Audited Consolidated Financial Statements and Other Financial Information

CLUB MANAGERS ASSOCIATION OF AMERICA AND AFFILIATES

October 31, 2017

Club Managers Association of America and Affiliates

Contents

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Independent Auditor's Report on the Consolidated Financial Statements

To the Board of Directors
Club Managers Association of America and Affiliates

We have audited the accompanying consolidated financial statements of Club Managers Association of America and Affiliates (the Organization), which comprise the consolidated statements of financial position as of October 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 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 Club Managers Association of America and Affiliates as of October 31, 2017 and 2016, and the changes in its consolidated net assets and its consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Tate & Tryon

Washington, DC
January 19, 2018

Club Managers Association of America and Affiliates

Consolidated Statements of Financial Position

October 31,		2017		2016
Assets				
Current assets				
Cash and cash equivalents	**$**	**5,482,525**	$	4,783,193
Accounts receivable		**94,988**		89,408
Pledges receivable, current portion, net		**180,166**		580,262
Prepaid expenses and other assets		**349,989**		288,206
Total current assets		**6,107,668**		5,741,069
Pledges receivable, noncurrent portion, net		**116,708**		198,360
Investments in marketable securities		**2,886,208**		2,288,997
Deferred compensation assets		**59,859**		36,826
Property and equipment, net		**1,682,387**		1,774,490
Total assets	**$**	**10,852,830**	$	10,039,742
Liabilities and Net Assets				
Liabilities				
Current liabilities				
Accounts payable	**$**	**165,958**	$	87,017
Accrued expenses		**768,822**		705,308
Deferred revenue:				
Membership dues		**2,808,809**		2,843,892
Conference and exhibit related		**730,565**		991,075
Workshops		**1,487,005**		976,367
Other		**110,611**		50,470
Note payable, current portion		**-**		146,731
Mortgage payable, current portion		**77,420**		74,067
Total current liabilities		**6,149,190**		5,874,927
Deferred compensation liability		**59,859**		36,826
Note payable, long-term portion, net		**-**		371,194
Mortgage payable, long-term portion, net		**2,400,748**		2,452,221
Total liabilities		**8,609,797**		8,735,168
Net assets				
Unrestricted		**560,456**		(242,741)
Temporarily restricted		**305,781**		170,519
Permanently restricted		**1,376,796**		1,376,796
Total net assets		**2,243,033**		1,304,574
Total liabilities and net assets	**$**	**10,852,830**	**$**	**10,039,742**

Club Managers Association of America and Affiliates

Consolidated Statements of Activities

Years Ended October 31,	2017	2016
Unrestricted activities		
Revenue and support		
Membership dues	**$ 3,480,674**	$ 3,416,022
Meetings and events	**2,230,097**	2,114,063
Business development	**1,845,315**	1,443,880
Professional development	**1,492,719**	1,761,776
Career services	**294,750**	287,020
International wine society	**163,081**	113,151
Contributions, gifts, and grants	**178,056**	158,979
Campaign contributions	**146,199**	175,977
Fundraising events	**6,805**	17,556
Rental income	**9,000**	7,500
Premier Club Services	**-**	4,670
Interest income and other	**252,767**	182,779
Net assets released from restrictions	**16,999**	9,980
Total revenue and support	**10,116,462**	9,693,353
Expenses		
Program services		
Meetings and events	**1,884,321**	2,288,559
Professional development	**1,460,293**	1,703,785
Business development	**1,117,498**	1,214,344
Membership	**1,053,879**	783,144
Grants and scholarships	**334,992**	269,522
International wine society	**203,487**	201,543
Advocacy	**176,272**	179,388
Support services		
General and administrative	**2,313,831**	1,655,600
Building expenses	**527,472**	528,112
Committee meeting and board administration	**217,087**	218,892
Fundraising	**215,363**	146,847
Premier Club Services	**-**	379
Total expenses	**9,504,495**	9,190,115
Changes in unrestricted net assets from operations	**611,967**	503,238
Net gain (loss) on investments in marketable securities	**191,230**	(12,754)
Reclassification to temporarily restricted net assets	**-**	(40,851)
Change in unrestricted net assets	**803,197**	449,633
Temporarily restricted activities		
Interest and dividends	**16,960**	13,842
Campaign contributions	**13,772**	17,717
Net gain (loss) on investments in marketable securities	**121,529**	(8,414)
Net assets released from restriction	**(16,999)**	(9,980)
Reclassification from unrestricted net assets	**-**	40,851
Change in temporarily restricted net assets	**135,262**	54,016
Change in net assets	**938,459**	503,649
Net assets (deficit), beginning of year	**1,304,574**	(2,665,228)
Consolidation of the Foundation effective November 1, 2015	**-**	3,466,153
Net assets, end of year	**$ 2,243,033**	**$ 1,304,574**

See notes to consolidated financial statements.

Club Managers Association of America and Affiliates

Consolidated Statements of Cash Flows

Years Ended October 31,	2017	2016
Cash flows from operating activities		
Change in net assets	**$ 938,459**	$ 503,649
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	**157,540**	157,908
Net (gain) loss on investments in marketable securities	**(312,759)**	21,168
Bad debt	**200,000**	-
Change in discount on pledges receivable	**5,802**	(29,977)
Changes in assets and liabilities:		
Accounts receivable	**(5,580)**	795,796
Pledges receivable	**275,946**	579,490
Inventories	**-**	38,221
Prepaid expenses and other assets	**(61,783)**	(120,887)
Accounts payable	**78,942**	(479,862)
Accrued expenses	**63,514**	199,065
Deferred revenue	**275,186**	489,694
Total adjustments	**676,808**	1,650,616
Net cash provided by operating activities	**1,615,267**	2,154,265
Cash flows from investing activities		
Purchase of investments	**(1,692,822)**	(563,581)
Proceeds from sale of investments	**1,408,370**	540,893
Purchases of property and equipment	**(39,158)**	(19,105)
Net cash used in investing activities	**(323,610)**	(41,793)
Cash flows from financing activities		
Principal payments on mortgage payable	**(74,400)**	(70,536)
Principal payments on note payable	**(517,925)**	(139,410)
Net cash used in financing activities	**(592,325)**	(209,946)
Net increase in cash and cash equivalents	**699,332**	1,902,526
Cash and cash equivalents, beginning of year	**4,783,193**	2,782,429
Cash balance of the Foundation at November 1, 2015 (see Note A)	**-**	98,238
Cash and cash equivalents, beginning of year as adjusted	**4,783,193**	2,880,667
Cash and cash equivalents, end of year	**$ 5,482,525**	$ 4,783,193
Supplemental disclosures of cash flow information		
Cash paid for interest	**$ 145,301**	$ 148,513
Cash paid for income taxes	**$ 62,181**	$ -

See notes to consolidated financial statements.

A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization: Club Managers Association of America (CMAA) was created in 1927 to promote and advance friendly relations between and among persons connected with the management of clubs and other associations of similar character; to encourage the education and advancement of its members; and to assist club officers and members, through their managers, to secure the utmost in efficient and successful operation.

The Club Foundation (the Foundation) was created in 1988 as the only charitable nonprofit organization focused solely on the club industry. The Foundation seeks to fund the life cycle of a club manager's career. The Foundation provides dollars for the following five key areas: 1) students, 2) faculty, 3) club managers, 4) CMAA chapters, and 5) industry at large. The Foundation has a donor base of constituents that seek to further the knowledge and skills of those individuals that operate country clubs, yacht clubs, city clubs, and more. During the year ended October 31, 2016, the Foundation amended its by-laws to have CMAA's Board of Directors approve the slate of candidates to be on the Foundation's Board of Governors. Therefore, the Foundation's balances and activities are consolidated into the Organization. As such, the net assets of the Foundation ($1,972,854 unrestricted, $116,503 temporarily restricted, and $1,376,796 permanently restricted) at October 31, 2015 are included in the 2016 beginning net assets in the statement of activities.

Premier Club Services, Inc. (PCS) was created in 2006 to enable CMAA to offer employer members access to employee benefit plans. During the year ended October 31, 2017, PCS had no ongoing operations and transferred all of its assets, liabilities, and net assets to CMAA.

1733 CMAA, LLC (the LLC) was created in 2008 as a condition of CMAA's refinancing of the mortgage on its current headquarters and transferring the related building to the LLC. CMAA owns a 70% interest (60% during 2016), the Foundation owns a 30% interest, and PCS owned a 10% interest in the LLC in 2016, which was transferred to CMAA.

Principles of consolidation: The consolidated financial statements include the accounts of CMAA, the Foundation, PCS, and the LLC (collectively referred to as the Organization). Significant intra-entity accounts and transactions have been eliminated in consolidation.

Income tax status: CMAA and PCS are exempt from the payment of federal income taxes on their exempt activities under the provisions of Section 501(c)(6) of the Internal Revenue Code (IRC). The Foundation is exempt from the payment of federal income taxes on its exempt activities under the provisions of Section 501(c)(3) of the IRC. CMAA, PCS, and the Foundation are subject to federal and state taxes on any net unrelated business income. The LLC is a pass-through entity for income tax purposes. Its net income or loss is allocated to the partners.

CMAA incurs unrelated business income tax on its career services and advertising. Income tax expense was approximately $38,000 and $32,000 for the years ended October 31, 2017 and 2016, respectively.

Basis of accounting: The Organization prepares their consolidated financial statements on the accrual basis of accounting. As such, revenue, other than contributions, is recognized when earned and expenses are recognized when the underlying obligations are incurred.

A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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 certain reported amounts and disclosures. Accordingly, actual results could differ from estimates.

Cash and cash equivalents: Cash and cash equivalents include demand deposits with financial institutions and all highly liquid investments with a maturity of three months or less except those classified as a component of the investment portfolio.

Accounts receivable: Accounts receivable are presented at the gross, or face, amount due to the Organization, less an allowance for uncollectable accounts. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using the historical experience applied to an aging of accounts. There was no allowance for doubtful accounts deemed necessary at October 31, 2016 and 2017 as management believes all receivables to be fully collectible.

Net assets: Net assets are classified as unrestricted, temporarily restricted, or permanently restricted based on the existence or absence of donor-imposed restrictions. A description of each net asset group is as follows:

> *Unrestricted:* Unrestricted net assets 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. There were no board designated net assets at October 31, 2017 and 2016.
>
> *Temporarily Restricted:* Temporarily restricted net assets include those net assets whose use by the Foundation has been donor restricted by specified time or purpose limitations.
>
> *Permanently Restricted:* Represents contributions received from donors who have specified that the corpus of their original and certain subsequent gifts be held in perpetuity. The net earnings from the investment of the corpus are temporarily restricted.

Membership dues: Revenue from membership dues is recognized over the year to which it relates. Dues received in advance are reported as deferred revenue and recognized in the next fiscal period.

Meetings and events: Meetings and events revenue is recognized when the event is held. Amounts received in advance of these events are reported as deferred revenue.

Professional development: Continuing education revenue is recognized when the education course has been held or the educational materials delivered.

A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Business development: Business development includes Corporate Alliance Partner (CAP) sponsorships. CAP sponsorship agreements are generally over several years. Historically, CAP sponsorships are 50% with CMAA and 50% with the Foundation. Beginning during the year ended October 31, 2016, new agreements were with CMAA. For CMAA, revenue is recognized each year based upon the nature and terms of the agreements. Revenues from the portion of the CAP sponsorship agreements with the Foundation are considered contributions.

Contributions: Contributions are recognized when unconditionally promised to or received by the Organization. Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support depending upon the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in temporarily or permanently restricted net assets. Within temporarily restricted net assets, amounts are reclassified to unrestricted net assets when the restriction expires.

Functional allocation of expense: The costs of providing various programs and supporting services have been summarized on a functional basis in the consolidated statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Measure of operations: The Organization considers net gain (loss) on investments in marketable securities to be an item not included within the change in net assets from operations.

Subsequent events: Subsequent events have been evaluated through January 19, 2018, which was the date the consolidated financial statements were available to be issued.

B. CONCENTRATIONS OF 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 various securities. These investments are exposed to various risks, such as fluctuations in market value and credit risk. It is at least reasonably possible that changes in risks in the near term could materially affect investment balances and the amounts reported in the consolidated financial statements.

C. PLEDGES RECEIVABLE

Unconditional pledges receivable are carried at present value less an estimate made for uncollectible pledges based on a review of all outstanding promises. Management determines the allowance for uncollectible pledges by using the historical expense applied on an aging of pledges. Pledges are written off when deemed uncollectible.

Pledges receivable consisted of the following at October 31,:

	2017	2016
Amounts due in less than one year	$ 199,666	$ 599,762
Amounts due in one to ten years	149,950	225,800
Total pledges receivable	349,616	825,562
Less unamortized discount to present value	(13,742)	(7,940)
Less allowance for uncollectible pledges	(39,000)	(39,000)
Net pledges receivable	**$ 296,874**	**$ 778,622**

Pledges receivable with due dates extending beyond one year are discounted using Treasury bill rates for similar term investments. The applicable rate was 2.4% and 1.6% for the years ended October 31, 2017 and 2016, respectively.

D. INVESTMENTS IN MARKETABLE SECURITIES

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.

Investments classified within Level 2 include the Dynamic asset allocation overlay portfolios, which were valued by the portfolio managers. In determining fair value of the investments, the portfolio managers' utilize the value of the underlying securities, which are mutual funds, common stocks, bonds, government securities, and other securities.

D. Investments in Marketable Securities - Continued

Management believes the estimated fair value of investments to be a reasonable approximation of the exit price for the assets.

Investments recorded at cost include cash held within the investment portfolio.

The following is a summary of the input levels used to determine the fair values of investments, which were measured on a recurring basis, at October 31,:

2017	Total	Level 1	Level 2	Level 3
Mutual funds - equities	$ 426,946	$ 426,946	$ -	$ -
Mutual funds - fixed income	957,033	957,033	-	-
Common stocks	627,082	627,082	-	-
Dynamic asset allocation overlay	871,007	-	871,007	-
Investments carried at fair value	2,882,068	**$ 2,011,061**	**$ 871,007**	**$ -**
Cash and cash equivalents*	4,140			
Total investments	**$ 2,886,208**			

2016	Total	Level 1	Level 2	Level 3
Mutual funds - equities	$ 342,639	$ 342,639	$ -	$ -
Mutual funds - fixed income	471,544	471,544	-	-
Common stocks	769,920	769,920	-	-
Dynamic asset allocation overlay	683,998	-	683,998	-
Investments carried at fair value	2,268,101	**$ 1,584,103**	**$ 683,998**	**$ -**
Cash and cash equivalents*	20,896			
Total investments	**$ 2,288,997**			

*Cash and cash equivalents included in the investment portfolio are not subject to the provisions of fair value measurements as they are recorded at cost.

Investment income consisted of the following for the year ended October 31,:

	2017	2016
Interest and dividends	$ 43,647	$ 34,824
Realized gains	105,865	73,628
	149,512	108,452
Unrealized gain (loss)	206,894	(94,796)
Gross investment earnings	356,406	13,656
Investment management fees	(9,408)	(12,136)
Investment income, net	**$ 346,998**	**$ 1,520**

D. Investments in Marketable Securities - Continued

Investments in marketable securities are stated at market value and consisted of the following at October 31,:

	2017	2016
Mutual Funds		
Mutual funds - equities	$ 426,946	$ 342,639
Mutual funds - fixed income	957,033	471,544
Common Stock		
Consumer	216,659	266,678
Technology	143,220	162,525
Financial	146,002	153,448
Energy	25,223	50,229
Capital equipment	46,212	69,004
Utilities	29,850	51,056
Industrial commodities	7,954	5,474
Services	11,962	8,813
Non-financial	-	2,693
Dynamic asset allocation overlay	871,007	683,998
Cash and cash equivalents	4,140	20,896
	$ 2,886,208	**$ 2,288,997**

E. Property and Equipment

Acquisitions of property and equipment greater than $3,000 are recorded at cost and depreciated using the straight-line method over the useful lives of the assets. The estimated useful lives of the building and building improvements is fifteen to forty years. The estimated useful lives of the furniture, fixtures, and equipment is three to twelve years. Depreciation expense was $131,260 and $131,928 for the years ended October 31, 2017 and 2016, respectively.

Property and equipment is recorded at cost and consisted of the following at October 31,:

	2017	2016
Land	$ 1,010,000	$ 1,010,000
Building and building improvements	3,922,434	3,922,434
Furniture, fixtures, and equipment	1,234,361	1,265,152
	6,166,795	6,197,586
Less accumulated depreciation	(4,484,408)	(4,423,096)
Property and equipment, net	**$ 1,682,387**	**$ 1,774,490**

F. Mortgage Payable

During the year ended October 31, 2013, the Organization refinanced its mortgage with WashingtonFirst Bank. The balance of the mortgage was $2,556,904 and $2,631,304 at October 31, 2017 and 2016, respectively, with an interest rate of 4.375%, which is subject to change in June 2019. The mortgage, which is secured by the building, is payable in equal monthly installments of principal and interest of $15,778 through May 2019 and $17,687 from June 2019 through October 2023. The unpaid balance of approximately $2,088,500 will be due as a balloon payment in December 2023. Additionally, CMAA signed an agreement with the bank to guarantee the loan.

Under the mortgage agreement, the Organization is required to maintain a minimum average balance of $350,000 with WashingtonFirst Bank. Additionally, the LLC is required to have a debt service ratio of at least 1.15 to 1.00. The ratio is net operating income, which is gross rents less cash basis expenses, divided by the annual debt service amount.

In April 2015, the FASB issued Accounting Standards Update No. 2015-03, *Interest – Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs* (ASU 2015-03). The amendments within ASU 2015-03 require that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct reduction from the carrying amount of that debt liability. The Organization adopted this accounting pronouncement on a retrospective basis for the year ended October 31, 2017. Deferred loan costs are included in mortgage payable on the statements of financial position. There was no effect to the previously reported changes in net assets.

Mortgage payable consisted of the following at October 31,:

	2017	2016
Current portion	$ 77,420	$ 74,067
Long-term portion	2,479,484	2,557,237
Less unamortized deferred loan costs	(78,736)	(105,016)
	$ 2,478,168	**$ 2,526,288**

Future maturities of principal on the mortgage payable were as follows at October 31, 2017:

Year Ending October 31,	
2018	$ 77,420
2019	70,532
2020	73,275
2021	78,062
2022	82,737
Thereafter	2,174,878
Total	**$ 2,556,904**

Deferred loan costs are amortized over the term of the debt. Amortization expense was $26,280 and $25,980 for the years ended October 31, 2017 and 2016, respectively.

G. Note Payable

The Organization entered into a deed of trust loan in March 2015 on its office building with WashingtonFirst Bank in the amount of $750,000. The loan, which had been scheduled to mature in March 2020, called for 60 payments of $14,068 including interest at 4.75%. The loan balance was paid off during the year ending October 31, 2017.

H. Line of Credit

The Organization had a line of credit with WashingtonFirst Bank that carried a maximum borrowing limit of $500,000 and expired on July 11, 2017. The line of credit carried a variable interest rate, which was the higher of 4.25% or 0.75% per annum above the prime rate, which was 3.5% as of October 31, 2016. The Organization had no outstanding borrowings as of October 31, 2017 and 2016.

I. Temporarily Restricted Net Assets

Temporarily restricted net assets consisted of the following at October 31,:

	2017	2016
Scholarship funds	$ 172,720	$ 170,519
Endowment	133,061	-
	$ 305,781	**$ 170,519**

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

	2017	2016
Scholarship funds	$ 11,571	$ 4,552
Endowment	5,428	5,428
	$ 16,999	**$ 9,980**

J. ENDOWMENT FUNDS

At October 31, 2017, the Organization's endowment consists of multiple donor-restricted funds established for Foundation programs. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Governors of the Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets (consisting of earnings on the permanently restricted amounts) is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with its spending policy and the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Foundation, and (7) the Foundation's investment policies.

Investment and spending policies – the Foundation has adopted investment and spending policies, approved by the Board of Governors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity. Under this policy, the endowment assets are invested so as to achieve a reasonable rate of return relative to the broad equity and fixed income markets across the full business cycle. To satisfy its long-term rate of return objectives, the Foundation 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). The goal of the Foundation's spending policy is to provide a reasonable, predictable, and sustainable structure that supports the intentions of the original endowment. Total investment earnings, to the extent available, are approved for expenditure as part of the Foundation's annual budgetary process.

The changes in endowment funds for the year ended October 31, 2017 are as follows:

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets at November 1, 2015	$ -	$ 1,376,796	$ 1,376,796
Interest and dividends	13,842	-	13,842
Net loss on investment in marketable securities	(8,414)	-	(8,414)
Net assets released from restrictions	(5,428)	-	(5,428)
Endowment net assets at October 31, 2016	-	1,376,796	1,376,796
Interest and dividends	16,960	-	16,960
Net gain on investment in marketable securities	121,529	-	121,529
Net assets released from restrictions	(5,428)	-	(5,428)
Endowment net assets at October 31, 2017	**$ 133,061**	**$ 1,376,796**	**$ 1,509,857**

K. Retirement Plans

The Organization maintains a retirement plan qualified under Internal Revenue Code Section 401(k). All full-time employees over the age of 21 who have completed three months of service are eligible to participate. Participant contributions to the plan are elective. Effective January 1, 2000, the Organization added a safe-harbor provision to the plan. The safe harbor provision requires the Organization to make a fully vested non-elective contribution of 3% of each employee's compensation. Effective October 1, 2007, the Organization has elected to match 100% of employee contributions up to 4% of their salary. Additionally, the plan has a discretionary profit sharing contribution. The Organization did not make a discretionary contribution to the plan for the years ended October 31, 2017 or 2016. Retirement plan expense for the plan is $183,703 and $175,260 for the years ended October 31, 2017 and 2016, respectively.

The Organization maintains a non-qualified deferred compensation plan for the benefit of its chief executive officer (CEO) in accordance with Section 457(b) of the Internal Revenue Code. The Organization contributes to the plan 10% of the CEO's base salary less amounts contributed to the Organization's 401(k) plan on behalf of the CEO up to the maximum allowed. Deferred compensation and assets designated for such deferrals are only available and taxable to the CEO, or his beneficiaries, upon severance of employment, retirement, or death. Until paid or made available to the CEO or his beneficiaries, all deferred amounts, investment earnings related to deferred amounts and all property and rights purchased with these amounts, are solely the property and rights of the Organization. The deferred compensation plan is funded with assets invested primarily in mutual funds that were valued using Level 1 inputs. The liability associated with this plan was $59,859 and $36,826 as of October 31, 2017 and 2016, respectively, and is shown as a deferred compensation liability in the accompanying consolidated statements of financial position. The Organization's contribution to the deferred compensation plan was $18,000 for each of the years ended October 31, 2017 and 2016.

L. Commitments and Contingencies

Meetings commitments: The Organization has entered into several agreements with hotels and meeting sites to provide conference facilities and room accommodations for future meetings. The agreements contain various attrition clauses whereby the Organization may be liable for liquated damages in the event of cancellation or lower than anticipated attendance. However, the Organization's management does not believe that any material losses will be incurred under these hotel and meeting site contracts.

Employment contracts: The Organization has an employment agreement, which became effective May 1, 2005, with its former CEO, the terms and conditions of which are more fully described in the agreement. The former CEO announced his retirement during the year ended October 31, 2013. Under the terms of the employment agreement, and the Organization's transition plan, the CEO continued to work for the Organization full-time through April 30, 2015. After that, the CEO has continued to serve the Organization under a five-year consulting agreement through which he will receive a percentage of his pre-retirement compensation.

The Organization entered into an employment agreement with its current CEO, effective October 1, 2014, which was automatically renewable each year after the initial three-year period. Effective October 1, 2017, the Organization entered into an employment agreement with its current CEO with an initial three-year period. The agreement is automatically renewable each subsequent year unless either party gives proper notice not to renew. Depending on the conditions of non-renewal, the agreement provides for severance compensation, the terms and conditions of which are more fully described in the agreement.

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Independent Auditor's Report on Other Financial Information

To the Board of Directors
Club Managers Association of America and Affiliates

We have audited the consolidated financial statements of Club Managers Association of America and Affiliates as of and for the years ended October 31, 2017 and 2016, and our report thereon dated January 19, 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 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 consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Tate & Tryon

Washington, DC
January 19, 2018

Club Managers Association of America and Affiliates

Consolidating Statement of Financial Position

October 31, 2017

	CMAA	Foundation	LLC	PCS	Eliminations	Consolidated Total
Assets						
Current assets						
Cash and cash equivalents	$ 4,711,692	$ 265,850	$ 504,983	$ -	$ -	$ 5,482,525
Accounts receivable	94,542	111,201	528,318	-	(639,073)	94,988
Pledges receivable, current portion, net	-	180,166	-	-	-	180,166
Prepaid expenses and other assets	314,540	6,682	28,767	-	-	349,989
Total current assets	5,120,774	563,899	1,062,068	-	(639,073)	6,107,668
Pledges receivable, noncurrent portion, net	-	116,708	-	-	-	116,708
Investments in marketable securities	-	2,886,208	-	-	-	2,886,208
Investment in LLC	131,168	55,237	-	-	(186,405)	-
Deferred compensation assets	59,859	-	-	-	-	59,859
Property and equipment, net	49,796	-	1,632,591	-	-	1,682,387
Total assets	$ 5,361,597	$ 3,622,052	$ 2,694,659	$ -	$ (825,478)	$ 10,852,830
Liabilities and net assets						
Liabilities						
Current liabilities						
Accounts payable	$ 805,031	$ -	$ -	$ -	$ (639,073)	$ 165,958
Accrued expenses	738,736	-	30,086	-	-	768,822
Deferred revenue:						
Membership dues	2,808,809	-	-	-	-	2,808,809
Conference and exhibit related	730,565	-	-	-	-	730,565
Workshops	1,487,005	-	-	-	-	1,487,005
Other	110,611	-	-	-	-	110,611
Mortgage payable, current portion	-	-	77,420	-	-	77,420
Total current liabilities	6,680,757	-	107,506	-	(639,073)	6,149,190
Deferred compensation liability	59,859	-	-	-	-	59,859
Mortgage payable, long-term portion, net	-	-	2,400,748	-	-	2,400,748
Total liabilities	6,740,616	-	2,508,254	-	(639,073)	8,609,797
Net assets						
Unrestricted	(1,379,019)	1,939,475	186,405	-	(186,405)	560,456
Temporarily restricted	-	305,781	-	-	-	305,781
Permanently restricted	-	1,376,796	-	-	-	1,376,796
Total net assets	(1,379,019)	3,622,052	186,405	-	(186,405)	2,243,033
Total liabilities and net assets	$ 5,361,597	$ 3,622,052	$ 2,694,659	$ -	$ (825,478)	$ 10,852,830

Club Managers Association of America and Affiliates

Consolidating Statement of Activities

Year Ended October 31, 2017

	CMAA	Foundation	LLC	PCS	Eliminations	Consolidated Total
Unrestricted activities						
Revenue and support						
Membership dues	$ 3,480,674	$ -	$ -	$ -	$ -	$ 3,480,674
Meetings and events	2,230,097	-	-	-	-	2,230,097
Business development	1,845,315	-	-	-	-	1,845,315
Professional development	1,492,719	-	-	-	-	1,492,719
Career services	294,750	-	-	-	-	294,750
International wine society	163,081	-	-	-	-	163,081
Contributions, gifts, and grants	-	301,420	-	-	(123,364)	178,056
Campaign contributions	-	146,199	-	-	-	146,199
CMAA in-kind contributions	-	59,581	-	-	(59,581)	-
Fundraising events	-	6,805	-	-	-	6,805
Rental income	-	-	506,928	-	(497,928)	9,000
Interest income and other	226,080	26,687	-	-	-	252,767
Net assets released from restrictions	-	16,999	-	-	-	16,999
Total revenue and support	9,732,716	557,691	506,928	-	(680,873)	10,116,462
Expenses						
Program services						
Meetings and events	1,884,321	-	-	-	-	1,884,321
Professional development	1,460,293	-	-	-	-	1,460,293
Business development	1,240,862	-	-	-	(123,364)	1,117,498
Membership	1,053,879	-	-	-	-	1,053,879
Grants and scholarships	-	334,992	-	-	-	334,992
International wine society	203,487	-	-	-	-	203,487
Advocacy	176,272	-	-	-	-	176,272
Support services						
General and administrative	2,705,039	166,301	-	-	(557,509)	2,313,831
Building expenses	-	-	527,472	-	-	527,472
Committee meeting and board administration	217,087	-	-	-	-	217,087
Fundraising	-	215,363	-	-	-	215,363
Total expenses	8,941,240	716,656	527,472	-	(680,873)	9,504,495
Changes in unrestricted net assets from operations	791,476	(158,965)	(20,544)	-	-	611,967
Net gain on investments in marketable securities	-	191,230	-	-	-	191,230
Loss on investment in LLC	(13,696)	(6,848)	-	-	20,544	-
Change in unrestricted net assets	777,780	25,417	(20,544)	-	20,544	803,197
Temporarily restricted activities						
Interest and dividends	-	16,960	-	-	-	16,960
Campaign contributions	-	13,772	-	-	-	13,772
Net gain on investments in marketable securities	-	121,529	-	-	-	121,529
Net assets released from restriction	-	(16,999)	-	-	-	(16,999)
Change in temporarily restricted net assets	-	135,262	-	-	-	135,262
Change in net assets	777,780	160,679	(20,544)	-	20,544	938,459
Net assets (deficit), beginning of year	(2,013,415)	3,461,373	206,949	(143,384)	(206,949)	1,304,574
Transfer of PCS net asset deficit	(143,384)	-	-	143,384	-	-
Net assets (deficit), end of year	**$ (1,379,019)**	**$ 3,622,052**	**$ 186,405**	**$ -**	**$ (186,405)**	**$ 2,243,033**