Audited Consolidated Financial Statements and Other Financial Information

ASSOCIATION OF FUNDRAISING PROFESSIONALS
AND
AFP FOUNDATION FOR PHILANTHROPY

December 31, 2017

Association of Fundraising Professionals and AFP Foundation for Philanthropy

Contents

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Independent Auditor's Report on the Consolidated Financial Statements

To the Board of Directors
Association of Fundraising Professionals and
AFP Foundation for Philanthropy

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of the Association of Fundraising Professionals and AFP Foundation for Philanthropy (collectively, the Organization), which comprise the consolidated statements of financial position as of December 31, 2017 and 2016, and the related consolidated statements of activities, functional expense, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated 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 consolidated 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 audits to obtain reasonable assurance about whether the consolidated financial statements are free of 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 Organization'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 Organization'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 Association of Fundraising Professionals and AFP Foundation for Philanthropy as of December 31, 2017 and 2016, and the changes in its consolidated net assets and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Tate & Tryon

Washington, DC
June 11, 2018

Association of Fundraising Professionals and AFP Foundation for Philanthropy

Consolidated Statements of Financial Position

December 31,	2017	2016
Assets		
Cash and cash equivalents	**$ 4,824,009**	$ 2,753,891
Investments	**994,095**	937,710
Accounts receivable, net	**92,529**	371,689
Pledges receivable, net	**95,269**	185,683
Prepaid expenses and other	**400,059**	313,345
Inventory	**92,767**	108,169
Property, equipment, and leasehold improvements, net	**753,988**	1,562,902
Total assets	**$ 7,252,716**	$ 6,233,389
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	**$ 609,422**	$ 498,809
Deferred revenue	**4,528,366**	4,264,294
Deferred rent	**1,102,616**	1,268,054
Total liabilities	**6,240,404**	6,031,157
Net assets (deficit)		
Without donor restrictions	**(219,615)**	(971,037)
With donor restrictions	**1,231,927**	1,173,269
Total net assets	**1,012,312**	202,232
Total liabilities and net assets	**$ 7,252,716**	$ 6,233,389

See notes to consolidated financial statements.

Association of Fundraising Professionals and AFP Foundation for Philanthropy

Consolidated Statements of Activities

Year Ended December 31,	2017	2016
Activities without donor restrictions		
Revenue and support		
Membership dues	**$ 5,800,036**	$ 5,820,400
Registration fees	**3,182,691**	2,778,309
Royalty income	**1,265,921**	1,307,860
Advertising and sponsorships	**646,017**	855,230
Contributions and grants	**612,625**	581,531
Exhibitor fees	**305,785**	368,310
Sales of merchandise	**75,764**	86,917
Donated services	**60,000**	66,178
Miscellaneous	**33,977**	108,177
Investment return, net	**9,111**	6,199
	11,991,927	11,979,111
Net assets released from donor restrictions	**223,737**	218,193
Total revenue and support	**12,215,664**	12,197,304
Expense		
Program services		
Center for fundraising innovation	**2,821,841**	2,992,024
Marketing and communications	**2,231,226**	2,326,352
Member and chapter services	**1,599,776**	1,895,920
Public policy, advocacy, and ethics	**522,077**	375,356
Relevant quality education	**315,966**	305,007
Inclusion and influence	**33,619**	30,983
Total program services	**7,524,505**	7,925,642
Supporting services		
Management and general	**3,210,219**	3,536,551
Resource development	**194,228**	182,478
Total supporting services	**3,404,447**	3,719,029
Total expense	**10,928,952**	11,644,671
Change in net assets without donor restrictions from operations	**1,286,712**	552,633
Impairment loss on property and equipment and cumulative effect of change in estimate	**(535,290)**	-
Change in net assets without donor restrictions	**751,422**	552,633
Activities with donor restrictions		
Contributions	**137,710**	173,909
Investment return, net	**144,685**	35,326
Net assets released from donor restrictions	**(223,737)**	(218,193)
Change in net assets with donor restrictions	**58,658**	(8,958)
Change in net assets	**810,080**	543,675
Net assets (deficit), beginning of year	**202,232**	(341,443)
Net assets, end of year	**$ 1,012,312**	$ 202,232

See notes to consolidated financial statements.

Association of Fundraising Professionals and AFP Foundation for Philanthropy

Consolidated Statements of Functional Expense

Year Ended December 31, 2017

	Program Services							Supporting Services			
	Center for Fundraising Innovation	**Marketing and Communications**	**Member and Chapter Services**	**Public Policy, Advocacy, and Ethics**	**Relevant Quality Education**	**Inclusion and Influence**	**Total**	**Management and General**	**Resource Development**	**Total**	**Consolidated Total**
Salaries	$ 561,035	$ 697,943	$ 390,399	$ 417,296	$ -	$ -	$ 2,066,673	$ 1,030,246	$ 67,680	$ 1,097,926	$ 3,164,599
Employee benefits	67,237	99,687	46,674	3,129	-	-	216,727	206,048	9,152	215,200	431,927
Payroll taxes	42,362	52,983	50,958	16,246	-	-	162,549	77,804	5,268	83,072	245,621
Total salaries and related	670,634	850,613	488,031	436,671	-	-	2,445,949	1,314,098	82,100	1,396,198	3,842,147
Contract and consulting fees	666,953	715,055	437,010	34,817	1,144		1,854,979	591,134	98,228	689,362	2,544,341
Conference, meetings and travel	1,041,655	18,387	102,002	8,556	122,147	8,881	1,301,628	142,636	12,096	154,732	1,456,360
Occupancy	190,329	253,461	325,263	32,782	-	-	801,835	148,045	-	148,045	949,880
Depreciation	-	-	-	-	-	-	-	343,215	-	343,215	343,215
Scholarships, grants, and sponsorships	15,211	-	-	4,019	183,034	24,738	227,002	98,699	-	98,699	325,701
Promotion and marketing	12,721	215,850	13,944	-	922	-	243,437	179	631	810	244,247
Bad debt	-	-	-	-	-	-	-	238,955	-	238,955	238,955
Bank and credit card fees	37,261	40,240	65,973	-	2,863	-	146,337	49,725	267	49,992	196,329
Printing and design	108,853	56,056	6,024	332	3,225	-	174,490	11,893	893	12,786	187,276
Postage and shipping	53,212	36,145	53,068	119	2,446	-	144,990	6,063	13	6,076	151,066
Equipment and software	10,386	1,225	4,185	-	185	-	15,981	117,338	-	117,338	133,319
Insurance	8,340	-	52,783	-	-	-	61,123	54,362	-	54,362	115,485
Other expenses	3,829	181	48,781	2,298	-	-	55,089	15,960	-	15,960	71,049
Dues and subscriptions	1,321	15,786	793	2,483	-	-	20,383	35,446	-	35,446	55,829
Cost of merchandise	-	25,464	-	-	-	-	25,464	6,135	-	6,135	31,599
Office supplies	1,136	2,763	1,919	-	-	-	5,818	19,007	-	19,007	24,825
Property and other taxes	-	-	-	-	-	-	-	17,329	-	17,329	17,329
Total expense	**$ 2,821,841**	**$ 2,231,226**	**$ 1,599,776**	**$ 522,077**	**$ 315,966**	**$ 33,619**	**$ 7,524,505**	**$ 3,210,219**	**$ 194,228**	**$ 3,404,447**	**$ 10,928,952**

See notes to consolidated financial statements.

Association of Fundraising Professionals and AFP Foundation for Philanthropy

Consolidated Statements of Functional Expense

Year Ended December 31, 2016

	Program Services							Supporting Services			
	Center for Fundraising Innovation	Marketing and Communications	Member and Chapter Services	Public Policy, Advocacy, and Ethics	Relevant Quality Education	Inclusion and Influence	Total	Management and General	Resource Development	Total	Consolidated Total
Salaries	$ 475,237	$ 785,076	$ 614,629	$ 233,431	$ -	$ -	$ 2,108,373	$ 1,345,244	$ 64,952	$ 1,410,196	$ 3,518,569
Employee benefits	90,990	91,415	95,545	41,430	-	-	319,380	210,772	45	210,817	530,197
Payroll taxes	35,156	58,059	76,507	10,874	-	-	180,596	81,930	5,850	87,780	268,376
Total salaries and related	601,383	934,550	786,681	285,735	-	-	2,608,349	1,637,946	70,847	1,708,793	4,317,142
Contract and consulting fees	629,408	860,156	322,387	12,914	-	-	1,824,865	549,522	93,926	643,448	2,468,313
Conference, meetings and travel	1,321,972	31,897	136,895	10,530	58,768	-	1,560,062	120,260	2,050	122,310	1,682,372
Occupancy	163,411	216,204	278,354	27,218	-	-	685,187	223,857	-	223,857	909,044
Depreciation	-	-	-	-	-	-	-	334,292	-	334,292	334,292
Scholarships, grants, and sponsorships	19,717	-	-	28,000	245,014	29,720	322,451	-	-	-	322,451
Bank and credit card fees	34,434	39,205	170,340	3,820	-	-	247,799	72,896	655	73,551	321,350
Bad debt	-	-	-	6,015	-	-	6,015	295,001	-	295,001	301,016
Postage and shipping	57,113	74,426	82,389	217	42	-	214,187	1,905	1,656	3,561	217,748
Printing and design	128,765	49,325	11,513	-	1,183	-	190,786	3,493	2,367	5,860	196,646
Equipment and software	3,049	135	149	405	-	-	3,738	156,293	-	156,293	160,031
Promotion and marketing	19,309	102,967	477	259	-	1,263	124,275	-	-	-	124,275
Insurance	7,874	-	61,157	-	-	-	69,031	47,712	-	47,712	116,743
Other expenses	1,623	-	41,994	-	-	-	43,617	5,500	10,977	16,477	60,094
Dues and subscriptions	681	9,818	201	243	-	-	10,943	39,237	-	39,237	50,180
Office supplies	2,823	564	1,676	-	-	-	5,063	22,909	-	22,909	27,972
Property and other taxes	-	-	1,707	-	-	-	1,707	25,728	-	25,728	27,435
Cost of merchandise	462	7,105	-	-	-	-	7,567	-	-	-	7,567
Total expense	**$ 2,992,024**	**$ 2,326,352**	**$ 1,895,920**	**$ 375,356**	**$ 305,007**	**$ 30,983**	**$ 7,925,642**	**$ 3,536,551**	**$ 182,478**	**$ 3,719,029**	**$ 11,644,671**

See notes to consolidated financial statements.

Association of Fundraising Professionals and AFP Foundation for Philanthropy

Consolidated Statements of Cash Flows

Year Ended December 31,	2017	2016
Cash flows from operating activities		
Change in net assets	**$ 810,080**	$ 543,675
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	**343,215**	334,292
Bad debt expense	**238,955**	301,016
Impairment loss on property and equipment	**535,290**	-
Net gain on investments	**(144,937)**	(28,865)
Changes in assets and liabilities:		
Accounts receivable	**40,205**	(98,728)
Pledges receivable	**90,414**	168,924
Prepaid expenses and other	**(86,714)**	198,169
Inventory	**15,402**	(12,614)
Accounts payable and accrued expenses	**110,613**	(62,529)
Deferred revenue	**264,072**	156,985
Deferred rent	**(165,438)**	(135,413)
Total adjustments	**1,241,077**	821,237
Net cash provided by operating activities	**2,051,157**	1,364,912
Cash flows from investing activities		
Purchases of property, equipment, and leasehold improvements	**(69,591)**	(64,179)
Purchases of investments	**(37,443)**	(22,345)
Proceeds from sale of investments	**125,995**	109,901
Net cash provided by investing activities	**18,961**	23,377
Net increase in cash and cash equivalents	**2,070,118**	1,388,289
Cash and cash equivalents, beginning of year	**2,753,891**	1,365,602
Cash and cash equivalents, end of year	**$ 4,824,009**	$ 2,753,891

See notes to consolidated financial statements.

A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization: The Association of Fundraising Professionals (the Association) was founded in 1960 to advance philanthropy by enabling people and organizations to practice effective and ethical fundraising. The core activities through which the Association fulfills this mission include education, training, mentoring, research, credentialing, and advocacy.

The AFP Foundation for Philanthropy (the AFP U.S. Foundation) was founded in 1973. The AFP U.S. Foundation's mission is to strive to enhance philanthropy through programs of education, research, and service that will benefit all those who lead, serve, and support nonprofit organizations.

AFP Canada was incorporated in 2017 to pursue the advancement of philanthropy in Canada; to promote public awareness of the fundraising profession and the value of fundraising professionals to the fundraising process; to foster the development and growth of professional fundraisers committed to the preservation and enhancement of the philanthropic and fundraising processes generally; and to require AFP members' adherence to a Code of Ethical Principles. The activities of AFP Canada are not required to be, and are not, included in these consolidated financial statements.

The AFP Foundation for Philanthropy - Canada / Fondation de Philanthropie AFP - Canada, was established to educate the general public, to promote research and to provide scholarships and bursaries in the fields of fundraising and philanthropy and was incorporated in 1998 as a not-for-profit organization under the Canada Corporations Act. The activities of the AFP Foundation for Philanthropy – Canada are not required to be, and are not, included in these consolidated financial statements.

Principles of consolidation: The consolidated financial statements include the accounts of the Association and AFP U.S. Foundation (collectively referred to as the Organization). All significant intra-entity accounts and transactions have been eliminated in consolidation.

Basis of accounting: The consolidated financial statements of the Organization are presented on the accrual basis of accounting. Consequently, revenue is recognized when earned and expenses when obligations are incurred.

Use of estimates: The preparation of consolidated 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 and disclosure. Accordingly, actual results could differ from those estimates.

Income tax status: The Association is exempt from the payment of Federal and state income taxes on income other than net unrelated business income under Section 501(c)(6) of the Internal Revenue Code (IRC). The Association incurs unrelated business income tax mainly on its advertising income. There was no income tax expense for the year ended December 31, 2017. Income tax expense for the year ended December 31, 2016 was approximately $1,000.

The AFP U.S. Foundation is exempt from the payment of Federal and state income taxes on income other than net unrelated business income under Section 501(c)(3) of the IRC. The AFP U.S. Foundation is a publicly supported organization, as defined in Section 509(a)(1) of the IRC.

A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Cash and cash equivalents: For financial statement purposes, the Organization considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. All funds held inside investment portfolios are excluded from cash and cash equivalents.

Accounts receivable: Accounts receivable consists primarily of amounts owed from customers as a result of the sale of advertising, sponsorships, conference registrations, and publications. Accounts receivable are presented at the gross, or face, amount due to the Organization, less an allowance for uncollectible accounts. The Organization's management periodically reviews the status of all accounts receivable balances for collectability. Each receivable balance is assessed based on management's knowledge of the customer, the Organization's relationship with the customer, and the age of the receivable balance. As a result of these reviews, customer balances deemed to be uncollectible are written off to bad debt expense to the extent not covered by the allowance. Management has recorded an allowance of $22,696 and $111,394, which is its estimated potentially uncollectible accounts receivable, at December 31, 2017 and 2016.

Inventory: Inventory consists of items available for resale or use in future periods and is stated at the lower of cost or market value, using the first-in, first-out method. Management periodically reviews its inventory and writes off slow-moving or obsolete items. All inventory is deemed fully salable at December 31, 2017 and 2016.

Property, Equipment, and Leasehold Improvements: Property, equipment, and leasehold improvements are stated at cost. It is the policy of the Organization to capitalize all purchases of property and equipment greater than or equal to $5,000 and depreciate/amortize them over the following estimated useful lives using the straight-line method, with no salvage value:

Office equipment	3 - 5 years
Computer equipment and software	3 - 10 years
Furniture	5 years
Leasehold improvements	Remaining term of the lease

Net Assets: Net assets are classified without donor restrictions or with donor restrictions based on the existence or absence of donor-imposed restrictions. A description of each net asset group is as follows:

Without donor restrictions: Net assets without donor restrictions include those net assets whose use is not restricted by donors, even though their use may be limited in other respects, such as by board designation.

With donor restrictions: Net assets with donor restrictions include those net assets whose use is subject to donor-imposed restrictions. Donor restrictions may be for a specified time or purpose limitation or the donor may specify that the corpus of their original and certain subsequent gifts be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Membership: Membership dues are recognized in the period to which they apply. The membership period is twelve months beginning the month paid or the member's renewal date, whichever is later.

A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Registration fees and exhibitor fees: Conference registration and exhibit fees are recognized as revenue in the year that the related conference takes place.

Program Services: The program services that the Association provides are:

Center for Fundraising Innovation: This program is the home of the Association's non-dues revenue programs focused on professional development and information resources. Key programs and projects include the International Fundraising Conference; various education and training programs such as Fundamentals of Fundraising, CFRE Refresher, AFP's webinar series, e-courses, Fundraising Principles and Practice course, and Faculty Training Academy; and information resources including Advancing Philanthropy magazine, the Ready Reference books series, and online "Hot Topic" annotated summaries of resources related to key fundraising topics. All these programs help fulfill the Association's strategic goal to provide relevant, quality education.

Marketing and Communications: This program is responsible for informing the members and general public of the Association’s mission and core activities through various media such as social media, websites, and the design of visual marketing and promotional materials.

Member and Chapter Services: This program focuses on the member experience to ensure that each member receives the full benefit of the services offered through their membership to assist them in practicing effective and ethical fundraising. Member and Chapter Services also acts as a liaison to the Association Chapters to ensure that members experience the same benefits on a local level.

Public Policy, Advocacy, and Ethics: This program helps Association members understand how critical public policy and ethics are and how to act as advocates in their communities and organizations for ethical fundraising laws, regulations, and standard practices. The objective and initiatives are to develop member education and tool kits for chapter use that make public policy and ethics easy to understand and advocate.

Relevant Quality Education: This program of the AFP U.S. Foundation seeks to educate current professionals and develop future leaders of the profession. Conferences and academies are the main focus in delivering this education and development. In addition, this program provides scholarships to improve the fundraising profession.

Inclusion and Influence: This program focuses on increasing diversity and inclusion within the fundraising profession and philanthropy. The scholarship funds within the program further promote these focuses to young fundraising professionals. Grants are provided to diverse fundraising professionals to provide professional education, training, and information to advance their skills, abilities, and careers.

Functional allocation of expense: The costs of providing various program and supporting services have been summarized on a functional basis in the consolidated statements of activities. The statements of functional expense present the natural classification detail of expenses by function. Accordingly, occupancy costs have been allocated among the program and supporting services benefited based on employee count.

Measure of operations: The Organization excludes from the change in net assets from operations the impairment loss on property and equipment and cumulative effect of change in estimate.

A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Change in accounting estimate: Effective December 31, 2017, the Organization changed its capitalization threshold for property and equipment from $1,000 to $5,000. As a result, certain property and equipment was written off as of December 31, 2017. The related loss of approximately $12,000 from this change in estimate is included within impairment loss on property and equipment and cumulative effect of change in estimate within the consolidated statements of activities.

Subsequent events: Subsequent events have been evaluated through June 11, 2018, which was the date the consolidated financial statements were available to be issued.

B. CREDIT AND MARKET RISK

Credit risk: The Organization maintains demand deposits with commercial banks and cash funds with financial institutions. At times, certain balances held within these accounts may not be fully guaranteed or insured by the U.S. federal government. The uninsured portion of cash is backed solely by the assets of the underlying institution. As such, the failure of an underlying institution could result in financial loss to the Organization.

Market value risk: The Organization invests in a professionally managed portfolio that contains various types of marketable securities. Such investments are exposed to market and credit risks and may be subject to significant fluctuations in fair value. As a result, the investment balances reported in the accompanying consolidated financial statements may not be reflective of the portfolio's value during subsequent periods.

C. INVESTMENTS

The Organization has implemented the accounting standards topic regarding fair value measurements which establishes a framework for measuring fair value in accordance with accounting principles generally accepted in the United States of America and expands disclosures about fair value measurements. This standard uses the following prioritized input levels to measure fair value. The input levels used for valuing investments are not necessarily an indication of risk.

> Level 1 – Observable inputs that reflect quoted prices for identical assets or liabilities in active markets such as stock quotes;
>
> Level 2 – Includes inputs other than level 1 that are directly or indirectly observable in the marketplace such as yield curves or other market data;
>
> Level 3 – Unobservable inputs which reflect the reporting entity's assessment of the assumptions that market participants would use in pricing the asset or liability including assumptions about risk such as bid/ask spreads and liquidity discounts.

Investments recorded at fair value which are classified within Level 1 include common stocks and mutual funds, the fair values for which were based on quoted prices for identical assets in active markets. Management believes the estimated fair value of investments to be a reasonable approximation of the exit price for the assets.

C. Investments - Continued

Investments recorded at cost include cash held within the investment portfolio. Investments at cost are not required to be classified in one of the levels prescribed by the fair value hierarchy.

Interest and dividend income, realized and unrealized gains and losses, and investment fees are reflected within investment return, net, in the consolidated statements of activities.

Investments consisted of the following at December 31,:

	2017	2016
Investments, at fair value		
Common stocks	$ 448,910	$ 419,385
Mutual funds - equity	199,450	183,853
Mutual funds - fixed income	343,790	331,715
	992,150	934,953
Investments, at cost		
Cash funds	1,945	2,757
	$ 994,095	**$ 937,710**

D. Pledges Receivable

Pledges receivable consist primarily of the AFP U.S. Foundation's annual fund and major gifts and have been discounted to net present value using a discount rate of 3.75%. Pledges receivable, recorded in the consolidated statements of financial position, consisted of the following at December 31,:

	2017	2016
Receivable in less than one year	$ 72,624	$ 126,820
Receivable in one to five years	30,108	118,255
Receivable in more than five years	-	-
Less: Allowance for doubtful accounts and discount to present value	(7,463)	(59,392)
	$ 95,269	**$ 185,683**

E. PROPERTY, EQUIPMENT, AND LEASEHOLD IMPROVEMENTS

During the year ended December 31, 2017, the Organization determined that certain assets were impaired. Specifically, the Organization's website and association management database were deemed to be fully impaired, and therefore, the assets were removed from property, equipment, and leasehold improvements. The Organization plans significant improvements and upgrades to these assets in 2018.

Property, equipment, and leasehold improvements consisted of the following at December 31,:

	2017	2016
Office equipment	$ 7,826	$ 290,942
Computer equipment and software	264,541	2,875,180
Furniture	-	618,472
Leasehold improvements	2,293,205	2,297,734
	2,565,572	6,082,328
Less accumulated depreciation/amortization	(1,811,584)	(4,519,426)
	$ 753,988	**$ 1,562,902**

F. DEFERRED REVENUE

Deferred revenue consisted of the following at December 31,:

	2017	2016
Membership dues	$ 3,183,024	$ 3,000,914
International conference	1,345,342	1,263,380
	$ 4,528,366	**$ 4,264,294**

G. Liquidity

The following reflects the Organization's financial assets as of December 31, 2017 and 2016, reduced by amounts not available for general use within one year of the balance sheet date because of contractual or donor-imposed restrictions. Amounts not available include amounts set aside as Board designated net assets (see Note H) that could be drawn upon if the governing board approves that action.

	2017	2016
Cash and cash equivalents	$ 4,824,009	$ 2,753,891
Investments	994,095	937,710
Accounts receivable	92,529	371,689
Pledges receivable	95,269	185,683
Less amounts expected to be collected after one year	(25,098)	(112,091)
Prepaid expenses and other	400,059	313,345
Financial assets available	6,380,863	4,450,227
Less those unavailable for general expenditures within one year due to:		
Investments held in perpetuity	(506,189)	(516,539)
Subject to expenditure for specified purpose	(725,738)	(656,730)
Board designated net assets	(90,000)	(148,893)
Financial assets available to meet cash needs for general expenditures within one year	**$ 5,058,936**	**$ 3,128,065**

Occasionally, the board designates a portion of any operating surplus to its operating reserve, which was $90,000 as of December 31, 2017 and 2016. The Organization has a goal to maintain an operating reserve in an amount equal to six months of average monthly operating costs, which exclude depreciation, in-kind, and other non-cash expenses. Such average monthly costs were approximately $868,000 and $925,000 for the years ended December 31, 2017 and 2016, respectively. The Organization had nearly six months and approximately three months of financial assets available to meet its average monthly operating costs for the years ended December 31, 2017 and 2016, respectively. The Organization currently does not have a policy regarding the investment of cash in excess of daily requirements. Additionally, the Organization does not have a line of credit.

H. Board Designated Net Assets

Board designated net assets represent funds received from Ralph E. Chamberlain, a former Chair of the Board, and the operating reserve, which is designed to provide an internal source of funds for situations such as an unexpected or sudden increase in expenses, one-time unbudgeted expenses, unanticipated loss in funding, or uninsured losses. These funds are without donor restrictions and are available for the use of the Association (for the operating reserve) and the AFP U.S. Foundation (for the Chamberlain fund) at the direction of the respective Boards. Board designated net assets consisted of the following at December 31,:

	2017	2016
Chamberlain fund	$ -	$ 58,893
Operating reserve	90,000	90,000
	$ 90,000	**$ 148,893**

I. Net Assets With Donor Restrictions

Net assets with donor restrictions consisted of the following at December 31,:

	2017	2016
Endowments given in perpetuity		
International conference speakers	$ 96,267	$ 96,267
Skystone Ryan Research prize	71,765	71,765
Campbell scholarship	68,780	68,780
Other	67,836	67,836
Looney Ethics Education	60,363	60,313
Strategic planning	42,241	42,241
International conference scholars	34,445	44,845
Excellence in leadership	29,420	29,420
Staff development	25,628	25,628
Executive Management Institute scholarships	9,444	9,444
	506,189	516,539
Subject to expenditure for specified purpose		
Annual fund and major gifts	138,786	212,654
Endowment interest	267,136	164,154
Levy professional education	206,482	204,004
PAC contributions	113,334	75,918
	725,738	656,730
	$ 1,231,927	**$ 1,173,269**

Net assets released from restriction due to program satisfaction and other events are as follows for the years ended December 31,:

	2017	2016
Program satisfaction		
Annual fund and major gifts	$ 170,142	$ 174,325
PAC Contributions	4,019	39,868
Endowment interest	3,000	3,000
Levy Professional Education	30,000	1,000
Looney Ethics Education	2,000	-
Return of contribution		
International conference scholars	14,576	-
	$ 223,737	**$ 218,193**

I. Net Assets With Donor Restrictions – Continued

The Organization's net assets with donor restrictions held in perpetuity contain approximately 20 individual funds held to provide earnings to pay for scholarships, staff development, and education.

The Organization's Board of Directors has interpreted the law that underlies the Organization's net asset classification of donor-restricted endowment funds as requiring the preservation of the fair value of the original gift. As a result of this interpretation, the Organization classifies as net assets with donor restrictions held in perpetuity (1) the original value of gifts donated to the permanent endowment, (2) the original value of subsequent gifts to the permanent endowment, and (3) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument.

Changes in endowment net assets for the years ended December 31,:

	2017	2016
Beginning net assets	$ 680,693	$ 654,411
Investment return, net	110,158	26,778
Contributions	2,050	2,504
Appropriation of endowment assets for expenditure	(19,576)	(3,000)
Ending net assets	**$ 773,325**	**$ 680,693**

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by the endowment funds while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for donor-specified periods. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a balanced portfolio comprised of cash, fixed income securities, and equities. To satisfy its long-term objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

J. Donated Services

The AFP U.S. Foundation received professional services to conduct a mail and telephone outreach program for the AFP U.S. Foundation's Annual Fund Campaign. The value of the donated services is included in donated services revenue and resource development expense in the consolidated statements of activities and amounted to $60,000 and $66,178 for the years ended December 31, 2017 and 2016, respectively.

The Association received professional services related to the annual meeting and international conference. The value of the donated services is included in advertising and sponsorships revenue and center for fundraising innovation expense in the consolidated statements of activities, and amounted to $105,740 and $122,162 for the years ended December 31, 2017 and 2016, respectively.

J. Donated Services – Continued

The Association provided $141,285 and $200,000 in contributed services to the AFP U.S. Foundation for the years ended December 31, 2017 and 2016, respectively. Additionally, the Association paid $98,715 and $66,035 of the AFP U.S. Foundation's expenses during the years ended December 31, 2017 and 2016, respectively. Furthermore, during the year ended December 31, 2017, the Association forgave the debt owed by the Foundation in the amount of $540,997. These amounts have been eliminated in consolidation.

K. Commitments and Contingencies

Office Lease: During 2006, the Association entered into an office lease agreement that began February 1, 2007 and expires January 31, 2022. The base rent increases annually based on a schedule provided in the lease. Under the terms of the lease, the lessor provided lease incentives totaling approximately $1.3 million to build out the office space. Under accounting standards generally accepted in the United States of America all rental payments, including fixed rent increases, are recognized on a straight-line basis as an offset to rent expense. The difference between the straight-line rent expense and the required lease payments, as well as any unamortized lease incentives, is reflected as deferred rent in the accompanying consolidated statements of financial position.

Rent expense was $970,403 and $913,235 for the years ended December 31, 2017 and 2016, respectively. Future minimum lease payments for office space under this lease are as follows:

Year Ending December 31,	
2018	$ 1,061,762
2019	1,093,615
2020	1,126,423
2021	1,160,216
2022	194,312
	$ 4,636,328

The Association entered into an agreement to sublease a portion of its office space to an unrelated tenant. The agreement, as amended, expired in December 2016, at which time it became a month-to-month sublease. The subtenant moved out in February 2017. Sublease income approximated $25,000 and $161,000 for the years ended December 31, 2017 and 2016, respectively.

In May 2018, the Organization entered into an agreement to sublease a portion of its office space to an unrelated tenant. The agreement expires in January 2022. The Organization anticipates receiving approximately $247,000 over the term of the sublease.

Hotel contracts: The Association has entered into several agreements with hotels providing room accommodations and service for its meetings and conferences. Many of the agreements contain a clause whereby the Association is liable for liquidated damages in the event of cancellation as calculated in accordance with the terms of the agreements. The Association purchases event cancellation insurance for its major event, the International Conference on Fundraising, to mitigate any risk of cancellation.

K. Commitments and Contingencies – Continued

Employment agreement: The Association has an employment agreement with its President and Chief Executive Officer. The employment agreement obligates the Association to pay severance in the event of termination without cause.

L. Retirement Plans

The Association maintains a defined contribution retirement plan for all employees who meet certain age and length of employment requirements. In both 2017 and 2016, the Association contributed approximately 4% of the participating employees' base compensation. Pension expense was $90,341 and $99,254 for the years ended December 31, 2017 and 2016, respectively.

Additionally, the Association sponsors a 401(k) plan, to which qualifying employees may contribute a percentage of their salaries annually. Employees are eligible to participate in the plan after one year of service. The Association does not contribute to this plan and therefore no expense, other than administration fees, has been reflected in these consolidated financial statements.

M. The Association of Fundraising Professionals Political Action Committee

The Association organized a political action committee (PAC) on July 25, 2002. The PAC, known as the Association of Fundraising Professionals Political Action Committee, collects voluntary donations only from the Association's members and their families who are U.S. citizens. The PAC supports political candidates who believe in the principles to which philanthropy and the fundraising profession are dedicated. The PAC has received contributions totaling $41,435 and $47,145 during the years ended December 31, 2017 and 2016, respectively. These contributions are included in net assets with donor restrictions. The PAC is generally exempt from income taxes on revenue, other than net investment income, under Section 527 of the Internal Revenue Code. The PAC had no net investment income during the years ended December 31, 2017 and 2016.

N. Accumulated Deficit

As indicated in the accompanying consolidated statements of financial position, the Organization has reported losses in prior years which have generated a deficit balance in net assets without donor restrictions of $219,615 at December 31, 2017. Deficits threaten to undermine the Organization's ability to continue its current level of operations in the future. The consolidated financial statements do not include any adjustments that might be necessary in the event that the Organization is unable to continue its current level of operations.

The current year positive consolidated change in net assets without donor restrictions was attributable to improvement in results from operations. Management has initiated a series of initiatives that led to these improved results, including a zero-based budgeting and forecasting philosophy and significant changes in governance and a reduction in staff during the first half of 2016 in the AFP U.S. Foundation. Management anticipates continuing these efforts.

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Independent Auditor's Report on Other Financial Information

To the Board of Directors
Association of Fundraising Professionals and
AFP Foundation for Philanthropy

We have audited the consolidated financial statements of the Association of Fundraising Professionals and AFP Foundation for Philanthropy as of and for the years ended December 31, 2017 and 2016, and our report thereon dated June 11, 2018, which expressed an unmodified opinion on those consolidated financial statements, appears on page 1. Our audits were performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information on the following two pages is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position or changes in net assets of the individual entities and is 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 consolidating information has been subjected to the auditing procedures applied in the audits 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 consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Tate & Tryon

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June 11, 2018

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Association of Fundraising Professionals and AFP Foundation for Philanthropy

Consolidating Statement of Financial Position

December 31, 2017 with Consolidated Totals for 2016

	Association	Foundation	Eliminations	Consolidated Totals 2017	Consolidated Totals 2016
Assets					
Cash and cash equivalents	$ 4,505,744	$ 318,265	$ -	**$ 4,824,009**	$ 2,753,891
Investments	-	994,095	-	**994,095**	937,710
Accounts receivable, net	91,790	739	-	**92,529**	371,689
Due from affiliate	40,436	-	(40,436)	**-**	-
Pledges receivable, net	-	95,269	-	**95,269**	185,683
Prepaid expenses and other	400,059	-	-	**400,059**	313,345
Inventory	92,767	-	-	**92,767**	108,169
Property, equipment, and leasehold improvements, net	729,988	24,000	-	**753,988**	1,562,902
Total assets	$ 5,860,784	$ 1,432,368	$ (40,436)	**$ 7,252,716**	$ 6,233,389
Liabilities and net assets					
Liabilities					
Accounts payable and accrued expenses	$ 588,963	$ 20,459	$ -	**$ 609,422**	$ 498,809
Due to affiliate	-	40,436	(40,436)	**-**	
Deferred revenue	4,528,366	-	-	**4,528,366**	4,264,294
Deferred rent	1,058,191	44,425	-	**1,102,616**	1,268,054
Total liabilities	6,175,520	105,320	(40,436)	**6,240,404**	6,031,157
Net assets (deficit)					
Without donor restrictions	(428,070)	208,455	-	**(219,615)**	(971,037)
With donor restrictions	113,334	1,118,593	-	**1,231,927**	1,173,269
Total net assets (deficit)	(314,736)	1,327,048	-	**1,012,312**	202,232
Total liabilities and net assets	$ 5,860,784	$ 1,432,368	$ (40,436)	**$ 7,252,716**	$ 6,233,389

Association of Fundraising Professionals and AFP Foundation for Philanthropy

Consolidating Statement of Activities

Year Ended December 31, 2017 with Consolidated Totals for 2016

	Association	Foundation	Eliminations	Consolidated Totals 2017	Consolidated Totals 2016
Activities without donor restrictions					
Revenue and support					
Membership dues	$ 5,800,036	$ -	$ -	**$ 5,800,036**	$ 5,820,400
Registration fees	3,113,450	69,241	-	**3,182,691**	2,778,309
Royalty income	1,265,921	-	-	**1,265,921**	1,307,860
Advertising and sponsorships	626,017	20,000	-	**646,017**	855,230
Contributions and grants	64,989	547,636	-	**612,625**	581,531
Exhibitor fees	305,785	-	-	**305,785**	368,310
Sales of merchandise	75,764	-	-	**75,764**	86,917
Donated services	-	300,000	(240,000)	**60,000**	66,178
Miscellaneous	32,534	1,443	-	**33,977**	108,177
Investment return, net	-	9,111	-	**9,111**	6,199
	11,284,496	947,431	(240,000)	**11,991,927**	11,979,111
Net assets released from donor restrictions	4,019	219,718	-	**223,737**	218,193
Total revenue and support	11,288,515	1,167,149	(240,000)	**12,215,664**	12,197,304
Expense					
Program services					
Center for fundraising innovation	2,821,841	-	-	**2,821,841**	2,992,024
Marketing and communications	2,231,226	-	-	**2,231,226**	2,326,352
Member and chapter services	1,599,776	-	-	**1,599,776**	1,895,920
Public policy, advocacy, and ethics	522,077	-	-	**522,077**	375,356
Relevant quality education	-	315,966	-	**315,966**	305,007
Inclusion and influence	-	33,619	-	**33,619**	30,983
Total program services	7,174,920	349,585	-	**7,524,505**	7,925,642
Supporting services					
Management and general	2,905,132	473,087	(168,000)	**3,210,219**	3,536,551
Resource development	-	266,228	(72,000)	**194,228**	182,478
Total supporting services	2,905,132	739,315	(240,000)	**3,404,447**	3,719,029
Total expense	10,080,052	1,088,900	(240,000)	**10,928,952**	11,644,671
Change in net assets without donor restrictions from operations	1,208,463	78,249	-	**1,286,712**	552,633
Forgiveness of amount due from affiliate	(540,997)	540,997	-	**-**	-
Impairment loss on property and equipment and cumulative effect of change in estimate	(535,290)	-	-	**(535,290)**	-
Change in net assets without donor restrictions	132,176	619,246	-	**751,422**	-
Activities with donor restrictions					
Contributions	41,435	96,275	-	**137,710**	173,909
Investment return, net	-	144,685	-	**144,685**	35,326
Net assets released from donor restrictions	(4,019)	(219,718)	-	**(223,737)**	(218,193)
Change in net assets with donor restrictions	37,416	21,242	-	**58,658**	(8,958)
Change in net assets	169,592	640,488	-	**810,080**	543,675
Net assets (deficit), beginning of year	(484,328)	686,560	-	**202,232**	(341,443)
Net assets (deficit), end of year	$ (314,736)	$ 1,327,048	$ -	**$ 1,012,312**	$ 202,232