Audited Consolidated Financial Statements and Other Financial Information

CLUB MANAGEMENT ASSOCIATION OF AMERICA AND AFFILIATES

October 31, 2018

Club Management 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 Management Association of America and Affiliates

We have audited the accompanying consolidated financial statements of Club Management Association of America and Affiliates (the Organization), which comprise the consolidated statements of financial position as of October 31, 2018 and 2017 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 Management Association of America and Affiliates as of October 31, 2018 and 2017, 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 25, 2019

Club Management Association of America and Affiliates

Consolidated Statements of Financial Position

October 31,	2018	2017
Assets		
Current assets		
Cash and cash equivalents	**$ 5,186,133**	$ 5,482,525
Accounts receivable	**295,045**	94,988
Pledges receivable, current portion, net	**77,950**	180,166
Prepaid expenses and other assets	**397,137**	349,989
Total current assets	**5,956,265**	6,107,668
Pledges receivable, noncurrent portion, net	**95,765**	116,708
Investments in marketable securities	**2,989,608**	2,886,208
Deferred compensation assets	**77,539**	59,859
Property and equipment, net	**1,807,520**	1,682,387
Total assets	**$ 10,926,697**	$ 10,852,830
Liabilities and Net Assets		
Liabilities		
Current liabilities		
Accounts payable	**$ 21,821**	$ 165,958
Accrued expenses	**616,668**	768,822
Deferred revenue:		
Membership dues	**2,832,555**	2,808,809
Conference and exhibit related	**627,494**	730,565
Workshops	**1,407,879**	1,487,005
Other	**95,854**	110,611
Mortgage payable, current portion	**70,532**	77,420
Total current liabilities	**5,672,803**	6,149,190
Deferred compensation liability	**77,539**	59,859
Mortgage payable, long-term portion, net	**2,356,496**	2,400,748
Total liabilities	**8,106,838**	8,609,797
Net assets		
Unrestricted	**1,143,182**	560,456
Temporarily restricted	**299,881**	305,781
Permanently restricted	**1,376,796**	1,376,796
Total net assets	**2,819,859**	2,243,033
Total liabilities and net assets	**$ 10,926,697**	$ 10,852,830

Club Management Association of America and Affiliates

Consolidated Statements of Activities

Years Ended October 31,	2018	2017
Unrestricted activities		
Revenue and support		
Membership dues	**$ 3,495,264**	$ 3,480,674
Meetings and events	**2,379,885**	2,230,097
Business development	**2,143,075**	1,932,960
Professional development	**1,856,736**	1,492,719
Career services	**279,220**	294,750
International wine society	**158,264**	163,081
Contributions, gifts, and grants	**221,148**	178,056
Campaign contributions	**59,256**	146,199
Fundraising events	**29,482**	6,805
Rental income	**9,000**	9,000
Advertising income and other	**351,401**	165,122
Net assets released from restrictions	**6,745**	16,999
Total revenue and support	**10,989,476**	10,116,462
Expenses		
Program services		
Meetings and events	**2,439,115**	1,884,321
Professional development	**1,679,710**	1,460,293
Business development	**1,189,265**	1,117,498
Membership	**1,220,547**	1,053,879
Grants and scholarships	**275,117**	334,992
Advocacy	**220,997**	176,272
International wine society	**218,650**	203,487
Support services		
General and administrative	**2,143,859**	2,313,831
Building expenses	**525,414**	527,472
Committee meeting and board administration	**263,388**	217,087
Fundraising	**175,578**	215,363
Total expenses	**10,351,640**	9,504,495
Changes in unrestricted net assets from operations	**637,836**	611,967
Net (loss) gain on investments in marketable securities	**(55,110)**	191,230
Change in unrestricted net assets	**582,726**	803,197
Temporarily restricted activities		
Interest and dividends	**21,956**	16,960
Campaign contributions	**11,360**	13,772
Net (loss) gain on investments in marketable securities	**(32,471)**	121,529
Net assets released from restriction	**(6,745)**	(16,999)
Change in temporarily restricted net assets	**(5,900)**	135,262
Change in net assets	**576,826**	938,459
Net assets, beginning of year	**2,243,033**	1,304,574
Net assets, end of year	**$ 2,819,859**	**$ 2,243,033**

See notes to consolidated financial statements.

Club Management Association of America and Affiliates

Consolidated Statements of Cash Flows

Years Ended October 31,	2018	2017
Cash flows from operating activities		
Change in net assets	**$ 576,826**	$ 938,459
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	**265,196**	157,540
Net loss (gain) on investments in marketable securities	**87,581**	(312,759)
Bad debt	**18,233**	200,000
Change in discount on pledges receivable	**3,744**	5,802
Changes in assets and liabilities:		
Accounts receivable	**(208,390)**	(5,580)
Pledges receivable	**109,515**	275,946
Prepaid expenses and other assets	**(47,148)**	(61,783)
Accounts payable	**(144,137)**	78,942
Accrued expenses	**(152,154)**	63,514
Deferred revenue	**(173,208)**	275,186
Total adjustments	**(240,768)**	676,808
Net cash provided by operating activities	**336,058**	1,615,267
Cash flows from investing activities		
Purchase of investments	**(529,306)**	(1,692,822)
Proceeds from sale of investments	**338,325**	1,408,370
Purchases of property and equipment	**(364,049)**	(39,158)
Net cash used in investing activities	**(555,030)**	(323,610)
Cash flows from financing activities		
Principal payments on mortgage payable	**(77,420)**	(74,400)
Principal payments on note payable	**-**	(517,925)
Net cash used in financing activities	**(77,420)**	(592,325)
Net (decrease) increase in cash and cash equivalents	**(296,392)**	699,332
Cash and cash equivalents, beginning of year	**5,482,525**	4,783,193
Cash and cash equivalents, end of year	**$ 5,186,133**	$ 5,482,525
Supplemental disclosures of cash flow information		
Cash paid for interest	**$ 111,903**	$ 145,301
Cash paid for income taxes	**$ 44,788**	$ 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. Effective July 1, 2018, CMAA changed its name from Club Managers Association of America to Club Management Association of America.

The Club Foundation (the Foundation) was created in 1988 as the charitable nonprofit organization focused solely on the club industry. The Foundation was formed for charitable and educational purposes to foster intellectual excellence in the field of club management. This purpose is achieved by awarding scholarships or research grants to individuals and by making gifts or contributions. 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. The Foundation's by-laws 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.

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 and the Foundation owns a 30% interest.

Club Spa and Fitness Association (CSFA) was founded in January 2007. The CSFA is a non-profit resource organization, whose mission it is to establish an organization that sets best practices and maintains superior standards and ethics for Fitness, Spa and Wellness Professionals in the Private Club Sector. Effective November 1, 2018, CSFA became a subsidiary of CMAA.

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

Income tax status: CMAA is exempt from the payment of federal income taxes on its 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 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, advertising, and certain transportation benefits. Income tax expense was approximately $27,000 and $38,000 for the years ended October 31, 2018 and 2017, 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, 2018 and 2017 as management believes all receivables to be fully collectible.

Investments: Investments are stated at fair value based on quoted market prices at the reporting date, except those which are valued at net asset value, quoted prices in markets that are not active at the reporting date, or in absence of such quoted market prices, a reasonable estimate of fair value as approved by management.

In May 2015, the FASB issued Accounting Standards Update No. 2015-07, *Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)* (ASU 2015-07). The amendments within ASU 2015-07 remove the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. ASU 2015-07 also removes the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the net asset value per share practical expedient. Rather, those disclosures are limited to investments for which the entity has elected to measure the fair value using that practical expedient. The Organization adopted this accounting pronouncement on a retrospective basis for the year ended October 31, 2018. There was no effect to the previously reported total investments.

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.

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.

A. Organization and Summary of Significant Accounting Policies – Continued

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.

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. Campaign contributions, which include unrestricted and temporarily restricted support, represent individual, chapter and corporate contributions to further the mission of the Foundation.

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 (loss) gain 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 25, 2019, 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,:

	2018	2017
Amounts due in less than one year	$ 97,450	$ 199,666
Amounts due in one to ten years	132,751	149,950
Total pledges receivable	230,201	349,616
Less unamortized discount to present value	(17,486)	(13,742)
Less allowance for uncollectible pledges	(39,000)	(39,000)
Net pledges receivable	**$ 173,715**	**$ 296,874**

Pledges receivable with due dates extending beyond one year are discounted using Treasury bill rates for similar term investments. The applicable rate was 3.6% and 2.4% for the years ended October 31, 2018 and 2017, respectively.

D. Investments in Marketable Securities

The Organization has categorized their financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the consolidated financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

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 measured at net asset value 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.

All of the investments carried at fair value are considered Level 1. The following is a summary of investments, which were measured on a recurring basis, at October 31,:

	2018	2017
Mutual funds - equity	$ 467,270	$ 426,946
Mutual funds - fixed income	1,070,098	957,033
Common stocks	591,505	627,082
Investments carried at fair value	2,128,873	2,011,061
Cash and cash equivalents*	2,806	4,140
Investments measured at net asset value**	857,929	871,007
Total investments	**$ 2,989,608**	**$ 2,886,208**

*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.

**In accordance with generally accepted accounting principles, certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy.

Investments measured at net asset value are presented in the above table to permit reconciliation of the tables to the amounts presented in the consolidated statements of financial position.

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

	2018	2017
Interest and dividends	$ 59,219	$ 43,647
Realized gains	71,566	105,865
	130,785	149,512
Unrealized (loss) gain	(159,147)	206,894
Gross investment (loss) earnings	(28,362)	356,406
Investment management fees	(9,919)	(9,408)
Investment (loss) income, net	**$ (38,281)**	**$ 346,998**

D. INVESTMENTS IN MARKETABLE SECURITIES - CONTINUED

Investments in marketable securities consisted of the following at October 31,:

	2018	2017
Mutual Funds		
Mutual funds - equities	$ 467,270	$ 426,946
Mutual funds - fixed income	1,070,098	957,033
Common Stock		
Consumer	198,487	216,659
Financial	171,678	146,002
Technology	117,114	143,220
Utilities	26,838	29,850
Energy	32,636	25,223
Capital equipment	30,081	46,212
Services	9,493	11,962
Industrial commodities	5,178	7,954
Investments measured at net asset value	857,929	871,007
Cash and cash equivalents	2,806	4,140
	$ 2,989,608	**$ 2,886,208**

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 related to property and equipment was $238,916 and $131,260 for the years ended October 31, 2018 and 2017, respectively.

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

	2018	2017
Land	$ 1,010,000	$ 1,010,000
Building and building improvements	3,932,761	3,922,434
Furniture, fixtures, and equipment	1,588,084	1,234,361
	6,530,845	6,166,795
Less accumulated depreciation	(4,723,325)	(4,484,408)
Property and equipment, net	**$ 1,807,520**	**$ 1,682,387**

F. Mortgage Payable

During the year ended October 31, 2013, the Organization refinanced its mortgage with WashingtonFirst Bank (now Sandy Spring Bank). The balance of the mortgage was $2,479,484 and $2,556,904 at October 31, 2018 and 2017, 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 Sandy Spring 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 accordance with generally accepted accounting principles, debt issuance costs related to a recognized debt liability are presented in consolidated statements of financial position as a direct reduction from the carrying amount of that debt liability. Therefore, deferred loan costs are included in mortgage payable on the consolidated statements of financial position.

Mortgage payable consisted of the following at October 31,:

		2018		2017
Current portion	$	70,532	$	77,420
Long-term portion		2,408,952		2,479,484
Less unamortized deferred loan costs		(52,456)		(78,736)
	$	**2,427,028**	**$**	**2,478,168**

Future maturities of principal on the mortgage payable were as follows at October 31, 2018:

Year Ending October 31,		
2019	$	70,532
2020		73,275
2021		78,062
2022		82,737
Thereafter		2,174,878
Total	**$**	**2,479,484**

Deferred loan costs are amortized over the term of the debt. Amortization expense was $26,280 for each of the years ended October 31, 2018 and 2017.

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. Board Designated Net Assets

Board designated net assets represent funds pertaining to the International Wine Society (the Society) and the mortgage debt repayment fund. The designated fund balance represents the excess of revenues over expenses generated by the Society during the year. During the year ending October 31, 2018, CMAA's Board of Directors approved the creation of a dedicated reserve fund for mortgage debt repayment. This dedicated reserve shall be funded by approximately one half of year-end net income (excess of revenues over expenses). These funds are without donor restriction and are available for the use of CMAA at the direction of the Board.

Board designated net assets consisted of the following at October 31,:

	2018	2017
International Wine Society	$ 33,471	$ 23,619
Mortgage Debt Repayment Fund	195,000	-
	$ 228,471	**$ 23,619**

I. Temporarily Restricted Net Assets

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

	2018	2017
Scholarship funds	$ 177,335	$ 172,720
Endowment	122,546	133,061
	$ 299,881	**$ 305,781**

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

	2018	2017
Scholarship funds	$ 6,745	$ 11,571
Endowment	-	5,428
	$ 6,745	**$ 16,999**

J. Endowment Funds

At October 31, 2018 and 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.

The changes in endowment funds for the year ended October 31, 2018 and 2017 are as follows:

	Temporarily Restricted	Permanently Restricted	Total
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
Interest and dividends	21,956	-	21,956
Net loss on investment in marketable securities	(32,471)	-	(32,471)
Endowment net assets at October 31, 2018	**$ 122,546**	**$ 1,376,796**	**$ 1,499,342**

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, 2018 or 2017. Retirement plan expense for the plan is $195,390 and $183,703 for the years ended October 31, 2018 and 2017, 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 $77,539 and $59,859 as of October 31, 2018 and 2017, 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, 2018 and 2017.

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 former CEO continued to work for the Organization full-time through April 30, 2015. After that, the former 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.

TATE
&
TRYON
A Professional Corporation
Certified Public
Accountants
and Consultants

Independent Auditor's Report on Other Financial Information

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

We have audited the consolidated financial statements of Club Management Association of America and Affiliates as of and for the years ended October 31, 2018 and 2017, and our report thereon dated January 25, 2019, 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 25, 2019

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Club Management Association of America and Affiliates

Consolidating Statement of Financial Position

October 31, 2018

	CMAA	Foundation	LLC	Eliminations	Consolidated Total
Assets					
Current assets					
Cash and cash equivalents	$ 4,472,123	$ 179,433	$ 534,577	$ -	$ 5,186,133
Accounts receivable	294,583	417,552	514,745	(931,835)	295,045
Pledges receivable, current portion, net	-	77,950	-	-	77,950
Prepaid expenses and other assets	355,875	10,400	30,862	-	397,137
Total current assets	5,122,581	685,335	1,080,184	(931,835)	5,956,265
Pledges receivable, noncurrent portion, net	-	95,765	-	-	95,765
Investments in marketable securities	-	2,989,608	-	-	2,989,608
Investment in LLC	118,870	49,966	-	(168,836)	-
Deferred compensation assets	77,539	-	-	-	77,539
Property and equipment, net	261,544	-	1,545,976	-	1,807,520
Total assets	$ 5,580,534	$ 3,820,674	$ 2,626,160	$ (1,100,671)	$ 10,926,697
Liabilities and net assets					
Liabilities					
Current liabilities					
Accounts payable	$ 953,656	$ -	$ -	$ (931,835)	$ 21,821
Accrued expenses	575,392	10,980	30,296	-	616,668
Deferred revenue:					
Membership dues	2,832,555	-	-	-	2,832,555
Conference and exhibit related	627,494	-	-	-	627,494
Workshops	1,407,879	-	-	-	1,407,879
Other	95,854	-	-	-	95,854
Mortgage payable, current portion	-	-	70,532	-	70,532
Total current liabilities	6,492,830	10,980	100,828	(931,835)	5,672,803
Deferred compensation liability	77,539	-	-	-	77,539
Mortgage payable, long-term portion, net	-	-	2,356,496	-	2,356,496
Total liabilities	6,570,369	10,980	2,457,324	(931,835)	8,106,838
Net assets					
Unrestricted	(989,835)	2,133,017	168,836	(168,836)	1,143,182
Temporarily restricted	-	299,881	-	-	299,881
Permanently restricted	-	1,376,796	-	-	1,376,796
Total net assets	(989,835)	3,809,694	168,836	(168,836)	2,819,859
Total liabilities and net assets	$ 5,580,534	$ 3,820,674	$ 2,626,160	$ (1,100,671)	$ 10,926,697

Club Management Association of America and Affiliates

Consolidating Statement of Activities

Year Ended October 31, 2018

	CMAA	Foundation	LLC	Eliminations	Consolidated Total
Unrestricted activities					
Revenue and support					
Membership dues	$ 3,495,264	$ -	$ -	$ -	$ 3,495,264
Meetings and events	2,379,885	-	-	-	2,379,885
Business development	2,143,075	-	-	-	2,143,075
Professional development	1,856,736	-	-	-	1,856,736
Career services	279,220	-	-	-	279,220
International wine society	158,264	-	-	-	158,264
Contributions, gifts, and grants	-	553,099	-	(331,951)	221,148
Campaign contributions	-	59,256	-	-	59,256
CMAA in-kind contributions	-	64,310	-	(64,310)	-
Fundraising events	-	29,482	-	-	29,482
Rental income	-	-	507,845	(498,845)	9,000
Advertising income and other	314,138	37,263	-	-	351,401
Net assets released from restrictions	-	6,745	-	-	6,745
Total revenue and support	10,626,582	750,155	507,845	(895,106)	10,989,476
Expenses					
Program services					
Meetings and events	2,439,115	-	-	-	2,439,115
Professional development	1,679,710	-	-	-	1,679,710
Business development	1,521,216	-	-	(331,951)	1,189,265
Membership	1,220,547	-	-	-	1,220,547
Grants and scholarships	-	275,117	-	-	275,117
Advocacy	220,997	-	-	-	220,997
International wine society	218,650	-	-	-	218,650
Support services					
General and administrative	2,661,477	45,537	-	(563,155)	2,143,859
Building expenses	-	-	525,414	-	525,414
Committee meeting and board administration	263,388	-	-	-	263,388
Fundraising	-	175,578	-	-	175,578
Total expenses	10,225,100	496,232	525,414	(895,106)	10,351,640
Changes in unrestricted net assets from operations	401,482	253,923	(17,569)	-	637,836
Net loss on investments in marketable securities	-	(55,110)	-	-	(55,110)
Loss on investment in LLC	(12,298)	(5,271)	-	17,569	-
Change in unrestricted net assets	389,184	193,542	(17,569)	17,569	582,726
Temporarily restricted activities					
Interest and dividends	-	21,956	-	-	21,956
Campaign contributions	-	11,360	-	-	11,360
Net loss on investments in marketable securities	-	(32,471)	-	-	(32,471)
Net assets released from restriction	-	(6,745)	-	-	(6,745)
Change in temporarily restricted net assets	-	(5,900)	-	-	(5,900)
Change in net assets	389,184	187,642	(17,569)	17,569	576,826
Net assets (deficit), beginning of year	(1,379,019)	3,622,052	186,405	(186,405)	2,243,033
Net assets (deficit), end of year	**$ (989,835)**	**$ 3,809,694**	**$ 168,836**	**$ (168,836)**	**$ 2,819,859**