

FINANCIAL STATEMENTS



ASSOCIATION OF OLD CROWS

**FOR THE YEAR ENDED DECEMBER 31, 2017
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2016**

ASSOCIATION OF OLD CROWS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Association of Old Crows
Alexandria, Virginia

We have audited the accompanying financial statements of the Association of Old Crows (AOC), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities and change in net assets, 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.

Auditor's 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 AOC as of December 31, 2017, and the change 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.

4550 MONTGOMERY AVENUE · SUITE 650 NORTH · BETHESDA, MARYLAND 20814
(301) 951-9090 · FAX (301) 951-3570 · WWW.GRFCPA.COM

Report on Summarized Comparative Information

We have previously audited AOC's 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 20, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Gelman Rosenberg & Friedman

May 1, 2018

ASSOCIATION OF OLD CROWS
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2017
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2016

ASSETS	<u>2017</u>	<u>2016</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,879,727	\$ 1,464,096
Short-term investments	1,339,527	1,351,860
Accounts receivable, net of allowance for doubtful accounts of \$0 in 2017 and \$25,670 in 2016	39,178	94,335
Prepaid expenses	36,529	32,474
Inventory	<u>22,923</u>	<u>19,276</u>
Total current assets	<u>3,317,884</u>	<u>2,962,041</u>
PROPERTY AND EQUIPMENT		
Land	336,757	336,757
Building and improvements	1,814,708	1,774,753
Equipment and furniture	<u>206,946</u>	<u>140,072</u>
	2,358,411	2,251,582
Less: Accumulated depreciation and amortization	<u>(1,707,556)</u>	<u>(1,638,354)</u>
Net property and equipment	<u>650,855</u>	<u>613,228</u>
OTHER ASSETS		
Long-term investments	<u>340,202</u>	<u>68,128</u>
TOTAL ASSETS	<u>\$ 4,308,941</u>	<u>\$ 3,643,397</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and other current liabilities	\$ 379,267	\$ 101,362
Accrued salaries and benefits	70,857	58,651
Deferred revenue:		
Dues	54,226	54,759
Conference and convention	915	119,115
Chapter account	<u>92,235</u>	<u>78,876</u>
Total current liabilities	<u>597,500</u>	<u>412,763</u>
LONG-TERM LIABILITIES		
Deferred dues revenue, non-current	<u>131,722</u>	<u>115,998</u>
Total liabilities	<u>729,222</u>	<u>528,761</u>
NET ASSETS - Unrestricted	<u>3,579,719</u>	<u>3,114,636</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,308,941</u>	<u>\$ 3,643,397</u>

See accompanying notes to financial statements.

ASSOCIATION OF OLD CROWS

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2017
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2016**

	<u>Unrestricted</u>	
	<u>2017</u>	<u>2016</u>
REVENUE		
Convention	\$ 1,430,197	\$ 1,289,731
Membership dues	437,438	447,493
Conferences	1,009,838	884,597
JED royalty	103,564	171,499
Professional development courses	174,465	133,920
Rental income	-	113,218
JED subscriptions	63,493	51,691
Investment income	196,199	111,043
Sales	9,210	6,563
Other revenue	<u>15,746</u>	<u>4,223</u>
Total revenue	<u>3,440,150</u>	<u>3,213,978</u>
EXPENSES		
Program Services	2,447,583	2,280,912
Management and General	478,791	481,112
Fundraising	<u>48,693</u>	<u>58,923</u>
Total expenses	<u>2,975,067</u>	<u>2,820,947</u>
Change in net assets	465,083	393,031
Net assets at beginning of year	<u>3,114,636</u>	<u>2,721,605</u>
NET ASSETS AT END OF YEAR	<u>\$ 3,579,719</u>	<u>\$ 3,114,636</u>

ASSOCIATION OF OLD CROWS
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2016

	2017			2016	
	Program Services	Management and General	Fundraising	Total Expenses	Total Expenses
Salaries and wages	\$ 487,810	\$ 121,608	\$ 19,203	\$ 628,621	\$ 536,305
Payroll taxes and workers benefits	85,671	69,806	3,173	158,650	137,841
Professional development	56,462	1,185	485	58,132	79,041
Professional fees	218,250	61,700	1,180	281,130	285,151
Building costs	106,682	86,926	3,951	197,559	207,957
Conferences	450,248	-	-	450,248	367,224
Administrative costs	252,246	137,152	13,229	402,627	407,814
STEM expenses	26,422	-	-	26,422	15,663
Government and industry affairs	60,786	-	-	60,786	99,352
Membership services	89,893	-	7,453	97,346	97,304
Convention	613,113	414	19	613,546	587,295
TOTAL	\$ 2,447,583	\$ 478,791	\$ 48,693	\$ 2,975,067	\$ 2,820,947

ASSOCIATION OF OLD CROWS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 465,083	\$ 393,031
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	69,202	71,403
Unrealized gain	(153,475)	(85,765)
Realized gain	(15,624)	-
Change in allowance for doubtful accounts	(25,670)	3,850
Decrease (increase) in:		
Accounts receivable	80,827	(32,874)
Prepaid expenses	(4,055)	(17,201)
Inventory	(3,647)	6,136
Increase (decrease) in:		
Accounts payable and other current liabilities	277,905	(344,069)
Accrued salaries and benefits	12,206	7,280
Deferred revenue:		
Dues	15,191	8,091
Conference and convention	(118,200)	75,310
Chapter account	13,359	(1,124)
Tenant deposit	-	(9,217)
Net cash provided by operating activities	<u>613,102</u>	<u>74,851</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(106,829)	(17,630)
Purchase of investments	(453,719)	(411,079)
Proceeds from sale of investments	<u>363,077</u>	<u>-</u>
Net cash used by investing activities	<u>(197,471)</u>	<u>(428,709)</u>
Net increase (decrease) in cash and cash equivalents	415,631	(353,858)
Cash and cash equivalents at beginning of year	<u>1,464,096</u>	<u>1,817,954</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,879,727</u>	<u>\$ 1,464,096</u>

ASSOCIATION OF OLD CROWS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

The Association of Old Crows (AOC) is a non-profit organization, incorporated in the District of Columbia and located in the State of Virginia. AOC's mission is to advance strategy, policy and programs for Electronic Warfare/Information Operations and electromagnetic spectrum operations.

AOC is an international professional association comprised of individuals in the military, government and private industry engaged in the science of electronic warfare, information warfare, C2W and related disciplines. It provides a forum for the exchange of information of the technical and operational aspects of electronic warfare and related fields and works for the advancement of the state of the art knowledge of electronic defense subjects. AOC has affiliations with numerous chapters.

The accompanying financial statements present the financial position and results of operation for the Association of Old Crows or the headquarters. The chapters are not fiscally responsible to the organization and have not been included in the accompanying financial statements. Revenues are received primarily from member dues, and conference and convention attendance fees.

Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with the Financial Accounting Standards Board (FASB) ASC 958, *Not-for-Profit Entities*.

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 generally accepted accounting principles. Accordingly, such information should be read in conjunction with AOC's financial statements for the year ended December 31, 2016, from which the summarized information was derived.

Cash and cash equivalents -

AOC considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

Bank deposit accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to a limit of \$250,000. At times during the year, AOC maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

Investments -

Investments are recorded at their readily determinable fair value. Interests, dividends, realized and unrealized gains and losses, and investment fees are included in investment income in the Statement of Activities and Change in Net Assets.

Accounts receivable -

Accounts receivable are recorded at their net realizable value, which approximates fair value. Management considers all amounts to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established.

ASSOCIATION OF OLD CROWS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)

Property and equipment -

Property and equipment in excess of \$1,000 are capitalized and stated at cost. Property and equipment are depreciated on a straight-line basis over the estimated useful lives of the related assets. The building is depreciated over 31.5 years, and equipment and furniture are depreciated generally over three to five years. Improvements are amortized over their estimated useful life. The cost of maintenance and repairs is recorded as expenses are incurred. Depreciation and amortization expense for the year ended December 31, 2017 totaled \$69,202.

Income taxes -

AOC is exempt from Federal income taxes under Section 501(c)(6) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements.

Uncertain tax positions -

For the year ended December 31, 2017, AOC has documented its consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements.

Inventory -

Inventory consists of published materials, mementos and shirts that AOC distributes and sells to its members and others. For the year ended December 31, 2017, AOC adopted FASB ASU 2015-11 *Simplifying the Measurement of Inventory*, and as such, inventory is measured at the lower of cost and net realizable value using the first-in, first-out method of inventory. The ASU is applied prospectively.

Deferred revenue -

Deferred revenue consists of member dues and conference and convention registrations. AOC recognizes member dues on a pro-rata basis over the annual membership period. AOC recognizes conference and meeting revenue when the related event has occurred.

Net asset classification -

Unrestricted net assets include unrestricted revenue received without donor-imposed restrictions. These net assets are available for the operation of the AOC and include both internally designated and undesignated resources.

Use of estimates -

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

ASSOCIATION OF OLD CROWS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)

Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities and Change in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Risks and uncertainties -

AOC invests in various investment securities. Investment securities are exposed to various risks such as interest rates, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying financial statements.

Fair value measurement -

AOC adopted the provisions of FASB ASC 820, *Fair Value Measurement*. FASB ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs (assumptions that market participants would use in pricing assets and liabilities, including assumptions about risk) used to measure fair value, and enhances disclosure requirements for fair value measurements. AOC accounts for a significant portion of its financial instruments at fair value or considers fair value in their measurement.

Reclassification -

Certain amounts in the prior year's summarized comparative information have been reclassified to conform to the current year's presentation. These reclassifications had no effect on the previously reported changes in net assets.

New accounting pronouncements (not yet adopted) -

In August 2016, the FASB issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* (Topic 958), intended to improve financial reporting for not-for-profit entities. The ASU will reduce the current three classes of net assets into two: with and without donor restrictions. The change in each of the classes of net assets must be reported on the Statement of Activities and Change in Net Assets. The ASU also requires various enhanced disclosures around topics such as board designations, liquidity, functional classification of expenses, investment expenses, donor restrictions, and underwater endowments. The ASU is effective for years beginning after December 15, 2017. Early adoption is permitted. The ASU should be applied on a retrospective basis in the year the ASU is first applied. While the ASU will change the presentation of AOC's financial statements, it is not expected to alter AOC's reported financial position.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606) (ASU 2014-09). The ASU establishes a comprehensive revenue recognition standard for virtually all industries under generally accepted accounting principles in the United States (U.S. GAAP) including those that previously followed industry-specific guidance. The guidance states that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

ASSOCIATION OF OLD CROWS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)

New accounting pronouncements (not yet adopted) (continued) -

The FASB issued ASU 2015-14 in August 2015 that deferred the effective date of ASU 2014-09 by a year; thus, the effective date is years beginning after December 15, 2018. Early adoption is permitted. AOC has not yet selected a transition method and is currently evaluating the effect that the updated standard will have on its financial statements.

In 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). The ASU changes the accounting treatment for operating leases by recognizing a lease asset and lease liability at the present value of the lease payments in the Statement of Financial Position and disclosing key information about leasing arrangements. The ASU is effective for private entities for years beginning after December 15, 2019. Early adoption is permitted. The ASU should be applied at the beginning of the earliest period presented using a modified retrospective approach.

AOC plans to adopt the new ASUs at the respective required implementation dates.

2. INVESTMENTS

Investments consisted of the following at December 31, 2017:

	Fair Value
Equities	\$ 1,312,280
Government and agency bonds	210,509
Corporate bonds	156,940
TOTAL INVESTMENTS	\$ <u>1,679,729</u>

Included in investment income are the following:

Interest and dividends	\$ 39,915
Unrealized gain	153,475
Realized gain	15,624
Management fees	(12,815)
TOTAL INVESTMENT INCOME	\$ <u>196,199</u>

3. BOARD DESIGNATED NET ASSETS

As of December 31, 2017, net assets amounting to \$2,201,022, have been designated by the Board of Directors for the following purposes:

- Continuity of operations in case of a catastrophic or other unforeseen event(s) which adversely impact(s) the normal flow of income to AOC;
- Income for large AOC capital purchases, such as major building improvements or equipment upgrades; and,
- Resources for new AOC business opportunities requiring initial starting capital with the expectation that these opportunities will return these resources to the reserve fund at a future date.

ASSOCIATION OF OLD CROWS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

4. COMMITMENTS

AOC is committed under agreements for conference and convention space through the year 2019. The total commitments under the agreements are not determinable as it depends upon attendance and other unknown factors. There are cancellation penalties that would be due if the agreements were cancelled prior to the event date. The amount of the cancellation penalties increases through the date of the event.

5. RETIREMENT PLAN

AOC provides retirement benefits to its employees through a defined contribution plan covering all full-time employees with six months of eligible service and who have attained the age of twenty-one years.

AOC contributes 3% percent of gross wages. Employees are vested in the employer portion of the contributions at the following rates:

Year 1	50%
Year 2	75%
Year 3	100%

Contributions to the Plan during the year ended December 31, 2017 were \$16,034.

6. RELATED PARTY

AOC has an affiliated 501(c)(3), the AOC Educational Foundation (the Foundation), which provides scholarships to undergraduate students in the hard sciences, Enlisted Tuition Grants to assist enlisted members of the Armed Forces with educational expenses not reimbursed by the government and speaker support from member events. AOC and the Foundation are governed by the same Board of Directors.

For the year ended December 31, 2017, AOC made contributions to the Foundation totaling \$26,422.

7. FAIR VALUE MEASUREMENT

In accordance with FASB ASC 820, *Fair Value Measurement*, AOC has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy.

The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Investments recorded in the Statement of Financial Position are categorized based on the inputs to valuation techniques as follows:

Level 1. These are investments where values are based on unadjusted quoted prices for identical assets in an active market AOC has the ability to access.

ASSOCIATION OF OLD CROWS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

7. FAIR VALUE MEASUREMENT (Continued)

Level 2. These are investments where values are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, or model-based valuation techniques that utilize inputs that are observable either directly or indirectly for substantially the full-term of the investments.

Level 3. These are investments where inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Following is a description of the valuation methodology used for investments measured at fair value. There have been no changes in the methodologies used at December 31, 2017.

- *Equities and corporate bonds* - Valued at the closing price reported on the active market in which the individual securities are traded.
- *Government and agency bonds* - Valued at the closing price reported on the active market in which the individual securities are traded.

The table below summarizes, by level within the fair value hierarchy, AOC's investments as of December 31, 2017:

Asset Class:	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equities	\$ 1,312,280	\$ -	\$ -	\$ 1,312,280
Government and agency bonds	210,509	-	-	210,509
Corporate bonds	<u>156,940</u>	<u>-</u>	<u>-</u>	<u>156,940</u>
TOTAL	<u>\$ 1,679,729</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,679,729</u>

8. SUBSEQUENT EVENTS

In preparing these financial statements, AOC has evaluated events and transactions for potential recognition or disclosure through May 1, 2018, the date the financial statements were issued.

In September of 2017, the Board of Directors voted unanimously to sell the AOC HQ building, and in December 2017, they voted to accept an offer of \$2.9 million. Currently, AOC is under contract with the expectation to close on April 30, 2018. The contract is contingent upon the buyers' ability to obtain financing.