to the excess of the asset's carrying value over its estimated fair value. No impairment loss has been recognized during the year ended September 30, 2023.

Promises to give: Promises to give to be received in future periods are discounted to their net present value at the time the revenue is recorded. Management periodically reviews promises to give for collectability based on management's experience with prior promises and its analysis of specific promises to give. As of September 30, 2023, there were no outstanding promises to give.

Employee retention credit receivable: The Association determined it was eligible for the Employee Retention Credit ("ERC") under the CARES Act and elected to account for the credit as a conditional contribution under the Financial Accounting Standards Board Accounting Standard Codification 958-605. The contribution was recognized in May 2023 when the Association determined it satisfied the conditions necessary to recognize the credit. \$777,081 was recognized as contributions on the Statement of Activities and Changes in Net Assets and as an employee retention credit receivable on the Statement of Financial Position as of September 30, 2023. The total amount of the credit is subject to audit by the Internal Revenue Service and remain outstanding as of January 31, 2024.

Accounts receivable: Accounts receivable consist primarily of amounts owed from customers for service fees relating to the Association's various programs. Accounts receivable is presented at the gross, or face, amount due to the Association. Management periodically reviews the status of all accounts receivable balances due for collectability. Each receivable balance is assessed based on management's knowledge of the customer, the Association's relationship with the customer, and the age of the receivable balance. As a result of these reviews, customer balances deemed to be uncollectible are written off. At September 30, 2023, the allowance for doubtful accounts was \$20,437.

American Association of Collegiate Registrars and Admissions Officers (AACRAO)

Notes to Financial Statements

Prepaid expenses and other assets: Prepaid expenses and other assets consist predominantly of payments for future events and services to be provided to the Association.

Revenue recognition: Service fees, membership fees, registrations, publication sales, exhibit fees, and sponsorships, and advertising are accounted for as exchange transactions. When the resource provider receives commensurate value in return for the resources transferred to the Association, the related revenue is accounted for as an exchange transaction. Service fees, registrations, publication sales, exhibit fees, sponsorships, and advertising are recognized as revenue when the Association provides the related services. Membership fees are earned ratably over the membership year, which is July 1 through June 30. Unearned membership fee revenue is presented as deferred revenue at September 30.

Contract assets and liabilities: Contract assets include accounts receivable, which are billed in amounts related to the services provided to members and customers. The balance of contract assets totaled \$566,527 and \$524,177 at September 30, 2023 and October 1, 2022, respectively. Contract liabilities include prepaid membership dues, event registration, and related fees for which the underlying services or goods have not yet been provided. Such amounts are included in deferred revenue. Contract liabilities totaled \$3,423,105 and \$2,915,947 at September 30, 2023 and October 1, 2022, respectively.

Contributions: Transactions where the resource provider does not receive commensurate value are deemed to be contributions. Contributions are classified as either conditional or unconditional. A conditional contribution is a transaction where the Association has to overcome a barrier or hurdle to be entitled to the resource and the resource provider is released from the obligation to fund or has the right of return of any advanced funding if the Association fails to overcome the barrier or hurdle. Any funding received prior to overcoming the barrier is recognized as a refundable advance. Unconditional contributions are recognized as revenue when the commitment to contribute is received.

Contributions are recorded as support without donor restrictions or support with donor restrictions depending upon the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in net assets with donor restrictions and then reclassified to net assets without donor restrictions when the restriction expires. Support with donor restrictions that expire in the same period is classified as net assets without donor restrictions.

Debt issuance costs: Debt issuance costs, net of accumulated amortization, are reported as a direct deduction from the face amount of the bond to which the costs relate. Debt issuance costs are amortized over the lives of the bonds and

American Association of Collegiate Registrars and Admissions Officers (AACRAO)

Notes to Financial Statements

reported as a component of interest expense computed using the straight-line method. In accordance with GAAP, debt issuance costs are to be amortized over the term of the loan using the effective-yield method; however, the effect of using the straight-line method is not materially different from the results that would have been obtained under the effectively yield method.

Interest rate swap agreement: The fair value of the interest rate swap is the estimated amount that the bank or financial institution would receive or pay to terminate the swap agreement at the reporting date, taking into account current interest rates and the current creditworthiness of the swap counter parties.

Program services:

Memberships: The Association's membership services' activities include maintaining an accurate membership database so as to share directory information with members, providing customer service to members, retention of current members and recruitment of new members.

Strategy and planning: The Association serves as a resource center for members and the public by answering questions related to education outside the United States.

Consulting: The Association provides services to universities and colleges of all sizes across the United States, Canada, and a variety of other international locations in the specialized areas of strategic enrollment management, student services, staff development, technology optimization, and organization operations.

Training, grants, and special projects: The Association convenes members and nonmembers to facilitate the advancement of higher education.

Research and policy: The Association provides members with updates on federal regulations and compliance issues, congressional and agency activity, and higher education coverage in national news.

Education and member development: The Association provides a forum for members and other experts in admissions, registration, financial aid, institutional research and government regulations. Additionally, the Association convenes educational information and forums for discussion of issues for both members and the interested public and offers a wide variety of publications that assist members with professional development.

American Association of Collegiate Registrars and Admissions Officers (AACRAO)

Notes to Financial Statements

Supporting services:

General and administrative: The general and administrative function includes activities necessary for the administrative processes of the Association, including managing its operations and financial responsibilities.

Governance: The governance function includes activities relating to providing support for the Association's Board of Directors and related Committees thereof.

Functional allocation of expenses: The costs of providing various program and supporting services have been summarized on a functional basis in the statement of activities based on an analysis by management. Accordingly, certain costs have been allocated among the program and supporting services benefited based on the estimated level of effort.

Measure of operations: The Association excludes net investment income and any gain (loss) on interest rate swap from the change in net assets with or without donor restrictions from operations.

2. Liquidity and availability

The Association regularly monitors liquidity required to meet its operating needs and other contractual commitments. The Association strives to maintain liquid financial assets sufficient to cover six months of general expenditures. Financial assets in excess of daily cash requirements are invested in a brokered investment account which includes money market funds, fixed income, equity securities, government securities, and certificates of deposit .

The Association is substantially supported by membership fees, service fees and registrations. As part of the Association's liquidity management, it has a goal to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. In addition to financial assets available to meet general expenditures over the next 12 months, the Association strives to operate with a balanced budget. Timing of revenue receipt also ensures the availability of necessary operational funds.

The Association's board-designated funds are subject to an annual spending rate of 5% of the endowment fund's average fair market value for the preceding 12 quarters. Although the Association does not intend to spend from this board-designated endowment, these amounts could be made available if necessary.

Additionally, the Association maintains a \$1,000,000 line of credit as discussed in more detail in Note 9. As of September 30, 2023, \$0 was drawn on the line of credit.

American Association of Collegiate Registrars and Admissions Officers (AACRAO)

Notes to Financial Statements

Financial assets available for general expenditure, that is, without donor restrictions or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following at September 30, 2023:

Cash and cash equivalents	\$ 2,754,264
Investments	10,510,654
Employee retention credit receivable	777,081
Accounts receivable, net	546,090
Total financial assets	14,588,089
Less: Board designated net assets	(10,557,111)
Less: Net assets with donor restrictions	(801,798)
Total financial assets available for general expenditures within one year:	\$ 3,229,180

3. Investments

The Association uses the following prioritized input levels to measure fair value of investments. The input levels used for valuing investments are not necessarily an indication of risk:

Level 1: Observable inputs that reflect quoted prices for identical assets or liabilities in active markets, such as stock quotes.

Level 2: Includes inputs other than Level 1 inputs that are directly or indirectly observable in the marketplace, such as yield curves or other market data.

Level 3: Unobservable inputs which reflect the reporting entity's assessment of the assumptions that market participants would use in pricing the asset or liability including assumptions about risk, such as bid/ask spreads and liquidity discounts.

Investments classified within Level 1 include mutual funds, equity securities, and exchange traded funds.

Investments classified within Level 2 include government securities, certificates of deposit, and the interest rate swap. The Association's interest rate swap is observable at commonly quoted intervals for the full term of the swap and is, therefore, considered a Level 2 item.

Management believes that investments at fair value have been reported using an estimated amount which is a reasonable approximation of their exit price.

American Association of Collegiate Registrars and Admissions Officers (AACRAO)

Notes to Financial Statements

Investments recorded at cost include cash and money market funds. Investments recorded at cost are not required to be classified as one of the levels prescribed by the fair value hierarchy.

Investments consisted of the following at September 30, 2023:

September 30, 2023	Total	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Investments, at fair value				
Mutual funds – fixed income	\$ 431,463	\$ 431,463	\$ -	\$ -
Exchange traded funds	9,197,611	9,197,611	-	-
Government securities	655,826	-	655,826	-
Certificates of deposit	100,087	-	100,087	-
Cash and money market funds	125,667	-	-	-
Total investments, at fair value	\$ 10,510,654	\$ 9,629,074	\$ 755,913	\$ -
Other assets, at fair value				
Interest rate swap	\$ 316,576	\$ -	\$ 316,576	\$ -

Investments held for long-term purposes have been board-designated as described in Note 8 and such investments totaled \$8,707,024 at September 30, 2023.

Investment income consisted of the following for the year ended September 30:

	2023
With and without donor restrictions	
Realized and unrealized gain on investments	\$ 957,050
Interest and dividends	280,375
Investment management fees	(55,979)
Total investment income, net	\$ 1,181,446

4. Retirement plans

Defined contribution: The Association maintains a defined contribution 403(b) retirement plan for all eligible employees. The plan requires annual employer contributions equal to 10% of participants' compensation up to the Social Security taxable wage base. Retirement plan expense totaled \$364,822 for the year ended September 30, 2023, and is included as a component of salaries, wages, and benefits on the accompanying Statement of Functional Expenses.

**American Association of Collegiate Registrars and Admissions Officers
(AACRAO)**

Notes to Financial Statements

Tax deferred annuity plan: The Association also sponsors a tax deferred annuity plan under Section 403(b) of the Internal Revenue Code. The plan is an employee elective deferral retirement plan, which covers all eligible participants as stipulated by the plan document. The Association makes no contributions under this plan.

5. Property and equipment

Acquisitions of equipment and furniture greater than \$500 and acquisitions of software greater than \$1,000 are recorded at cost. Using the straight-line method, depreciation of property and equipment is recorded over the following estimated useful lives: buildings - forty-one years; equipment and software - three to five years; and furniture - five years. Artwork is not subject to depreciation.

Property and equipment consisted of the following at September 30:

	2023
Building	\$ 7,656,031
Equipment and software	562,160
Furniture	224,203
Less accumulated depreciation and amortization	(1,690,871)
Depreciable property and equipment, net	6,751,523
Artwork	47,405
Total property and equipment, net	\$ 6,798,928

6. Deferred revenue

Revenue received in advance of the period in which it will be earned is reported as deferred revenue.

Deferred revenue consisted of the following at September 30:

	2023
Membership fees	\$ 2,303,391
Registrations	590,848
Publication sales and service fees	209,416
Exhibit fees	249,450
Sponsorships and advertising	70,000
Total deferred revenue	\$ 3,423,105

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7. Net assets

Without donor restrictions: Net assets without donor restrictions include those net assets whose use is not restricted by donors, even though their use may be limited in other respects, such as by Board designation. Descriptions of the Association's Board-designated net assets are as follows:

Endowment: The endowment category was established by the Board of Directors in order to generate a permanent, steady stream of investment income to support the Association's operations (see Note 8). During the year ended September 30, 2023 there were no transfers into the endowment fund.

Infrastructure: The infrastructure category was established for the purposes of supporting equipment and hardware upgrades, software acquisition and development, office repairs and improvement, or similar infrastructure costs that are unexpected, and therefore unbudgeted, or that the Board considers imprudent to fund from continuing operations.

Strategic initiatives and investment strategy: The strategic initiatives and investment strategy category was established to provide means for the Association to develop new programs or replace outdated ones, and to expand the Association's interests and endeavors or to invest in new revenue producing opportunities.

Conner Fund: The Conner Scholarship Fund, named for John Douglas Conner, the first Executive Director of AACRAO who served from 1966 until his retirement in 1988, provides support for new and aspiring AACRAO professionals to facilitate travel to and participation in AACRAO meetings and conferences. Per the investment policy, there are no restrictions on limits.

Net assets without donor restrictions consisted of the following funds at September 30:

	2023
Board-designated	
Endowment	\$ 8,707,024
Infrastructure	750,000
Strategic initiatives and investments	1,000,000
Conner fund	100,087
Total board-designated net assets	10,557,111
Undesignated	1,529,918
Total net assets without donor restrictions	\$ 12,087,029

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With donor restrictions: Net assets with donor restrictions primarily consist of a donor restricted grant to develop model college/university transcripts. Net assets were released from restrictions by incurring expenses satisfying the donor's restricted purpose. Net assets with donor restrictions for the model transcripts program totaled \$801,798 as of September 30, 2023, which included contributions of \$500,000 and releases from net assets of \$1,371,946 during the year.

8. Endowment for operations

Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions in perpetuity. Additionally, the Board of Directors has designated certain net assets without donor restrictions to serve as an endowment for the benefit of the Association and its mission. The Association's endowment consists solely of funds without donor-imposed restrictions, designated by the Board of Directors, to function as endowment funds. At September 30, 2023, the balance totaled \$8,707,025.

Board-designated endowment balances and changes in the board-designated endowment fund consist of the following as of and for the year ended September 30:

	<u>2023</u>
Endowment, beginning of year	\$ 7,529,901
Investment return	
Net gain on investments	957,050
Interest and dividends	276,053
Investment management fees	(55,979)
Endowment, end of year	\$ 8,707,025

Return objectives and risk parameters: The Association has adopted investment and spending policies for its board-designated endowment assets that attempt to provide a steady stream of income to the Association while preserving and maintaining the purchasing power of the endowment assets over time. Under the investment policy, as approved by the Board of Directors, the endowment assets are invested in a diverse portfolio so as to minimize risk and maximize growth.

Strategies employed for achieving objectives: To satisfy its long-term rate-of-return objectives, the Association 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). The Association targets a diversified asset allocation of equity, fixed income, and other securities to achieve its long-term objectives.

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Spending policy and how the investment objectives relate to spending policy:

Distributions from the endowment can be made at the discretion of the Board. Once the endowment fund reaches \$10,000,000, annuity appropriations of less than or equal to 5% of the endowment fund's average fair market value for the preceding 12 quarters will be made to fund operations. As a result, the endowment will be permitted to grow through investment earnings and additional transfers until it is able to generate a permanent, steady stream of investment income for the Association.

9. Long-term debt

Revenue Bonds: On December 1, 2017, the Association entered into an indenture of trust with Truist as holder of \$6,000,000 of revenue bonds issued by the District of Columbia, entitled the District of Columbia Variable Rate Revenue Bonds (American Association of Collegiate Registrars and Admissions Officers Issue) Series 2017 (the "Bonds"). The proceeds from the Bonds were used to pay for the acquisition of two floors of an office building during the year ended September 30, 2018. The Bonds were secured by the two floors of the office building. The Bonds bore interest based on a formula with one-month London Interbank Offered Rate ("LIBOR"). Monthly interest payments on the Bonds commenced on February 1, 2018. Monthly principal payments on the Bonds commenced on May 1, 2019. The maturity date of the Bonds was March 1, 2028.

In September 2022, the Association refinanced the Bonds and entered into an amended indenture of trust with Truist as holder of \$5,625,000 of revenue bonds issued by the District of Columbia, entitled the District of Columbia Variable Rate Revenue Bonds (American Association of Collegiate Registrars and Admissions Officers Issue), Series 2017 (2022 Reissuance). The proceeds for the Bonds continue to be used to pay down the mortgage on the office building. The refinanced Bonds remain secured by the two floors of the office building. The refinanced Bonds bear interest at a rate of 30-Day Secured Overnight Financing Rate ("SOFR") plus 2.58%.

The interest rate on the Bonds was 5.34% at September 30, 2023. The maturity date of the Bonds is September 1, 2037. During the year ended September 30, 2023, interest expense on the Bonds of \$265,150 was incurred, inclusive of amortization of debt issuance costs of \$22,047. As of September 30, 2023, outstanding principal and accrued interest was \$5,484,348 and \$24,414, respectively.

AACRAO is required to comply with various covenants in conjunction with its \$5,625,000 of revenue bonds. At September 30, 2023, the Association was in compliance with its covenants.

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Debt issuance costs, net of accumulated amortization, totaled \$306,826 of September 30, 2023. Debt issuance costs on the above Bonds are being amortized on a straight-line basis over the 15-year life of the refinanced Bonds.

On December 28, 2017, the Association entered into a revolving line of credit with Truist in the original amount of \$1,000,000. The line bore interest based on a one-month LIBOR plus 2.50%. The line was due to mature on December 28, 2018. On December 27, 2018, an amendment was signed to extend the maturity date to February 26, 2021. On March 1, 2021, a second amendment was signed to extend the maturity date to February 26, 2023. As part of the Bond refinancing in September 2022, the maturity date of the revolving line of credit was extended to February 26, 2024. As part of the refinancing, the interest rate was changed to SOFR plus 2.58%.

The interest rate on the line of credit was 7.89% at September 30, 2023. No funds were drawn or repaid during the year ended September 30, 2023, and no amount is outstanding as of September 30, 2023. During the year ended September 30, 2023, no interest expense was incurred.

Bond maturities for the revenue bonds over the next five years are as follows:

2024	\$ 137,700
2025	145,400
2026	150,900
2027	156,400
2028	162,200
Thereafter	4,731,748
Total	\$ 5,484,348

10. Interest rate swap agreement

When the Association entered into the indenture of Trust for the Bonds in 2018, the Association also entered into an interest rate swap agreement with a notional amount equal to the obligation under the loan. This mechanism allowed the Association to realize the potential benefit of a lower fixed rate. The termination date of the interest rate swap was March 1, 2028. In September 2022, the original interest rate swap was terminated. AACRAO entered into a new interest rate swap as part of the refinancing. The interest rate swap maturity date is September 1, 2037.

At September 30, 2023, the effective fixed rate of the swap was 2.66%. At September 30, 2023, the fair value of the interest rate swap was projected to be an asset of \$316,576.

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**11. Commitments
and
contingencies**

The Association has contracts with various hotels for future conferences and meetings. In the event that the Association cancels an event, it could be liable for liquidated damages incurred by the hotels in accordance with the terms of the agreements. At September 30, 2023, the Association's is liable for \$133,399 in liquidated damages payable to the hotels or meeting venues. The Association is also liable for various percentages of total lost revenue by the hotels which range from 0% - 80% as of September 30, 2023. The total dollar amount is not able to be calculated until the dates of the events for the contracts cancelled.

**12. Subsequent
events**

Events that occur after the date of the statement of financial position but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the statement of financial position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the statement of financial position date require disclosure in the accompanying notes. Management evaluated the activity of the Association through January 31, 2024, which is the date of the financial statements were available to be issued, and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.