



AMERICAN COLLEGE
of NURSE-MIDWIVES

With women, for a lifetime®

Financial Statements and Supplemental Information

For the Year Ended December 31, 2016

(With Summarized Financial Information for the Year Ended December 31, 2015)



**and
Report Thereon**



AMERICAN COLLEGE OF NURSE-MIDWIVES

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For the Year Ended December 31, 2016

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Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the
American College of Nurse-Midwives

We have audited the accompanying financial statements of the American College of Nurse-Midwives (ACNM), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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 the American College of Nurse-Midwives as of December 31, 2016, 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.

Continued

Other Matters

Report on Summarized Comparative Information

We have previously audited ACNM's 2015 financial statements, and our report dated May 13, 2016, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Report on Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedules of indirect cost rate and functional expenses on pages 16 and 17 are presented for purposes of additional analysis and are 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 audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Raffa, P.C.

Raffa, P.C.

Washington, DC
September 26, 2017

AMERICAN COLLEGE OF NURSE-MIDWIVES

STATEMENT OF FINANCIAL POSITION

December 31, 2016

(With Summarized Financial Information as of December 31, 2015)

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash and cash equivalents	\$ 367,933	\$ 645,580
Accounts receivable, net	474,498	228,316
Prepaid expenses	228,435	148,085
Investments	1,823,433	1,945,200
Inventory	34,103	46,178
Furniture and equipment, net	283,488	347,095
Other assets	<u>19,226</u>	<u>19,226</u>
TOTAL ASSETS	<u><u>\$ 3,231,116</u></u>	<u><u>\$ 3,379,680</u></u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 174,093	\$ 160,790
Accrued salaries and benefits	132,655	207,348
Due to state affiliates	2,265	35,317
Deferred membership dues	1,018,999	1,033,158
Other deferred revenue	101,319	138,387
Deferred rent and lease incentives	<u>308,442</u>	<u>313,258</u>
TOTAL LIABILITIES	<u>1,737,773</u>	<u>1,888,258</u>
Net Assets		
Unrestricted	1,456,949	1,319,572
Temporarily restricted	<u>36,394</u>	<u>171,850</u>
TOTAL NET ASSETS	<u>1,493,343</u>	<u>1,491,422</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 3,231,116</u></u>	<u><u>\$ 3,379,680</u></u>

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

AMERICAN COLLEGE OF NURSE-MIDWIVES

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2016

(With Summarized Financial Information for the Year Ended December 31, 2015)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2016 Total</u>	<u>2015 Total</u>
REVENUE AND SUPPORT				
Membership dues	\$ 1,962,914	\$ -	\$ 1,962,914	\$ 2,046,427
Meetings and exhibits	1,112,433	-	1,112,433	1,175,159
Global Outreach grants and contracts	926,183	-	926,183	743,068
Publications	407,578	-	407,578	421,961
Advertising and royalties	262,228	-	262,228	231,319
Contributions and sponsorships	347,691	121,296	468,987	440,694
Contributed goods and services	88,442	-	88,442	72,825
Accreditation, divisions, committees fees	170,382	-	170,382	144,742
Subscriptions	57,471	-	57,471	52,975
Other	82,557	-	82,557	67,436
Board-approved allocation of investment income to fund strategic priorities	35,237	-	35,237	106,603
Net assets released from restrictions:				
Satisfaction of program restrictions	<u>256,752</u>	<u>(256,752)</u>	<u>-</u>	<u>-</u>
TOTAL REVENUE AND SUPPORT	<u>5,709,868</u>	<u>(135,456)</u>	<u>5,574,412</u>	<u>5,503,209</u>
EXPENSES				
Program Services:				
Global Outreach	1,227,194	-	1,227,194	1,235,724
Meetings and exhibits	1,191,573	-	1,191,573	1,360,927
Midwifery services	998,365	-	998,365	1,286,397
Member services	925,905	-	925,905	1,120,606
Accreditation	266,344	-	266,344	295,801
Midwifery journal	231,732	-	231,732	213,474
Committees and divisions	39,975	-	39,975	55,225
Strategic projects and other programs	<u>35,237</u>	<u>-</u>	<u>35,237</u>	<u>433,572</u>
Total Program Services	<u>4,916,325</u>	<u>-</u>	<u>4,916,325</u>	<u>6,001,726</u>
Support Services:				
Management and general	678,986	-	678,986	359,182
Development	<u>23,593</u>	<u>-</u>	<u>23,593</u>	<u>124,042</u>
Total Support Services	<u>702,579</u>	<u>-</u>	<u>702,579</u>	<u>483,224</u>
TOTAL EXPENSES	<u>5,618,904</u>	<u>-</u>	<u>5,618,904</u>	<u>6,484,950</u>
Change in net assets from operations	90,964	(135,456)	(44,492)	(981,741)
Investment income (loss)	81,650	-	81,650	(17,748)
Board-approved allocation of investment income to fund strategic priorities	<u>(35,237)</u>	<u>-</u>	<u>(35,237)</u>	<u>(106,603)</u>
CHANGE IN NET ASSETS	137,377	(135,456)	1,921	(1,106,092)
NET ASSETS, BEGINNING OF YEAR	<u>1,319,572</u>	<u>171,850</u>	<u>1,491,422</u>	<u>2,597,514</u>
NET ASSETS, END OF YEAR	<u>\$ 1,456,949</u>	<u>\$ 36,394</u>	<u>\$ 1,493,343</u>	<u>\$ 1,491,422</u>

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

AMERICAN COLLEGE OF NURSE-MIDWIVES

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2016

(With Summarized Financial Information for the Year Ended December 31, 2015)

Increase (Decrease) in Cash and Cash Equivalents

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,921	\$ (1,106,092)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	63,607	73,364
Change in allowance for doubtful accounts	15,860	(1,466)
Net realized and unrealized (gains) losses	(37,221)	73,272
Changes in assets and liabilities:		
Accounts receivable	(262,042)	(14,642)
Grant receivable	-	84,176
Prepaid expenses	(80,350)	52,206
Inventory	12,075	(10,429)
Accounts payable	13,303	1,116
Accrued salaries and benefits	(74,693)	(51,220)
Due to state affiliates	(33,052)	(1,849)
Deferred membership dues	(14,159)	(144,617)
Other deferred revenue	(37,068)	(4,583)
Deferred rent and lease incentives	(4,816)	4,893
	<u>(436,635)</u>	<u>(1,045,871)</u>
NET CASH USED IN OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	788,908	5,189,730
Purchases of investments	(629,920)	(3,604,227)
Purchases of furniture and equipment	-	(3,337)
	<u>158,988</u>	<u>1,582,166</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES		
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from line of credit	-	811,537
Payments on line of credit	-	(1,121,642)
	<u>-</u>	<u>(310,105)</u>
NET CASH USED IN FINANCING ACTIVITIES		
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(277,647)</u>	<u>226,190</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>645,580</u>	<u>419,390</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 367,933</u>	<u>\$ 645,580</u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Taxes paid	<u>\$ 17,210</u>	<u>\$ 7,343</u>
Interest paid	<u>\$ 142</u>	<u>\$ 11,497</u>

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

AMERICAN COLLEGE OF NURSE-MIDWIVES

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2016

1. Organization and Summary of Significant Accounting Policies

Organization

The American College of Nurse-Midwives (ACNM) is a nonprofit organization founded in 1955 to support midwives and advance the practice of midwifery. Efforts are focused on education, research and advocacy that promote clinical excellence, expansion of a diverse workforce and equitable legislation, and policies that establish midwifery as the standard of care for women. These activities are funded primarily through grants and contracts, membership dues, and annual meeting registration and sponsorships.

Cash Equivalents

ACNM considers money market funds and all highly liquid investments purchased with maturities of three months or less that are not held in investment accounts to be cash equivalents.

Accounts Receivable

ACNM uses the allowance method to record accounts receivable at their estimated net realizable value. The allowance for doubtful accounts is based on various factors, including management's analysis of the collectibility of the accounts, historical write-off of expenses and current economic conditions. A provision for doubtful accounts is made when collection of the full amount is no longer probable.

Inventory

Inventory consists of publications and promotional items offered for sale. Inventory is recorded at the lower of cost or market value.

Investments

Investments are composed of cash, money market funds and mutual funds, and are recorded in the accompanying financial statements at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. All investment earnings or losses, including unrealized gains and losses resulting from fluctuations in the fair value of the investments, are recognized in the accompanying statement of activities.

Fair Value Measurement

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurement*, defines fair value, establishes a framework for measuring fair value in accordance with accounting principles generally accepted in the United States of America (GAAP) and requires disclosures about fair value measurements for assets and liabilities measured at fair value on a recurring basis. The ASC emphasizes that fair value is a market-based measurement, not an entity-specific measurement, and therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurement, the ASC established a fair value hierarchy

AMERICAN COLLEGE OF NURSE-MIDWIVES

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2016

1. Organization and Summary of Significant Accounting Policies (continued)

Fair Value Measurement (continued)

based upon the transparency of the inputs to the valuation of an asset or liability. These inputs may be observable, whereby market participant assumptions are developed based on market data obtained from independent sources, and unobservable, whereby assumptions about market participant assumptions are developed by the reporting entity based on the best information available in the circumstances.

The three levels of the fair value hierarchy are described as follows:

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

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

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

As of December 31, 2016, ACNM's investments, as described in Note 4 of these financial statements, were measured at fair value on a recurring basis.

Furniture and Equipment and Related Depreciation and Amortization

Furniture and equipment are stated at cost and are being depreciated using the straight-line method over the estimated lives of the respective assets, which range from three to 10 years. Leasehold improvements are amortized using the straight-line method over the shorter of the useful life of the leasehold improvements or the remaining life of the lease. Expenditures for major repairs and improvements that extend the useful life of an asset are capitalized, whereas expenditures for minor repairs and maintenance costs are expensed when incurred. Costs incurred in the development of software for internal use are expensed during the preliminary and post-implementation operation stages, including data conversion, training and maintenance costs. Costs incurred during the application development stage of software development are capitalized. The cost of furniture and equipment retired or disposed of is removed from the accounts along with the related accumulated depreciation, and any gain or loss is reflected in income or expense in the accompanying statement of activities.

Classification of Net Assets

The net assets of ACNM are reported as follows:

- Unrestricted net assets represent the portion of expendable funds that are available for support of ACNM's operations.
- Temporarily restricted net assets are specifically restricted by donors for various programs or use in future periods.

AMERICAN COLLEGE OF NURSE-MIDWIVES

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2016

1. Organization and Summary of Significant Accounting Policies (continued)

Revenue Recognition

ACNM receives contributions, grants and contracts from various entities. These amounts are included in Global Outreach grants and contracts, and contributions and sponsorships, in the accompanying statement of activities. Contributions and grants are reported as revenue in the year in which payments are received and/or unconditional promises to give are made. ACNM reports gifts of cash and other assets as temporarily restricted if they are received with donor stipulations that limit the use of the donated asset. 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 statement of activities as net assets released from restrictions. Unconditional promises to give that are expected to be collected after one year are recorded at their present value using appropriate discount rates, if material. Amortization of the discount is recorded as additional contribution revenue and is used in accordance with donor-imposed restrictions, if any, on the contributions.

ACNM has grants and contracts with organizations in exchange for services. Revenue from cost-reimbursable grants and contracts is recognized as costs are incurred on the basis of direct costs plus allowable indirect costs. Revenue recognized on grants and contracts for which payments have not been received is reflected as accounts receivable in the accompanying statement of financial position.

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 dues in the accompanying statement of financial position.

Revenue and the related costs of the annual meeting are recognized in the year in which the annual meeting is held.

Publication fees are recorded as revenue when the related publication is shipped.

Contributed goods or services are recognized as contributions at the estimated fair value of the goods or services when the goods or services are received or when an unconditional pledge to contribute the goods or services has been made.

Functional Allocation of Expenses

The cost of providing ACNM's various programs and other activities has been summarized on a functional basis in the accompanying statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services to which they relate on the basis of direct costs.

Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

AMERICAN COLLEGE OF NURSE-MIDWIVES

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2016

1. Organization and Summary of Significant Accounting Policies (continued)

Measure of Operations

ACNM considers all investment income as nonoperating in nature. The Finance and Audit Committee may authorize spending up to 3% of the net asset value (NAV) of the long-term investment reserve annually to fund approved activities. The NAV used in the calculation is the current year third quarter ending value of the long-term reserve. During the year ended December 31, 2016, ACNM allocated \$35,237 of investment reserves to fund strategic priorities.

2. Accounts Receivable

All accounts receivable are due within one year and were composed of the following as of December 31, 2016:

Contract fees	\$ 403,558
Royalties	50,650
Meetings	25,008
Other	14,925
Membership dues	<u>3,395</u>
Total Accounts Receivable	497,536
Less: Allowance for Doubtful Accounts	<u>(23,038)</u>
Accounts Receivable, Net	<u>\$ 474,498</u>

3. Investments

Investments, at fair value, consisted of the following as of December 31, 2016:

Mutual funds:	
Equity:	
U.S.	\$ 551,806
International	195,200
Fixed income	393,936
Market neutral	73,178
World allocation	51,730
Cash	538,529
Money market funds	<u>19,054</u>
Total Investments	<u>\$ 1,823,433</u>

Investment income (loss) consisted of the following for the year ended December 31, 2016:

Interest and dividends	\$ 44,429
Realized gains	68,978
Unrealized losses	<u>(31,757)</u>
Total Investment Income	<u>\$ 81,650</u>

Continued

AMERICAN COLLEGE OF NURSE-MIDWIVES

**NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2016**

4. Fair Value Measurement

The following table summarizes ACNM's investments measured at fair value on a recurring basis as of December 31, 2016, aggregated by the fair value hierarchy level within which those measurements were made:

	<u>Fair Value</u>	Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual funds:				
Equity:				
U.S.	\$ 551,806	\$ 551,806	\$ -	\$ -
International	195,200	195,200	-	-
Fixed income	393,936	393,936	-	-
Market neutral	73,178	73,178	-	-
World allocation	51,730	51,730	-	-
Money market funds	<u>19,054</u>	<u>19,054</u>	-	-
Total Investments, Measured at Fair Value	1,284,904	<u>\$ 1,284,904</u>	<u>\$ -</u>	<u>\$ -</u>
Cash	<u>538,529</u>			
Total Investments	<u>\$ 1,823,433</u>			

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

Mutual funds – Valued based on quoted prices in an active market.

Money market funds – Valued using NAV of funds held at year-end provided by the administrator of the fund. The NAV is based on the value of the underlying assets owned by the fund, minus its liabilities, and then divided by the number of shares outstanding. The NAV of the money market funds is a quoted price in an active market.

AMERICAN COLLEGE OF NURSE-MIDWIVES

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2016

5. Furniture and Equipment and Related Depreciation and Amortization

Furniture and equipment consisted of the following as of December 31, 2016:

Equipment	\$ 358,867
Leasehold improvements	212,698
Computer systems and software	133,310
Furniture	<u>132,672</u>
Total Furniture and Equipment	837,547
Less: Accumulated Depreciation and Amortization	<u>(554,059)</u>
Furniture and Equipment, Net	<u>\$ 283,488</u>

Depreciation and amortization expense was \$63,607 for the year ended December 31, 2016.

6. Temporarily Restricted Net Assets

As of December 31, 2016, temporarily restricted net assets were available for the following purposes:

Survive and Thrive Global Development Alliance Project	\$ 18,857
Committee for Advancement of Midwifery Practice	14,250
Reducing Primary Cesareans Project	<u>3,287</u>
Total	<u>\$ 36,394</u>

7. Commitments and Risks

Office Lease

ACNM has a noncancelable operating lease for its headquarters' office space in Silver Spring, Maryland, which expires on September 30, 2023. The lease provides for three months of rent abatement, and contains a fixed escalation clause for increases in the annual minimum rent. Additionally, under the terms of the lease, ACNM received an allowance of \$210,453 for building improvements as an incentive to enter into the lease agreement. Under the terms of the lease, ACNM is also responsible for its proportionate share of real estate taxes and operating and maintenance costs of the landlord.

Under GAAP, all fixed rent increases, less any rental abatements and all lease incentives, are recognized on a straight-line basis over the term of the lease. The difference between rent paid and rent expensed is reflected as deferred rent and lease incentives in the accompanying statement of financial position.

AMERICAN COLLEGE OF NURSE-MIDWIVES

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2016

7. Commitments and Risks (continued)

Office Lease (continued)

Future minimum lease payments required under this operating lease are as follows:

<u>For the Year Ending December 31,</u>	
2017	\$ 343,671
2018	353,934
2019	364,568
2020	375,467
2021	386,762
Thereafter	<u>703,822</u>
Total	<u>\$ 2,528,224</u>

Rent expense for this lease totaled \$347,480 for the year ended December 31, 2016.

Annual Meeting Commitments

ACNM has entered into agreements with several venues to provide conference facilities and room accommodations for its annual meeting through 2022. The agreements contain various clauses whereby ACNM is liable for liquidated damages in the event of cancellation or lower-than-anticipated attendance. ACNM's management does not believe that any losses will be incurred under these contracts. The maximum possible amount of liquidated damages was approximately \$1,100,000 as of December 31, 2016.

Publication Contract

On March 23, 2010, ACNM entered into a contract with Wiley Periodicals, Inc. (Wiley) to provide publishing services, effective January 1, 2011. Under the contract, Wiley shall pay to ACNM 35% of any profit for each year of the agreement. The agreement has an initial term that is scheduled to expire on December 31, 2017. For the year ended December 31, 2016, Wiley has guaranteed a payment of \$206,500 to ACNM. This guaranteed minimum payment increases by approximately 4% annually. In addition, under the agreement, Wiley will disburse funds to ACNM in January of each year of the term of the agreement to cover editorial office expense. The editorial office expense stipend for the journal increases by 2% annually. ACNM has recognized a royalty related to this contract of \$209,290 for the year ended December 31, 2016, which is included in publications in the accompanying statement of activities.

Office of Management and Budget Uniform Guidance

ACNM has instructed its independent auditors to audit its applicable federal programs for the year ended December 31, 2016, in compliance with Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance), issued by the U.S. Office of Management and Budget (OMB). Until such audit is reviewed and accepted by the contracting or granting

AMERICAN COLLEGE OF NURSE-MIDWIVES

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2016

7. Commitments and Risks (continued)

Office of Management and Budget Uniform Guidance (continued)

agencies, there exists a contingent liability to refund any amounts received in excess of allowable costs. Management believes that any matters arising from the reviews by the federal or state agencies of the independent auditor's reports for the year ended December 31, 2016, will not have a material effect on the ACNM's financial position as of December 31, 2016, or its results of operations for the year then ended.

Employment Agreement

ACNM entered into an employment agreement with its Chief Executive Officer (CEO) that expires in October 2019. Under the terms of the agreement, ACNM is to pay the CEO certain amounts for compensation, benefits and allowances, unless ACNM terminates the agreement for cause. If ACNM terminates the agreement for reasons other than cause, the CEO is entitled to receive an amount equal to six months of his then-current annual compensation as well as health insurance coverage.

8. Line of Credit

ACNM has a line of credit that allows the organization to draw funds based on the value of the long-term investments, which resulted in approximately \$653,000 being available for ACNM to borrow as of December 31, 2016. The line of credit is secured by ACNM's long-term investments with the bank. Amounts drawn on this line accrue interest at the bank's base lending rate, minus 2.75% per annum, which totaled 2.25% as of December 31, 2016. As of December 31, 2016, and throughout the year then ended, ACNM had no outstanding balance on this line of credit.

9. ACNM Political Action Committee

The ACNM Political Action Committee (the PAC) maintains its funds in segregated accounts, as required by the Internal Revenue Service and the Federal Election Commission. The PAC's assets and liabilities as of December 31, 2016, and revenues and expenses for the year then ended are included in ACNM's accompanying financial statements and are summarized as follows:

Total assets	\$ 228,648
Total liabilities	<u>10,471</u>
Net Assets	<u>\$ 218,177</u>
Total Contribution Revenue	<u>\$ 112,514</u>
Total Expenses	<u>\$ 77,329</u>

AMERICAN COLLEGE OF NURSE-MIDWIVES

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2016

10. Accreditation Commission for Midwifery Education

The Accreditation Commission for Midwifery Education (ACME) serves as an autonomous body within ACNM with respect to the development, review, evaluation and administration of all policies and procedures related to the accreditation of programs and institutions offering midwifery education. Funds resulting from ACME's activities are designated for the exclusive use of the division. ACNM provides ACME with unrestricted funds to the extent that operational expenses exceed revenue. ACME's net assets as of December 31, 2016, and revenues and expenses for the year then ended were included in ACNM's accompanying financial statements, are designated for exclusive use of ACME, and are summarized as follows:

Total Net Assets	<u>\$ (129,547)</u>
Total Revenue	<u>\$ 218,330</u>
Total Expenses	<u>\$ 266,344</u>

11. A.C.N.M Foundation

On September 10, 2016, ACNM entered into an amended memorandum of understanding (MOU) with the A.C.N.M Foundation whereby ACNM provides supporting services to the A.C.N.M. Foundation and in return the A.C.N.M. Foundation will act as a fiscal agent to ACNM. Under the MOU, the A.C.N.M. Foundation will collect grants and contributions on behalf of ACNM and the A.C.N.M. Foundation will receive 5% of all grants and contributions collected for the ACNM to cover administrative and overhead costs. During the year ended December 31, 2016, the A.C.N.M. Foundation collected grants and contributions totaling \$120,000 on behalf of ACNM. ACNM also collects contribution from its members on behalf of the A.C.N.M. Foundation. During the year ended December 31, 2016, total contributions collected on behalf of the A.C.N.M. Foundation was minimal.

12. Contributed Goods and Services

During the year ended December 31, 2016, ACNM received goods and services that had an estimated fair value of \$88,442. Such donations included \$22,442 of donated lodging and merchandise and \$66,000 of donated professional services. The donated goods and services have been reflected as contributed goods and services in the accompanying statement of activities.

13. Pension Plan

ACNM sponsors a 401(k) profit-sharing plan (the Plan). Participation in the Plan is open to all employees who are at least 18 years of age and have completed their probationary period. Employees are eligible to receive employer contributions after at least one full year of service and after completing 1,000 hours. ACNM is required to make a discretionary contribution to

AMERICAN COLLEGE OF NURSE-MIDWIVES

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2016

13. Pension Plan (continued)

the plan equal to 3% of annual employee compensation. In addition, ACNM matches each employee's contribution up to 50% of the first 6% of employee salary deferrals. For the year ended December 31, 2016, ACNM's Board of Directors elected to make contributions in the amount of \$87,862.

14. Income Taxes

Under Section 501(c)(6) of the Internal Revenue Code, ACNM is exempt from federal income taxes on income other than net unrelated business income. For the year ended December 31, 2016, no provision for income taxes was required, as ACNM had no material net unrelated business income.

ACNM follows the authoritative guidance relating to accounting for uncertainty in income taxes included in FASB ASC Topic 740, *Income Taxes*. These provisions provide consistent guidance for the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribe a threshold of "more likely than not" for recognition and derecognition of tax positions taken or expected to be taken in a tax return. ACNM performed an evaluation of uncertainty in income taxes for the year ended December 31, 2016, and determined that there were no matters that would require recognition in the financial statements or that may have an effect on its tax-exempt status. As of December 31, 2016, the statute of limitations for tax years ended December 31, 2013, through December 31, 2015, remains open with the U.S. federal jurisdiction or the various states and local jurisdictions in which ACNM files tax returns. It is ACNM's policy to recognize interest and/or penalties related to uncertainty in income taxes, if any, in income tax expense. As of December 31, 2016, ACNM had no accruals for interest and/or penalties.

15. Summarized Financial Information

The financial statements include certain prior year summarized comparative information in total, but not by net asset class and functional area. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with ACNM's financial statements for the year ended December 31, 2015, from which the summarized information was derived.

16. Subsequent Events

In preparing the financial statements, ACNM has evaluated events and transactions for potential recognition or disclosure through September 26, 2017, the date the financial statements were available to be issued. There were no subsequent events that require recognition or disclosure in these financial statements.

SUPPLEMENTAL INFORMATION

AMERICAN COLLEGE OF NURSE-MIDWIVES

**SCHEDULE OF INDIRECT COST RATE
For the Year Ended December 31, 2016**

	Indirect Expenses per Schedule of Functional Expenses	Unallowable Costs	Allowable Indirect Costs
INDIRECT COSTS			
Salaries and employee benefits	\$ 683,835	\$ -	\$ 683,835
Consulting and contract services	500,114	-	500,114
Rent and utilities	373,139	-	373,139
Professional fees	68,556	-	68,556
Depreciation and amortization	63,607	-	63,607
Travel	52,867	-	52,867
Telecommunications	38,359	-	38,359
Dues and subscriptions	34,897	-	34,897
Insurance	25,737	-	25,737
Meetings	23,144	-	23,144
Bank charges	16,453	-	16,453
Equipment and maintenance	7,508	-	7,508
Advertising	7,320	7,320	-
Taxes and licenses	5,758	-	5,758
Office supplies and other	5,752	-	5,752
Photocopies	5,389	-	5,389
Professional development	598	-	598
Printing and publications	279	-	279
Interest expense	142	142	-
Contributions	75	-	75
Indirect cost allocation	<u>(1,234,543)</u>	<u>-</u>	<u>(1,234,543)</u>
Subtotal	678,986	7,462	671,524
Plus: Allocated indirect costs	<u>1,234,543</u>	<u>-</u>	<u>1,234,543</u>
TOTAL INDIRECT COSTS	<u>\$ 1,913,529</u>	<u>\$ 7,462</u>	<u>\$ 1,906,067</u>
DIRECT COSTS PER SCHEDULE OF FUNCTIONAL EXPENSES			\$ 4,939,918
ADJUSTMENTS:			
Allocated indirect costs			(1,234,543)
Unallowable costs:			
Bad debt expense			(19,767)
Contributed goods and services			(88,442)
Contributions			<u>(28,500)</u>
TOTAL ADJUSTED ALLOWABLE DIRECT COSTS			<u>\$ 3,568,666</u>
INDIRECT COST RATE			<u>53.41%</u>

AMERICAN COLLEGE OF NURSE-MIDWIVES

SCHEDULE OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2016
(With Summarized Financial Information for the Year Ended December 31, 2015)

	Program Services								Support Services			2016 Total	2015 Total	
	Global Outreach	Meetings and Exhibits	Midwifery Services	Member Services	Accreditation	Midwifery Journal	Committees and Divisions	Strategic Projects and Other Programs	Total Program Services	Management and General	Development			Total Support Services
Salaries and employee benefits	\$ 558,668	\$ 147,937	\$ 592,305	\$ 472,241	\$ 179,846	\$ -	\$ 167	\$ -	\$ 1,951,164	\$ 683,835	\$ 10,699	\$ 694,534	\$ 2,645,698	\$ 3,251,010
Consulting and contract services	92,452	381,177	91,071	19,137	-	149,245	12,637	16,524	762,243	500,114	-	500,114	1,262,357	1,221,749
Rent and utilities	-	-	-	-	-	-	-	-	-	373,139	-	373,139	373,139	377,712
Travel	168,317	81,318	6,381	-	10,458	302	1,048	7,154	274,978	52,867	621	53,488	328,466	336,722
Meetings	4,346	210,822	4,597	-	1,720	8,315	12,986	1,215	244,001	23,144	-	23,144	267,145	457,208
Bank charges	624	30,083	1,294	49,210	56	-	-	2	81,269	16,453	-	16,453	97,722	95,986
Office supplies and other	7,900	1,375	5,894	68,846	139	1,550	-	-	85,704	5,752	36	5,788	91,492	77,990
Contributed goods and services	66,000	-	22,442	-	-	-	-	-	88,442	-	-	-	88,442	72,825
Dues and subscriptions	681	-	2,897	29,113	4,756	11,079	-	-	48,526	34,897	2,500	37,397	85,923	122,070
Professional fees	1,098	1,949	-	1,375	223	773	-	-	5,418	68,556	2,438	70,994	76,412	52,041
Depreciation and amortization	-	-	-	-	-	-	-	-	-	63,607	-	63,607	63,607	73,364
Telecommunications	423	3,376	28	551	163	865	-	75	5,481	38,359	32	38,391	43,872	57,675
Printing and publications	100	12,976	1,239	23,099	-	-	902	1,210	39,526	279	-	279	39,805	61,004
Contributions	-	-	28,500	-	-	-	-	-	28,500	75	-	75	28,575	16,700
Insurance	-	1,337	-	-	-	-	-	-	1,337	25,737	1,203	26,940	28,277	34,951
Postage and delivery	-	201	252	18,006	364	38	1,960	-	20,821	-	-	-	20,821	32,404
Bad debt expense	13,428	-	-	6,339	-	-	-	-	19,767	-	-	-	19,767	91,476
Taxes and licenses	500	12,739	-	-	-	-	-	-	13,239	5,758	-	5,758	18,997	7,343
Professional development	14,088	-	1,163	-	-	-	-	-	15,251	598	-	598	15,849	8,609
Advertising	-	-	-	1,090	129	-	-	-	1,219	7,320	-	7,320	8,539	5,056
Equipment and maintenance	-	-	-	-	-	-	-	-	-	7,508	-	7,508	7,508	3,355
Photocopies	79	6	63	780	30	2	-	-	960	5,389	-	5,389	6,349	16,203
Interest expense	-	-	-	-	-	-	-	-	-	142	-	142	142	11,497
Indirect cost allocation	298,490	306,277	240,239	236,118	68,460	59,563	10,275	9,057	1,228,479	(1,234,543)	6,064	(1,228,479)	-	-
TOTAL EXPENSES	\$ 1,227,194	\$ 1,191,573	\$ 998,365	\$ 925,905	\$ 266,344	\$ 231,732	\$ 39,975	\$ 35,237	\$ 4,916,325	\$ 678,986	\$ 23,593	\$ 702,579	\$ 5,618,904	\$ 6,484,950