

**INTERNATIONAL ASSOCIATION
OF ASSESSING OFFICERS**

**INDEPENDENT AUDITORS' REPORT AND
FINANCIAL STATEMENTS**

DECEMBER 31, 2013 AND 2012

INTERNATIONAL ASSOCIATION OF ASSESSING OFFICERS

DECEMBER 31, 2013 AND 2012

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EMERICK & COMPANY, P.C.

David Emerick
Rick Hann

CERTIFIED PUBLIC ACCOUNTANTS & AUDITING PROFESSIONALS

INDEPENDENT AUDITORS' REPORT

Executive Board
International Association of Assessing Officers
Kansas City, Missouri

We have audited the accompanying financial statements of International Association of Assessing Officers (a nonprofit organization), which comprise the statements of financial position as of December 31, 2013 and 2012, and the related statements of activities 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 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 financial statements are free of 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 International Association of Assessing Officers as of December 31, 2013 and 2012, 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.

March 26, 2014
Kansas City, Missouri

Emerick & Company, P.C.

**INTERNATIONAL ASSOCIATION OF ASSESSING OFFICERS
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2013 and 2012**

ASSETS	<u>2013</u>	<u>2012</u>
Cash and cash equivalents	\$ 2,691,365	\$ 2,068,339
Accounts receivable, net of allowance; 2013 and 2012 - \$2,600	207,411	199,541
Inventories, net of reserve for obsolescence; 2013 - \$20,977, and 2012 - \$21,431	46,879	60,369
Prepaid expenses	121,099	105,261
Investments	4,257,460	4,229,635
Contribution receivable	100	100
Property and equipment, net of accumulated depreciation	<u>1,427,404</u>	<u>1,458,333</u>
Total assets	<u>\$ 8,751,718</u>	<u>\$ 8,121,578</u>
 LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 257,190	\$ 129,388
Deferred revenue	<u>951,945</u>	<u>953,329</u>
Total liabilities	<u>1,209,135</u>	<u>1,082,717</u>
 Net Assets		
Unrestricted	7,277,820	6,776,174
Temporarily restricted	<u>264,763</u>	<u>262,687</u>
Total net assets	<u>7,542,583</u>	<u>7,038,861</u>
Total liabilities and net assets	<u>\$ 8,751,718</u>	<u>\$ 8,121,578</u>

See Notes to Financial Statements

**INTERNATIONAL ASSOCIATION OF ASSESSING OFFICERS
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2013**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues			
Membership dues and fees	\$ 1,207,629	\$ -	\$ 1,207,629
Annual conference	606,270	-	606,270
Publications and marketing	257,168	-	257,168
Research and information	55,470	-	55,470
Education and professionalism	1,670,764	-	1,670,764
Contributions	12,942	5,106	18,048
Interest and dividend income	48,708	1,060	49,768
Net realized and unrealized losses on investments	(2,556)	-	(2,556)
Other	5,983	-	5,983
Net assets released from restrictions	4,090	(4,090)	-
	<u>3,866,468</u>	<u>2,076</u>	<u>3,868,544</u>
Expenses			
Program services			
Annual conference	452,293	-	452,293
Publications and marketing	485,390	-	485,390
Research and information	220,273	-	220,273
Education and professionalism	712,920	-	712,920
Membership services	613,714	-	613,714
	<u>2,484,590</u>	<u>-</u>	<u>2,484,590</u>
Management and general	880,232	-	880,232
	<u>3,364,822</u>	<u>-</u>	<u>3,364,822</u>
Change in Net Assets	501,646	2,076	503,722
Net Assets, Beginning of Year	<u>6,776,174</u>	<u>262,687</u>	<u>7,038,861</u>
Net Assets, End of Year	<u>\$ 7,277,820</u>	<u>\$ 264,763</u>	<u>\$ 7,542,583</u>

See Notes to Financial Statements

**INTERNATIONAL ASSOCIATION OF ASSESSING OFFICERS
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2012**

	Unrestricted	Temporarily Restricted	Total
Revenues			
Membership dues and fees	\$ 1,203,952	\$ -	\$ 1,203,952
Annual conference	656,060	-	656,060
Publications and marketing	264,606	-	264,606
Research and information	94,691	-	94,691
Education and professionalism	1,550,002	-	1,550,002
Contributions	28,798	6,443	35,241
Interest and dividend income	51,495	1,987	53,482
Net realized and unrealized gains on investments	11,441	-	11,441
Other	815	-	815
Net assets released from restrictions	9,863	(9,863)	-
Total revenues	3,871,723	(1,433)	3,870,290
Expenses			
Program services			
Annual conference	479,004	-	479,004
Publications and marketing	499,448	-	499,448
Research and information	221,225	-	221,225
Education and professionalism	709,340	-	709,340
Membership services	593,421	-	593,421
Total program services	2,502,438	-	2,502,438
Management and general	859,591	-	859,591
Total expenses	3,362,029	-	3,362,029
Change in Net Assets	509,694	(1,433)	508,261
Net Assets, Beginning of Year	6,266,480	264,120	6,530,600
Net Assets, End of Year	\$ 6,776,174	\$ 262,687	\$ 7,038,861

See Notes to Financial Statements

**INTERNATIONAL ASSOCIATION OF ASSESSING OFFICERS
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
Operating Activities		
Change in net assets	\$ 503,722	\$ 508,261
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	169,487	162,208
Unrealized losses/(gains) on investments	2,556	(9,616)
Changes in:		
Accounts receivable	(7,870)	8,306
Inventories	13,490	11,391
Prepaid expenses	(15,838)	63,423
Accounts payable and accrued expenses	127,802	(39,078)
Deferred revenue	(1,384)	134,955
	<u>791,965</u>	<u>839,850</u>
Investing Activities		
Purchase of property and equipment	(138,558)	(101,693)
Net purchases of investments	(30,381)	(35,114)
	<u>(168,939)</u>	<u>(136,807)</u>
Increase in Cash and Cash Equivalents	623,026	703,043
Cash and Cash Equivalents, Beginning of Year	<u>2,068,339</u>	<u>1,365,296</u>
Cash and Cash Equivalents, End of Year	<u>\$ 2,691,365</u>	<u>\$ 2,068,339</u>

See Notes to Financial Statements

**INTERNATIONAL ASSOCIATION OF ASSESSING OFFICERS
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012**

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

Nature of Activities

International Association of Assessing Officers (the Association) is a not-for-profit organization of approximately 7,100 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, providing technical assistance 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.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles (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:

Unrestricted net assets - Net assets that are not subject to any donor-imposed restrictions.

Temporarily restricted net assets - Net assets subject to donor-imposed restrictions on their use that may be met by actions of the Association or the passage of time.

Permanently restricted net assets - Net assets subject to donor-imposed or other legal restrictions requiring that the principal be maintained permanently by the Association. Generally, the donors permit the Association to use all or part of the income earned for either general or donor-specified purposes.

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, 2013 and 2012, 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 year ended December 31, 2013.

Investment 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 dividend, interest and other investment income, realized

**INTERNATIONAL ASSOCIATION OF ASSESSING OFFICERS
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012**

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

Investment and Investment Return (Continued)

and unrealized gains and losses on investments carried at fair value, and realized gains and losses on other investments. Investment return is reflected in the statements of activities as unrestricted, temporarily restricted or permanently restricted based upon the existence and nature of any donor or legally 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. These costs are amortized over three 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.

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 market method on a first-in, first-out basis. Inventory is shown net of a reserve for obsolete or slow moving items of \$20,977 and \$21,431 in 2013 and 2012, respectively.

**INTERNATIONAL ASSOCIATION OF ASSESSING OFFICERS
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012**

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

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.

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statements of activities. Certain costs have been allocated among the program and supporting services based on the actual or estimated time employees spend on each function.

Subsequent Events

Subsequent events have been evaluated through March 26, 2014 which is the date the financial statements were available to be issued.

NOTE 2: INVESTMENTS

Investments at December 31 consisted of the following:

	<u>2013</u>	<u>2012</u>
Fixed income mutual funds	\$ 1,696,380	\$ 1,707,033
Money market mutual funds	44,132	32,523
Equity securities	13,800	16,540
Growth stock fund	61,432	43,065
Certificates of deposit	<u>2,441,716</u>	<u>2,430,474</u>
	<u>\$ 4,257,460</u>	<u>\$ 4,229,635</u>

NOTE 3: PROPERTY AND EQUIPMENT

Property and equipment at December 31 consisted of the following:

	<u>2013</u>	<u>2012</u>
Land	\$ 276,400	\$ 276,400
Building	1,504,245	1,496,030
Furniture, fixtures and equipment	<u>994,621</u>	<u>864,278</u>
	2,775,266	2,636,708
Less: accumulated depreciation	<u>1,347,862</u>	<u>1,178,375</u>
	<u>\$ 1,427,404</u>	<u>\$ 1,458,333</u>

**INTERNATIONAL ASSOCIATION OF ASSESSING OFFICERS
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012**

NOTE 4: TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31 are available for the following purposes:

	<u>2013</u>	<u>2012</u>
Award educational grants	\$ 218,410	\$ 220,031
Support library functions	33,406	31,515
Support annual conference	11,156	11,141
Support past president functions	<u>1,791</u>	<u>-</u>
	\$ <u>264,763</u>	\$ <u>262,687</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>2013</u>	<u>2012</u>
Equipment for new headquarters facility	\$ -	\$ 100
Award educational grants	2,590	8,263
Support annual conference	<u>1,500</u>	<u>1,500</u>
	\$ <u>4,090</u>	\$ <u>9,863</u>

NOTE 5: OPERATING LEASE

The Association leases office equipment under a noncancellable operating lease that expires in 2014. Rent expense for all leases totaled \$53,568 and \$40,876 for the years ended December 31, 2013 and 2012, respectively. Future minimum lease payments at December 31, 2013 were:

2014	\$ 48,312
2015	528
2016	<u>528</u>
	\$ <u>49,368</u>

NOTE 6: 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 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 \$102,875 and \$94,054 for 2013 and 2012, respectively.

NOTE 7: FAIR VALUE MEASUREMENTS

GAAP defines fair value and establishes a consistent framework for measuring fair value. 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

**INTERNATIONAL ASSOCIATION OF ASSESSING OFFICERS
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012**

NOTE 7: FAIR VALUE MEASUREMENTS (Continued)

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>2013</u>	<u>2012</u>
Fixed income mutual funds	\$ 1,696,380	\$ 1,707,033
Money market mutual funds	44,132	32,523
Growth stock fund	61,432	43,065
Equity securities	<u>13,800</u>	<u>16,540</u>
	<u>\$ 1,815,744</u>	<u>\$ 1,799,161</u>

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include mutual funds and equity securities. 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, 2013.

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.

NOTE 8: TAX POSITIONS

As a tax-exempt organization under IRC Section 501(a), the Association is required to file a Form 990, Return of Organization Exempt from Income Tax yearly. The information in this return is used by the IRS to substantiate the Association's continuing tax exempt status. The last three years of these returns are open to IRS examination. In addition, if the Association has unrelated business income it is required to file a form 990-T, Exempt Organization Business Income Tax Return and pay tax on any net income. The last three years of these filings are also open to IRS examination.