

# **American Optometric Association**

(Parent-Only)

Independent Auditor's Report and Financial Statements

December 31, 2020 and 2019

**American Optometric Association**  
**(Parent-Only)**  
**December 31, 2020 and 2019**

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## Independent Auditor's Report

Board of Trustees  
American Optometric Association  
St. Louis, Missouri

We have audited the accompanying parent-only financial statements of American Optometric Association (the "Association"), which comprise the parent-only statements of financial position as of December 31, 2020 and 2019, and the related parent-only statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the parent-only financial statements.

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the parent-only financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the parent-only financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Association's preparation and fair presentation of the parent-only 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 Association'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 parent-only 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 parent-only financial statements referred to above present fairly, in all material respects, the parent-only financial position of American Optometric Association as of December 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

We draw attention to Note 1 of the financial statements, which describes the basis of presentation. These financial statements are prepared by the Association as parent-only financial statements. Parent-only financial statements are not intended to be the general-purpose financial statements and should be read in conjunction with the Association's consolidated financial statements. Our opinion is not modified with respect to this matter.

***Other Matter***

Our report is intended solely for the information and use of management and the Board of Trustees of the Association and is not intended to be, and should not be, used by anyone other than these specified parties.

***BKD, LLP***

St. Louis, Missouri  
May 14, 2021

**American Optometric Association**  
**(Parent-Only)**  
**Statements of Financial Position**  
**December 31, 2020 and 2019**

**Assets**

	<b>2020</b>	<b>2019</b>
<b>Current Assets</b>		
Cash	\$ 1,149,970	\$ 1,180,776
Investments	16,530,966	15,277,391
Dues receivable, net of allowance \$500,075 in 2020 and \$451,519 in 2019	2,890,347	2,711,725
Accounts and other receivables, net of allowance \$97,747 in 2020 and \$102,107 in 2019	412,680	481,982
Contributions receivable, net of allowance, \$79,750 in 2020 and \$4,125 in 2019	-	74,386
Printed materials for resale	25,377	33,020
Other current assets	471,005	473,454
Total current assets	21,480,345	20,232,734
 <b>Contributions Receivable - Long-Term</b>	-	26,500
 <b>Property and Equipment, Net</b>		
Land	978,647	978,647
Buildings and improvements	11,054,836	11,056,256
Furniture and equipment	5,798,627	6,014,540
	17,832,110	18,049,443
Less accumulated depreciation	8,844,090	8,278,739
	8,988,020	9,770,704
 <b>Other Long-Term Assets</b>	 77,706	 59,156
Total assets	\$ 30,546,071	\$ 30,089,094

See Notes to Parent-Only Financial Statements

## Liabilities and Net Assets

	<u>2020</u>	<u>2019</u>
<b>Current Liabilities</b>		
Bank line of credit	\$ 2,500,000	\$ 1,500,000
Accounts payable	494,379	1,339,084
Accrued liabilities	377,628	662,196
Current maturities of long-term debt	533,333	533,333
Deferred revenue - membership dues	737,048	-
Deferred revenue - other	<u>1,222,465</u>	<u>932,249</u>
Total current liabilities	5,864,853	4,966,862
<b>Investment in Subsidiary</b>	266,273	488,985
<b>Long-Term Debt, Net</b>	5,304,120	5,834,756
<b>Interest Rate Swap Agreement</b>	<u>661,221</u>	<u>329,888</u>
Total liabilities	<u>12,096,467</u>	<u>11,620,491</u>
<b>Net Assets</b>		
Without donor restrictions		
Designated by board	(2,128,607)	(1,816,719)
Undesignated	<u>20,578,211</u>	<u>20,184,436</u>
Total without donor restrictions	18,449,604	18,367,717
With donor restrictions	<u>-</u>	<u>100,886</u>
Total net assets	<u>18,449,604</u>	<u>18,468,603</u>
Total liabilities and net assets	<u>\$ 30,546,071</u>	<u>\$ 30,089,094</u>

**American Optometric Association**  
**(Parent-Only)**  
**Statements of Activities**  
**Years Ended December 31, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
<b>Revenues, Gains and Other Support</b>		
Membership dues	\$ 14,837,017	\$ 18,669,491
Contributions and industry support	363,000	2,588,140
Registration income	647,691	1,616,176
ACOE site visits and fees	662,097	650,740
Sale of printed materials	341,578	407,452
Exhibit booths and meetings	44,841	1,220,301
Royalties income	4,648	6,225
Program revenue	-	93,898
Advertising	338,287	224,634
Rental income	278,240	278,240
Investment return, net	1,838,625	2,839,542
Change in fair value of interest rate swap agreement	(331,333)	(304,786)
Other revenue	446,663	576,835
Net assets released from restriction	21,125	56,052
	<u>19,492,479</u>	<u>28,922,940</u>
<b>Expenses</b>		
Salaries and benefits	9,709,716	9,956,926
Phone, copy and supplies	408,038	469,956
Software, purchases and printing	768,944	852,857
Rent, utilities, insurance and property taxes	650,473	728,161
Consultant, legal and professional fees	4,311,457	4,997,187
Travel expenses	364,864	2,095,283
Meeting expenses	233,432	1,931,203
Food functions	117,347	999,095
Stipends, honorariums and payments to affiliates	925,929	1,007,070
Advertising and promotions	53,001	1,502,921
Awards, grants and contributions	488,320	563,377
Depreciation and amortization	869,146	1,512,564
Interest expense	293,809	291,915
Other expenses	688,828	1,197,719
	<u>19,883,304</u>	<u>28,106,234</u>
<b>Change in Net Assets From Operations</b>	(390,825)	816,706
Dividend received from subsidiary	250,000	-
Equity in undistributed earnings of subsidiary	222,712	346,521
	<u>81,887</u>	<u>1,163,227</u>
<b>Increase in Net Assets Without Donor Restrictions</b>	<u>81,887</u>	<u>1,163,227</u>

**American Optometric Association**  
**(Parent-Only)**  
**Statements of Activities (Continued)**  
**Years Ended December 31, 2020 and 2019**

	<b>2020</b>	<b>2019</b>
<b>Change in Net Assets With Donor Restrictions</b>		
Provision for bad debt on uncollected campaign receivables	\$ (79,761)	\$ -
Net assets released from restriction	(21,125)	(56,052)
Decrease in net assets with donor restrictions	(100,886)	(56,052)
<b>Change in Net Assets</b>	(18,999)	1,107,175
<b>Net Assets, Beginning of Year</b>	18,468,603	17,361,428
<b>Net Assets, End of Year</b>	\$ 18,449,604	\$ 18,468,603



**American Optometric Association**  
**(Parent-Only)**  
**Statement of Function Expenses**  
**Year Ended December 31, 2020**

	<b>Program Expenses</b>						<b>General Administration</b>	<b>Total</b>
	<b>Membership Services</b>	<b>Advocacy</b>	<b>Communication &amp; Publications</b>	<b>Optometry's Meetings &amp; Conferences</b>	<b>Occupancy Expenses</b>			
<b>Expenses</b>								
Salaries & Benefits	\$ 3,536,913	\$ 2,358,503	\$ 775,012	\$ 345,720	\$ 10,558	\$ 2,683,010	\$ 9,709,716	
Phone, Copy & Supplies	109,302	23,527	66,791	3,247	3,796	201,375	408,038	
Software, Purchases & Printing	460,247	27,392	4,628	12,286	1,901	262,490	768,944	
Rent, Utilities, Insurance & Property Taxes	22,646	4,262	-	22,950	593,998	6,617	650,473	
Consultant, Legal & Professional Fees	873,808	1,247,287	1,584,274	240,170	109,812	256,106	4,311,457	
Travel Expenses	166,950	35,057	7,174	134,101	-	21,582	364,864	
Meeting Expenses	18,336	21,687	3,249	186,014	-	4,146	233,432	
Food Functions	26,825	3,021	340	80,674	19	6,468	117,347	
Depreciation and Amortization	81,123	982	-	-	628,949	158,092	869,146	
Interest Expense	42,809	-	-	-	251,000	-	293,809	
Stipends, Honorariums, & Payments to								
Affiliates	593,617	294,812	-	37,500	-	-	925,929	
Advertising & Promotions	46,788	5,018	-	25	-	1,170	53,001	
Awards, Grants & Contributions	347,567	132,965	1,258	-	-	6,530	488,320	
Other Expenses	445,891	195,363	361	19,930	-	27,283	688,828	
	<u>\$ 6,772,822</u>	<u>\$ 4,349,876</u>	<u>\$ 2,443,087</u>	<u>\$ 1,082,617</u>	<u>\$ 1,600,033</u>	<u>\$ 3,634,869</u>	<u>\$ 19,883,304</u>	
Total expenses	\$ 6,772,822	\$ 4,349,876	\$ 2,443,087	\$ 1,082,617	\$ 1,600,033	\$ 3,634,869	\$ 19,883,304	

**American Optometric Association**  
**(Parent-Only)**  
**Statement of Function Expenses (Continued)**  
**Year Ended December 31, 2019**

**Program Expenses**

	<b>Membership Services</b>	<b>Advocacy</b>	<b>Communication &amp; Publications</b>	<b>Optometry's Meetings &amp; Conferences</b>	<b>Occupancy Expenses</b>	<b>General Administration</b>	<b>Total</b>
<b>Expenses</b>							
Salaries & Benefits	\$ 3,610,475	\$ 2,768,632	\$ 779,091	\$ 350,396	\$ 11,072	\$ 2,437,260	\$ 9,956,926
Phone, Copy & Supplies	136,113	52,850	93,614	14,259	4,242	168,878	469,956
Software, Purchases & Printing	467,414	57,262	17,252	10,727	563	299,639	852,857
Rent, Utilities, Insurance & Property Taxes	35,704	27,186	144	20,599	638,075	6,453	728,161
Consultant, Legal & Professional Fees	928,943	1,587,657	1,871,826	300,512	81,964	226,285	4,997,187
Travel Expenses	831,820	688,601	26,131	448,727	-	100,004	2,095,283
Meeting Expenses	227,064	220,120	4,367	1,468,222	-	11,430	1,931,203
Food Functions	200,031	277,618	1,057	510,226	-	10,163	999,095
Depreciation and Amortization	706,367	1,356	-	-	623,872	180,969	1,512,564
Interest Expense	22,657	50	-	-	269,208	-	291,915
Stipends, Honorariums, & Payments to Affiliates	734,745	42,294	-	230,031	-	-	1,007,070
Advertising & Promotions	35,789	33,322	1,350,000	83,810	-	-	1,502,921
Awards, Grants & Contributions	257,210	297,380	1,875	6,160	-	752	563,377
Other Expenses	522,419	516,419	1,465	101,687	5,786	49,943	1,197,719
<b>Total expenses</b>	<b>\$ 8,716,751</b>	<b>\$ 6,570,747</b>	<b>\$ 4,146,822</b>	<b>\$ 3,545,356</b>	<b>\$ 1,634,782</b>	<b>\$ 3,491,776</b>	<b>\$ 28,106,234</b>

**American Optometric Association**  
**(Parent-Only)**  
**Statements of Cash Flows**  
**Years Ended December 31, 2020 and 2019**

	<b>2020</b>	<b>2019</b>
<b>Operating Activities</b>		
Change in net assets	\$ (18,999)	\$ 1,107,175
Items not requiring (providing) cash		
Depreciation and amortization	869,146	1,512,564
Loss on disposition of property and equipment	-	19,293
Net realized and unrealized gains on investments	(1,586,732)	(2,582,736)
Gain in undistributed earnings of subsidiary	(222,712)	(346,521)
Provision (credit) for losses on receivables	140,404	(264,024)
Change in interest rate swap valuation	331,333	304,786
Changes in		
Dues receivable	(195,726)	144,618
Accounts and other receivables	57,213	(104,829)
Contributions receivable	21,114	56,051
Printed material for resale	7,643	(1,355)
Other assets	(47,540)	222,155
Accounts payable	(844,705)	732,283
Accrued expenses	(284,568)	68,813
Deferred revenue	1,027,264	(88,720)
Net cash provided by (used in) operating activities	(746,865)	779,553
<b>Investing Activities</b>		
Purchase of property and equipment	(83,765)	(316,569)
Purchase of investments	(5,634,837)	(7,854,167)
Proceeds from disposition of investments	5,967,994	7,655,097
Net cash provided by (used in) investing activities	249,392	(515,639)
<b>Financing Activities</b>		
Payments on long-term debt	(533,333)	(533,334)
Borrowings on line of credit agreement	2,500,000	1,500,000
Payments on line of credit agreement	(1,500,000)	(1,000,000)
Net cash provided by (used in) financing activities	466,667	(33,334)
<b>Increase (Decrease) in Cash</b>	(30,806)	230,580
<b>Cash, Beginning of Year</b>	1,180,776	950,196
<b>Cash, End of Year</b>	\$ 1,149,970	\$ 1,180,776
<b>Supplemental Cash Flows Information</b>		
Interest paid	\$ 285,740	\$ 286,842

# American Optometric Association

## (Parent-Only)

### Notes to Financial Statements

December 31, 2020 and 2019

#### **Note 1: Nature of Operations and Summary of Significant Accounting Policies**

##### ***Nature of Operations***

American Optometric Association (the “Association” or “AOA”) is the national nonprofit professional association of optometrists. The Association’s primary source of revenue is membership dues. The Association extends unsecured credit to its customers on purchases of printed materials.

##### ***Basis of Presentation***

In the parent-only financial statements, the equity of AOAEExcel, Inc., the Association’s wholly-owned for-profit subsidiary, has been included in the statements of financial position as investment in subsidiary. The Association’s share of net income of its unconsolidated subsidiary is included in the statements of activities using the equity method. The net assets and operations of Optometry Cares – The AOA Foundation, Health Care Alliance for Patient Safety and American Optometric Association Political Action Committee, affiliated organizations, are not reported. These parent-only financial statements should be read in conjunction with the Association’s consolidated financial statements.

##### ***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the parent-only financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

##### ***Cash***

At December 31, 2020, the Association’s cash accounts exceeded federally insured limits by approximately \$1,010,000.

##### ***Investments***

The Association measures securities at fair value. The Association considers money market funds and all highly liquid debt instruments purchased with a maturity of three months or less held by the investment manager as part of the investment portfolio and not considered cash and cash equivalents.

**American Optometric Association**  
**(Parent-Only)**  
**Notes to Financial Statements**  
**December 31, 2020 and 2019**

***Net Investment Return***

Investment return includes dividend, interest and other investment income; realized and unrealized gains and losses on investments carried at fair value; and realized gains and losses on other investments, less external and direct internal investment expenses. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in net assets without donor restrictions. Other investment return is reflected in the statements of activities as revenue and expenses without donor restrictions.

***Dues and Accounts Receivable***

Dues receivable are stated at the amount of consideration from members, of which the Association has an unconditional right to receive. The Association provides an allowance for doubtful accounts, which is based upon a review of outstanding receivables, historical collection information and existing economic conditions.

Accounts receivable are stated at the amount of consideration from members or customers, of which the Association has an unconditional right to receive. The Association provides an allowance for doubtful accounts, which is based upon a review of outstanding receivables, historical collection information and existing economic conditions. Accounts receivable are ordinarily due 30 days after the issuance of the invoice. Accounts past due more than 120 days are considered delinquent. Delinquent receivables are written off based on the individual credit evaluation and specific circumstances of the customer.

***Printed Materials for Resale***

Costs for printed materials for sale are determined using the first-in, first-out (FIFO) method. FIFO inventories are stated at the lower of cost or net realizable value.

***Property and Equipment***

Property and equipment are stated at cost less accumulated depreciation and are depreciated over the estimated useful life of each asset. Annual depreciation is computed using the straight-line method.

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Building and improvements	15-40 years
Furniture and equipment	5-10 years

**American Optometric Association**  
**(Parent-Only)**  
**Notes to Financial Statements**  
**December 31, 2020 and 2019**

***Long-Lived Asset Impairment***

The Association evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset are less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

No asset impairment was recognized during the years ended December 31, 2020 and 2019.

***Debt Issuance Costs***

Debt issuance costs represent costs incurred in connection with the issuance of long-term debt. The Association records these costs as direct deductions from the related debt. Such costs are being amortized over the term of the respective debt using the effective interest method.

***Net Assets***

Net assets, revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions.

Net assets without donor restrictions are available for use in general operations and not subject to donor restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an emergency fund, program working capital fund, scholarships and memorials.

Net assets with donor restrictions are subject to donor-imposed restrictions. The restrictions are temporary in nature and will be met by the passage of time or other events specified by the donor.

***Revenue Recognition***

Revenue is recognized as the Association satisfies performance obligations under its contracts. Revenue is reported in an amount that reflects the consideration that it expects to be entitled to in exchange for those goods or services. The amount and timing of revenue recognition varies based on the nature of the goods or services provided and the terms and conditions of the member or customer contract. See Note 13 for additional information about the Association's revenue.

***Contributions***

Gifts of cash and other assets received without donor stipulations are reported as revenue and net assets without donor restrictions. Gifts received with a donor stipulation that limits their use are reported as revenue and net assets with donor restrictions. When a donor 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 statement of activities as net assets released from restrictions. Gifts having donor stipulations which are satisfied in the period the gift is received are reported as revenue and net assets without donor restrictions.

# **American Optometric Association**

## **(Parent-Only)**

### **Notes to Financial Statements**

#### **December 31, 2020 and 2019**

Unconditional gifts expected to be collected within one year are reported at their net realizable value. Unconditional gifts expected to be collected in future years are initially reported at fair value determined using the discounted present value of estimated future cash flows technique. The resulting discount is amortized using the level-yield method and is reported as contribution revenue.

Conditional gifts depend on the occurrence of a specified future and uncertain event to bind the potential donor and are recognized as assets and revenue when the conditions are substantially met and the gift becomes unconditional.

#### ***Deferred Revenue***

Revenues from industry funding, accreditation and Optometry's Meeting® exhibit fees are recognized in the period to which they relate. Fees and membership dues billed and collected in advance are recorded as deferred revenue and are recognized over the periods to which the fees and membership dues relate.

#### ***Investment in Subsidiary***

Investment in subsidiary includes the equity interest in AOAExcel, Inc., the Association's wholly-owned for-profit subsidiary. The Association has elected to report distributions received from AOAExcel within the statement of cash flows using the cumulative earnings approach.

#### ***Income Taxes***

The Association is exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, the Association is subject to federal income tax on any unrelated business income.

The Association files tax returns in the U.S. federal jurisdiction.

#### ***Functional Allocation of Expenses***

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Certain costs have been allocated among the program, management and general and fundraising categories based on time spent and other methods.

#### ***Pandemic***

As a result of the spread of the SARS-CoV-2 virus and the incidence of COVID-19, economic uncertainties have arisen which may affect the financial position, results of operations and cash flows of the Association. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

#### ***Reclassifications***

Certain reclassifications have been made to the 2019 parent-only financial statements to conform to the 2020 parent-only financial statement presentation. These reclassifications had no effect on the change in net assets.

**American Optometric Association**  
**(Parent-Only)**  
**Notes to Financial Statements**  
**December 31, 2020 and 2019**

**Note 2: Contributions Receivable**

All contributions receivable are restricted for time or purpose. Contributions receivable consist of the following:

	<u>2020</u>	<u>2019</u>
Contributions receivable		
Due within one year	\$ 79,750	\$ 78,511
Due in one to five years	-	26,500
	<u>79,750</u>	<u>105,011</u>
Less allowance for uncollectible contributions	<u>(79,750)</u>	<u>(4,125)</u>
	<u>\$ -</u>	<u>\$ 100,886</u>

**Note 3: Revolving Line of Credit**

The Association has a \$4,000,000 unsecured revolving line of credit that expires in July 2021. The available balance was increased during 2020 from a previous available line of credit of \$2,000,000 at the end of 2019. At December 31, 2020 and 2019, \$2,500,000 and \$1,500,000, respectively, was borrowed on the line. Interest is payable monthly and varies based on 30-day London Interbank Offered Rate (LIBOR) rate. At December 31, 2020 and 2019, the interest rate was 2.25 percent and 3.06 percent, respectively.

**Note 4: Long-Term Debt**

	<u>2020</u>	<u>2019</u>
Note payable to bank due December 31, 2031; principal payable - \$44,444 monthly in addition to interest at LIBOR plus 145 basis points, interest rate was 1.60% and 3.25% at December 31, 2020 and 2019, respectively, secured by first lien on building	\$ 5,866,667	\$ 6,400,000
Less unamortized debt issuance costs	29,214	31,911
Less current maturities	<u>533,333</u>	<u>533,333</u>
	<u>\$ 5,304,120</u>	<u>\$ 5,834,756</u>

Unamortized debt issuance cost will be amortized over the 15-year term of the note payable. The effective rates approximate the stated rates on the debt for the years ended December 31, 2020 and 2019.



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**December 31, 2020 and 2019**

Aggregate annual maturities of long-term debt payments at December 31, 2020, are:

2021	\$ 533,333
2022	533,333
2023	533,333
2024	533,333
2025	533,333
Thereafter	<u>3,200,002</u>
	<u>\$ 5,866,667</u>

**Note 5: Interest Rate Swap**

As a strategy to maintain acceptable levels of exposure to the risk of changes in future cash flows due to interest rate fluctuations, the Association entered into an interest rate swap agreement for its variable rate debt which was effective December 1, 2016. The agreement provides for the Association to receive interest from the counterparty at LIBOR plus 1.45 percent and to pay interest to the counterparty at a fixed rate of 4.04 percent on current notional amounts of \$5,866,667 and \$6,400,000 at December 31, 2020 and 2019, respectively. Under the agreement, the Association pays or receives the net interest amount monthly, with the monthly settlements included in interest expense.

The table below presents certain information regarding the Association's interest rate swap agreement.

	<u>2020</u>	<u>2019</u>
Fair value of the interest rate swap agreement	\$ 661,221	\$ 329,888
Statement of financial position location of fair value amount	Long-term liabilities	Long-term liabilities
Loss recognized in statement of activities	\$ (331,333)	\$ (304,786)
Location of loss recognized in statement of activities	Change in fair value of interest rate swap agreement	Change in fair value of interest rate swap agreement
Net monthly settlements paid	\$ 129,323	\$ 25,896
Location of settlement expense in statement of activities	Interest	Interest

**American Optometric Association**  
(Parent-Only)

**Notes to Financial Statements**  
**December 31, 2020 and 2019**

**Note 6: Net Assets**

***Net Assets Without Donor Restrictions***

Net assets without donor restrictions at December 31 consist of:

	<u>2020</u>	<u>2019</u>
Undesignated	\$ 20,578,211	\$ 20,184,436
Internally designated for		
Emergency funds	183,691	183,691
Program working capital funds	<u>(2,312,298)</u>	<u>(2,000,410)</u>
	<u>(2,128,607)</u>	<u>(1,816,719)</u>
	<u>\$ 18,449,604</u>	<u>\$ 18,367,717</u>

***Net Assets With Donor Restrictions***

Net assets with donor restrictions December 31, 2019, were \$100,886 and were for the AOA Building Investment Campaign. As of December 31, 2020, the remaining receivables related to the campaign were fully reserved for and net assets with donor restrictions were \$0.

***Net Assets Released from Restriction***

Net assets were released from donor restriction through the payment of pledges for the AOA Building Investment Campaign. Total releases for 2020 and 2019 were \$21,125 and \$56,052, respectively.

**Note 7: Unconsolidated Entities**

The Association has agreements with the American Board of Optometry (“the Company”) and American Optometric Student Association (“AOSA”) in which the Association provides certain staffing, support and facilities for the Company and AOSA. The Association, Company and AOSA are not financially interrelated organizations.

The Association’s accounts receivable include amounts due from the Company of \$3,950 and \$5,339 for the years ended December 31, 2020 and 2019, respectively. The Association’s accounts receivable from AOSA were \$72,175 and \$196,503 for the years ended December 31, 2020 and 2019, respectively

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**Note 8: Defined Contribution Plan**

The Association has a 401(k) contributory pension plan to which the Association contributes an amount up to 5.5 percent of eligible (as to age and length of service) employees' annual compensation, as defined. Expense under this plan was approximately \$400,000 and \$398,000 for the years ended December 31, 2020 and 2019, respectively.

**Note 9: Fair Value Measurements and Disclosures**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

***Recurring Measurements***

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2020 and 2019:

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	<b>Fair Value Measurements Using</b>			
	<b>Total</b>	<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>
<b>December 31, 2020</b>				
<b>Assets</b>				
Investments				
Common stocks, diverse industry sectors	\$ 8,283,063	\$ 8,283,063	\$ -	\$ -
Money market funds	1,376,793	1,376,793	-	-
Corporate bonds, primarily financial sector	1,366,122	-	1,366,122	-
Government bonds	1,243,870	-	1,243,870	-
Certificates of deposit	634,456	-	634,456	-
Mutual funds, diverse types of funds	<u>3,626,662</u>	<u>3,626,662</u>	<u>-</u>	<u>-</u>
Total investments	<u>\$ 16,530,966</u>	<u>\$ 13,286,518</u>	<u>\$ 3,244,448</u>	<u>\$ -</u>
<b>Liabilities</b>				
Interest rate swap agreement	<u>\$ (661,221)</u>	<u>\$ -</u>	<u>\$ (661,221)</u>	<u>\$ -</u>
<b>December 31, 2019</b>				
<b>Assets</b>				
Investments				
Common stocks, diverse industry sectors	\$ 7,047,036	\$ 7,047,036	\$ -	\$ -
Money market funds	353,151	353,151	-	-
Corporate bonds, primarily financial sector	1,999,488	-	1,999,488	-
Government bonds	1,080,876	-	1,080,876	-
Certificates of deposit	1,514,068	-	1,514,068	-
Mutual funds, diverse types of funds	<u>3,282,772</u>	<u>3,282,772</u>	<u>-</u>	<u>-</u>
Total investments	<u>\$ 15,277,391</u>	<u>\$ 10,682,959</u>	<u>\$ 4,594,432</u>	<u>\$ -</u>
<b>Liabilities</b>				
Interest rate swap agreement	<u>\$ (329,888)</u>	<u>\$ -</u>	<u>\$ (329,888)</u>	<u>\$ -</u>

# American Optometric Association (Parent-Only)

## Notes to Financial Statements December 31, 2020 and 2019

Following is a description of the valuation methodologies and inputs used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying statements of financial position, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy. There have been no significant changes in valuation techniques during the year ended December 31, 2020.

### ***Investments***

Where quoted market prices are available in an active market, investments are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics, the inputs of which are market-based or independently sourced market parameters, including but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such investments are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, investments are classified within Level 3 of the hierarchy.

### ***Interest Rate Swap Agreement***

The fair value is estimated using forward-looking interest rate curves and discounted cash flows that are observable or can be corroborated by observable market data and, therefore, are classified within Level 2 of the valuation hierarchy.

## **Note 10: Significant Estimates and Concentrations**

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and vulnerabilities due to certain concentrations. Those matters include the following:

### ***Investments***

The Association invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the accompanying statements of financial position.

### ***Allowance for Uncollectible Receivables***

Estimates of the allowance for uncollectible receivables are described in Note 1.

# American Optometric Association

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### Notes to Financial Statements

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#### **Note 11: Commitments**

The Association has committed to future locations where conferences will be held for various years through 2029. As such, the Association has entered into agreements with hotels and convention centers at each future location which have cancellation penalties. No cancellation penalties were incurred during 2020 or 2019. No liability was recorded or known as of December 31, 2020 and 2019. Should the Association cancel for a reason not allowed under any existing contracts, the approximate maximum penalties associated with commitments through 2029 are approximately \$8,500,000 as of December 31, 2020.

#### **Note 12: Liquidity and Availability**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of December 31, 2020 and 2019, are cash and investment balances of \$17,680,936 and \$16,458,167, respectively.

The Association manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

#### **Note 13: Revenue from Contracts with Members and Customers**

##### ***Membership Dues***

Revenue from contracts with members for annual dues is reported at the amount that reflects the consideration to which the Association expects to be entitled in exchange for providing membership benefits. These amounts are due from members and others and do not include variable consideration.

Revenue is recognized as performance obligations are satisfied, which is ratably over the membership term using the input method. Generally, the Association bills members annually with payment due quarterly.

##### ***Industry Support, Registration Income and Exhibit Booths and Meetings***

Revenue from contracts with customers for industry support, registration income and exhibit booths and meetings is reported at the amount that reflects the consideration to which the Association expects to be entitled in exchange for providing goods or services to the customer. These amounts are due from customers and do not include variable consideration.

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Revenue is recognized as performance obligations are satisfied, which is at a point in time. Generally, for industry support, registration income and exhibit booths and meetings, the point in time coincides with an event at which time the goods or services are provided to the customer.

***Accreditation Council on Optometric Education Site Visits and Fees***

Revenue from contracts with professionals for Accreditation Council on Optometric Education (“ACOE”) site visits and fees are reported at the amount that reflects the consideration to which the Association expects to be entitled in exchange for providing services to the professional. These amounts are due from professionals and do not include variable consideration.

The performance obligations include application processing, site visits and providing annual accreditation status. Revenue is recognized as performance obligations are satisfied, which is at a point in time.

***Sale of Printed Materials***

Revenue from the sale of printed materials is measured as the amount of consideration the Association expects to receive in exchange for transferring the materials to customers. The revenue is reported net of sales discounts offered to customers. The Association recognizes revenue when performance obligations under the terms of contracts with its customers are satisfied, which occurs when control passes to a customer to enable them to direct the use of and obtain benefit from a product which is when the product is shipped.

***Advertising Revenue***

Revenue from contracts with customers for advertising revenue is reported at the amount that reflects the consideration to which the Association expects to be entitled in exchange for advertising. These amounts are due from customer and may include explicit variable consideration based on the amount of advertising space purchased.

Revenue is recognized as performance obligations are satisfied, which is at a point in time and typically at the time the related media is published.

***Other Contract Revenue***

Performance obligations are determined based on the nature of the goods or services provided by the Association in accordance with the contract. Revenue for performance obligations satisfied over time is recognized ratably over the period based on time elapsed. The Association believes this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation.

Revenue for performance obligations satisfied at a point in time is generally recognized when goods or services are provided to customers at a single point in time and the Association does not believe it is required to provide additional goods or services related to that sale.

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## Notes to Financial Statements December 31, 2020 and 2019

### ***Transaction Price and Recognition***

The Association determines the transaction price based on standard charges for goods and services provided, reduced by discounts provided in accordance with the Association’s policy and implicit price concessions provided to customers. The Association determines its estimates of explicit price concessions based on its discount policies. The Association determines its estimate of implicit price concessions based on its historical collection experience with this class of customers. The Association’s revenue streams do not have significant financing components or contract costs.

The Association has determined that the nature, amount, timing and uncertainty of revenue and cash flows are affected by Association’s line of business that provided the service and by customer demand.

For the years ended December 31, 2020 and 2019, the Association recognized revenue of \$14,907,355 and \$19,100,309, respectively, and from goods and services that transfer to the member or customer over time and \$2,734,968 and \$6,853,577, respectively, from goods and services that transfer to the member or customer at a point in time.

### ***Contract Balances***

The following table provides information about the Association’s net receivables and deferred revenue from contracts with customers:

	2020	2019
Dues, accounts and other receivables, net, beginning of year	\$ 3,193,707	\$ 2,931,273
Dues, accounts and other receivables, net, end of year	\$ 3,303,027	\$ 3,193,707
Deferred revenue, beginning of year	\$ 932,249	\$ 1,020,969
Deferred revenue, end of year	\$ 1,959,513	\$ 932,249

### **Note 14: Transactions With Affiliated Organization**

The Association has an agreement with Optometry Cares – The AOA Foundation (“Foundation”), whereby the Foundation pays a management fee of \$10,000 per month to the Association for providing various administrative, technology and occupancy services to the Foundation. Management fee income is included in other income on the parent-only statements of activities and totaled \$120,000 in 2020 and 2019. At December 31, 2020 and 2019, the Association had receivables from the Foundation for \$51,399 and \$10,000, respectively, which is included in other receivables on the parent-only statements of financial position. The Association makes monthly contributions to the Foundation in support of its missions. During 2020 and 2019, the Association paid \$200,000 in contributions to the Foundation. In addition, the Association has \$46,793 included in accounts payable on the parent-only statements of financial position as of December 31, 2020, for a pledge commitment to a Foundation fundraising campaign.



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The Association has an agreement with Health Care Alliance for Patient Safety (“APS”) whereby APS pays a management fee of \$2,500 per month to the Association for providing administrative services. This fee income is included in other income on the parent-only statements of activities and totaled \$30,000 for 2020 and 2019. At December 31, 2020, the Association had receivables from APS for \$15,320, which is included in other receivables on the parent-only statements of financial position.

At December 31, 2020 and 2019, the Association received sponsorship and advertisement related income from AOAExcel and APS for \$127,500 and \$335,000, respectively.

#### **Note 15: Transactions With Wholly-Owned For-Profit Subsidiary**

The Association has an agreement with AOAExcel, Inc. (“Excel”), whereby the Excel pays a management fee of \$10,000 per month to the Association for providing various administrative, technology and occupancy services to Excel. Management fee income is included in other income on the parent-only statements of activities totaled \$120,000 in 2020 and 2019. At December 31, 2020 and 2019, the Association had receivables from Excel for \$10,542 which is included in other receivables on the parent-only statements of financial position. Also during 2020, Excel paid \$250,000 in dividends to the Association.

In addition, the Association has guaranteed a revolving \$1,000,000 line of credit for Excel which matures in July 2021. The available balance was reduced during 2020 from a previous available line of credit of \$2,000,000 at the end of 2019. The line is collateralized by the Association’s assets. At December 31, 2020 and 2019, \$600,000 and \$750,000, respectively, was borrowed on the line. The Association may seek reimbursement from Excel of any amounts expended under the guarantee.

As described in Note 1, the Association’s investment in Excel has been included within these financial statements as investment in subsidiary. The financial position and results of operations of Excel are summarized below:

	<b>2020</b>	<b>2019</b>
Current assets	\$ 636,489	\$ 490,709
Total assets	\$ 636,489	\$ 490,709
Current liabilities	\$ 870,632	\$ 979,694
Long-term liabilities	32,130	-
Equity	(266,273)	(488,985)
Total liabilities and equity	\$ 636,489	\$ 490,709

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	<b>2020</b>	<b>2019</b>
Total revenues	\$ 1,239,456	\$ 1,389,784
Total expenses	766,744	1,043,263
Net income	472,712	346,521
Dividends paid	250,000	-
Total change in equity	\$ 222,712	\$ 346,521

**Note 16: Future Changes in Accounting Principle**

***Accounting for Leases***

The FASB amended its standard related to the accounting for leases. Under the new standard, lessees will now be required to recognize substantially all leases on the statements of financial position as both a right-of-use asset and a liability. The standard has two types of leases for statements of activities recognition purposes: operating leases and finance leases. Operating leases will result in the recognition of a single lease expense on a straight-line basis over the lease term similar to the treatment for operating leases under existing standards. Finance leases will result in an accelerated expense similar to the accounting for capital leases under existing standards. The determination of lease classification as operating or finance will be done in a manner similar to existing standards. The new standard also contains amended guidance regarding the identification of embedded leases in service contracts and the identification of lease and nonlease components in an arrangement. The new standard is effective for the Association for the year beginning January 1, 2022. The Association is evaluating the effect the standard will have on the financial statements; however, the standard is expected to have a material effect on the financial statements due to the recognition of additional assets and liabilities for operating leases.

**Note 17: Subsequent Events**

Subsequent to year-end, the Association has listed its Alexandria, Virginia property for sale. The property is anticipated to be actively used in operations until a sale occurs. The net book value of the property as of December 31, 2020, was approximately \$1,574,000 and was included in Property and Equipment, net, on the statement of financial position. No loss is expected on a sale.

Subsequent events have been evaluated through May 14, 2021, which is the date the parent-only financial statements were available to be issued.