



# Association of Governing Boards of Universities and Colleges and Subsidiaries

Consolidating Financial Statements,  
Independent Auditor's Report and  
Supplemental Material  
Years Ended June 30, 2018 and 2017

**Association of Governing Boards  
of Universities and Colleges and  
Subsidiaries**

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Independent Auditor's Report and  
Supplemental Material  
Years Ended June 30, 2018 and 2017

# Association of Governing Boards of Universities and Colleges and Subsidiaries

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## Independent Auditor's Report

Board of Directors  
**Association of Governing Boards of Universities  
and Colleges and Subsidiaries**  
Washington, D.C.

We have audited the accompanying consolidating financial statements of the Association of Governing Boards of Universities and Colleges and Subsidiaries (collectively referred to as the Association), which comprise the consolidating statements of financial position as of June 30, 2018 and 2017, and the related consolidating statements of activities, and cash flows for the years then ended, and the related notes to the consolidating financial statements.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidating 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 consolidating 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 consolidating 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 consolidating financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidating financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidating 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 consolidating 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 consolidating 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 consolidating financial statements referred to above present fairly, in all material respects, the individual and consolidated financial positions of the Association of Governing Boards of Universities and Colleges and Subsidiaries as of June 30, 2018 and 2017, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Other Matter*

Our audits were conducted for the purpose of forming an opinion on the consolidating financial statements as a whole. The consolidating schedule of functional expenses on page 21 is presented for purposes of additional analysis and is not a required part of the consolidating 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 consolidating financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidating financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidating financial statements or to the consolidating financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidating financial statements as a whole.

BDO USA, LLP

October 1, 2018

Consolidating  
Financial Statements

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June 30, 2018	AGB	AGBIS	AGB Search	Eliminations	Total
<b>Assets</b>					
<b>Current assets</b>					
Cash and cash equivalents	\$ 3,753,574	\$ 138,057	\$ 512,906	\$ -	\$ 4,404,537
Accounts receivable, net of allowance of \$5,500	581,846	327,460	1,271,845	(111,137)	2,070,014
Contributions receivable	183,349	-	-	-	183,349
Publication inventory, net of allowance of \$45,273	254,654	-	-	-	254,654
Prepaid expenses and other current assets	277,014	9,354	150,000	-	436,368
Advances to AGBIS	55,080	-	-	(55,080)	-
<b>Total current assets</b>	<b>5,105,517</b>	<b>474,871</b>	<b>1,934,751</b>	<b>(166,217)</b>	<b>7,348,922</b>
<b>Noncurrent assets</b>					
Property and equipment, net	572,353	2,606	77,905	-	652,864
Investments	11,314,574	-	-	-	11,314,574
Investment in AGB Search	50,000	-	-	(50,000)	-
Due from AGBIS	250,000	-	-	(250,000)	-
Deferred compensation investments	854,126	-	-	-	854,126
Other assets	52,339	-	-	-	52,339
<b>Total noncurrent assets</b>	<b>13,093,392</b>	<b>2,606</b>	<b>77,905</b>	<b>(300,000)</b>	<b>12,873,903</b>
<b>Total assets</b>	<b>\$ 18,198,909</b>	<b>\$ 477,477</b>	<b>\$ 2,012,656</b>	<b>\$ (466,217)</b>	<b>\$ 20,222,825</b>
<b>Liabilities and Net Assets</b>					
<b>Current liabilities</b>					
Accounts payable and accrued expenses	\$ 152,136	\$ 115,764	\$ 81,658	\$ (111,137)	\$ 238,421
Accrued annual leave and compensation	163,610	31,567	43,399	-	238,576
Deferred membership dues	3,267,971	-	-	-	3,267,971
Deferred tax liabilities	-	-	11,045	-	11,045
Tax payable	-	-	2,047	-	2,047
Deferred rent	167,808	-	-	-	167,808
Advances from AGB	-	55,080	-	(55,080)	-
Other deferred income	97,741	-	-	-	97,741
Line of credit	-	100,000	-	-	100,000
<b>Total current liabilities</b>	<b>3,849,266</b>	<b>302,411</b>	<b>138,149</b>	<b>(166,217)</b>	<b>4,123,609</b>
<b>Noncurrent liabilities</b>					
Deferred rent	791,003	-	-	-	791,003
Deferred compensation liability	854,126	-	-	-	854,126
Due to AGB	-	250,000	-	(250,000)	-
<b>Total noncurrent liabilities</b>	<b>1,645,129</b>	<b>250,000</b>	<b>-</b>	<b>(250,000)</b>	<b>1,645,129</b>
<b>Total liabilities</b>	<b>5,494,395</b>	<b>552,411</b>	<b>138,149</b>	<b>(416,217)</b>	<b>5,768,738</b>
<b>Commitments and contingencies</b>					
<b>Net assets</b>					
<b>Unrestricted</b>					
General fund	1,225,858	(74,934)	1,874,507	(50,000)	2,975,431
Quasi-endowment fund	9,582,388	-	-	-	9,582,388
Property and equipment fund	260,320	-	-	-	260,320
Appropriated fund	768,263	-	-	-	768,263
<b>Total unrestricted net assets</b>	<b>11,836,829</b>	<b>(74,934)</b>	<b>1,874,507</b>	<b>(50,000)</b>	<b>13,586,402</b>
Temporarily restricted	867,685	-	-	-	867,685
<b>Total net assets</b>	<b>12,704,514</b>	<b>(74,934)</b>	<b>1,874,507</b>	<b>(50,000)</b>	<b>14,454,087</b>
<b>Total liabilities and net assets</b>	<b>\$ 18,198,909</b>	<b>\$ 477,477</b>	<b>\$ 2,012,656</b>	<b>\$ (466,217)</b>	<b>\$ 20,222,825</b>

**Association of Governing Boards of Universities  
and Colleges and Subsidiaries**

**Consolidating Statements of Financial Position**

<i>June 30, 2017</i>	AGB	AGBIS	AGB Search	Eliminations	Total
<b>Assets</b>					
<b>Current assets</b>					
Cash and cash equivalents	\$ 2,782,285	\$ 142,969	\$ 1,105,276	\$ -	\$ 4,030,530
Accounts receivable, net of allowance of \$41,425	554,152	388,742	577,101	(129,820)	1,390,175
Contributions receivable, net of allowance of \$3,500	33,500	-	-	-	33,500
Publication inventory, net of allowance of \$14,239	271,595	-	-	-	271,595
Prepaid expenses and other current assets	372,535	12,308	242,349	-	627,192
Advances to AGBIS	-	-	-	-	-
<b>Total current assets</b>	<b>4,014,067</b>	<b>544,019</b>	<b>1,924,726</b>	<b>(129,820)</b>	<b>6,352,992</b>
<b>Noncurrent assets</b>					
Property and equipment, net	701,593	3,434	61,943	-	766,970
Investments	10,822,387	-	-	-	10,822,387
Investment in AGB Search	50,000	-	-	(50,000)	-
Due from AGBIS	250,000	-	-	(250,000)	-
Deferred compensation investments	709,967	-	-	-	709,967
Other assets	52,339	-	-	-	52,339
<b>Total noncurrent assets</b>	<b>12,586,286</b>	<b>3,434</b>	<b>61,943</b>	<b>(300,000)</b>	<b>12,351,663</b>
<b>Total assets</b>	<b>\$ 16,600,353</b>	<b>\$ 547,453</b>	<b>\$ 1,986,669</b>	<b>\$ (429,820)</b>	<b>\$ 18,704,655</b>
<b>Liabilities and Net Assets</b>					
<b>Current liabilities</b>					
Accounts payable and accrued expenses	\$ 88,181	\$ 100,569	\$ 153,521	\$ (129,820)	\$ 212,451
Accrued annual leave and compensation	251,467	27,721	39,838	-	319,026
Deferred membership dues	3,180,568	-	-	-	3,180,568
Deferred tax liabilities	-	-	1,906	-	1,906
Tax payable	-	-	25,941	-	25,941
Deferred rent	127,203	-	-	-	127,203
Advances from AGB	-	-	-	-	-
Other deferred income	159,628	-	-	-	159,628
Line of credit	-	160,000	-	-	160,000
<b>Total current liabilities</b>	<b>3,807,047</b>	<b>288,290</b>	<b>221,206</b>	<b>(129,820)</b>	<b>4,186,723</b>
<b>Noncurrent liabilities</b>					
Deferred rent	958,811	-	-	-	958,811
Deferred compensation liability	709,967	-	-	-	709,967
Due to AGB	-	250,000	-	(250,000)	-
<b>Total noncurrent liabilities</b>	<b>1,668,778</b>	<b>250,000</b>	<b>-</b>	<b>(250,000)</b>	<b>1,668,778</b>
<b>Total liabilities</b>	<b>5,475,825</b>	<b>538,290</b>	<b>221,206</b>	<b>(379,820)</b>	<b>5,855,501</b>
<b>Commitments and contingencies</b>					
<b>Net assets</b>					
<b>Unrestricted</b>					
General fund	721,205	9,163	1,765,463	(50,000)	2,445,831
Quasi-endowment fund	8,973,692	-	-	-	8,973,692
Property and equipment fund	320,122	-	-	-	320,122
Appropriated fund	1,015,177	-	-	-	1,015,177
<b>Total unrestricted net assets</b>	<b>11,030,196</b>	<b>9,163</b>	<b>1,765,463</b>	<b>(50,000)</b>	<b>12,754,822</b>
Temporarily restricted	94,332	-	-	-	94,332
<b>Total net assets</b>	<b>11,124,528</b>	<b>9,163</b>	<b>1,765,463</b>	<b>(50,000)</b>	<b>12,849,154</b>
<b>Total liabilities and net assets</b>	<b>\$ 16,600,353</b>	<b>\$ 547,453</b>	<b>\$ 1,986,669</b>	<b>\$ (429,820)</b>	<b>\$ 18,704,655</b>

*See accompanying notes to consolidating financial statements.*



**Association of Governing Boards of Universities  
and Colleges and Subsidiaries**

**Consolidating Statements of Activities**

<i>Year ended June 30, 2018</i>	AGB					AGBIS	AGB Search	Eliminations	Total
	General Fund	Other Unrestricted Funds	Total Unrestricted	Temporarily Restricted	Total				
<b>Revenue, Gains, and Other Support</b>									
Membership	\$ 6,078,009	\$ -	\$ 6,078,009	\$ -	\$ 6,078,009	\$ -	\$ -	\$ -	\$ 6,078,009
Contributions and gifts	889,178	-	889,178	1,625,056	2,514,234	-	-	(100,000)	2,414,234
AGB Consulting	2,065,274	-	2,065,274	-	2,065,274	-	-	(11,000)	2,054,274
National conference	1,171,960	-	1,171,960	-	1,171,960	-	-	-	1,171,960
Seminars and workshops	1,080,613	-	1,080,613	-	1,080,613	-	-	(20,936)	1,059,677
Publication sales	290,370	-	290,370	-	290,370	-	-	(3,405)	286,965
Contributed services	-	-	-	36,550	36,550	-	-	-	36,550
In-kind contributions	-	-	-	-	-	-	-	-	-
Other income	233,201	-	233,201	-	233,201	-	-	(187,070)	46,131
AGBIS consulting fees	-	-	-	-	-	2,184,883	-	(419,920)	1,764,963
AGB Search fees	-	-	-	-	-	-	6,226,916	(12,000)	6,214,916
Net assets released from restrictions:									
Satisfaction of purpose restrictions	888,253	-	888,253	(888,253)	-	-	-	-	-
<b>Total revenue, gains, and other support</b>	<b>12,696,858</b>	<b>-</b>	<b>12,696,858</b>	<b>773,353</b>	<b>13,470,211</b>	<b>2,184,883</b>	<b>6,226,916</b>	<b>(754,331)</b>	<b>21,127,679</b>
<b>Expenses</b>									
<b>Program services</b>									
Meetings and research	3,141,274	137,460	3,278,734	-	3,278,734	-	-	-	3,278,734
AGB Consulting	1,786,944	10,824	1,797,768	-	1,797,768	-	-	-	1,797,768
Publications	1,185,942	14,987	1,200,929	-	1,200,929	-	-	-	1,200,929
Government and public affairs	784,623	18,884	803,507	-	803,507	-	-	-	803,507
Grant programs	888,253	-	888,253	-	888,253	-	-	(419,920)	468,333
AGBIS expenses	-	-	-	-	-	2,268,980	-	(130,752)	2,138,228
AGB Search expenses	-	-	-	-	-	-	6,029,724	(248,683)	5,781,041
<b>Total program services</b>	<b>7,787,036</b>	<b>182,155</b>	<b>7,969,191</b>	<b>-</b>	<b>7,969,191</b>	<b>2,268,980</b>	<b>6,029,724</b>	<b>(799,355)</b>	<b>15,468,540</b>
<b>Supporting services</b>									
Management and general	3,180,846	29,976	3,210,822	-	3,210,822	-	-	40,024	3,250,846
Member development	815,753	171,331	987,084	-	987,084	-	-	-	987,084
Marketing	408,947	4,995	413,942	-	413,942	-	-	-	413,942
Fundraising	371,448	6,660	378,108	-	378,108	-	-	-	378,108
<b>Total supporting services</b>	<b>4,776,994</b>	<b>212,962</b>	<b>4,989,956</b>	<b>-</b>	<b>4,989,956</b>	<b>-</b>	<b>-</b>	<b>40,024</b>	<b>5,029,980</b>
<b>Total expenses</b>	<b>12,564,030</b>	<b>395,117</b>	<b>12,959,147</b>	<b>-</b>	<b>12,959,147</b>	<b>2,268,980</b>	<b>6,029,724</b>	<b>(759,331)</b>	<b>20,498,520</b>
<b>Change in net assets before non-operating revenues</b>	<b>132,828</b>	<b>(395,117)</b>	<b>(262,289)</b>	<b>773,353</b>	<b>511,064</b>	<b>(84,097)</b>	<b>197,192</b>	<b>5,000</b>	<b>629,159</b>
<b>Non-operating revenues</b>									
Interest and dividends	71,994	461,497	533,491	-	533,491	-	252	-	533,743
Interest income earned on advances	5,000	-	5,000	-	5,000	-	-	(5,000)	-
Dividends from AGB Search	88,400	-	88,400	-	88,400	-	-	(88,400)	-
Net realized and unrealized (loss) gain on investments	(35,169)	477,200	442,031	-	442,031	-	-	-	442,031
<b>Total non-operating revenues</b>	<b>130,225</b>	<b>938,697</b>	<b>1,068,922</b>	<b>-</b>	<b>1,068,922</b>	<b>-</b>	<b>252</b>	<b>(93,400)</b>	<b>975,774</b>
<b>Change in net assets</b>	<b>263,053</b>	<b>543,580</b>	<b>806,633</b>	<b>773,353</b>	<b>1,579,986</b>	<b>(84,097)</b>	<b>197,444</b>	<b>(88,400)</b>	<b>1,604,933</b>
Transfers	241,600	(241,600)	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	-	(88,400)	88,400	-
Net assets, beginning of year	721,205	10,308,991	11,030,196	94,332	11,124,528	9,163	1,765,463	(50,000)	12,849,154
<b>Net assets, end of year</b>	<b>\$ 1,225,858</b>	<b>\$ 10,610,971</b>	<b>\$ 11,836,829</b>	<b>\$ 867,685</b>	<b>\$ 12,704,514</b>	<b>\$ (74,934)</b>	<b>\$ 1,874,507</b>	<b>\$ (50,000)</b>	<b>\$ 14,454,087</b>

*See accompanying notes to consolidating financial statements.*

**Association of Governing Boards of Universities  
and Colleges and Subsidiaries**

**Consolidating Statements of Activities**

Year ended June 30, 2017	AGB					AGBIS	AGB Search	Eliminations	Total
	General Fund	Other Unrestricted Funds	Total Unrestricted	Temporarily Restricted	Total				
<b>Revenue, Gains, and Other Support</b>									
Membership	\$ 5,964,408	\$ -	\$ 5,964,408	\$ -	\$ 5,964,408	\$ -	\$ -	\$ -	\$ 5,964,408
Contributions and gifts	813,595	-	813,595	51,000	864,595	5,000	-	(81,500)	788,095
AGB Consulting	1,804,740	-	1,804,740	-	1,804,740	-	-	-	1,804,740
National conference	914,430	-	914,430	-	914,430	-	-	-	914,430
Seminars and workshops	932,662	-	932,662	-	932,662	-	-	-	932,662
Publication sales	345,796	-	345,796	-	345,796	-	-	(1,228)	344,568
Contributed services	-	-	-	42,250	42,250	-	-	-	42,250
In-kind contributions	5,390	-	5,390	-	5,390	-	-	-	5,390
Other income	151,949	-	151,949	-	151,949	-	-	(140,540)	11,409
AGBIS consulting fees	-	-	-	-	-	2,227,758	-	(762,667)	1,465,091
AGB Search fees	-	-	-	-	-	-	4,765,683	(27,000)	4,738,683
Net assets released from restrictions:									
Satisfaction of purpose restrictions	1,343,279	-	1,343,279	(1,343,279)	-	-	-	-	-
<b>Total revenue, gains, and other support</b>	<b>12,276,249</b>	<b>-</b>	<b>12,276,249</b>	<b>(1,250,029)</b>	<b>11,026,220</b>	<b>2,232,758</b>	<b>4,765,683</b>	<b>(1,012,935)</b>	<b>17,011,726</b>
<b>Expenses</b>									
<b>Program services</b>									
Meetings and research	2,444,261	270,905	2,715,166	-	2,715,166	-	-	-	2,715,166
AGB Consulting	1,705,545	20,198	1,725,743	-	1,725,743	-	-	-	1,725,743
Publications	1,088,517	26,139	1,114,656	-	1,114,656	-	-	-	1,114,656
Government and public affairs	1,203,541	86,427	1,289,968	-	1,289,968	-	-	-	1,289,968
Grant programs	1,343,279	-	1,343,279	-	1,343,279	-	-	(762,667)	580,612
AGBIS expenses	-	-	-	-	-	2,114,174	-	(59,502)	2,054,672
AGB Search expenses	-	-	-	-	-	-	4,589,291	(163,766)	4,425,525
<b>Total program services</b>	<b>7,785,143</b>	<b>403,669</b>	<b>8,188,812</b>	<b>-</b>	<b>8,188,812</b>	<b>2,114,174</b>	<b>4,589,291</b>	<b>(985,935)</b>	<b>13,906,342</b>
<b>Supporting services</b>									
Management and general	3,183,074	42,773	3,225,847	-	3,225,847	-	-	(32,000)	3,193,847
Member development	773,448	19,010	792,458	-	792,458	-	-	-	792,458
Marketing	503,751	11,881	515,632	-	515,632	-	-	-	515,632
Fundraising	422,029	9,505	431,534	-	431,534	-	-	-	431,534
<b>Total supporting services</b>	<b>4,882,302</b>	<b>83,169</b>	<b>4,965,471</b>	<b>-</b>	<b>4,965,471</b>	<b>-</b>	<b>-</b>	<b>(32,000)</b>	<b>4,933,471</b>
<b>Total expenses</b>	<b>12,667,445</b>	<b>486,838</b>	<b>13,154,283</b>	<b>-</b>	<b>13,154,283</b>	<b>2,114,174</b>	<b>4,589,291</b>	<b>(1,017,935)</b>	<b>18,839,813</b>
<b>Change in net assets before non-operating revenues</b>	<b>(391,196)</b>	<b>(486,838)</b>	<b>(878,034)</b>	<b>(1,250,029)</b>	<b>(2,128,063)</b>	<b>118,584</b>	<b>176,392</b>	<b>5,000</b>	<b>(1,828,087)</b>
<b>Non-operating revenues</b>									
Interest and dividends	37,964	282,174	320,138	524	320,662	-	427	-	321,089
Interest income earned on advances	5,000	-	5,000	-	5,000	-	-	(5,000)	-
Dividends from AGB Search	273,300	-	273,300	-	273,300	-	-	(273,300)	-
Net realized and unrealized (loss) gain on investments	(25,940)	984,765	958,825	-	958,825	-	-	-	958,825
<b>Total non-operating revenues</b>	<b>290,324</b>	<b>1,266,939</b>	<b>1,557,263</b>	<b>524</b>	<b>1,557,787</b>	<b>-</b>	<b>427</b>	<b>(278,300)</b>	<b>1,279,914</b>
<b>Change in net assets</b>	<b>(100,872)</b>	<b>780,101</b>	<b>679,229</b>	<b>(1,249,505)</b>	<b>(570,276)</b>	<b>118,584</b>	<b>176,819</b>	<b>(273,300)</b>	<b>(548,173)</b>
Transfers	(218,300)	218,300	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	-	(273,300)	273,300	-
Net assets, beginning of year	1,040,377	9,310,590	10,350,967	1,343,837	11,694,804	(109,421)	1,861,944	(50,000)	13,397,327
<b>Net assets, end of year</b>	<b>\$ 721,205</b>	<b>\$ 10,308,991</b>	<b>\$ 11,030,196</b>	<b>\$ 94,332</b>	<b>\$ 11,124,528</b>	<b>\$ 9,163</b>	<b>\$ 1,765,463</b>	<b>\$ (50,000)</b>	<b>\$ 12,849,154</b>

*See accompanying notes to consolidating financial statements.*

Year ended June 30,	2018				
	AGB	AGBIS	AGB Search	Eliminations	Total
<b>Cash flows from operating activities</b>					
Change in net assets	\$ 1,579,986	\$ (84,097)	\$ 197,444	\$ (88,400)	\$ 1,604,933
<b>Adjustments to reconcile change in net assets to net cash used in operating activities:</b>					
Depreciation and amortization	142,455	828	33,616	-	176,899
Inventory obsolescence	48,785	-	-	-	48,785
Bad debt expense	-	-	-	-	-
Net realized and unrealized gains on investments	(442,031)	-	-	-	(442,031)
Donated stock	(71,404)	-	-	-	(71,404)
Market value increase of deferred compensation investments	(83,159)	-	-	-	(83,159)
Deferred taxes	-	-	9,139	-	9,139
<b>(Increase) decrease in assets</b>					
Accounts receivable	(27,694)	61,282	(694,744)	18,683	(642,473)
Contributions receivable	(149,849)	-	-	-	(149,849)
Publication inventory	(31,844)	-	-	-	(31,844)
Prepaid expenses and other current assets	95,521	2,954	92,349	-	190,824
Advances to AGBIS	(55,080)	-	-	55,080	-
<b>Increase (decrease) in liabilities</b>					
Accounts payable and accrued expenses	63,955	15,195	(71,863)	(18,683)	(11,396)
Accrued annual leave and compensation	(87,857)	3,846	3,561	-	(80,450)
Income tax payable	-	-	(23,894)	-	(23,894)
Deferred membership dues	87,403	-	-	-	87,403
Advances from AGB	-	55,080	-	(55,080)	-
Other deferred income	(61,887)	-	-	-	(61,887)
Deferred rent	(127,203)	-	-	-	(127,203)
Deferred compensation liability	144,159	-	-	-	144,159
<b>Net cash provided by (used in) operating activities</b>	<b>1,024,256</b>	<b>55,088</b>	<b>(454,392)</b>	<b>(88,400)</b>	<b>536,552</b>
<b>Cash flows from investing activities</b>					
Proceeds from sale of investments	678,045	-	-	-	678,045
Purchases of investments	(656,797)	-	-	-	(656,797)
Purchases of deferred compensation investments	(61,000)	-	-	-	(61,000)
Purchases of property and equipment	(13,215)	-	(49,578)	-	(62,793)
Proceeds from sale of deferred compensation investments	-	-	-	-	-
<b>Net cash used in investing activities</b>	<b>(52,967)</b>	<b>-</b>	<b>(49,578)</b>	<b>-</b>	<b>(102,545)</b>
<b>Cash flows from financing activities</b>					
Proceeds from line of credit drawdown	-	100,000	-	-	100,000
Payments made to the line of credit	-	(160,000)	-	-	(160,000)
Dividends paid	-	-	(88,400)	88,400	-
<b>Net cash (used in) provided by financing activities</b>	<b>-</b>	<b>(60,000)</b>	<b>(88,400)</b>	<b>88,400</b>	<b>(60,000)</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>971,289</b>	<b>(4,912)</b>	<b>(592,370)</b>	<b>-</b>	<b>374,007</b>
Cash and cash equivalents, beginning of year	2,782,285	142,969	1,105,276	-	4,030,530
<b>Cash and cash equivalents, end of year</b>	<b>\$ 3,753,574</b>	<b>\$ 138,057</b>	<b>\$ 512,906</b>	<b>\$ -</b>	<b>\$ 4,404,537</b>

**Association of Governing Boards of Universities  
and Colleges and Subsidiaries**

**Consolidating Statement of Cash Flows**

<i>Year ended June 30,</i>	2017				
	AGB	AGBIS	AGB Search	Eliminations	Total
<b>Cash flows from operating activities</b>					
Change in net assets	\$ (570,276)	\$ 118,584	\$ 176,819	\$ (273,300)	\$ (548,173)
<b>Adjustments to reconcile change in net assets to net cash used in operating activities:</b>					
Depreciation and amortization	152,126	702	5,301	-	158,129
Inventory obsolescence	-	-	-	-	-
Bad debt expense	36,425	3,000	16,000	-	55,425
Net realized and unrealized gains on investments	(958,825)	-	-	-	(958,825)
Donated stock	(31,404)	-	-	-	(31,404)
Market value increase of deferred compensation investments	(92,160)	-	-	-	(92,160)
Deferred taxes	-	-	20,160	-	20,160
<b>(Increase) decrease in assets</b>					
Accounts receivable	38,030	(174,038)	58,371	(164,750)	(242,387)
Contributions receivable	15,000	-	-	-	15,000
Publication inventory	(5,597)	-	-	-	(5,597)
Prepaid expenses and other current assets	(118,155)	19,192	(184,457)	-	(283,420)
Advances to AGBIS	762,667	-	-	(762,667)	-
<b>Increase (decrease) in liabilities</b>					
Accounts payable and accrued expenses	(55,062)	(183,663)	90,169	164,750	16,194
Accrued annual leave and compensation	26,599	21,940	2,533	-	51,072
Income tax payable	-	-	(9,434)	-	(9,434)
Deferred membership dues	26,380	-	-	-	26,380
Advances from AGB	-	(762,667)	-	762,667	-
Other deferred income	15,402	-	-	-	15,402
Deferred rent	(87,650)	-	-	-	(87,650)
Deferred compensation liability	(1,139,212)	-	-	-	(1,139,212)
<b>Net cash (used in) provided by operating activities</b>	<b>(1,985,712)</b>	<b>(956,950)</b>	<b>175,462</b>	<b>(273,300)</b>	<b>(3,040,500)</b>
<b>Cash flows from investing activities</b>					
Proceeds from sale of investments	520,560	-	-	-	520,560
Purchases of investments	(617,194)	-	-	-	(617,194)
Purchases of deferred compensation investments	(113,758)	-	-	-	(113,758)
Purchases of property and equipment	(97,493)	(1,248)	(53,891)	-	(152,632)
Proceeds from sale of deferred compensation investments	1,345,130	-	-	-	1,345,130
<b>Net cash provided by (used in) investing activities</b>	<b>1,037,245</b>	<b>(1,248)</b>	<b>(53,891)</b>	<b>-</b>	<b>982,106</b>
<b>Cash flows from financing activities</b>					
Proceeds from line of credit drawdown	-	160,000	-	-	160,000
Payments made to the line of credit	-	-	-	-	-
Dividends paid	-	-	(273,300)	273,300	-
<b>Net cash provided by (used in) financing activities</b>	<b>-</b>	<b>160,000</b>	<b>(273,300)</b>	<b>273,300</b>	<b>160,000</b>
<b>Decrease in cash and cash equivalents</b>	<b>(948,467)</b>	<b>(798,198)</b>	<b>(151,729)</b>	<b>-</b>	<b>(1,898,394)</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>3,730,752</b>	<b>941,167</b>	<b>1,257,005</b>	<b>-</b>	<b>5,928,924</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 2,782,285</b>	<b>\$ 142,969</b>	<b>\$ 1,105,276</b>	<b>\$ -</b>	<b>\$ 4,030,530</b>

*See accompanying notes to consolidating financial statements.*

# Association of Governing Boards of Universities and Colleges and Subsidiaries

## Notes to Consolidating Financial Statements

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### 1. Summary of Significant Accounting Policies

#### *General Information*

The Association of Governing Boards of Universities and Colleges (“AGB”) was founded in 1921 to serve public institutions. In 1964, AGB established an office in Washington, D.C. and became a national association when its membership was opened to assist both public and private college and university governing boards.

AGB is dedicated to strengthening the performance of boards of public and private higher education. It advances the practice of citizen trusteeship that has distinguished American higher education for more than 350 years. By serving as a continuing education resource to trustees and boards and by contributing to effective working relationships between boards and chief executives, AGB seeks to strengthen the governance of higher educational institutions.

AGB recognizes its leadership responsibilities to its members and to a diverse system of higher education. AGB strongly believes in citizen control of our colleges and universities, rather than direct governmental control, and works to ensure that higher education remains a strong and vital national asset.

AGB membership consists of 1,292 boards serving public and private colleges and universities and public college and university foundations. Approximately 37,000 board members, presidents and other senior institutional officers are members.

AGB Search, LLC (“AGB Search”), a District of Columbia limited liability company, was established by AGB, on December 4, 2009, for the purpose of advancing education by assisting universities and colleges in undertaking successful searches and transitions of their presidents and other senior leaders.

AGB Strategies is a non-profit organization registered in the District of Columbia effective July 16, 2015, under the trade name AGB Institutional Strategies (“AGBIS”). AGBIS was established for the purposes of reviewing, improving and advancing the quality of public and independent higher education institutions by evaluating their financial sustainability and business model, their delivery of academic programs and effectiveness of their institution governance. AGBIS acts as a supporting organization under Section 509(a)(3) of the Code, thereby operating exclusively for the benefit of and to carry out the purposes of AGB.

#### *Consolidation Policy*

The accompanying consolidating financial statements include the accounts of AGB and its subsidiaries, AGB Search and AGBIS, which are under common control of AGB. Collectively they are referred to as the Association. All material inter-organization transactions and balances have been eliminated in consolidation.

# Association of Governing Boards of Universities and Colleges and Subsidiaries

## Notes to Consolidating Financial Statements

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### *Basis of Accounting*

The consolidating financial statements of the Association have been prepared on the accrual basis of accounting.

### *Cash and Cash Equivalents*

Cash and cash equivalents include operating cash accounts, petty cash and all liquid investments with original maturities of three months or less.

### *Accounts Receivable*

Accounts receivable consists primarily of amounts due from the sale of publications, conference and seminar registrations, and consulting fees. The allowance method is used to determine the uncollectible amounts. The allowance is based upon prior years' experience and management's analysis of subsequent collections. Accounts receivable are written off if reasonable collection efforts prove unsuccessful.

### *Contributions Receivable*

Contributions, which include unconditional promises to give, are recognized as revenues in the period received. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of any discount is included in contribution revenue. Contributions receivable as of June 30, 2018 and 2017 are all due in one year, therefore there is no discount.

Management considers all promises to give to be fully collectible, therefore no allowance for doubtful accounts has been established. Conditional promises to give are not included as support until the conditions are substantially met.

### *Publication Inventory*

Inventory consists of books, pamphlets, and various other publications. Inventory is stated at the lower of cost or market, and is valued using the average cost method of inventory valuation.

### *Property and Equipment*

Property and equipment are recorded at cost. The Association capitalizes all expenditures for property and equipment over \$1,000. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets of three to ten years or the lesser of the useful life of the asset or the term of the lease for leasehold improvements. When assets are sold or otherwise disposed of, the asset and related accumulated depreciation or amortization are removed from the accounts, and any remaining gain or loss is included in operations. Repairs and maintenance are charged to expense when incurred.

# Association of Governing Boards of Universities and Colleges and Subsidiaries

## Notes to Consolidating Financial Statements

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Certain costs of internally developed software and website development are capitalized in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 350-40-15, "Accounting for the Cost of Computer Software Developed or Obtained for Internal Use" and ASC 350-50-15, "Accounting for Website Development Costs", respectively. These costs are being amortized over the estimated useful lives of the software and website.

### *Investments*

Investments consist of monies invested in money market funds, equity securities, mutual funds, and bonds, and are recorded at readily determinable fair values. Unrealized and realized gains and losses are included in the consolidating statements of activities. All of the Association's investments have been identified as Level I in the fair value hierarchy as they have values based on quoted prices in active markets for identical assets based on the criteria included in ASC 820-10, "Fair Value Measurements".

### *Financial Instruments and Credit Risk*

Financial instruments which potentially subject the Association to concentrations of credit risk consist principally of investments held at creditworthy financial institutions. By policy, these investments are kept within limits designed to prevent risks caused by concentration. Credit risk with respect to trade and other receivables is limited because the Association deals with a large number of customers over a wide geographic area.

### *Deferred Membership Dues*

Dues are calculated based on the full-time equivalent (FTE) enrollment at the members' universities and colleges. The FTE is computed based on one-third of the part-time, plus all full-time student enrollments for the most recent fall semester or quarter. Approximately 500 member university and college renewals have calendar year renewal anniversaries. Membership dues are recognized on a pro-rata basis over the annual membership period.

### *Unrestricted Net Assets*

Unrestricted net assets are available for use in general operations.

Unrestricted - board designated net assets have been designated by the Board for specific purposes and consist of the quasi-endowment fund, the property and equipment fund, and the appropriated fund.

### *Temporarily Restricted Net Assets*

Temporarily restricted net assets consist of amounts that are subject to donor restrictions and income earned on temporarily restricted net assets. The Association is permitted to use up or expend the donated assets in accordance with the donor restriction.

The Association reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. 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 consolidating statements of activities as net assets released from restrictions.

# Association of Governing Boards of Universities and Colleges and Subsidiaries

## Notes to Consolidating Financial Statements

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### *Revenue Recognition*

Revenues are recognized during the period in which it is earned. Fees received in advance and not yet earned are deferred to the applicable period.

Membership revenue is recognized over the period of membership or subscription. Consulting fees are recognized based on proportional performance, as the work progresses.

Contributions are recognized in the period when an unconditional promise to give is received. Contributions received are considered to be available for use unless specifically restricted by the donor. Amounts received that are designated for a future period, or are restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. Unconditional promises to give, which do not state a due date, are presumed to be time-restricted by the donor until received and are reported as temporarily restricted net assets.

Fees for conferences, seminars and workshops thereof are recognized in the period the related events take place.

### *Contributed Services and In-kind Contributions*

The Association receives various contributed services from authors of certain articles and papers published by the Association as well as legal fees. The Association has recognized \$36,550 and \$42,250 in contributed services revenue and consultant expenses for the years ended June 30, 2018 and 2017, respectively. The Association has also recognized \$0 and \$5,390 in in-kind contributions and expenses received for airline mileage for the years ended June 30, 2018 and 2017, respectively.

### *Expense Allocation*

The cost of providing various programs and supporting activities has been summarized on a function basis in the consolidating statement of activities. Direct expenses are charged to the respective programs and supporting services benefited based upon management's estimates of each program's share of the allocated costs.

### *Use of Estimates*

The preparation of the consolidating 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 disclosure of contingent assets and liabilities at the date of the consolidating financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.



# Association of Governing Boards of Universities and Colleges and Subsidiaries

## Notes to Consolidating Financial Statements

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### *Recent Accounting Pronouncements Not Yet Adopted*

In May 2014, the FASB issued Accounting Standards Update (ASU) 2014-09, "*Revenue from Contracts with Customers (Topic 606)*", which establishes a comprehensive revenue recognition standard for virtually all industries in GAAP, including those that previously followed industry-specific guidance. For non-public entities, the new standards are effective for annual periods beginning after December 15, 2017. In August 2015, the FASB issued an update in ASU 2015-14, "*Revenue from Contracts with Customers: Deferral of the Effective Date*", which delayed the effective date of the new revenue accounting standards to fiscal years beginning after December 15, 2018. In December 2016, FASB issued ASU 2016-20, "*Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers*", which amends the new revenue standard. The amendments do not alter the core principle of the standard, but clarify certain narrow aspects of the standard including contract cost accounting, disclosures, illustrative examples, and other matters. The effect date and transition requirements for ASU 2016-20 are the same as the effective date and transition requirements of Topic 606, which is fiscal years beginning after December 15, 2018. The Association's management is currently evaluating the impact of this update on the Association's consolidating financial statements.

In November 2015, the FASB issued ASU 2015-17, "*Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes*", which requires all deferred income tax assets and liabilities to be classified as noncurrent on the balance sheet. The new standard is effective for non-public entities for annual reporting period beginning after December 15, 2017, with early adoption permitted. The Association's management is currently evaluating the effect the provision of ASU 2015-17 will have on the Association's consolidating financial statements.

In February 2016, the FASB issued ASU 2016-02, "*Leases (Topic 842)*", which requires that a lessee will recognize lease assets and liabilities on the consolidating statements of financial position for leases with lease terms of more than 12 months. Leases with terms of less than 12 months are exempt from the new standard. The recognition, measurement, and presentation of expenses and cash flows arising from a lease by the lessee will depend on its classification as finance or operating lease. ASU 2016-02 is effective for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. Early adoption is permitted. The Association's management is currently evaluating the effect the provisions of ASU 2016-02 will have on the Association's consolidating financial statements.

In August 2016, the FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) - "*Presentation of Financial Statements of Not-for-Profit Entities.*" The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled "net assets without donor restrictions" and "net assets with donor restrictions", (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct internal investment expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. The ASU is effective for fiscal years beginning after December 15, 2017, with early adoption permitted. The provisions of the ASU must

# Association of Governing Boards of Universities and Colleges and Subsidiaries

## Notes to Consolidating Financial Statements

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be applied on a retrospective basis for all years presented although certain optional practical expedients are available for periods prior to adoption. Management is currently evaluating the impact that adoption of this guidance will have on Association's consolidating financial statements.

In August 2016, the FASB issued ASU 2016-15, "*Statement of Cash Flows.*" The update standardizes how certain transactions should be classified in the statement of cash flows. The guidance is effective for fiscal years beginning after December 15, 2018. Presently, management does not anticipate that the adoption of this update will have a material effect on the Association's consolidating financial statements.

In June 2018, the FASB issued ASU 2018-08, "*Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made.*" This ASU was issued to standardize how grants and other contracts received and made are classified across the sector, as either an exchange transaction or a contribution. The standard provides guidance to assist in the determination of whether a transaction is a contribution or an exchange transaction. If the transaction is deemed to be a contribution the guidance provides factors to consider with regard to whether the contribution is conditional or unconditional. For contributions received, if determined to be an unconditional contribution, the determination will then need to be made as to whether the contribution is restricted. The ASU will assist in the determination of the nature of the transaction which will then govern the revenue and expense recognition methodology and timing of the transaction. The ASU is effective for transactions in which the entity serves as the resource recipient to annual periods beginning after December 15, 2018.

## 2. Tax Status

AGB has been granted exemption by the Internal Revenue Service (IRS) from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The IRS has also determined that AGB is not a private foundation. AGB is required to report unrelated business income to the IRS. AGB's source of unrelated business income consists of advertising income, and rental and administrative services for AGB Search and AGBIS. No provision for income taxes has been made at June 30, 2018 and 2017.

AGBIS has been granted exemption by the IRS from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The IRS has also determined that AGBIS is classified as a public charity under Section 509(a)(3) of the Code.

AGB Search is taxed as a C Corp under the Internal Revenue Code. AGB Search is subject to Federal and state income taxes on its net taxable income. AGB Search accounts for Federal and state income taxes using the liability method, under which deferred tax assets or liabilities are recognized based on temporary differences between the financial statement and tax basis of assets and liabilities using the currently enacted tax rates.

Differences between the effective tax rate and the federal statutory rate of 34% are primarily attributable to state income taxes. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to reverse.

On December 22, 2017, President Trump signed into law, "An Act to provide for reconciliation pursuant to Titles II and V of the concurrent resolution on the budget for fiscal year 2018" ("tax reform" or the "the Act"). The Act includes significant changes to the U.S. corporate tax system, including a reduction in the corporate income tax rate from 34% to 21%, repeal of corporate

# Association of Governing Boards of Universities and Colleges and Subsidiaries

## Notes to Consolidating Financial Statements

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Alternative Minimum Tax (AMT) provisions, repeal of provisions allowing for the current two-year carryback of Net Operating Losses (NOLs), and increase of NOL carryforward period from a 20 year carryforward to an indefinite carryforward. AGB Search is in the process of analyzing the impact of the various provisions of the Act. The ultimate impact may materially differ from these provisional amounts due to, among other things, additional analysis, changes in interpretations and assumptions AGB Search has made, additional regulatory guidance that may be issued, and actions AGB Search may take as a result of the Act. AGB Search expects to complete its analysis within the measurement period (not to extend one year of the enactment date).

As a result of the reduction in the U.S. corporate income tax rate from 34% to 21% under the Act, AGB Search revalued its ending net deferred tax liabilities at June 30, 2018. AGB Search deferred tax liabilities as of June 30, 2018 and 2017 was \$11,045 and \$1,906, respectively. These were primarily attributable to temporary differences such as accrued expenses, depreciation, and amortization. Income tax expense was \$82,085 and \$14,107, respectively, for the years ended June 30, 2018 and 2017, for AGB Search.

The Association does not believe there are any material uncertain tax positions and accordingly, will not recognize any liability for unrecognized tax benefits. AGB and AGBIS have filed for income tax exemptions in the jurisdictions where it is required to do so. Additionally, AGB and AGBIS file Internal Revenue Form 990 tax returns as required and all applicable returns in those jurisdictions where it is required.

The Association believes that they are no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities for years before 2014. For the years ended June 30, 2018 and 2017, there were no interest or penalties recorded in the consolidating statements of activities.

### 3. Concentration of Credit Risk

The Association maintains its cash balances at several financial institutions which, at times, may exceed federally insured limits. The Association has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on its cash and cash equivalents.

### 4. Property and Equipment

Property and equipment for AGB consists of the following at:

<i>June 30,</i>	2018	2017
Furniture and equipment	\$ 1,225,191	\$ 1,211,976
Leasehold improvements	1,189,672	1,189,672
Computer software	69,650	69,650
Website	50,153	50,153
	<u>2,534,666</u>	<u>2,521,451</u>
Less: accumulated depreciation and amortization	<u>1,962,313</u>	<u>1,819,858</u>
	<u>\$ 572,353</u>	<u>\$ 701,593</u>

# Association of Governing Boards of Universities and Colleges and Subsidiaries

## Notes to Consolidating Financial Statements

Depreciation and amortization expense for the years ended June 30, 2018 and 2017 was \$142,455 and \$152,126, respectively.

Property and equipment of the subsidiaries consist of the following at:

<i>June 30,</i>	2018	2017
Furniture and equipment	\$ 41,555	\$ 30,673
Website	96,700	58,004
	138,255	88,677
Less: accumulated depreciation and amortization	57,744	23,300
	\$ 80,511	\$ 65,377

Depreciation and amortization expense for the years ended June 30, 2018 and 2017 was \$34,444 and \$6,003, respectively.

### 5. Investments

Investments, at fair value, consist of the following at:

<i>June 30,</i>	2018	2017
Equity securities		
Domestic mutual funds	\$ 5,383,521	\$ 4,960,441
Foreign mutual funds	1,815,212	1,794,263
Total equity securities	7,198,733	6,754,704
Cash and money market funds		
Cash	30	-
Money market funds	-	111,055
Total cash and money market funds	30	111,055
Fixed-income securities		
Corporate mutual funds	2,383,625	2,218,988
Short-term bond index fund	1,732,186	1,737,640
Total fixed-income securities	4,115,811	3,956,628
Total investments	\$ 11,314,574	\$ 10,822,387

### 6. Deferred Compensation

During fiscal year 1999, the Association established a nonqualified deferred compensation plan (a "rabbi trust") for senior management. Subsequently, the Board authorized 457(b) contributions through TIAA-CREF. The Association holds assets totaling \$854,126 and \$709,967 as of June 30, 2018 and 2017, respectively, which are reported as deferred compensation investments and a deferred compensation liability in the accompanying consolidating statements of financial position. The assets are subject to the claims of general creditors. The investments of the trust are held in

# Association of Governing Boards of Universities and Colleges and Subsidiaries

## Notes to Consolidating Financial Statements

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separate accounts for investment purposes, but are designated by the Board for use to satisfy this deferred compensation liability.

Investments held for deferred compensation plans are carried at fair value and are classified as follows at:

<i>June 30,</i>	2018	2017
Domestic securities	\$ 677,037	\$ 541,384
Real estate investment fund	177,089	168,583
Total	\$ 854,126	\$ 709,967

The Association's deferred compensation investments have been identified as Level 1, 2 and 3 in the fair value hierarchy in accordance with ASC 820-10, "*Fair Value Measurements*". As the total dollar amount of deferred compensation classified as Level 2 and 3 is overall immaterial to the consolidating financial statements, the ASC 820-10 disclosure has not been included. Investment gains and losses from the deferred compensation investments are recorded directly to the asset account and the corresponding liability account.

### 7. Line of Credit and Note Payable

#### *Line of Credit*

On May 17, 2017, AGBIS obtained a line of credit with a bank for \$500,000. The line of credit bears interest at LIBOR daily floating rate plus 3.5% and is secured by the Association's equipment, inventory, and receivables. The line of credit was renewed for another year expiring on May 17, 2019. In 2018 and 2017, AGBIS has drawn \$100,000 and \$160,000, respectively, on the line of credit. At June 30, 2018 and 2017, the interest rate was 5.59% and 4.73%, respectively. Interest expense was \$2,439 and \$210 as of June 30, 2018 and 2017, respectively.

#### *Note Payable*

On May 15, 2018, AGBIS executed a loan agreement with a foundation ("lender") whereby the lender agreed to make a program-related (investment) loan for a maximum principal amount of \$1,500,000. It is available upon request in the form of a promissory note ("Note"). The Note bears interest at a rate of 3% on the unpaid principal balance. The outstanding principal balance of the Note is due and payable in three installments, maturing on May 15, 2025. AGB agreed to guaranty repayment of the Note pursuant to the guaranty clause in the loan agreement. As of June 30, 2018, AGBIS had not requested a draw from the loan.

# Association of Governing Boards of Universities and Colleges and Subsidiaries

## Notes to Consolidating Financial Statements

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### 8. Temporarily Restricted Net Assets

Temporarily restricted net assets are restricted to the following funds at:

<i>June 30,</i>	2018	2017
Purpose		
Research projects	\$ 867,685	\$ 83,275
Miscellaneous	-	11,057
	\$ 867,685	\$ 94,332

### 9. Program and Supporting Services Descriptions

The following program and supporting services are included in the accompanying consolidating financial statements.

#### *Meetings and Research*

The Association provides various workshops, seminars, and institutes for member presidents and trustees in addition to the annual National Conference on Trusteeship in major cities around the nation. Also, the Association offers a wide range of continuing education opportunities for the boards of member institutions at sites of their own choosing.

#### *AGB Consulting*

AGB Consulting provides individualized solutions for board members and campus leaders to respond to governance challenges and crises, and to successfully lead higher education systems, institutions, and affiliated foundations.

#### *Publications*

In addition to a regular *Trusteeship* magazine, which is sent directly to its nearly 37,000 individual members, the Association publishes about 100 titles.

#### *Government and Public Affairs*

Government and Public Affairs' mission is to provide members with knowledge and information regarding state and federal legislation, enhance the effectiveness of higher education advocacy, and represent its members on matters of public policy. It also serves as the press arm of the Association, distributing press releases and fielding calls from the media.

#### *Grant Programs*

The Association has a number of projects whose funding from outside sources is restricted to particular projects focused on shared governance and sustainability of Historically Black Colleges and Universities. The Association was also awarded a grant for educating and motivating trustees to reclaim public trust in the American higher education sector.

# Association of Governing Boards of Universities and Colleges and Subsidiaries

## Notes to Consolidating Financial Statements

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### *AGBIS Expenses*

AGBIS expenses include consulting services to provide institutions of higher education with operational and mission-driven strategies that help achieve renewed institutional strength as well as operating and corporate expenses.

### *AGB Search Expenses*

Expenses incurred by AGB Search in order to perform its consulting services including searches and transitions of presidents and other senior leaders for universities and colleges as well as management and general expenses and allocated expenses from AGB.

### *Management and General*

Management and general includes the functions necessary to secure and maintain proper administrative function of the Board of Directors and two advisory groups of presidents and board chairs; maintain an adequate working environment; and manage the Association's financial and budgetary responsibilities.

### *Member Development*

The Association regularly promotes membership for College and University boards and institution chief executives through regular communications.

### *Marketing*

The Association has an annual schedule of marketing activities related to its programs, publications, services and membership. The marketing area coordinates concept and graphic design, production, and mailing of print and electronic promotional materials.

### *Fundraising*

The Association seeks financial (both restricted and unrestricted) support from individuals, corporations, and foundations for special Association programs, publications, services, and projects.

## **10. Defined Contribution Pension Plan**

AGB and AGBIS maintain a noncontributory defined contribution pension plan (the Plan) for its eligible employees. AGB Search, on the other hand, maintains a separate defined contribution retirement plan for its eligible employees. On both Plans, all employees at least 21 years of age are eligible for the Plan and are fully vested upon entering the Plan. The Association contributes 10% of each eligible employee's compensation based on the Social Security earnings. For the years ended June 30, 2018 and 2017, AGB and AGBIS incurred \$451,032 and \$419,081 in pension expense, respectively; while AGB Search incurred \$111,196 and \$92,573, respectively, in pension expense.

# Association of Governing Boards of Universities and Colleges and Subsidiaries

## Notes to Consolidating Financial Statements

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### 11. Commitments and Contingencies

#### *Operating Leases*

The Association leases office space under a non-cancelable operating lease that expires on December 31, 2023. As of June 30, 2018, the Association's security deposit is \$52,339.

On May 6, 2013, an amendment to the office space lease agreement was executed between AGB and its landlord for additional office space. AGB began leasing the expansion space on September 1, 2013, the lease amendment will expire on December 31, 2023.

Future minimum rental payments, by year and in the aggregate, under the operating leases are as follows:

#### *Years Ending June 30,*

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2019	\$ 1,011,316
2020	1,037,261
2021	1,063,871
2022	1,091,151
2023	540,423
	<hr/> \$ 4,744,022 <hr/>

The amount paid under rental agreements was \$970,711 and \$931,158 for the years ended June 30, 2018 and 2017, respectively.

Incentives received in the form of tenant improvements at the inception of the operating lease are accounted for as deferred rent in the accompanying consolidating statements of financial position and are amortized as necessary to recognize lease expense on a straight-line basis over the remaining life of the lease.

### 12. Related Parties

During the year ended June 30, 2010, AGB contributed \$50,000 in capital stock for the start-up and launch of AGB Search. AGB Search also reimburses AGB for expenses paid on their behalf. At June 30, 2018 and 2017, AGB Search owed \$40,926 and \$64,478, respectively, for these expenses. In 2018 and 2017, AGB Search contributed cash to AGB amounting to \$50,000 per year. Likewise, AGB Search distributed cash dividends amounting to \$88,400 in 2018 and \$273,300 in 2017. AGB received rental income from AGB Search amounting to \$145,129 and \$112,766 in 2018 and 2017, respectively. AGB Search also performed consulting services related to staffing of executive positions at AGB. For those services, AGB made payments totaling \$12,000 and \$27,000 during the years ended June 30, 2018 and 2017, respectively. In 2018, AGB also received \$11,000 from AGB Search for its share in a consulting engagement and \$3,405 from publication sales. These transactions are eliminated in the consolidating financial statements.

In October 2015, AGB advanced AGBIS \$250,000 to serve as a loan. The advance bears interest of 2% and AGBIS has recognized interest expense of \$5,000 each for the years ended June 30, 2018 and 2017. AGBIS reimburses AGB for expenses paid on its behalf. AGB received rental income from AGBIS amounting to \$13,986 and \$27,774 in 2018 and 2017, respectively. AGBIS owed \$70,211 and \$65,342 for these transactions at June 30, 2018 and 2017, respectively. In 2018 and 2017, AGBIS



# Association of Governing Boards of Universities and Colleges and Subsidiaries

## Notes to Consolidating Financial Statements

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contributed cash to AGB amounting to \$70,936 and \$26,500, respectively. AGB also contributed \$0 and \$5,000 to AGBIS in 2018 and 2017, respectively. In 2018, AGB transferred certain advances to AGBIS to finance a joint research project aggregating to \$475,000. Of this amount, \$419,920 was incurred as program expenses and \$55,080 was reflected as outstanding advances to AGBIS at June 30, 2018. These transactions are eliminated in the consolidating financial statements.

### 13. Subsequent Events

The Association evaluated subsequent events through October 1, 2018, which is the date the consolidating financial statements were available to be issued. There were no events noted that required adjustment to or disclosure in these consolidating financial statements.

## Supplemental Material

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Association of Governing Boards of Universities  
and Colleges and Subsidiaries

Consolidating Schedule of Functional Expenses for the Year Ended June 30, 2018 (with comparative totals for the year ended June 30, 2017)

Year Ended June 30, 2018	Program Services					Supporting Services							2018 Total	2017 Total			
	Meetings and Research	AGB Consulting	Publications	Government and Public Affairs	Grant Programs	Total Program Services	Management and General	Member Development	Marketing	Fundraising	Total Supporting Services	AGB Total			AGBIS	AGB Search	Eliminations
Accounting and legal	\$ 23,442	\$ 16,167	\$ 15,070	\$ 13,078	\$ -	\$ 67,757	\$ 44,662	\$ 30,244	\$ 5,023	\$ 6,698	\$ 86,627	\$ 154,384	\$ 69,606	\$ 103,725	\$ -	\$ 327,715	\$ 332,237
Inventory obsolescence	-	-	48,785	-	-	48,785	-	-	-	-	-	48,785	-	-	-	48,785	-
Bad debt	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	55,425
Conferences and seminars	1,201,295	4,650	750	949	10,791	1,218,435	2,717	1,012	380	5,668	9,777	1,228,212	-	116,116	-	1,344,328	1,181,268
Consultant fees	390,300	1,013,375	52,727	104,423	706,887	2,267,712	137,122	436,899	2,148	5,358	581,527	2,849,239	1,033,529	3,387,272	(465,599)	6,804,441	5,607,709
Corporate sponsorships	-	-	-	-	18,940	18,940	(18,940)	-	-	-	(18,940)	-	-	-	-	-	-
Depreciation and amortization	28,491	13,228	18,316	15,263	-	75,298	36,631	16,281	6,105	8,140	67,157	142,455	828	33,616	-	176,899	158,129
Dues and subscriptions	47,446	1,713	803	6,741	-	56,703	179,108	2,947	-	2,073	184,128	240,831	22,465	48,914	-	312,210	244,599
Equipment lease and duplication	-	-	-	-	-	-	48,076	-	-	-	48,076	48,076	4,356	-	(4,356)	48,076	50,797
Insurance and bond	10,108	10,299	3,854	3,212	-	27,473	7,709	3,426	1,285	1,713	14,133	41,606	6,501	19,818	-	67,925	167,629
Occupancy/rent	167,845	77,928	126,609	89,917	-	462,299	284,758	96,290	38,045	47,956	467,049	929,348	13,404	145,129	(158,533)	929,348	980,832
Office supplies, telephone, maintenance	9,619	4,791	7,487	1,247	581	23,725	57,855	8,427	793	851	67,926	91,651	6,869	19,210	(4,907)	112,823	120,932
Other employee benefits	188,071	152,340	134,273	96,820	4,374	575,878	480,184	84,401	51,523	50,879	666,987	1,242,865	125,541	285,920	-	1,654,326	1,585,355
Other services	1,301	-	-	-	36,550	37,851	68,320	950	-	-	69,270	107,121	17,952	10,913	(5,000)	130,986	262,876
Postage	34,186	4,258	80,751	117	10,262	129,574	10,044	6,084	1,317	867	18,312	147,886	1,975	4,900	-	154,761	152,834
Printing/design	84,530	1,152	266,549	299	22,915	375,445	10,857	10,278	4,405	1,724	27,264	402,709	5,505	-	-	408,214	477,068
Promotion	181,404	37,174	17,573	24	-	236,175	-	37,915	110,040	-	147,955	384,130	134,806	359,254	(120,936)	757,254	729,791
Salaries	612,360	412,264	405,739	428,342	64,301	1,923,006	1,417,383	229,458	184,765	224,249	2,055,855	3,978,861	556,033	1,111,226	-	5,646,120	5,320,656
Special project/contingency	14,205	5,905	14,215	27,921	-	62,246	166,489	3,256	849	1,796	172,390	234,636	-	52,695	-	287,331	277,197
Taxes and licenses	-	-	-	-	-	-	-	-	-	-	-	-	-	85,854	-	85,854	15,681
Temporary help/replacement	15,649	33,645	-	-	-	49,294	1,571	6,465	-	-	8,036	57,330	-	106,895	-	164,225	136,621
Travel and entertainment	268,482	8,879	7,428	15,154	12,652	312,595	276,276	12,751	7,264	20,136	316,427	629,022	269,610	138,267	-	1,036,899	982,177
<b>Total expenses</b>	<b>\$ 3,278,734</b>	<b>\$ 1,797,768</b>	<b>\$ 1,200,929</b>	<b>\$ 803,507</b>	<b>\$ 888,253</b>	<b>\$ 7,969,191</b>	<b>\$ 3,210,822</b>	<b>\$ 987,084</b>	<b>\$ 413,942</b>	<b>\$ 378,108</b>	<b>\$ 4,989,956</b>	<b>\$ 12,959,147</b>	<b>\$ 2,268,980</b>	<b>\$ 6,029,724</b>	<b>\$ (759,331)</b>	<b>\$ 20,498,520</b>	<b>\$ 18,839,813</b>

*See accompanying independent auditor's report and notes to the consolidating financial statements.*