

American Association of Collegiate Registrars and Admissions Officers (AACRAO)

Index

	<u>Page</u>
Independent Auditor's Report	2
Financial Statements	
Statements of Financial Position	4
Statements of Activities	5
Statements of Functional Expenses	7
Statements of Cash Flows	9
Notes to Financial Statements	11

Independent Auditor's Report

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

Opinion

We have audited the financial statements of American Association of Collegiate Registrars and Admissions Officers, which comprise the statements of financial position as of September 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of American Association of Collegiate Registrars and Admissions Officers as of September 30, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). 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 audits. 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.

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 for one year after the date that the financial statements are 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 GAAS 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.

American Association of Collegiate Registrars and Admissions Officers (AACRAO)

**Statements of Financial Position
September 30, 2022 and 2021**

	<u>Assets</u>	
	2022	2021
Cash and cash equivalents	\$ 3,987,785	\$ 3,579,555
Investments	9,378,266	11,591,275
Promises to give	415,440	-
Accounts receivable	524,027	477,779
Prepaid expenses and other assets	492,324	549,157
Property and equipment, net	6,962,822	7,196,692
 Total assets	 \$ 21,760,664	 \$ 23,394,458
	 <u>Liabilities and Net Assets</u>	
Liabilities		
Accounts payable	\$ 146,188	\$ 147,688
Accrued expenses	353,369	399,953
Deferred revenue	2,915,947	2,592,766
Interest rate swap	41,304	385,060
Debt, net of unamortized debt issuance costs	5,289,296	5,491,245
 Total liabilities	 8,746,104	 9,016,712
 Commitments and contingencies		
Net assets		
Without donor restrictions		
Board-designated funds	9,379,153	11,592,161
Undesignated	1,961,663	1,308,985
 Total without donor restrictions	 11,340,816	 12,901,146
 With donor restrictions	 1,673,744	 1,476,600
 Total net assets	 13,014,560	 14,377,746
 Total liabilities and net assets	 \$ 21,760,664	 \$ 23,394,458

See Notes to Financial Statements.

American Association of Collegiate Registrars and Admissions Officers (AACRAO)

Statement of Activities Year Ended September 30, 2022

	Without donor restrictions	With donor restrictions	Total
Support and revenue			
Service fees	\$ 2,170,150	\$ -	\$ 2,170,150
Membership fees	2,943,500	-	2,943,500
Registrations	1,498,556	-	1,498,556
Grant income related to forgiveness of PPP loans	-	-	-
Insurance claim proceeds	7,770	-	7,770
Publication sales	655,986	-	655,986
Exhibit fees	338,250	-	338,250
Sponsorships	765,320	-	765,320
Advertising	278,551	-	278,551
Corporate dues	110,038	-	110,038
Other income	15,537	-	15,537
Contributions	12,824	1,482,982	1,495,806
Net assets released from restrictions	1,285,982	(1,285,982)	-
Total support and revenue	10,082,464	197,000	10,279,464
Expenses			
Program services			
International education services	620,999	-	620,999
Project, contracts and consulting	2,103,064	-	2,103,064
Meetings and workshops	770,068	-	770,068
Annual meeting	1,468,974	-	1,468,974
Communications/government relations	931,139	-	931,139
Professional development	398,050	-	398,050
Membership services	329,237	-	329,237
Publications	170,829	-	170,829
Total program services	6,792,360	-	6,792,360
Supporting services			
General and administrative	2,748,026	-	2,748,026
Governance	341,478	-	341,478
Total supporting services	3,089,504	-	3,089,504
Total expenses	9,881,864	-	9,881,864
Change in net assets from operations	200,600	197,000	397,600
Nonoperating (loss) income			
Net investment (loss) income	(2,212,403)	144	(2,212,259)
Gain on interest rate swap	343,756	-	343,756
Gain on termination of interest rate swap	107,717	-	107,717
Total nonoperating (loss) income	(1,760,930)	144	(1,760,786)
Change in net assets	(1,560,330)	197,144	(1,363,186)
Net assets, beginning of year	12,901,146	1,476,600	14,377,746
Net assets, end of year	\$ 11,340,816	\$ 1,673,744	\$ 13,014,560

American Association of Collegiate Registrars and Admissions Officers (AACRAO)

Statement of Activities Year Ended September 30, 2021

	Without donor restrictions	With donor restrictions	Total
Support and revenue			
Service fees	\$ 2,074,979	\$ -	\$ 2,074,979
Membership fees	2,829,236	-	2,829,236
Registrations	908,014	-	908,014
Grant income related to forgiveness of PPP loans	773,215	-	773,215
Insurance claim proceeds	-	-	-
Publication sales	619,381	-	619,381
Exhibit fees	-	-	-
Sponsorships	504,301	-	504,301
Advertising	194,437	-	194,437
Corporate dues	100,440	-	100,440
Other income	5,055	-	5,055
Contributions	28,371	1,650,000	1,678,371
Net assets released from restrictions	400,308	(400,308)	-
	<u>8,437,737</u>	<u>1,249,692</u>	<u>9,687,429</u>
Total support and revenue			
Expenses			
Program services			
International education services	369,981	-	369,981
Project, contracts and consulting	1,745,550	-	1,745,550
Meetings and workshops	457,855	-	457,855
Annual meeting	624,893	-	624,893
Communications/government relations	704,852	-	704,852
Professional development	316,759	-	316,759
Membership services	303,922	-	303,922
Publications	271,295	-	271,295
	<u>4,795,107</u>	<u>-</u>	<u>4,795,107</u>
Total program services			
Supporting services			
General and administrative	2,798,511	-	2,798,511
Governance	91,923	-	91,923
	<u>2,890,434</u>	<u>-</u>	<u>2,890,434</u>
Total supporting services			
Total expenses	<u>7,685,541</u>	<u>-</u>	<u>7,685,541</u>
Change in net assets from operations	<u>752,196</u>	<u>1,249,692</u>	<u>2,001,888</u>
Nonoperating income			
Net investment income	1,606,111	39	1,606,150
Gain on interest rate swap	258,336	-	258,336
Gain on termination of interest rate swap	-	-	-
	<u>1,864,447</u>	<u>39</u>	<u>1,864,486</u>
Total nonoperating income			
Change in net assets	2,616,643	1,249,731	3,866,374
Net assets, beginning of year	<u>10,284,503</u>	<u>226,869</u>	<u>10,511,372</u>
Net assets, end of year	<u>\$ 12,901,146</u>	<u>\$ 1,476,600</u>	<u>\$ 14,377,746</u>

See Notes to Financial Statements.

American Association of Collegiate Registrars and Admissions Officers (AACRAO)

Statement of Functional Expenses Year Ended September 30, 2022

	Program services								Supporting services				Total
	International education services	Project, contracts and consulting	Meetings and workshops	Annual meeting	Communications/ government relations	Professional development	Membership services	Publications	Total program services	General and administrative	Governance	Total supporting services	
Salaries and wages	\$ 303,023	\$ 742,856	\$ 90,578	\$ 408,523	\$ 602,318	\$ 262,297	\$ 242,123	\$ 63,288	\$ 2,715,006	\$ 650,764	\$ 74,660	\$ 725,424	\$ 3,440,430
Payroll taxes	23,801	50,684	6,186	29,706	42,761	20,597	19,011	5,188	197,934	76,757	5,980	82,737	280,671
Fringe benefits	52,479	91,564	26,418	86,766	115,791	44,830	32,416	17,652	467,916	225,034	19,588	244,622	712,538
Advertising	-	349	794	827	12,057	-	-	-	14,027	621	-	621	14,648
Awards, scholarships, and grants	-	-	-	-	-	-	500	-	500	-	-	-	500
Bank charges	5,157	47	33,120	34,267	446	3,577	3,810	10,817	91,241	66,887	-	66,887	158,128
Condo fee	-	-	-	-	-	-	-	-	-	74,190	-	74,190	74,190
Consulting/outside services	200,456	1,009,695	43,805	105,950	58,232	33,050	7,177	34,588	1,492,953	90,125	20,669	110,794	1,603,747
Depreciation	-	-	-	-	-	-	-	-	-	233,870	-	233,870	233,870
Equipment rental	-	-	2,300	-	-	-	-	-	2,300	-	1,055	1,055	3,355
General taxes	-	-	-	-	-	-	84	-	84	37,557	-	37,557	37,641
Insurance	-	-	-	-	57	-	-	-	57	75,298	-	75,298	75,355
Interest expense	-	-	-	-	-	-	-	-	-	208,450	-	208,450	208,450
Legal and accounting	-	-	-	-	-	-	-	-	-	312,270	1,534	313,804	313,804
Lodging	10,118	49,172	14,744	50,667	7,811	5,071	1,934	966	140,483	6,585	61,144	67,729	208,212
Marketing	-	-	-	1,895	1,458	-	-	-	1,353	-	-	-	3,353
Meals and entertainment	6,328	21,337	2,897	135,292	2,849	4,100	1,590	445	174,838	4,633	79,215	83,848	258,686
Meeting costs	693	9,265	500,900	502,319	792	2,475	-	4,353	1,020,797	12	8,965	8,977	1,029,774
Memberships and subscriptions	1,352	5,140	4,000	6,360	59,305	13,829	8,340	866	99,192	487,105	1,660	488,765	587,957
Other expenses	275	33,518	168	12,691	-	20	101	-	46,773	(16,821)	410	(16,411)	30,362
Postage and delivery	104	1,308	5,003	6,289	716	-	3,224	6,576	23,220	122	-	122	23,342
Printing and production	107	5,349	10,497	18,476	13,388	102	5,319	25,001	78,239	688	-	688	78,927
Property tax	-	-	-	-	-	-	-	-	-	66,198	-	66,198	66,198
Registration fees	4,609	5,208	880	6,303	-	-	-	-	17,000	2,367	-	2,367	19,367
Supplies, equipment and maintenance	180	11,202	18,040	22,238	1,142	(44)	353	95	53,206	32,720	1,785	34,505	87,711
Communications/Internet	1,214	2,240	500	1,200	968	100	1,735	93	8,050	44,360	-	44,360	52,410
Temporary assistance	-	-	-	22,787	-	-	-	-	22,787	-	-	-	22,787
Training and development	-	49	-	25	2,276	-	-	-	2,350	1,742	308	2,050	4,400
Travel	11,103	64,081	9,238	16,393	8,772	8,046	1,520	901	120,054	8,391	64,505	72,896	192,950
Utilities and maintenance	-	-	-	-	-	-	-	-	-	58,101	-	58,101	58,101
Total	\$ 620,999	\$ 2,103,064	\$ 770,068	\$ 1,468,974	\$ 931,139	\$ 398,050	\$ 329,237	\$ 170,829	\$ 6,792,360	\$ 2,748,026	\$ 341,478	\$ 3,089,504	\$ 9,881,864

American Association of Collegiate Registrars and Admissions Officers (AACRAO)

**Statement of Functional Expenses
Year Ended September 30, 2021**

	Program services								Supporting services			Total	
	International education services	Project, contracts and consulting	Meetings and workshops	Annual meeting	Communications/government relations	Professional development	Membership services	Publications	Total program services	General and administrative	Governance		Total supporting services
Salaries and wages	\$ 146,522	\$ 898,413	\$ 105,964	\$ 290,550	\$ 460,083	\$ 209,679	\$ 228,750	\$ 151,953	\$ 2,491,914	\$ 796,943	\$ 60,534	\$ 857,477	\$ 3,349,391
Payroll taxes	14,810	30,848	7,616	25,208	40,992	19,230	21,576	14,456	174,736	74,644	5,589	80,233	254,969
Fringe benefits	40,274	119,751	26,525	61,431	92,966	35,893	27,412	25,786	430,038	192,311	15,835	208,146	638,184
Advertising	-	-	2,414	-	1,647	-	-	5,000	9,061	2,679	-	2,679	11,740
Awards, scholarships, and grants	-	-	1,737	-	-	-	500	-	2,237	-	-	-	2,237
Bank charges	3,400	-	25,620	40,728	489	4,197	4,197	13,951	92,582	70,128	-	70,128	162,710
Condo fee	-	-	-	-	-	-	-	-	-	73,956	-	73,956	73,956
Consulting/outside services	140,793	670,500	58,146	82,000	46,243	29,839	3,672	28,381	1,059,574	87,510	4,500	92,010	1,151,584
Depreciation	-	-	-	-	-	-	-	-	-	338,810	-	338,810	338,810
Equipment rental	-	-	-	-	-	-	-	-	-	-	-	-	-
General taxes	-	-	-	-	-	-	-	-	-	10,782	-	10,782	10,782
Insurance	-	-	-	-	-	-	-	-	-	50,548	-	50,548	50,548
Interest expense	-	-	-	-	-	-	-	-	-	202,802	-	202,802	202,802
Legal and accounting	-	-	-	-	-	-	-	-	-	337,417	-	337,417	337,417
Lodging	-	625	-	-	-	442	-	-	1,067	299	-	299	1,366
Marketing	-	-	188	-	-	-	-	-	188	-	-	-	188
Meals and entertainment	-	5,565	1,173	364	196	234	144	-	7,676	611	-	611	8,287
Meeting costs	19,000	-	220,448	106,530	-	-	-	-	345,978	-	-	-	345,978
Memberships and subscriptions	1,866	6,917	-	40	43,545	13,878	8,076	813	75,135	335,073	3,333	338,406	413,541
Other expenses	-	-	-	14,621	290	-	105	48	15,064	20,769	-	21,005	36,069
Postage and delivery	-	302	553	107	523	-	3,993	10,992	16,470	-	156	156	16,626
Printing and production	871	192	3,794	203	16,360	1,000	3,207	19,650	45,277	647	-	647	45,924
Property tax	-	-	-	-	-	-	-	-	-	87,642	-	87,642	87,642
Registration fees	250	4,055	-	847	-	-	-	-	5,152	1,343	-	1,343	6,495
Supplies, equipment and maintenance	280	1,794	-	-	648	53	620	114	3,509	29,587	1,405	30,992	34,501
Communications/Internet	1,915	2,376	-	1,300	870	600	1,670	151	8,882	44,629	105	44,734	53,616
Temporary assistance	-	-	-	-	-	-	-	-	-	-	-	-	-
Training and development	-	-	-	49	-	1,000	-	-	1,049	2,330	-	2,330	3,379
Travel	-	4,212	3,677	915	-	714	-	-	9,518	1,416	230	1,646	11,164
Utilities and maintenance	-	-	-	-	-	-	-	-	-	35,635	-	35,635	35,635
Total	\$ 369,981	\$ 1,745,550	\$ 457,855	\$ 624,893	\$ 704,852	\$ 316,759	\$ 303,922	\$ 271,295	\$ 4,795,107	\$ 2,798,511	\$ 91,923	\$ 2,890,434	\$ 7,685,541

See Notes to Financial Statements.

American Association of Collegiate Registrars and Admissions Officers (AACRAO)

**Statements of Cash Flows
Years Ended September 30, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities		
Change in net assets	\$ (1,363,186)	\$ 3,866,374
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Realized gain on investments	(79,781)	(32,462)
Unrealized loss (gain) on investments	2,504,616	(1,397,013)
Gain on interest rate swap	(343,756)	(258,336)
Depreciation	233,870	338,810
Amortization of debt issuance costs	25,933	26,287
Gain on forgiveness of PPP loans	-	(773,215)
(Increase) decrease in assets		
Accounts receivable	(46,248)	(231,328)
Promises to give	(415,440)	-
Prepaid expenses and other assets	56,833	(55,860)
(Decrease) increase in liabilities		
Accounts payable	(1,500)	21,748
Accrued expenses	(46,584)	(17,278)
Deferred revenue	323,181	34,405
	<u>847,938</u>	<u>1,522,132</u>
Net cash provided by operating activities		
Cash flows from investing activities		
Proceeds from sales or maturities of investments	2,114,443	3,805,518
Purchases and transfers of investments	<u>(2,326,269)</u>	<u>(3,737,592)</u>
	<u>(211,826)</u>	<u>67,926</u>
Net cash (used in) provided by investing activities		
Cash flows from financing activities		
Proceeds from PPP loans	-	452,815
Principal payments on debt	(37,366)	(145,288)
Debt issuance costs paid	<u>(190,516)</u>	<u>-</u>
	<u>(227,882)</u>	<u>307,527</u>
Net cash (used in) provided by financing activities		
Net increase in cash and cash equivalents	408,230	1,897,585
Cash and cash equivalents - beginning of year	<u>3,579,555</u>	<u>1,681,970</u>
Cash and cash equivalents - end of year	<u>\$ 3,987,785</u>	<u>\$ 3,579,555</u>

American Association of Collegiate Registrars and Admissions Officers (AACRAO)

**Statements of Cash Flows
Years Ended September 30, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
Supplemental disclosure of cash flow information		
Cash paid for interest	<u>\$ 167,979</u>	<u>\$ 178,150</u>
Cash paid for tax	<u>\$ 16,656</u>	<u>\$ -</u>
Significant noncash investing and financing activities		
Debt issuance costs payable	<u>\$ 111,951</u>	<u>\$ -</u>

See Notes to Financial Statements.

American Association of Collegiate Registrars and Admissions Officers (AACRAO)

Notes to Financial Statements September 30, 2022 and 2021

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 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, 2022 and 2021.

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.

For the year ended September 30, 2022, the Association had unrelated business taxable income of \$128,259, which resulted in \$26,934 of income tax. Accrued income tax of \$26,934 is included in accounts payable on the corresponding statements of financial position as of September 30, 2022. During the year ended September 30, 2021, the Association had unrelated business taxable income of \$56,026, which resulted in \$16,656 of income tax. Accrued income tax of \$16,656 is included in accounts payable on the corresponding statements of financial position as of September 30, 2021.

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.

American Association of Collegiate Registrars and Admissions Officers (AACRAO)

Notes to Financial Statements September 30, 2022 and 2021

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.

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, 2022 and 2021.

Advertising

Advertising costs are charged to operations when incurred. Advertising costs for the years ended September 30, 2022 and 2021 were \$14,648 and \$11,740, 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. As of September 30, 2022, the Association had promises to give of \$415,440, which are to be collected by AACRAO during the year ended September 30, 2023. The Association had no promises to give at September 30, 2021.

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

American Association of Collegiate Registrars and Admissions Officers (AACRAO)

Notes to Financial Statements September 30, 2022 and 2021

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.

Revenue recognition

Service fees, membership fees, registrations, publication sales, exhibit fees, and sponsorships 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, and sponsorships 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.

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 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

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.

American Association of Collegiate Registrars and Admissions Officers (AACRAO)

Notes to Financial Statements September 30, 2022 and 2021

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 convenes members and nonmembers to facilitate the advancement of higher education.

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.

Professional development: The Association convenes educational information and forums for discussion of issues for both members and the interested public.

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.

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 statements 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.

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.

American Association of Collegiate Registrars and Admissions Officers (AACRAO)

**Notes to Financial Statements
September 30, 2022 and 2021**

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.

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 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 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 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 10. As of September 30, 2022 and 2021, \$0 was drawn on the line of credit.

American Association of Collegiate Registrars and Admissions Officers (AACRAO)

**Notes to Financial Statements
September 30, 2022 and 2021**

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

	<u>2022</u>	<u>2021</u>
Financial assets at year-end		
Cash and cash equivalents	\$ 3,987,785	\$ 3,579,555
Promises to give	415,440	-
Accounts receivable	524,027	477,779
Investments	<u>9,378,266</u>	<u>11,591,275</u>
Total financial assets	14,305,518	15,648,609
Less amounts not available for general purposes		
Board-designated net assets - less 5% spending allowance	(8,955,676)	(11,159,975)
Promises to give	<u>(415,440)</u>	<u>-</u>
Financial assets available for general expenditures within one year	<u>\$ 4,934,402</u>	<u>\$ 4,488,634</u>

Note 4 - 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 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.

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.

American Association of Collegiate Registrars and Admissions Officers (AACRAO)

**Notes to Financial Statements
September 30, 2022 and 2021**

Investments consisted of the following at September 30, 2022 and 2021:

September 30, 2021	Total	Level 1	Level 2	Level 3
Investments, at fair value				
Mutual funds - fixed income	\$ 201,720	\$ 201,720	\$ -	\$ -
Exchange traded funds	11,052,041	11,052,041	-	-
	11,253,761	11,253,761	-	-
Cash and money market funds	337,514	-	-	-
Total investments, at fair value	<u>\$ 11,591,275</u>	<u>\$ 11,253,761</u>	<u>\$ -</u>	<u>\$ -</u>
Liabilities, at fair value				
Interest rate swap	<u>\$ 385,060</u>	<u>\$ -</u>	<u>\$ 385,060</u>	<u>\$ -</u>
September 30, 2021	Total	Level 1	Level 2	Level 3
Investments, at fair value				
Mutual funds - fixed income	\$ 201,720	\$ 201,720	\$ -	\$ -
Exchange traded funds	11,052,041	11,052,041	-	-
	11,253,761	11,253,761	-	-
Cash and money market funds	337,514	-	-	-
Total investments, at fair value	<u>\$ 11,591,275</u>	<u>\$ 11,253,761</u>	<u>\$ -</u>	<u>\$ -</u>
Liabilities, at fair value				
Interest rate swap	<u>\$ 385,060</u>	<u>\$ -</u>	<u>\$ 385,060</u>	<u>\$ -</u>

Investments held for long-term purposes have been board-designated as described in Note 8 and such investments totaled \$7,529,901 and \$9,742,414 at September 30, 2022 and 2021, respectively.

Investment income consisted of the following for the years ended September 30, 2021 and 2020:

	2022	2021
With and without donor restrictions		
Realized gain on investments	\$ 79,781	\$ 32,462
Unrealized (loss) gain on investments	(2,504,616)	1,397,013
Interest and dividends	275,166	238,397
Investment management fees	(62,590)	(61,722)
Total investment (loss) income, net	<u>\$ (2,212,259)</u>	<u>\$ 1,606,150</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 \$356,177 and \$245,888 for the years ended September 30, 2022 and 2021, respectively,

American Association of Collegiate Registrars and Admissions Officers (AACRAO)

**Notes to Financial Statements
September 30, 2022 and 2021**

and is included as a component of fringe benefits on the accompanying statements of functional expenses.

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.

Property and equipment consisted of the following at September 30, 2022 and 2021:

	2022	2021
Building	\$ 7,656,031	\$ 7,656,031
Equipment and software	493,488	493,488
Furniture	224,203	224,203
	8,373,722	8,373,722
Less accumulated depreciation and amortization	(1,458,305)	(1,224,435)
Depreciable property and equipment, net	6,915,417	7,149,287
Artwork	47,405	47,405
Total property and equipment, net	\$ 6,962,822	\$ 7,196,692

Note 7 - Deferred revenue

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

American Association of Collegiate Registrars and Admissions Officers (AACRAO)

**Notes to Financial Statements
September 30, 2022 and 2021**

Deferred revenue consisted of the following at September 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Membership fees	\$ 2,067,384	\$ 1,938,924
Registrations	279,396	246,863
Publication sales and service fees	273,148	251,705
Exhibit fees	239,900	22,190
Sponsorships and advertising	<u>56,119</u>	<u>133,084</u>
Total deferred revenue	<u>\$ 2,915,947</u>	<u>\$ 2,592,766</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 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 9). During the years ended September 30, 2022 and 2021, 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.

American Association of Collegiate Registrars and Admissions Officers (AACRAO)

**Notes to Financial Statements
September 30, 2022 and 2021**

Net assets without donor restrictions consisted of the following funds at September 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Board-designated		
Endowment	\$ 7,529,901	\$ 9,742,414
Infrastructure	750,000	750,000
Strategic initiatives and investments	1,000,000	1,000,000
Conner Fund	<u>99,252</u>	<u>99,747</u>
	9,379,153	11,592,161
Undesignated	<u>1,961,663</u>	<u>1,308,985</u>
 Total net assets without donor restrictions	 <u>\$ 11,340,816</u>	 <u>\$ 12,901,146</u>

- **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, 2022 and 2021:

Purpose restricted	September 30, 2020	Additions	Releases	September 30, 2021	Additions	Releases	September 30, 2022
Model transcripts	<u>\$ 226,869</u>	<u>\$ 1,650,039</u>	<u>\$ (400,308)</u>	<u>\$ 1,476,600</u>	<u>\$ 1,483,126</u>	<u>\$ (1,285,982)</u>	<u>\$ 1,673,744</u>

Note 9 - 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, 2022 and 2021, the balance totaled \$7,529,901 and \$9,742,414, respectively.

American Association of Collegiate Registrars and Admissions Officers (AACRAO)

**Notes to Financial Statements
September 30, 2022 and 2021**

Board-designated endowment balances and changes in the board-designated endowment fund consist of the following as of and for the years ended September 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Endowment, beginning of year	\$ 9,742,414	\$ 8,136,314
Investment return		
Net (loss) gain on investments	(2,424,835)	1,429,475
Interest and dividends	274,912	238,347
Investment management fees	<u>(62,590)</u>	<u>(61,722)</u>
	7,529,901	9,742,414
Transfers	<u>-</u>	<u>-</u>
Endowment, end of year	<u>\$ 7,529,901</u>	<u>\$ 9,742,414</u>

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.

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.

Note 10 - 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.

American Association of Collegiate Registrars and Admissions Officers (AACRAO)

Notes to Financial Statements September 30, 2022 and 2021

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 3.53% and 1.15% at September 30, 2022 and 2021, respectively. The maturity date of the Bonds is September 1, 2037. During the year ended September 30, 2022, interest expense on the Bonds of \$208,450 was incurred, inclusive of amortization of debt issuance costs of \$25,933. During the year ended September 30, 2021, interest expense on the Bonds of \$198,208 was incurred, inclusive of amortization of debt issuance costs of \$26,287. As of September 30, 2022, outstanding principal and accrued interest was \$5,655,535 and \$14,638, respectively. As of September 30, 2021, outstanding principal and accrued interest was \$5,655,535 and \$5,420, respectively.

AACRAO is required to comply with various covenants in conjunction with its \$5,625,000 of revenue bonds. At September 30, 2022, the Association was in compliance with both of its covenants.

Debt issuance costs, net of accumulated amortization, totaled \$328,873 and \$164,290 as of September 30, 2022 and 2021, respectively. 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 change to SOFR plus 2.58%.

The interest rate on the line of credit was 5.44% and 2.63% at September 30, 2022 and 2021, respectively. \$0 and \$500,000 were drawn and repaid during the years ended September 30, 2022 and 2021, respectively, and no amount is outstanding as of September 30, 2022 and 2021. During the year ended September 30, 2022, \$0 of interest expense was incurred. As of September 30, 2022, accrued interest was \$0. During the year ended September 30, 2021, \$4,594 of interest expense was incurred. As of September 30, 2021, accrued interest was \$328.

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

2023	\$	142,500
2024		137,700
2025		145,400
2026		150,900
2027		156,400
Thereafter		<u>4,885,269</u>
Total	\$	<u>5,618,169</u>

American Association of Collegiate Registrars and Admissions Officers (AACRAO)

Notes to Financial Statements September 30, 2022 and 2021

Note 11 - 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. As part of the Bond refinancing that took place in September 2022, the original interest rate swap was terminated. AACRAO received funds of \$107,717 from the swap termination, which is included in the nonoperating activities section on the statements of activities. AACRAO also 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, 2022 and 2021, the effective fixed rate of the swap was 2.66% and 1.95%, respectively. At September 30, 2022 and 2021, the fair value of the interest rate swap was projected to be a liability of \$41,304 and \$385,060, respectively.

Note 12 - 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.

Note 13 - Risks and uncertainties

In early 2020, an outbreak of a novel strain of coronavirus (COVID-19) emerged globally. As a result, events have occurred including mandates from federal, state, and local authorities leading to an overall decline in economic activity which could result in a loss of revenue and other material adverse effects to the Association's financial position, results of operations, and cash flows. The Association is not able to reliably estimate the length or severity of this outbreak and the related financial impact. Management plans to adjust accordingly and will continue to assess and monitor the situation as it evolves. If the length of the outbreak and related effects of the Association's operations continue for an extended period of time, the Association may have to seek alternative measures to finance its operations. There is no assurance these measures will be successful. The financial statements do not include any adjustments that might result if the Association is unable to continue as a going concern.

Note 14 - 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, 2022 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.