



AMERICAN COLLEGE
of NURSE-MIDWIVES

With women, for a lifetime®

**AMERICAN COLLEGE OF NURSE-MIDWIVES
AND AFFILIATE**

**Consolidated Financial Statements and
Supplemental Information**

For the Years Ended December 31, 2017 and 2016

**and
Report Thereon**



AMERICAN COLLEGE OF NURSE-MIDWIVES AND AFFILIATE

TABLE OF CONTENTS
For the Years Ended December 31, 2017 and 2016

	<i>Page</i>
Independent Auditor's Report.....	1-2
Consolidated Financial Statements	
Consolidated Statements of Financial Position	3
Consolidated Statements of Activities	4
Consolidated Statements of Cash Flows.....	5
Notes to Consolidated Financial Statements.....	6-17
Supplemental Information	
Consolidated Schedules of Functional Expenses	18-19



Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated financial statements of the American College of Nurse-Midwives and Affiliate (collectively referred to as the Organization), which comprise the consolidated statements of financial position as of December 31, 2017 and 2016, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the American College of Nurse-Midwives and Affiliate 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.

Continued

Other Matters

Report on Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplemental consolidated schedules of functional expenses on pages 18 and 19 are presented for purposes of additional analysis and are not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

Raffa, P.C.

Raffa, P.C.

Washington, DC
October 19, 2018

AMERICAN COLLEGE OF NURSE-MIDWIVES AND AFFILIATE

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash and cash equivalents	\$ 659,797	\$ 367,933
Accounts receivable, net	200,134	474,498
Contributions receivable, net	229,082	-
Prepaid expenses	96,936	228,435
Investments	2,021,583	1,823,433
Inventory	34,103	34,103
Property and equipment, net	243,490	283,488
Intangible assets, net	38,586	-
Other assets	<u>19,226</u>	<u>19,226</u>
TOTAL ASSETS	<u><u>\$ 3,542,937</u></u>	<u><u>\$ 3,231,116</u></u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 278,537	\$ 174,093
Accrued salaries and benefits	117,441	132,655
Due to state affiliates	73,597	2,265
Deferred membership dues	1,053,191	1,018,999
Other deferred revenue	125,493	101,319
Deferred rent and lease incentives	<u>293,628</u>	<u>308,442</u>
TOTAL LIABILITIES	<u>1,941,887</u>	<u>1,737,773</u>
Net Assets		
Unrestricted	1,277,663	1,456,949
Temporarily restricted	<u>323,387</u>	<u>36,394</u>
TOTAL NET ASSETS	<u>1,601,050</u>	<u>1,493,343</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 3,542,937</u></u>	<u><u>\$ 3,231,116</u></u>

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

AMERICAN COLLEGE OF NURSE-MIDWIVES AND AFFILIATE

CONSOLIDATED STATEMENTS OF ACTIVITIES
For the Years Ended December 31, 2017 and 2016

	2017			2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUE AND SUPPORT						
Membership dues	\$ 1,860,913	\$ -	\$ 1,860,913	\$ 1,953,640	\$ -	\$ 1,953,640
Meetings and exhibits	1,154,856	-	1,154,856	1,112,433	-	1,112,433
Contributions and sponsorships	319,190	452,232	771,422	356,965	121,296	478,261
Global Outreach grants and contracts	682,925	-	682,925	926,183	-	926,183
Advertising and royalties	488,367	-	488,367	536,216	-	536,216
Accreditation, divisions and committees fees	168,073	-	168,073	170,382	-	170,382
Other	116,869	-	116,869	76,338	-	76,338
Publications and merchandise sales	102,385	-	102,385	133,590	-	133,590
Subscriptions	47,170	-	47,170	57,471	-	57,471
Contributed goods and services	25,859	-	25,859	88,442	-	88,442
Net assets released from restrictions:						
Satisfaction of program restrictions	165,239	(165,239)	-	256,752	(256,752)	-
TOTAL REVENUE AND SUPPORT	5,131,846	286,993	5,418,839	5,668,412	(135,456)	5,532,956
EXPENSES						
Program Services:						
Meetings and exhibits	1,291,732	-	1,291,732	1,101,825	-	1,101,825
Midwifery services	793,525	-	793,525	927,964	-	927,964
Member services	706,628	-	706,628	856,712	-	856,712
Global Outreach	693,642	-	693,642	1,139,722	-	1,139,722
Accreditation	243,172	-	243,172	246,282	-	246,282
Midwifery journal	163,080	-	163,080	214,277	-	214,277
Strategic projects and other programs	138,691	-	138,691	32,582	-	32,582
Committees and divisions	38,761	-	38,761	36,965	-	36,965
Total Program Services	4,069,231	-	4,069,231	4,556,329	-	4,556,329
Support Services:						
Management and general	1,418,394	-	1,418,394	1,040,759	-	1,040,759
Development	31,689	-	31,689	21,816	-	21,816
Total Support Services	1,450,083	-	1,450,083	1,062,575	-	1,062,575
TOTAL EXPENSES	5,519,314	-	5,519,314	5,618,904	-	5,618,904
Change in net assets from operations	(387,468)	286,993	(100,475)	49,508	(135,456)	(85,948)
Investment income, net	208,182	-	208,182	87,869	-	87,869
CHANGE IN NET ASSETS	(179,286)	286,993	107,707	137,377	(135,456)	1,921
NET ASSETS, BEGINNING OF YEAR	1,456,949	36,394	1,493,343	1,319,572	171,850	1,491,422
NET ASSETS, END OF YEAR	\$ 1,277,663	\$ 323,387	\$ 1,601,050	\$ 1,456,949	\$ 36,394	\$ 1,493,343

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

AMERICAN COLLEGE OF NURSE-MIDWIVES AND AFFILIATE

**CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2017 and 2016
Increase (Decrease) in Cash and Cash Equivalents**

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 107,707	\$ 1,921
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	66,469	63,607
Change in the present value discount for contribution	6,114	-
Change in allowance for doubtful accounts	-	15,860
Net realized and unrealized gains	(179,453)	(43,440)
Changes in assets and liabilities:		
Accounts receivable	274,364	(262,042)
Contributions receivable	(235,196)	-
Prepaid expenses	131,499	(80,350)
Inventory	-	12,075
Accounts payable	104,444	13,303
Accrued salaries and benefits	(15,214)	(74,693)
Due to state affiliates	71,332	(33,052)
Deferred membership dues	34,192	(14,159)
Other deferred revenue	24,174	(37,068)
Deferred rent and lease incentives	(14,814)	(4,816)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>375,618</u>	<u>(442,854)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	28,000	795,127
Purchases of investments	(46,697)	(629,920)
Purchases of intangible assets	(42,610)	-
Purchases of property and equipment	(22,447)	-
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>(83,754)</u>	<u>165,207</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	291,864	(277,647)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>367,933</u>	<u>645,580</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 659,797</u>	<u>\$ 367,933</u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Taxes paid	<u>\$ 1,550</u>	<u>\$ 17,210</u>
Interest paid	<u>\$ -</u>	<u>\$ 142</u>

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

AMERICAN COLLEGE OF NURSE-MIDWIVES AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS For the Years Ended December 31, 2017 and 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.

ACNM has created a political action committee called the American College of Nurse-Midwives Midwives-PAC (the PAC).

Principles of Consolidation

The financial statements of ACNM have been consolidated with the financial statements of the PAC, as ACNM maintains both control and an economic interest in the PAC. All significant intercompany balances and transactions have been eliminated in the consolidation. Except when referred to separately, the consolidated entity is referred to as "the Organization" in the accompanying consolidated financial statements and related notes.

Cash Equivalents

The Organization 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

The Organization 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 net realizable value.

Investments

Investments are composed of cash, money market funds and mutual funds, and are recorded in the accompanying consolidated 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 consolidated statements of activities.

AMERICAN COLLEGE OF NURSE-MIDWIVES AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS For the Years Ended December 31, 2017 and 2016

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

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 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, 2017 and 2016, the Organization's investments, as described in Notes 4 and 5 of these consolidated financial statements, were measured at fair value on a recurring basis.

Property and Equipment and Related Depreciation

Property 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 consolidated statements of activities.

Continued

AMERICAN COLLEGE OF NURSE-MIDWIVES AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS For the Years Ended December 31, 2017 and 2016

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

Capitalized Software Costs

The Organization capitalized certain costs associated with membership database software developed or obtained for internal use in accordance with the provisions of FASB ASC 350-40. *Internal Use Software*. The Organization's policy provides for the capitalization of external direct costs of materials and services. Costs associated with preliminary project activities, data migration, training and maintenance are expensed as incurred. Capitalized costs are amortized over the estimated useful life of five years, on a straight-line basis, and are reflected as intangible assets in the accompanying consolidated statements of financial position.

Classification of Net Assets

The net assets of the Organization are reported as follows:

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

Revenue Recognition

The Organization 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 consolidated statements 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. All contributions are considered available for unrestricted use unless specifically restricted by the donor. Contributions restricted by the donor are reported as increases in unrestricted net assets if the restrictions are met in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily restricted net assets. When a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. 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.

The Organization 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 consolidated statements 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 consolidated statements of financial position.

AMERICAN COLLEGE OF NURSE-MIDWIVES AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended December 31, 2017 and 2016

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

Revenue Recognition (continued)

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 the Organization's various programs and other activities has been summarized on a functional basis in the accompanying consolidated statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

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.

Measure of Operations

The Organization considers all investment income to be nonoperating in nature.

2. Accounts Receivable

All accounts receivable are due within one year and were composed of the following as of December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Contract fees	\$ 179,004	\$ 403,558
Royalties	27,427	50,650
Meetings	3,232	25,008
Other	13,402	14,925
Membership dues	<u>107</u>	<u>3,395</u>
Total Accounts Receivable	223,172	497,536
Less: Allowance for Doubtful Accounts	<u>(23,038)</u>	<u>(23,038)</u>
Accounts Receivable, Net	<u>\$ 200,134</u>	<u>\$ 474,498</u>

Continued

AMERICAN COLLEGE OF NURSE-MIDWIVES AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2017 and 2016

3. Contributions Receivable

Contributions receivable are recorded after recognizing any necessary allowance for uncollectible contributions and a discount to reflect the net present value based on projected cash flows. Pledges due in more than one year are discounted with a rate that considers market and credit risk. The discount rate used is 1.11%. Contributions receivable were due as follows as of December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Receivable in less than one year	\$ 122,302	\$ -
Receivable in one to five years	<u>112,894</u>	<u>-</u>
Total Contributions Receivable	235,196	-
Less: Discount to Net Present Value	<u>(6,114)</u>	<u>-</u>
Contributions Receivable, Net	<u>\$ 229,082</u>	<u>\$ -</u>

4. Investments

Investments, at fair value, consisted of the following as of December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Mutual funds:		
Equity:		
U.S.	\$ 640,041	\$ 551,806
International	265,504	195,200
Fixed income	440,544	393,936
Market neutral	74,661	73,178
World allocation	46,426	51,730
Cash	554,237	538,529
Money market funds	<u>170</u>	<u>19,054</u>
Total Investments	<u>\$ 2,021,583</u>	<u>\$ 1,823,433</u>

Investment income (loss) consisted of the following for the years ended December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Interest and dividends	\$ 28,729	\$ 44,429
Realized gains	22,820	68,978
Unrealized gains (losses)	<u>156,633</u>	<u>(25,538)</u>
Investment Income, Net	<u>\$ 208,182</u>	<u>\$ 87,869</u>

Continued

AMERICAN COLLEGE OF NURSE-MIDWIVES AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended December 31, 2017 and 2016

5. Fair Value Measurement

The following table summarizes the Organization's investments measured at fair value on a recurring basis as of December 31, 2017, 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.	\$ 640,041	\$ 640,041	\$ -	\$ -
International	265,504	265,504	-	-
Fixed income	428,203	428,203	-	-
Market neutral	74,661	74,661	-	-
World allocation	58,767	58,767	-	-
Money market funds	<u>170</u>	<u>170</u>	<u>-</u>	<u>-</u>
Total Investments, Measured at Fair Value	1,467,346	<u>\$ 1,467,346</u>	<u>\$ -</u>	<u>\$ -</u>
Cash	<u>554,237</u>			
Total Investments	<u>\$ 2,021,583</u>			

Continued

AMERICAN COLLEGE OF NURSE-MIDWIVES AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended December 31, 2017 and 2016

5. Fair Value Measurement (continued)

The following table summarizes the Organization'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>			

The Organization 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 net asset value (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 AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended December 31, 2017 and 2016

6. Property and Equipment and Related Depreciation

Property and equipment consisted of the following as of December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Equipment	\$ 373,866	\$ 358,867
Leasehold improvements	212,698	212,698
Computer hardware and software	140,757	133,310
Furniture	<u>132,672</u>	<u>132,672</u>
Total Property and Equipment	859,993	837,547
Less: Accumulated Depreciation	<u>(616,503)</u>	<u>(554,059)</u>
Property and Equipment, Net	<u>\$ 243,490</u>	<u>\$ 283,488</u>

Depreciation expense was \$62,445 and \$63,607, respectively, for the years ended December 31, 2017 and 2016.

7. Temporarily Restricted Net Assets

As of December 31, 2017 and 2016, temporarily restricted net assets were available for the following purposes:

	<u>2017</u>	<u>2016</u>
Maternity Care Education and Practice Redesign	\$ 298,960	\$ -
Survive and Thrive Global Development Alliance Project	18,857	18,857
Committee for Advancement of Midwifery Practice	5,570	14,250
Reducing Primary Cesareans Project	<u>-</u>	<u>3,287</u>
Total Temporarily Restricted Net Assets	<u>\$ 323,387</u>	<u>\$ 36,394</u>

8. Commitments and Risks

Office Lease

The Organization 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, the Organization received an allowance of \$210,453 for building improvements as an incentive to enter into the lease agreement. Under the terms of the lease, the Organization is also responsible for its proportionate share of real estate taxes and operating and maintenance costs of the landlord.

AMERICAN COLLEGE OF NURSE-MIDWIVES AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended December 31, 2017 and 2016

8. Commitments and Risks (continued)

Office Lease (continued)

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 consolidated statements of financial position.

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

<u>For the Year Ending December 31,</u>	
2018	\$ 353,934
2019	364,568
2020	375,467
2021	386,762
2022	398,375
Thereafter	<u>305,447</u>
Total	<u>\$ 2,184,553</u>

Rent expense for this lease totaled \$340,951 and \$347,480, respectively, for the years ended December 31, 2017 and 2016.

Annual Meeting Commitments

The Organization 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 the Organization is liable for liquidated damages in the event of cancellation or lower-than-anticipated attendance. The Organization's management does not believe that any losses will be incurred under these contracts.

Publication Contract

On March 23, 2010, the Organization entered into an agreement with Wiley Periodicals, Inc. (Wiley) to provide publishing services. This initial term of this agreement was January 1, 2011, through December 31, 2017. Under the contract, Wiley must pay to the Organization 35% of any profit for each year of the agreement. The agreement sets a guaranteed minimum royalty payment which increases annually by approximately 4%. The Organization has recognized a royalty related to this contract of \$217,517 and 209,290 for the years ended December 31, 2017 and 2016, respectively, which is included in advertising and royalties in the accompanying consolidated statement of activities. In addition, under the agreement, Wiley will disburse funds to the Organization in January of each year of the agreement to cover editorial office expense. The editorial office expense stipend for the journal increases by 2% annually. In April 2017, Wiley extended its agreement to guarantee a royalty payment equivalent to \$216,000 for 2018 and 2019.

AMERICAN COLLEGE OF NURSE-MIDWIVES AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended December 31, 2017 and 2016

9. Line of Credit

The Organization 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 \$749,412 and \$653,000, respectively, being available for the Organization to borrow as of December 31, 2017 and 2016. The line of credit is secured by the Organization'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 2.75% and 2.25% as of December 31, 2017 and 2016, respectively. As of December 31, 2017 and 2016, and throughout the years then ended, the Organization had no outstanding balance on this line of credit.

10. American College of Nurse-Midwives Midwives-PAC

The PAC, which is controlled by ACNM and included as part of these consolidated financial statements, 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, 2017 and 2016, and revenues and expenses for the years then ended are summarized as follows:

	<u>2017</u>	<u>2016</u>
Total assets	\$ 282,443	\$ 228,648
Total liabilities	<u>10,521</u>	<u>10,471</u>
Net Assets	<u>\$ 271,922</u>	<u>\$ 218,177</u>
Total Contribution Revenue	<u>\$ 101,634</u>	<u>\$ 112,514</u>
Total Expenses	<u>\$ 47,889</u>	<u>\$ 77,329</u>

11. Accreditation Commission for Midwifery Education

The Accreditation Commission for Midwifery Education (ACME) serves as an autonomous body within the Organization 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 board-designated for the exclusive use of the division. The Organization provides ACME with unrestricted funds to the extent that operational expenses exceed revenue. ACME's net assets as of December 31, 2017 and 2016, and revenues and expenses for the years then ended were included in the Organization's accompanying consolidated financial statements, are designated for exclusive use of ACME and are summarized as follows:

	<u>2017</u>	<u>2016</u>
Total Net Assets	<u>\$ (176,507)</u>	<u>\$ (109,485)</u>
Total Revenue	<u>\$ 176,150</u>	<u>\$ 218,330</u>
Total Expenses	<u>\$ 243,172</u>	<u>\$ 246,282</u>

Continued

AMERICAN COLLEGE OF NURSE-MIDWIVES AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended December 31, 2017 and 2016

12. A.C.N.M Foundation

On September 10, 2016, the Organization entered into an amended memorandum of understanding (MOU) with the A.C.N.M Foundation whereby the Organization 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 the Organization. Under the MOU, the A.C.N.M. Foundation will collect grants and contributions on behalf of the Organization and the A.C.N.M. Foundation will receive 5% of all grants and contributions collected for the Organization to cover administrative and overhead costs. During the years ended December 31, 2017 and 2016, the A.C.N.M. Foundation collected grants and contributions totaling \$13,375 and \$120,000, respectively, on behalf of the Organization. The Organization also collects contribution from its members on behalf of the A.C.N.M. Foundation. During the year ended December 31, 2017 and 2016, total contributions collected on behalf of the A.C.N.M. Foundation were minimal.

13. Contributed Goods and Services

The Organization receives noncash contributions in the form of donated goods and services, which are reported as contributed goods and services in the consolidated statements of activities at their estimated fair value, as provided by the donor, at the date of receipt. For the years ended December 31, 2017 and 2016, contributed goods and services are summarized as follows:

	<u>2017</u>	<u>2016</u>
Lodging and merchandise	\$ 15,859	\$ 22,442
Professional services	<u>10,000</u>	<u>66,000</u>
Total Contributed Goods and Services	<u>\$ 25,859</u>	<u>\$ 88,442</u>

14. Pension Plan

The Organization 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. The Organization is required to make a discretionary contribution to the plan equal to 3% of annual employee compensation. In addition, the Organization matches each employee's contribution up to 50% of the first 6% of employee salary deferrals. For the years ended December 31, 2017 and 2016, the Organization's Board of Directors elected to make contributions in the amount of \$64,099 and \$87,862, respectively.

15. 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 years ended December 31, 2017 and 2016, no provision for income taxes was required, as ACNM had no material net unrelated business income.

AMERICAN COLLEGE OF NURSE-MIDWIVES AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS For the Years Ended December 31, 2017 and 2016

15. Income Taxes (continued)

The PAC is subject to federal income taxes under IRC Section 527 with respect to certain investment income. For the years ended December 31, 2017 and 2016, no provision for federal or state income taxes was made, as there was no significant taxable income.

The Organization 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. The Organization performed an evaluation of uncertainty in income taxes for the years ended December 31, 2017 and 2016, and determined that there were no matters that would require recognition in the consolidated financial statements or that may have an effect on its tax-exempt status. As of December 31, 2017, the statute of limitations for tax years ended December 31, 2014, through December 31, 2016, remains open with the U.S. federal jurisdiction or the various states and local jurisdictions in which the Organization files tax returns. It is the Organization's policy to recognize interest and/or penalties related to uncertainty in income taxes, if any, in income tax expense. As of December 31, 2017 and 2016, the Organization had no accruals for interest and/or penalties.

16. Reclassification

Certain 2016 balances were reclassified to conform to the 2017 consolidated financial statement presentation.

17. Subsequent Events

In preparing these consolidated financial statements, the Organization has evaluated, for potential recognition or disclosure, events and transactions through October 19, 2018, the date the consolidated financial statements were available to be issued. There were no subsequent events that require recognition or disclosure in these consolidated financial statements.

SUPPLEMENTAL INFORMATION

SUPPLEMENTAL INFORMATION

AMERICAN COLLEGE OF NURSE-MIDWIVES AND AFFILIATE

**CONSOLIDATED SCHEDULE OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2017**

	Program Services							Support Services				Total	
	Meetings and Exhibits	Midwifery Services	Member Services	Global Outreach	Accreditation	Midwifery Journal	Strategic Projects and Other Programs	Committees and Divisions	Total Program Services	Management and General	Development		Total Support Services
Salaries and employee benefits	\$ 106,767	\$ 420,200	\$ 392,328	\$ 265,386	\$ 156,978	\$ -	\$ -	\$ -	\$ 1,341,659	\$ 800,659	\$ 18,190	\$ 818,849	\$ 2,160,508
Consulting and contract services	746,071	155,027	23,048	163,660	125	147,226	118,782	12,764	1,366,703	365,584	3,954	369,538	1,736,241
Rent and utilities	-	-	-	-	-	-	-	50	50	373,868	-	373,868	373,918
Travel	96,199	12,883	372	120,251	17,606	1,227	13,201	8,292	270,031	33,786	440	34,226	304,257
Meetings	250,510	6,956	44	4,828	332	11,590	4,768	13,924	292,952	8,238	-	8,238	301,190
Miscellaneous other expense	6,223	31,575	32,420	32,954	523	2,607	81	2,205	108,588	191,004	4	191,008	299,596
Dues and subscriptions	-	1,188	38,314	525	6,328	289	1,800	-	48,444	82,342	2,000	84,342	132,786
Office supplies and other	13,333	428	61,182	2,135	-	141	59	1,526	78,804	21,813	-	21,813	100,617
Bank charges	30,950	1,232	5,765	1,146	-	-	-	-	39,093	71,108	-	71,108	110,201
Indirect cost allocation	41,679	164,036	153,155	102,757	61,280	-	-	-	522,907	(530,008)	7,101	(522,907)	-
TOTAL EXPENSES	\$ 1,291,732	\$ 793,525	\$ 706,628	\$ 693,642	\$ 243,172	\$ 163,080	\$ 138,691	\$ 38,761	\$ 4,069,231	\$ 1,418,394	\$ 31,689	\$ 1,450,083	\$ 5,519,314

AMERICAN COLLEGE OF NURSE-MIDWIVES AND AFFILIATE

**CONSOLIDATED SCHEDULE OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2016**

	Program Services							Support Services					Total
	Meetings and Exhibits	Midwifery Services	Member Services	Global Outreach	Accreditation	Midwifery Journal	Strategic Projects and Other Programs	Committees and Divisions	Total Program Services	Management and General	Development	Total Support Services	
Salaries and employee benefits	\$ 147,937	\$ 592,305	\$ 472,241	\$ 558,668	\$ 179,846	\$ -	\$ -	\$ 167	\$ 1,951,164	\$ 683,835	\$ 10,699	\$ 694,534	\$ 2,645,698
Consulting and contract services	381,177	91,071	19,137	92,452	-	149,245	16,524	12,637	762,243	500,110	-	500,110	1,262,353
Rent and utilities	-	-	-	-	-	-	-	-	-	373,139	-	373,139	373,139
Travel	81,318	6,381	-	168,317	10,458	302	7,154	1,048	274,978	52,867	621	53,488	328,466
Meetings	210,822	4,597	-	4,346	1,720	8,315	1,215	12,987	244,002	23,144	-	23,144	267,146
Miscellaneous other expense	32,589	53,687	51,240	95,715	909	1,678	1,284	2,862	239,964	223,252	3,673	226,925	466,889
Dues and subscriptions	-	2,897	29,113	681	4,756	11,079	-	-	48,526	34,897	2,500	37,397	85,923
Office supplies and other	1,375	5,894	68,846	7,900	139	1,550	-	-	85,704	5,828	36	5,864	91,568
Bank charges	30,083	1,294	49,210	624	56	-	2	-	81,269	16,453	-	16,453	97,722
Indirect cost allocation	216,524	169,838	166,925	211,019	48,398	42,108	6,403	7,264	868,479	(872,766)	4,287	(868,479)	-
TOTAL EXPENSES	\$ 1,101,825	\$ 927,964	\$ 856,712	\$ 1,139,722	\$ 246,282	\$ 214,277	\$ 32,582	\$ 36,965	\$ 4,556,329	\$ 1,040,759	\$ 21,816	\$ 1,062,575	\$ 5,618,904