# NATIONAL AUCTIONEERS ASSOCIATION

## FINANCIAL STATEMENTS

## December 31, 2017 and 2016

IFFT & CO. PA

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**INDEPENDENT AUDITORS' REPORT**

To the Board of Directors
National Auctioneers Association
Overland Park, Kansas

**Report on the Financial Statements**

We have audited the accompanying financial statements of National Auctioneers Association (a not-for-profit organization), which comprise the statements of financial position as of December 31, 2017 and 2016, 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of National Auctioneers Association as of December 31, 2017 and 2016, 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.

## Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of auxiliary activities 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 was 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 audits 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.

Iffy & Co. PA

April 12, 2018

**NATIONAL AUCTIONEERS ASSOCIATION**
**STATEMENTS OF FINANCIAL POSITION**
**December 31, 2017 and 2016**

| **ASSETS** | 2017 | 2016 |
|---|---|---|
| CURRENT ASSETS | | |
| Cash and cash equivalents | $ 347,565 | 536,702 |
| Cash and cash equivalents - Auxiliary | 54,610 | 53,052 |
| Total cash and cash equivalents | 402,175 | 589,754 |
| Certificates of deposit | 768,267 | 696,506 |
| Auctioneer accounts receivable, less allowance for doubtful accounts of $471 in 2017 and 2016 | 4,858 | 11,206 |
| Prepaid expenses, current portion | 34,607 | 18,729 |
| TOTAL CURRENT ASSETS | 1,209,907 | 1,316,195 |
| PROPERTY AND EQUIPMENT | | |
| Equipment | 141,873 | 135,675 |
| Furniture and fixtures | 134,516 | 134,516 |
| Software | 115,458 | 103,850 |
| Building | 1,363,407 | 1,342,767 |
| | 1,755,254 | 1,716,808 |
| Accumulated depreciation | (1,588,453) | (1,556,470) |
| | 166,801 | 160,338 |
| Land | 134,061 | 134,061 |
| TOTAL PROPERTY AND EQUIPMENT | 300,862 | 294,399 |
| PREPAID EXPENSES, less current portion | 3,000 | - |
| ASSETS LIMITED AS TO USE | | |
| Lifetime membership designated funds | 318,461 | 316,576 |
| Auxiliary scholarship designated funds | 123,291 | 116,718 |
| Auxiliary Hall of Fame designated funds | 1,745 | 1,635 |
| Building maintenance designated funds | 35,032 | 32,972 |
| TOTAL ASSETS LIMITED AS TO USE | 478,529 | 467,901 |
| TOTAL ASSETS | $ 1,992,298 | 2,078,495 |

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

**NATIONAL AUCTIONEERS ASSOCIATION**
**STATEMENTS OF FINANCIAL POSITION**
**December 31, 2017 and 2016**

| **LIABILITIES AND NET ASSETS** | 2017 | 2016 |
|---|---|---|
| CURRENT LIABILITIES | | |
| Accounts payable | $ 101,417 | 74,837 |
| Related party payable | 1,966 | 2,145 |
| Accrued liabilities | 50,647 | 57,621 |
| Deferred program and conference revenue | 86,035 | 140,633 |
| Current portion of deferred memberships | 566,377 | 558,156 |
| Current portion of deferred lifetime memberships | 14,288 | 14,526 |
| Current portion of deferred rent | 24,000 | 24,000 |
| TOTAL CURRENT LIABILITIES | 844,730 | 871,918 |
| LONG-TERM LIABILITIES | | |
| Deferred memberships, less current portion | 72,803 | 76,812 |
| Deferred lifetime memberships, less current portion | 63,138 | 78,393 |
| Deferred rent, less current portion | 328,000 | 352,000 |
| TOTAL LONG-TERM LIABILITIES | 463,941 | 507,205 |
| TOTAL LIABILITIES | 1,308,671 | 1,379,123 |
| NET ASSETS | | |
| Unrestricted | 205,098 | 231,471 |
| Board-designated - lifetime membership | 318,461 | 316,576 |
| Board-designated - Auxiliary scholarship | 123,291 | 116,718 |
| Board-designated - Auxiliary Hall of Fame | 1,745 | 1,635 |
| Board-designated - building maintenance | 35,032 | 32,972 |
| TOTAL UNRESTRICTED NET ASSETS | 683,627 | 699,372 |
| TOTAL LIABILITIES AND NET ASSETS | $ 1,992,298 | 2,078,495 |

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

**NATIONAL AUCTIONEERS ASSOCIATION**
**STATEMENTS OF ACTIVITIES**
**For the Years Ended December 31, 2017 and 2016**

| | 2017 | 2016 |
|---|---|---|
| REVENUES | | |
| Dues | $ 1,020,003 | 1,021,039 |
| Auxiliary membership dues | 10,450 | 11,471 |
| Education designation fees | 154,233 | 156,875 |
| Designation programs | 600,206 | 736,075 |
| Conference | 671,561 | 673,214 |
| Advertising | 106,376 | 120,580 |
| Investment income | 8,337 | 4,602 |
| Lease income | 24,000 | 24,000 |
| Contributions | - | 50,000 |
| Management fee | 25,000 | 25,000 |
| Other Auxiliary income | 23,111 | 15,598 |
| In-kind contributions | 5,000 | 5,000 |
| Affinity | 15,742 | 26,589 |
| Other | 1,228 | 600 |
| | 2,665,247 | 2,870,643 |
| EXPENSES | | |
| Salaries and benefits | 917,280 | 877,928 |
| Conference, including salary expense of $17,071 in 2017 and $16,193 in 2016 | 492,803 | 560,590 |
| Designation programs | 543,148 | 543,338 |
| Publications | 101,461 | 126,519 |
| Auxiliary | 25,343 | 20,838 |
| Board travel | 80,329 | 90,397 |
| Staff travel and training expenses | 56,303 | 57,029 |
| Membership development | 75,537 | 94,786 |
| Professional and consultant fees | 25,945 | 24,976 |
| Public relations | 62,799 | 39,019 |
| Utilities | 28,935 | 28,419 |
| Repairs and maintenance | 39,953 | 39,352 |
| Taxes and insurance | 26,948 | 26,315 |
| Computer expenses | 79,086 | 99,559 |
| Office supplies and postage | 26,995 | 26,626 |
| Interest expense | - | 706 |
| Bank fees | 55,444 | 56,245 |
| Depreciation | 31,983 | 95,725 |
| In-kind expense | 5,000 | 5,000 |
| Other | 5,700 | 6,700 |
| | 2,680,992 | 2,820,067 |
| CHANGE IN NET ASSETS | (15,745) | 50,576 |
| NET ASSETS, BEGINNING OF YEAR | 699,372 | 648,796 |
| NET ASSETS, END OF YEAR | $ 683,627 | 699,372 |

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

## NATIONAL AUCTIONEERS ASSOCIATION
## STATEMENTS OF CASH FLOWS
### For the Years Ended December 31, 2017 and 2016

| | 2017 | 2016 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | $ (15,745) | 50,576 |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities | | |
| Depreciation | 31,983 | 95,725 |
| Changes in operating assets and liabilities | | |
| Auctioneer accounts receivable | 6,348 | (1,547) |
| Prepaid expenses | (18,878) | 9,140 |
| Accounts payable | 26,580 | (16,498) |
| Related party payable | (179) | 1,483 |
| Accrued liabilities | (6,974) | (8,292) |
| Deferred program and conference revenue | (54,598) | (39,588) |
| Deferred memberships | 4,212 | 27,709 |
| Deferred lifetime memberships | (15,493) | (21,362) |
| Deferred rent | (24,000) | (24,000) |
| NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES | (66,744) | 73,346 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchases of certificates of deposit | (71,761) | (246,178) |
| Purchases of property and equipment | (38,446) | (19,384) |
| Additions to assets limited as to use | (23,128) | (27,042) |
| Disbursements from assets limited as to use | 12,500 | 7,500 |
| NET CASH USED IN INVESTING ACTIVITIES | (120,835) | (285,104) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Payments on long-term debt | - | (17,998) |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | (187,579) | (229,756) |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | 589,754 | 819,510 |
| CASH AND CASH EQUIVALENTS, END OF YEAR | $ 402,175 | 589,754 |
| SUPPLEMENTAL CASH FLOW INFORMATION | | |
| Amounts paid during the year for interest | $ - | 706 |

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

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Nature of Activities

National Auctioneers Association (the Association) is a not-for-profit organization that provides educational services and information regarding the auctioneering profession. Magazines are published as part of the member's annual dues investment, a convention is presented annually, and several seminars are presented throughout the year. The Association also has an Auxiliary through which non-auctioneers can assist the Association.

### Basis of Accounting and Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

The Association reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Association had no permanently restricted or temporarily restricted net assets at December 31, 2017 or 2016.

### Cash Equivalents

The Association considers all highly liquid instruments purchased with maturities of less than three months to be cash equivalents.

### Accounts Receivable

The majority of the Association's receivables is due from advertisers for advertisements placed in the Association's newsletter. Receivables are recorded at amounts due from advertisers, net of an allowance for doubtful accounts. Credit is extended based on evaluation of an advertiser's financial condition; generally, collateral is not required. Receivables are considered past due after thirty days. The Association writes off receivables when they become uncollectible. At December 31, 2017 and 2016, the allowance for doubtful accounts was $471.

### Property and Equipment

The Association capitalizes all significant acquisitions of property and equipment, which are recorded at cost, or fair value if donated. Property and equipment are depreciated using the straight-line method over the estimated useful lives of the assets.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Recognition of Donor Restrictions

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

In-Kind Contributions

In-kind contributions are received for conference items and are recorded as revenue and expense in the accompanying statements of activities.

Income Taxes

The Association is generally exempt from federal income tax under Section 501(c)(6) of the Internal Revenue Code but may be subject to unrelated business income tax. No unrelated business income tax was incurred for the years ended December 31, 2017 or 2016.

The Association recognizes the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more-likely-than-not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement with the relevant tax authority.

The Association is subject to income tax regulations in the U.S. federal jurisdiction and certain state jurisdictions. Tax regulations within each jurisdiction are subject to the interpretation of the related tax laws and regulations and require significant judgment to apply. With few exceptions, the Association is no longer subject to income tax examinations by the applicable tax authorities for the years before 2014. If any were to be incurred, the Association's policy is to record penalties and interest assessed by income tax authorities as operating expenses.

Advertising

The Association utilizes its own publications to satisfy its advertising needs. Therefore, any advertising expenses are accounted for indirectly as a portion of the publishing expenses of these publications.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Use of 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. Accordingly, actual results could differ from those estimates.

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 - LIFETIME MEMBERSHIPS

In prior years, members of the Association had the opportunity to purchase life memberships. Those funds and earnings thereon were placed in Board-designated investments and are maintained separately from the Association's operating account, generally in certificates of deposit. The balance of the Board-designated lifetime membership fund was $318,461 and $316,576 at December 31, 2017 and 2016, respectively. The Assocation has ceased selling this membership option; however, the existing lifetime members will continue to receive the benefits of this program.

NOTE 3 - AUXILIARY FUNDS

The Auxiliary of the Association has established a fund to pay annual scholarships to qualifying candidates. The Auxiliary authorized five scholarships in 2017 and three scholarships in 2016.

The Auxiliary raises funds for the scholarships by selling "Unsung Heroes" prints. They also supplement the income from this campaign by holding other fundraising activities during the year. Certain proceeds from the fund are designated for the growth of the fund. The balance of the scholarship fund as of December 31, 2017 and 2016 was $123,291 and $116,718, respectively.

The Auxiliary also raises funds for the Hall of Fame project. The balance of the Hall of Fame fund as of December 31, 2017 and 2016 was $1,745 and $1,635, respectively.

NOTE 4 - LEASE COMMITMENT

The Association entered into a facility lease agreement in September 2007 with the National Auctioneers Foundation (the Foundation), a related organization, in which the Foundation leases a portion of the Association's building. The lease is for twenty-five years with a monthly rate of $2,000. This lease expires in August 2032, unless sooner terminated in accordance with the provisions of the lease agreement. The Foundation has prepaid the lease in its entirety.

Deferred rent revenue totaled $352,000 and $376,000 at December 31, 2017 and 2016, respectively, and will be recognized in revenue as follows:

| Year ending December 31, | Amount |
|---|---|
| 2018 | $ 24,000 |
| 2019 | 24,000 |
| 2020 | 24,000 |
| 2021 | 24,000 |
| 2022 | 24,000 |
| Thereafter | 232,000 |
| | $ 352,000 |

NOTE 5 - DEFINED CONTRIBUTION PLAN

The Association maintains a 401(k) savings plan for all eligible employees. All participants may elect to defer up to 20% of their salary on a pre-tax basis but cannot exceed the amount of allowable contributions established by the Internal Revenue Service for a given calendar year.

All full-time employees are eligible to receive a matching contribution from the Association after one year of employment. The Association makes a contribution equal to 100% of an employee's salary deferrals that do not exceed 4% of the employee's compensation. The Association contributed $21,479 and $30,745 to the plan for the years ended December 31, 2017 and 2016, respectively. Participants are fully vested in both their salary deferral and the matching contributions.

NOTE 6 - FUNCTIONAL EXPENSES

The functional classification of expenses consisted of the following for the years ended December 31:

| | 2017 | 2016 |
|---|---|---|
| Program | $ 1,827,725 | 1,873,583 |
| Management and general | 811,993 | 899,805 |
| Fundraising | 41,274 | 46,679 |
| | $ 2,680,992 | 2,820,067 |

NOTE 7 - RELATED PARTIES AND AFFILIATED ORGANIZATIONS

The Association sells advertising space in its publication, *The Auctioneer*. Several members of the Board of Directors purchase advertising space in the publication for their outside businesses and for campaign advertisements for the Board. No amounts were outstanding from Directors at December 31, 2017 or 2016. The amount of advertising revenue received from members of the Board of Directors was $5,264 and $4,293 during the years ended December 31, 2017 and 2016, respectively.

The Foundation pays monthly management fees to the Association. Total management fee income recognized by the Association was $25,000 for each of the years ended December 31, 2017 and 2016. The Foundation also reimburses the Association for items such as postage and conference calls, and the Association collects dues on the Foundation's behalf and remits them to the Foundation monthly. The amounts due to the Foundation at December 31, 2017 and 2016 were $1,966 and $2,145, respectively.

Members of the Board of Directors are utilized as instructors for the designation program seminars made available to the members. The amounts paid to related party instructors during the years ended December 31, 2017 and 2016 were $4,080 and $9,100, respectively.

During the year ended December 31, 2016, the Foundation contributed $50,000 to the Association. There was no contribution during the year ended December 31, 2017.

Also see Note 4.

NOTE 8 - IN-KIND CONTRIBUTIONS

The Association received in-kind contributions as follows for the years ended December 31:

| | 2017 | 2016 |
|---|---|---|
| Cashier services | $ 2,500 | 2,500 |
| Signage | 2,500 | 2,500 |
| | $ 5,000 | 5,000 |

NOTE 9 - LICENSING AGREEMENT

During the year ended December 31, 2014, the Association entered into a license agreement for an updated version of a book. In this agreement, the contractor performed all the research and writing and retains ownership of the book, and the Association has the license to publish, reproduce, market, and distribute the second edition of the book. The Association paid the contractor $5,000 during the year ended December 31, 2014 and was committed to additional monthly payments of $2,250 starting in January 2015 through April 2016 with delivery date of the book no later than June 2016. Payments during the year ended December 31, 2016 totaled $6,750. There were no payments made during the year ended December 31, 2017. The expense was recorded monthly as incurred.

# SUPPLEMENTARY INFORMATION

**NATIONAL AUCTIONEERS ASSOCIATION**
**SCHEDULE OF AUXILIARY ACTIVITIES**
**For the Year Ended December 31, 2017**

| | Undesignated | Designated | Total |
|---|---|---|---|
| REVENUES | | | |
| Membership dues | $ 10,450 | - | 10,450 |
| Special contributions | - | 11,100 | 11,100 |
| Fun Auction proceeds | 3,928 | 2,123 | 6,051 |
| Unsung Heroes print | - | 4,785 | 4,785 |
| Hall of Fame contributions | - | 110 | 110 |
| Interest income | - | 915 | 915 |
| Other income | - | 150 | 150 |
| TOTAL REVENUES | 14,378 | 19,183 | 33,561 |
| EXPENSES | | | |
| Management fees | 6,600 | - | 6,600 |
| Conference and Show | 3,968 | - | 3,968 |
| Membership/Newsletter | 806 | - | 806 |
| Scholarships | 165 | 12,500 | 12,665 |
| Long-range planning | 1,067 | - | 1,067 |
| Operating | 237 | - | 237 |
| TOTAL EXPENSES | 12,843 | 12,500 | 25,343 |
| CHANGE IN NET ASSETS | 1,535 | 6,683 | 8,218 |
| NET ASSETS, BEGINNING OF YEAR, | 54,802 | 118,353 | 173,155 |
| NET ASSETS, END OF YEAR | $ 56,337 | 125,036 | 181,373 |