

**INTERNATIONAL ASSOCIATION
OF ASSESSING OFFICERS AND SUBSIDIARY**

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

DECEMBER 31, 2017 AND 2016

**INTERNATIONAL ASSOCIATION OF ASSESSING OFFICERS
AND SUBSIDIARY**

DECEMBER 31, 2017 AND 2016

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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 (a nonprofit organization), which comprise the consolidated statements of financial position as of December 31, 2017 and 2016, and the related consolidated statements of activities 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, 2017 and 2016, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emerick + Company, P.C.

April 12, 2018
Kansas City, Missouri

INTERNATIONAL ASSOCIATION OF ASSESSING OFFICERS AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2017 AND 2016

	2017					2016
	IAAO	LLC	Subtotal	Eliminations	Total	
ASSETS						
Cash and cash equivalents	\$ 728,853	\$ 49,985	\$ 778,838	\$ -	\$ 778,838	\$ 1,343,937
Accounts receivable, net of allowance; 2017 and 2016- \$2,600	252,695	15,300	267,995	-	267,995	330,514
Inventories, net of reserve for obsolescence; 2017 - \$23,342 and 2016 - \$19,445	35,164	-	35,164	-	35,164	40,865
Prepaid expenses	600,599	-	600,599	-	600,599	524,919
Advances to subsidiary	358,232	-	358,232	(358,232)	-	-
Investments	4,345,583	-	4,345,583	-	4,345,583	4,522,768
Property and equipment, net of accumulated depreciation	1,271,699	-	1,271,699	-	1,271,699	1,242,003
Total assets	<u>\$ 7,592,825</u>	<u>\$ 65,285</u>	<u>\$ 7,658,110</u>	<u>\$ (358,232)</u>	<u>\$ 7,299,878</u>	<u>\$ 8,005,006</u>
LIABILITIES AND NET ASSETS						
Liabilities						
Accounts payable and accrued expenses	\$ 237,227	\$ 6,250	\$ 243,477	-	\$ 243,477	\$ 305,081
Deferred revenue	1,014,511	-	1,014,511	-	1,014,511	931,172
Accrued income tax	28,425	-	28,425	-	28,425	-
Advances from parent	-	358,232	358,232	(358,232)	-	-
Total liabilities	<u>1,280,163</u>	<u>364,482</u>	<u>1,644,645</u>	<u>(358,232)</u>	<u>1,286,413</u>	<u>1,236,253</u>
Net Assets						
Unrestricted						
Board designated	2,347,638	-	2,347,638	-	2,347,638	2,264,400
Undesignated	3,681,926	-	3,681,926	-	3,681,926	4,220,675
LLC's Member Equity	-	(299,197)	(299,197)	-	(299,197)	-
Total unrestricted	6,029,564	(299,197)	5,730,367	-	5,730,367	6,485,075
Temporarily restricted	283,098	-	283,098	-	283,098	283,678
Total net assets	<u>6,312,662</u>	<u>(299,197)</u>	<u>6,013,465</u>	<u>-</u>	<u>6,013,465</u>	<u>6,768,753</u>
Total liabilities and net assets	<u>\$ 7,592,825</u>	<u>\$ 65,285</u>	<u>\$ 7,658,110</u>	<u>\$ (358,232)</u>	<u>\$ 7,299,878</u>	<u>\$ 8,005,006</u>

See Notes to Financial Statements

INTERNATIONAL ASSOCIATION OF ASSESSING OFFICERS AND SUBSIDIARY
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2017 AND 2016

	2017				2016	
	IAAO	LLC	Subtotal	Eliminations	Total	
UNRESTRICTED NET ASSETS						
Revenues						
Membership dues and fees	\$ 1,294,354	\$ -	\$ 1,294,354	\$ -	\$ 1,294,354	\$ 1,346,179
Annual conference	1,077,514	-	1,077,514	-	1,077,514	837,145
Publications and marketing	250,338	-	250,338	-	250,338	283,870
Research and information	40,876	229,784	270,660	-	270,660	91,248
Education and professionalism	2,150,936	-	2,150,936	-	2,150,936	1,950,175
Contributions	8,800	-	8,800	-	8,800	26,027
Contribution from parent	-	50,000	50,000	(50,000)	-	-
Interest and dividend income	84,912	-	84,912	-	84,912	69,300
Net realized and unrealized gains on investments	313,434	-	313,434	-	313,434	152,015
Other	3,403	-	3,403	-	3,403	28,227
Net assets released from restrictions	10,279	-	10,279	-	10,279	8,148
	<u>5,234,846</u>	<u>279,784</u>	<u>5,514,630</u>	<u>(50,000)</u>	<u>5,464,630</u>	<u>4,792,334</u>
Total revenues						
Expenses						
Program services						
Annual conference	1,311,753	-	1,311,753	-	1,311,753	839,417
Publications and marketing	593,011	-	593,011	-	593,011	613,690
Research and information	244,988	486,296	731,284	(50,000)	681,284	461,304
Education and professionalism	1,422,814	-	1,422,814	-	1,422,814	1,166,391
Membership services	975,361	-	975,361	-	975,361	861,540
	<u>4,547,927</u>	<u>486,296</u>	<u>5,034,223</u>	<u>(50,000)</u>	<u>4,984,223</u>	<u>3,942,342</u>
Total program services						
Management and general	1,142,430	92,685	1,235,115	-	1,235,115	1,154,461
	<u>5,690,357</u>	<u>578,981</u>	<u>6,269,338</u>	<u>(50,000)</u>	<u>6,219,338</u>	<u>5,096,803</u>
Total expenses						
Change in Unrestricted Net Assets	(455,511)	(299,197)	(754,708)	-	(754,708)	(304,469)
TEMPORARILY RESTRICTED NET ASSETS						
Contributions	8,190	-	8,190	-	8,190	11,276
Interest and dividend income	1,509	-	1,509	-	1,509	1,756
Net assets released from restrictions	(10,279)	-	(10,279)	-	(10,279)	(8,148)
	<u>(580)</u>	<u>-</u>	<u>(580)</u>	<u>-</u>	<u>(580)</u>	<u>4,884</u>
Change in Temporarily Restricted Net Assets						
Change in Net Assets	(456,091)	(299,197)	(755,288)	-	(755,288)	(299,585)
Net Assets, Beginning of Year	6,768,753	-	6,768,753	-	6,768,753	7,068,338
Net Assets, End of Year	<u>\$ 6,312,662</u>	<u>\$ (299,197)</u>	<u>\$ 6,013,465</u>	<u>\$ -</u>	<u>\$ 6,013,465</u>	<u>\$ 6,768,753</u>

See Notes to Financial Statements

INTERNATIONAL ASSOCIATION OF ASSESSING OFFICERS AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017					2016
	IAAO	LLC	Subtotal	Eliminations	Total	
Operating Activities						
Change in net assets	\$ (456,091)	\$ (299,197)	\$ (755,288)	\$ -	\$ (755,288)	\$ (299,585)
Adjustments to reconcile change in net assets to net cash provided by operating activities:						
Depreciation	172,109	-	172,109	-	172,109	171,508
Realized and unrealized (gains) on investments	(313,434)	-	(313,434)	-	(313,434)	(152,015)
Dividends reinvested	(54,213)	-	(54,213)	-	(54,213)	(40,322)
Changes in:						
Accounts receivable	77,819	(15,300)	62,519	-	62,519	(92,111)
Inventories	5,701	-	5,701	-	5,701	4,783
Prepaid expenses	(75,680)	-	(75,680)	-	(75,680)	(225,072)
Advances due from subsidiary	(358,232)	-	(358,232)	358,232	-	-
Accounts payable and accrued expenses	(39,429)	6,250	(33,179)	-	(33,179)	103,465
Advances due to parent	-	358,232	358,232	(358,232)	-	-
Deferred revenue	83,339	-	83,339	-	83,339	10,915
Net cash used by operating activities	<u>(958,111)</u>	<u>49,985</u>	<u>(908,126)</u>	<u>-</u>	<u>(908,126)</u>	<u>(518,434)</u>
Investing Activities						
Purchase of property and equipment	(201,805)	-	(201,805)	-	(201,805)	(129,748)
Net purchase of investments	544,832	-	544,832	-	544,832	(12,092)
Net cash provided (used) by investing activities	<u>343,027</u>	<u>-</u>	<u>343,027</u>	<u>-</u>	<u>343,027</u>	<u>(141,840)</u>
(Decrease) increase in Cash and Cash Equivalents	(615,084)	49,985	(565,099)	-	(565,099)	(660,274)
Cash and Cash Equivalents, Beginning of Year	<u>1,343,937</u>	<u>-</u>	<u>1,343,937</u>	<u>-</u>	<u>1,343,937</u>	<u>2,004,211</u>
Cash and Cash Equivalents, End 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>

See Notes to Financial Statements

**INTERNATIONAL ASSOCIATION OF ASSESSING OFFICERS AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

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 7,700 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.

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.

**INTERNATIONAL ASSOCIATION OF ASSESSING OFFICERS AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

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

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, 2017 and 2016, 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, 2017 and 2016.

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 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 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.

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.

**INTERNATIONAL ASSOCIATION OF ASSESSING OFFICERS AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

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

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 \$23,342 and \$19,445 in 2017 and 2016, 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 \$50,992 for the year ended December 31, 2017, which includes 2016 taxes paid in 2017 of \$22,567, and accrued income tax expense of \$28,425 at December 31, 2017. Total income tax expense for the year ended December 31, 2016 was \$11,250.

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 April 12, 2018 which is the date the financial statements were available to be issued.

NOTE 2: INVESTMENTS

Investments at December 31 consisted of the following:

	<u>2017</u>	<u>2016</u>
Fixed income mutual funds	\$ 1,428,793	\$ 1,709,503
Equity mutual funds	2,142,338	1,845,579
Money market mutual funds	470,334	409,899
Equity securities	14,900	14,900
Growth stock fund	81,481	65,231
Certificates of deposit	<u>207,737</u>	<u>477,656</u>
	<u>\$ 4,345,583</u>	<u>\$ 4,522,768</u>

**INTERNATIONAL ASSOCIATION OF ASSESSING OFFICERS AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 3: PROPERTY AND EQUIPMENT

Property and equipment at December 31 consisted of the following:

	<u>2017</u>	<u>2016</u>
Land	\$ 276,400	\$ 276,400
Building	1,631,396	1,557,952
Furniture, fixtures and equipment	<u>1,463,810</u>	<u>1,335,450</u>
	3,371,606	3,169,802
Less: accumulated depreciation	<u>2,099,907</u>	<u>1,927,799</u>
	<u>\$1,271,699</u>	<u>\$1,242,003</u>

NOTE 4: 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>2017</u>	<u>2016</u>
Curriculum and education costs	\$ 221,937	\$ 246,977
Body of knowledge	201,518	173,664
Annual conference	52,565	41,914
Insurance	21,807	34,464
Other prepaid expenses	<u>102,772</u>	<u>27,900</u>
	<u>\$ 600,599</u>	<u>\$ 524,919</u>

NOTE 5: TEMPORARILY RESTRICTED NET ASSETS

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

	<u>2017</u>	<u>2016</u>
Award educational grants	\$ 216,822	\$ 221,379
Support library functions	51,914	47,560
Support annual conference	12,612	13,010
Support past president functions	<u>1,750</u>	<u>1,729</u>
	<u>\$ 283,098</u>	<u>\$ 283,678</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>2017</u>	<u>2016</u>
Award educational grants	\$ 5,863	\$ 2,998
Support annual conference	1,916	1,650
Support library functions	1,000	2,000
Support past president functions	<u>1,500</u>	<u>1,500</u>
	<u>\$10,279</u>	<u>\$ 8,148</u>

**INTERNATIONAL ASSOCIATION OF ASSESSING OFFICERS AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 6: UNRESTRICTED BOARD DESIGNATED NET ASSETS

Unrestricted board designated net assets consists of amounts designated by the board for curriculum development, building renovations and savings for unforeseen circumstances.

NOTE 7: OPERATING LEASE

The Association leases office equipment under a noncancellable operating lease that expires in 2020. Rent expense for all leases totaled \$86,878 and \$77,746 for the years ended December 31, 2017 and 2016, respectively. Future minimum lease payments at December 31, 2017 were:

2018	\$ 63,684
2019	63,684
2020	<u>34,496</u>
	<u>\$ 161,864</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 \$145,384 and \$114,831 for 2017 and 2016, respectively.

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.

**INTERNATIONAL ASSOCIATION OF ASSESSING OFFICERS AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 9: FAIR VALUE MEASUREMENTS (Continued)

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

	<u>2017</u>	<u>2016</u>
Fixed income mutual funds	\$1,428,793	\$1,709,503
Equity mutual funds	2,142,338	1,845,579
Money market mutual funds	470,334	409,899
Growth stock fund	81,481	65,231
Equity securities	<u>14,900</u>	<u>14,900</u>
	<u>\$4,137,846</u>	<u>\$4,045,112</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, 2017 and 2016.

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.