

**AMERICAN ACCOUNTING ASSOCIATION
LAKEWOOD RANCH, FLORIDA**

**FINANCIAL STATEMENTS
AND
SUPPLEMENTAL INFORMATION**

May 31, 2018

AMERICAN ACCOUNTING ASSOCIATION
FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION
MAY 31, 2018

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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, 2018 and 2017, 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, 2018 and 2017, 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.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supporting schedules on pages 18 through 20 are presented for the purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the 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.

Mauldin & Jenkins, LLC

Bradenton, Florida
September 21, 2018

AMERICAN ACCOUNTING ASSOCIATION
STATEMENTS OF FINANCIAL POSITION

	May 31, 2018	May 31, 2017
ASSETS		
Cash and cash equivalents (Note C)	\$ 3,612,271	3,447,230
Certificates of deposit (Note D)	2,037,391	1,553,883
Accounts receivable	810,367	771,335
Pledges receivable, net (Note E)	2,269,553	1,756,225
Publications inventory	2,465	2,556
Prepays and other assets	235,517	406,595
Property and equipment, net (Note F)	2,702,214	2,841,545
TOTAL ASSETS	\$ 11,669,778	10,779,369
LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	\$ 324,020	628,965
Deferred revenue	2,417,783	2,240,939
Long term debt (Note G)	1,496,891	1,555,834
Total liabilities	4,238,694	4,425,738
Net assets		
Unrestricted	4,539,702	4,465,944
Temporarily restricted (Note H)	2,791,382	1,787,687
Permanently restricted (Note K)	100,000	100,000
Total net assets	7,431,084	6,353,631
TOTAL LIABILITIES AND NET ASSETS	\$ 11,669,778	10,779,369

See accompanying notes.

AMERICAN ACCOUNTING ASSOCIATION
STATEMENT OF ACTIVITIES
Year Ended May 31, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenue				
Membership dues	\$ 1,666,057	-	-	1,666,057
FASB codification	211,500	-	-	211,500
Subscriptions	425,077	-	-	425,077
Advertising	297,749	-	-	297,749
Publications/aggregators (Note I)	3,013,974	-	-	3,013,974
Contributions	432,303	1,675,908	-	2,108,211
Interest and dividend income	23,456	-	-	23,456
Annual meeting	1,961,456	-	-	1,961,456
Other revenue (primarily from programs and seminars)	1,470,254	-	-	1,470,254
Net assets released from restrictions (Note H)	672,213	(672,213)	-	-
Total support and revenue	<u>10,174,039</u>	<u>1,003,695</u>	-	<u>11,177,734</u>
Expenses				
Program services				
Annual meeting	2,110,237	-	-	2,110,237
Committees and awards	339,437	-	-	339,437
Conferences and consortia	1,881,615	-	-	1,881,615
Memberships and subscriptions	575,803	-	-	575,803
Publications	1,382,667	-	-	1,382,667
Region support	179,949	-	-	179,949
Section support	1,697,751	-	-	1,697,751
Special events	124,599	-	-	124,599
Support services				
Management and general	1,808,223	-	-	1,808,223
Total expenses	<u>10,100,281</u>	<u>-</u>	<u>-</u>	<u>10,100,281</u>
Change in net assets	73,758	1,003,695	-	1,077,453
Net assets at beginning of year	<u>4,465,944</u>	<u>1,787,687</u>	<u>100,000</u>	<u>6,353,631</u>
Net assets at end of year	<u>\$ 4,539,702</u>	<u>2,791,382</u>	<u>100,000</u>	<u>7,431,084</u>

See accompanying notes.

AMERICAN ACCOUNTING ASSOCIATION
STATEMENT OF ACTIVITIES
Year Ended May 31, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenue				
Membership dues	\$ 1,592,072	-	-	1,592,072
FASB codification	210,379	-	-	210,379
Subscriptions	442,473	-	-	442,473
Advertising	272,066	-	-	272,066
Publications/aggregators (Note I)	2,827,097	-	-	2,827,097
Contributions	414,716	581,400	-	996,116
Interest and dividend income	9,174	-	-	9,174
Annual meeting	2,274,117	-	-	2,274,117
Gain on sale of property and equipment	551,825	-	-	551,825
Other revenue (primarily from programs and seminars)	1,477,484	-	-	1,477,484
Net assets released from restrictions (Note H)	644,157	(644,157)	-	-
Total support and revenue	<u>10,715,560</u>	<u>(62,757)</u>	-	<u>10,652,803</u>
Expenses				
Program services				
Annual meeting	2,787,896	-	-	2,787,896
Committees and awards	576,624	-	-	576,624
Conferences and consortia	1,201,493	-	-	1,201,493
Memberships and subscriptions	999,168	-	-	999,168
Publications	1,763,908	-	-	1,763,908
Region support	170,820	-	-	170,820
Section support	1,443,745	-	-	1,443,745
Special events	17,881	-	-	17,881
Support services				
Management and general	2,372,066	-	-	2,372,066
Total expenses	<u>11,333,601</u>	<u>-</u>	<u>-</u>	<u>11,333,601</u>
Change in net assets	(618,041)	(62,757)	-	(680,798)
Net assets at beginning of year	<u>5,083,985</u>	<u>1,850,444</u>	<u>100,000</u>	<u>7,034,429</u>
Net assets at end of year	<u>\$ 4,465,944</u>	<u>1,787,687</u>	<u>100,000</u>	<u>6,353,631</u>

See accompanying notes.

AMERICAN ACCOUNTING ASSOCIATION
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended May 31, 2018

	Program Services								Management and General	Total Expenses	
	Annual Meeting	Awards	Conferences and Consortia	Membership and Subscriptions	Publications	Region Support	Section Support	Special Events			Total Program Services
Salaries	\$ 242,200	91,527	500,724	294,063	279,622	99,676	258,414	72,049	1,838,275	449,929	2,288,204
Employee benefits	66,230	25,028	136,923	80,412	76,463	27,256	70,664	19,702	502,678	123,034	625,712
Payroll taxes	18,127	6,850	37,476	22,009	20,928	7,460	19,341	5,392	137,583	33,675	171,258
Other payroll	3,377	1,276	6,982	4,101	3,899	1,390	3,603	1,005	25,633	6,274	31,907
Training and recruitment	640	242	1,322	777	738	263	682	190	4,854	1,188	6,042
Total salaries and related expenses	<u>330,574</u>	<u>124,923</u>	<u>683,427</u>	<u>401,362</u>	<u>381,650</u>	<u>136,045</u>	<u>352,704</u>	<u>98,338</u>	<u>2,509,023</u>	<u>614,100</u>	<u>3,123,123</u>
Awards and grants	74,565	103,900	609	-	93	-	23,477	-	202,644	7,604	210,248
Bank and credit card fees	43,926	1,567	18,937	52,537	20,142	1,706	7,185	1,651	147,651	13,229	160,880
Dues and subscriptions	1,124	425	2,323	1,365	1,298	463	1,199	334	8,531	2,088	10,619
Equipment/software maintenance	759	287	1,568	922	876	312	809	226	5,759	1,409	7,168
Event coordinator expense	48,276	1,860	10,898	5,976	5,682	2,026	74,443	1,464	150,625	35,767	186,392
Hotel/food/beverage/audio visual	1,207,870	38,525	860,996	9,535	12,880	3,232	1,029,618	2,336	3,164,992	552,920	3,717,912
Insurance	5,103	1,254	4,492	3,824	6,649	601	1,514	233	23,670	39,562	63,232
Information technology	19,334	8,126	41,930	23,226	22,162	7,873	20,432	5,690	148,773	35,860	184,633
Miscellaneous	28,128	3,508	13,579	6,662	9,394	2,381	27,484	1,634	92,770	36,903	129,673
Office maintenance	2,744	915	2,744	2,744	5,487	267	648	-	15,549	25,607	41,156
Postage	30,651	871	2,493	881	126,768	299	8,541	138	170,642	7,720	178,362
Publications pre-press	3,819	1,443	7,919	4,636	491,023	1,572	4,074	1,136	515,622	67,094	582,716
Printing/copying	45,995	306	7,042	492	141,151	167	15,261	197	210,611	8,796	219,407
Professional and temp fees	43,044	7,140	43,061	22,939	90,863	14,150	40,631	5,620	267,448	84,480	351,928
Registration/exhibitor/placements	91,147	436	2,384	1,400	1,331	475	1,230	343	98,746	6,810	105,556
Speakers	51,675	682	-	-	1,621	-	53,939	-	107,917	8,705	116,622
Supplies	14,158	1,599	9,776	8,145	4,885	1,741	4,574	1,259	46,137	8,173	54,310
Taxes	2,254	752	2,254	2,254	4,509	219	532	-	12,774	27,362	40,136
Telephone/internet/web	1,548	2,101	2,749	1,565	2,323	544	2,169	541	13,540	4,851	18,391
Travel	44,598	33,332	142,389	8,936	12,210	3,029	20,083	2,189	266,766	85,517	352,283
Utilities	1,165	388	1,165	1,165	2,330	113	275	-	6,601	10,874	17,475
Web services/web hosting	7,728	1,746	8,828	5,185	17,237	1,757	4,556	1,270	48,307	28,976	77,283
Total expenses before depreciation	<u>1,769,611</u>	<u>211,163</u>	<u>1,188,136</u>	<u>164,389</u>	<u>980,914</u>	<u>42,927</u>	<u>1,342,674</u>	<u>26,261</u>	<u>5,726,075</u>	<u>1,100,307</u>	<u>6,826,382</u>
Depreciation	10,052	3,351	10,052	10,052	20,103	977	2,373	-	56,960	93,816	150,776
Total expenses	<u>\$ 2,110,237</u>	<u>339,437</u>	<u>1,881,615</u>	<u>575,803</u>	<u>1,382,667</u>	<u>179,949</u>	<u>1,697,751</u>	<u>124,599</u>	<u>8,292,058</u>	<u>1,808,223</u>	<u>10,100,281</u>

See accompanying notes.

AMERICAN ACCOUNTING ASSOCIATION
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended May 31, 2017

	Program Services								Total Program Services	Management and General	Total Expenses
	Annual Meeting	Awards	Conferences and Consortia	Membership and Subscriptions	Publications	Region Support	Section Support	Special Events			
Salaries	\$ 294,265	105,104	100,243	510,847	441,795	74,321	117,967	-	1,644,542	732,704	2,377,246
Employee benefits	60,170	21,491	20,497	104,456	90,336	15,197	24,121	-	336,268	149,820	486,088
Payroll taxes	22,016	7,864	7,500	38,220	33,054	5,560	8,826	-	123,040	54,819	177,859
Other payroll	3,647	1,303	1,242	6,331	5,475	921	1,462	-	20,381	9,080	29,461
Training and recruitment	2,883	1,030	982	5,004	6,664	728	1,156	-	18,447	7,178	25,625
Total salaries and related expenses	<u>382,981</u>	<u>136,792</u>	<u>130,464</u>	<u>664,858</u>	<u>577,324</u>	<u>96,727</u>	<u>153,532</u>	-	<u>2,142,678</u>	<u>953,601</u>	<u>3,096,279</u>
Awards and grants	13,741	178,024	1,540	7	6	361	13,005	-	206,684	8,873	215,557
Bank and credit card fees	84,628	1,946	18,678	62,062	18,805	1,376	3,281	-	190,776	20,835	211,611
Dues and subscriptions	1,124	402	383	1,952	1,688	284	451	-	6,284	2,799	9,083
Equipment/software maintenance	1,108	396	377	1,924	1,663	280	443	-	6,191	2,759	8,950
Event coordinator expense	49,692	2,544	2,426	12,364	10,693	1,964	3,772	-	83,455	19,524	102,979
Hotel/food/beverage/audio visual	1,803,843	58,166	850,762	1,212	1,048	728	1,003,190	-	3,718,949	629,651	4,348,600
Insurance	4,704	331	668	7,151	17,544	234	372	-	31,004	31,616	62,620
Information technology	17,489	6,317	5,958	30,363	27,384	4,418	7,011	-	98,940	45,070	144,010
Miscellaneous	9,882	72,379	7,116	16,199	14,213	6,487	21,526	-	147,802	50,101	197,903
Office maintenance	942	-	546	8,584	25,016	-	-	-	35,088	29,890	64,978
Postage	18,396	805	1,793	2,766	138,362	254	9,865	-	172,241	7,522	179,763
Publications pre-press	4,221	1,493	1,424	7,260	475,547	1,064	1,761	-	492,770	78,512	571,282
Printing/copying	46,020	29,142	8,274	442	161,802	53	23,475	-	269,208	7,891	277,099
Professional and temp fees	90,525	21,921	23,908	103,508	166,108	49,070	117,293	-	572,333	191,394	763,727
Registration/exhibitor/placements	100,072	455	2,805	2,212	1,913	322	511	-	108,290	5,373	113,663
Speakers	61,877	-	13,722	-	-	-	41,174	-	116,773	2,518	119,291
Supplies	26,042	3,917	3,661	14,233	11,786	1,861	4,500	17,881	83,881	21,056	104,937
Taxes	641	-	372	5,844	17,031	-	-	-	23,888	21,819	45,707
Telephone/internet/web	3,790	3,398	1,538	6,265	7,007	911	2,248	-	25,157	10,059	35,216
Travel	56,625	56,622	122,334	22,769	19,867	3,313	34,568	-	316,098	138,802	454,900
Utilities	447	-	259	4,073	11,871	-	-	-	16,650	14,184	30,834
Web services/web hosting	7,408	1,574	1,501	7,651	12,147	1,113	1,767	-	33,161	24,352	57,513
Total expenses before depreciation	<u>2,786,198</u>	<u>576,624</u>	<u>1,200,509</u>	<u>983,699</u>	<u>1,718,825</u>	<u>170,820</u>	<u>1,443,745</u>	<u>17,881</u>	<u>8,898,301</u>	<u>2,318,201</u>	<u>11,216,502</u>
Depreciation	1,698	-	984	15,469	45,083	-	-	-	63,234	53,865	117,099
Total expenses	<u>\$ 2,787,896</u>	<u>576,624</u>	<u>1,201,493</u>	<u>999,168</u>	<u>1,763,908</u>	<u>170,820</u>	<u>1,443,745</u>	<u>17,881</u>	<u>8,961,535</u>	<u>2,372,066</u>	<u>11,333,601</u>

See accompanying notes.

AMERICAN ACCOUNTING ASSOCIATION
STATEMENT OF CASH FLOWS
Year Ended May 31, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Cash flows from operating activities				
Change in net assets	\$ 73,758	1,003,695	-	1,077,453
Adjustments to reconcile change in net assets to net cash provided by operating activities				
Depreciation	150,776	-	-	150,776
(Increase) decrease in				
Pledges receivable	-	(513,328)	-	(513,328)
Accounts receivable	(39,032)	-	-	(39,032)
Publications inventory	91	-	-	91
Prepays and other assets	171,078	-	-	171,078
Increase (decrease) in				
Accounts payable and accrued expenses	(304,945)	-	-	(304,945)
Deferred revenue	176,844	-	-	176,844
Net cash provided by operating activities	<u>228,570</u>	<u>490,367</u>	<u>-</u>	<u>718,937</u>
Cash flows from investing activities				
Purchase of property and equipment	(11,445)	-	-	(11,445)
Purchase of certificates of deposit	-	(483,000)	-	(483,000)
Maturities of certificates of deposit	(508)	-	-	(508)
Net cash used by investing activities	<u>(11,953)</u>	<u>(483,000)</u>	<u>-</u>	<u>(494,953)</u>
Cash flows from financing activities				
Principal paid on long-term debt	(58,943)	-	-	(58,943)
Net cash used by investing activities	<u>(58,943)</u>	<u>-</u>	<u>-</u>	<u>(58,943)</u>
Net increase in cash and cash equivalents	157,674	7,367	-	165,041
Cash and cash equivalents at beginning of year	<u>3,038,504</u>	<u>308,726</u>	<u>100,000</u>	<u>3,447,230</u>
Cash and cash equivalents at end of year	<u>\$ 3,196,178</u>	<u>316,093</u>	<u>100,000</u>	<u>3,612,271</u>
Supplemental disclosure of cash flow information				
Cash paid for interest			<u>\$ 65,895</u>	
Cash paid for income taxes			<u>\$ 6,320</u>	

See accompanying notes.

AMERICAN ACCOUNTING ASSOCIATION
STATEMENT OF CASH FLOWS
Year Ended May 31, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Cash flows from operating activities				
Change in net assets	\$ (618,041)	(62,757)	-	(680,798)
Adjustments to reconcile change in net assets to net cash used in operating activities				
Depreciation	117,099	-	-	117,099
Gain on sale of property and equipment	(551,825)	-	-	(551,825)
(Increase) decrease in				
Pledges receivable	-	57,489	-	57,489
Accounts receivable	(271,280)	-	-	(271,280)
Publications inventory	(501)	-	-	(501)
Prepays and other assets	(77,807)	-	-	(77,807)
Increase (decrease) in				
Accounts payable and accrued expenses	(81,246)	-	-	(81,246)
Deferred revenue	15,980	-	-	15,980
Net cash used in operating activities	<u>(1,467,621)</u>	<u>(5,268)</u>	<u>-</u>	<u>(1,472,889)</u>
Cash flows from investing activities				
Purchase of property and equipment	(688,628)	-	-	(688,628)
Proceeds from sale of property and equipment	1,203,732	-	-	1,203,732
Purchase of certificates of deposit	(901,863)	-	-	(901,863)
Maturities of certificates of deposit	901,134	-	-	901,134
Net cash provided by investing activities	<u>514,375</u>	<u>-</u>	<u>-</u>	<u>514,375</u>
Cash flows from financing activities				
Principal paid on long-term debt	(56,460)	-	-	(56,460)
Net cash used by investing activities	<u>(56,460)</u>	<u>-</u>	<u>-</u>	<u>(56,460)</u>
Net decrease in cash and cash equivalents	(1,009,706)	(5,268)	-	(1,014,974)
Cash and cash equivalents at beginning of year	4,048,210	313,994	100,000	4,462,204
Cash and cash equivalents at end of year	<u>\$ 3,038,504</u>	<u>308,726</u>	<u>100,000</u>	<u>3,447,230</u>
Supplemental disclosure of cash flow information				
Cash paid for interest			<u>\$ 68,378</u>	
Cash paid for income taxes			<u>\$ 1,470</u>	

See accompanying notes.

AMERICAN ACCOUNTING ASSOCIATION
NOTES TO FINANCIAL STATEMENTS

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Organization and Nature of Activities: 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 unrestricted 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, 2018 and 2017, 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, 2018 and 2017, all pledges receivable are considered fully collectible.

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.

AMERICAN ACCOUNTING ASSOCIATION
NOTES TO FINANCIAL STATEMENTS

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Publication Revenue: Publication revenue is recognized over the subscription period.

Contributions: Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets 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 temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Functional Expenses: The costs of providing the various programs and activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. See Note B for discussion of functional expenses.

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, 2018 and 2017.

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

AMERICAN ACCOUNTING ASSOCIATION
NOTES TO FINANCIAL STATEMENTS

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Subsequent Events: The Association evaluated its May 31, 2018, financial statements for all subsequent events through September 21, 2018, the date the financial statements were issued.

NOTE B – CHANGE IN ACCOUNTING PRINCIPLE

During the year ended May 31, 2018, the Association changed its methodology for allocating functional expenses to better report certain expenses. The comparative amounts have not been restated as the data needed to apply the change in principle retrospectively was not captured contemporaneously. Retrospective application was therefore determined to be impracticable.

NOTE C – CASH AND CASH EQUIVALENTS

Cash and cash equivalents by managed fund groups consist of the following:

	<u>May 31, 2018</u>	<u>May 31, 2017</u>
General operations	\$ 2,062,379	1,703,250
Sections	1,371,590	1,566,301
Regions	<u>178,302</u>	<u>177,679</u>
Total cash and cash equivalents	<u>\$ 3,612,271</u>	<u>3,447,230</u>

As of May 31, 2018, the amount in excess of FDIC coverage was approximately \$169,720 and \$1,232,000 as of May 31, 2018 and 2017, respectively.

NOTE D – CERTIFICATES OF DEPOSIT

As of May 31, 2018 and 2017, the Association held certificates of deposit in increments ranging from \$100,000 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 6 months up to 36 months.

AMERICAN ACCOUNTING ASSOCIATION
NOTES TO FINANCIAL STATEMENTS

NOTE E – PLEDGES RECEIVABLE

Unconditional promises to give are presented net of the discount to present value using an interest rate equivalent to the current risk free rate at the time the promise is made. The Association used an interest rate of 0.12%, which is due to be collected as follows:

	<u>May 31, 2018</u>	<u>May 31, 2017</u>
Pledges receivable, less than 1 year	\$ 291,638	532,674
Pledges receivable, greater than one year	1,979,000	1,224,983
Discount on pledges receivable	<u>(1,085)</u>	<u>(1,432)</u>
 Pledges receivable, net	 <u>\$ 2,269,553</u>	 <u>1,756,225</u>

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

NOTE F – PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	<u>May 31, 2018</u>	<u>May 31, 2017</u>
Land	\$ 376,934	376,934
Building and improvements	2,393,856	2,387,998
Furniture and equipment	118,530	118,530
Computers and software	<u>1,123,055</u>	<u>1,117,469</u>
	4,012,375	4,000,931
Less accumulated depreciation	<u>(1,310,161)</u>	<u>(1,159,386)</u>
 Total property and equipment	 <u>\$ 2,702,214</u>	 <u>2,841,545</u>

Depreciation expense was \$150,776 and \$117,099 for the years ended May 31, 2018 and 2017, respectively.

AMERICAN ACCOUNTING ASSOCIATION
NOTES TO FINANCIAL STATEMENTS

NOTE G – LONG-TERM DEBT

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. 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, 2018.

Future maturities of long-term debt based on the amount outstanding as of May 31, 2018, are as follows:

2019	\$	62,547
2020		65,258
2021		68,086
2022		71,036
2023		74,115
Thereafter		1,155,849
	\$	<u>1,496,891</u>

NOTE H – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are restricted for the following purposes:

	<u>May 31, 2018</u>	<u>May 31, 2017</u>
Seminars and education	\$ 1,573,543	818,288
Awards	1,217,839	954,125
Research	<u>-</u>	<u>15,274</u>
Temporarily restricted net assets	<u>\$ 2,791,382</u>	<u>1,787,687</u>

Temporarily restricted net assets at May 31, 2018, consisted of \$2,269,553 in pledges receivable, \$483,000 in certificates of deposit, and \$38,829 in cash. Temporarily restricted net assets at May 31, 2017, consisted of \$1,756,225 in pledges receivable and \$31,462 in cash.

AMERICAN ACCOUNTING ASSOCIATION
NOTES TO FINANCIAL STATEMENTS

NOTE H – TEMPORARILY RESTRICTED NET ASSETS (CONTINUED)

Releases from restriction consisted of the following for the year ended May 31, 2018 and 2017:

	<u>May 31, 2018</u>	<u>May 31, 2017</u>
Seminars and education	\$ 504,480	487,682
Awards	152,459	156,475
Research	<u>15,274</u>	<u>-</u>
Releases from restrictions	<u>\$ 672,213</u>	<u>644,157</u>

NOTE I – ROYALTY AGREEMENTS

The Association has a major license agreement that expires on December 31, 2021, 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, 2018 and 2017.

NOTE J – 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 \$131,164 and \$145,721 for the years ended May 31, 2018 and 2017, respectively. Employees may contribute to the 401(k) plan up to the maximum allowed by law.

AMERICAN ACCOUNTING ASSOCIATION
NOTES TO FINANCIAL STATEMENTS

NOTE K – 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 permanently restricted net assets: (a) the original value of the gift donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent 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 permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Association in a manner consistent with the standard of prudence prescribed by FUPMIFA. 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.

AMERICAN ACCOUNTING ASSOCIATION
NOTES TO FINANCIAL STATEMENTS

NOTE K – ENDOWMENT (CONTINUED)

The endowment net asset composition is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total at May 31, 2018
Donor-restricted endowment funds	\$ -	-	100,000	100,000
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total at May 31, 2017
Donor-restricted endowment funds	\$ -	-	100,000	100,000

During the year ended May 31, 2018, there were no changes to the endowment since the initial contribution was received.

NOTE L – ACQUISITION

On February 28, 2018, the Association acquired the Academy for Accounting Historians (“Academy”), an international organization of accounting academics focused on the history of accounting. As a result of the acquisition, the Academy is now organized as a new section of the Association, subject to all of the policies and procedures in place to support them, including having the *Accounting Historian’s Journal* published by the Association. With this new section, the Association will be able to better promote worldwide excellence in accounting education, research and practice. As a result of the acquisition, the Association acquired cash and certificates of deposit in the amount of \$486,485, which increased temporarily restricted net assets with the requirement that these funds be used to support the section’s activities.

NOTE M – RECENTLY ISSUED ACCOUNTING STANDARDS

In August 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update 2016-14 (ASU 2016-14), Presentation of Financial Statements of Not-for-Profit Entities. The amendments in this update require changes to the way not-for-profit entities present their financial statements.

ASU 2016-14 is effective for annual financial statements issued for fiscal years beginning after December 15, 2017. Management does not believe the effects of adopting ASU 2016-14 will be significant to the Association.

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. Management is currently evaluating the effects of ASU 2014-09.

SUPPLEMENTAL INFORMATION

AMERICAN ACCOUNTING ASSOCIATION
SUPPORTING SCHEDULE OF THE
STATEMENTS OF FINANCIAL POSITION

	May 31, 2018				May 31, 2017
	General Fund	Section Funds	Region Funds	Total All Funds	Total All Funds
ASSETS					
Cash and cash equivalents	\$ 2,062,379	1,371,590	178,302	3,612,271	3,447,230
Certificates of deposit	1,454,391	583,000	-	2,037,391	1,553,883
Accounts receivable	810,367	-	-	810,367	771,335
Pledges receivable, net	2,269,553	-	-	2,269,553	1,756,225
Publications inventory	2,465	-	-	2,465	2,556
Prepays and other assets	235,517	-	-	235,517	406,595
Property and equipment, net	2,702,214	-	-	2,702,214	2,841,545
TOTAL ASSETS	\$ 9,536,886	1,954,590	178,302	11,669,778	10,779,369
Accounts payable and accrued expenses	\$ 324,020	-	-	324,020	628,965
Deferred revenue	2,192,530	225,253	-	2,417,783	2,240,939
Debt	1,496,891	-	-	1,496,891	1,555,834
Total liabilities	4,013,441	225,253	-	4,238,694	4,425,738
Net assets					
Unrestricted	3,476,392	885,008	178,302	4,539,702	4,465,944
Temporarily restricted	2,047,053	744,329	-	2,791,382	1,787,687
Permanently restricted	-	100,000	-	100,000	100,000
Total net assets	5,523,445	1,729,337	178,302	7,431,084	6,353,631
TOTAL LIABILITIES AND NET ASSETS	\$ 9,536,886	1,954,590	178,302	11,669,778	10,779,369

See independent auditor's report on supplementary information.

AMERICAN ACCOUNTING ASSOCIATION
SUPPORTING SCHEDULE OF THE
STATEMENTS OF ACTIVITIES

	Year Ended May 31, 2018			Year Ended May 31, 2017	
	General Fund	Section Funds	Region Funds	Total All Funds	Total All Funds
Support and revenue					
Membership dues	\$ 1,389,342	276,715	-	1,666,057	1,592,072
FASB codification	211,500	-	-	211,500	210,379
Subscriptions	360,965	64,112	-	425,077	442,473
Advertising	297,749	-	-	297,749	272,066
Publications/aggregators	2,886,990	126,984	-	3,013,974	2,827,097
Contributions	1,361,989	745,114	1,108	2,108,211	996,116
Interest and dividend income	22,687	769	-	23,456	9,174
Annual meeting	1,887,872	73,584	-	1,961,456	2,274,117
Gain on sale of property and equipment	-	-	-	-	551,825
Other revenue (primarily from programs and seminars)	765,809	704,445	-	1,470,254	1,477,484
Total support and revenue	<u>9,184,903</u>	<u>1,991,723</u>	<u>1,108</u>	<u>11,177,734</u>	<u>10,652,803</u>
Expenses					
Program services					
Annual meeting	1,916,637	193,600	-	2,110,237	2,787,896
Committees and awards	316,241	23,196	-	339,437	576,624
Conferences and consortia	1,842,496	39,119	-	1,881,615	1,201,493
Membership and subscriptions	552,829	22,974	-	575,803	999,168
Publications	1,196,432	186,235	-	1,382,667	1,763,908
Region support	171,919	7,787	243	179,949	170,820
Section support	495,988	1,201,521	242	1,697,751	1,443,745
Special events	118,812	5,787	-	124,599	17,881
Support services					
Management and general	1,768,728	39,495	-	1,808,223	2,372,066
Total expenses	<u>8,380,082</u>	<u>1,719,714</u>	<u>485</u>	<u>10,100,281</u>	<u>11,333,601</u>
Change in net assets	804,821	272,009	623	1,077,453	(680,798)
Net assets at beginning of year	<u>4,718,624</u>	<u>1,457,328</u>	<u>177,679</u>	<u>6,353,631</u>	<u>7,034,429</u>
Net assets at end of year	<u>\$ 5,523,445</u>	<u>1,729,337</u>	<u>178,302</u>	<u>7,431,084</u>	<u>6,353,631</u>

See independent auditor's report on supplementary information.

AMERICAN ACCOUNTING ASSOCIATION
SUPPORTING SCHEDULE OF THE
STATEMENTS OF CASH FLOWS

	Year Ended May 31, 2018			Year Ended May 31, 2017	
	General Fund	Section Funds	Region Funds	Total All Funds	Total All Funds
Cash flows from operating activities					
Change in net assets	\$ 804,821	272,009	623	1,077,453	(680,798)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities					
Depreciation	150,776	-	-	150,776	117,099
Gain on sale of property and equipment	-	-	-	-	(551,825)
(Increase) decrease in					
Pledges receivable	(513,328)	-	-	(513,328)	57,489
Accounts receivable	(39,032)	-	-	(39,032)	(271,280)
Publications inventory	91	-	-	91	(501)
Prepays and other assets	171,078	-	-	171,078	(77,807)
Increase (decrease) in					
Accounts payable and accrued expenses	(304,945)	-	-	(304,945)	(81,246)
Deferred revenue	160,564	16,280	-	176,844	15,980
Net cash provided by (used in) operating activities	<u>430,025</u>	<u>288,289</u>	<u>623</u>	<u>718,937</u>	<u>(1,472,889)</u>
Cash flows from investing activities					
Purchase of property and equipment	(11,445)	-	-	(11,445)	(688,628)
Proceeds from sale of property and equipment	-	-	-	-	1,203,732
Purchase of certificates of deposit	-	(483,000)	-	(483,000)	(901,863)
Maturities of certificates of deposit	(508)	-	-	(508)	901,134
Net cash provided by used in investing activities	<u>(11,953)</u>	<u>(483,000)</u>	<u>-</u>	<u>(494,953)</u>	<u>514,375</u>
Cash flows from financing activities					
Principal paid on long-term debt	(58,943)	-	-	(58,943)	(56,460)
Net cash used in investing activities	<u>(58,943)</u>	<u>-</u>	<u>-</u>	<u>(58,943)</u>	<u>(56,460)</u>
Net increase (decrease) in cash and cash equivalents	359,129	(194,711)	623	165,041	(1,014,974)
Cash and cash equivalents at beginning of year	<u>1,703,250</u>	<u>1,566,301</u>	<u>177,679</u>	<u>3,447,230</u>	<u>4,462,204</u>
Cash and cash equivalents at end of year	<u>\$ 2,062,379</u>	<u>1,371,590</u>	<u>178,302</u>	<u>3,612,271</u>	<u>3,447,230</u>

See independent auditor's report on supplementary information.