

**INTERNATIONAL ASSOCIATION
OF ASSESSING OFFICERS AND SUBSIDIARY**

**INDEPENDENT AUDITORS' REPORT AND
CONSOLIDATED FINANCIAL STATEMENTS**

DECEMBER 31, 2018

**INTERNATIONAL ASSOCIATION OF ASSESSING OFFICERS
AND SUBSIDIARY**

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EMERICK & COMPANY, P.C.

David Emerick
Rick Hann

CERTIFIED PUBLIC ACCOUNTANTS, AUDITING & TAX PROFESSIONALS

INDEPENDENT AUDITORS' REPORT

Executive Board
International Association of Assessing Officers
Kansas City, Missouri

We have audited the accompanying consolidated financial statements of International Association of Assessing Officers and Subsidiary (the Association), which comprise the consolidated statement of financial position as of December 31, 2018, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit 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 consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of International Association of Assessing Officers and Subsidiary as of December 31, 2018, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Association's 2017 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated April 12, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Emerich + Company, P.C.

March 22, 2019
Kansas City, Missouri

INTERNATIONAL ASSOCIATION OF ASSESSING OFFICERS AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS FOR 2017)

	2018				2017	
	IAAO	LLC	Subtotal	Eliminations	Total	
ASSETS						
Cash and cash equivalents	\$ 848,700	\$ 2,036	\$ 850,736	\$ -	\$ 850,736	\$ 778,838
Accounts receivable, net of allowance; 2018 and 2017- \$2,600	154,534	-	154,534	-	154,534	267,995
Inventories, net of reserve for obsolescence; 2018 - \$23,181 and 2017 - \$23,342	27,698	-	27,698	-	27,698	35,164
Prepaid expenses	643,709	-	643,709	-	643,709	600,599
Advances to subsidiary	308,527	-	308,527	(308,527)	-	-
Investments	4,248,335	-	4,248,335	-	4,248,335	4,345,583
Property and equipment, net of accumulated depreciation	1,195,416	-	1,195,416	-	1,195,416	1,271,699
Total assets	<u>\$ 7,426,919</u>	<u>\$ 2,036</u>	<u>\$ 7,428,955</u>	<u>\$ (308,527)</u>	<u>\$ 7,120,428</u>	<u>\$ 7,299,878</u>
LIABILITIES AND NET ASSETS						
Liabilities						
Accounts payable and accrued expenses	\$ 282,973	\$ -	\$ 282,973	\$ -	\$ 282,973	\$ 243,477
Deferred revenue	1,104,383	-	1,104,383	-	1,104,383	1,014,511
Accrued income tax	-	-	-	-	-	28,425
Advances from parent	-	308,527	308,527	(308,527)	-	-
Total liabilities	<u>1,387,356</u>	<u>308,527</u>	<u>1,695,883</u>	<u>(308,527)</u>	<u>1,387,356</u>	<u>1,286,413</u>
Net Assets						
Without donor restrictions						
Board designated	4,823,882	-	4,823,882	-	4,823,882	4,862,834
Undesignated	922,202	-	922,202	-	922,202	1,166,730
LLC's Member Equity	-	(306,491)	(306,491)	-	(306,491)	(299,197)
Total net assets without donor restrictions	<u>5,746,084</u>	<u>(306,491)</u>	<u>5,439,593</u>	<u>-</u>	<u>5,439,593</u>	<u>5,730,367</u>
With donor restrictions	293,479	-	293,479	-	293,479	283,098
Total net assets	<u>6,039,563</u>	<u>(306,491)</u>	<u>5,733,072</u>	<u>-</u>	<u>5,733,072</u>	<u>6,013,465</u>
Total liabilities and net assets	<u>\$ 7,426,919</u>	<u>\$ 2,036</u>	<u>\$ 7,428,955</u>	<u>\$ (308,527)</u>	<u>\$ 7,120,428</u>	<u>\$ 7,299,878</u>

See Notes to Financial Statements

INTERNATIONAL ASSOCIATION OF ASSESSING OFFICERS AND SUBSIDIARY
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS FOR 2017)

	2018				2017	
	IAAO	LLC	Subtotal	Eliminations	Total	
NET ASSETS WITHOUT DONOR RESTRICTIONS						
Revenues						
Membership dues and fees	\$ 1,484,601	\$ -	\$ 1,484,601	\$ -	\$ 1,484,601	\$ 1,294,354
Annual conference	1,086,859	-	1,086,859	-	1,086,859	1,077,514
Publications and marketing	265,085	-	265,085	-	265,085	250,338
Research and information	46,693	154,000	200,693	-	200,693	270,660
Education and professionalism	2,271,834	-	2,271,834	-	2,271,834	2,150,936
Contributions	9,225	-	9,225	-	9,225	8,800
Contribution from parent	-	150,000	150,000	(150,000)	-	-
Interest and dividend income	90,237	-	90,237	-	90,237	69,853
Net realized and unrealized (losses) gains on investments	(188,842)	-	(188,842)	-	(188,842)	313,434
Other	10,811	-	10,811	-	10,811	3,403
Net assets released from restrictions	4,170	-	4,170	-	4,170	10,279
Total revenues	5,080,673	304,000	5,384,673	(150,000)	5,234,673	5,449,571
Expenses						
Program services						
Annual conference	914,713	-	914,713	-	914,713	1,311,753
Publications and marketing	522,100	-	522,100	-	522,100	593,011
Research and information	553,971	168,668	722,639	(150,000)	572,639	681,284
Education and professionalism	1,440,451	-	1,440,451	-	1,440,451	1,422,814
Membership services	788,812	-	788,812	-	788,812	975,361
Total program services	4,220,047	168,668	4,388,715	(150,000)	4,238,715	4,984,223
Management and general	1,144,106	142,626	1,286,732	-	1,286,732	1,220,056
Total expenses	5,364,153	311,294	5,675,447	(150,000)	5,525,447	6,204,279
Change in Net Assets Without Donor Restrictions	(283,480)	(7,294)	(290,774)	-	(290,774)	(754,708)
NET ASSETS WITH DONOR RESTRICTIONS						
Contributions	12,984	-	12,984	-	12,984	8,190
Interest and dividend income	1,567	-	1,567	-	1,567	1,509
Net assets released from restrictions	(4,170)	-	(4,170)	-	(4,170)	(10,279)
Change in Net Assets with Donor Restrictions	10,381	-	10,381	-	10,381	(580)
Change in Net Assets	(273,099)	(7,294)	(280,393)	-	(280,393)	(755,288)
Net Assets, Beginning of Year	6,312,662	(299,197)	6,013,465	-	6,013,465	6,768,753
Net Assets, End of Year	\$ 6,039,563	\$ (306,491)	\$ 5,733,072	\$ -	\$ 5,733,072	\$ 6,013,465

See Notes to Financial Statements

INTERNATIONAL ASSOCIATION OF ASSESSING OFFICERS AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS FOR 2017)

IAAO

	Program Services					Total Program Services	Management and General	Total IAAO
	Annual Conference	Publications and Marketing	Research and Information	Education and Professionalism	Membership Services			
Salaries and wages	\$ 149,484	\$ 241,564	\$ 182,847	\$ 443,999	\$ 218,682	\$ 1,236,576	\$ 464,793	\$ 1,701,369
Payroll taxes	11,638	18,391	13,926	34,199	16,553	94,707	32,237	126,944
Employee benefits	50,670	57,804	32,625	109,844	60,305	311,248	108,993	420,241
Grants and assistance to individuals	1,290	-	-	42,540	-	43,830	-	43,830
Advertising and promotion	2,037	17,717	173	619	11,587	32,133	-	32,133
Occupancy	8,648	8,639	8,639	9,429	8,639	43,994	15,804	59,798
Office expenses	46,863	119,975	16,470	281,576	40,010	504,894	99,997	604,891
Legal fees	-	-	-	-	-	-	24,287	24,287
Accounting fees	-	-	-	-	-	-	17,714	17,714
Consulting expense	-	8,926	7,500	250,525	-	266,951	17,666	284,617
Outside services	31,433	25,717	21,170	80,003	21,423	179,746	67,982	247,728
Conferences, conventions and meetings	529,522	-	39,522	49,373	180,246	798,663	13,031	811,694
Staff development	-	-	-	-	-	-	30,267	30,267
Travel	46,237	-	36,712	44,690	219,007	346,646	25,471	372,117
Honoraria	-	-	-	66,150	-	66,150	-	66,150
Insurance	-	-	-	-	-	-	20,857	20,857
Professional library	-	-	37,926	-	-	37,926	-	37,926
Data processing	23,857	13,032	-	25,266	-	62,155	26,238	88,393
Awards and gifts	5,305	-	4,194	1,284	4,366	15,149	2,528	17,677
Other operating expense	7,729	10,335	2,267	954	7,994	29,279	940	30,219
Depreciation	-	-	-	-	-	-	148,350	148,350
Unrelated business tax	-	-	-	-	-	-	26,951	26,951
Contribution to subsidiary	-	-	150,000	-	-	150,000	-	150,000
TOTAL EXPENSES	\$ 914,713	\$ 522,100	\$ 553,971	\$ 1,440,451	\$ 788,812	\$ 4,220,047	\$ 1,144,106	\$ 5,364,153

See Notes to Financial Statements

INTERNATIONAL ASSOCIATION OF ASSESSING OFFICERS AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS FOR 2017)

	LLC			IAAO and LLC Subtotal	Eliminations	Total 2018	(Unaudited) Comparative Totals for 2017
	Research and Information	Management and General	Total LLC				
Salaries and wages	\$ -	\$ 114,041	\$ 114,041	\$ 1,815,410	\$ -	\$ 1,815,410	\$ 1,837,607
Payroll taxes	-	8,425	8,425	135,369	-	135,369	143,278
Employee benefits	-	20,160	20,160	440,401	-	440,401	451,582
Grants and assistance to individuals	-	-	-	43,830	-	43,830	43,990
Advertising and promotion	3,752	-	3,752	35,885	-	35,885	63,989
Occupancy	-	-	-	59,798	-	59,798	48,944
Office expenses	2,483	-	2,483	607,374	-	607,374	670,253
Legal fees	-	-	-	24,287	-	24,287	23,448
Accounting fees	-	-	-	17,714	-	17,714	13,660
Consulting expense	123,219	-	123,219	407,836	-	407,836	399,724
Outside services	24,608	-	24,608	272,336	-	272,336	361,380
Conferences, conventions and meetings	1,040	-	1,040	812,734	-	812,734	1,199,727
Staff development	-	-	-	30,267	-	30,267	40,068
Travel	12,187	-	12,187	384,304	-	384,304	459,187
Honoraria	-	-	-	66,150	-	66,150	49,831
Insurance	-	-	-	20,857	-	20,857	24,822
Professional library	-	-	-	37,926	-	37,926	27,421
Data processing	-	-	-	88,393	-	88,393	59,873
Awards and gifts	-	-	-	17,677	-	17,677	31,475
Other operating expense	1,379	-	1,379	31,598	-	31,598	30,919
Depreciation	-	-	-	148,350	-	148,350	172,109
Unrelated business tax	-	-	-	26,951	-	26,951	50,992
Contribution to subsidiary	-	-	-	150,000	(150,000)	-	-
TOTAL EXPENSES	\$ 168,668	\$ 142,626	\$ 311,294	\$ 5,675,447	\$ (150,000)	\$ 5,525,447	\$ 6,204,279

See Notes to Financial Statements

INTERNATIONAL ASSOCIATION OF ASSESSING OFFICERS AND SUBSIDIARY
CONSOLIDATED STATEMENT OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2018 AND 2017
(WITH COMPARATIVE TOTALS FOR 2017)

	2018				2017	
	IAAO	LLC	Subtotal	Eliminations	Total	
Operating Activities						
Change in net assets	\$ (273,099)	\$ (7,294)	\$ (280,393)	\$ -	\$ (280,393)	\$ (755,288)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:						
Depreciation	148,350	-	148,350	-	148,350	172,109
Realized and unrealized losses (gains) on investments	188,842	-	188,842	-	188,842	(313,434)
Dividends reinvested	(74,356)	-	(74,356)	-	(74,356)	(54,213)
Changes in:						
Accounts receivable	98,161	15,300	113,461	-	113,461	62,519
Inventories	7,466	-	7,466	-	7,466	5,701
Prepaid expenses	(43,110)	-	(43,110)	-	(43,110)	(75,680)
Advances due from subsidiary	49,705	-	49,705	(49,705)	-	-
Accounts payable and accrued expenses	17,321	(6,250)	11,071	-	11,071	(33,179)
Advances due to parent	-	(49,705)	(49,705)	49,705	-	-
Deferred revenue	89,872	-	89,872	-	89,872	83,339
Net cash provided (used) by operating activities	<u>209,152</u>	<u>(47,949)</u>	<u>161,203</u>	<u>-</u>	<u>161,203</u>	<u>(908,126)</u>
Investing Activities						
Purchase of property and equipment	(72,067)	-	(72,067)	-	(72,067)	(201,805)
Net purchase of investments	<u>(17,238)</u>	<u>-</u>	<u>(17,238)</u>	<u>-</u>	<u>(17,238)</u>	<u>544,832</u>
Net cash (used) provided by investing activities	<u>(89,305)</u>	<u>-</u>	<u>(89,305)</u>	<u>-</u>	<u>(89,305)</u>	<u>343,027</u>
Increase (decrease) in Cash and Cash Equivalents	119,847	(47,949)	71,898	-	71,898	(565,099)
Cash and Cash Equivalents, Beginning of Year	<u>728,853</u>	<u>49,985</u>	<u>778,838</u>	<u>-</u>	<u>778,838</u>	<u>1,343,937</u>
Cash and Cash Equivalents, End of Year	<u>\$ 848,700</u>	<u>\$ 2,036</u>	<u>\$ 850,736</u>	<u>\$ -</u>	<u>\$ 850,736</u>	<u>\$ 778,838</u>

See Notes to Financial Statements

**INTERNATIONAL ASSOCIATION OF ASSESSING OFFICERS AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS FOR 2017)**

NOTE 1: NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

International Association of Assessing Officers (the Association or IAAO) is a not-for-profit organization of approximately 8,100 members whose mission and principal activities are to provide leadership in accurate property valuation, property tax administration and property tax policy. The major services provided by the Association to members include conducting an annual meeting, conducting professional development workshops and seminars, performing research, technical assistance consulting and publishing a journal, a magazine and several electronic newsletters, as well as various textbooks and reference books in the area of ad valorem taxation. The Association's revenues and other support are derived principally from the sale of education course materials, as well as membership fees, meeting/seminar registration fees, and the sale of publications and advertising revenue. The Association's services are provided to members and others throughout the world, but principally within the United States and Canada.

Principles of Consolidation

The consolidated financial statements include the accounts of the Association and its wholly owned subsidiary, Professional Consulting Services of IAAO, LLC (the LLC). All significant intercompany accounts and transactions have been eliminated upon consolidation. The LLC is a single member limited liability company (SMLLC), with the Association being the sole member of the LLC. Per IRS Announcement 99-102, the SMLLCs are disregarded as entities separate from their owner and take on the tax-exempt status of their owner. For tax purposes, the LLC is treated as a branch or division of the Association.

Comparative Financial Information

The accompanying financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America (GAAP). Accordingly, such information should be read in conjunction with our audited financial statements for the year ended December 31, 2017, from which the summarized information was derived.

Basis of Presentation

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with GAAP.

Revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets are classified and reported as follows:

Net assets without donor restrictions - Net assets that are not subject to any donor-imposed restrictions. The governing board has designated, from net assets without donor restrictions, net assets for \$4,823,882 (see Note 6).

Net assets with donor restrictions - Net assets subject to donor-imposed restrictions. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Association or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

INTERNATIONAL ASSOCIATION OF ASSESSING OFFICERS AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS FOR 2017)

NOTE 1: NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, gains, losses and other changes in net assets during the reported period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Association considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2018 and 2017, cash equivalents consist primarily of money market accounts. The Association's cash deposits exceeded the Federal Deposit Insurance Corporation limits at various times during the years ended December 31, 2018 and 2017.

Investments and Investment Return

Investments in equity securities having a readily determinable fair value and in all debt securities are carried at fair value. Investment return includes dividends, interest, and realized and unrealized gains and losses on investments. Investment return is reflected in the statement of activities as net assets with or without donor restrictions, based upon the existence and nature of any donor imposed restrictions.

Investment securities are exposed to various risks, such as interest rate, market, and credit risk. Due to the risks associated with investment securities and the uncertainty related to changes in the fair value of investment securities, it is at least reasonably possible that changes in fair value could materially affect the net assets of the Association.

Accounts Receivable

Accounts receivable are stated at the amounts billed to customers, plus any late charges. All accounts receivable are contractually due within one year. The Association provides an allowance for doubtful accounts, which is based upon a review of outstanding receivables, historical collection information and existing economic conditions. Accounts that are unpaid after the due date are charged a 1.5% late fee. Delinquent accounts are not turned over to collection agencies; however, they are identified to prevent any additional sales. The delinquency of accounts is based upon past due status in accordance with payment terms. Delinquent receivables are written off based on individual credit evaluation and specific circumstances of the customer.

Prepaid Expenses

It is the Association's policy to capitalize curriculum costs associated with the writing of course materials as well as the costs associated with developing a body of knowledge for the industry. These costs are amortized over three to five years.

Property and Equipment

Property and equipment are capitalized at cost and are depreciated on a straight-line basis over the estimated useful life of each asset. A full year of depreciation expense is taken in the year in which the asset is acquired. Additions with a cost less than \$500 are charged to expense when incurred.

**INTERNATIONAL ASSOCIATION OF ASSESSING OFFICERS AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS FOR 2017)**

**NOTE 1: NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)**

Contributed Services

A significant amount of donated services is contributed to the Association by various members to support the Association's program services. These volunteer activities include participating on the Executive Board and numerous other committees. The value of these services has not been included in the financial statements as they do not meet the criteria for recognition in the financial statements.

Inventory Pricing

Inventories primarily consist of finished course materials and publications. Inventories are stated at the lower of cost or net realizable value on a first-in, first-out basis. Inventory is shown net of a reserve for obsolete or slow moving items of \$23,181 and \$23,342 in 2018 and 2017, respectively.

Deferred Revenue

Revenue from fees for annual membership dues is deferred and recognized over the periods to which the fees relate. Annual membership dues are on a calendar year basis. Other deferred revenue consists of designation fees and advance payments received for advertising applicable to a future year.

Income Taxes

The Association is exempt from income taxes under Section 501 of the Internal Revenue Code (IRC) and a similar provision of state law. However, the Association is subject to federal income tax on any unrelated business taxable income. Total unrelated business income tax expense was \$26,951 for the year ended December 31, 2018. For the year ended December 31, 2017, unrelated business income tax expense was \$50,992, which included 2016 taxes paid in 2017 of \$22,567, and accrued income tax expense of \$28,425 at December 31, 2017.

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statement of activities. Costs that can be directly attributed to a specific program or supporting service are charged to that program or supporting function. Expenses that relate to more than one program or supporting service require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and wages, payroll taxes, and employee benefits, which are allocated on the basis of estimates of time and effort, as well as occupancy and office expenses, which are allocated evenly between departments.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation.

**INTERNATIONAL ASSOCIATION OF ASSESSING OFFICERS AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS FOR 2017)**

**NOTE 1: NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)**

Change 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 assets 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. IAAO has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

Subsequent Events

Subsequent events have been evaluated through March 22, 2019 which is the date the financial statements were available to be issued.

NOTE 2: AVAILABILITY AND LIQUIDITY

The International Association of Assessing Officers strives to maintain liquid financial assets sufficient to cover operating expenditures. The following table reflects the Association’s financial assets as of December 31, 2018, reduced by amounts that are not available to meet general expenditures because of contractual restrictions or internal board designations. Amounts not available include a board-designated special projects fund that is intended to fund curriculum or course revisions. Another board designated fund is designated for major repairs to the building such as a new roof. In the event the need arises to utilize the board-designated funds for liquidity purposes, the reserves could be drawn upon through a board resolution.

Financial assets at year end:		<u>2018</u>
Cash and cash equivalents	\$	850,736
Accounts receivable		154,534
Investments		<u>4,248,335</u>
Total financial assets		<u>5,253,605</u>
Less amounts not available to be used within one year:		
Net assets with donor restrictions		293,479
Board designated net assets (see Note 6)		<u>4,823,882</u>
		<u>5,117,361</u>
Financial assets available to meet general expenditures over the next twelve months		<u>\$ 136,244</u>

**INTERNATIONAL ASSOCIATION OF ASSESSING OFFICERS AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS FOR 2017)**

NOTE 3: INVESTMENTS

Investments at December 31 consisted of the following:

	<u>2018</u>	<u>2017</u>
Fixed income mutual funds	\$ 1,420,394	\$ 1,428,793
Equity mutual funds	1,965,233	2,142,338
Money market mutual funds	555,653	470,334
Equity securities	14,900	14,900
Growth stock fund	83,064	81,481
Certificates of deposit	<u>209,091</u>	<u>207,737</u>
	<u>\$ 4,248,335</u>	<u>\$ 4,345,583</u>

NOTE 4: PROPERTY AND EQUIPMENT

Property and equipment at December 31 consisted of the following:

	<u>2018</u>	<u>2017</u>
Land	\$ 276,400	\$ 276,400
Building	1,634,875	1,631,396
Furniture, fixtures and equipment	<u>1,532,642</u>	<u>1,463,810</u>
	3,443,917	3,371,606
Less: accumulated depreciation	<u>2,248,501</u>	<u>2,099,907</u>
	<u>\$1,195,416</u>	<u>\$1,271,699</u>

NOTE 5: PREPAID EXPENSES AND BODY OF KNOWLEDGE

In 2016, the Association began developing a body of knowledge, which is a complete set of concepts, terms and activities that makes up the professional domain. The body of knowledge is a resource that will form the basis of education and professional designation in the future.

Prepaid curriculum and education costs are amortized over three years and body of knowledge costs are amortized over five years.

Prepaid expenses include the following at December 31:

	<u>2018</u>	<u>2017</u>
Curriculum and education costs	\$ 284,772	\$ 221,937
Body of knowledge	166,088	201,518
Annual conference	83,388	52,565
Insurance	27,833	21,807
Other prepaid expenses	<u>81,628</u>	<u>102,772</u>
	<u>\$ 643,709</u>	<u>\$ 600,599</u>

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NOTE 6: NET ASSETS

Net assets with donor restrictions were as follows for the years ended December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Award educational grants	\$ 215,256	\$ 216,822
Support library functions	62,825	51,914
Support annual conference	11,344	12,612
Support past president functions	<u>4,054</u>	<u>1,750</u>
	<u>\$ 293,479</u>	<u>\$ 283,098</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

	<u>2018</u>	<u>2017</u>
Award educational grants	\$ 2,880	\$ 5,863
Support annual conference	1,290	1,916
Support library functions	-	1,000
Support past president functions	<u>-</u>	<u>1,500</u>
	<u>\$ 4,170</u>	<u>\$ 10,279</u>

Board designated net assets were as follows for the years ended December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Curriculum development	\$ 773,344	\$ 740,536
Building renovations	109,258	109,258
Savings for unforeseen circumstances	<u>3,941,280</u>	<u>4,013,040</u>
	<u>\$ 4,823,882</u>	<u>\$ 4,862,834</u>

NOTE 7: OPERATING LEASE

The Association leases office equipment under a noncancellable operating lease that expires in 2020. Rent expense for all leases totaled \$59,591 and \$86,878 for the years ended December 31, 2018 and 2017, respectively. Future minimum lease payments at December 31, 2018 were:

2019	\$ 63,684
2020	<u>34,496</u>
	<u>\$ 98,180</u>

NOTE 8: PENSION PLAN

The Association has a defined contribution pension plan covering substantially all employees. Each eligible employee is permitted to make contributions to the Plan pursuant to Section 403(b) of the Internal Revenue Code. The Plan calls for the Association to make a contribution to each eligible employee's account totaling 5% of his or her compensation, plus a 100% match of the employee's contribution, not exceeding 5% of his or her compensation. Employees vest immediately in their own contributions and are 100% vested in the employer contributions after five years of service. Plan forfeitures are placed in a repurchase fund and are used to reduce future contributions. Retirement plan expense was \$147,473 and \$145,384 for 2018 and 2017, respectively.

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NOTE 9: FAIR VALUE MEASUREMENTS

GAAP defines fair value and establishes a consistent framework for measuring fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. These provisions establish a fair value hierarchy that prioritizes the inputs used to measure fair value. An asset's or liability's classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement. This hierarchy prioritizes the inputs into three broad levels as follows:

- Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities.

- Level 2 Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

- Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Level 1 assets measured at fair value on a recurring basis as of December 31 were as follows:

	<u>2018</u>	<u>2017</u>
Fixed income mutual funds	\$1,420,394	\$1,428,793
Equity mutual funds	1,965,233	2,142,338
Money market mutual funds	555,653	470,334
Growth stock fund	83,064	81,481
Equity securities	<u>14,900</u>	<u>14,900</u>
	<u>\$4,039,244</u>	<u>\$4,137,846</u>

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics or discounted cash flows.

There were no Level 2 or Level 3 assets measured at fair value on a recurring basis during the year or at December 31, 2018 and 2017.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Association believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.