

**AMERICAN ACCOUNTING ASSOCIATION
LAKEWOOD RANCH, FLORIDA**

FINANCIAL STATEMENTS

May 31, 2020

**AMERICAN ACCOUNTING ASSOCIATION
FINANCIAL STATEMENTS
MAY 31, 2020**

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
American Accounting Association
Lakewood Ranch, Florida

We have audited the accompanying financial statements of the American Accounting Association, a not-for-profit organization, which comprise the statements of financial position as of May 31, 2020 and 2019, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit 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 Accounting Association as of May 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Bradenton, Florida
September 18, 2020

A handwritten signature in cursive script that reads "Mauldin & Jenkins, LLC".

**AMERICAN ACCOUNTING ASSOCIATION
STATEMENTS OF FINANCIAL POSITION
MAY 31, 2020 AND 2019**

	2020	2019
ASSETS		
Cash and cash equivalents	\$ 4,179,053	\$ 4,345,897
Certificates of deposit	1,928,333	1,999,476
Accounts receivable	470,274	525,212
Pledges receivable, net	1,440,729	2,025,952
Publications inventory	2,774	4,765
Prepays and other assets	185,729	383,952
Property and equipment, net	2,494,898	2,601,552
TOTAL ASSETS	\$ 10,701,790	\$ 11,886,806
LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	\$ 275,177	\$ 444,957
Deferred revenue	1,573,141	2,762,684
PPP loan	538,300	-
Long-term debt	1,371,287	1,435,358
Total liabilities	3,757,905	4,642,999
Net assets		
Without donor restrictions	4,864,675	4,591,497
With donor restrictions		
Time and purpose	1,979,210	2,552,310
Perpetual	100,000	100,000
Total net assets	6,943,885	7,243,807
TOTAL LIABILITIES AND NET ASSETS	\$ 10,701,790	\$ 11,886,806

See Notes to Financial Statements.

**AMERICAN ACCOUNTING ASSOCIATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MAY 31, 2020**

	Without Donor Restrictions	With Donor Restrictions		Total
		Time and Purpose	Perpetual	
Support and revenue				
Membership dues	\$ 2,150,894	\$ -	\$ -	\$ 2,150,894
FASB codification	205,875	-	-	205,875
Subscriptions	388,431	-	-	388,431
Advertising	18,880	-	-	18,880
Publications/aggregators	3,080,205	-	-	3,080,205
Contributions	397,631	67,340	-	464,971
Interest and dividend income	68,525	-	-	68,525
Annual meeting	2,205,855	-	-	2,205,855
Other revenue (primarily from programs and seminars)	1,712,666	-	-	1,712,666
Net assets released from restrictions	640,440	(640,440)	-	-
Total support and revenue	<u>10,869,402</u>	<u>(573,100)</u>	<u>-</u>	<u>10,296,302</u>
Expenses				
Program services				
Annual meeting	2,883,677	-	-	2,883,677
Committees and awards	326,938	-	-	326,938
Conferences and consortia	1,891,814	-	-	1,891,814
Memberships and subscriptions	613,092	-	-	613,092
Publications	1,537,207	-	-	1,537,207
Region support	184,186	-	-	184,186
Section support	1,515,659	-	-	1,515,659
Special programs	141,129	-	-	141,129
Total program services	<u>9,093,702</u>	<u>-</u>	<u>-</u>	<u>9,093,702</u>
Support services				
Management and general	1,502,522	-	-	1,502,522
Total expenses	<u>10,596,224</u>	<u>-</u>	<u>-</u>	<u>10,596,224</u>
Change in net assets	273,178	(573,100)	-	(299,922)
Net assets at beginning of year	<u>4,591,497</u>	<u>2,552,310</u>	<u>100,000</u>	<u>7,243,807</u>
Net assets at end of year	<u>\$ 4,864,675</u>	<u>\$ 1,979,210</u>	<u>\$ 100,000</u>	<u>\$ 6,943,885</u>

See Notes to Financial Statements.

**AMERICAN ACCOUNTING ASSOCIATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MAY 31, 2019**

	Without donor Unrestricted	With Donor Restrictions		Total
		Time and Purpose	Perpetual	
Support and revenue				
Membership dues	\$ 1,711,039	\$ -	\$ -	\$ 1,711,039
FASB codification	211,687	-	-	211,687
Subscriptions	406,030	-	-	406,030
Advertising	259,647	-	-	259,647
Publications/aggregators	3,058,964	-	-	3,058,964
Contributions	443,733	479,592	-	923,325
Interest and dividend income	66,136	-	-	66,136
Annual meeting	2,022,033	-	-	2,022,033
Loss on disposal of property and equipment	(4,476)	-	-	(4,476)
Other revenue (primarily from programs and seminars)	1,723,817	-	-	1,723,817
Net assets released from restrictions	718,664	(718,664)	-	-
Total support and revenue	10,617,274	(239,072)	-	10,378,202
Expenses				
Program services				
Annual meeting	2,186,863	-	-	2,186,863
Committees and awards	375,692	-	-	375,692
Conferences and consortia	2,111,063	-	-	2,111,063
Memberships and subscriptions	601,078	-	-	601,078
Publications	1,424,322	-	-	1,424,322
Region support	185,830	-	-	185,830
Section support	1,716,806	-	-	1,716,806
Special programs	129,777	-	-	129,777
Total program services	8,731,431	-	-	8,731,431
Support services				
Management and general	1,834,048	-	-	1,834,048
Total expenses	10,565,479	-	-	10,565,479
Change in net assets	51,795	(239,072)	-	(187,277)
Net assets at beginning of year	4,539,702	2,791,382	100,000	7,431,084
Net assets at end of year	\$ 4,591,497	\$ 2,552,310	\$ 100,000	\$ 7,243,807

See Notes to Financial Statements.

**AMERICAN ACCOUNTING ASSOCIATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED MAY 31, 2020**

	Program Services										Total Program Services	Management and General	Total Expenses
	Annual Meeting	Awards	Conferences and Consortia	Membership and Subscriptions			Region Support	Section Support	Special Programs	Total Program Services			
				Awards	Conferences and Consortia	Subscriptions							
Salaries	\$ 275,529	\$ 104,123	\$ 569,628	\$ 334,529	\$ 318,100	\$ 113,392	\$ 293,974	\$ 81,964	\$ 2,091,239	\$ 511,844	\$ 2,603,083		
Employee benefits	73,991	27,962	152,969	89,835	85,424	30,451	78,945	22,011	561,588	137,452	699,040		
Payroll taxes	19,690	7,441	40,708	23,907	22,733	8,104	21,009	5,857	149,449	36,579	186,028		
Other payroll	3,907	1,477	8,078	4,744	4,511	1,608	4,169	1,162	29,656	7,258	36,914		
Training and recruitment	8,777	3,317	18,146	10,657	11,184	3,612	9,365	2,611	67,669	16,305	83,974		
Total salaries and related expenses	381,894	144,320	789,529	463,672	441,952	157,167	407,462	113,605	2,899,601	709,438	3,609,039		
Awards and grants	73,805	100,535	93	250	-	-	32,696	-	207,379	142	207,521		
Bank and credit card fees	63,046	1,654	23,091	63,581	16,355	1,163	30,602	1,072	200,564	13,719	214,283		
Dues and subscriptions	1,128	426	2,333	1,370	1,303	464	1,204	336	8,564	2,696	11,260		
Equipment/software maintenance	560	212	1,157	680	646	230	597	166	4,248	1,040	5,288		
Event coordinator expense	64,701	1,450	14,536	4,659	4,430	1,579	60,631	1,141	153,127	12,814	165,941		
Hotel/food/beverage/audio visual	1,920,083	41,516	803,934	7,240	9,863	2,454	867,085	2,303	3,654,478	341,872	3,996,350		
Insurance	6,933	1,105	4,140	3,385	5,642	589	1,490	263	23,547	35,034	58,581		
Information technology	22,764	5,617	35,350	18,047	17,161	6,237	15,859	4,422	125,457	27,613	153,070		
Miscellaneous	14,764	2,113	11,574	7,193	10,145	2,302	6,924	10,748	65,763	35,399	101,162		
Office maintenance	5,003	898	2,694	2,694	5,387	262	636	-	17,574	25,142	42,716		
Postage	19,509	339	1,223	464	82,970	213	4,167	114	108,999	1,460	110,459		
Publications pre-press	4,673	1,440	8,318	4,626	613,278	1,568	5,069	1,134	640,106	73,306	713,412		
Printing/copying	35,924	347	6,659	1,272	146,618	325	6,130	283	197,558	4,958	202,516		
Professional and temp fees	8,447	1,728	10,708	5,552	127,395	3,167	8,465	1,360	166,822	30,472	197,294		
Registration/exhibitor/placements	131,132	364	6,499	1,169	1,112	396	1,028	287	141,987	3,248	145,235		
Speakers	45,345	-	2,126	-	-	-	33,313	-	80,784	7,571	88,355		
Supplies	27,626	1,020	6,819	4,617	3,564	1,111	3,400	1,097	49,254	5,446	54,700		
Taxes	395	132	395	395	790	38	93	-	2,238	5,770	8,008		
Telephone/internet/web	1,467	1,204	2,599	1,460	3,323	495	2,771	358	13,677	3,068	16,745		
Travel	35,571	15,691	140,731	6,213	8,921	2,106	20,194	1,522	230,949	34,995	265,944		
Utilities	1,287	429	1,287	1,287	2,574	125	304	-	7,293	12,014	19,307		
Web services/web hosting	8,101	1,225	6,500	3,747	14,741	1,270	3,292	918	39,794	26,465	66,259		
Total expenses before depreciation	2,874,158	323,765	1,882,295	603,573	1,518,170	183,261	1,513,412	141,129	9,039,763	1,413,682	10,453,445		
Depreciation	9,519	3,173	9,519	9,519	19,037	925	2,247	-	53,939	88,840	142,779		
Total expenses	\$ 2,883,677	\$ 326,938	\$ 1,891,814	\$ 613,092	\$ 1,537,207	\$ 184,186	\$ 1,515,659	\$ 141,129	\$ 9,093,702	\$ 1,502,522	\$ 10,596,224		

See Notes to Financial Statements.

**AMERICAN ACCOUNTING ASSOCIATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED MAY 31, 2019**

	Program Services										Total Expenses
	Annual Meeting	Awards	Conferences and Consortia	Membership and Subscriptions	Publications	Region Support	Section Support	Special Programs	Total Program Services	Management and General	
Salaries	\$ 253,203	\$ 95,686	\$ 523,470	\$ 307,421	\$ 292,325	\$ 104,204	\$ 270,153	\$ 75,322	\$ 1,921,784	\$ 470,369	\$ 2,392,153
Employee benefits	73,793	27,887	152,560	89,595	85,195	30,369	78,733	21,952	560,084	137,084	697,168
Payroll taxes	19,436	7,345	40,181	23,597	22,439	7,999	20,737	5,782	147,516	36,105	183,621
Other payroll	3,683	1,392	7,615	4,472	4,252	1,516	3,930	1,096	27,956	6,842	34,798
Training and recruitment	9,616	3,634	19,880	11,675	11,684	3,957	10,260	2,861	73,567	19,630	93,197
Total salaries and related expenses	359,731	135,944	743,706	436,760	415,895	148,045	383,813	107,013	2,730,907	670,030	3,400,937
Awards and grants	79,381	103,170	478	70	442	24	27,278	17	210,860	7,195	218,055
Bank and credit card fees	46,328	2,008	36,860	65,208	19,926	2,187	8,438	1,627	182,582	18,027	200,609
Dues and subscriptions	1,026	888	3,121	1,246	1,185	422	1,095	305	9,288	2,206	11,494
Equipment/software maintenance	743	281	1,537	903	858	306	793	221	5,642	1,381	7,023
Event coordinator expense	69,049	2,872	24,066	9,227	8,774	3,128	67,536	2,261	186,913	44,166	231,079
Hotel/food/beverage/audio visual	1,149,384	72,681	1,024,472	10,580	18,069	3,586	1,059,278	2,592	3,340,642	536,503	3,877,145
Insurance	6,828	1,237	4,477	3,778	6,513	608	1,531	244	25,216	39,483	64,699
Information technology	16,597	6,495	35,811	20,140	19,477	6,827	17,712	4,935	127,994	31,106	159,100
Miscellaneous	30,331	2,215	10,997	5,985	10,493	2,028	24,708	1,466	88,223	34,448	122,671
Office maintenance	3,465	1,155	3,465	3,465	6,930	337	818	-	19,635	32,341	51,976
Postage	20,869	379	2,054	783	82,890	269	7,067	133	114,444	6,003	120,447
Publications pre-press	2,858	1,080	6,119	3,470	509,533	1,176	5,663	850	530,749	65,978	596,727
Printing/copying	43,403	552	6,807	358	163,782	121	13,380	103	228,506	8,061	236,567
Professional and temp fees	29,248	2,188	19,909	7,030	79,731	8,732	28,434	1,723	176,995	63,901	240,896
Registration/exhibitor/placements	166,445	559	3,561	1,797	3,209	609	1,580	1,640	179,400	3,098	182,498
Speakers	73,906	-	2,050	-	-	-	36,773	-	112,729	28,674	141,403
Supplies	31,516	1,848	7,407	4,067	4,010	1,338	3,995	1,063	55,244	7,033	62,277
Taxes	150	50	150	150	299	15	35	-	849	22,619	23,468
Telephone/internet/web	1,646	1,407	2,690	1,540	2,748	522	2,665	377	13,595	3,878	17,473
Travel	35,612	33,392	151,799	8,336	27,235	2,826	17,337	2,042	278,579	74,908	353,487
Utilities	1,283	428	1,283	1,283	2,565	125	303	-	7,270	11,970	19,240
Web services/web hosting	6,916	1,480	8,096	4,754	19,462	1,612	4,178	1,165	47,663	26,325	73,988
Total expenses before depreciation	2,176,715	372,309	2,100,915	590,930	1,404,026	184,843	1,714,410	129,777	8,673,925	1,739,334	10,413,259
Depreciation	10,148	3,383	10,148	10,148	20,296	987	2,396	-	57,506	94,714	152,220
Total expenses	\$ 2,186,863	\$ 375,692	\$ 2,111,063	\$ 601,078	\$ 1,424,322	\$ 185,830	\$ 1,716,806	\$ 129,777	\$ 8,731,431	\$ 1,834,048	\$ 10,565,479

See Notes to Financial Statements.

**AMERICAN ACCOUNTING ASSOCIATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MAY 31, 2020**

	Without Donor Restrictions	With Donor Restrictions		Total
		Time and Purpose	Perpetual	
Cash flows from operating activities				
Change in net assets	\$ 273,178	\$ (573,100)	\$ -	\$ (299,922)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities				
Depreciation	142,779	-	-	142,779
Decrease in				
Pledges receivable	-	585,223	-	585,223
Accounts receivable	54,938	-	-	54,938
Publications inventory	1,991	-	-	1,991
Prepays and other assets	198,223	-	-	198,223
(Decrease) in				
Accounts payable and accrued expenses	(169,780)	-	-	(169,780)
Deferred revenue	(1,189,543)	-	-	(1,189,543)
Net cash provided by (used in) operating activities	<u>(688,214)</u>	<u>12,123</u>	<u>-</u>	<u>(676,091)</u>
Cash flows from investing activities				
Purchase of property and equipment	(36,125)	-	-	(36,125)
Purchase of certificates of deposit	(887,857)	(222,000)	(100,000)	(1,209,857)
Maturities of certificates of deposit	950,000	231,000	100,000	1,281,000
Net cash provided by investing activities	<u>26,018</u>	<u>9,000</u>	<u>-</u>	<u>35,018</u>
Cash flows from financing activities				
Principal paid on long-term debt	(64,071)	-	-	(64,071)
Proceeds from PPP loan	538,300	-	-	538,300
Net cash provided by investing activities	<u>474,229</u>	<u>-</u>	<u>-</u>	<u>474,229</u>
Net increase (decrease) in cash and cash equivalents	(187,967)	21,123	-	(166,844)
Cash and cash equivalents at beginning of year	<u>3,885,275</u>	<u>360,622</u>	<u>100,000</u>	<u>4,345,897</u>
Cash and cash equivalents at end of year	<u>\$ 3,697,308</u>	<u>\$ 381,745</u>	<u>\$ 100,000</u>	<u>\$ 4,179,053</u>
Supplemental disclosure of cash flow information				
Cash paid for interest				<u>\$ 60,767</u>
Cash paid for income taxes				<u>\$ 2,083</u>

See Notes to Financial Statements.

**AMERICAN ACCOUNTING ASSOCIATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MAY 31, 2019**

	Without Donor Restrictions	With Donor Restrictions		Total
		Time and Purpose	Perpetual	
Cash flows from operating activities				
Change in net assets	\$ 51,795	\$ (239,072)	\$ -	\$ (187,277)
Adjustments to reconcile change in net assets to net cash provided by operating activities				
Depreciation	152,220	-	-	152,220
Loss on disposal of property and equipment	4,476	-	-	4,476
(Increase) decrease in				
Pledges receivable	-	243,601	-	243,601
Accounts receivable	285,155	-	-	285,155
Publications inventory	(2,300)	-	-	(2,300)
Prepays and other assets	(148,435)	-	-	(148,435)
Increase in				
Accounts payable and accrued expenses	120,937	-	-	120,937
Deferred revenue	344,901	-	-	344,901
Net cash provided by operating activities	<u>808,749</u>	<u>4,529</u>	<u>-</u>	<u>813,278</u>
Cash flows from investing activities				
Purchase of property and equipment	(56,034)	-	-	(56,034)
Purchase of certificates of deposit	(2,085)	-	-	(2,085)
Maturities of certificates of deposit	-	40,000	-	40,000
Net cash provided by (used in) investing activities	<u>(58,119)</u>	<u>40,000</u>	<u>-</u>	<u>(18,119)</u>
Cash flows from financing activities				
Principal paid on long-term debt	(61,533)	-	-	(61,533)
Net cash used in investing activities	<u>(61,533)</u>	<u>-</u>	<u>-</u>	<u>(61,533)</u>
Net increase in cash and cash equivalents	689,097	44,529	-	733,626
Cash and cash equivalents at beginning of year	<u>3,196,178</u>	<u>316,093</u>	<u>100,000</u>	<u>3,612,271</u>
Cash and cash equivalents at end of year	<u>\$ 3,885,275</u>	<u>\$ 360,622</u>	<u>\$ 100,000</u>	<u>\$ 4,345,897</u>
Supplemental disclosure of cash flow information				
Cash paid for interest				<u>\$ 63,304</u>
Cash paid for income taxes				<u>\$ 21,222</u>

See Notes to Financial Statements.

AMERICAN ACCOUNTING ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The American Accounting Association (the "Association") was founded in 1916 as a non-profit organization. The Association seeks to promote worldwide excellence in accounting education, research and practice. The Association publishes scholarly journals and conducts meetings, consortia and conferences on a variety of pedagogical and accounting issues. The Association's members are primarily accounting faculty members at colleges and universities throughout the world. The Association also publishes newsletters and engages in other activities to support worldwide excellence in accounting education, research and practice.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Cash and Cash Equivalents

The Association considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Accounts Receivable

The Association records accounts receivables at their net realizable value. An allowance for doubtful accounts is established based on specific assessment of all amounts that remain unpaid following normal payment periods. All amounts deemed to be uncollectible are charged against the allowance for doubtful accounts in the period the determination is made. At May 31, 2020 and 2019, all accounts receivables are considered fully collectible.

Pledges Receivable

Promises to give are recorded at net realizable value. Unconditional promises to give are recognized as contribution revenue in the period received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. An allowance for doubtful accounts is established based on specific assessment of all amounts that remain unpaid following normal payment periods. All amounts deemed to be uncollectible are charged against the allowance for doubtful accounts in the period the determination is made. As of May 31, 2020 and 2019, all pledges receivable are considered fully collectible.

Publications Inventory

Publications inventory is stated at the lower of cost or market. Cost is determined using the first-in, first-out (FIFO) method.

**AMERICAN ACCOUNTING ASSOCIATION
NOTES TO FINANCIAL STATEMENTS**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

The Association records its property and equipment at cost or at fair value, if donated. The Association maintains a capitalization threshold of \$1,000. Depreciation of buildings and equipment is provided for using the straight-line method over the estimated useful lives of the respective assets. Estimated useful lives of assets range from 3 to 10 years for furniture, fixtures and equipment; and 10 to 40 years for buildings and land improvements. Maintenance and repair costs are expensed as incurred.

Deferred Revenue

Membership dues and subscriptions are paid annually and are recognized as income over the 12 month period expected to be benefited. Fees collected in advance for conferences and meetings are deferred and are recognized in the year of the function.

The Association's annual meeting is held each August. Fees and contributions collected in advance and related expenses are deferred.

Publications Revenue

Subscription revenue is amortized over the annual subscription period. Royalty revenue from aggregators is based upon a multi-year contract and is recognized over the term of the contract.

Contributions

Contributions received are recorded as support with or without donor restrictions depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted contributions are reported as an increase in net assets with restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Functional Expenses

The costs of providing various programs and other activities and the administration of the Association have been summarized on a functional basis in the statement of activities. Salaries and other expenses which are associated with a specific program are charged directly to that program. Administrative and general expenses and other expenses which benefit more than one program are allocated to the various programs based on the relative benefit provided.

**AMERICAN ACCOUNTING ASSOCIATION
NOTES TO FINANCIAL STATEMENTS**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The Association is generally exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and comparable state law. The Association is required to pay income taxes on the excess of revenues derived from activities unrelated to the tax-exempt purpose of the Association over the related expenses.

The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, the Association may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Association and various positions related to the potential sources of unrelated business taxable income (UBIT). There were no unrecognized tax benefits identified or recorded as liabilities for the years ended May 31, 2020 and 2019.

The Association files income tax returns in the U.S., Florida, and Illinois.

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. Actual results could differ from those estimates.

Changes in Accounting Principle

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, 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. The Association has implemented ASU 2016-14 effective June 1, 2018, and have adjusted the presentation in these financial statements accordingly.

Recently Issued and Adopted Accounting Pronouncements

In June 2018, the FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which establishes standards for characterizing grants and similar contracts with resource providers as either exchange transactions or contributions.

The Association adopted the new guidance in ASU No. 2018-08 as of June 1, 2019. There were not any significant changes as a result of the adoption of ASU 2018-08.

**AMERICAN ACCOUNTING ASSOCIATION
NOTES TO FINANCIAL STATEMENTS**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

The Association evaluated its May 31, 2020, financial statements for all subsequent events through September 18, 2020, the date the financial statements were issued.

NOTE 2. LIQUIDITY AND AVAILABILITY

The Association's working capital and cash flows have seasonal variations during the year attributable to the annual cash receipts for dues, subscriptions, and contributions received throughout the year. The Association manages liquidity during the year by utilizing the following strategies: operating within a budget that reflects the Board of Directors' strategy, including responsible revenue generation via contributions, membership dues, conferences, and publications to cover operating expenditures not covered by donor-restricted resources and intentional investments, regular analysis of actual operating results versus budget, and establishment of an operating reserve fund funded to be used to fund operating shortfalls with the approval of the Board of Directors.

The following table reflects the Association's total financial assets as of May 31, 2020 and 2019, which could be made available within 12 months to meet operating expenditures:

Financial assets available to meet operating expenditures over the next 12 months

	<u>2020</u>	<u>2019</u>
Cash and equivalents	\$ 4,179,053	\$ 4,345,897
Certificates of deposit	1,928,333	1,999,476
Accounts receivable	470,274	525,212
Pledges receivable	1,440,729	2,025,952
Less net assets with donor restrictions	<u>(2,079,210)</u>	<u>(2,652,310)</u>
Financial assets available to meet operating expenditures	<u>\$ 5,939,179</u>	<u>\$ 6,244,227</u>

**AMERICAN ACCOUNTING ASSOCIATION
NOTES TO FINANCIAL STATEMENTS**

NOTE 3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents by managed fund groups consist of the following at May 31, 2020 and 2019:

	2020	2019
General operations	\$ 2,451,694	\$ 2,477,035
Sections	1,551,644	1,694,615
Regions	175,715	174,247
Total cash and cash equivalents	\$ 4,179,053	\$ 4,345,897

The amount in excess of FDIC coverage was approximately \$0 and \$116,061 as of May 31, 2020 and 2019, respectively.

NOTE 4. CERTIFICATES OF DEPOSIT

As of May 31, 2020 and 2019, the Association held certificates of deposit in increments ranging from \$5,000 to \$250,000 in separate banking institutions, with no more than \$250,000 held at any one institution. Maturity dates on the certificates of deposit range in increments from one year up to five years.

NOTE 5. PLEDGES RECEIVABLE

Unconditional promises to give are presented net of the discount to present value using a discount rate equivalent to the current risk free rate at the time the promise is made. The Association used a discount rate of 0.017%, which is due to be collected as follows at May 31, 2020 and 2019:

	2020	2019
Pledges receivable, less than 1 year	\$ 773,092	\$ 703,374
Pledges receivable, greater than one year	667,750	1,325,500
Discount on pledges receivable	(113)	(2,922)
Pledges receivable, net	\$ 1,440,729	\$ 2,025,952

The discount amortization is recognized as an increase in contribution income over the duration of the pledge.

**AMERICAN ACCOUNTING ASSOCIATION
NOTES TO FINANCIAL STATEMENTS**

NOTE 6. PROPERTY AND EQUIPMENT

Property and equipment consists of the following at May 31, 2020 and 2019:

	2020	2019
Land	\$ 376,934	\$ 376,934
Building and improvements	2,447,568	2,437,309
Furniture and equipment	124,397	119,160
Computers and software	647,936	627,313
	3,596,835	3,560,716
Less accumulated depreciation	(1,101,937)	(959,164)
Total property and equipment	\$ 2,494,898	\$ 2,601,552

Depreciation expense was \$142,779 and \$152,220 for the years ended May 31, 2020 and 2019, respectively.

NOTE 7. NOTES PAYABLE

On February 24, 2015, the Association signed a mortgage agreement with Fifth Third Bank for the Association's office building. The original principal sum of the mortgage was \$1,680,000 and calls for interest on the unpaid balance at the rate of 4.25% per annum. Principal and interest is payable in 119 consecutive monthly installments of \$10,403 each with a balloon payment of the remaining principal in February 2025. As of May 31, 2020, \$1,371,287 is outstanding on the mortgage. Debt is secured by the building and future assignment of rents should the Association enter into a lease contract on the existing property. Under the terms of the agreement, the Association is required to maintain its unrestricted liquidity (defined as unrestricted cash plus marketable securities) to funded debt at not less than 2.5 to 1.0. The Association was in compliance with this requirement as of May 31, 2020.

On May 7, 2020, the Association received \$538,300 in funding through the Small Business Association Payroll Protection Program. Management believes it has satisfied as of July 1, 2020, the conditions of the loan agreement by spending the entire loan proceeds on allowable expenses and will apply for forgiveness as soon as the financial institution begins accepting applications for forgiveness. Management anticipates the entire amount of the loan will be forgiven in fiscal year ending May 31, 2021. If the loan is not forgiven it bears interest at a rate of 1% and will be repaid over 24 months with a maturity in May 2022.

**AMERICAN ACCOUNTING ASSOCIATION
NOTES TO FINANCIAL STATEMENTS**

NOTE 7. NOTES PAYABLE (CONTINUED)

Future maturities of long-term debt based on the amount outstanding as of May 31, 2020, are as follows:

2021	\$	67,049
2022		69,996
2023		73,072
2024		76,152
2025		1,085,018
	<u>\$</u>	<u>1,371,287</u>

NOTE 8. NET ASSETS WITH DONOR RESTRICTIONS TIME AND PURPOSE

Net assets with donor restrictions time and purpose are restricted for the following purposes at May 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Seminars and education	\$ 1,014,493	\$ 1,445,880
Awards	964,717	1,106,430
	<u>\$ 1,979,210</u>	<u>\$ 2,552,310</u>

Net assets with donor restrictions – time and purpose at May 31, 2020, consisted of \$1,440,729 in pledges receivable, \$452,000 in certificates of deposit and \$86,481 in cash. Net assets with donor restrictions – time and purpose at May 31, 2019, consisted of \$2,025,952 in pledges receivable, \$483,000 in certificates of deposit, and \$43,358 in cash.

Releases from restriction consisted of the following for the year ended May 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Seminars and education	\$ 517,188	\$ 569,969
Awards	123,252	148,695
	<u>\$ 640,440</u>	<u>\$ 718,664</u>

**AMERICAN ACCOUNTING ASSOCIATION
NOTES TO FINANCIAL STATEMENTS**

NOTE 9. ROYALTY AGREEMENTS

The Association has a major license agreement that expires on December 31, 2024, and may be renewed thereafter. The agreement is for guaranteed minimum annual royalties of \$2,400,000, which are paid on a quarterly basis and are included in publications/aggregators revenue. Accounts receivable under the license agreement was \$400,000 as of May 31, 2020 and 2019.

NOTE 10. EMPLOYEE BENEFIT PLAN

The Association participates in a 401(k) employer defined contribution plan (the "Plan"). Employees who are at least 21 years old and who have met all eligibility requirements are eligible to participate. Employer contributions to the Plan are 7% of qualifying employees' compensation. The Association's contributions to the Plan were \$165,089 and \$155,026 for the years ended May 31, 2020 and 2019, respectively. Employees may contribute to the 401(k) plan up to the maximum allowed by law.

NOTE 11. ENDOWMENT

The Association holds an endowment which is donor restricted. The Association's Board of Directors has interpreted the Florida Uniform Prudent Management of Institutional Funds Act (FUPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Association classifies as net assets with donor restrictions – perpetual: (a) the original value of the gift donated to the donor restricted endowment, (b) the original value of subsequent gifts to the donor restricted endowment, and (c) accumulations to the donor restricted endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in net assets with donor restriction – perpetual is classified as net assets with donor restrictions – time and purpose until those amounts are appropriated for expenditure by the Association in a manner consistent with the standard of prudence prescribed by FUPMIFA.

**AMERICAN ACCOUNTING ASSOCIATION
NOTES TO FINANCIAL STATEMENTS**

NOTE 11. ENDOWMENT (CONTINUED)

In accordance with FUPMIFA, the Association considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund;
2. The purposes of the Association and the donor-restricted endowment fund;
3. General economic conditions;
4. The possible effect of inflation and deflation;
5. The expected total return from income and the appreciation of investments;
6. Other resources of the Association;
7. The investment policies of the Association.

The Association has adopted investment and spending policies for endowment assets that attempt to protect the principal of the fund and provide consistent long-term income returns. 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 that places emphasis on achieving its long-term return objectives within prudent risk constraints. Given current market conditions, the funds are currently invested in high quality fixed income securities. Net earnings during the period were immaterial as all endowment funds were invested in certificates of deposit.

The endowment net asset composition is as follows:

	<u>Net assets without Donor restrictions</u>	<u>Net assets with Donor restrictions time or purpose</u>	<u>Net assets with Donor restrictions perpetual</u>	<u>Total at May 31, 2020</u>
Donor-restricted endowment funds	\$ -	\$ -	\$ 100,000	\$ 100,000
	<u>Net assets without Donor restrictions</u>	<u>Net assets with Donor restrictions time or purpose</u>	<u>Net assets with Donor restrictions perpetual</u>	<u>Total at May 31, 2019</u>
Donor-restricted endowment funds	\$ -	\$ -	\$ 100,000	\$ 100,000

During the year ended May 31, 2020, there were no changes to the endowment since the initial contribution was received.

**AMERICAN ACCOUNTING ASSOCIATION
NOTES TO FINANCIAL STATEMENTS**

NOTE 12. CONTINGENCIES

During March 2020, the World Health Organization declared the Coronavirus outbreak a global pandemic. Actions taken around the world to help mitigate the spread of the Coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The Coronavirus and actions taken to mitigate it have had, and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Association operates. While it is unknown how long these conditions will last and what the complete financial effect will be to the Association, to date, the Association has seen a decrease in support and revenues and could be exposed to contract cancellation fees for future meetings in 2021. However, the ultimate impact of the pandemic on the Association's results of operations, financial position, and liquidity or capital resources cannot be reasonably estimated at this time.

NOTE 13. RECENTLY ISSUED ACCOUNTING STANDARDS

In May 2014, FASB issued Accounting Standards Update 2014-09 (ASU 2014-09), *Revenue from Contracts with Customers*. The amendments in this update require changes to the way not-for-profit entities record revenue.

ASU 2014-09 is effective for annual financial statements issued for fiscal years beginning after December 15, 2018. On May 20, 2020, FASB delayed the implementation of ASU 2014-09 until years beginning after December 15, 2019, due to the effects of the COVID-19 crisis. This deferral is applicable for any entity that had not yet issued its financial statements or made their financial statements available to be issued. The Association's financial statements were not issued nor were they available to be issued at May 20, 2020, therefore, these financial statements do not reflect the amendments in ASU 2014-09. Management is currently considering the effects of ASU 2014-09 on its financial statements and does not anticipate any significant changes to the methods used to recognize revenue.