

Arthur W. Page Society

Financial Statements
And
Independent Auditors' Report

December 31, 2019

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Kattell and Company P.L.

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees,
Arthur W. Page Society

Report on the Financial Statements

We have audited the accompanying financial statements of the Arthur W. Page Society (Page), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses, 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 auditor's 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 Page as of December 31, 2019, 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.

Report on Summarized Comparative Information.

We have previously audited Page's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 6, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Kattell and Company P.L.

May XX, 2020

"Not everything that counts can be counted, and not everything that can be counted counts."

-Albert Einstein

Statement of Financial Position
December 31, 2019
(with summarized information for 2018)
Arthur W. Page Society

Assets	2019	2018
Current Assets:		
Cash:		
Checking	\$ 190,064	\$ 338,070
Money Market	<u>671,982</u>	<u>280,577</u>
Total Cash	862,046	618,647
Pledges Receivable	2,000	56,106
Other Receivables	41,814	53,089
Prepayments	222,913	55,493
Investments	<u>2,377,072</u>	<u>1,484,859</u>
Total Current Assets	3,505,845	2,268,194
Intangible Assets	48,778	75,778
Security Deposit	<u>52,120</u>	<u>52,251</u>
Total Assets	<u>\$ 3,606,743</u>	<u>\$ 2,396,223</u>
Liabilities and Net Assets		
Current Liabilities:		
Accounts Payable	\$ 58,047	\$ 81,103
Member Credits	22,020	22,727
Rent Payable	11,404	11,858
Deferred Revenue – Event Fees	484,550	252,995
Deferred Revenue – Member Dues	<u>1,374,773</u>	<u>804,315</u>
Total Liabilities	1,950,794	1,172,998
Net Assets:		
With Donor Restrictions	5,600	22,200
Without Donor Restrictions:		
Designated for Reserves	1,347,007	1,088,703
Operating	<u>303,342</u>	<u>112,322</u>
Total Without Restrictions	<u>1,650,349</u>	<u>1,201,025</u>
Total Net Assets	<u>1,655,949</u>	<u>1,223,225</u>
Total Liabilities and Net Assets	<u>\$ 3,606,743</u>	<u>\$ 2,396,223</u>

See accompanying notes.

Statement of Activities
For the Year Ended December 31, 2019
(with summarized information for 2018)
Arthur W. Page Society

	2019			2018
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenue:				\$
Member Dues	\$ 2,818,050	\$ --	\$ 2,818,050	2,067,508
Contributions:				
Cash	443,875	5,100	448,975	470,232
In-Kind Services/Facilities	531,623	--	531,623	349,350
Total Contributions	<u>975,498</u>	<u>5,100</u>	<u>980,598</u>	<u>819,582</u>
Event Income:				
Annual Conference	613,600	--	613,600	697,735
Spring Seminar	779,860	--	779,860	820,303
Future Leaders Program	422,500	--	422,500	283,750
Other Events	276,153	--	276,153	205,881
Total Event Income	<u>2,092,113</u>	<u>--</u>	<u>2,092,113</u>	<u>2,007,669</u>
Exec. & Leadership Forums	25,643	--	25,643	--
Other Income	1,500	--	1,500	15,340
Net Assets Released From Restrictions	<u>21,700</u>	<u>(21,700)</u>	<u>--</u>	<u>--</u>
Total Revenues	5,934,504	(16,600)	5,917,904	4,910,099
Expenses:				
Programs:				
Annual Conference	537,663	--	537,663	566,081
Spring Seminar	484,604	--	484,604	500,564
Professional Development	535,955	--	535,955	509,236
Committees & Other Prgms	878,910	--	878,910	578,945
General Programs	2,563,128	--	2,563,128	2,181,468
Total Programs	<u>5,000,260</u>	<u>--</u>	<u>5,000,260</u>	<u>4,336,294</u>
Management and General	596,472	--	596,472	506,326
Fundraising	155,601	--	155,601	86,158
Total Expenses	5,752,333	--	5,752,333	4,928,779
Net from Operations	182,171	(16,600)	165,571	(18,680)
Net Investment Return	<u>267,153</u>	<u>--</u>	<u>267,153</u>	<u>(98,196)</u>
Change in Net Assets	449,324	(16,600)	432,724	(116,876)
Net Assets, Beginning of Year	1,201,025	22,200	1,223,225	1,340,101
Net Assets, End of Year	\$ 1,650,349	\$ 5,600	\$ 1,655,949	\$ 1,223,225

See accompanying notes.

Statement of Functional Expenses
For the Year Ended December 31, 2019
(with summarized information for 2018)
Arthur W. Page Society

	2019								2018
	Program Services				Supporting Activities			Totals	Totals
	Annual Conference	Spring Seminar	Professional Development	Committees & Other Programs	General Programs	Management and General	Fundraising		
Salaries and Benefits	\$ --	\$ --	\$ --	\$ --	\$ 1,612,840	\$ 421,430	\$ 90,518	\$ 2,124,788	\$ 1,917,898
Event Expenses:									
Facilities	46,378	5,312	19,966	2,067	--	--	--	73,723	40,287
Audio Visual	131,373	134,108	73,027	2,927	8,541	--	2,080	352,056	358,482
Food and Beverage	189,936	230,443	274,052	162,628	5,000	--	26,188	888,247	747,317
Speaker Honorarium	56,596	15,170	17,244	33,772	--	--	--	122,782	67,156
Other	53,908	34,759	62,482	11,694	3,902	--	--	166,745	181,102
Donated Services and Facilities	--	--	20,000	141,623	370,000	--	--	531,623	349,350
Travel, Meals, Entertainment	7,456	5,316	22,297	180,247	34,409	7,797	1,366	258,888	286,375
Bank and Credit Card Fees	19,901	24,762	26,773	2,539	81,626	--	16,552	172,153	114,122
Professional Services	28,594	31,704	5,385	334,943	--	90,637	--	491,263	420,484
Office Expenses	3,521	3,030	14,729	6,470	306,328	44,725	13,311	392,114	268,668
Occupancy – Rent and Utilities	--	--	--	--	140,482	31,883	5,586	177,951	177,537
Totals	\$ 537,663	\$ 484,604	\$ 535,955	\$ 878,910	\$ 2,563,128	\$ 596,472	\$ 155,601	\$ 5,752,333	\$ 4,928,779

See accompanying notes.

Statement of Cash Flows
For the Year Ended December 31, 2019
 (with summarized information for 2018)
Arthur W. Page Society

	<u>2019</u>	<u>2018</u>
Operating Activities:		
Change in Net Assets	\$ 432,724	\$ (116,876)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Investment (Gains)/Losses	(240,073)	116,653
Investment Income Reinvestments	(26,138)	(38,283)
Amortization – Website Development Costs	27,000	27,000
Other Non-cash Items	--	(19,860)
Changes in:		
Receivables	65,381	(53,485)
Prepaid Expenses	(167,420)	(8,025)
Security Deposit	131	(27)
Payables	(24,217)	59,490
Deferred Revenue	<u>802,013</u>	<u>186,202</u>
Net Cash Provided by (Used in) Operating Activities	869,401	152,789
Investing Activities:		
Securities Sold	--	220,400
Securities Purchased	(626,002)	--
Website Development Costs	<u>--</u>	<u>(22,000)</u>
Net Cash Provided by (Used in) Investing Activities	(626,002)	198,400
Net Change in Cash	243,399	351,189
Cash, Beginning of Year	<u>618,647</u>	<u>267,458</u>
Cash, End of Year	<u>\$ 862,046</u>	<u>\$ 618,647</u>

See accompanying notes.

Notes to the Financial Statements
December 31, 2019
Arthur W. Page Society

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Operations

The Arthur W. Page Society (Page) is a nonprofit organization committed to the belief that public relations, as a function of executive management, is central to the success of the corporation. Its mission is to strengthen the enterprise leadership role of the chief communications officer by embracing the highest professional standards, advancing the way communications is understood, practiced and taught, and providing a collegial and dynamic learning environment. Programs include educational forums and awards for outstanding achievements.

Tax Exemption

Page is tax exempt under Section 501(c)(3) of the Internal Revenue Code and does not earn any unrelated business income. Therefore, no provision for income taxes is reflected in the accompanying financial statements. In addition, Page qualifies for the charitable contributions deduction and has been classified by the Internal Revenue Service as an organization that is not a private foundation.

Basis of Accounting

The financial statements of Page have been prepared on the accrual basis of accounting and are presented using accounting principles generally accepted in the United States of America, as applicable for not-for-profit corporations. (U.S. GAAP)

Cash

Cash consists of deposits in financial institutions. Bank balances exceeded the federal deposit insurance threshold of \$250,000 by approximately \$513,000 and \$394,000 at December 31, 2019 and 2018, respectively.

Receivables

Receivables are comprised of contributions, accounts and other receivables. Page records receivables at net realizable value using the allowance method; however, no allowance is recorded since all amounts are considered fully collectable. There are no identifiable concentrations of credit risk related to these amounts.

Investments

Investments are reported at fair value. Page invests only in debt and equity securities with readily determinable fair values. Their fair value is determined by reference to quoted prices in active markets for identical assets and other relevant information generated by market transactions. (Also known as Level 1 of the fair value hierarchy.)

Intangible Assets

Page capitalizes costs to develop internal-use website software during the application and graphics development stages. Costs of planning, content development and operations are expensed as incurred. Recognized intangible assets are recorded at cost when acquired and are amortized over their estimated useful lives. Intangible assets with indefinite useful lives are not amortized.

Property and Equipment

Page capitalizes property and equipment costing more than \$10,000. Depreciation of any capitalized items will be computed using the straight-line method over estimated useful lives as determined at the time of acquisition. Page held no assets that met this criterion at December 31, 2019 and 2018.

Net Assets

Net assets, the excess of assets over liabilities, are reported in two classes that are based upon the existence or absence of restrictions imposed by donors:

Notes to the Financial Statements
December 31, 2019
Arthur W. Page Society

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Assets (concluded)

With donor restrictions. Net assets with donor restrictions are restricted by a donor to be used for a particular purpose or in a particular future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature; the organization must continue to use the resources in accordance with the donor's instructions. The Corporation's unspent contributions are included in this class if the donor limited their use. When a donor's restriction is satisfied, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

Without donor restrictions. Net assets without donor restrictions are available to support operations. These net assets are constrained only by the broad limits resulting for the nature of the organization.

Revenue Recognition – Contracts with Customers.

Event Income. Registration fees for programs and events are earned when the event is held. Registration fees received before the event are reported as deferred revenue. Amounts received after the event, if any, are reported as receivables.

Membership dues. Membership dues are amortized on a straight-line basis over 12 months from the anniversary date of membership. Unamortized annual membership fees are displayed as deferred revenue.

Sales. Sales, if any, are recognized as revenue when the item sold has been delivered.

Revenue Recognition - Contributions

Contributions. Contributions received are measured at their fair values and are reported as an increase in net assets. Page reports gifts of cash and other assets as support with donor restrictions if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same fiscal year are reported as support without donor restrictions.

Contributions of services. Contributions of services are recognized at fair value when received if the services (a) create or enhance non-financial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Expense Recognition and Allocation

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Expenses that can be identified with a specific function are charged directly to that function, whereas costs common to multiple functions have been allocated. Salaries and wages, benefits and payroll taxes are allocated based on employee estimates of the percentage of time spent in each function. Some of office, travel and meals, and rent and electric expense are allocated based on salary allocations. Bank and credit card fees are allocated based on the proportions of collected revenues.

Program Services. Program services include the expenses of publications, the annual conference, the spring seminar, professional development programs such as Future Leaders and Page Up, various activities of Page's committees, as well as an allocation of salaries and other overhead expenses.

Management and General. Management and general activities are those that provide governance oversight, business and financial management, financial recordkeeping, budgeting, legal and human resource management.

Fundraising. Fundraising costs are expensed as incurred, even though they may result in contributions received in future years. Activities including publicizing and conducting fundraising campaigns, maintaining donor lists, and any other activities that solicit contributions from corporations, foundations, individuals and others.

Notes to the Financial Statements
December 31, 2019
Arthur W. Page Society

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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 and expenses during the reporting period. Actual results could differ from those estimates.

Advertising

Advertising costs, if any, are expensed as incurred.

Prior Year Information

Certain prior year information may be presented differently in order to conform to the current year presentation.

NOTE 2 – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure within one year of the date of the statement of financial position are all financial assets without donor or other restrictions limiting their use, and are as follows at December 31:

	<u>2019</u>	<u>2018</u>
Financial Assets		
Cash	\$ 862,047	\$ 618,647
Pledges Receivable	2,000	56,106
Accounts Receivable	41,814	53,089
Investments	2,377,075	1,484,859
Certificate of Deposit	--	52,251
Total Financial Assets	3,282,936	2,264,952
Not available for general expenditure:		
Lease Security Deposit (Note 8)	--	(52,251)
Board-designated reserves (Note 5)	(1,347,007)	(1,088,703)
Available Financial Assets	\$ 1,935,929	\$ 1,123,998

All donor restricted net assets are expected to be available for general expenditure in the subsequent fiscal year. Board-designated reserves are not intended to be used for general expenditures; however, they may be made available as needed.

Page has structured its financial assets to be available as its general expenditures and liabilities come due. Page does not generally experience cash deficits and, therefore, has instituted no mechanism for financing them. Page invests cash in excess of foreseeable cash needs in highly liquid investments. See Note 4.

NOTE 3 – INTANGIBLE ASSETS

Page incurred costs to develop a significant upgrade to its website during 2015 and 2016. The website was operational beginning in 2016, and Page will amortize website development costs over the expected useful life of six years.

Page purchased a domain name in 2018 for \$22,000. The recorded value is not subject to amortization since the domain name will be useful for an indefinite number of years.

Notes to the Financial Statements
December 31, 2019
Arthur W. Page Society

NOTE 4 – INVESTMENTS

Page has invested in the following at year end.

	<u>2019</u>	<u>2018</u>
Cash and Certificates of Deposit	\$ 698,169	\$ 79,301
Mutual Funds:		
Primarily Debt Securities	564,312	569,963
Primarily Equity Securities	<u>1,114,591</u>	<u>835,595</u>
Totals at Market Value	<u>\$ 2,377,072</u>	<u>\$1,484,859</u>

Net Investment Income consists of the following:

	<u>2019</u>	<u>2018</u>
Interest Income	\$ 49,388	\$ 38,857
Gains and (Losses)	237,794	(116,653)
Advisory Fees	<u>(20,029)</u>	<u>(20,400)</u>
Net Investment Income	<u>\$ 267,153</u>	<u>\$ (98,196)</u>

NOTE 5 – NET ASSETS

Without Donor Restrictions – Designated for Reserves. The Board of Page designates a portion of its net assets without donor restrictions as an operating reserve. The amount designated is computed as 25% of the board-adopted operating budget for the year.

With Donor Restrictions. Net assets with donor restrictions consist of cash contributions that are intended to support operations and programs of the subsequent year.

NOTE 6 – COMMITMENTS

Page regularly enters into contracts for the use of facilities for its meetings and events. These contracts have provisions for minimum payments in the event of cancellation. In addition, Page may, from time to time, enter into contracts for the provision of services where significant portions of the services will be performed and paid for in subsequent years. Minimum commitments under these contracts at December 31, 2019 and 2018 are approximately \$334,000 and \$451,000 respectively.

NOTE 7 – PENSION PLAN

Page offers a defined contribution retirement plan to all employees. The plan operates under section 401(k) of the Internal Revenue Code. Page contributes 3% of an eligible employee's payroll. Employer contributions are fully vested when made. Total costs of \$54,373 and \$47,642 are included in salaries and benefits for 2019 and 2018, respectively.

Notes to the Financial Statements
December 31, 2019
Arthur W. Page Society

NOTE 8 – LEASE OF OFFICE SPACE

In May, 2014, Page entered into a five-year lease for office space. In March 2019, the lease was extended through October 2021. The lease provided for a rent credit for the months of September 2019 and 2020, and scheduled rent increases for each year of the lease. In accordance with U.S. GAAP, rent expense is recognized on a straight-line basis over the life of the lease. The following table compares contracted rental payments with amounts to be recognized as expense.

	<u>Payments</u>	<u>Expensed</u>	<u>Net Payable</u>
2019	\$ 45,605	\$ 57,009	\$ 11,404
2020	168,358	171,027	14,027
2021	<u>156,596</u>	<u>142,523</u>	<u>--</u>
Totals	<u>\$ 370,559</u>	<u>\$ 370,559</u>	<u>\$ --</u>

Total rental expense, which includes a prorated share of utilities, for the years ended December 31, 2019 and 2018 was \$177,591 and \$191,764 respectively.

The lease requires a security deposit of \$52,120. In prior years, this deposit was kept in a certificate of deposit (CD). When the leased was renewed in 2019, the CD was liquidated and the deposit is now held by the lessor.

NOTE 9 – SUMMARIZED COMPARATIVE INFORMATION

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United State of America. Accordingly, such information should be read in conjunction with Page’s financial statements for the year ended December 31, 2018, from which the summarized information was derived.

NOTE 10 - SUBSEQUENT EVENTS

In March 2020, the World Health Organization made the assessment that the outbreak of a novel coronavirus (COVID-19) can be characterized as a pandemic. As a result, stock market indices have declined, unemployment rates have increased, and global economic activity has decreased as significant portions of the world observe social distancing. In response, Page has made adjustments to its operations and programs. The extent to which these events will affect the amounts reported in future financial statements remains uncertain.

Page has evaluated events and transactions for potential recognition or disclosure through **May XX, 2020**, which is the date the financial statements were available to be issued.