

ALLIANCE OF INFORMATION AND REFERRAL SYSTEMS, INC.
(a nonprofit organization)

FINANCIAL STATEMENTS

Year Ended December 31, 2019

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Alliance of Information and Referral Systems, Inc.
Fairfax, Virginia

We have audited the accompanying financial statements of the Alliance of Information and Referral Systems, Inc. (AIRS), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 AIRS as of December 31, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

As explained in Note 6 to the financial statements, net assets without donor restriction and net assets with donor restriction have been restated as of December 31, 2018 to account for adjusted net asset balances. We have not modified our opinion with respect to this matter.

Emphasis of Matter - Subsequent Event

As noted in Note 8 to the financial statements, economic uncertainties have arisen as a result of the spread of the novel coronavirus which are likely to negatively impact AIRS' operations. Our opinion is not modified with respect to this matter and no pandemic implications are accounted for in these financial statements.

Lenner and Company, CPA, P.C.

Alexandria, Virginia
August 29, 2020

ALLIANCE OF INFORMATION AND REFERRAL SYSTEMS, INC.

STATEMENT OF FINANCIAL POSITION

December 31, 2019

ASSETS

CURRENT ASSETS

Cash	\$	487,194
Certificates of deposit		227,192
Accounts receivable		26,309
Prepaid expenses		<u>1,593</u>

TOTAL CURRENT ASSETS

742,288

OTHER ASSETS

Intangible asset - Trademark, at cost, net		<u>4,536</u>
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TOTAL ASSETS

\$ 746,824

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$	39,671
Deferred revenue		<u>238,325</u>

TOTAL LIABILITIES

277,996

NET ASSETS

Without donor restriction		466,468
With donor restriction		<u>2,360</u>

TOTAL NET ASSETS

468,828

TOTAL LIABILITIES AND NET ASSETS

\$ 746,824

See Notes to Financial Statements.

ALLIANCE OF INFORMATION AND REFERRAL SYSTEMS, INC.

STATEMENT OF ACTIVITIES
Year Ended December 31, 2019

	Without Donor Restriction	With Donor Restriction	Total
REVENUE			
Membership dues	\$ 352,970	\$ -	\$ 352,970
Conference	318,162	-	318,162
Accreditation	149,540	-	149,540
Certification	138,708	-	138,708
Training	76,519	-	76,519
Miscellaneous	16,044	-	16,044
Interest income	2,293	-	2,293
TOTAL REVENUE	<u>1,054,236</u>	<u>-</u>	<u>1,054,236</u>
EXPENSES			
Program	699,716	-	699,716
General and administrative	186,757	-	186,757
TOTAL EXPENSES	<u>886,473</u>	<u>-</u>	<u>886,473</u>
CHANGE IN NET ASSETS	167,763	-	167,763
NET ASSETS, beginning of year, restated	<u>298,705</u>	<u>2,360</u>	<u>301,065</u>
NET ASSETS, end of year	<u><u>\$ 466,468</u></u>	<u><u>\$ 2,360</u></u>	<u><u>\$ 468,828</u></u>

See Notes to Financial Statements.

ALLIANCE OF INFORMATION AND REFERRAL SYSTEMS, INC.

STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2019

	<u>Program</u>	<u>General and administrative</u>	<u>Total</u>
Conference	\$ 245,990	\$ -	\$ 245,990
Contracted Staff	158,220	-	158,220
Accreditation	93,672	-	93,672
Membership	-	84,844	84,844
Certification	76,101	-	76,101
Affiliate Payments	64,233	-	64,233
General and administrative	-	60,484	60,484
Training programs	31,932	-	31,932
Technology	13,974	16,610	30,584
Board/Executive expenses	-	18,770	18,770
Miscellaneous	15,594	-	15,594
Bad debt expense	-	5,850	5,850
Amortization	-	199	199
	<u>\$ 699,716</u>	<u>\$ 186,757</u>	<u>\$ 886,473</u>

See Notes to Financial Statements.

ALLIANCE OF INFORMATION AND REFERRAL SYSTEMS, INC.

STATEMENT OF CASH FLOWS
Year Ended December 31, 2019

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from operations

Revenue	\$ 1,061,286
Interest income	2,293

Total cash received from operations	<u>1,063,579</u>
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Cash disbursed by operations

Payments to program recipients and suppliers	<u>889,703</u>
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NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>173,876</u>
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CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of certificates of deposit	(227,192)
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Proceeds from conversion of money market funds	<u>167,708</u>
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NET CASH USED BY INVESTING ACTIVITIES	<u>(59,484)</u>
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NET INCREASE IN CASH	114,392
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CASH, beginning of year	<u>372,802</u>
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CASH, end of year	<u><u>\$ 487,194</u></u>
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See Notes to Financial Statements.

ALLIANCE OF INFORMATION AND REFERRAL SYSTEMS, INC.

STATEMENT OF CASH FLOWS
Year Ended December 31, 2019

**RECONCILIATION OF CHANGE IN NET ASSETS TO
NET CASH PROVIDED BY OPERATING ACTIVITIES**

CHANGE IN NET ASSETS	<u>\$ 167,763</u>
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Amortization	<u>199</u>
CHANGES IN ASSETS AND LIABILITIES AFFECTING OPERATIONS (USING) PROVIDING CASH	
ASSETS	
Accounts receivable	(20,459)
Prepaid expenses	<u>(93)</u>
	<u>(20,552)</u>
LIABILITIES	
Accounts payable	(3,336)
Deferred revenue	<u>29,802</u>
	<u>26,466</u>
NET CHANGES IN ASSETS AND LIABILITIES	<u>5,914</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 173,876</u></u>

See Notes to Financial Statements.

ALLIANCE OF INFORMATION AND REFERRAL SYSTEMS, INC.

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2019

1. SIGNIFICANT ACCOUNTING POLICIES, ORGANIZATION AND PURPOSE

Description of Organization

Alliance of Information and Referral Systems (AIRS), is a nonprofit corporation founded in 1973 in Arizona as an organization providing standards, accreditation, certification, training, networking and support for the information and referral sector. AIRS also sponsors an annual conference for its members that provides a promotional link of AIRS' activities to its members and is a significant source of revenue.

Basis of Accounting

AIRS prepares its financial statements using the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned rather than when collected, expenses are recognized when incurred rather than when paid, and capital acquisitions are recognized when the obligation is incurred rather than paid.

Use of Estimates

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

Cash and Cash Equivalents

Cash consists of a checking account, a savings account, and a money market account. AIRS considers all highly liquid investments with purchased maturities of three months or less to be cash equivalents. AIRS maintained no cash equivalents as of December 31, 2019.

Certificates of Deposit

AIRS reports its certificates of deposit at amortized cost.

ALLIANCE OF INFORMATION AND REFERRAL SYSTEMS, INC.

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2019

1. SIGNIFICANT ACCOUNTING POLICIES, ORGANIZATION AND PURPOSE (CONTINUED)

Accounts Receivable

Accounts receivable represents amounts primarily related to training revenue earned at the end of 2019 that has not been received. AIRS classifies all accounts receivable as current assets. Accounts receivable are considered past due if payment is not received within 30 days of the invoice date. Accounts deemed uncollectible are charged off based on credit evaluation and specific circumstances of the parties involved. At December 31, 2019, management's assessment was that all accounts receivable were determined to be collectible; therefore, no provision for doubtful accounts has been established.

Property and Equipment

Property and equipment are stated at cost. Depreciation expense is computed using the straight-line method over estimated useful lives ranging from five to seven years. All property and equipment was fully depreciated as of December 31, 2019.

Intangible Assets

AIRS maintains an intangible asset carried at cost related to a trademark. Amortization is computed using the straight-line method based on the asset's estimated useful life deemed to be 40 years. When the asset is retired or otherwise disposed of, the cost and related accumulated amortization are removed from the accounts, and any resulting gain or loss is recognized.

Deferred Revenue

Membership dues are recognized ratably over the applicable membership period. Dues received for future periods are classified as deferred revenue and totaled \$238,325 as of December 31, 2019.

Income Taxes

AIRS is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state law. No provision for federal income taxes is required for 2019, as AIRS did not engage in activities that would generate unrelated business income accordingly.

In accounting for uncertainty in income taxes, accounting standards require an entity to recognize the financial statement impact of a tax position when it is more-likely-than-not that the position will not be sustained upon examination. Management evaluated AIRS' tax positions and concluded there are no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance.

ALLIANCE OF INFORMATION AND REFERRAL SYSTEMS, INC.

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2019

1. SIGNIFICANT ACCOUNTING POLICIES, ORGANIZATION AND PURPOSE (CONTINUED)

Classes of Net Assets

To ensure the observance of limitations and restrictions placed on the use of resources available to AIRS, AIRS has divided its resources available for various purposes into classes established according to their nature and purpose. As of December 31, 2019, net assets of AIRS are classified as follows:

Net Assets Without Donor Restriction

AIRS includes operating net assets which are available for the general operations of AIRS as net assets without donor restriction, as well as Board-designated net assets set aside for future use.

Net Assets With Donor Restriction

AIRS reports gifts of cash and other restricted support if they are received with donor stipulations that limit the use of donated assets. When a donor restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), net assets with donor restriction are reclassified to net assets without donor restriction and reported in the consolidated statement of activities as net assets released from restrictions.

Revenue Recognition

Membership dues are recognized over the calendar year period. Revenues from conferences, accreditation and certification are recognized as revenue in the period in which the function is held.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs, such as conference expenses, contracted staff, accreditation, membership, certification, affiliate payments, general and administrative, training programs, technology, board/executive expenses, miscellaneous expenses, bad debt expense and amortization have been allocated among the program and supporting services benefits based on level of effort.

ALLIANCE OF INFORMATION AND REFERRAL SYSTEMS, INC.

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2019

1. SIGNIFICANT ACCOUNTING POLICIES, ORGANIZATION AND PURPOSE (CONTINUED)

Liquidity

AIRS maintains a liquid cash balance in checking accounts, savings accounts and money market accounts in an amount necessary to meet its anticipated expenditures for the next 30 days. Cash in excess of this amount is invested in short-term investments.

AIRS' financial assets available within one year to meet cash needs for general expenditures through December 31, 2020 are as follows:

Financial Assets	
Cash	\$ 487,194
Certificates of deposit	227,192
Accounts receivable	26,309
Total financial assets	<u>740,695</u>
Less amounts not available within one year	
Purpose restricted net assets	<u>(2,360)</u>
Financial assets available within one year to meet cash needs for general expenditures within one year	<u><u>\$ 738,335</u></u>

2. CASH

Cash as of December 31, 2019 consisted of the following:

Checking	\$ 393,953
Savings	50,468
Money Market	42,773
	<u><u>\$ 487,194</u></u>

The checking account and investment cash account are insured by the Federal Deposit Insurance Corporation up to \$250,000. The amount in excess of deposit insurance limits was \$202,690 as of December 31, 2019.

3. INTANGIBLE ASSETS

Intangible asset costs and amortization for the years ended December 31, 2019 are as follows:

	Cost	Amortization expense	Accumulated amortization	Amortization Period (years)
Trademark	<u>\$ 7,973</u>	<u>\$ 199</u>	<u>\$ (3,437)</u>	40

ALLIANCE OF INFORMATION AND REFERRAL SYSTEMS, INC.

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2019

4. ACCOUNTS PAYABLE

Accounts payable as of December 31, 2019 consisted of the following:

Due to vendors	\$ 24,801
Escrowed affiliate payments	<u>14,870</u>
	<u>\$ 39,671</u>

5. NET ASSETS WITH DONOR RESTRICTION

Net assets with donor restriction as of December 31, 2019 are as follows:

Stanford Center of Philanthropy and Civil Society (API Project)	<u>\$ 2,360</u>
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6. PRIOR PERIOD ADJUSTMENT

Net assets without donor restriction and net assets with donor restriction as of December 31, 2018 have been restated to account for the proper recognition of net asset balances.

Prior period adjustments as of December 31, 2018 are as follows:

	As Originally Presented	Prior Period Adjustment	As Restated
Net assets without donor restriction December 31, 2018	<u>\$ 262,234</u>	<u>\$ 36,471</u>	<u>\$ 298,705</u>
Net assets with donor restriction December 31, 2018	<u>\$ 38,831</u>	<u>\$ 36,471</u>	<u>\$ 2,360</u>

ALLIANCE OF INFORMATION AND REFERRAL SYSTEMS, INC.

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2019

7. COMMITMENTS AND CONTINGENCIES

Management Company

AIRS has contracted with STAT association management firm. STAT association provided management services and headquarters for a fee of \$151,130 for the year ended December 31, 2019. The fee includes costs for headquarters office rent, furniture and fixtures, office equipment and utilities. The fee is reviewed and approved by AIRS' Board of Directors on an annual basis.

Future Meeting Sites

AIRS maintains contracts with hotels for future meetings. These agreements indicate AIRS is liable for liquidated damages in the event of cancellation. At December 31, 2019, AIRS' commitments for possible liquidated damages totaled approximately \$179,445.

8. SUBSEQUENT EVENTS

In preparing these financial statements, AIRS has evaluated events and transactions for potential recognition or disclosure through August 29, 2020, the date the financial statements were available to be issued.

Novel COVID-19 Coronavirus

Subsequent to the fiscal year end, citizens and economies of the United States and other countries have been significantly impacted by the coronavirus (COVID-19) pandemic. While it is premature to accurately predict how the coronavirus will ultimately affect AIRS' operations because the disease's severity and duration are uncertain, we expect 2020 financial results will be significantly impacted and the implications beyond 2020, while unclear, could also be adversely impacted. No pandemic implications are accounted for in these financial statements.