

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

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

September 30, 2019 and 2018

**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, 2019 and 2018, 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.

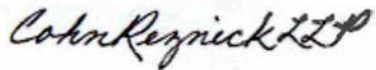
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2019 and 2018, 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.

Adoption of New Accounting Standard

As discussed in Note 2 of the financial statements, the Association adopted the Financial Accounting Standards Board (the "FASB")'s Accounting Standards Update ("ASU") No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* ("ASU 2016-14"), an amendment to FASB Accounting Standards Codification ("ASC"), *Topic 958 Not-for-Profit Entities*, (the "standard") as of and for the year ended September 30, 2019. The requirements of the ASU have been applied retrospectively to all periods presented with the exception of certain disclosures regarding liquidity and availability of resources as permitted by the standard. Our opinion is not modified with respect to this matter.



Bethesda, Maryland
December 19, 2019

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

**Statements of Financial Position
September 30, 2019 and 2018**

Assets

	2019	2018
Cash and cash equivalents	\$ 2,222,550	\$ 3,622,196
Investments	10,139,313	9,844,735
Promises to give	-	399,300
Accounts receivable	545,827	442,007
Prepaid expenses and other assets	578,142	464,511
Property and equipment, net	7,926,649	8,251,514
Total assets	<u>\$ 21,412,481</u>	<u>\$ 23,024,263</u>

Liabilities and Net Assets

Liabilities

Accounts payable	\$ 142,837	\$ 1,938,898
Accrued expenses	280,056	282,657
Deferred revenue	3,042,445	2,789,173
Interest rate swap	406,301	47,018
Debt, net of unamortized debt issuance costs	5,725,082	5,756,851
Total liabilities	<u>9,596,721</u>	<u>10,814,597</u>

Commitments and contingencies

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Net assets

Without donor restrictions	11,337,698	11,357,247
With donor restrictions	478,062	852,419
Total net assets	<u>11,815,760</u>	<u>12,209,666</u>
Total liabilities and net assets	<u>\$ 21,412,481</u>	<u>\$ 23,024,263</u>

See Notes to Financial Statements.

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

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

	Without donor restrictions	With donor restrictions	Total
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
Other income	-	-	-
Contributions	16,505	-	16,505
Net assets released from restrictions	374,494	(374,494)	-
Total support and revenue	10,566,202	(374,494)	10,191,708
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
Total program services	6,722,002	-	6,722,002
Supporting services			
General and administrative	3,380,487	-	3,380,487
Governance	411,916	-	411,916
Total supporting services	3,792,403	-	3,792,403
Total expenses	10,514,405	-	10,514,405
Change in net assets from operations	51,797	(374,494)	(322,697)
Nonoperating (loss) income			
Net investment income	287,937	137	288,074
Loss on interest rate swap	(359,283)	-	(359,283)
Total nonoperating (loss) income	(71,346)	137	(71,209)
Change in net assets	(19,549)	(374,357)	(393,906)
Net assets, beginning of year	11,357,247	852,419	12,209,666
Net assets, end of year	\$ 11,337,698	\$ 478,062	\$ 11,815,760

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

**Statement of Activities
Year Ended September 30, 2018**

	Without donor restrictions	With donor restrictions	Total
Support and revenue			
Service fees	\$ 2,173,849	\$ -	\$ 2,173,849
Membership fees	2,839,802	-	2,839,802
Registrations	2,410,135	-	2,410,135
Publication sales	729,129	-	729,129
Exhibit fees	620,362	-	620,362
Sponsorships	450,642	-	450,642
Advertising	196,723	-	196,723
Corporate dues	134,765	-	134,765
Other income	11,490	-	11,490
Contributions	83,769	1,199,300	1,283,069
Net assets released from restrictions	347,121	(347,121)	-
Total support and revenue	9,997,787	852,179	10,849,966
Expenses			
Program services			
International education services	916,129	-	916,129
Project, contracts and consulting	1,668,422	-	1,668,422
Meetings and workshops	1,227,387	-	1,227,387
Annual meeting	1,153,089	-	1,153,089
Communications/government relations	1,028,790	-	1,028,790
Membership services	373,777	-	373,777
Publications	302,061	-	302,061
Total program services	6,669,655	-	6,669,655
Supporting services			
General and administrative	2,751,355	-	2,751,355
Governance	474,540	-	474,540
Total supporting services	3,225,895	-	3,225,895
Total expenses	9,895,550	-	9,895,550
Change in net assets from operations	102,237	852,179	954,416
Nonoperating income			
Net investment income	500,163	240	500,403
Loss on interest rate swap	(47,018)	-	(47,018)
Total nonoperating income	453,145	240	453,385
Change in net assets	555,382	852,419	1,407,801
Net assets, beginning of year	10,801,865	-	10,801,865
Net assets, end of year	\$ 11,357,247	\$ 852,419	\$ 12,209,666

See Notes to Financial Statements.

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

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

	International education services	Project, contracts and consulting	Meetings and workshops	Annual meeting	Communications/ government relations	Membership services	Publications	Total program expenses	General and administrative	Governance	Total
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	\$ 3,449,083
Payroll taxes	31,532	34,118	19,684	21,909	38,880	22,693	11,692	180,508	64,470	4,977	249,955
Fringe benefits	96,443	107,973	71,136	63,277	121,231	40,982	36,711	537,753	239,177	16,581	793,511
Advertising	-	-	6,049	-	87	-	-	6,136	2,514	-	8,650
Awards, scholarships, and grant	-	-	-	-	-	1,500	-	1,500	-	-	1,500
Bank charges	5,247	20	38,271	40,383	622	5,347	17,454	107,344	123,418	-	230,762
Condo fee	-	-	-	-	-	-	-	-	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	-	1,334,124
Depreciation and amortization	-	-	-	-	-	-	-	-	398,904	-	398,904
Equipment rental	9,485	-	-	-	-	-	-	9,485	-	-	9,485
General taxes	-	-	-	-	-	-	-	-	26,928	-	26,928
Insurance	-	-	1,242	-	-	-	-	1,242	56,294	-	57,536
Interest expense	-	-	-	-	-	-	-	-	227,690	-	227,690
Legal and accounting	-	-	-	-	-	-	-	-	333,500	-	333,500
Lodging	32,490	148,558	13,945	21,748	21,234	5,272	5,874	249,119	33,272	120,790	403,181
Marketing	-	-	1,226	6,038	4,830	-	-	12,094	583	-	12,877
Meals and entertainment	15,432	92,975	13,813	11,869	8,473	1,748	1,614	145,924	34,217	76,853	256,994
Meeting costs	70,470	7,554	701,120	561,969	653	2,252	1,164	1,345,182	14,196	18,098	1,375,476
Memberships and subscriptions	12,732	3,450	13,196	5,788	46,662	-	-	81,628	215,136	2,220	299,184
Other expenses	235	13	8,374	21,020	2,238	4,000	-	35,880	68,684	2,536	107,100
Postage and delivery	1,305	36,348	6,116	1,897	1,023	5,446	11,623	63,758	2,317	365	66,440
Printing and production	160	29,963	4,328	2,385	14,036	2,914	35,726	89,512	3,992	433	93,937
Property tax	-	-	-	-	-	-	-	-	84,485	-	84,485
Registration fees	5,525	18,310	329	-	800	-	-	24,964	5,660	6,494	37,118
Supplies, equipment and maintenance	2,827	2,509	7,219	24,060	753	45	3,418	40,831	44,454	1,717	87,002
Communications/Internet	4,719	4,593	655	2,395	1,527	1,800	333	16,022	39,776	2,334	58,132
Temporary assistance	-	-	1,321	1,121	188	-	-	2,630	-	469	3,099
Training and development	5,580	-	-	-	154	-	186	5,920	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	403,753
Utilities and maintenance	-	-	-	-	-	-	-	-	26,202	-	26,202
Total:	\$ 887,541	\$ 1,745,139	\$ 1,319,634	\$ 1,176,053	\$ 893,749	\$ 370,869	\$ 329,017	\$ 6,722,002	\$ 3,380,487	\$ 411,916	\$ 10,514,405

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

**Statement of Functional Expenses
Year Ended September 30, 2018**

	International education services	Project, contracts and consulting	Meetings and workshops	Annual meeting	Communications/ government relations	Membership services	Publications	Total program expenses	General and administrative	Governance	Total
Salaries and wages	413,574	\$ 524,179	\$ 230,518	\$ 282,056	\$ 572,580	\$ 263,786	117,968	\$ 2,404,661	\$ 877,160	\$ 56,737	\$ 3,338,558
Payroll taxes	31,936	33,441	16,181	20,460	42,194	21,875	9,289	175,356	58,146	4,345	237,847
Fringe benefits	108,270	105,730	60,652	59,437	125,328	43,461	40,264	543,142	231,788	10,794	785,724
Advertising	612		9		564			1,185			1,185
Awards, scholarships, and grant		1,000		318				1,318			1,318
Bank charges	5,711	65	33,972	36,400		3,800	16,997	96,945	108,449		205,394
Condo fee									14,943		14,943
Consulting/Outside services	155,575	565,808	118,704	118,745	75,863	1,280	35,191	1,070,976	287,172		1,358,148
Depreciation and amortization									154,949		154,949
General taxes									41		41
Insurance									50,842		50,842
Interest expense								800	85,490		85,490
Legal and accounting					800			800	343,454		344,254
Lodging	19,593	120,681	19,325	9,407	15,527	2,926	3,071	190,530	15,868	113,505	319,903
Marketing			9,089	14,890	3,544			27,523			27,523
Meals and entertainment	11,626	48,503	18,522	24,880	7,507	1,721	1,819	114,578	17,839	108,025	240,242
Meeting costs	88,708	3,701	595,862	456,187	53	2,172	3,197	1,149,880	1,395	46,936	1,198,211
Memberships and subscriptions	4,042	3,434	10,433	8,304	70,545		80	96,838	175,960	144	272,942
Other expenses	821		13,410	11,109	100		99	25,539	45,202	2,992	73,733
Postage and delivery	2,969	20,007	8,609	1,847	868	3,236	15,873	53,409	2,153	144	55,706
Printing and production	72	29,268	2,453	2,890	61,726	4,344	40,386	141,139	1,963	876	143,978
Registration fees	2,732	18,939	1,095		1,475			24,241	3,868	440	28,549
Rent	23,299	12,605	21,878	41,443	40,425	21,104	10,408	171,162	112,748	5,252	289,162
Supplies, equipment and maintenance	7,238	13,069	19,525	28,331	2,086	223	110	70,584	70,427	2,425	143,436
Communications/Internet	6,888	3,161	600	2,915	1,883	2,140	408	17,795	59,321	2,723	79,839
Temporary assistance			1,640	2,344				3,984	1,500		5,484
Training and development					215			215	4,830		5,045
Travel	32,463	164,831	44,930	31,126	5,905	1,699	6,901	287,855	17,681	119,202	424,738
Loss from disposal									8,368		8,368
Total:	\$ 916,129	\$ 1,668,422	\$ 1,227,387	\$ 1,153,089	1,028,790	\$ 373,777	\$ 302,061	\$ 6,669,655	\$ 2,751,355	\$ 474,540	\$ 9,895,550

See Notes to Financial Statements.

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

**Statements of Cash Flows
Years Ended September 30, 2019 and 2018**

	2019	2018
Cash flows from operating activities		
Change in net assets	\$ (393,906)	\$ 1,407,801
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities		
Realized loss (gain) on investments	16,876	(174,470)
Unrealized gain on investments	(71,733)	(91,817)
Loss on interest rate swap	359,283	47,018
Depreciation and amortization	398,904	154,949
Amortization of debt issuance costs	26,286	19,715
Loss on disposal of property and equipment	-	8,366
(Increase) decrease in assets		
Accounts receivable	(103,820)	(161,792)
Promises to give	399,300	(399,300)
Prepaid expenses and other assets	(113,631)	180,838
(Decrease) increase in liabilities		
Accounts payable	(1,796,061)	1,326,613
Accrued expenses	(2,601)	32,983
Deferred revenue	253,272	(268,364)
Deferred rent	-	(32,805)
Net cash (used in) provided by operating activities	(1,027,831)	2,049,735
Cash flows from investing activities		
Proceeds from sales or maturities of investments	2,873,005	4,603,021
Purchases and transfers of investments	(3,112,726)	(3,800,242)
Purchases of property and equipment	(74,039)	(8,010,187)
Net cash used in investing activities	(313,760)	(7,207,408)
Cash flows from financing activities		
Proceeds from issuance of debt	-	6,000,000
Principal payments on debt	(58,055)	-
Debt issuance costs paid	-	(262,864)
Net cash (used in) provided by financing activities	(58,055)	5,737,136
Net (decrease) increase in cash and cash equivalents	(1,399,646)	579,463
Cash and cash equivalents - beginning of year	3,622,196	3,042,733
Cash and cash equivalents - end of year	\$ 2,222,550	\$ 3,622,196

**American Association of Collegiate Registrars
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**Statements of Cash Flows
Years Ended September 30, 2019 and 2018**

	2019	2018
Supplemental disclosure of cash flow information		
Cash paid for interest, net of amounts capitalized	\$ 201,540	\$ 51,725
Cash paid for tax	\$ 12,000	\$ 10,937
Significant noncash investing and financing activities		
Property and equipment included in accounts payable and accrued expenses	-	\$ 129,994
Write off of property and equipment	\$ 339,803	\$ 1,779,840
Write off of accumulated depreciation	\$ 339,803	\$ 1,771,474

See Notes to Financial Statements.

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

**Notes to Financial Statements
September 30, 2019 and 2018**

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, 2019 and September 30, 2018.

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 unrelated business income of \$51,320 which resulted in \$10,777 of income tax for the year ended September 30, 2019. The Association had unrelated business income of \$58,418 which resulted in \$11,597 of income tax for the year ended September 30, 2018.

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
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**Notes to Financial Statements
September 30, 2019 and 2018**

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, 2019 and 2018.

Advertising

Advertising costs are charged to operations when incurred. Advertising costs for the years ended September 30, 2019 and 2018 were \$8,650 and \$1,185, 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 had no promises to give at September 30, 2019. Promises to give of \$399,300 were unconditional, due within one year, and considered fully collectable as of September 30, 2018. 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 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

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**Notes to Financial Statements
September 30, 2019 and 2018**

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 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.

**American Association of Collegiate Registrars
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**Notes to Financial Statements
September 30, 2019 and 2018**

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 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 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.

New accounting pronouncement

For the year ended September 30, 2019, the Association adopted the Financial Accounting Standards Board's Accounting Standards Update ("ASU") No. 2016-14, *Not-for-Profit Entities* ("Topic 958"); *Presentation of Financial Statements of Not-for-Profit Entities*. This update addresses the complexity and understandability of net asset classifications, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return between not-for-profit entities. The changes required by ASU 2016-14 are the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets, if applicable, are now reported as net assets with donor restrictions. The requirements of the ASU have been applied retrospectively to all periods presented with the exception of certain disclosures regarding liquidity and availability of resources as permitted by the standard.

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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, 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. The Association has financial assets available to meet general expenditures over the next six months, before giving consideration to board-designated net assets. The Association strives to operate with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures. Timing of revenue receipts 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. The board-designated endowment of \$8,052,446 is subject to an annual spending rate of 5%. 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, 2019, \$0 was drawn on line of credit.

The Association's financial assets available for general expenditure within one year of the date of the statement of financial position are as follows:

Financial assets at year-end:	
Cash and cash equivalents	\$ 2,222,550
Accounts receivable	545,827
Investments	10,139,313
	<hr/>
Total financial assets	12,907,690
Less amounts not available for general purposes:	
Board-designated net assets - reserves net 5% spending allowance	(7,649,824)
	<hr/>
Financial assets available for general expenditures within one year	<u>\$ 5,257,866</u>

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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.

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, 2019 and 2018:

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	-	-	-
	<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	\$ -

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September 30, 2018	Total	Level 1	Level 2	Level 3
Investments, at fair value				
Fixed income securities	\$ 2,260,599	\$ -	\$ 2,260,599	\$ -
Mutual funds - equities	373,427	373,427	-	-
Mutual funds - fixed income	577,585	577,585	-	-
Mutual funds - non-traditional	1,212,695	1,212,695	-	-
Equity securities	5,206,240	5,206,240	-	-
	9,630,546	7,369,947	2,260,599	-
Cash and money market funds	214,189	-	-	-
	<u>\$ 9,844,735</u>	<u>\$ 7,369,947</u>	<u>\$ 2,260,599</u>	<u>\$ -</u>
Liabilities, at fair value				
Interest rate swap	\$ 47,018	\$ -	\$ 47,018	\$ -

Investments held for long-term purposes have been board-designated as described in Note 8 and such investments totaled \$8,052,446 and \$7,764,539 at September 30, 2019 and 2018, respectively.

Investment income consisted of the following for the years ended September 30, 2019 and 2018:

	2019	2018
With and without donor restrictions		
Realized (loss) gain on investments	\$ (16,876)	\$ 174,470
Unrealized gain on investments	71,733	91,817
Interest and dividends	298,529	301,983
Investment management fees	(65,312)	(67,867)
	<u>\$ 288,074</u>	<u>\$ 500,403</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 \$343,795 and \$329,270 for the years ended September 30, 2019 and 2018, 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.

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Property and equipment consisted of the following at September 30, 2019 and 2018:

	2019	2018
Building	\$ 7,656,031	\$ 7,656,031
Equipment and software	573,413	898,593
Furniture	220,499	208,488
	<u>8,449,943</u>	<u>8,763,112</u>
Less accumulated depreciation and amortization	(570,699)	(511,598)
Depreciable property and equipment, net	<u>7,879,244</u>	<u>8,251,514</u>
Artwork	47,405	-
Total property and equipment, net	<u>\$ 7,926,649</u>	<u>\$ 8,251,514</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, 2019 and 2018:

	2019	2018
Membership fees	\$ 2,072,399	\$ 1,952,900
Registrations	500,399	385,953
Publication sales and service fees	224,071	212,334
Exhibit fees	160,700	188,730
Sponsorships and advertising	84,876	49,256
	<u>\$ 3,042,445</u>	<u>\$ 2,789,173</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, 2019, there were no transfers into the endowment fund. The Association transferred \$1,000,000 from the endowment to the operating account during the year ended September 30, 2018 in order to fund the purchase of AACRAO's office building. In accordance with the investment policy, the endowment must have a minimum balance of \$1,000,000.

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- **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, 2019 and 2018:

	2019	2018
Board-designated		
Endowment	\$ 8,052,446	\$ 7,764,539
Infrastructure	1,000,000	1,000,000
Strategic initiatives and investments	1,000,000	1,000,000
Conner fund	87,753	81,081
	<u>10,140,199</u>	<u>9,845,620</u>
Undesignated	1,197,499	1,511,627
	<u>\$ 11,337,698</u>	<u>\$ 11,357,247</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, 2019 and 2018:

Purpose restricted	September 30, 2017	Additions	Releases	September 30, 2018	Additions	Releases	September 30, 2019
Model transcripts	\$	\$ 1,199,540	\$ (347,121)	\$ 852,419	\$ 137	\$ (374,494)	\$ 478,062

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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 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. In the year ended September 30, 2018, the Organization's Board of Directors approved a transfer of \$1,000,000 from the endowment account to the operating account to help fund the acquisition of an office building.

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Endowment balances and changes in endowment fund consisted of the following as of and for the years ended September 30, 2019 and 2018:

	2019	2018
Endowment, beginning of year	\$ 7,764,539	\$ 8,302,516
Investment return		
Net gain on investments	54,857	266,287
Interest and dividends	298,362	263,603
Investment management fees	(65,312)	(67,867)
	<u>8,052,446</u>	<u>8,764,539</u>
Transfers	<u>-</u>	<u>(1,000,000)</u>
Endowment, end of year	<u>\$ 8,052,446</u>	<u>\$ 7,764,539</u>

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 2.81% at September 30, 2019 and 2018. The maturity date of the Bonds is March 1, 2028. 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. During the year ended September 30, 2018, interest expense on the Bonds of \$85,490 was incurred, inclusive of amortization of debt issuance costs of \$19,715. Interest of \$80,241 was capitalized through completion of construction of the building. As of September 30, 2019, outstanding principal and accrued interest was \$5,941,945 and \$13,914, respectively. As of September 30, 2018, outstanding principal and accrued interest was \$6,000,000 and \$14,050, respectively.

Debt issuance costs, net of accumulated amortization, totaled \$216,863 and \$243,149 as of September 30, 2019 and 2018, respectively. Debt issuance costs on the above loan are being amortized on a straight-line basis over the ten-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 4.52% and 4.47% at September 30, 2019 and 2018, 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, 2019 and 2018, no funds were drawn on the line.

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Note 11 - 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, 2019 and 2018, the effective fixed rate of the swap was 3.41% and 3.34%, 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, 2019 and 2018, the fair value of the interest rate swap was projected to be a liability of \$406,301 and \$47,018, respectively.

Note 12 - Commitments and contingencies

- **Office lease:** The Association had an operating lease for office space, which was extended through August 31, 2018. The lease did not require a security deposit but it did require that the Association maintain its membership status with the American Council on Education, the landlord. The lease was not renewed after August 31, 2018 as the Association purchased two floors of an office building during the year ended September 30, 2018.

Rent expense, including pass through costs such as real estate taxes and operating expenses, totaled \$0 and \$289,162 for the years ended September 30, 2019 and 2018, respectively.

- **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 13 - 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 19, 2019 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.