

AMERICAN BANKRUPTCY INSTITUTE
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

**AMERICAN BANKRUPTCY INSTITUTE
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YEARS ENDED DECEMBER 31, 2018 AND 2017**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
American Bankruptcy Institute
Alexandria, Virginia

We have audited the accompanying financial statements of American Bankruptcy Institute, which comprise the statements of financial position as of December 31, 2018 and 2017, the related statements of activities and changes in net assets, and cash flows for the years then ended, the related statement of functional expenses for the year ended December 31, 2018, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Board of Directors
American Bankruptcy Institute

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of American Bankruptcy Institute as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, management has adopted Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to that matter.



CliftonLarsonAllen LLP

Arlington, Virginia
April 2, 2019

**AMERICAN BANKRUPTCY INSTITUTE
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2018 AND 2017**

	2018	2017
ASSETS		
Cash and Cash Equivalents	\$ 247,190	\$ 205,726
Accounts Receivable, Net	341,296	250,380
Due from Related Party	10,670	503
Interest Receivable	28,958	20,278
Contributions Receivable, Net	107,580	120,418
Prepaid Expenses	473,313	399,997
Property and Equipment, Net	44,141	68,010
Deposits	70,423	117,371
Investments - General Fund	8,035,791	9,261,913
Investments - Board Designated Reserve	8,801,558	8,494,284
Deferred Compensation Plan	149,443	146,508
	\$ 18,310,363	\$ 19,085,388
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable and Other Obligations	\$ 662,079	\$ 898,303
Deferred Revenue	2,292,494	2,397,529
Capital Leases Payable	16,802	27,656
Deferred Rent	1,064,315	726,360
Deferred Compensation Plan	149,443	146,508
Total Liabilities	4,185,133	4,196,356
NET ASSETS		
Without Donor Restriction:		
Undesignated	4,829,935	5,811,422
Board Designated Reserve	9,089,820	8,826,429
Total Without Donor Restriction	13,919,755	14,637,851
With Donor Restriction	205,475	251,181
Total Net Assets	14,125,230	14,889,032
Total Liabilities and Net Assets	\$ 18,310,363	\$ 19,085,388

See accompanying Notes to Financial Statements.

AMERICAN BANKRUPTCY INSTITUTE
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018			2017		
	Without Donor Restriction	With Donor Restriction	Total	Without Donor Restriction	With Donor Restriction	Total
REVENUE						
Conferences and Meetings	\$ 4,657,922	\$ -	\$ 4,657,922	\$ 4,723,136	\$ -	\$ 4,723,136
Membership Dues	2,592,733	-	2,592,733	2,510,658	-	2,510,658
Publications and Other Income	1,023,310	-	1,023,310	986,920	-	986,920
Interest and Dividend Income, Net	334,931	-	334,931	322,866	-	322,866
Contributions	359,390	48,235	407,625	217,845	122,022	339,867
Net Assets Released from Restriction	93,941	(93,941)	-	178,221	(178,221)	-
Total Revenue	9,062,227	(45,706)	9,016,521	8,939,646	(56,199)	8,883,447
EXPENSE						
Program Expense:						
Conferences and Meetings	4,191,599	-	4,191,599	4,192,623	-	4,192,623
Publications and Other Sales	2,424,156	-	2,424,156	2,485,790	-	2,485,790
Membership Services	742,327	-	742,327	779,690	-	779,690
Research Projects and Grants	709,464	-	709,464	740,707	-	740,707
Total Program Expense	8,067,546	-	8,067,546	8,198,810	-	8,198,810
Supporting Expense:						
General and Administrative	1,030,097	-	1,030,097	1,057,265	-	1,057,265
Membership Development	218,940	-	218,940	242,386	-	242,386
Fundraising	213,673	-	213,673	179,755	-	179,755
Total Supporting Expense	1,462,710	-	1,462,710	1,479,406	-	1,479,406
Total Expense	9,530,256	-	9,530,256	9,678,216	-	9,678,216
Change in Net Assets from Operations	(468,029)	(45,706)	(513,735)	(738,570)	(56,199)	(794,769)
Nonoperating Items:						
Investment (Losses) Gains	(250,067)	-	(250,067)	290,256	-	290,256
CHANGE IN NET ASSETS	(718,096)	(45,706)	(763,802)	(448,314)	(56,199)	(504,513)
Net Assets - Beginning of Year	14,637,851	251,181	14,889,032	15,086,165	307,380	15,393,545
NET ASSETS - END OF YEAR	\$ 13,919,755	\$ 205,475	\$ 14,125,230	\$ 14,637,851	\$ 251,181	\$ 14,889,032

See accompanying Notes to Financial Statements.

**AMERICAN BANKRUPTCY INSTITUTE
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2018**

	Program Services				Supporting Services			Total
	Conferences and Meetings	Publications and Other Sales	Membership Services	Research Projects and Grants	General and Administrative	Membership Development	Fundraising	
Salaries and Benefits	\$ 1,160,716	\$ 1,346,561	\$ 465,312	\$ 284,436	\$ 936,148	\$ 159,446	\$ 92,437	\$ 4,445,056
Event Expenses	1,473,715	11,699	28,853	-	-	-	76,261	1,590,528
Occupancy and Office	107,687	23,902	28,471	-	854,184	610	-	1,014,854
Mailing	25,934	76,518	2,809	-	139,636	-	-	244,897
Audio Visual	480,683	14,131	-	-	-	-	-	494,814
Consulting	23,090	43,223	17,666	-	74,565	-	-	158,544
Grants and Scholarships	-	-	-	327,689	-	-	-	327,689
Printing	126,935	183,078	4,310	-	14,564	3,796	2,688	335,371
Travel	316,102	8,949	24,501	-	79,812	-	-	429,364
Information Technology	39,549	119,600	5,509	-	-	-	-	164,658
Depreciation	-	8,702	3,179	-	31,532	-	-	43,413
Other Expense	40,010	127,026	2,527	-	100,315	480	10,710	281,068
Subtotal	<u>3,794,421</u>	<u>1,963,389</u>	<u>583,137</u>	<u>612,125</u>	<u>2,230,756</u>	<u>164,332</u>	<u>182,096</u>	<u>9,530,256</u>
Indirect Cost Allocations	397,178	460,767	159,190	97,339	(1,200,659)	54,608	31,577	-
Total Expenses	<u>\$ 4,191,599</u>	<u>\$ 2,424,156</u>	<u>\$ 742,327</u>	<u>\$ 709,464</u>	<u>\$ 1,030,097</u>	<u>\$ 218,940</u>	<u>\$ 213,673</u>	<u>\$ 9,530,256</u>

See accompanying Notes to Financial Statements.

**AMERICAN BANKRUPTCY INSTITUTE
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (763,802)	\$ (504,513)
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:		
Depreciation and Amortization	48,175	89,574
Provision for Bad Debt	3,608	(6,360)
Discount of Contributions Receivable	(249)	433
Realized (Gain) Loss on Investments	162,532	(340)
Unrealized Loss (Gain) on Investments	87,535	(289,916)
(Increase) Decrease in:		
Accounts Receivable	(94,524)	(57,149)
Due from Related Party	(10,167)	42,839
Interest Receivable	(8,680)	7,612
Contributions Receivable	13,087	57,465
Prepaid Expenses	(73,316)	16,323
Deposits	46,948	-
Increase (Decrease) in:		
Accounts Payable and Other Obligations	(236,224)	(118,982)
Deferred Revenue	(105,035)	111,084
Deferred Rent	337,955	(132,661)
Net Cash Used by Operating Activities	(592,157)	(784,591)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Investments	(25,089,460)	(18,862,508)
Proceeds on Sales of Investments	25,758,241	19,678,787
Purchases of Property and Equipment	(24,306)	(18,683)
Net Cash Provided by Investing Activities	644,475	797,596
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal Payments on Capital Leases Payable	(10,854)	(11,422)
NET INCREASE IN CASH AND CASH EQUIVALENTS	41,464	1,583
Cash and Cash Equivalents - Beginning of Year	205,726	204,143
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 247,190	\$ 205,726
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid During the Period for Interest	\$ 2,172	\$ 1,694
Acquisition of Equipment Under Capital Lease	\$ -	\$ 6,527

See accompanying Notes to Financial Statements.

**AMERICAN BANKRUPTCY INSTITUTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization

American Bankruptcy Institute (the Organization) was founded in 1982 as a nonprofit and nonpartisan educational institution. The Organization provides a multi-disciplinary forum for the exchange of ideas and information on insolvency, reorganization, and bankruptcy issues. Through the Organization, accountants, attorneys, bankers, court clerks, consumer specialists, credit managers, finance and insurance executives, judges, legislators, professors, and others pursue mutual business, professional, and academic interests. In fulfillment of its mission to provide information to its members, journalists, Congress and the public, the Organization is engaged in numerous educational and research activities, as well as the production of a number of publications both for the insolvency practitioner and the public.

The Organization's major programs consist of the following:

Conferences and Meetings

The Organization holds two national membership meetings and many regional conferences throughout the year. These meetings offer a concentrated opportunity for the exchange of ideas, discussions of findings among colleagues, and continuing legal education.

Publications and Other Sales

The Organization produces various publications and journals that represent its commitment to the ongoing enhancement of quality education on insolvency topics. Additionally, the Organization maintains a comprehensive internet site covering insolvency issues and providing instant updates on legislation, new filings, Supreme Court cases, bankruptcy filing statistics, and daily bankruptcy news.

Membership Services

The Organization provides ongoing services to its members in order to provide a broad, in-depth resource of insolvency issues and related services.

Research Projects and Grants

The Organization provides funding and scholarships to enhance bankruptcy research and education.

Basis of Accounting

The Organization prepares its financial statements on the accrual basis of accounting. Accordingly, revenue is recognized when earned and expenses when the obligation is incurred.

Use of Accounting 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 certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the reporting period. Accordingly, actual results could differ from those estimates.

**AMERICAN BANKRUPTCY INSTITUTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

For financial statement purposes, the Organization considers all highly liquid debt instruments with initial maturities of ninety days or less to be cash equivalents. From time to time the Organization maintains cash balances which may exceed federally insured limits. Management does not believe that this results in any significant credit risk.

Accounts Receivable

Accounts receivable consist of amounts due to the Organization from sponsorships and the sale of advertising space in the American Bankruptcy Institute Journal. The Organization's management periodically reviews the status of these receivables for collectability, which is assessed on management's knowledge of the relationship with the customer and the age of the receivable. Based on these reviews and the nature of the receivables, management has recorded an allowance for doubtful accounts of \$3,608 and \$-0- as of December 31, 2018 and 2017, respectively.

Contributions Receivable

Contributions receivable consist of pledges individuals or companies have made to the Organization. The face amount of the contributions receivable is reduced by an allowance for doubtful accounts. The allowance for doubtful accounts reflects the best estimate of probable losses determined principally on the basis of historical experience and specific allowances for known troubled accounts. All accounts or portions thereof that are deemed to be uncollectible or that require an excessive collection cost are written off to the allowance for doubtful accounts (see Note 4).

Investments

Investments are stated at fair value. Net investment income (loss) is reported in the statements of activities and changes in net assets and consists of interest and dividend income, and realized and unrealized capital gains and losses, less investment expenses.

Fair Value Measurements

The Organization accounts for its financial instruments as well as certain assets and liabilities at fair value. Fair value is defined as the price that would be paid in an orderly transaction, or exit price, between market participants to sell the asset or transfer the liability in the principal or most advantageous market for the asset or liability. Fair value is a market based measurement, not an entity-specific measurement, and should therefore be determined based on the assumptions that market participants would use in pricing the asset or liability.

The Organization is required by generally accepted accounting principles to categorize its financial instruments based on a three-level fair value hierarchy. The 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 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 of the instrument.

**AMERICAN BANKRUPTCY INSTITUTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements (Continued)

Financial instruments recorded on the statements of financial position are categorized based on the inputs to the valuation techniques as follows:

Level 1 - Financial assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market that the Organization has the ability to access.

Level 2 - Financial assets and liabilities whose values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability. The Organization has certificates of deposits and various bond securities classified at this level.

Level 3 - Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect management's own assumptions about the assumptions a market participant would use in pricing the asset or liability. The Organization has no investments classified at this level.

Property and Equipment

Property and equipment greater than \$2,500 are recorded at the original cost and are being depreciated on a straight-line basis over estimated lives of three to five years. Leasehold improvements are amortized over the life of the assets or the remaining period of the lease, whichever is shorter.

Deferred Revenue

Deferred revenue represents members' dues recognized over the applicable membership period or member dues received before the membership period, and income for conferences and meetings received in advance of the event.

Net Assets

Net assets and revenue are classified based on the existence or absence of donor-imposed restrictions and reported as follows:

Net Assets Without Donor Restriction - Net assets that are not subject to donor-imposed stipulations. Includes undesignated net assets available for general operations and the Board Designated Reserve, which consists of net assets designated by the board of directors for research and educational activities.

Net Assets With Donor Restriction - Net assets subject to donor-imposed stipulations that will be met either by actions of the Organization and/or the passage of time.

**AMERICAN BANKRUPTCY INSTITUTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

Conferences and Meetings

Conferences and meetings revenue is recognized when the event takes place.

Membership Dues

Membership dues are recognized as revenue over the applicable membership period. Membership dues collected in advance are included in deferred revenue.

Publications and Other Sales

Publication and other sales consist of advertising, publication sales, and sponsorship revenue and are recognized when the publication is issued.

Contributions

The Organization recognizes all unconditional contributions received as income in the period received or pledged. Unconditional contributions are reported as without donor restriction and with donor restriction depending on the absence or existence of donor stipulations that limit the use of the contributions.

When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities and changes in net assets as net assets released from restrictions.

Income Tax Status

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (IRC) and is classified as an organization that is not a private foundation. However, the Organization is subject to tax on its unrelated business income activities (primarily advertising). No expense was recorded for unrelated business income taxes for the years ended December 31, 2018 and 2017.

The Organization's income tax returns are subject to review and examination by federal and state authorities. The Organization is not aware of any activities that would jeopardize its tax-exempt status.

Functional Allocation of Expenses

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy, depreciation and amortization, office expenses, information technology, insurance, and other expenses, which are allocated on the basis of estimates of time and effort.

**AMERICAN BANKRUPTCY INSTITUTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measure of Operations

The Association considers investment gains and losses to be other items not included in operations. Investment income included in operations is limited to interest and dividends net of investment fees.

Change in Accounting Principle

On August 18, 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information provided about expenses and investment return. The Organization has implemented ASU 2016-14 and has adjusted the presentation in these financial statements accordingly. The ASU has been applied retrospectively to all periods presented (except for presentation of the statement of functional expenses) which resulted in no change to the previously reported net assets.

Upcoming Pronouncements

Revenue from Contracts with Customers – In May 2014, the FASB issued amended guidance to clarify the principles for recognizing revenue from contracts with customers. The guidance requires an entity to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The guidance also requires expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. Additionally, qualitative and quantitative disclosures are required regarding customer contracts, and significant judgments and changes in judgments. The guidance will initially be applied retrospectively using one of two methods. The standard will be effective for the Organization's financial statements for the year ending December 31, 2019. Management is evaluating the effect of the amended revenue recognition guidance on the entity's financial statements.

Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made – In June 2018, the FASB issued amended guidance to clarify and improve the scope and the accounting guidance for contributions received and contributions made. The guidance provides a more robust framework to determine when a transaction should be accounted for as a contribution or as an exchange transaction. The guidance also requires an entity to determine whether a contribution is conditional on the basis of whether an agreement includes a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets. The guidance should be applied on a modified prospective basis, unless an entity elects a retrospective basis. The standard will be effective for the Organization's financial statements for the year ending December 31, 2019.

**AMERICAN BANKRUPTCY INSTITUTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Upcoming Pronouncements (Continued)

Lease Accounting – In February 2016, the FASB issued amended guidance for the treatment of leases. The guidance requires lessees to recognize a right-of-use asset and a corresponding lease liability for all operating and finance leases with lease terms greater than one year. The accounting for lessors will remain relatively unchanged. The guidance changes the accounting for sale and leaseback transactions to conform to the new revenue recognition standard. The guidance also requires both qualitative and quantitative disclosures regarding the nature of the entity’s leasing activities. The guidance will initially be applied using a modified retrospective approach. The amendments in the guidance are effective for the Organization’s financial statements for the year ending December 31, 2020. Early adoption is permitted.

Reclassification

Certain 2017 amounts have been reclassified to conform to the 2018 presentation. Such reclassifications had no effect on previously reported changed in net assets or net asset with and without donor restriction amounts.

Subsequent Events

In preparing these financial statements, management has evaluated subsequent events for potential recognition or disclosure in these financial statements through April 2, 2019, the date the financial statements were available to be issued.

NOTE 2 LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use within one year of the statement of financial position date, comprise the following:

	2018	2017
Financial assets available within one year:		
Cash and Cash Equivalents	\$ 247,190	\$ 205,726
Accounts Receivable	341,296	250,380
Due from Related Party	10,670	503
Interest Receivable	28,958	20,278
Investments - General Fund	8,035,791	9,261,913
Total	8,663,905	9,738,800
Less: Restricted by donor for purpose and time	(97,895)	(130,763)
Financial assets available to meet cash needs for general expenditures within one year	\$ 8,566,010	\$ 9,608,037

The Organization holds investments in its general fund for long-term purposes. Although the Organization does not intend to spend from investments other than the amount budgeted during its annual budget approval and appropriation, amounts from its investment could be made available, if necessary.

**AMERICAN BANKRUPTCY INSTITUTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 3 INVESTMENTS

Investments consisted of the following at December 31:

	2018		2017	
	Cost	Fair Value	Cost	Fair Value
Undesignated:				
Money Market Funds	\$ 391,912	\$ 391,912	\$ 296,701	\$ 296,701
Certificates of Deposit	1,920,000	1,919,688	1,440,000	1,439,870
Mutual Funds - Equities	1,276,910	1,503,226	1,392,777	1,762,747
Mutual Funds - Fixed Income	4,454,912	4,220,965	4,347,814	4,174,552
Corporate Bonds	-	-	572,054	560,550
Gov't Bonds	-	-	357,342	345,079
Gov't Securities	-	-	119,584	116,621
Municipal Bonds	-	-	584,795	565,793
Sub Total	<u>8,043,734</u>	<u>8,035,791</u>	<u>9,111,067</u>	<u>9,261,913</u>
Board Designated Reserve:				
Money Market Funds	1,155,849	1,155,849	510,095	510,095
Certificates of Deposit	6,240,000	6,239,040	4,080,000	4,079,402
US Treasury	1,397,889	1,406,669	-	-
Mutual Funds - Bonds	-	-	3,986,736	3,904,787
Sub Total	<u>8,793,738</u>	<u>8,801,558</u>	<u>8,576,831</u>	<u>8,494,284</u>
Total	<u>\$ 16,837,472</u>	<u>\$ 16,837,349</u>	<u>\$ 17,687,898</u>	<u>\$ 17,756,197</u>

Net investment income consisted of the following for the years ended December 31:

2018	Undesignated	Board Designated Reserve	Total
Interest and Dividends	\$ 211,735	\$ 142,080	\$ 353,815
Realized Loss	(206)	(162,326)	(162,532)
Unrealized Gain (Loss)	(195,942)	108,407	(87,535)
Investment Fees	(13,595)	(5,289)	(18,884)
Total	<u>\$ 1,992</u>	<u>\$ 82,872</u>	<u>\$ 84,864</u>
2017	Undesignated	Board Designated Reserve	Total
Interest and Dividends	\$ 208,182	\$ 129,978	\$ 338,160
Realized Gain	340	-	340
Unrealized Gain (Loss)	315,462	(25,546)	289,916
Investment Fees	(14,944)	(350)	(15,294)
Total	<u>\$ 523,984</u>	<u>\$ 104,082</u>	<u>\$ 613,122</u>

**AMERICAN BANKRUPTCY INSTITUTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 4 FAIR VALUE MEASUREMENTS

The Organization uses fair value measurements to record fair value adjustments to certain assets and to determine fair value disclosures (See Note 1).

The following table presents the Organization's fair value hierarchy for those assets measured at fair value on recurring basis as of December 31, 2018:

	Level 1	Level 2	Level 3	Total
Investments, Undesignated:				
Money Market Funds	\$ 391,912	\$ -	\$ -	\$ 391,912
Certificates of Deposit	-	1,919,688	-	1,919,688
Mutual Funds - Equities	1,503,226	-	-	1,503,226
Mutual Funds - Fixed Income	4,220,965	-	-	4,220,965
Subtotal	<u>6,116,103</u>	<u>1,919,688</u>	<u>-</u>	<u>8,035,791</u>
Investments, Board Designated:				
Money Market Funds	1,155,849	-	-	1,155,849
Certificates of Deposit	-	6,239,040	-	6,239,040
U.S. Treasury	1,406,669	-	-	1,406,669
Subtotal	<u>2,562,518</u>	<u>6,239,040</u>	<u>-</u>	<u>8,801,558</u>
Deferred Compensation Plan				
Mutual Funds - Equity	143,682	-	-	143,682
Money Market Funds	5,761	-	-	5,761
Subtotal	<u>149,443</u>	<u>-</u>	<u>-</u>	<u>149,443</u>
Total	<u>\$ 8,828,064</u>	<u>\$ 8,158,728</u>	<u>\$ -</u>	<u>\$ 16,986,792</u>

The following table presents the Organization's fair value hierarchy for those assets measured at fair value on recurring basis as of December 31, 2017:

	Level 1	Level 2	Level 3	Total
Investments, Undesignated:				
Money Market Funds	\$ 296,701	\$ -	\$ -	\$ 296,701
Certificates of Deposit	-	1,439,870	-	1,439,870
Mutual Funds - Equities	1,762,747	-	-	1,762,747
Mutual Funds - Fixed Income	4,174,552	-	-	4,174,552
Corporate Bonds	-	560,550	-	560,550
Gov't Bonds	-	345,079	-	345,079
Gov't Securities	-	116,621	-	116,621
Municipal Bonds	-	565,793	-	565,793
Subtotal	<u>6,234,000</u>	<u>3,027,913</u>	<u>-</u>	<u>9,261,913</u>
Investments, Board Designated:				
Certificates of Deposit	-	4,079,402	-	4,079,402
Money Market Funds	510,095	-	-	510,095
Mutual Funds - Fixed Income	3,904,787	-	-	3,904,787
Subtotal	<u>4,414,882</u>	<u>4,079,402</u>	<u>-</u>	<u>8,494,284</u>
Deferred Compensation Plan				
Mutual Funds - Equity	146,505	-	-	146,505
Money Market Funds	3	-	-	3
Subtotal	<u>146,508</u>	<u>-</u>	<u>-</u>	<u>146,508</u>
Total	<u>\$ 10,795,390</u>	<u>\$ 7,107,315</u>	<u>\$ -</u>	<u>\$ 17,902,705</u>

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NOTE 5 CONTRIBUTIONS RECEIVABLE

Contributions receivable relate to the Board Designated Reserve program. They are unconditional, are to be received over a period up to five years, and have been discounted to their present value at December 31, 2018 and 2017. The following amounts are to be received as of December 31:

	<u>2018</u>	<u>2017</u>
Receivable in Less Than One Year	\$ 38,883	\$ 41,938
Receivable in One to Five Years	81,403	93,396
Total	<u>120,286</u>	<u>135,334</u>
Less: Present Value Discount	(7,028)	(6,779)
Less: Allowance for Doubtful Accounts	(5,678)	(8,137)
Total	<u>\$ 107,580</u>	<u>\$ 120,418</u>

The contributions receivable due after one year have been discounted to their present value using a risk-adjusted discount rate of 2.46% to 2.63% in 2018 and 2.03% to 2.50% in 2017.

NOTE 6 PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	<u>2018</u>	<u>2017</u>
Furniture and Equipment	\$ 126,032	\$ 132,335
Network and Database	240,508	319,287
Leasehold Improvements	256,563	241,853
Total	<u>623,103</u>	<u>693,475</u>
Less: Accumulated Depreciation and Amortization	(578,962)	(625,465)
Net	<u>\$ 44,141</u>	<u>\$ 68,010</u>

NOTE 7 DEFERRED REVENUE

Deferred revenue consists of the following as of December 31:

	<u>2018</u>	<u>2017</u>
Member Dues	\$ 1,823,474	\$ 1,920,949
Meetings and Conferences	402,283	415,219
Advertising	32,017	47,411
Other	34,720	13,950
Total	<u>\$ 2,292,494</u>	<u>\$ 2,397,529</u>

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NOTE 8 CAPITAL LEASES

The Organization has entered into leases for copiers and equipment. These assets are included and reported in property and equipment in the statements of financial position. Amortization of the assets under the capital leases are included in depreciation expense for the years ended December 31, 2018 and 2017. The leases expire at various dates from February 2019 through October 2022.

The future minimum lease payments at December 31, 2018, are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2019	\$ 9,266
2020	6,969
2021	2,334
2022	<u>1,945</u>
Total Minimum Lease Payments	20,514
Amount Representing Interest	<u>(3,712)</u>
Present Value of Net Minimum Lease Payments	<u><u>\$ 16,802</u></u>

The amount capitalized for lease arrangements and included in property and equipment in the statements of financial position is as follows as of December 31:

	<u>2018</u>	<u>2017</u>
Leased Equipment	\$ 46,227	\$ 46,227
Less: Accumulated Depreciation	<u>(30,280)</u>	<u>(19,112)</u>
Furniture and Equipment, Net	<u><u>\$ 15,947</u></u>	<u><u>\$ 27,115</u></u>

NOTE 9 NET ASSETS WITH DONOR RESTRICTION

Net assets with donor restriction consist of the following as of December 31:

	<u>2018</u>	<u>2017</u>
Time Restricted:		
Board Designated Reserve		
Contributions Receivable	\$ 107,580	\$ 120,418
Total Time Restricted	<u>107,580</u>	<u>120,418</u>
Purpose Restricted:		
Shapiro Symposium Grant	70,912	72,910
National Conference of Bankruptcy Judges:		
Grant	13,462	16,858
Conference Grant	5,351	32,929
West Grant	<u>8,170</u>	<u>8,066</u>
Total Purpose Restricted	<u>97,895</u>	<u>130,763</u>
Total Net Assets With Donor Restriction	<u><u>\$ 205,475</u></u>	<u><u>\$ 251,181</u></u>

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NOTE 10 BOARD DESIGNATED RESERVE

Board Designated Endowment Fund

The board of directors authorized the establishment of the endowment fund in 1989 to provide an ongoing source of funding of research and education. Funds contributed to the Organization and designated for the endowment fund are unrestricted assets of the Organization, available for expenditure for any purpose authorized by the corporate charter, the by-laws, and applicable law. Notwithstanding the unrestricted nature of the funds contributed to the Organization and designated for the Endowment Fund, such funds shall be kept in one or more accounts that are segregated from other funds of the Organization. The research committee is responsible for recommending and overseeing grants, subject to executive committee approval.

Return Objectives and Risk Parameters

Management of the endowment assets is designed to ensure a total return necessary to preserve and enhance the principal of the fund and provide a dependable source of support for current operations and programs. Therefore, the Organization's goal for its endowment fund is capital preservation and to minimize the loss of capital. The finance committee of the board of directors reviews the performance and diversification of the portfolio in relation to the Organization's Investment Policy.

Spending Policy

Expenditure of the principal of funds contributed to the Organization and designated for the Endowment Fund would require a 2/3 vote of the board of directors. Historically, the Organization has limited spending to earnings only and anticipates continuing to do so going forward.

Changes in the board designated endowment funds for the years ended December 31, 2018 and 2017, are as follows:

	<u>Without Donor Restriction</u>
Board Designated Reserve, December 31, 2016	\$ 8,643,361
Board Designation of Funds	384,183
Investment Income	104,722
Appropriations	<u>(305,837)</u>
Board Designated Reserve, December 31, 2017	8,826,429
Board Designation of Funds	483,414
Investment Income	88,161
Appropriations	<u>(308,184)</u>
Board Designated Reserve, December 31, 2018	<u><u>\$ 9,089,820</u></u>

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NOTE 11 RETIREMENT PLANS

Defined Contribution Plan

The Organization maintains a defined contribution retirement plan under the Internal Revenue Code Section 403(b). Employees are eligible to participate following six months of service. The Organization matches up to the first 6% of an eligible employee's gross salary. For the years ended December 31, 2018 and 2017, the Organization incurred plan expenses of \$150,452 and \$151,261, respectively.

Deferred Compensation Plan

The Organization established deferred compensation plans under Sections 457(b) and 457(f) of the IRC during 2011 for the purpose of providing benefits to certain selected employees. The expense for benefits under these plans was \$22,963 and \$28,001 for 2018 and 2017, respectively. The assets in the 457(b) plan are held by the Organization, subject to the claims of its general creditors, until the employee becomes eligible for withdrawals as provided in the plan agreement. There were no distributions made from the plan in 2018 or 2017. The assets and the related liability have been reflected in the Organization's statements of financial position at December 31, 2018 and 2017.

NOTE 12 RELATED PARTY TRANSACTIONS

In August 2016, Credit Abuse Resistance Education (CARE) was approved as a tax-exempt organization under Section 501(c)(3) of the IRC. The board of directors is separate and apart from the board of directors of the Organization. CARE and the Organization entered into a management agreement effective January 1, 2016, whereby the Organization agrees to provide office space and management services to CARE for a monthly management fee of \$7,500. Total revenue recognized under this agreement was \$90,000 for each of the years ended December 31, 2018 and 2017. As of December 31, 2018 and 2017, amounts receivable from CARE totaled \$10,670 and \$503, respectively.

NOTE 13 COMMITMENTS

Leases

The Organization leases office space in Alexandria, Virginia under the terms of a noncancelable operating lease. The Organization previously leased its space as a subtenant, and in March 2016, a new lease was signed directly with the landlord of the building. Tenancy under the new lease agreement commenced on April 2018 and will continue until October 31, 2023 (subject to renewal). In conjunction with this lease, the Organization received a cash incentive from the landlord totaling \$688,578. This amount was added to the deferred rent liability and will be amortized to rent expense on a straight-line basis once the new lease term commences.

As of December 31, 2018 and 2017, the total deferred rent liability was \$1,064,315 and \$726,360, respectively.

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NOTE 13 COMMITMENTS (CONTINUED)

Leases (Continued)

The Organization is also obligated as a lessee under a noncancelable operating lease, expiring in July 2020, for equipment.

The following is a schedule by years of future minimum rental payments required under the operating leases that have an initial or remaining noncancelable lease term in excess of one year as of December 31, 2018:

<u>Year Ending December 31:</u>	<u>Office Lease</u>	<u>Equipment</u>	<u>Total</u>
2019	\$ 860,879	\$ 9,060	\$ 869,939
2020	882,423	5,285	887,708
2021	904,437	-	904,437
2022	927,025	-	927,025
2023	790,891	-	790,891
Total	<u>\$ 4,365,655</u>	<u>\$ 14,345</u>	<u>\$ 4,380,000</u>

Total rent expense for the years ended December 31, 2018 and 2017, was \$664,503 and \$508,437, respectively.

Employee Contract

The Organization has an employment agreement with its executive director through December 31, 2020. The terms of the agreement stipulate that, if his employment is terminated without cause during his employment, the Organization will continue to pay his salary for a period of nine months subsequent to the effective date of such termination.

Conference Facilities

The Organization reserves spaces for its conferences several years in advance. The contracts contain various performance requirements including penalties for cancellation of the events. As of December 31, 2018, the maximum contingency for liquidated damages is approximately \$3,681,000.