

**NATIONAL ASSOCIATION OF COLLEGE
AND UNIVERSITY BUSINESS OFFICERS**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEARS ENDED MAY 31, 2018 AND 2017

**NATIONAL ASSOCIATION OF COLLEGE AND UNIVERSITY BUSINESS OFFICERS
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INDEPENDENT AUDITORS' REPORT

Board of Directors
National Association of College and University Business Officers
Washington, DC

Report on the Financial Statements

We have audited the accompanying financial statements of National Association of College and University Business Officers (NACUBO), which comprise the statement of financial position as of May 31, 2018, and the related statements of activities and cash flows for the year 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 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 2018 financial statements referred to above present fairly, in all material respects, the financial position of NACUBO as of May 31, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

The 2017 financial statements of NACUBO were audited by other auditors whose report, dated November 30, 2017, expressed an unmodified opinion on those financial statements.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the 2018 financial statements as a whole. The 2018 schedule of functional expenses is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



CliftonLarsonAllen LLP

Arlington, Virginia
December 18, 2018

NATIONAL ASSOCIATION OF COLLEGE AND UNIVERSITY BUSINESS OFFICERS
STATEMENTS OF FINANCIAL POSITION
MAY 31, 2018 AND 2017

	2018	2017
ASSETS		
Cash and Cash Equivalents	\$ 3,424,788	\$ 4,569,662
Investments	15,422,431	14,300,984
Accounts Receivable, Net	410,648	351,064
Inventory, Net of Reserve of \$88,627 and \$93,389, Respectively	45,677	52,514
Prepaid Expenses and Other Assets	2,051,814	1,798,689
Property and Equipment, Net	1,291,126	1,317,116
Total Assets	\$ 22,646,484	\$ 22,390,029
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 1,804,050	\$ 2,120,806
Deferred Membership and Subscription Revenue	6,558,587	5,709,936
Deferred Conference Revenue	2,671,880	2,755,045
Capital Lease Liability	66,335	-
Deferred Rent and Construction Allowance	1,355,382	1,282,119
Total Liabilities	12,456,234	11,867,906
NET ASSETS		
Unrestricted	10,134,702	10,460,628
Temporarily Restricted	7,048	12,995
Permanently Restricted	48,500	48,500
Total Net Assets	10,190,250	10,522,123
Total Liabilities and Net Assets	\$ 22,646,484	\$ 22,390,029

See accompanying Notes to Financial Statements.

**NATIONAL ASSOCIATION OF COLLEGE AND UNIVERSITY BUSINESS OFFICERS
STATEMENTS OF ACTIVITIES
YEARS ENDED MAY 31, 2018 AND 2017**

	2018	2017
CHANGE IN UNRESTRICTED NET ASSETS		
Revenue and Support:		
Membership Dues	\$ 8,060,356	\$ 7,813,122
Conferences, Workshops, Seminars, and Sponsorships	6,048,903	5,966,139
Advertising	655,072	724,613
Fees for Service	600,617	504,131
Investment Income	883,355	441,307
Other Sponsorships	323,400	357,530
Donated Equipment and Services	253,100	318,700
Publications and Other Products	232,290	252,300
Other	109,412	181,685
Net Assets Released from Restrictions for Programs	9,931	7,874
Total Unrestricted Revenue and Support	17,176,436	16,567,401
 EXPENSES		
Program Services:		
Conferences, Workshops, and Seminars	5,741,101	5,846,437
Member Services	4,072,169	3,712,492
Advocacy and Public Policy	4,092,341	3,926,418
Publications and Other Products	412,882	450,616
Total Program Services	14,318,493	13,935,963
 Supporting Services:		
Administration	2,478,467	2,456,831
Membership Retention and Development	381,747	436,758
Fundraising	611,071	507,408
Total Supporting Services	3,471,285	3,400,997
 Total Expenses	17,789,778	17,336,960
 CHANGES IN UNRESTRICTED NET ASSETS BEFORE NET GAINS ON INVESTMENTS	(613,342)	(769,559)
UNREALIZED GAIN ON INVESTMENTS	287,416	1,284,189
CHANGE IN UNRESTRICTED NET ASSETS	(325,926)	514,630
 CHANGE IN TEMPORARILY RESTRICTED NET ASSETS		
Investment Income	3,984	6,421
Net Assets Released from Restrictions for Programs	(9,931)	(7,874)
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS	(5,947)	(1,453)
CHANGE IN NET ASSETS	(331,873)	513,177
Net Assets - Beginning of Year	10,522,123	10,008,946
NET ASSETS - END OF YEAR	\$ 10,190,250	\$ 10,522,123

See accompanying Notes to Financial Statements.

NATIONAL ASSOCIATION OF COLLEGE AND UNIVERSITY BUSINESS OFFICERS
STATEMENTS OF CASH FLOWS
YEARS ENDED MAY 31, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (331,873)	\$ 513,177
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation and Amortization	322,028	265,210
Provision for Doubtful Accounts	13,800	43,828
Unrealized Gain	(287,416)	(1,284,189)
Investments Reinvested Interest/Dividends/Realized (Gain) or Loss	(887,339)	(447,728)
Loss on Disposal of Property and Equipment	-	42,858
Inventory Obsolescence Allowance	4,762	9,975
Change in Assets and Liabilities:		
Accounts Receivable	(73,384)	(30,428)
Inventory	2,075	(4,465)
Prepaid Expenses and Other Assets	(253,125)	(322,903)
Accounts Payable and Accrued Expenses	(316,756)	107,099
Deferred Membership and Subscription Revenue	848,651	1,895,048
Deferred Conference Revenue	(83,165)	(152,968)
Deferred Rent and Construction Allowance	73,263	973,435
Net Cash Provided (Used) by Operating Activities:	(968,479)	1,607,949
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Investments	-	(118,305)
Proceeds from Sale of Investments	53,308	81,673
Purchases of Property and Equipment	(229,703)	(1,251,520)
Net Cash Used by Investing Activities	(176,395)	(1,288,152)
CASH FLOWS FROM FINANCING ACTIVITIES		
Draws on Line of Credit	1,500,000	-
Repayments on Line of Credit	(1,500,000)	-
Net Cash Provided by Financing Activities	-	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,144,874)	319,797
Cash and Cash Equivalents - Beginning of Year	4,569,662	4,249,865
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 3,424,788	\$ 4,569,662
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid for Interest	\$ 17,553	\$ -
SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Fixed Assets Included in Accounts Payable and Accrued Expenses	\$ -	\$ 56,292
Equipment Financing	\$ 66,335	\$ -

See accompanying Notes to Financial Statements.

**NATIONAL ASSOCIATION OF COLLEGE AND UNIVERSITY BUSINESS OFFICERS
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2018 AND 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The National Association of College and University Business Officers (NACUBO) is a professional membership association serving chief business and financial officers of member colleges and universities. Its purpose is to develop, promote, and improve business and financial principles and practices in the administration of higher education, as well as to foster professional ideals and standards among its members. NACUBO provides these benefits to its members primarily through meetings, workshops, and publications. These activities are funded primarily through membership dues, conference and workshop fees, and publication sales.

Cash and Cash Equivalents

NACUBO considers money market funds to be cash equivalents. Cash and cash equivalents that are specifically held for investment purposes are reported as investments.

Investments

Investments are composed of mutual funds and money market funds and are recorded in the accompanying statements of financial position at 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.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Unrealized gains or losses are determined by comparison of fair value at the beginning and end of the reporting period.

Fair Value Measurements

NACUBO follows Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurement*, for financial assets (and liabilities) measured at fair value on a recurring basis. The FASB ASC topic defines fair value, establishes a framework for measuring fair value in accordance with GAAP, and expands disclosures about fair value measurement. The standard emphasizes that fair value is a market-based measurement, not an entity-specific measurement, and therefore a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurement, the standard established a fair value hierarchy based upon the transparency of the inputs to the valuation of an asset or liability. These inputs may be observable, whereby the market participant assumptions are developed based on market data obtained from independent sources, and unobservable, whereby assumptions about market participant assumptions are developed by the reporting entity based on the best information available in the circumstances. The three levels of the fair value hierarchy under the standard are described as follows:

**NATIONAL ASSOCIATION OF COLLEGE AND UNIVERSITY BUSINESS OFFICERS
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2018 AND 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements (Continued)

Level 1 – Inputs based on quoted prices (unadjusted) in active markets for identical assets or liabilities accessible at the measurement date.

Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly, such as quoted prices for similar assets or liabilities in active markets.

Level 3 – Unobservable inputs for the asset or liability, including the reporting entity's own assumptions in determining the fair value measurement.

NACUBO used the following methods and significant assumptions to estimate fair value for assets and liabilities recorded at fair value:

Mutual Funds and ETFs: Valued using the net asset value (NAV) provided by the administrator of the fund. The NAV is based on the value of the underlying assets owned by the fund, minus its liabilities, and then divided by the numbers of shares outstanding.

Accounts Receivable

Accounts receivable are primarily from conferences, workshops, advertising, publications, and professional services provided to other organizations. NACUBO uses the allowance method to reserve for uncollectible accounts.

Inventory

Inventory consists of publications for resale and is valued at the lower of cost or market value using the average cost method. NACUBO uses the allowance method to reserve for possible excess inventory.

Property and Equipment

Property and equipment is recorded at cost and consists of furniture, equipment, software, and leasehold improvements. Furniture and equipment are depreciated using the straight-line method over estimated useful lives of three to ten years, with no salvage values. Software is amortized using the straight-line method over three years. Leasehold improvements are amortized using the straight-line method over the term of the lease. Expenditures for major repairs and improvements are capitalized; expenditures for minor repairs and maintenance costs are expensed as incurred. Upon the retirement or disposal of the assets, the costs are expensed as incurred. Upon the disposal of the assets, the costs and accumulated depreciation or amortization are eliminated from the respective accounts, and the resulting gain or loss is included in revenue and support or expensed as appropriate.

**NATIONAL ASSOCIATION OF COLLEGE AND UNIVERSITY BUSINESS OFFICERS
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2018 AND 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Classification of Net Assets

The net assets of NACUBO are reported as follows:

Unrestricted Net Assets — Represents the portion of expendable funds that are available for support of NACUBO's operations. As of May 31, 2018 and 2017, \$1,500,000 of unrestricted net assets had been designated by the board of directors to establish a reserve fund for board-approved special initiatives or activities.

Temporarily Restricted Net Assets — Specifically restricted by donors for various programs.

Permanently Restricted Net Assets — Represent funds that require the principal to be maintained in perpetuity and the earnings to be spent on awards programs.

Revenue and Expense Recognition

Membership dues are recognized as revenue in the membership period to which the dues relate. Accordingly, dues paid by members in advance of the membership period are reported as deferred membership revenue in the accompanying statements of financial position.

Revenue and the related costs of conferences, workshops, seminars, and sponsorships are recognized in the year in which the conferences, workshops, or seminars are held. Accordingly, registrations and sponsorships received in advance of the conferences, workshops, or seminars are recorded as deferred conference revenue in the accompanying statements of financial position. Expenses paid in advance of the conferences, workshops, or seminars are recorded as prepaid expenses and other assets in the accompanying statements of financial position.

Advertising revenue is recorded in the period in which the commitment is made, which approximates the period during which the advertisement is run in the publication.

Publication revenue is recorded when the related publication is shipped, and is reported in the accompanying statements of activities net of any discounts. Subscription revenue is recorded as deferred subscription revenue upon receipt and is recognized as revenue ratably over the subscription period.

NACUBO reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Unrestricted contributions, grants, and sponsorships are reported as revenue and support in the year in which the payments are received and/or unconditional promises to give are made.

**NATIONAL ASSOCIATION OF COLLEGE AND UNIVERSITY BUSINESS OFFICERS
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2018 AND 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Donated Equipment and Services

Donated equipment and services are recorded at their estimated fair value as of the date of the donation. Donated equipment and services include the value of software and services to support the annual NACUBO Endowment Study and the annual conference, along with various other conferences and seminars.

Allocation of Expenses

The costs of providing the various programs and activities have been summarized by program and supporting services in the accompanying statements of activities. Expenses that are not directly charged to a program or supporting service are allocated among the programs and supporting services based upon salaries.

Income Taxes

NACUBO is exempt from the payment of taxes on income other than net unrelated business income under Section 501(c)(3) of the Internal Revenue Code. NACUBO received unrelated business income from advertising revenue that is subject to unrelated business income tax. Unrelated income tax expense was \$51,138 and \$0 for the years ended May 31, 2018 and 2017, respectively.

NACUBO's income tax return is subject to review and examination by Federal and state authorities. NACUBO is not aware of any activities that would jeopardize its tax-exempt status.

Reclassification

Certain 2017 amounts have been reclassified to conform to the 2018 presentation. These reclassifications had no effect on previously reported net asset amounts.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect certain reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

Subsequent Events

In preparing these financial statements, NACUBO has evaluated events and transactions for potential recognition or disclosure through December 18, 2018, the date the financial statements were available to be issued. There were no subsequent events that require recognition or disclosure in the financial statements.

**NATIONAL ASSOCIATION OF COLLEGE AND UNIVERSITY BUSINESS OFFICERS
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2018 AND 2017**

NOTE 2 CONCENTRATIONS OF RISK

Credit Risk

Financial instruments, which subject NACUBO to a concentration of credit risk, consist of demand deposits placed with financial institutions. At certain times during the year NACUBO had funds invested with local institutions in excess of the Federal Deposit Insurance Corporation insurance limits.

Market Value Risk

NACUBO invests in diversified investments. These investments are exposed to various risks, such as fluctuations in market value and credit risk. It is at least reasonably possible that changes in risks in the near term could materially affect investment balances and the amount reported in the financial statements.

NOTE 3 INVESTMENTS AND FAIR VALUE MEASUREMENT

The following table summarizes investments measured at fair value on a recurring basis as of May 31:

	2018			Total
	(Level 1)	(Level 2)	(Level 3)	
Equity Mutual / ETF Funds	\$ 10,959,751	\$ -	\$ -	\$ 10,959,751
Fixed Income Mutual Funds	4,343,557	-	-	4,343,557
Money Market Funds	119,123	-	-	119,123
Total Fair Value	<u>\$ 15,422,431</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,422,431</u>

	2017			Total
	(Level 1)	(Level 2)	(Level 3)	
Equity Mutual / ETF Funds	\$ 12,546,625	\$ -	\$ -	\$ 12,546,625
Fixed Income Mutual Funds	1,706,107	-	-	1,706,107
Money Market Funds	48,252	-	-	48,252
Total Fair Value	<u>\$ 14,300,984</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,300,984</u>

Investment income, including interest earned on NACUBO's cash accounts, consisted of the following for the years ended May 31:

	2018	2017
Dividends and Interest	\$ 469,913	\$ 439,017
Realized Gain	417,426	8,711
Unrealized Gain	287,416	1,284,189
Total Investment Income	<u>\$ 1,174,755</u>	<u>\$ 1,731,917</u>

During the years ended May 31, 2018 and 2017, NACUBO paid investment management fees of \$60,213 and \$81,672, respectively, which are included in administration expenses in the accompanying statements of activities.

NATIONAL ASSOCIATION OF COLLEGE AND UNIVERSITY BUSINESS OFFICERS
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2018 AND 2017

NOTE 4 ACCOUNTS RECEIVABLE

Accounts receivable were composed of amounts due for the following as of May 31:

	2018	2017
Professional Fees	\$ 252,961	\$ 197,182
Advertising	91,154	94,365
Conferences, Workshops, and Seminars	38,520	57,553
Special Projects	109,714	52,009
Miscellaneous	23,044	26,811
Managed Services	491	14,979
Publications	917	518
Total Accounts Receivable	516,801	443,417
Allowance for Doubtful Accounts	(106,153)	(92,353)
Accounts Receivable, Net	\$ 410,648	\$ 351,064

NOTE 5 PREPAID EXPENSES AND OTHER ASSETS

Prepaid expenses and other assets consisted of the following as of May 31:

	2018	2017
Annual Meeting	\$ 1,329,862	\$ 1,192,710
Deposits	224,275	224,275
Subscription Service	230,800	230,800
Other Prepaid	266,877	150,904
Total Prepaid Expenses and Other Assets	\$ 2,051,814	\$ 1,798,689

NOTE 6 PROPERTY AND EQUIPMENT AND RELATED DEPRECIATION AND AMORTIZATION

NACUBO held the following property and equipment as of May 31:

	2018	2017
Software	\$ 1,678,296	\$ 1,485,848
Leasehold Improvements	935,031	935,031
Equipment	736,401	632,810
Furniture	516,853	516,853
Total Property and Equipment	3,866,581	3,570,542
Accumulated Depreciation and Amortization	(2,575,455)	(2,253,426)
Property and Equipment, Net	\$ 1,291,126	\$ 1,317,116

Depreciation and amortization expense totaled \$322,028 and \$265,210 for the years ended May 31, 2018 and 2017, respectively.

**NATIONAL ASSOCIATION OF COLLEGE AND UNIVERSITY BUSINESS OFFICERS
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2018 AND 2017**

NOTE 7 LINE OF CREDIT

Effective February 2009, NACUBO had a \$1,000,000 open-ended revolving line of credit. Interest was payable at a rate equal to the 30-day London Interbank Offered Rate (LIBOR) plus 1.75%, reset monthly. In February 2018, this line of credit was replaced with a revolving line of credit with a maximum borrowing amount of \$2,000,000 maturing in February 2019. Amounts drawn on this line of credit accrue interest at a rate equal to the 30-day LIBOR plus 1.15%, reset monthly. The interest rate on these lines of credit was 3.1% and 2.8% as of May 31, 2018 and 2017, respectively. As of May 31, 2018 and 2017, there was no outstanding balance on these lines of credit. NACUBO's investments are collateral for any amounts borrowed.

NOTE 8 COMMITMENTS

Office Lease

In May 2015, NACUBO extended its office lease for an additional 10 years, expiring in August 2027. The amended lease became effective in November 2015. Under the amended lease, NACUBO received a rent abatement of \$328,764, with annual rent escalations of 2.5%, and the landlord provided NACUBO with a leasehold improvement allowance of \$999,039.

Under GAAP, all rental payments, including fixed rent increases, less any rental abatements, are recognized on a straight-line basis over the term of the lease. Lease incentives are amortized over the life of the lease on a straight-line basis as an offset to rent expense. The difference between the GAAP rent expense and the required lease payment is reflected as deferred rent and construction allowance in the accompanying statements of financial position. Rent expense totaled \$1,060,530 and \$912,346 for the years ended May 31, 2018 and 2017, respectively.

As of May 31, 2018, future minimum rental payments under this lease were as follows:

<u>Year Ending May 31,</u>	<u>Amount</u>
2019	\$ 927,460
2020	1,038,037
2021	1,071,547
2022	1,103,741
2023	1,131,337
Thereafter	5,130,716
Total	<u>\$ 10,402,838</u>

**NATIONAL ASSOCIATION OF COLLEGE AND UNIVERSITY BUSINESS OFFICERS
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2018 AND 2017**

NOTE 8 COMMITMENTS (CONTINUED)

Contracts

NACUBO has entered into various agreements for hotel accommodations for its planned future conferences. In the event that NACUBO were to cancel these reservations or fail to use a specified percentage of the total space reserved, NACUBO would be required to pay liquidated damages based upon the date the hotel was notified of the cancellation or reduction in requested rooms, as well as the hotel's ability to fill the resulting vacancies. NACUBO's management does not believe that any of these commitments will result in a loss due to liquidated damages above the insured amount. Accordingly, no amount for this potential liability has been reflected in the accompanying financial statements.

Employment Contracts

NACUBO has entered into an employment contract with its President and Chief Executive Officer (CEO) that is effective through July 2021. In the event of termination for reasons other than cause, the President and CEO will receive severance pay equal to 12 months of her base salary.

Capital Lease

In 2018, NACUBO entered into a capital lease for office equipment. As of May 31, 2018, future minimum lease payments under the capital lease are as follows:

<u>Year Ending May 31,</u>	<u>Amount</u>
2019	\$ 31,660
2020	31,660
2021	<u>5,277</u>
Total Payments	68,597
Amount Representing Interest	<u>(2,262)</u>
Present Value of Lease	<u><u>\$ 66,335</u></u>

As of and for the year ended May 31, 2018, the costs, accumulated depreciation, and depreciation expense on equipment leased under the capital lease are as follows:

Equipment at Cost	\$ 90,724
Accumulated Depreciation	<u>(27,721)</u>
Net Book Value of Leased Equipment	<u><u>\$ 63,003</u></u>
Depreciation Expense on Capital Lease Equipment	<u><u>\$ 27,721</u></u>

**NATIONAL ASSOCIATION OF COLLEGE AND UNIVERSITY BUSINESS OFFICERS
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2018 AND 2017**

NOTE 9 TEMPORARILY RESTRICTED NET ASSETS

Net assets were restricted for the following program as of May 31:

	2018	2017
Awards	<u>\$ 7,048</u>	<u>\$ 12,995</u>

NOTE 10 PERMANENTLY RESTRICTED NET ASSETS

As of May 31, NACUBO held the following permanently restricted net assets:

	2018	2017
Rodney Adams Award	\$ 20,000	\$ 20,000
Dan Robinson Award	20,000	20,000
Professional Development Award	8,500	8,500
Permanently Restricted Net Assets	<u>\$ 48,500</u>	<u>\$ 48,500</u>

Permanently Restricted

Earnings on permanently restricted net assets are available for NACUBO awards programs and institutional capacity development.

Interpretation of Relevant Law

The board of directors of NACUBO has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the original gift amount of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, NACUBO classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those assets are appropriated for expenditures by NACUBO in a manner consistent with the standards of prudence prescribed by UPMIFA.

In accordance with UPMIFA, NACUBO considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund.
- The purposes of NACUBO and the donor-restricted endowment fund.
- General economic conditions.
- The possible effect of inflation and deflation.
- The expected total return from income and the appreciation of investments.
- Other resources of NACUBO.
- The investment policies of NACUBO.

**NATIONAL ASSOCIATION OF COLLEGE AND UNIVERSITY BUSINESS OFFICERS
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2018 AND 2017**

NOTE 10 PERMANENTLY RESTRICTED NET ASSETS (CONTINUED)

Return Objectives and Risk Parameters

NACUBO has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to increase its endowment while seeking to maintain the purchasing power of endowment assets. Endowment assets include those assets of donor-restricted funds that NACUBO must hold in perpetuity or for a donor-specified period. Under this policy, as approved by the board of directors, the endowment assets are invested in a manner that is intended to preserve principal while earning as much income as possible assuming a conservative level of investing risk.

Spending Policy

NACUBO has established a spending policy for its endowment funds that allows it to draw a portion of the endowment earnings for use in awards programs and institution capacity development.

Funds with Deficiencies

From time to time, the fair value of assets associated with an individual donor-restricted endowment fund may fall below the level that the donor or UPMIFA requires NACUBO to retain as a fund of perpetual duration. There were no such deficiencies as of May 31, 2018 and 2017.

As of May 31, 2018 and 2017, the endowment net asset composition by type of fund was as follows:

	2018			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets - June 1, 2017	\$ -	\$ 12,995	\$ 48,500	\$ 61,495
Investment Income	-	3,984	-	3,984
Appropriations of Endowment Assets for Expenditure	-	(9,931)	-	(9,931)
Endowment Net Assets - May 31, 2018	<u>\$ -</u>	<u>\$ 7,048</u>	<u>\$ 48,500</u>	<u>\$ 55,548</u>
	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets - June 1, 2016	\$ -	\$ 14,448	\$ 48,500	\$ 62,948
Investment Income	-	6,421	-	6,421
Appropriations of Endowment Assets for Expenditure	-	(7,874)	-	(7,874)
Endowment Net Assets - May 31, 2017	<u>\$ -</u>	<u>\$ 12,995</u>	<u>\$ 48,500</u>	<u>\$ 61,495</u>

**NATIONAL ASSOCIATION OF COLLEGE AND UNIVERSITY BUSINESS OFFICERS
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2018 AND 2017**

NOTE 11 PENSION PLAN

NACUBO has a defined contribution pension plan available to all full-time employees upon hire. The Plan is funded through the purchase of retirement annuity contracts for employees who are covered under the Plan. NACUBO makes employer contributions to the Plan as specified in the Plan document. For the years ended May 31, 2018 and 2017, pension expense for this Plan totaled approximately \$842,000 and \$798,000, respectively.

NOTE 12 RELATED PARTY TRANSACTIONS

NACUBO has shared service agreements with its regional affiliates. In accordance with the agreements, NACUBO collects dues and registration receipts and remits them to the regional affiliates. The agreements also specify that NACUBO will perform various back office functions on behalf of the regional affiliates. As of and for the years ended May 31, 2018 and 2017, the shared service revenue generated from these agreements, and the related due to balances were as follows:

	2018	2017
Shared Service Fee Received from Regional Affiliates	<u>\$ 600,617</u>	<u>\$ 504,131</u>
Net Due to Regional Affiliates	<u>\$ 330,967</u>	<u>\$ 572,322</u>

NATIONAL ASSOCIATION OF COLLEGE AND UNIVERSITY BUSINESS OFFICERS
SCHEDULE OF FUNCTIONAL EXPENSES
YEAR ENDED MAY 31, 2018
(SEE INDEPENDENT AUDITORS' REPORT)

	Program Services					Supporting Services				Total
	Conferences, Workshops, and Seminars	Member Services	Advocacy and Public Policy	Publications and Other Products	Program Services Total	Administration	Membership Retention and Development	Fundraising	Supporting Services Total	
Salary and Related Expenses	\$ 1,571,218	\$ 1,989,206	\$ 2,697,600	\$ 208,746	\$ 6,466,770	\$ 1,339,430	\$ 178,449	\$ 478,145	\$ 1,996,024	\$ 8,462,794
Travel	1,849,212	263,483	365,279	550	2,478,524	86,883	-	22,981	109,864	2,588,388
Professional Fees	594,283	413,649	447,888	137,463	1,593,283	554,580	169,838	16,004	740,422	2,333,705
Rent	234,098	238,911	326,132	25,103	824,244	156,849	21,459	57,978	236,286	1,060,530
AV/Registration/ Books/Subscriptions	728,014	56,530	52,340	159	837,043	21,980	136	4,653	26,769	863,812
Production Services	151,967	351,662	21,755	28,139	553,523	-	2,897	4,227	7,124	560,647
Taxes and Fees	197,202	232,785	645	1,057	431,689	80,821	42	115	80,978	512,667
Depreciation/Amortization/ Noncapital Equipment	96,378	89,145	121,179	9,286	315,988	71,470	7,938	21,448	100,856	416,844
Donated Publication Services	-	253,100	-	-	253,100	-	-	-	-	253,100
Supplies	167,007	44,568	18,546	1,516	231,637	12,409	759	3,391	16,559	248,196
Other	14,498	17,626	-	-	32,124	99,535	-	-	99,535	131,659
Telephone	86,356	22,622	37,210	366	146,554	46,598	33	1,667	48,298	194,852
Postage and Delivery	30,280	98,882	3,767	497	133,426	2,562	196	462	3,220	136,646
Contributions	20,588	-	-	-	20,588	5,350	-	-	5,350	25,938
Total	\$ 5,741,101	\$ 4,072,169	\$ 4,092,341	\$ 412,882	\$ 14,318,493	\$ 2,478,467	\$ 381,747	\$ 611,071	\$ 3,471,285	\$ 17,789,778