

American Society of Military Comptrollers

Financial Statements
and
Independent Auditors' Report

June 30, 2019 and 2018



Halt Buzas & Powell, LTD

TRUST, INTEGRITY AND A COMMITMENT TO YOUR SUCCESS

Table of Contents

Independent Auditors' Report.....	1 - 2
<i>Audited Financial Statements</i>	
Statements of Financial Position.....	3
Statements of Activities.....	4
Statements of Functional Expenses.....	5 - 6
Statements of Cash Flows.....	7
Notes to the Financial Statements.....	8 - 16



Independent Auditors' Report

To the Board of Directors
American Society of Military Comptrollers
Alexandria, Virginia

We have audited the accompanying financial statements of American Society of Military Comptrollers (the Organization), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' 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 auditors' 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 Organization as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Halt, Buzas & Powell, Ltd.

Alexandria, Virginia
November 27, 2019

American Society of Military Comptrollers
Statements of Financial Position
June 30, 2019 and 2018

	2019	2018
Assets		
Cash	\$ 2,266,645	\$ 2,006,128
Accounts receivable	344,505	127,979
Prepaid expenses	41,261	32,836
Investments	4,034,529	3,954,983
Property and equipment, net	1,723,020	1,750,462
Deposits	4,000	4,000
Total assets	\$ 8,413,960	\$ 7,876,388
 Liabilities and Net Assets		
Accounts payable	\$ 366,079	\$ 460,816
Accrued compensation	163,429	156,857
Deferred revenue	437,256	539,817
Security deposits, tenants	6,460	6,460
Total liabilities	973,224	1,163,950
Net assets:		
Without donor restrictions	7,440,736	6,712,438
Total liabilities and net assets	\$ 8,413,960	\$ 7,876,388

See accompanying notes to the financial statements.

3.

American Society of Military Comptrollers
Statements of Activities
For the Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Revenues:		
PDI income	\$ 2,652,881	\$ 2,639,567
Certification fees	1,071,854	1,172,059
Membership dues	543,839	570,235
Investment income	203,513	4,122
Rental income	84,245	84,245
Royalty income	59,518	64,363
Advertising and subscription income	16,310	19,243
Other income	11,050	6,975
Contribution revenue	<u>-</u>	<u>40</u>
Total revenues	<u>4,643,210</u>	<u>4,560,849</u>
Expenses:		
Program services:		
Professional development institute symposium	1,763,264	1,689,235
Certified defense financial manager program	524,773	411,551
Membership services	408,561	363,029
Other training	190,558	159,544
Armed Forces Comptroller publication	189,282	188,155
Enhanced defense financial management training	<u>145,889</u>	<u>145,638</u>
Total program services	<u>3,222,327</u>	<u>2,957,152</u>
Support services:		
Management and general	565,095	593,046
Facilities	<u>127,490</u>	<u>118,095</u>
Total support services	<u>692,585</u>	<u>711,141</u>
Total expenses	<u>3,914,912</u>	<u>3,668,293</u>
Change in net assets	728,298	892,556
Net assets, beginning of year	<u>6,712,438</u>	<u>5,819,882</u>
Net assets, end of year	<u>\$ 7,440,736</u>	<u>\$ 6,712,438</u>

See accompanying notes to the financial statements.

4.

American Society of Military Comptrollers
Statement of Functional Expenses
For the Year Ended June 30, 2019

	Professional development institute symposium	Certified defense financial manager program	Membership services	Other training	Armed Forces Comptroller publication	Enhanced defense financial management training
Advertising and publicity	\$ -	\$ 2,397	\$ -	\$ -	\$ -	\$ -
Armed Forces Comptroller Journal	-	-	-	-	6,175	-
Bank charges and fees	-	13,008	12,654	7,200	-	3,335
Certification	-	116,090	-	-	-	-
Charitable contributions	16,344	-	-	-	-	-
Conference and meeting expenses	1,510,138	-	282	32,473	-	-
Contract and professional services	-	63,562	52,750	5,429	-	1,497
Depreciation and amortization	-	-	-	-	-	-
Education and training expenses	36,270	9,988	24,027	78,195	-	50,418
Employee professional development	-	4,978	2,408	-	-	3,603
Equipment rental and maintenance	-	-	-	-	-	-
Facility maintenance	-	-	-	-	-	-
Information management	-	-	-	37	-	-
Insurance and taxes	-	-	-	-	-	-
Membership and chapter development	-	-	23,268	-	-	-
Miscellaneous expenses	-	-	8	10	-	-
Office supplies and equipment	-	1,126	-	-	54	-
Payroll taxes and benefits	36,514	51,430	48,096	11,659	19,212	14,299
Postage and delivery	-	991	-	9	13,184	190
Printing and copying	-	18,433	19,452	-	63,546	2,416
Professional services	-	-	-	-	-	-
Salaries	163,998	232,277	213,998	52,794	87,111	66,592
Travel expenses	-	10,493	11,618	2,752	-	3,539
Total expenses	<u>\$ 1,763,264</u>	<u>\$ 524,773</u>	<u>\$ 408,561</u>	<u>\$ 190,558</u>	<u>\$ 189,282</u>	<u>\$ 145,889</u>

See accompanying notes to the financial statements.

5.

American Society of Military Comptrollers
Statement of Functional Expenses
For the Year Ended June 30, 2019

	<u>Total program</u>	<u>Management and general</u>	<u>Facilities</u>	<u>Total support</u>	<u>Total expenses</u>
Advertising and publicity	\$ 2,397	\$ -	\$ -	\$ -	\$ 2,397
Armed Forces Comptroller Journal	6,175	-	-	-	6,175
Bank charges and fees	36,197	205	80	285	36,482
Certification	116,090	-	-	-	116,090
Charitable contributions	16,344	338	-	338	16,682
Conference and meeting expenses	1,542,893	4,140	-	4,140	1,547,033
Contract and professional services	123,238	43,577	-	43,577	166,815
Depreciation and amortization	-	1,365	26,077	27,442	27,442
Education and training expenses	198,898	-	-	-	198,898
Employee professional development	10,989	7,010	-	7,010	17,999
Equipment rental and maintenance	-	1,590	6,923	8,513	8,513
Facility maintenance	-	4,741	38,974	43,715	43,715
Information management	37	117,831	-	117,831	117,868
Insurance and taxes	-	24,022	29,435	53,457	53,457
Membership and chapter development	23,268	1,358	-	1,358	24,626
Miscellaneous expenses	18	3,284	-	3,284	3,302
Office supplies and equipment	1,180	42,370	-	42,370	43,550
Payroll taxes and benefits	181,210	24,322	4,612	28,934	210,144
Postage and delivery	14,374	6,742	-	6,742	21,116
Printing and copying	103,847	3,700	-	3,700	107,547
Professional services	-	167,862	-	167,862	167,862
Salaries	816,770	106,421	21,389	127,810	944,580
Travel expenses	28,402	4,217	-	4,217	32,619
Total expenses	<u>\$ 3,222,327</u>	<u>\$ 565,095</u>	<u>\$ 127,490</u>	<u>\$ 692,585</u>	<u>\$ 3,914,912</u>

See accompanying notes to the financial statements.

6.

American Society of Military Comptrollers
Statements of Cash Flows
For the Years Ended June 30, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Change in net assets	\$ <u>728,298</u>	\$ <u>892,556</u>
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	27,442	27,259
Unrealized (gain) loss on investments	(13,999)	71,531
Realized gain on investment	(72,385)	-
Decrease (increase) in assets:		
Accounts receivable	(216,526)	(58,211)
Prepaid expenses	(8,425)	12,107
Increase (decrease) in liabilities:		
Accounts payable	(94,737)	219,990
Accrued compensation	6,572	22,556
Deferred revenue	<u>(102,561)</u>	<u>(66,019)</u>
Total adjustments	<u>(474,619)</u>	<u>229,213</u>
Net cash provided by operating activities	<u>253,679</u>	<u>1,121,769</u>
Cash flows from investing activities:		
Purchases of investments	(88,548)	(1,490,353)
Proceeds from sales of investments	95,386	1,074,492
Purchases of property and equipment	<u>-</u>	<u>(7,500)</u>
Net cash provided by (used in) investing activities	<u>6,838</u>	<u>(423,361)</u>
Net increase in cash	260,517	698,408
Cash, beginning of year	<u>2,006,128</u>	<u>1,307,720</u>
Cash, end of year	<u>\$ 2,266,645</u>	<u>\$ 2,006,128</u>

See accompanying notes to the financial statements.

7.

American Society of Military Comptrollers
Notes to the Financial Statements
June 30, 2019 and 2018

1. Organization

The American Society of Military Comptrollers (the Organization) was established in 1948 and operates as a nonprofit professional society headquartered in Alexandria, Virginia. The Organization promotes the education and training of its members and supports the development and advancement of the profession of military comptrollership.

2. Summary of Significant Accounting Policies

a. Basis of presentation

The Organization's financial statements are presented in accordance with generally accepted accounting principles for nonprofit organizations. Under those principles, the Organization is required to report information regarding its financial position and activities according to two classes of net assets:

- *Net Assets Without Donor Restrictions* represent resources that are not subject to donor imposed restrictions and are available for operations at management's discretion.

- *Net Assets With Donor Restrictions* represent resources restricted by donors. Some donor restrictions are temporary in nature and those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. When a donor restriction expires, that is, when a purpose restriction is accomplished or time restriction has elapsed, donor restricted net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the accompanying statements of activities.

The Organization has no net assets with donor restrictions at June 30, 2019 and 2018.

b. Basis of accounting

The Organization's financial statements are prepared on the accrual basis of accounting. Accordingly, revenues are recognized when earned and expenses when obligations are incurred.

American Society of Military Comptrollers
Notes to the Financial Statements
June 30, 2019 and 2018

c. Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses and their functional allocation during the reporting period. Actual results could differ from those estimates.

d. Fair value measurements

The Organization reports its fair value measures using a three-level hierarchy that prioritizes the inputs used to measure fair value. The objective of a fair value measurement is to determine 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. Accordingly, the fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets and liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Inputs used to measure fair value are categorized as follows:

- Level 1 - quoted prices in active markets for identical assets or liabilities.
- Level 2 - inputs, other than quoted prices, that are observable for the asset or liability either directly or indirectly, including inputs from markets that are not considered to be active.
- Level 3 - unobservable inputs which are typically based on the Organization's own assumptions, as there is little, if any, related market activity.

In determining the appropriate levels, the Organization performs a detailed analysis of the assets and liabilities that are subject to the standard. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3. There were no Level 3 inputs for any assets held by the Organization at June 30, 2019 and 2018.

American Society of Military Comptrollers
Notes to the Financial Statements
June 30, 2019 and 2018

e. Income taxes

The Organization is exempt from Federal and local income taxes under Section 501(c)(3) of the Internal Revenue Code on income derived from activities related to its exempt purpose. The Organization is taxed on net income from unrelated business taxable income. For the years ended June 30, 2019 and 2018, the Organization generated net losses from unrelated business activities that resulted in net operating loss carryforwards available to offset future taxable income in the amount of \$159,842 for both years. Due to the uncertainty that the Organization will be able to realize any future benefit from the net operating loss carryforward, a deferred tax asset was not recognized for the years ended June 30, 2019 and 2018. The Organization had no unrelated business income tax expense for the years ended June 30, 2019 and 2018.

The Organization is not aware of any activities that would jeopardize their tax-exempt status that would require recognition in the accompanying financial statements. Generally, tax returns are subject to examination by taxing authorities for up to three years from the date a completed return is filed. If there are material omissions of income, tax returns may be subject to examination for up to six years. It is the Organization's policy to recognize interest and/or penalties related to uncertain tax positions, if any, in the accompanying financial statements. As of June 30, 2019 and 2018, the Organization had no uncertain tax positions which should be recognized as a liability.

f. Accounts receivable

Accounts receivable are due in less than one year and stated at their net realizable value. Reserves are established for receivables that are delinquent and considered uncollectible based on periodic reviews by management. At June 30, 2019 and 2018, all receivables are fully collectible, therefore, no allowance for doubtful accounts has been recognized.

American Society of Military Comptrollers

Notes to the Financial Statements

June 30, 2019 and 2018

g. Investments

Investments are reported at fair value and realized and unrealized gains and losses are reported in the statements of activities as increases or decreases in net assets without donor restrictions, unless the income or loss is restricted by the donor or law. The Organization invests in a variety of investments that are exposed to various risks, such as fluctuations in market value and credit risk. It is reasonably possible that changes in risks in the near term could materially affect investment balances and amounts reported in the accompanying financial statements.

h. Property and equipment, net

Property and equipment acquisitions are recorded in the financial statements at cost, net of accumulated depreciation and amortization. Depreciation and amortization expense is computed using the straight-line method over the estimated useful lives of the assets as follows:

Building and improvements	40 years
Furniture and fixtures	10 years
Software	5 years
Computer equipment	3 years
Office equipment	5 years

The Organization's policy is to capitalize major additions and improvements over \$5,000. Repairs and maintenance transactions over \$10,000 are capitalized when the transaction extends the useful life of the property and equipment.

i. Measure of operations

The accompanying statements of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to the Organization's ongoing programmatic services and interest and dividends earned on investments. Nonoperating activities are limited to resources that are considered to be of a more unusual or nonrecurring nature.

American Society of Military Comptrollers
Notes to the Financial Statements
June 30, 2019 and 2018

j. Revenue recognition

i. Membership dues

Membership dues are recognized as revenue ratably over the applicable dues period. Membership dues received in advance that are applicable to future periods are included in deferred revenue in the accompanying statements of financial position.

ii. Program service revenue

PDI income is recognized as revenue in the period in which services are provided. Fees received relating to future periods are recorded as deferred revenue in the accompanying statements of financial position.

Certification fees include examination fees, renewals and educational programs and related materials. Examination fees and renewals are recognized as revenue when received. Fees received for courses and educational materials are recognized as revenue in the period courses are conducted and when educational materials are provided.

Revenue from all other sources is recognized when earned.

k. Functional allocation of expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statements of activities. Accordingly, certain costs, such as salaries and payroll taxes and benefits have been allocated among programs and supporting services based on employee time spent on each functional area. The Organization adopted the statement of functional expenses for the year ended June 30, 2019 as part of the new Accounting Standards Update (ASU) 2016-14 (see policy note I). The Organization has opted for a single year presentation of the new standard, allowed in the initial year of adoption. As such, there is no statement of functional expenses for the year ended June 30, 2018.

American Society of Military Comptrollers
Notes to the Financial Statements
June 30, 2019 and 2018

I. Adoption of new accounting standard

The Organization has adopted the financial statement presentation and disclosure standards contained in the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*, modifying ASC 958. As noted above, the Organization has adopted the ASU for the year ended June 30, 2019. All other changes have been applied as of these financial statements with no effect on beginning net assets.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606) (ASU 2014-09). The ASU establishes a comprehensive revenue recognition standard for virtually all industries under generally accepted accounting principles in the United States (U.S. GAAP) including those that previously followed industry-specific guidance. The guidance states that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The FASB issued ASU 2015-14 in August 2015 that deferred the effective date of ASU 2014-09 by a year; thus, the effective date is years beginning after December 15, 2018. Early adoption is permitted. The Organization has not yet selected a transition method and is currently evaluating the effect that the updated standard will have on its financial statements. The Organization plans to adopt the new ASU at the respective required implementation date.

3. **Liquidity and Availability**

The following represents the Organization's financial assets at June 30:

Financial assets at year end:	<u>2019</u>
Cash	\$ 2,266,645
Accounts receivable	344,505
Investments	<u>4,034,529</u>
Financial assets available to meet general expenditures within one year	\$ <u>6,645,679</u>

The Organization's goal is generally to maintain financial assets to meet three months of operating expenses (approximately \$967,908). As part of its liquidity plan, excess cash is invested in short-term investments, including money market accounts and certificates of deposit.

American Society of Military Comptrollers
Notes to the Financial Statements
June 30, 2019 and 2018

4. Concentrations of Credit Risk

The Organization maintains bank deposits that, at times, may exceed the Federal Deposit Insurance Corporation (FDIC) limits. At June 30, 2019 and 2018, the Organization had bank deposits in excess of FDIC limits of \$2,051,231 and \$1,851,529, respectively. Additionally, the Organization had cash accounts in investment funds, which are insured under Securities Investor Protection Corporations (SIPC) limits. At June 30, 2019 and 2018, the Organization had no cash accounts in investment funds in excess of SIPC limits.

5. Investments and Fair Value Measurements

Investments are comprised of the following at June 30:

	<u>2019 Cost</u>	<u>2019 Fair Value</u>	<u>2018 Cost</u>	<u>2018 Fair Value</u>
Certificates of deposit	\$ 4,000,960	\$ 4,022,845	\$ 3,920,296	\$ 3,855,798
Money market funds	11,684	11,684	3,800	3,800
U.S. savings bonds	<u>-</u>	<u>-</u>	<u>23,000</u>	<u>95,385</u>
Total investments	<u>\$ 4,012,644</u>	<u>\$ 4,034,529</u>	<u>\$ 3,947,096</u>	<u>\$ 3,954,983</u>

Investment income is comprised of the following for the years ended June 30:

	<u>2019</u>	<u>2018</u>
Interest	\$ 117,129	\$ 75,653
Unrealized gain (loss) on investments	13,999	(71,531)
Realized gain on investments	<u>72,385</u>	<u>-</u>
Total investment income	<u>\$ 203,513</u>	<u>\$ 4,122</u>

The table below presents the Organization's fair value hierarchy for those assets measured at fair value on a recurring basis at June 30, 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Certificates of deposit	\$ -	\$ 4,022,845	\$ 4,022,845
Money market funds	<u>11,684</u>	<u>-</u>	<u>11,684</u>
Total investments	<u>\$ 11,684</u>	<u>\$ 4,022,845</u>	<u>\$ 4,034,529</u>

American Society of Military Comptrollers

Notes to the Financial Statements

June 30, 2019 and 2018

The table below presents the Organization's fair value hierarchy for those assets measured at fair value on a recurring basis at June 30, 2018:

	Level 1	Level 2	Total
Certificates of deposit	\$ -	\$ 3,855,798	\$ 3,855,798
Money market funds	3,800	-	3,800
U.S. savings bonds	-	95,385	95,385
Total investments	\$ 3,800	\$ 3,951,183	\$ 3,954,983

6. Property and Equipment, Net

The following is a summary of property and equipment held at June 30:

	2019	2018
Land	\$ 1,192,595	\$ 1,192,595
Building and improvements	916,035	916,035
Furniture and fixtures	76,511	76,511
Software	134,653	134,653
Computer equipment	74,488	74,488
Office equipment	15,601	15,601
Property and equipment	2,409,883	2,409,883
Accumulated depreciation and amortization	(686,863)	(659,421)
Total property and equipment, net	\$ 1,723,020	\$ 1,750,462

Depreciation and amortization expense for the years ended June 30, 2019 and 2018 was \$27,442 and \$27,259, respectively.

7. Retirement Plan

The Organization maintains a 401(k) plan (the Plan) for all employees, with matching contributions of up to 6% of earnings for those who have completed six months of service and met the requirements below. Participants may make voluntary contributions to the Plan up to the maximum allowable by law. The Organization's contributions to the Plan are at the discretion of management and vest immediately to the participants. Participants must have completed 1,000 hours of service and be employed on the last day of the Plan year to be eligible for the Organization's contributions. Retirement plan expense for the years ended June 30, 2019 and 2018 was \$49,822 and \$36,644, respectively.

American Society of Military Comptrollers
Notes to the Financial Statements
June 30, 2019 and 2018

8. Commitments

Commitments

The Organization has contractual commitments with several convention centers and hotels for its PDI symposiums from 2020 to 2024. As of November 27, 2019, which is the date the financial statements were available to be issued, the minimum commitments for PDI symposiums are as follows for the years ending June 30:

	<u>Rental fee</u>
2020	\$ 1,130,975
2021	224,923
2022	113,722
2023	109,172
2024	<u>103,050</u>
Total	<u>\$ 1,681,842</u>

9. Subsequent Events

In preparing the financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through November 27, 2019, which is the date the financial statements were available to be issued. There were no subsequent events that require recognition of, or disclosure in, these financial statements.