



**ASSOCIATION OF WOMEN'S HEALTH, OBSTETRIC
AND NEONATAL NURSES**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

DECEMBER 31, 2018

ASSOCIATION OF WOMEN'S HEALTH, OBSTETRIC AND NEONATAL NURSES

TABLE OF CONTENTS
DECEMBER 31, 2018

	<u>Pages</u>
Independent Auditors' Report.....	3-4
Financial Statements	
Statement of Financial Position	5
Statement of Activities	6
Statement of Functional Expenses	7
Statement of Cash Flows	8
Notes to Financial Statements.....	9-19
Supplementary Information	
Schedule of Functional Revenue	21



7910 WOODMONT AVENUE
SUITE 500
BETHESDA, MD 20814
(T) 301.986.0600

1150 18th STREET, NW
SUITE 550
WASHINGTON, DC 20036
(T) 202.822.0717

Independent Auditors' Report

To the Board of Directors
Association of Women's Health, Obstetric and Neonatal Nurses
Washington, D.C.

We have audited the accompanying financial statements of the Association of Women's Health, Obstetric and Neonatal Nurses (AWHONN), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, 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 audit. We conducted our audit 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 auditors consider 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Association of Women's Health, Obstetric and Neonatal Nurses as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

To the Board of Directors
Association of Women's Health, Obstetric and Neonatal Nurses

Emphasis of Matter

As discussed in Note 2 of the financial statements, AWHONN adopted Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The requirements of the ASU have been applied retrospectively to all periods presented. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We previously audited Association of Women's Health, Obstetric and Neonatal Nurses' 2017 financial statements, and we expressed an unmodified audit opinion on those financial statements in our report dated July 12, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional revenue on page 21 is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

Councilor, Buchanan + Mitchell, P.C.

Bethesda, Maryland
June 6, 2019

Certified Public Accountants

ASSOCIATION OF WOMEN'S HEALTH, OBSTETRIC AND NEONATAL NURSES

**STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2017)**

	<u>2018</u>	<u>2017</u>
Assets		
Cash and Cash Equivalents	\$ 2,050,262	\$ 1,534,354
Grants and Accounts Receivable, Net	1,087,733	492,436
Inventory	47,217	69,087
Prepaid Expenses	382,097	250,376
Investments	5,659,985	6,036,315
Deposits	333,447	402,920
Deferred Compensation Plan Assets	78,582	81,975
Property and Equipment, Net	<u>1,085,600</u>	<u>1,287,131</u>
Total Assets	<u>\$ 10,724,923</u>	<u>\$ 10,154,594</u>
Liabilities and Net Assets		
Liabilities		
Accounts Payable and Accrued Expenses	\$ 785,701	\$ 728,308
Deferred Membership Dues	1,353,248	1,174,521
Other Deferred Revenue	596,608	867,624
Deferred Compensation Plan Obligation	78,582	81,975
Deferred Rent and Lease Incentive	<u>1,950,087</u>	<u>2,054,856</u>
Total Liabilities	4,764,226	4,907,284
Net Assets		
Without Donor Restrictions	4,784,100	4,518,900
With Donor Restrictions	<u>1,176,597</u>	<u>728,410</u>
Total Net Assets	<u>5,960,697</u>	<u>5,247,310</u>
Total Liabilities and Net Assets	<u>\$ 10,724,923</u>	<u>\$ 10,154,594</u>

See accompanying Notes to Financial Statements.

ASSOCIATION OF WOMEN'S HEALTH, OBSTETRIC AND NEONATAL NURSES

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2017)**

	2018		2018 Total	2017 Total
	Without Donor Restrictions	With Donor Restrictions		
Support and Revenue				
Member Services and Operations	\$ 7,339,199	\$ -	\$ 7,339,199	\$ 6,283,437
Marketing, Communications, and Publications	2,815,536	93,748	2,909,284	2,826,622
Partnerships and Meetings	2,753,632	-	2,753,632	2,927,106
Sections	1,459,712	-	1,459,712	1,331,047
Finance, Administration, and Technology	90,882	-	90,882	14,676
Education	128,846	876,380	1,005,226	606,411
Net Assets Released from Restrictions				
Satisfaction of Program Restrictions	521,941	(521,941)	-	-
Total Support and Revenue	15,109,748	448,187	15,557,935	13,989,299
Expenses				
Program Services				
Partnerships and Meetings	2,446,448	-	2,446,448	2,871,221
Marketing, Communications, and Publications	2,347,596	-	2,347,596	2,491,372
Education	1,913,361	-	1,913,361	1,936,241
Research and Policy	638,306	-	638,306	527,548
Sections	1,256,905	-	1,256,905	1,300,100
Total Program Services	8,602,616	-	8,602,616	9,126,482
Supporting Services				
Member Services and Operations	1,806,932	-	1,806,932	2,025,834
Finance, Administration, and Technology	4,028,770	-	4,028,770	3,570,275
Fundraising	23,019	-	23,019	-
Total Supporting Services	5,858,721	-	5,858,721	5,596,109
Total Expenses	14,461,337	-	14,461,337	14,722,591
Change in Net Assets from Operations	648,411	448,187	1,096,598	(733,292)
Nonoperating Activities				
Net Investment Return	(383,211)	-	(383,211)	783,100
Income Taxes	-	-	-	(26,546)
Total Nonoperating Activities	(383,211)	-	(383,211)	756,554
Change in Net Assets	265,200	448,187	713,387	23,262
Net Assets, Beginning of Year	4,518,900	728,410	5,247,310	5,224,048
Net Assets, End of Year	\$ 4,784,100	\$ 1,176,597	\$ 5,960,697	\$ 5,247,310

See accompanying Notes to Financial Statements.

ASSOCIATION OF WOMEN'S HEALTH, OBSTETRIC AND NEONATAL NURSES

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2017)**

	Program Services					Supporting Services					2018 Total	2017 Total
	Partnerships and Meetings	Marketing, Communications, and Publications	Education	Research and Policy	Sections	Total Program Services	Member Services and Operations	Finance, Administration, and Technology	Fundraising	Total Supporting Services		
Salaries and Benefits	\$ 709,723	\$ 1,459,832	\$ 1,274,512	\$ 378,601	\$ -	\$ 3,822,668	\$ 1,505,623	\$ 1,463,124	\$ 7,767	\$ 2,976,514	\$ 6,799,182	\$ 7,170,800
Conference	1,085,090	3,388	25,844	11,942	843,694	1,969,958	13,725	56,022	-	69,747	2,039,705	2,157,200
Consultants	83,875	299,214	34,386	11,120	-	428,595	111,079	1,092,281	-	1,203,360	1,631,955	920,200
Rent	108,635	223,451	195,085	57,951	-	585,122	-	455,603	-	455,603	1,040,725	908,200
Travel	116,164	18,432	101,166	68,115	250,789	554,666	35,832	122,718	338	158,888	713,554	611,700
Processing Fees	43,904	90,306	78,842	23,420	1,144	237,616	-	104,614	-	104,614	342,230	392,500
Production/Publications	56,300	2,483	10,960	-	93,248	162,991	83,289	2,572	-	85,861	248,852	148,200
Dues and Subscriptions	-	838	28,839	14,425	7,809	51,911	199	183,426	-	183,625	235,536	313,800
Depreciation and Amortization	22,140	45,541	39,760	11,811	-	119,252	-	92,855	-	92,855	212,107	244,200
Telephone	70,373	18,677	14,809	4,399	-	108,258	-	34,586	-	34,586	142,844	131,900
Miscellaneous	10,978	14,673	10,717	8,435	6,127	50,930	9,813	54,715	515	65,043	115,973	78,191
Equipment Rental and Maintenance	10,936	22,494	19,639	5,833	-	58,902	-	45,865	-	45,865	104,767	109,700
Fellowship and Awards	9,655	-	30,000	35,111	16,676	91,442	-	1,418	-	1,418	92,860	142,800
Promotion	42,000	40,293	397	-	-	82,690	2,926	5,701	-	8,627	91,317	157,400
Legal	-	-	-	-	5,443	5,443	-	69,638	-	69,638	75,081	122,900
Postage and Shipping	16,587	24,107	-	6	5,264	45,964	135	22,237	3,609	25,981	71,945	115,100
Honoraria	29,306	4,350	35,950	-	-	69,606	500	-	-	500	70,106	116,300
Temporary Staff	17,499	-	-	-	-	17,499	43,248	6,939	-	50,187	67,686	87,000
Costs of Goods Sold	-	40,000	-	-	-	40,000	-	26,713	-	26,713	66,713	47,600
Officers' Stipend	-	-	-	-	-	-	-	65,000	-	65,000	65,000	65,000
Insurance	6,359	13,080	11,420	3,392	-	34,251	-	26,669	-	26,669	60,920	106,400
Printing	5,966	26,398	109	60	5,014	37,547	-	7,057	10,790	17,847	55,394	182,900
Supplies	958	39	926	800	17,009	19,732	563	24,556	-	25,119	44,851	35,500
Audit	-	-	-	-	-	-	-	36,230	-	36,230	36,230	50,100
Staff Training	-	-	-	325	-	325	-	20,333	-	20,333	20,658	16,800
Recruiting Fees	-	-	-	2,560	-	2,560	-	7,641	-	7,641	10,201	18,500
Section Activity	-	-	-	-	4,688	4,688	-	157	-	157	4,845	20,500
New Program Contingency	-	-	-	-	-	-	-	100	-	100	100	251,200
Total	\$ 2,446,448	\$ 2,347,596	\$ 1,913,361	\$ 638,306	\$ 1,256,905	\$ 8,602,616	\$ 1,806,932	\$ 4,028,770	\$ 23,019	\$ 5,858,721	\$ 14,461,337	\$ 14,722,591

See accompanying Notes to Financial Statements.

ASSOCIATION OF WOMEN'S HEALTH, OBSTETRIC AND NEONATAL NURSES

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2017)**

	<u>2018</u>	<u>2017</u>
Cash Flows from Operating Activities		
Change in Net Assets	\$ 713,387	\$ 23,262
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used in) Operating Activities		
Depreciation and Amortization	212,107	244,204
Net Loss (Gain) on Investments	544,461	(653,990)
Changes in Assets and Liabilities		
Grants and Accounts Receivable	(595,297)	(127,955)
Inventory	21,870	(16,087)
Prepaid Expenses	(131,721)	68,889
Deposits	69,473	71,608
Accounts Payable and Accrued Expenses	57,393	(165,159)
Deferred Membership Dues	178,727	22,957
Other Deferred Revenue	(271,016)	(72,809)
Deferred Compensation Plan Obligation	(3,393)	30,452
Deferred Rent and Lease Incentive	(104,769)	15,664
Net Cash Provided by (Used in) Operating Activities	<u>691,222</u>	<u>(558,964)</u>
Cash Flows from Investing Activities		
Purchases of Investments	(4,229,791)	(4,308,996)
Proceeds from Sale or Maturity of Investments	4,061,660	4,156,302
Changes in Deferred Compensation Plan Assets	3,393	(30,452)
Purchases of Property and Equipment	<u>(10,576)</u>	<u>(6,424)</u>
Net Cash Used in Investing Activities	<u>(175,314)</u>	<u>(189,570)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	515,908	(748,534)
Cash and Cash Equivalents, Beginning of Year	<u>1,534,354</u>	<u>2,282,888</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 2,050,262</u></u>	<u><u>\$ 1,534,354</u></u>
Supplementary Disclosure of Cash Flow Information		
Taxes Paid	\$ -	\$ 26,546

See accompanying Notes to Financial Statements.

ASSOCIATION OF WOMEN'S HEALTH, OBSTETRIC AND NEONATAL NURSES

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Association of Women's Health, Obstetric and Neonatal Nurses (AWHONN), incorporated in 1992, is a not-for-profit association dedicated to establishing and promoting the highest standards of women's health, obstetric and neonatal nursing practice, education, and research. The accompanying financial statements include the activities of AWHONN's headquarters and AWHONN's 51 sections. The 51 sections are not separately incorporated, and therefore, their activity is reported as part of AWHONN's financial statements. AWHONN's revenue and support consist of membership dues, revenue from section activities, registration and exhibit fees related to the annual convention, product sales, and royalties. Members are located in all fifty states and on US military installations around the world.

Basis of Presentation

The financial statement presentation follows generally accepted accounting principles in the United States of America (GAAP). AWHONN prepares its financial statements on the accrual basis of accounting. Accordingly, revenues are recognized when earned and expenses are recognized when the underlying obligations are incurred.

Cash and Cash Equivalents

AWHONN considers all short-term, highly liquid investments with initial maturities of three months or less to be cash equivalents, other than the cash and cash equivalents in its investment portfolio which are not used in current operations. Included in cash and cash equivalents in the accompanying statement of financial position is \$730,912 of cash which is restricted for use by AWHONN's various sections.

Receivables and Allowance for Doubtful Accounts

AWHONN uses the allowance method to record potentially uncollectible receivables. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received. At December 31, 2018, AWHONN considered all receivables collectible and determined there was no allowance for doubtful accounts necessary.

Inventory

Inventory consists of publications and logo merchandise held for sale and is carried at the lower of cost or market value. Cost is determined using the first-in, first-out method. Appropriate consideration is given to obsolescence in evaluating net realizable value. Obsolete inventory is written off in the year it becomes obsolete.

Investments

Investments are reported at fair value and consist of unit investment trusts, equity and fixed-income mutual funds, exchange-traded funds, money market funds and corporate bonds. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments (Continued)

transaction between market participants at the measurement date. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Unrealized gains or losses are determined by a comparison of fair value at the beginning and end of the reporting period.

Property and Equipment

Property and equipment are recorded at cost. All expenditures for property and equipment of \$500 or more are capitalized. Depreciation and amortization on furniture and equipment, website, and video production workshop is provided for on a straight-line basis over the estimated useful lives of the assets, which are generally five or ten years. When assets are retired or disposed of, the cost and related accumulated depreciation or amortization are removed from the accounting records and any gain or loss is reflected in income. Leasehold improvements are recorded at cost and amortized over the shorter of the lease term or the estimated useful life.

Classification of Net Assets

The financial statements of AWHONN have been prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP), which requires AWHONN to report information regarding its financial position and activities according to the following asset classifications:

Net Assets Without Donor Restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of AWHONN. These net assets may be used at the discretion of AWHONN's management and the Board of Directors.

Net Assets With Donor Restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of AWHONN or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Presentation of Revenue

The following is an explanation of certain revenue categories presented in the statement of activities:

Member Services and Operations: Revenue related to membership dues, royalty income, product sales, and webinars.

Marketing, Communications, and Publications: Revenue from royalty income, the sale of products and services to members, and the general population of nurses within the specialties of women's health, obstetrics and neonatal nursing.

Partnerships and Meetings: Revenue from the annual convention, AWHONN industry member (AIM) program dues, and contributions.

Sections: Revenue mostly from section dues, grants, and conferences related to education, leadership development and opportunities to network with colleagues and other health care providers, and investment income related to the sections investments.

ASSOCIATION OF WOMEN'S HEALTH, OBSTETRIC AND NEONATAL NURSES

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Presentation of Revenue (Continued)

Finance, Administration, and Technology: Revenue related to net investment return.

Education: Revenue derived from the development of educational products relevant to women's health, obstetrics and neonatal nursing through grants and registration fees.

Revenue Recognition

Membership dues are recognized as revenue on a pro-rata basis over the membership period to which the dues relate. Accordingly, dues paid by members in advance of the membership period are reported as deferred membership dues in the accompanying statement of financial position.

Revenue and the related costs of the annual conference and exhibits are recognized in the year in which the annual conference is held. Accordingly, registration and exhibit fees received in advance of the annual conference are recorded as other deferred revenue in the accompanying statement of financial position.

Revenue from sales of products, publications, and videos is reported as earned revenue when AWHONN has fulfilled its obligation under the terms of the sale.

Revenue from royalties is recognized in the period to which the royalty payment relates. Up-front fees are deferred and recognized over the terms established in the agreement.

Contributions are reported as revenue in the year in which payments are received and/or unconditional promises are made. Contributions are considered available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as contributions with donor restrictions. Contributions received with temporary donor restrictions that are met in the same reporting period are reported as unrestricted support and increase net assets without donor restrictions. Conditional promises to give are not included as support until such time as the conditions are substantially met. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying statement of activities as net assets released from restrictions. Revenue recognized on contributions that have been committed to AWHONN but have not been received is reflected as grants and accounts receivable in the accompanying statement of financial position.

AWHONN also receives contract awards in exchange for services. Revenue from the contracts is recognized as costs are incurred on the basis of direct costs plus allowable indirect costs. Revenue recognized on contracts for which payments have not been received is included in grants and accounts receivable in the accompanying statement of financial position. Funds received, but not yet expended, under grants and contracts are reflected as other deferred revenue in the accompanying statement of financial position.

ASSOCIATION OF WOMEN'S HEALTH, OBSTETRIC AND NEONATAL NURSES

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. These expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries, taxes, and benefits which are allocated on the basis of time and effort by employees; office rent, depreciation, and other expenses are based on labor costs. Expenses directly identifiable to specific programs and supporting activities are allocated accordingly.

Income Taxes

AWHONN qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and is classified as a publicly supported organization under Section 509(a)(1) of the Internal Revenue Code. Unrelated business income that is not related to exempt purposes, less applicable deductions, is subject to federal and state corporate income taxes. AWHONN receives unrelated business income from advertising and royalties. There was no unrelated business income tax expense recorded during the year ended December 31, 2018. During the year ended December 31, 2018, there were no estimated tax payments made to tax authorities as no amount was due.

AWHONN performed an evaluation of uncertainty in income taxes for the year ended December 31, 2018, and determined that there are no matters that would require recognition in the financial statements or that may have any effect on its tax-exempt status. AWHONN's tax returns are subject to examination by the taxing authorities for three years after filing. It is AWHONN's policy to recognize interest and penalties related to uncertainty in income taxes, if any, in income tax expense. As of December 31, 2018, AWHONN had no accruals for interest and/or penalties.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Measure of Operations

In its statement of activities, AWHONN includes in its definition of operations all revenues and expenses that are an integral part of its programs and supporting services. Income taxes paid are recognized as non-operating activities.

Reclassification

Certain 2017 amounts have been reclassified for comparative purposes.

ASSOCIATION OF WOMEN'S HEALTH, OBSTETRIC AND NEONATAL NURSES

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Prior Year Summarized Financial Information

The accompanying financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with AWHONN's audited financial statements for the year ended December 31, 2017, from which the summarized information was prepared.

2. ADOPTION OF ACCOUNTING STANDARDS UPDATE 2016-14

For the year ended December 31, 2018, AWHONN adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. This update addresses the complexity and understandability of net asset classification and provides information about liquidity and availability of resources. The changes required by the update have been applied retrospectively to all periods presented. A key change under ASU 2016-14 is the terminology of net asset classes used in these financial statements. Amounts previously reported as temporarily and permanently restricted net assets, if applicable, are now reported as net assets with donor restrictions. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions. Additionally, ASU 2016-14 requires a presentation of expenses on a functional basis.

3. LIQUIDITY AND AVAILABILITY OF RESOURCES

AWHONN regularly monitors liquidity required to meet its annual operating needs and other contractual commitments. AWHONN has various sources of liquidity at its disposal, including cash and cash equivalents and investments, which are available for general expenditures, liabilities, and other obligations as they come due. AWHONN's working capital and cash flows come from the collection of membership dues, event sponsorships and registrations, and royalty income that recur on an annual basis at various times throughout the year. Management is focused on sustaining the financial liquidity of AWHONN throughout the year. This is done through monitoring and reviewing AWHONN's cash flow needs on a weekly basis. As a result, management is aware of the cyclical nature of AWHONN's cash flow related to AWHONN's various funding sources and is therefore able to ensure that there is cash available to meet current liquidity needs. To help manage unanticipated liquidity needs, AWHONN has established a line of credit with an available credit of \$500,000 which could be drawn upon. There is no outstanding balance as of December 31, 2018.

ASSOCIATION OF WOMEN'S HEALTH, OBSTETRIC AND NEONATAL NURSES

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

3. LIQUIDITY AND AVAILABILITY OF RESOURCES (CONTINUED)

As of December 31, 2018, the following financial assets and liquidity resources were available for general operating expenditures in the year ending December 31, 2019:

Financial Assets

Cash and Cash Equivalents	\$ 2,050,262
Pledges and Grants Receivable	1,087,733
Investments	<u>5,659,985</u>
Total Current Financial Assets	8,797,980
<i>Less Investments Reserved for Future Operations</i>	(4,955,889)

Other Liquidity Resources

Available Line of Credit	<u>500,000</u>
Total Financial Assets and Liquid Resources Available within One Year	<u><u>\$ 4,342,091</u></u>

4. GRANTS AND ACCOUNTS RECEIVABLE

Grants and accounts receivable consisted of the following as of December 31, 2018:

Contributions and Contracts	\$ 866,809
Inventory Sales	180,253
Royalties	32,500
Section Receivables	5,547
Other Receivables	<u>2,624</u>
Total Grants and Accounts Receivable, Net	<u><u>\$ 1,087,733</u></u>

All receivables are due within one year.

5. INVESTMENTS

Investments, at fair value, consisted of the following as of December 31, 2018:

Unit Investment Trusts	\$ 2,151,149
Exchange-Traded Funds	1,252,106
Corporate Bonds	779,283
Other Bonds	99,463
Cash Equivalents	963,819
Fixed-Income Mutual Funds	247,720
Equity Mutual Funds	<u>166,445</u>
Total Investments	<u><u>\$ 5,659,985</u></u>

As of December 31, 2018, approximately \$2,604,000 of the investment balance was allocated to the Sections.

Net investment return is summarized as follows for the year ended December 31, 2018:

Interest and Dividends	\$ 161,250
Unrealized Losses	(628,439)
Realized Gains	163,492
Investment Fees	<u>(79,514)</u>
Net Investment Return	<u><u>\$ (383,211)</u></u>

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

6. FAIR VALUE MEASUREMENTS

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurement*, defines fair value, establishes a framework for measuring fair value in accordance with GAAP and requires disclosures about fair value measurement for assets and liabilities that are measured at fair value on a recurring basis. The ASC emphasizes that fair value is a market-based measurement, not an entity-specific measurement, and therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, the ASC established a fair value hierarchy based upon the transparency of the inputs to the valuation of an asset or liability. These inputs may be observable, whereby market participant assumptions are developed based on market data obtained from independent sources, or unobservable, whereby assumptions about market participants are developed by the reporting entity based on the best information available in the circumstances. The three levels of the fair value hierarchy are described as follows:

Level 1 - inputs based on quoted prices (unadjusted) in active markets for identical assets or liabilities accessible at the measurement date;

Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly, such as quoted prices for similar assets or liabilities in active markets; and

Level 3 - unobservable inputs for the asset or liability, including the reporting entity's own assumptions in determining the fair value measurement.

As of December 31, 2018, AWHONN's investments and the assets and liability related to the deferred compensation plan were measured at fair value on a recurring basis, as presented in Note 5.

AWHONN follows the measurement provisions of FASB Accounting Standards Update (ASU) 2009-12, *Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*. The guidance amends the Fair Value Measurements topic and permits, as a practical expedient, fair value of investments within its scope to be estimated using net asset value (NAV) or its equivalent. NAV or its equivalent is the value per share or value of ownership interest in partner's capital, as provided by the fund, whose financial statements are prepared in a manner consistent with the measurement principles of an investment company or that has the attributes of an investment company.

In May 2015, the FASB issued ASU No. 2015-07, *Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or its Equivalent)*, which is effective for non-public entities for fiscal years beginning after December 15, 2016, with early adoption permitted. This standard removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using NAV per share as a practical expedient. Accordingly, applicable investments measured at fair value on a recurring basis using NAV or its equivalent as a practical expedient are excluded from the fair value hierarchy disclosures and included as a reconciling item in Note 4 of these financial statements.

ASSOCIATION OF WOMEN'S HEALTH, OBSTETRIC AND NEONATAL NURSES

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

6. FAIR VALUE MEASUREMENTS (CONTINUED)

The following table summarizes AWHONN's assets and liabilities measured at fair value on a recurring basis as of December 31, 2018, aggregated by the fair value hierarchy level within which those measurements were made:

	<u>Fair Value</u>	<u>Quoted Prices in Active Identical Assets Level 1</u>	<u>Significant Other Observable Inputs Level 2</u>	<u>Significant Unobservable Inputs Level 3</u>
Assets				
Investments				
<u>Exchange-Traded Funds</u>				
Technology	\$ 443,363	\$ 443,363	\$ -	\$ -
Health	186,249	186,249	-	-
Industrials	174,715	174,715	-	-
Consumer Cyclical	200,198	200,198	-	-
Equity Energy	73,924	73,924	-	-
Financial	85,299	85,299	-	-
Other	88,358	88,358	-	-
<u>Fixed-Income Mutual Funds</u>				
Nontraditional Bond	247,720	247,720	-	-
<u>Equity Mutual Funds</u>				
Foreign Small/Mid-Blend	166,445	166,445	-	-
Corporate Bonds	779,283	-	779,283	-
Other Bonds	99,463	-	99,463	-
	<u>2,545,017</u>	<u>\$ 1,666,271</u>	<u>\$ 878,746</u>	<u>\$ -</u>
Cash and Cash Equivalents	963,819			
Investments Held at NAV	<u>2,151,149</u>			
Total Investments	5,659,985			
Assets Held for Deferred Compensation Plan				
<u>Equity Mutual Funds</u>				
U.S. Small/Mid-Cap	37,600	\$ 37,600	\$ -	\$ -
U.S. Large-Cap	40,982	40,982	-	-
Total Assets Held for Deferred Compensation Plan	<u>78,582</u>	<u>78,582</u>	-	-
Total Assets	<u>\$ 5,738,567</u>	<u>\$ 78,582</u>	<u>\$ -</u>	<u>\$ -</u>
Liabilities				
Deferred Compensation	\$ 78,582	\$ 78,582	\$ -	\$ -
Total Liabilities	<u>\$ 78,582</u>	<u>\$ 78,582</u>	<u>\$ -</u>	<u>\$ -</u>

ASSOCIATION OF WOMEN'S HEALTH, OBSTETRIC AND NEONATAL NURSES

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

6. FAIR VALUE MEASUREMENTS (CONTINUED)

AWHONN used the following methods and significant assumptions to estimate fair value for assets and liabilities recorded at fair value:

Exchange-Traded Funds, Mutual Funds, and Money Funds - Valued at readily available quoted market prices from an active market where there is significant transparency in the executed/quoted market price.

Corporate and Other Bonds - Valued using pricing models, quoted prices of securities with similar characteristics or discounted cash flows. A yield-based matrix system was used to arrive at an estimated market value for the bonds (a market valuation approach).

Deferred Compensation Liability - Value is based on the fair value of investments corresponding to the employee's investment selections (see mutual funds above for valuation technique used for the employee's investment selections) plus the value of cash accruals for amounts not yet transferred to the plan assets.

The table below details AWHONN's ability to redeem investment funds valued at NAV or its equivalent as of December 31, 2018:

	<u>Fair Value</u>	<u>Number of Funds</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency, if Currently Eligible</u>	<u>Redemption Notice Period</u>
Unit Investment Trusts	\$ 2,151,149	9	\$ -	Daily	2 to 3 days

7. PROPERTY AND EQUIPMENT

AWHONN's property and equipment consisted of the following as of December 31, 2018:

Furniture and Equipment	\$ 2,043,539
Website	1,874,358
Leasehold Improvements	1,359,118
Video Publication Workshop	<u>146,212</u>
Total Property and Equipment	5,423,227
Less Accumulated Depreciation and Amortization	<u>(4,337,627)</u>
Property and Equipment, Net	<u>\$ 1,085,600</u>

Depreciation and amortization expense totaled \$212,107 for the year ended December 31, 2018.

8. LINE OF CREDIT

AWHONN entered into a loan management account agreement with its investment custodian that is collateralized by AWHONN's investments. AWHONN can draw amounts on the credit facility up to \$500,000. Amounts drawn on the credit facility are due on demand and bear interest based on the one-month LIBOR plus a fixed interest spread of 3.625%. The interest rate was 6.1% as of December 31, 2018. As of December 31, 2018, AWHONN had no outstanding balance due on this credit facility and had not drawn on it during the year.

ASSOCIATION OF WOMEN’S HEALTH, OBSTETRIC AND NEONATAL NURSES

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

9. TEMPORARILY RESTRICTED NET ASSETS

As of December 31, 2018, AWHONN’s temporarily restricted net assets were available for the following projects or purposes under the nursing, research, education, and practices program:

Empowering Women to Obtain Needed Care	\$ 550,000
Institute for Women’s Reproductive Health	296,896
Oral Health	120,000
Diapering Zone	47,178
Huggies Special Projects	42,777
Alliance for Innovation on Maternal and Child Health	28,938
Diaper Drive	27,718
Research Award and Scholarship	25,000
Nursing Administration	16,250
TeamStep Training Programs	14,340
Women’s Health Programs	7,500
	\$ 1,176,597
Total Temporarily Restricted Net Assets	\$ 1,176,597

10. COMMITMENTS, RISKS, AND CONTINGENCIES

Operating Leases

In October 2015, AWHONN entered into a lease agreement for new office space in Washington, D.C. The lease commencement date was March 1, 2016. The lease has an initial lease term of 11 years from the lease commencement date, with a five-year renewal option. Annual base rent is \$1,000,340, with a fixed annual escalation of 2.5%. AWHONN received an abatement of the base rent during the first 12 months of the lease term. The lease required a security deposit of \$333,447 which is included in deposits in the accompanying statement of financial position. AWHONN also received a construction allowance of \$1,182,591.

Under GAAP, all rental payments, including fixed rent increases, less any rental abatements and other incentives are recognized on a straight-line basis over the term of the lease. The difference between the GAAP rent expense and the required lease payments is reflected as part of deferred rent and lease incentive in the accompanying statement of financial position. Office rental expense totaled approximately \$1,041,000 for the year ended December 31, 2018. AWHONN also leases certain office equipment under operating leases. The leases will expire at various times through 2020.

Future minimum lease payments related to these leases are as follows:

<u>For the Years Ending December 31,</u>	<u>Equipment</u>	<u>Office Space</u>	<u>Total Commitment</u>
2019	\$ 38,675	\$ 1,072,880	\$ 1,111,555
2020	12,892	1,099,707	1,112,599
2021	-	1,134,507	1,134,507
2022	-	1,164,365	1,164,365
2023	-	1,193,375	1,193,375
Thereafter	-	3,977,352	3,977,352
	\$ 51,567	\$ 9,642,186	\$ 9,693,753

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

10. COMMITMENTS, RISKS, AND CONTINGENCIES (CONTINUED)

Contractual Commitments

AWHONN has entered into various letters of agreement for commitments for hotel accommodations for its planned conventions through 2023. In the event AWHONN were to cancel these reservations or fail to use a specified percentage of the total space reserved, AWHONN would be required to pay liquidated damages based upon the date the hotel was notified of the cancellation or reduction in requested rooms, as well as the hotel's ability to fill the resulting vacancies. Management of AWHONN does not believe that any of these commitments will result in a loss due to liquidated damages. Accordingly, no amount for this potential liability has been reflected in the accompanying financial statements.

Concentration of Credit Risk

AWHONN maintains its cash and cash equivalents with commercial financial institutions which aggregate balance may exceed, at times, the Federal Deposit Insurance Corporation (FDIC) insured limit of \$250,000 per depositor per institution and the National Credit Union Administration (NCUA) insured limit of \$500,000 per depositor. As of December 31, 2018, AWHONN's cash exceeded the maximum limit insured by the FDIC or NCUA by approximately \$1,649,000. AWHONN monitors the creditworthiness of these institutions and has not experienced any historical credit losses on its cash and cash equivalents.

Concentration of Revenue and Support

As of December 31, 2018, two donors comprised approximately 71% of total grants and accounts receivable. AWHONN received approximately 35% of its revenue from two royalty contracts and two grantors during 2018.

11. PENSION PLANS

AWHONN has a defined contribution pension plan (the Plan) which operates under Section 403(b) of the Internal Revenue Code (the IRC). The Plan covers all of AWHONN's full-time employees. AWHONN matches up to 6% of an employee's salary for those employees who elect to contribute to the Plan. Employees become fully vested in AWHONN's contributions after participating in the Plan for three years. Non-vested contributions for terminated employees are forfeited and used to reduce subsequent AWHONN contributions.

In addition, AWHONN also has a deferred compensation plan for its eligible executive under the IRC Section 457(b). Under the 457(b) plan, contributions to the 457(b) plan are fully vested and nonforfeitable at all times. AWHONN did not make any discretionary contributions to the 457(b) plan for the year ended December 31, 2018.

AWHONN's combined contributions for these plans totaled \$480,866 for the year ended December 31, 2018.

12. SUBSEQUENT EVENTS

Subsequent events have been evaluated through June 6, 2019, which is the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

ASSOCIATION OF WOMEN'S HEALTH, OBSTETRIC AND NEONATAL NURSES

**SCHEDULE OF FUNCTIONAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2018**

n usa	Member Services and Operations	Marketing, Communications, and Publications	Partnerships and Meetings	Sections	Finance, Administration, and Technology	Education	Total
Dues Revenue	\$ 3,381,174	\$ -	\$ 335,501	\$ 399,864	\$ -	\$ -	\$ 4,116,539
Convention and Exhibit Fees Revenue	-	-	2,090,012	861,972	-	22,351	2,974,335
Royalties	3,469,928	1,258,811	-	2,206	-	-	4,730,945
Inventory Sales	412,902	1,378,249	-	-	77,295	-	1,868,446
Contributions and Contracts	-	93,748	320,221	189,580	-	976,255	1,579,804
Label/List Rental Income	9,418	1,650	-	-	-	6,620	17,688
Other Income	65,777	176,826	7,898	6,090	13,587	-	270,178
Total Revenue from Operations	\$ 7,339,199	\$ 2,909,284	\$ 2,753,632	\$ 1,459,712	\$ 90,882	\$ 1,005,226	\$ 15,557,935