

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

**Financial Statements  
and Independent Auditor's Report**

**September 30, 2020 and 2019**

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

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Independent Auditor's Report

To the Board of Directors  
American Association of Collegiate Registrars and Admissions Officers (AACRAO)

Report on the Financial Statements

We have audited the accompanying financial statements of the American Association of Collegiate Registrars and Admissions Officers (the "Association"), which comprise the statements of financial position as of September 30, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

*Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

*Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the American Association of Collegiate Registrars and Admissions Officers as of September 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



Bethesda, Maryland  
December 15, 2020

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

**Statements of Financial Position  
September 30, 2020 and 2019**

<u>Assets</u>		
	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 1,681,970	\$ 2,222,550
Investments	10,229,726	10,139,313
Accounts receivable	246,451	545,827
Prepaid expenses and other assets	493,297	578,142
Property and equipment, net	<u>7,535,502</u>	<u>7,926,649</u>
 Total assets	 <u>\$ 20,186,946</u>	 <u>\$ 21,412,481</u>
 <u>Liabilities and Net Assets</u>		
Liabilities		
Accounts payable	\$ 125,940	\$ 142,837
Accrued expenses	417,231	280,056
Deferred revenue	2,558,361	3,042,445
PPP loan	320,400	-
Interest rate swap	643,396	406,301
Debt, net of unamortized debt issuance costs	<u>5,610,246</u>	<u>5,725,082</u>
 Total liabilities	 <u>9,675,574</u>	 <u>9,596,721</u>
 Commitments and contingencies	 -	 -
Net assets		
Without donor restrictions	10,284,503	11,337,698
With donor restrictions	<u>226,869</u>	<u>478,062</u>
 Total net assets	 <u>10,511,372</u>	 <u>11,815,760</u>
 Total liabilities and net assets	 <u>\$ 20,186,946</u>	 <u>\$ 21,412,481</u>

See Notes to Financial Statements.

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

**Statement of Activities  
Year Ended September 30, 2020**

	Without donor restrictions	With donor restrictions	Total
Support and revenue			
Service fees	\$ 1,825,442	\$ -	\$ 1,825,442
Membership fees	2,913,352	-	2,913,352
Registrations	903,251	-	903,251
Insurance claim proceeds	798,293	-	798,293
Publication sales	630,453	-	630,453
Exhibit fees	186,600	-	186,600
Sponsorships	114,956	-	114,956
Advertising	130,537	-	130,537
Corporate dues	114,578	-	114,578
Other income	1,672	-	1,672
Contributions	24,550	-	24,550
Net assets released from restrictions	251,259	(251,259)	-
<b>Total support and revenue</b>	<b>7,894,943</b>	<b>(251,259)</b>	<b>7,643,684</b>
Expenses			
Program services			
International education services	688,615	-	688,615
Project, contracts and consulting	1,600,395	-	1,600,395
Meetings and workshops	863,213	-	863,213
Annual meeting	719,185	-	719,185
Communications/government relations	904,983	-	904,983
Membership services	353,417	-	353,417
Publications	400,135	-	400,135
<b>Total program services</b>	<b>5,529,943</b>	<b>-</b>	<b>5,529,943</b>
Supporting services			
General and administrative	3,119,525	-	3,119,525
Governance	145,455	-	145,455
<b>Total supporting services</b>	<b>3,264,980</b>	<b>-</b>	<b>3,264,980</b>
<b>Total expenses</b>	<b>8,794,923</b>	<b>-</b>	<b>8,794,923</b>
Change in net assets from operations	(899,980)	(251,259)	(1,151,239)
Nonoperating (loss) income			
Net investment income	83,880	66	83,946
Loss on interest rate swap	(237,095)	-	(237,095)
<b>Total nonoperating (loss) income</b>	<b>(153,215)</b>	<b>66</b>	<b>(153,149)</b>
Change in net assets	(1,053,195)	(251,193)	(1,304,388)
Net assets, beginning of year	11,337,698	478,062	11,815,760
Net assets, end of year	\$ 10,284,503	\$ 226,869	\$ 10,511,372

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

**Statement of Activities  
Year Ended September 30, 2019**

	Without donor restrictions	With donor restrictions	Total
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Support and revenue			
Service fees	\$ 2,586,981	\$ -	\$ 2,586,981
Membership fees	2,957,628	-	2,957,628
Registrations	2,571,697	-	2,571,697
Publication sales	666,499	-	666,499
Exhibit fees	646,577	-	646,577
Sponsorships	424,933	-	424,933
Advertising	203,685	-	203,685
Corporate dues	117,203	-	117,203
Contributions	16,505	-	16,505
Net assets released from restrictions	374,494	(374,494)	-
	<u>10,566,202</u>	<u>(374,494)</u>	<u>10,191,708</u>
 Expenses			
Program services			
International education services	887,541	-	887,541
Project, contracts and consulting	1,745,139	-	1,745,139
Meetings and workshops	1,319,634	-	1,319,634
Annual meeting	1,176,053	-	1,176,053
Communications/government relations	893,749	-	893,749
Membership services	370,869	-	370,869
Publications	329,017	-	329,017
	<u>6,722,002</u>	<u>-</u>	<u>6,722,002</u>
Supporting services			
General and administrative	3,380,487	-	3,380,487
Governance	411,916	-	411,916
	<u>3,792,403</u>	<u>-</u>	<u>3,792,403</u>
	<u>10,514,405</u>	<u>-</u>	<u>10,514,405</u>
Change in net assets from operations	<u>51,797</u>	<u>(374,494)</u>	<u>(322,697)</u>
Nonoperating (loss) income			
Net investment income	287,937	137	288,074
Loss on interest rate swap	(359,283)	-	(359,283)
	<u>(71,346)</u>	<u>137</u>	<u>(71,209)</u>
Change in net assets	(19,549)	(374,357)	(393,906)
Net assets, beginning of year	<u>11,357,247</u>	<u>852,419</u>	<u>12,209,666</u>
Net assets, end of year	<u>\$ 11,337,698</u>	<u>\$ 478,062</u>	<u>\$ 11,815,760</u>

See Notes to Financial Statements.

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

### Statement of Functional Expenses Year Ended September 30, 2020

	Program services							Supporting services			Total	
	International education services	Project, contracts and consulting	Meetings and workshops	Annual meeting	Communications/government relations	Membership services	Publications	Total program services	General and administrative	Governance		Total supporting services
Salaries and wages	\$ 324,486	\$ 780,213	\$ 190,204	\$ 378,343	\$ 572,237	\$ 252,360	\$ 158,391	\$ 2,656,234	\$ 992,096	\$ 54,451	\$ 1,046,547	\$ 3,702,781
Payroll taxes	26,331	32,641	15,045	32,000	43,476	23,380	12,839	185,712	80,466	5,164	85,630	271,342
Fringe benefits	81,404	98,727	55,953	84,000	133,750	37,019	32,261	523,114	226,513	18,986	245,499	768,613
Advertising	423	-	-	-	6,040	-	213	6,676	1,677	3,318	4,995	11,671
Awards, scholarships, and grants	-	-	782	-	-	-	-	782	-	-	-	782
Bank charges	4,320	-	39,050	40,046	5,055	4,910	17,146	110,527	71,536	-	71,536	182,063
Condo fee	-	-	-	-	-	-	-	-	62,839	-	62,839	62,839
Consulting/outside services	152,483	422,986	111,207	20,597	65,524	16,063	130,220	919,080	110,775	-	110,775	1,029,855
Contributions	-	-	-	-	-	-	-	-	114	-	114	114
Depreciation and amortization	-	-	-	-	-	-	-	-	396,741	-	396,741	396,741
General taxes	-	-	-	-	-	-	-	-	250	-	250	250
Insurance	-	-	1,145	-	-	-	25	1,170	57,315	-	57,315	58,485
Interest expense	-	-	-	-	-	-	-	-	222,381	-	222,381	222,381
Legal and accounting	-	-	-	-	-	-	-	-	333,500	-	333,500	333,500
Lodging	34,904	57,014	6,125	3,770	3,147	-	2,225	107,185	5,801	26,305	32,106	139,291
Marketing	-	-	2,862	535	-	-	3,000	6,397	724	-	724	7,121
Meals and entertainment	4,878	52,147	7,100	7,749	1,390	621	360	74,245	6,362	9,230	15,592	89,837
Meeting costs	29,174	38,446	399,430	95,534	118	81	1,127	563,910	273	49	322	564,232
Memberships and subscriptions	11,813	878	2,445	5,070	45,897	2,735	4,901	73,739	262,504	4,188	266,692	340,431
Other expenses	-	-	1,436	12,831	-	-	-	14,267	60,248	-	60,248	74,515
Postage and delivery	178	7,019	4,083	60	782	5,271	7,549	24,942	944	267	1,211	26,153
Printing and production	341	11,731	500	557	19,733	6,446	25,619	64,927	1,366	1,892	3,258	68,185
Property tax	-	-	-	-	-	-	-	-	84,940	-	84,940	84,940
Registration fees	4,053	9,014	-	500	-	-	517	14,084	6,978	-	6,978	21,062
Supplies, equipment and maintenance	106	3,104	6,110	31,397	571	1,437	444	43,169	41,725	800	42,525	85,694
Communications/internet	3,601	2,230	1,441	1,350	1,638	1,800	142	12,202	40,300	570	40,870	53,072
Training and development	-	1,506	-	499	99	-	-	2,104	2,004	-	2,004	4,108
Travel	10,120	82,739	18,295	4,846	5,126	1,195	3,156	125,477	14,523	20,235	34,758	160,235
Utilities and maintenance	-	-	-	-	-	-	-	-	34,630	-	34,630	34,630
<b>Total:</b>	<b>\$ 688,615</b>	<b>\$ 1,600,395</b>	<b>\$ 863,213</b>	<b>\$ 719,185</b>	<b>\$ 904,983</b>	<b>\$ 353,417</b>	<b>\$ 400,135</b>	<b>\$ 5,529,943</b>	<b>\$ 3,119,525</b>	<b>\$ 145,455</b>	<b>\$ 3,264,980</b>	<b>\$ 8,794,923</b>

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

### Statement of Functional Expenses Year Ended September 30, 2019

	Program services							Supporting services			Total	
	International education services	Project, contracts and consulting	Meetings and workshops	Annual meeting	Communications/ government relations	Membership services	Publications	Total program services	General and administrative	Governance		Total supporting services
Salaries and wages	\$ 394,669	\$ 372,777	\$ 278,900	\$ 275,308	\$ 531,842	\$ 273,684	\$ 151,319	\$ 2,278,499	\$ 1,110,643	\$ 59,951	\$ 1,170,594	\$ 3,449,093
Payroll taxes	31,532	34,118	19,684	21,909	38,880	22,693	11,692	180,508	64,470	4,977	69,447	249,955
Fringe benefits	96,443	107,973	71,136	63,277	121,231	40,982	36,711	537,753	239,177	16,581	255,758	793,511
Advertising	-	-	6,049	-	87	-	-	6,136	2,514	-	2,514	8,650
Awards, scholarships, and grants	-	-	-	-	-	1,500	-	1,500	-	-	-	1,500
Bank charges	5,247	20	38,271	40,383	622	5,347	17,454	107,344	123,418	-	123,418	230,762
Condo fee	-	-	-	-	-	-	-	-	69,298	-	69,298	69,298
Consulting/outside services	170,916	695,123	104,670	92,778	90,593	1,550	48,168	1,203,798	130,326	-	130,326	1,334,124
Depreciation and amortization	-	-	-	-	-	-	-	-	398,904	-	398,904	398,904
Equipment rental	9,485	-	-	-	-	-	-	9,485	-	-	-	9,485
General taxes	-	-	-	-	-	-	-	-	26,928	-	26,928	26,928
Insurance	-	-	1,242	-	-	-	-	1,242	56,294	-	56,294	57,536
Interest expense	-	-	-	-	-	-	-	-	227,690	-	227,690	227,690
Legal and accounting	-	-	-	-	-	-	-	-	333,500	-	333,500	333,500
Lodging	32,490	148,558	13,945	21,746	21,234	5,272	5,874	249,119	33,272	120,790	154,062	403,181
Marketing	-	-	1,226	6,038	4,830	-	-	12,094	583	-	583	12,677
Meals and entertainment	15,432	92,975	13,813	11,869	8,473	1,748	1,614	145,924	34,217	76,853	111,070	256,994
Meeting costs	70,470	7,554	701,120	561,969	653	2,252	1,164	1,345,182	14,196	16,098	30,294	1,375,476
Memberships and subscriptions	12,732	3,450	13,196	5,788	46,662	-	-	81,828	215,136	2,220	217,356	299,184
Other expenses	235	13	8,374	21,020	2,238	4,000	-	35,880	68,684	2,536	71,220	107,100
Postage and delivery	1,305	36,348	6,116	1,897	1,023	5,446	11,623	63,758	2,317	365	2,682	66,440
Printing and production	160	29,963	4,328	2,385	14,036	2,914	35,726	89,512	3,992	433	4,425	93,937
Property tax	-	-	-	-	-	-	-	-	84,495	-	84,495	84,495
Registration fees	5,525	18,310	329	-	800	-	-	24,964	5,660	6,494	12,154	37,118
Supplies, equipment and maintenance	2,827	2,509	7,219	24,060	753	45	3,418	40,831	44,454	1,717	46,171	87,002
Communications/Internet	4,719	4,593	655	2,395	1,527	1,800	333	16,022	39,776	2,334	42,110	58,132
Temporary assistance	-	-	1,321	1,121	188	-	-	2,630	-	469	469	3,099
Training and development	5,580	-	-	-	154	-	186	5,920	2,759	-	2,759	8,679
Travel	27,774	190,855	28,040	22,110	7,923	1,636	3,735	282,073	21,582	100,098	121,680	403,753
Utilities and maintenance	-	-	-	-	-	-	-	-	26,202	-	26,202	26,202
<b>Total:</b>	<b>\$ 887,541</b>	<b>\$ 1,745,139</b>	<b>\$ 1,319,634</b>	<b>\$ 1,176,053</b>	<b>\$ 893,749</b>	<b>\$ 370,869</b>	<b>\$ 329,017</b>	<b>\$ 6,722,002</b>	<b>\$ 3,380,487</b>	<b>\$ 411,916</b>	<b>\$ 3,792,403</b>	<b>\$ 10,514,405</b>

See Notes to Financial Statements.



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

**Statements of Cash Flows  
Years Ended September 30, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities		
Change in net assets	\$ (1,304,388)	\$ (393,906)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Realized (gain) loss on investments	(104,169)	16,876
Unrealized loss (gain) on investments	231,656	(71,733)
Loss on interest rate swap	237,095	359,283
Depreciation and amortization	396,741	398,904
Amortization of debt issuance costs	26,286	26,286
(Increase) decrease in assets		
Accounts receivable	299,376	(103,820)
Promises to give	-	399,300
Prepaid expenses and other assets	84,845	(113,631)
(Decrease) increase in liabilities		
Accounts payable	(16,897)	(1,796,061)
Accrued expenses	137,175	(2,601)
Deferred revenue	(484,084)	253,272
	<u>(496,364)</u>	<u>(1,027,831)</u>
Net cash used in operating activities		
Cash flows from investing activities		
Proceeds from sales or maturities of investments	4,892,705	2,873,005
Purchases and transfers of investments	(5,110,605)	(3,112,726)
Purchases of property and equipment	(5,594)	(74,039)
	<u>(223,494)</u>	<u>(313,760)</u>
Net cash used in investing activities		
Cash flows from financing activities		
Proceeds from PPP loan	320,400	-
Principal payments on debt	(141,122)	(58,055)
	<u>179,278</u>	<u>(58,055)</u>
Net cash provided by (used in) financing activities		
Net decrease in cash and cash equivalents	(540,580)	(1,399,646)
Cash and cash equivalents - beginning of year	<u>2,222,550</u>	<u>3,622,196</u>
Cash and cash equivalents - end of year	<u>\$ 1,681,970</u>	<u>\$ 2,222,550</u>

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

**Statements of Cash Flows  
Years Ended September 30, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
Supplemental disclosure of cash flow information		
Cash paid for interest	<u>\$ 202,626</u>	<u>\$ 201,540</u>
Cash paid for tax	<u>\$ 17,000</u>	<u>\$ 12,000</u>
Significant noncash investing and financing activities		
Write off of property and equipment	<u>\$ 81,815</u>	<u>\$ 339,803</u>
Write off of accumulated depreciation	<u>\$ 81,815</u>	<u>\$ 339,803</u>

See Notes to Financial Statements.

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

## Notes to Financial Statements September 30, 2020 and 2019

### Note 1 - Organization

American Association of Collegiate Registrars and Admissions Officers (the "Association") was organized 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.

### Note 2 - Summary of significant accounting policies

#### 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 internally 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, 2020 and 2019.

#### 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 had no unrelated business income or income tax for the year ended September 30, 2020. The Association had unrelated business income of \$51,320, which resulted in \$10,777 of income tax for the year ended September 30, 2019.

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 requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from estimates.

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

### **Notes to Financial Statements September 30, 2020 and 2019**

#### **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.

#### **Investments**

Investments in equity and debt securities with readily determinable fair values are measured at fair value in the statements of financial position. Investment income or loss (including realized and unrealized gains and losses on investments, interest and dividends) is included in the statements of activities, net of investment expenses, as increases or decreases in net assets.

#### **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 years ended September 30, 2020 and 2019.

#### **Advertising**

Advertising costs are charged to operations when incurred. Advertising costs for the years ended September 30, 2020 and 2019 were \$11,671 and \$8,650, respectively.

#### **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. The Association had no promises to give at September 30, 2020 and 2019.

#### **Accounts receivable**

Accounts receivable consist primarily of amounts owed from customers for service fees relating to the Association's various programs. Accounts receivable are 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. Management believes that the use of the direct write-off method approximates the results that would be presented if an allowance for bad debts had been recorded.

#### **Prepaid expenses and other assets**

Prepaid expenses and other assets include inventory, which consists of publications held for sale. Inventory is stated at the lower of cost or market, using the average cost method.

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

### Notes to Financial Statements September 30, 2020 and 2019

#### **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 to return 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 and a receivable 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 expires 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 reported as a component of interest expense computed using the straight-line 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**

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

**Project, contracts and 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.

**Meetings and workshops:** The Association provides educational information for both members and the interested public and provides forums for discussion of issues.

**Annual meeting:** The Association provides a forum for members and other experts in admissions, registration, financial aid, institutional research and government regulations.

**Communications/government relations:** The Association provides members with updates on federal regulations and compliance issues, congressional and agency activity, and higher education coverage in national news.

**Membership services:** 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.

**Publications:** The Association 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 September 30, 2020 and 2019

### 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 includes investment income in the change in net assets with or without donor restrictions from operations.

### Concentrations

**Credit risk:** The Association maintains demand deposits with commercial banks and money market funds with financial institutions. At times, certain balances held within these accounts may not be fully guaranteed or insured by the U.S. Government. The uninsured portions of cash and money market accounts are backed solely by the assets of the underlying institution. Therefore, the failure of an underlying institution could result in financial loss to the Association.

**Market risk:** The Association also invests funds in a professionally managed investment portfolio of fixed income and equity securities. 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.

### Adoption of new accounting principles

In June 2018, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. The Association has implemented the provisions of ASU 2018-08 applicable to both contributions received and contributions made in the accompanying financial statements. Accordingly, there is no effect on net assets in connection with the implementation of ASU 2018-08.

### Deferral of revenue recognition standard

In June 2020, the FASB issued ASU 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities*, which provides for the elective deferrals of the effective dates of Topic 606 and Topic 842 for certain entities.

The Association has elected to apply the deferrals provided by ASU 2020-05 and therefore expects to adopt (i) Topic 606 for annual reporting periods beginning after December 15, 2019; and (ii) Topic 842 for fiscal years beginning after December 15, 2020 on a modified retrospective basis. The Association is currently evaluating the potential impacts of adopting Topic 606 and Topic 842 on its financial statements.

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

### Notes to Financial Statements September 30, 2020 and 2019

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

## Notes to Financial Statements September 30, 2020 and 2019

### Note 3 - 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, common stock and fixed income investments.

The Association is substantially supported by member dues and registration fees and service fee revenues. 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 come 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 expects to expend all net assets with donor restrictions within one year, therefore, such amounts have not been reduced from total financial assets to arrive at financial assets available for general expenditures within one year.

The Association's endowment funds consist of funds designated by the board. 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 10. As of September 30, 2020 and 2019, \$0 was drawn on line of credit.

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

	<u>2020</u>	<u>2019</u>
Financial assets at year-end		
Cash and cash equivalents	\$ 1,681,970	\$ 2,222,550
Accounts receivable	246,451	545,827
Investments	<u>10,229,726</u>	<u>10,139,313</u>
Total financial assets	12,158,147	12,907,690
Less amounts not available for general purposes		
Board-designated net assets	<u>(8,136,314)</u>	<u>(8,052,446)</u>
Financial assets available for general expenditures within one year	<u>\$ 4,021,833</u>	<u>\$ 4,855,244</u>

### Note 4 - Investments

In accordance with generally accepted accounting principles, 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.



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

### Notes to Financial Statements September 30, 2020 and 2019

**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 fixed income securities, which consist of U.S. government obligations and corporate bonds, and the interest rate swap. Fixed income securities were valued by pricing vendors, which use a market approach and pricing spreads based on the credit risk of the issuer, maturity, current yield, and other terms and conditions of each security. 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.

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, 2020 and 2019:

September 30, 2020	Total	Level 1	Level 2	Level 3
Investments, at fair value				
Fixed income securities	\$ 1,543,174	\$ -	\$ 1,543,174	\$ -
Mutual funds - fixed income	475,123	475,123	-	-
Exchange traded funds	7,600,579	7,600,579	-	-
	9,618,876	8,075,702	1,543,174	-
Cash and money market funds	610,850	-	-	-
Total investments, at fair value	<u>\$ 10,229,726</u>	<u>\$ 8,075,702</u>	<u>\$ 1,543,174</u>	<u>\$ -</u>
Liabilities, at fair value				
Interest rate swap	\$ 643,396	\$ -	\$ 643,396	\$ -
September 30, 2019	Total	Level 1	Level 2	Level 3
Investments, at fair value				
Fixed income securities	\$ 2,577,189	\$ -	\$ 2,577,189	\$ -
Mutual funds - equities	252,697	252,697	-	-
Mutual funds - fixed income	532,869	532,869	-	-
Mutual funds - non-traditional	485,628	485,628	-	-
Equity securities	5,572,804	5,572,804	-	-
Exchange traded funds	335,370	335,370	-	-
	9,756,557	7,179,368	2,577,189	-
Cash and money market funds	382,756	-	-	-
Total investments, at fair value	<u>\$ 10,139,313</u>	<u>\$ 7,179,368</u>	<u>\$ 2,577,189</u>	<u>\$ -</u>
Liabilities, at fair value				
Interest rate swap	\$ 406,301	\$ -	\$ 406,301	\$ -

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

### Notes to Financial Statements September 30, 2020 and 2019

Investments held for long-term purposes have been board-designated as described in Note 8 and such investments totaled \$8,136,314 and \$8,052,446 at September 30, 2020 and 2019, respectively.

Investment income consisted of the following for the years ended September 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
With and without donor restrictions		
Realized gain (loss) on investments	\$ 104,169	\$ (16,876)
Unrealized (loss) gain on investments	(231,656)	71,733
Interest and dividends	266,751	298,529
Investment management fees	<u>(55,318)</u>	<u>(65,312)</u>
Total investment income, net	<u>\$ 83,946</u>	<u>\$ 288,074</u>

#### Note 5 - 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 \$350,707 and \$343,795 for the years ended September 30, 2020 and 2019, respectively.

**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.

#### Note 6 - 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.

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

**Notes to Financial Statements  
September 30, 2020 and 2019**

Property and equipment consisted of the following at September 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Building	\$ 7,656,031	\$ 7,656,031
Equipment and software	493,488	573,413
Furniture	<u>224,203</u>	<u>220,499</u>
	8,373,722	8,449,943
Less accumulated depreciation and	<u>(885,625)</u>	<u>(570,699)</u>
Depreciable property and equipment, net	7,488,097	7,879,244
Artwork	<u>47,405</u>	<u>47,405</u>
Total property and equipment, net	<u>\$ 7,535,502</u>	<u>\$ 7,926,649</u>

**Note 7 - Deferred revenue**

Revenue received in advance of the period in which it will be earned is reported as deferred revenue. Membership fees revenue is recognized in the applicable membership period. Registrations, exhibit fees, and sponsorships are recognized in the period in which the event occurs. Advertising revenue is recognized in the period in which the advertisement appears in a publication or online.

Deferred revenue consisted of the following at September 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Membership fees	\$ 1,890,369	\$ 2,072,399
Registrations	131,608	500,399
Publication sales and service fees	208,477	224,071
Exhibit fees	244,490	160,700
Sponsorships and advertising	<u>83,417</u>	<u>84,876</u>
Total deferred revenue	<u>\$ 2,558,361</u>	<u>\$ 3,042,445</u>

**Note 8 - 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 Associations 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 for the Association (see Note 9). During the year ended September 30, 2020 and 2019, there were no transfers into the endowment fund. In accordance with the investment policy, the endowment must have a minimum balance of \$1,000,000.

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

**Notes to Financial Statements  
September 30, 2020 and 2019**

- **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. In accordance with the investment policy, the infrastructure category must have a minimum of \$100,000 and a maximum of \$1,000,000.
- **Strategic initiatives and investments:** The strategic initiatives and investment strategy 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. In accordance with the investment policy, this category must have a minimum of \$100,000 and a maximum of \$1,000,000.
- **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, 2020 and 2019:

	2020	2019
Board-designated		
Endowment	\$ 8,136,314	\$ 8,052,446
Infrastructure	1,000,000	1,000,000
Strategic initiatives and investments	1,000,000	1,000,000
Conner fund	94,297	87,753
	10,230,611	10,140,199
Undesignated	53,892	1,197,499
 Total net assets without donor restrictions	 \$ 10,284,503	 \$ 11,337,698

- **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 consisted of the following as of September 30, 2020 and 2019:

Purpose restricted	September 30, 2018	Additions	Releases	September 30, 2019	Additions	Releases	September 30, 2019
Model transcripts	\$ 852,419	\$ 137	\$ (374,494)	\$ 478,062	\$ 66	\$ (251,259)	\$ 226,869

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

### Notes to Financial Statements September 30, 2020 and 2019

#### Note 9 - Endowment

As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The Association has a board-designated endowment fund which is classified entirely within net assets without donor restrictions. Furthermore, the Association has no traditional donor-restricted endowment funds.

#### **Interpretation of relevant law**

The Association's Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act of 2007 ("UPMIFA"), enacted by the District of Columbia, as requiring the preservation of the real (inflation-adjusted) purchasing power of the donor-restricted endowment funds absent donor stipulations to the contrary. As a result of its interpretation, the Association classifies its board-designated endowment within net assets without donor restrictions.

#### **Return objectives and risk parameters**

The Association has adopted investment and spending policies for 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.

#### **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.

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

**Notes to Financial Statements  
September 30, 2020 and 2019**

Endowment balances and changes in endowment fund consisted of the following as of and for the years ended September 30, 2020 and 2019:

	2020	2019
Endowment, beginning of year	\$ 8,052,446	\$ 7,764,539
Investment return		
Net gain on investments	(127,487)	54,857
Interest and dividends	266,673	298,362
Investment management fees	(55,318)	(65,312)
	8,136,314	8,052,446
Transfers	-	-
Endowment, end of year	\$ 8,136,314	\$ 8,052,446

**Note 10 - Long-term debt**

**Revenue bonds**

On December 1, 2017, the Association entered into an indenture of trust with Branch Banking and Trust Company 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 are secured by the two floors of the office building. The Bonds bear 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 interest rate was 1.20% and 2.81% at September 30, 2020 and 2019, respectively. The maturity date of the Bonds is March 1, 2028. During the year ended September 30, 2020, interest expense on the Bonds of \$206,247 was incurred, inclusive of amortization of debt issuance costs of \$26,286. During the year ended September 30, 2019, interest expense on the Bonds of \$227,690 was incurred, inclusive of amortization of debt issuance costs of \$26,286. As of September 30, 2020, outstanding principal and accrued interest was \$5,800,823 and \$5,801, respectively. As of September 30, 2019, outstanding principal and accrued interest was \$5,941,945 and \$13,914, respectively.

AACRAO is required to comply with various covenants in conjunction with its \$6,000,000 of revenue bonds. At September 30, 2020, AACRAO was in violation of the debt service coverage ratio. AACRAO has received a waiver from BB&T waiving the default of the covenant through September 30, 2021, on which date AACRAO must be in full compliance. Management has revised their budget and reduced expenses to rectify the situation and expects to be in compliance at September 30, 2021.

Debt issuance costs, net of accumulated amortization, totaled \$190,577 and \$216,863 as of September 30, 2020 and 2019, respectively. Debt issuance costs on the above loan are being amortized on a straight-line basis over the 10-year life of the loan.

On December 28, 2017, the Association entered into a revolving line of credit with Branch Banking and Trust Company in the original amount of \$1,000,000. The line bears interest based on a one month LIBOR plus 2.50%. The interest rate was 2.69% and 4.52% at September 30, 2020 and

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

**Notes to Financial Statements  
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2019, respectively. 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. At September 30, 2020 and 2019, no funds were drawn on the line. During the year ended September 30, 2020, \$14,701 of interest expense was incurred. As of September 30, 2020, accrued interest was \$149.

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

2021	\$	145,288
2022		149,317
2023		153,294
2024		157,480
2025		162,074
Thereafter		<u>5,033,370</u>
Total	\$	<u>5,800,823</u>

**Note 11 - PPP loan**

On April 23, 2020, the Association received loan proceeds in the amount of \$320,400 under the Paycheck Protection Program ("PPP"). Established as part of the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"), the PPP provides for loans to qualifying businesses in amounts up to 2.5 times the business's average monthly payroll expenses. PPP loans and accrued interest are forgivable after a "covered period" (eight or 24 weeks) as long as the borrower maintains its payroll levels and uses the loan proceeds for eligible purposes, including payroll, benefits, rent, and utilities. The forgiveness amount will be reduced if the borrower terminates employees or reduces salaries during the covered period. Any unforgiven portion of a PPP loan is payable over two or five years at an interest rate of 1%, with a deferral of payments for 10 months after the end of the covered period. The Association intends to use PPP loan proceeds for purposes consistent with the PPP and apply for forgiveness within 10 months of the end of the covered period.

To the extent that the Association is not granted forgiveness, the Association will be required to pay interest on the PPP loan at a rate of 1% per annum. If the application for forgiveness is not made within 10 months of the end of the covered period, payments of principal and interest will be required through the maturity date of April 23, 2022. The terms of the loan provide for customary events of default, including payment defaults, breach of representation of warranties, and insolvency events. The PPP loan may be accelerated upon the occurrence of an event of default.

The Association has recorded a note payable and will record forgiveness upon being legally released from the loan obligation. No forgiveness income has been recorded for the year ended September 30, 2020. The Association is required to repay any remaining balance of \$320,400, plus interest accrued at 1% per annum in monthly payments beginning in August 2021. During the year ended September 30, 2020, \$1,433 of interest expense was incurred. As of September 30, 2020, accrued interest on the loan was \$1,433. Principal and interest payments will be required through the maturity date of April 22, 2020.

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

### Notes to Financial Statements September 30, 2020 and 2019

#### Note 12 - Interest rate swap agreement

The Association has an interest rate swap agreement with a notional amount equal to the obligation under the loan. At September 30, 2020 and 2019, the effective fixed rate of the swap was 2.00% and 3.41%, respectively. The termination date of the interest rate swap is March 1, 2028. This mechanism allowed the Association to realize the potential benefit of a lower fixed rate. At September 30, 2020 and 2019, the fair value of the interest rate swap was projected to be a liability of \$643,396 and \$406,301, respectively.

#### Note 13 - Commitments and contingencies

- **Hotel contracts:** 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.
- **Employment agreements:** The Association has an employment agreement with a key employee. Under the terms of the agreement, should the Association terminate the employee without cause, it would be obligated to pay severance, the terms of which are stipulated in the employment agreement.

#### Note 14 - Risks and uncertainties

The COVID-19 pandemic, whose effects first became known in January 2020, is having a broad and negative impact on commerce and financial markets around the world. The United States and global markets experienced significant declines in value resulting from uncertainty caused by the pandemic. The Association is closely monitoring its investment portfolio and its liquidity and is actively working to minimize the impact of these declines. The extent of the impact of COVID-19 on the Association's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impacts on the Association's customers, employees, and vendors, all of which at present, cannot be determined. Accordingly, the extent to which COVID-19 may impact the Association's financial position and changes in net assets and cash flows is uncertain and the accompanying financial statements include no adjustments relating to the effects of this pandemic.

#### Note 15 - 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 December 15, 2020 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.





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