

**AMERICAN ACCOUNTING ASSOCIATION  
LAKEWOOD RANCH, FLORIDA**

**FINANCIAL STATEMENTS**

**May 31, 2019**

**AMERICAN ACCOUNTING ASSOCIATION  
FINANCIAL STATEMENTS  
MAY 31, 2019**

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## INDEPENDENT AUDITOR'S REPORT

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**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, 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 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, 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.

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

Bradenton, Florida  
September 20, 2019

**AMERICAN ACCOUNTING ASSOCIATION  
STATEMENTS OF FINANCIAL POSITION  
MAY 31, 2019 AND 2018**

	2019	2018
<b>ASSETS</b>		
Cash and cash equivalents	\$ 4,345,897	\$ 3,612,271
Certificates of deposit	1,999,476	2,037,391
Accounts receivable	525,212	810,367
Pledges receivable, net	2,025,952	2,269,553
Publications inventory	4,765	2,465
Prepays and other assets	383,952	235,517
Property and equipment, net	2,601,552	2,702,214
<b>TOTAL ASSETS</b>	<b>\$ 11,886,806</b>	<b>\$ 11,669,778</b>
<b>LIABILITIES AND NET ASSETS</b>		
Accounts payable and accrued expenses	\$ 444,957	\$ 324,020
Deferred revenue	2,762,684	2,417,783
Long-term debt	1,435,358	1,496,891
Total liabilities	4,642,999	4,238,694
Net assets		
Without donor restrictions	4,591,497	4,539,702
With donor restrictions		
Time and purpose	2,552,310	2,791,382
Perpetual	100,000	100,000
Total net assets	7,243,807	7,431,084
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 11,886,806</b>	<b>\$ 11,669,778</b>

**See Notes to Financial Statements.**

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

	Without Donor Restrictions	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	<u>10,617,274</u>	<u>(239,072)</u>	<u>-</u>	<u>10,378,202</u>
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	<u>8,731,431</u>	<u>-</u>	<u>-</u>	<u>8,731,431</u>
Support services				
Management and general	1,834,048	-	-	1,834,048
Total expenses	<u>10,565,479</u>	<u>-</u>	<u>-</u>	<u>10,565,479</u>
Change in net assets	51,795	(239,072)	-	(187,277)
Net assets at beginning of year	<u>4,539,702</u>	<u>2,791,382</u>	<u>100,000</u>	<u>7,431,084</u>
Net assets at end of year	<u>\$ 4,591,497</u>	<u>\$ 2,552,310</u>	<u>\$ 100,000</u>	<u>\$ 7,243,807</u>

**See Notes to Financial Statements.**

**AMERICAN ACCOUNTING ASSOCIATION  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED MAY 31, 2018**

	Without donor Unrestricted	With Donor Restrictions		Total
		Time and Purpose	Perpetual	
<b>Support and revenue</b>				
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	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	672,213	(672,213)	-	-
<b>Total support and revenue</b>	<b>10,174,039</b>	<b>1,003,695</b>	<b>-</b>	<b>11,177,734</b>
<b>Expenses</b>				
<b>Program services</b>				
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 programs	124,599	-	-	124,599
<b>Total program services</b>	<b>8,292,058</b>	<b>-</b>	<b>-</b>	<b>8,292,058</b>
<b>Support services</b>				
Management and general	1,808,223	-	-	1,808,223
<b>Total expenses</b>	<b>10,100,281</b>	<b>-</b>	<b>-</b>	<b>10,100,281</b>
<b>Change in net assets</b>	<b>73,758</b>	<b>1,003,695</b>	<b>-</b>	<b>1,077,453</b>
<b>Net assets at beginning of year</b>	<b>4,465,944</b>	<b>1,787,687</b>	<b>100,000</b>	<b>6,353,631</b>
<b>Net assets at end of year</b>	<b>\$ 4,539,702</b>	<b>\$ 2,791,382</b>	<b>\$ 100,000</b>	<b>\$ 7,431,084</b>

**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			Region Support	Section Support	Special Programs	Total Program Services		Management and General
				Awards	Conferences and Consortia	Subscriptions						
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	9,816	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 FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED MAY 31, 2018**

	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	\$ 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	330,574	124,923	683,427	401,362	381,650	136,045	352,704	98,338	2,509,023	614,100	3,123,123
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	2,100,185	336,086	1,871,563	565,751	1,362,564	178,972	1,695,378	124,599	8,235,098	1,714,407	9,949,505
Depreciation	10,052	3,351	10,052	10,052	20,103	977	2,373	-	56,960	93,816	150,776
Total expenses	\$ 2,110,237	\$ 339,437	\$ 1,881,615	\$ 575,803	\$ 1,382,667	\$ 179,949	\$ 1,697,751	\$ 124,599	\$ 8,292,058	\$ 1,808,223	\$ 10,100,281

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	
<b>Cash flows from operating activities</b>				
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 (decrease) 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>
<b>Cash flows from investing activities</b>				
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 used by investing activities	<u>(58,119)</u>	<u>40,000</u>	<u>-</u>	<u>(18,119)</u>
<b>Cash flows from financing activities</b>				
Principal paid on long-term debt	(61,533)	-	-	(61,533)
Net cash used by 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>
<b>Supplemental disclosure of cash flow information</b>				
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  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED MAY 31, 2018**

	Without Donor Restrictions	With Donor Restrictions		Total
		Time and Purpose	Perpetual	
<b>Cash flows from operating activities</b>				
Change in net assets	\$ 73,758	\$ 1,003,695	\$ -	\$ 1,077,453
Adjustments to reconcile change in net assets to net cash used in 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 used in operating activities	<u>228,570</u>	<u>490,367</u>	<u>-</u>	<u>718,937</u>
<b>Cash flows from investing activities</b>				
Purchase of property and equipment	(11,445)	-	-	(11,445)
Purchase of certificates of deposit	-	(483,000)	-	(483,000)
Maturities of certificates of deposit	<u>(508)</u>	<u>-</u>	<u>-</u>	<u>(508)</u>
Net cash provided by investing activities	<u>(11,953)</u>	<u>(483,000)</u>	<u>-</u>	<u>(494,953)</u>
<b>Cash flows from financing activities</b>				
Principal paid on long-term debt	<u>(58,943)</u>	<u>-</u>	<u>-</u>	<u>(58,943)</u>
Net cash used by investing activities	<u>(58,943)</u>	<u>-</u>	<u>-</u>	<u>(58,943)</u>
Net decrease 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>
<b>Supplemental disclosure of cash flow information</b>				
Cash paid for interest				<u>\$ 65,895</u>
Cash paid for income taxes				<u>\$ 6,320</u>

**See Notes to Financial Statements.**

# AMERICAN ACCOUNTING ASSOCIATION

## NOTES TO FINANCIAL STATEMENTS

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### **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, 2019 and 2018, 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, 2019 and 2018, 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**

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**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**

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**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, 2019 and 2018.

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 and have adjusted the presentation in these financial statements accordingly.

**Subsequent Events:**

The Association evaluated its May 31, 2019, financial statements for all subsequent events through September 20, 2019, the date the financial statements were issued.

**AMERICAN ACCOUNTING ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS**

**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, 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	
Cash and equivalents	\$ 4,345,897
Certificates of deposit	1,999,476
Accounts receivable	525,212
Pledges receivable	2,025,952
Less net assets with donor restrictions	<u>(2,652,310)</u>
Financial assets available to meet operating expenditures	<u>\$ 6,244,227</u>

**NOTE 3. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents by managed fund groups consist of the following at May 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
General operations	\$ 2,477,035	\$ 2,062,379
Sections	1,694,615	1,371,590
Regions	<u>174,247</u>	<u>178,302</u>
Total cash and cash equivalents	<u>\$ 4,345,897</u>	<u>\$ 3,612,271</u>

The amount in excess of FDIC coverage was approximately \$116,061 and \$169,720 as of May 31, 2019 and 2018, respectively.

**AMERICAN ACCOUNTING ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 4. CERTIFICATES OF DEPOSIT**

As of May 31, 2019 and 2018, 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.

**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 0.12%, which is due to be collected as follows at May 31, 2019 and 2018:

	2019	2018
Pledges receivable, less than 1 year	\$ 703,374	\$ 291,638
Pledges receivable, greater than one year	1,325,500	1,979,000
Discount on pledges receivable	(2,922)	(1,085)
 Pledges receivable, net	 \$ 2,025,952	 \$ 2,269,553

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

**NOTE 6. PROPERTY AND EQUIPMENT**

Property and equipment consists of the following at May 31, 2019 and 2018:

	2019	2018
Land	\$ 376,934	\$ 376,934
Building and improvements	2,437,309	2,393,856
Furniture and equipment	119,160	118,530
Computers and software	627,313	1,123,055
	3,560,716	4,012,375
Less accumulated depreciation	(959,164)	(1,310,161)
 Total property and equipment	 \$ 2,601,552	 \$ 2,702,214

Depreciation expense was \$152,220 and \$150,776 for the years ended May 31, 2019 and 2018, respectively.

**AMERICAN ACCOUNTING ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 7. 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 with a balloon payment of the remaining principal in February 2025. 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, 2019.

Future maturities of long-term debt based on the amount outstanding as of May 31, 2019, are as follows:

2020	\$	64,068
2021		67,049
2022		69,996
2023		73,072
2024		76,152
Thereafter		1,085,021
	\$	<u>1,435,358</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, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Seminars and education	\$ 1,445,880	\$ 1,573,543
Awards	<u>1,106,430</u>	<u>1,217,839</u>
Net assets with donor restrictions	<u>\$ 2,552,310</u>	<u>\$ 2,791,382</u>

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. Net assets with donor restrictions – time and purpose at May 31, 2018, consisted of \$2,269,553 in pledges receivable, \$483,000 in certificates of deposit, and \$38,829 in cash.



**AMERICAN ACCOUNTING ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 8. NET ASSETS WITH DONOR RESTRICTIONS TIME AND PURPOSE  
(CONTINUED)**

Releases from restriction consisted of the following for the year ended May 31, 2019 and 2018:

	2019	2018
Seminars and education	\$ 569,969	\$ 504,480
Awards	148,695	152,459
Research	-	15,274
Releases from restrictions	\$ 718,664	\$ 672,213

**NOTE 9. 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, 2019 and 2018.

**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 \$155,026 and \$131,164 for the years ended May 31, 2019 and 2018, 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:

	<b>Net assets without Donor restrictions</b>	<b>Net assets with Donor restrictions time or purpose</b>	<b>Net assets with Donor restrictions perpetual</b>	<b>Total at May 31, 2019</b>
<b>Donor-restricted endowment funds</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 100,000</b>	<b>\$ 100,000</b>
	Net assets without Donor restrictions	Net assets with Donor restrictions time or purpose	Net assets with Donor restrictions perpetual	Total at May 31, 2018
Donor-restricted endowment funds	\$ -	\$ -	\$ 100,000	\$ 100,000

During the year ended May 31, 2019, there were no changes to the endowment since the initial contribution was received.

**AMERICAN ACCOUNTING ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS**

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**NOTE 12. 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 net assets with donor restrictions – time and purpose with the requirement that these funds be used to support the section’s activities.

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