A Message from the Executive Director

The Association for Middle Level Education (AMLE) Board of Trustees voted to approve a change in the organization's financial reporting year from July 1 – June 30 to January 1 – December 31. This change better aligns the association's calendars and business practices. In the transition, we present to our members a 6-month audit and reporting period, July 1, 2017-December 31, 2017.

William D. Waidelich

William D. Waidelich, EdD, CAE
Executive Director

Statements of Financial Position

	ending December 31, 2017
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	$ 181,481
Investments	875,164
Accounts receivable, net	342,636
Publications inventory, net	31,387
Prepaid expenses, deposits and other current assets	140,707
TOTAL CURRENT ASSETS	1,571,375
PROPERTY AND EQUIPMENT	
Furniture and fixtures	132,492
Computer equipment, office equipment and software	287,586
Leasehold improvements	28,586
	448,664
Less accumulated depreciation	431,949
PROPERTY AND EQUIPMENT, NET	16,715
OTHER ASSETS	
Preproduction costs	21,314
Trademark costs	16,090
	37,404
Less accumulated amortization	16,049
TOTAL OTHER ASSETS, NET	21,355
TOTAL ASSETS	**$ 1,609,445**

See accompanying notes to financial statements and independent accountant's review report.

Statements of Financial Position

	ending December 31, 2017
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts payable and accrued liabilities	$ 496,148
Accrued payroll and related liabilities	66,550
Deferred revenue	733,131
Capital lease obligation, current portion	1,838
TOTAL CURRENT LIABILITIES	1,297,667
Capital lease obligation, less current portion	4,950
TOTAL LIABILITIES	1,302,617
NET ASSETS	
Unrestricted	
Board designated	241,415
Undesignated	65,413
TOTAL NET ASSETS	306,828
TOTAL LIABILITIES AND NET ASSETS	**$ 1,609,445**

See accompanying notes to financial statements and independent accountant's review report.

Statements of Activities

	ending December 31, 2017
UNRESTRICTED REVENUE	
Membership/subscriptions	$ 361,841
Publications	118,971
Advertising revenue	24,307
Annual conference	1,019,688
Professional development programs	375,046
Sponsor revenue	124,440
Contributed services	64,975
Miscellaneous income	10,450
TOTAL UNRESTRICTED REVENUE	2,099,718
COST OF GOODS SOLD	42,797
GROSS PROFIT	2,056,921
EXPENSES	
Program Services:	
Membership	213,857
Publications	98,645
Annual conference	1,191,705
Other professional development programs	289,266
Advocacy and association development	123,946
Total program services	1,917,419
Management and general	343,514
TOTAL EXPENSES	2,260,933
OPERATING LOSS	**(204,012)**

See accompanying notes to financial statements and independent accountant's review report.

Statements of Activities

	ending December 31, 2017
INVESTMENT INCOME AND LOSSES	
Interest and dividends	16,094
Realized and unrealized investment losses, net	(6,249)
NET INVESTMENT INCOME	9,845
CHANGE IN NET ASSETS	(194,167)
NET ASSETS, beginning of period	500,995
NET ASSETS, end of period	$306,828

See accompanying notes to financial statements and independent accountant's review report.

Statements of Cash Flows

	ending December 31, 2017
CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	$ (194,167)
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation and amortization	15,042
Bad debt expense	206
Gain on disposal of property and equipment	(100)
Realized and unrealized investment losses, net	6,249
Effects of change in operating assets and liabilities:	
Accounts receivable	(210,158)
Publications inventory, net	6,569
Prepaid expenses, deposits and other current assets	64,146
Accounts payable and accrued liabilities	264,456
Accrued payroll and related liabilities	18,212
Deferred revenue	(90,006)
NET CASH USED IN OPERATING ACTIVITIES	(119,551)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from sale of property and equipment	100
Purchases of investments	(22,660)
Preproduction and trademark costs	(4,609)
Sales of investments	87,000
NET CASH PROVIDED BY INVESTING ACTIVITIES	59,831

See accompanying notes to financial statements and independent accountant's review report.

Statements of Cash Flows

	ending December 31, 2017
CASH FLOWS FROM FINANCING ACTIVITIES	
Principal payments on capital lease obligations	(880)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(60,600)
CASH AND CASH EQUIVALENTS, beginning of period	242,081
CASH AND CASH EQUIVALENTS, end of period	$ 181,481
SUPPLEMENTAL DISCLOSURES	
Cash paid during the six month period for interest	$ 219

See accompanying notes to financial statements and independent accountant's review report.

Notes to Financial Statements

1. Summary of significant accounting policies

The following accounting principles and practices of Association for Middle Level Education (the Association) are set forth to facilitate the understanding of data presented in the financial statements:

Nature of activities

The Association, a not-for-profit organization, is dedicated to the growth of middle level education. The Association's responsibilities include offering the latest information available to the middle level educators, documenting research, and supporting ideas and education innovations needed to reach a community, school or student. The Association also publishes and distributes training and classroom educational materials that assist parents, teachers and administrators in understanding young adolescents and the middle school concept. Additionally, the Association provides representation, at the national level, on issues affecting middle level educators.

The Association has a number of state and foreign affiliates. The Association collects and remits annual dues for some of these affiliates. The Association also provides various consulting and collaborations on program activities to its affiliates; however, the Association does not control nor is legally responsible for these affiliates or their activities.

Basis of accounting

The financial statements of the Association have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Cash and cash equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash on hand, demand deposits, money market accounts and highly liquid investments with original maturities of three months or less. At times these balances exceed federally insured limits.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Realized and unrealized gains and losses are included in arriving at the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized. Investments include exchange traded funds and mutual funds.

Notes to Financial Statements

1. Summary of significant accounting policies (continued)

Accounts receivable, deferred revenue and revenues

The primary revenue generating operating categories are as follows:

Membership dues / Subscriptions

Dues are assessed at various times during the year based on when the memberships are initially registered or renewed and a form of payment is received. Annual dues are recorded as deferred revenue liabilities initially in the first month of the membership and then recognized as revenue on a pro-rata basis each month over 12 months. Subscription revenue is initially recorded as a deferred revenue liability and then recognized as revenue on a pro-rata basis each month over the term of the subscription period.

Publications

The Association issues various publications that are available for purchase by individual members and non-members. Revenue is recognized for these publications when they are invoiced and shipped to the customer.

Annual conference

The Association offers a major annual conference held each fall. Registration fees are received in advance of the conference and accordingly, recorded as a deferred revenue liability and then recognized as revenue entirely in the month of the conference. Sponsorship, advertising and booth rental fees are also received in advance and are recorded as a deferred revenue liability until the conference occurs.

Professional development programs

The Association holds various other leadership programs and events during the year. Registration fees received in advance of the program are recorded as deferred revenue liabilities until the month the program is held at which time the fees are recognized as revenue.

All receivables are considered past due 30 days after any invoice is rendered. The Association does not charge interest on any overdue accounts.

The Association utilizes the allowance method to recognize potentially uncollectible amounts based on management's estimation of the amount that may not be collected. The estimation takes into consideration overall historical trends as well as past history with specific members. Actual results could vary from the estimates. Accounts are charged against the allowance when management deems them to be uncollectible. The allowance for doubtful accounts was $3,000 December 31, 2017.

Publications inventory

Publications inventory, which consists primarily of training materials and classroom educational materials, are all finished products and are carried at the lower of cost or net realizable value, determined on a first-in, first-out basis. Management periodically reviews inventory balances for obsolescence, and determines if a reserve is appropriate. The inventory reserve was $1,000 at December 31, 2017.

Notes to Financial Statements

1. Summary of significant accounting policies (continued)

Property and equipment

Property and equipment are carried at cost, less accumulated depreciation and amortization. Depreciation and amortization is computed using the straight-line method over estimated useful lives ranging from three to seven years. Major acquisitions and improvements are capitalized and depreciated. Maintenance and repairs that do not improve or extend the life of the respective assets are charged to expense as incurred. Upon disposal of assets, the cost and related accumulated depreciation or amortization are removed from the accounts and any gain or loss is reflected in the statements of activities. Depreciation and amortization expense for the six months ended December 31, 2017 was $11,168.

Preproduction costs

The Association capitalizes preproduction costs associated with new publications. These costs are amortized over the useful lives of the products, which were determined to be three to five years. Amortization expense was $3,130 for the six months ended December 31, 2017.

Trademark costs

The Association capitalizes legal costs related to securing new trademarks and renewing existing trademarks. These costs are amortized over the useful lives of the trademarks. Amortization expense was $744 for the six months ended December 31, 2017.

Description of net asset classes

The Association reports information regarding its financial position and activities according to the following three classes of net assets:

Unrestricted
Unrestricted net assets have no restrictions imposed by donors. See Note 4 for further details.

Temporarily restricted
Temporarily restricted net assets are those whose use by the Association has been limited by donors to a specific time period or purpose. The Association had no temporarily restricted net assets at December 31, 2017.

Permanently restricted
Permanently restricted net assets are assets restricted by donors to be maintained in perpetuity. The Association had no permanently restricted net assets at December 31, 2017.

Notes to Financial Statements

1. Summary of significant accounting policies (continued)

Contributions

Contributions, including pledges and certain grants, are recognized in the year that the unconditional contribution is made. Conditional pledges are not recognized until the pledge can be considered legally enforceable or the likelihood of the condition not occurring is remote. Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted revenue depending on the existence or nature of any donor restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as satisfaction of donor restrictions.

Contributions of property and equipment and of investments are recorded at fair value at the date of donation. If donors stipulate a term of use of assets, the contributions are recorded as restricted revenue. In the absence of such stipulation, contributions are recorded as unrestricted revenue.

Contributed services

Contributed services are recorded when they meet the criteria of (1) creating or enhancing non- financial assets or (2) requiring specialized skills, and are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

The Association receives contributed advertising services and speaker services. The value of contributed services was $64,975 for the six months ended December 31, 2017.

Shipping and handling costs

Shipping and handling costs for publications and magazine subscriptions are recognized when incurred and included in cost of goods sold on the statement of activities. Publication shipping and handling costs of approximately $9,000 for the six months ended December 31, 2017, are included in cost of goods sold on the statement of activities. Shipping and handling costs for magazine subscriptions are included in membership expenses on the same statement and totaled approximately $4,000 six months ended December 31, 2017.

Advertising

The Association expenses advertising costs as incurred, except for direct-response advertising, which is capitalized and amortized over its expected period of future benefits. Direct-response advertising primarily consists of the Association using advertising to promote its programs among the audiences it serves through the use of mailers, brochures and magazine advertisements. The capitalized advertising costs are amortized at the time the program occurs. At December 31, 2017, approximately $29,700 of direct-response advertising costs were capitalized within prepaid expenses, on the statement of financial position. Advertising expense was $77,319 for the six months ended December 31, 2017.

Notes to Financial Statements

1. Summary of significant accounting policies (continued)

Income taxes

The Association is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. Income taxes on unrelated businesses income, if any, are provided at the applicable rates on income for financial reporting purposes. No tax on unrelated business income was incurred for the six months ended December 31, 2017.

Use of estimates

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

Risks and uncertainties

The Association invests in various investment securities. Investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term.

Subsequent Events

The Association evaluates events and transactions occurring subsequent to the date of the financial statements for matters requiring recognition or disclosure in the financial statements. The accompanying financial statements consider events through June 27, 2018, the date the financial statements were available to be issued.

2. Fair value measurements:

U.S. GAAP defines fair value as the price that would be received upon the sale of an asset or paid upon the transfer of a liability in an orderly transaction between market participants at the measurement date and in the principal or most advantageous market for that asset or liability. U.S. GAAP specifies a hierarchy of inputs to valuation techniques, which categorizes inputs to fair value measurement that reflect assumptions other market participants would use based upon market data obtained from independent sources (observable inputs). The following summarizes the fair value hierarchy:

Level 1: Unadjusted quoted market prices for identical assets and liabilities in an active market that the Association has the ability to access.

Level 2: Inputs other than the quoted prices in active markets that are observable either directly or indirectly.

Level 3: Inputs based on prices or valuation techniques that are both unobservable and significant to the overall fair value measurements.

Notes to Financial Statements

2. Fair value measurements: (continued)

U.S. GAAP requires the use of observable market data, when available, in making fair value measurements. When inputs used to measure fair value fall within different levels of the hierarch, the level within which the fair value measurement is categorized is based on the lowest level input that is significant to the fair value measurement.

The following is a description of the valuation methodologies used for assets measured at fair value at December 31, 2017:

Mutual funds:
The fair value is based on the net asset value (NAV) of shares held by the Association at year end, which is based on observable market quotations for identical assets and are priced on a daily basis.

Money markets and exchange traded fund:
Valued at the closing price reported on the active markets in which the exchange traded fund is traded.

A valuation method may produce a fair value measurement that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Association believes its valuation methods are appropriate and consistent with those used by other market participants, the use of different methodologies or assumptions could result in different fair value measurements at the reporting date. There have been no changes in the methodologies used during the six months ended December 31, 2017.

The following tables set forth by level, within the fair value hierarchy, the Association's investments at fair values as of December 31, 2017:

	Level 1	Level 2	Level 3	Total
Money market	$ 8,776	$ —	$ —	**$ 8,776**
Exchange traded fund:				
Short-term bond	$ 455,052	$ —	$ —	**$ 455,052**
Mutual funds:				
Short-term bond	323,600	—	—	**323,600**
High-yield bond	87,736	—	—	**87,736**
Total	$ 875,164	—	—	**$ 875,164**

Notes to Financial Statements

3. Line of credit

In March 2013 the Association entered into a line of credit agreement with a bank, subject to renewal annually, with a maximum available amount of $100,000 with interest payable monthly at a rate of prime plus 2.5% (4.50% at December 31, 2017). The line of credit is non-collateralized. As of December 31, 2017, there was no outstanding balance on the line of credit.

4. Net assets

Net assets are comprised of the following components at December 31, 2017:

Unrestricted - undesignated	$ 65,413
Unrestricted - board designated:	
Foundation Fund	$ 241,415
Total net assets	$ 306,828

The Foundation Fund is segregated by the Association as a quasi-endowment to support the mission and purposes of the Association. The Foundation Fund committee recommends Foundation Fund expenditures to the Association's Board of Trustees for approval. All projects must adhere to the purpose and philosophy of the Foundation Fund. Expenditures typically consist of grants to educators. The Foundation Fund is included within the Association's investments and therefore falls within the investment policy of the Association.

Activity within the Foundation Fund was as following at December 31, 2017:

Beginning balance	$ 238,402
Contributions	5,493
Investment income	8,561
Grant expense	(7,000)
Other expenses	(4,041)
Ending balance	$ 241,415

AMLE

Notes to Financial Statements

5. Operating leases

The Association leases its office space and photocopiers under operating leases. In addition, the headquarters office lease requires an additional rent for real estate taxes, operating expenses, janitorial services and management fees for the property. Total rent expense including the additional rent charges was approximately $82,000 for six months ended December 31, 2017.

The office lease is set to expire at the end of September 2019. Future minimum lease payments, excluding additional rent charges, required under non-cancellable operating leases that have initial or remaining lease terms in excess of one year at December 31, 2017 are as follows:

Years ending December 31,	
2018	85,522
2019	65,621
Total	$ 151,143

6. Capital lease

The Association entered into a non-cancellable lease in fiscal year 2016 for a copier, which is accounted for as a capital lease. The leased equipment and capital lease obligation were recorded at the lower of the present value of the minimum lease payments or the fair value of the equipment at the inception of the lease. The leased asset is amortized over its estimated useful life of five years, and amortization is included in depreciation and amortization expense.

The capital lease obligation included in property and equipment consists of the following at December 31, 2017:

Cost	$ 9,466
Less: accumulated amortization	2,998
	$ 6,468

Years ending December 31,	
2018	2,196
2019	2,196
2020	2,196
2021	915
	$7,503
Less amounts representing interest (6%)	715
Less capital lease obligation, current portion	1,838
	$ 4,950

Notes to Financial Statements

7. Retirement plans

The Association maintains two separate retirement plans: a defined contribution plan and a 403(b) plan. The defined contribution plan covers all eligible employees. The Association's optional tax savings 403(b) annuity program allows employees to defer a portion of their wages on a pre-tax basis.

Total retirement plan expense to the Association approximated $25,000 for the six months ended December 31, 2017.

8. Commitments and long-term service contracts

The Association enters into contracts with various vendors, including future conference sites. The contracts provide penalty charges if a conference is cancelled by the Association. At December 31, 2017, the maximum potential cancellation penalties for conferences totaled approximately $2,049,000, which is for conferences through November 2019.

The Association entered into a five-year service agreement with a provider of online membership and marketing management systems that expires in August of 2019. Charges vary based on several factors including number of users and data storage needs and currently total approximately $6,000 per month.