

**American Association of Collegiate Registrars and
Admissions Officers**

**Financial Statements
(With Supplementary Information)
and Independent Auditor's Report**

September 30, 2016 and 2015

COHN  REZNICK
ACCOUNTING • TAX • ADVISORY

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

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Independent Auditor's Report

Board of Directors

American Association of Collegiate Registrars and Admissions Officers

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, 2016 and 2015, and the related statements of activities, 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, 2016 and 2015, and the results of its change in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information on pages 19 and 20 are presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in black ink that reads "CohnReznick LLP". The signature is written in a cursive, flowing style.

Bethesda, Maryland
February 14, 2017

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

**Statements of Financial Position
September 30, 2016 and 2015**

	<u>Assets</u>	
	2016	2015
Cash and cash equivalents	\$ 3,822,928	\$ 3,134,736
Investments	9,160,529	8,253,991
Promises to give	-	422,300
Accounts receivable	249,711	423,264
Prepaid expenses and other assets	510,251	478,755
Property and equipment, net	167,582	298,556
Total assets	\$ 13,911,001	\$ 13,011,602
<u>Liabilities and Net Assets</u>		
Liabilities		
Accounts payable	\$ 469,569	\$ 235,270
Accrued expenses	204,488	295,982
Deferred revenue	2,874,681	2,661,348
Deferred rent	76,545	120,285
Total liabilities	3,625,283	3,312,885
Commitments and contingencies	-	-
Net assets		
Unrestricted	9,791,683	8,448,046
Temporarily restricted	494,035	1,250,671
Total net assets	10,285,718	9,698,717
Total liabilities and net assets	\$ 13,911,001	\$ 13,011,602

See Notes to Financial Statements.

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

**Statement of Activities
Year Ended September 30, 2016**

	Unrestricted	Temporarily restricted	Total
Support and revenue			
Service fees	\$ 2,960,146	\$ -	\$ 2,960,146
Membership fees	2,606,007	-	2,606,007
Registrations	2,179,935	-	2,179,935
Publication sales	782,513	-	782,513
Exhibit fees	700,850	-	700,850
Sponsorships	529,767	-	529,767
Advertising	184,131	-	184,131
Corporate dues	140,376	-	140,376
Other income	71,647	-	71,647
Contributions	650	290,000	290,650
Net assets released from restrictions	1,049,097	(1,049,097)	-
Total support and revenue	<u>11,205,119</u>	<u>(759,097)</u>	<u>10,446,022</u>
Expenses			
Program services			
International education services	1,799,603	-	1,799,603
Project, contracts and consulting	2,248,526	-	2,248,526
Meetings and workshops	1,268,863	-	1,268,863
Annual meeting	1,173,345	-	1,173,345
Communications/government relations	668,276	-	668,276
Membership services	354,635	-	354,635
Publications	279,656	-	279,656
Total program services	<u>7,792,904</u>	<u>-</u>	<u>7,792,904</u>
Supporting services			
General and administrative	2,346,551	-	2,346,551
Governance	335,110	-	335,110
Total supporting services	<u>2,681,661</u>	<u>-</u>	<u>2,681,661</u>
Total expenses	<u>10,474,565</u>	<u>-</u>	<u>10,474,565</u>
Change in net assets from operations	<u>730,554</u>	<u>(759,097)</u>	<u>(28,543)</u>
Nonoperating income			
Net investment income	<u>613,083</u>	<u>2,461</u>	<u>615,544</u>
Change in net assets	<u>1,343,637</u>	<u>(756,636)</u>	<u>587,001</u>
Net assets, beginning of the year	<u>8,448,046</u>	<u>1,250,671</u>	<u>9,698,717</u>
Net assets, end of year	<u>\$ 9,791,683</u>	<u>\$ 494,035</u>	<u>\$ 10,285,718</u>

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

**Statement of Activities
Year Ended September 30, 2015**

	Unrestricted	Temporarily restricted	Total
Support and revenue			
Service fees	\$ 3,128,064	\$ -	\$ 3,128,064
Membership fees	2,510,002	-	2,510,002
Registrations	2,050,463	-	2,050,463
Publication sales	787,540	-	787,540
Exhibit fees	610,650	-	610,650
Sponsorships	480,900	-	480,900
Advertising	185,182	-	185,182
Corporate dues	119,390	-	119,390
Contributions	1,926	1,272,974	1,274,900
Net assets released from restrictions	110,741	(110,741)	-
Total support and revenue	<u>9,984,858</u>	<u>1,162,233</u>	<u>11,147,091</u>
Expenses			
Program services			
International education services	1,577,518	-	1,577,518
Project, contracts and consulting	1,238,458	-	1,238,458
Meetings and workshops	1,320,222	-	1,320,222
Annual meeting	1,142,909	-	1,142,909
Communications/government relations	672,444	-	672,444
Membership services	335,626	-	335,626
Publications	321,423	-	321,423
Total program services	<u>6,608,600</u>	<u>-</u>	<u>6,608,600</u>
Supporting services			
General and administrative	2,449,182	-	2,449,182
Governance	266,766	-	266,766
Total supporting services	<u>2,715,948</u>	<u>-</u>	<u>2,715,948</u>
Total expenses	<u>9,324,548</u>	<u>-</u>	<u>9,324,548</u>
Change in net assets from operations	<u>660,310</u>	<u>1,162,233</u>	<u>1,822,543</u>
Non-operating income (expense)			
Net investment income (loss)	<u>(763,946)</u>	<u>-</u>	<u>(763,946)</u>
Change in net assets	<u>(103,636)</u>	<u>1,162,233</u>	<u>1,058,597</u>
Net assets, beginning of the year	<u>8,551,682</u>	<u>88,438</u>	<u>8,640,120</u>
Net assets, end of year	<u>\$ 8,448,046</u>	<u>\$ 1,250,671</u>	<u>\$ 9,698,717</u>

See Notes to Financial Statements.

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

**Statements of Cash Flows
Years Ended September 30, 2016 and 2015**

	2016	2015
Cash flows from operating activities		
Change in net assets	\$ 587,001	\$ 1,058,597
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Realized loss on investments	143,558	100,227
Unrealized (gain) loss on investments	(509,580)	826,460
Depreciation and amortization	191,076	194,338
(Increase) decrease in assets		
Accounts receivable	173,553	(58,936)
Promises to give	422,300	(422,300)
Prepaid expenses and other assets	(31,496)	45,403
Increase (decrease) in liabilities		
Accounts payable	234,299	126,086
Accrued expenses	(91,494)	(106,901)
Deferred revenue	213,333	13,865
Deferred rent	(43,740)	(30,618)
	1,288,810	1,746,221
Net cash provided by operating activities		
Cash flows from investing activities		
Proceeds from sales or maturities of investments	7,404,849	10,526,155
Purchases and transfers of investments	(7,945,365)	(10,984,337)
Purchases of property and equipment	(60,102)	(25,074)
	(600,618)	(483,256)
Net cash used in investing activities		
Net increase in cash and cash equivalents	688,192	1,262,965
Cash and cash equivalents - beginning of year	3,134,736	1,871,771
Cash and cash equivalents - end of year	\$ 3,822,928	\$ 3,134,736

See Notes to Financial Statements.

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

**Notes to Financial Statements
September 30, 2016 and 2015**

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 are required to be reported according to the following three classes of net assets:

- **Unrestricted:** Include unrestricted revenue and contributions received without donor-imposed restrictions. These net assets are available for the operation of the Association and include both internally board designated and undesignated resources.
- **Temporarily Restricted:** Include revenue and contributions subject to donor-imposed stipulations that will be met by the actions of the Association and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions that support current operations that have not been collected, which have satisfied the time restriction for the operating period, are included in temporarily restricted net assets until received. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized.
- **Permanently Restricted:** Include net assets that are subject to donor-imposed stipulation that neither expire by passage of time nor can be fulfilled or otherwise removed by the Association's actions. Generally, the donors of these assets permit the Association to use the income and gains earned on related investments for operations or for specific purpose stipulated by the donors. The Association had no permanently restricted net assets at September 30, 2016 and September 30, 2015.

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.

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**Notes to Financial Statements
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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.

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 statement of financial position. Investment income or loss (including realized and unrealized gains and losses on investments, interest and dividends) is included in the statement of activities 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, 2016 and 2015.

Advertising

Advertising costs are charged to operations when incurred. Advertising costs for the years ended September 30, 2016 and September 30, 2015 were \$11,753 and \$37,713, respectively.

Promises to give

Unconditional promises to give are recognized as revenue in the period the promises are received, and as assets, or decreases of liabilities or expenses depending on the form of the benefits received. Promises to give to be received in future periods are discounted to their net present value at the time the revenue is recorded. Conditional promises to give are recognized as revenue when the conditions on which they depend are substantially met. A conditional promise to give is considered unconditional if the possibility that the condition will not be met is remote.

The Association has no promises to give at September 30, 2016. Promises to give of \$422,300 at September 30, 2015 were unconditional, due within one year, and considered fully collectable.

**American Association of Collegiate Registrars
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**Notes to Financial Statements
September 30, 2016 and 2015**

Management periodically reviews promises to give for collectability based on management's experience with prior promises and its analysis of specific promises to give.

Accounts receivable

Accounts receivable consists 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.

Contributions

Contributions are recorded as unrestricted or temporarily restricted support depending upon the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in temporarily restricted net assets and then reclassified to unrestricted net assets when the restriction expires. Temporarily restricted support that expires in the same period is classified as unrestricted net assets.

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
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**Notes to Financial Statements
September 30, 2016 and 2015**

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. 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 unrestricted change in net assets from operations.

Concentrations

- **Credit risk:** The Association maintains demand deposits with commercial banks and money market fund 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.

Note 3 - 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.
- **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.

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**Notes to Financial Statements
September 30, 2016 and 2015**

Investments classified within Level 2 include fixed income securities which consist of U.S. government obligations and corporate bonds. 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.

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, 2016 and 2015:

Investments consisted at the following at September 30, 2016:

September 30, 2016	Total	Level 1	Level 2	Level 3
Investments, at fair value				
Fixed income securities	\$ 1,826,905	\$ -	\$ 1,826,905	\$ -
Mutual funds - equities	189,462	189,462	-	-
Mutual funds - fixed income	1,094,377	1,094,377	-	-
Mutual funds - non-traditional	807,457	807,457	-	-
Equity securities	4,968,486	4,968,486	-	-
	<u>\$ 8,886,687</u>	<u>\$ 7,059,782</u>	<u>\$ 1,826,905</u>	<u>\$ -</u>
Investments, at cost				
Cash and money market fund	273,842			
	<u>\$ 9,160,529</u>			

September 30, 2015	Total	Level 1	Level 2	Level 3
Investments, at fair value				
Fixed income securities	\$ 1,897,251	\$ -	\$ 1,897,251	\$ -
Mutual funds - equities	722,963	722,963	-	-
Mutual funds - fixed income	622,341	622,341	-	-
Mutual funds - non-traditional	716,319	716,319	-	-
Equity securities	1,836,621	1,836,621	-	-
Exchange traded funds	835,412	835,412	-	-
Other	910	910	-	-
	<u>\$ 6,631,817</u>	<u>\$ 4,734,566</u>	<u>\$ 1,897,251</u>	<u>\$ -</u>
Investments, at cost				
Cash and money market fund	\$ 1,622,175			
	<u>\$ 8,253,992</u>			

Investments held for long-term purposes have been board-designated as described in Note 7 and such investments totaled \$7,083,691 and \$6,170,812 at September 30, 2016 and 2015, respectively.

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

**Notes to Financial Statements
September 30, 2016 and 2015**

Investment income consisted of the following for the years ended September 30, 2016 and 2015:

	2016	2015
Unrestricted		
Realized loss on investments	\$ (143,558)	\$ (100,227)
Unrealized gain (loss) on investments	509,580	(826,460)
Interest and dividends	287,059	245,519
Investment management fees	(37,537)	(82,778)
	\$ 615,544	\$ (763,946)

Note 4 - Retirement plans

- **Defined contribution:** The Association maintains a defined contribution 403(b) retirement plan for all eligible employees. The plan requires annual employer contributions equal to 10% of participants' compensation up to the Social Security taxable wage base. Retirement plan expense totaled \$350,791 and \$335,274 for the years ended September 30, 2016 and 2015, 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 5 - Property and equipment

Acquisitions of equipment and furniture greater than \$500 and acquisitions of software greater than \$1,000 are recorded at cost. Using the straight-line method, depreciation of property and equipment is recorded over the following estimated useful lives: equipment and software - three to five years; and furniture - five years. Amortization of leasehold improvements is calculated using the straight-line method over the lesser of the remaining term of the office lease or the estimated useful life of the improvements.

Property and equipment consisted of the following at September 30, 2016 and 2015:

	2016	2015
Equipment and software	\$ 1,360,360	\$ 1,300,258
Furniture	259,100	259,100
Leasehold improvements	573,775	573,775
	2,193,235	2,133,133
Less accumulated depreciation and amortization	(2,025,653)	(1,834,577)
	\$ 167,582	\$ 298,556

**American Association of Collegiate Registrars
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**Notes to Financial Statements
September 30, 2016 and 2015**

Note 6 - 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, 2016 and 2015:

	2016	2015
Membership fees	\$ 2,000,603	\$ 1,745,242
Registrations	424,404	423,497
Publication sales and service fees	207,395	205,220
Exhibit fees	177,240	187,475
Sponsorships and advertising	65,039	99,914
	\$ 2,874,681	\$ 2,661,348

Note 7 - Net assets

- **Unrestricted:** Unrestricted net assets 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 8). The Association transferred \$300,000 from other categories to the endowment during the years ended September 30, 2016 and 2015. In accordance with the investment policy, the endowment must have a minimum balance of \$1,000,000.
 - **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

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**Notes to Financial Statements
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participation in AACRAO meetings and conferences. Per the investment policy, there is no restrictions on limits.

Unrestricted net assets consisted of the following funds at September 30, 2016 and 2015:

	2016	2015
Board-designated		
Endowment	\$ 7,083,691	\$ 6,170,812
Infrastructure	1,000,000	1,000,000
Strategic initiatives and investments	1,000,000	1,000,000
Conner fund	77,725	84,066
	9,161,416	8,254,878
Undesignated	630,267	193,168
	\$ 9,791,683	\$ 8,448,046

Temporarily restricted: Temporarily restricted net assets primarily consists 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. Temporarily restricted net assets consisted of the following as of September 30, 2016 and 2015:

	September 30, 2014	Additions	Releases	September 30, 2015	Additions	Releases	September 30, 2016
Model transcripts	\$ -	\$ 1,272,974	\$ (22,303)	\$ 1,250,671	\$ 292,461	\$ (1,049,097)	\$ 494,035
Conner fund	88,438	-	(88,438)	-	-	-	-
Total	\$ 88,438	\$ 1,272,974	\$ (110,741)	\$ 1,250,671	\$ 292,461	\$ (1,049,097)	\$ 494,035

Note 8 - 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 unrestricted net assets. 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 unrestricted assets.

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.

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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 will not begin until the endowment fund reaches \$10,000,000. Once this level is reached, the Association's spending policy calls for annual appropriations of less than or equal to 5% of the endowment fund's average fair market value for the preceding 12 quarters. 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.

Endowment balances and changes in endowment fund consisted of the following as of and for the year ended September 30, 2016 and 2015:

	2016	2015
Endowment, beginning of year	\$ 6,170,812	\$ 6,634,758
Investment return		
Net gain on investments	366,022	(926,687)
Interest and dividends	284,394	245,519
Investment management fees	(37,537)	(82,778)
	6,783,691	5,870,812
Transfers	300,000	300,000
Endowment, end of year	\$ 7,083,691	\$ 6,170,812

Note 9 - Commitments and contingencies

- **Office lease:** The Association has an operating lease for office space, which expires June 30, 2018. The lease does not require a security deposit but it does require that the Association maintain its membership status with the American Council on Education, the landlord. The lease also contains an escalation clause that adjusts the annual base rentals until year eight of the lease term. For years eight, nine, and 10 of the lease term, the base rentals remain constant without escalation. Generally accepted accounting principles require that the scheduled rent increases resulting from the escalation of base rentals be recorded as a liability and amortized ratably over the life of that lease. Therefore, the Association has recorded a deferred rent liability in the accompanying statement of financial position which is being amortized on a basis to achieve straight-line expense over the life of the lease.

Rent expense, including pass through costs such as real estate taxes and operating expenses, totaled \$298,910 and \$304,300 for the years ended September 30, 2016 and 2015, respectively.

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Future minimum cash basis lease payments are as follows:

September 30, 2017	\$	332,424
2018		<u>249,318</u>
Total	\$	<u><u>581,742</u></u>

- **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 10 - 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 February 14, 2017 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.