

NACUBO 2008 Financial Statements

For the Years Ended May 31, 2008 and 2007

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the
National Association of College
and University Business Officers



We have audited the accompanying statements of financial position of the National Association of College and University Business Officers (NACUBO) as of May 31, 2008 and 2007, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of NACUBO's management. 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of NACUBO's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of NACUBO as of May 31, 2008 and 2007, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental statements of activities by natural classification are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such information, except for the portion marked "unaudited," on which we express no opinion, has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Raffa, P.C.

Raffa, P.C.

Washington, D.C.
Sept. 19, 2008

STATEMENTS OF FINANCIAL POSITION
For the Years Ended May 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
ASSETS		
Cash and cash equivalents (Notes 1b and 7)	\$3,100,475	\$4,084,524
Investments (Notes 1d and 3)	5,389,069	5,609,846
Accounts receivable, net (Notes 1e and 2)	454,767	919,368
Inventory (Note 1c)	356,892	366,801
Prepaid expenses and other assets (Note 1h)	848,332	905,734
Net property and equipment (Notes 1f and 4)	<u>2,231,669</u>	<u>2,060,208</u>
TOTAL ASSETS	<u><u>\$12,381,204</u></u>	<u><u>\$13,946,481</u></u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$1,522,316	\$2,734,574
Deferred membership and subscription revenue (Note 1h)	3,645,950	3,843,623
Deferred conference revenue (Note 1h)	2,348,664	1,881,312
Line of credit (Note 9)	—	500,000
Capital lease obligations	193,652	—
Deferred rent and construction allowance	<u>1,353,159</u>	<u>1,120,612</u>
TOTAL LIABILITIES	<u>9,063,741</u>	<u>10,080,121</u>
Net Assets		
Unrestricted (Note 1g)	3,265,057	3,813,954
Temporarily restricted (Note 1g)	3,906	3,906
Permanently restricted (Notes 1g and 5)	<u>48,500</u>	<u>48,500</u>
TOTAL NET ASSETS	<u>3,317,463</u>	<u>3,866,360</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$12,381,204</u></u>	<u><u>\$13,946,481</u></u>

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF ACTIVITIES
For the Years Ended May 31, 2008 and 2007

	2008	2007
CHANGES IN UNRESTRICTED NET ASSETS		
Revenue and support		
Membership dues	\$6,325,481	\$6,138,219
Conference, workshops, seminars and sponsorships	4,741,460	4,506,953
Advertising	1,060,780	1,025,794
Publications and other products	787,246	675,021
Grants, contributions and other sponsorships	346,361	229,000
Donated equipment and services (Note 1i)	621,663	321,800
Investment income	529,162	408,942
Fees for services	60,237	57,622
Other	40,853	45,844
Net assets released from restrictions:		
Satisfaction of program restrictions	—	2,366
Total Unrestricted Revenue and Support	14,513,243	13,411,561
Expenses		
Program services		
Conference, workshops and seminars	4,983,568	4,960,638
Other member services	4,494,714	4,057,066
Publications and other products (Note 1i)	1,161,948	1,094,347
Total Program Services	10,640,230	10,112,051
Supporting services		
Administration	3,134,342	2,788,344
Fundraising	376,985	321,583
Membership retention and development	334,588	281,136
Total Supporting Services	3,845,915	3,391,063
Total Expenses	14,486,145	13,503,114
CHANGE IN UNRESTRICTED NET ASSETS BEFORE UNREALIZED GAIN (LOSS) ON INVESTMENTS	27,098	(91,553)
Unrealized gain (loss) on investments	(575,995)	606,857
CHANGE IN UNRESTRICTED NET ASSETS	(548,897)	515,304
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS		
Investment income	—	2,000
Net assets released from restrictions:		
Satisfaction of program restrictions	—	(2,366)
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS	—	(366)
CHANGE IN NET ASSETS	(548,897)	514,938
NET ASSETS, BEGINNING OF YEAR	3,866,360	3,351,422
NET ASSETS, END OF YEAR	\$3,317,463	\$3,866,360

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS
For the Years Ended May 31, 2008 and 2007
Increase (Decrease) in Cash and Cash Equivalents

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$(548,897)	\$514,938
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	480,846	392,660
Donated property	(134,000)	—
Bad debts	65,481	20,776
Realized loss (gain) on investments	(79,348)	1,563
Unrealized loss (gain) on investments	575,995	(606,857)
Loss on disposal of furniture and equipment	—	90,582
Changes in assets and liabilities:		
Accounts receivable	399,120	(659,897)
Inventory	9,909	(3,531)
Prepaid expenses and other assets	57,402	(269,608)
Accounts payable and accrued expenses	(1,212,258)	(111,397)
Deferred membership and subscription revenue	(197,673)	65,637
Deferred conference revenue	467,352	(344,845)
Deferred rent and construction allowance	232,547	1,058,608
NET CASH PROVIDED BY OPERATING ACTIVITIES	116,476	148,629
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(4,189,402)	(1,289,068)
Sales of investments	3,913,532	699,127
Purchases of furniture, equipment and software	(243,878)	(1,937,060)
NET CASH USED IN INVESTING ACTIVITIES	(519,748)	(2,527,001)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from line of credit	500,000	500,000
Repayments on line of credit	(1,000,000)	—
Principal payments under capital lease obligations	(80,777)	(25,394)
NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES	(580,777)	474,606
NET DECREASE IN CASH AND CASH EQUIVALENTS	(984,049)	(1,903,766)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	4,084,524	5,988,290
CASH AND CASH EQUIVALENTS, END OF YEAR	\$3,100,475	\$4,084,524
SUPPLEMENTAL CASH FLOW INFORMATION		
Taxes paid	—	\$192,646
Interest paid	\$22,106	\$6,692
Noncash investing and financing transactions:		
Acquisition of equipment under capital lease agreements	\$274,429	—
Donated property and equipment	\$134,000	—

The accompanying notes are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended May 31, 2008 and 2007

1. Organization and Summary of Significant Accounting Policies

a. 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.

b. Cash and Cash Equivalents

NACUBO considers money market funds and certificates of deposit with a purchased maturity date of three months or less to be cash equivalents. Cash in the investment portfolio is not included in cash and cash equivalents as it is held for investing purposes.

c. Inventory

Inventory consists of publications for resale and is valued at the lower of cost or market value using the average cost method.

d. Investments

Investments are comprised of mutual funds, money market funds, and certificates of deposit and are recorded in the accompanying statements of financial position at fair value based on quoted market prices.

e. Accounts Receivable

Accounts receivable are primarily from conferences, workshops, advertising, publications, and professional services provided to other organizations. Also included in accounts receivable as of May 31, 2007 is the portion of the construction allowance related to NACUBO's new office space which had not been reimbursed by the landlord. NACUBO uses the allowance method to reserve for uncollectible accounts.

f. Property and Equipment

Property and equipment are recorded at cost and depreciated using the straight-line method over estimated useful lives of three to ten years, with no salvage value. 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 are expensed as incurred. Upon the retirement or disposal of the assets, the cost and accumulated depreciation are eliminated from the respective accounts and the resulting gain or loss is included in revenue or expenses as appropriate.

g. Classification of Net Assets

The net assets of NACUBO are reported as follows:

- Unrestricted net assets represent the portion of expendable funds that are available for support of NACUBO's operations. As of May 31, 2008 and 2007, \$350,545 and \$483,045, respectively, of unrestricted net assets have been designated by the board of directors to establish a reserve fund for board approved special initiatives or activities.
- Temporarily restricted net assets are specifically restricted by donors for various programs.
- Permanently restricted net assets represent funds that require the principal to be maintained in perpetuity.

h. 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 the conference, workshops and seminars are recognized in the year in which the conference, workshops or seminars are held. Accordingly, registrations received in advance of the conference, seminar or workshop is recorded as deferred conference revenue in the accompanying statements of financial position. Expenses paid in advance of the conference, workshop or seminar are recorded as prepaid expenses and other assets in the accompanying statements of financial position.

Advertising revenue is recorded in the period the commitment is made.

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.

NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended May 31, 2008 and 2007

NACUBO reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of 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 in the year in which the payments are received and/or unconditional promises are made.

i. Donated Equipment and Services

Donated equipment and services are recorded at their estimated fair market value. Donated equipment and services include the value of software and the value of services to support the annual NACUBO Endowment Study and conference, along with various other conferences and seminars. For the years ended May 31, 2008 and 2007 the donated equipment and services totaled \$621,663 and \$321,800, respectively.

j. 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 which are not directly charged to a program or supporting service are allocated among the programs and supporting services based upon salaries.

k. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

l. Reclassifications

Certain amounts in the 2007 financial statements have been reclassified to conform to the 2008 presentation.

2. Accounts Receivable

As of May 31, 2008 and 2007, accounts receivable was comprised of amounts due for the following:

	<u>2008</u>	<u>2007</u>
Professional fees	\$ 177,703	\$ 159,500
Advertising	109,295	155,362
Federal contracts	76,652	—
Income taxes	69,485	—
Publications	32,988	10,934
Conference, workshops and seminars	17,365	63,727
Other	11,279	33,286
Construction allowance	—	533,709
Total	<u>494,767</u>	<u>956,518</u>
Less: Allowance for doubtful accounts	<u>(40,000)</u>	<u>(37,150)</u>
Accounts receivable, net	<u>\$454,767</u>	<u>\$919,368</u>

3. Investments

As of May 31, 2008 and 2007, investments consisted of the following at fair value:

	<u>2008</u>	<u>2007</u>
Mutual funds	\$ 5,354,933	\$ 5,461,456
Money market funds	34,136	48,402
Certificates of deposit	—	99,988
	<u>\$5,389,069</u>	<u>\$5,609,846</u>

For the years ended May 31, 2008 and 2007, investment income, including interest earned on NACUBO's cash accounts, consisted of the following:

	<u>2008</u>	<u>2007</u>
Unrealized (loss) gain	\$(575,995)	\$606,857
Dividends, interest and capital gains	449,814	412,505
Net realized gain (loss)	<u>79,348</u>	<u>(1,563)</u>
	<u>\$(46,833)</u>	<u>\$1,017,799</u>

During the years ended May 31, 2008 and 2007, NACUBO paid investment management fees of \$43,211 and \$37,084, respectively, which is included in administration expense in the accompanying statement of activities.

NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended May 31, 2008 and 2007

4. Property, Equipment and Related Depreciation and Amortization

As of May 31, 2008 and 2007, NACUBO held the following property and equipment:

	<u>2008</u>	<u>2007</u>
Leasehold improvements	\$1,326,363	\$1,317,690
Software	867,125	1,140,721
Furniture	505,793	473,553
Equipment	565,967	155,804
Total	<u>3,265,248</u>	<u>3,087,768</u>
Less: accumulated depreciation and amortization	<u>(1,033,579)</u>	<u>(1,027,560)</u>
Net property and equipment	<u>\$2,231,669</u>	<u>\$2,060,208</u>

5. Permanently Restricted Net Assets

As of May 31, 2008 and 2007, NACUBO held the following permanently restricted net assets:

	<u>2008</u>	<u>2007</u>
Rodney Adams award	\$20,000	\$20,000
Dan Robinson award	20,000	20,000
Professional development award	8,500	8,500
Total	<u>\$48,500</u>	<u>\$48,500</u>

6. Commitments

Office Lease During the year ended May 31, 2007, NACUBO entered into a non-cancelable operating lease for its office space which expires in August 2017. The lease provides for four months of free rent and for fixed adjustments to the future minimum rental payments. Additionally, under the terms of this lease, NACUBO received from the landlord a leasehold improvements allowance of \$1,079,850 as an incentive to enter into the lease agreement. Under accounting principles generally accepted in the United States of America (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 for the years ended May 31, 2008 and 2007 was \$923,189 and \$700,137, respectively.

As of May 31, 2008, future minimum rental payments under this lease are as follows:

For the Years Ending	
May 31,	
2009	\$908,048
2010	930,673
2011	953,984
2012	977,785
2013	1,013,143
2014 and thereafter	4,643,480
Total	<u>\$9,427,113</u>

NACUBO's operating lease for its previous office space was scheduled to expire in August 2007. During the year end May 31, 2007, NACUBO vacated this office space and moved into the new office space. In accordance with GAAP, a liability related to the early termination of the lease has been recognized equivalent to the remaining lease payments, net of remaining sublease rental income. As of May 31, 2007 this liability of \$124,812 is included in accounts payable and accrued expenses in the accompanying statements of financial position. There is no remaining liability as of May 31, 2008.

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended May 31, 2008 and 2007

Contracts NACUBO has entered into various agreements for hotel accommodations for its future planned 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. Management of NACUBO does not believe that any of these commitments will result in a loss due to liquidated damages. Accordingly, no amount for this potential liability has been reflected in the accompanying financial statements. Additionally, NACUBO has purchased an insurance policy to mitigate any potential losses.

7. Concentration of Credit Risk

NACUBO's cash is held in accounts at various financial institutions. Although the amount at a given bank at times exceeds the amount guaranteed by the Federal Deposit Insurance Corporation and, therefore, bears some risk, NACUBO has neither experienced nor anticipates any losses on its funds. As of May 31, 2008 and 2007, the amount in excess of the Federal Deposit Insurance Corporation insured limit of \$100,000 was approximately \$372,000 and \$252,000, respectively.

8. Pension Plan

NACUBO has a defined contribution pension plan available to all full-time employees who have completed one year of service. The plan is funded through the purchase of retirement annuity contracts for employees who are covered under the plan. For the years ended May 31, 2008 and 2007, total pension expense was approximately \$504,000 and \$488,000, respectively.

9. Line of Credit

During the year ended May 31, 2007, NACUBO had an unsecured line of credit with M&T Bank in the amount of \$1,500,000 which expired on October 20, 2007. Amounts drawn on this line accrue interest at 1.3% below the bank's prime rate until October 20, 2007. As of May 31, 2007, NACUBO had an outstanding balance on this line of credit of \$500,000. This line of credit was repaid before October 20, 2007.

During the year ended May 31, 2008, NACUBO obtained an unsecured revolving line of credit with M&T Bank in the amount of \$1,000,000 on January 23, 2008. Amounts drawn on this line of credit accrue interest at a floating interest rate of the 30 day LIBOR rate plus 2% which was 3.16% as of May 31, 2008. As of May 31, 2008 there was no outstanding balance on this line of credit.

10. 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 that is subject to the unrelated business income tax. Income tax expense of approximately \$49,000 and \$156,000 has been provided for in the years ended May 31, 2008 and 2007, respectively, and is included in administration expenses in the accompanying statements of activities.

SUPPLEMENTAL INFORMATION

STATEMENTS OF ACTIVITIES BY NATURAL CLASSIFICATION
For the Years Ended May 31, 2008 and 2007

	2008	2008 Unaudited Budget	2007	2007 Unaudited Budget
Revenue and Support				
Membership dues	\$6,325,481	\$6,483,833	\$6,138,219	\$6,216,100
Conference, meetings and seminars	4,164,460	4,180,921	3,848,883	3,763,625
Advertising	1,060,780	1,096,000	1,025,794	1,146,000
Publications	697,246	803,501	639,991	820,000
Grants, contributions and sponsorships	1,013,361	1,025,000	922,100	1,004,000
Investment income	529,162	300,000	410,942	205,000
Donated equipment and services	621,663	—	321,800	—
Fees for services	60,237	60,000	57,622	60,000
Other revenue	40,853	43,735	45,844	93,800
Total Revenue and Support	<u>14,513,243</u>	<u>13,992,990</u>	<u>13,411,195</u>	<u>13,308,525</u>
Expenses				
Salaries and benefits	5,535,058	5,506,975	5,186,131	5,383,654
Professional fees	2,303,829	2,331,432	2,260,301	2,136,872
Travel	2,093,437	2,065,071	1,986,952	2,046,280
Production services	1,211,294	1,000,685	1,056,485	1,028,589
Registration, books and subscriptions	409,616	451,365	424,351	384,225
Rent	923,189	905,000	700,137	531,245
Depreciation and non-capital equipment	591,602	565,400	535,965	466,810
Other	180,018	320,180	178,714	647,595
Taxes and fees	300,769	308,300	315,542	170,240
Donated publication services	250,000	—	250,000	—
Supplies	305,179	206,858	283,792	177,045
Postage and delivery	189,437	218,005	231,479	200,720
Telephone	72,717	113,719	70,515	120,250
Contributions	120,000	—	22,750	15,000
Total Expenses	<u>14,486,145</u>	<u>13,992,990</u>	<u>13,503,114</u>	<u>13,308,525</u>
Change in Net Assets Before Unrealized				
Gain (Loss) on Investments	27,098	—	(91,919)	—
Unrealized Gain (Loss) on Investments	(575,995)	—	606,857	—
Change in Net Assets	<u><u>\$(548,897)</u></u>	<u><u>—</u></u>	<u><u>\$514,938</u></u>	<u><u>—</u></u>