

American Optometric Association

(Parent-Only)

Independent Auditor's Report and Financial Statements

December 31, 2021 and 2020

American Optometric Association
(Parent-Only)
December 31, 2021 and 2020

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Independent Auditor's Report

Board of Trustees
American Optometric Association
St. Louis, Missouri

Opinion

We have audited the parent-only financial statements of American Optometric Association, which comprise the parent-only statements of financial position as of December 31, 2021 and 2020, 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.

In our opinion, the accompanying parent-only financial statements present fairly, in all material respects, the financial position of American Optometric Association as of December 31, 2021 and 2020, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of American Optometric Association and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matters

We draw attention to Note 1 of the parent-only financial statements, which describes the basis of presentation. These financial statements are prepared by the American Optometric 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 American Optometric Association's consolidated financial statements. Our opinion is not modified with respect to this matter.

As discussed in Note 2 to the financial statements, the 2020 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

Other Matter

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

Responsibilities of Management for the Parent-Only Financial Statements

Management is responsible for the preparation and fair presentation of the parent-only financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the parent-only financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about American Optometric Association's ability to continue as a going concern within one year after the date that these parent-only financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Parent-Only Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent-only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the parent-only financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the parent-only financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the parent-only financial statements.
- Obtain an understanding of internal control relevant to the audit 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 American Optometric Association's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the parent-only financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about American Optometric Association's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

FORVIS, LLP

St. Louis, Missouri
June 3, 2022

American Optometric Association
(Parent-Only)
Statements of Financial Position
December 31, 2021 and 2020

Assets

	2021	2020 (Restated - Note 2)
Current Assets		
Cash	\$ 846,506	\$ 1,149,970
Investments	19,606,706	16,530,966
Dues receivable, net of allowance: \$471,015 in 2021 and \$500,075 in 2020	2,262,718	2,890,347
Accounts and other receivables, net of allowance: \$578 in 2021 and \$97,747 in 2020	464,139	412,680
Contributions receivable, net of allowance: \$12,500 in 2021 and \$79,750 in 2020	21,000	-
Printed materials for resale	36,606	25,377
Other current assets	684,264	471,005
Total current assets	23,921,939	21,480,345
Investment in Subsidiary	256,980	-
Property and Equipment, Net		
Land	978,647	978,647
Buildings and improvements	7,519,792	11,054,836
Furniture and equipment	4,218,728	5,798,627
	12,717,167	17,832,110
Less accumulated depreciation	5,873,611	8,844,090
	6,843,556	8,988,020
Building Held-For-Sale	1,511,837	-
Dividend on Deposit	8,832,803	9,438,803
Other Long-Term Assets	13,361	77,706
Total assets	\$ 41,380,476	\$ 39,984,874

See Notes to Parent-Only Financial Statements

Liabilities and Net Assets

	2021	2020 (Restated - Note 2)
Current Liabilities		
Bank line of credit	\$ -	\$ 2,500,000
Accounts payable	702,439	494,379
Accrued liabilities	380,480	377,628
Current maturities of long-term debt	533,333	533,333
Deferred revenue - membership dues	198,608	737,048
Deferred revenue - other	627,567	1,222,465
	<hr/>	<hr/>
Total current liabilities	2,442,427	5,864,853
Investment in Subsidiary	-	266,273
Dividend on Deposit Liability	8,832,803	9,438,803
Long-Term Debt, Net	4,773,484	5,304,120
Interest Rate Swap Agreement	356,653	661,221
	<hr/>	<hr/>
Total liabilities	16,405,367	21,535,270
Net Assets		
Without donor restrictions		
Designated by board	(2,904,320)	(2,128,607)
Undesignated	27,879,429	20,578,211
	<hr/>	<hr/>
Total net assets without donor restrictions	24,975,109	18,449,604
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Total liabilities and net assets	\$ 41,380,476	\$ 39,984,874
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American Optometric Association
(Parent-Only)
Statements of Activities
Years Ended December 31, 2021 and 2020

	2021	2020
Revenues, Gains and Other Support		
Membership dues	\$ 18,606,347	\$ 14,837,017
Contributions and industry support	2,103,500	363,000
Registration income	1,003,722	647,691
ACOE site visits and fees	669,285	662,097
Sale of printed materials	287,702	341,578
Exhibit booths and meetings	797,382	44,841
Royalties income	2,826	4,648
Program revenue	97,450	-
Advertising	260,530	338,287
Rental income	255,844	278,240
Investment return, net	2,643,981	1,838,625
Change in fair value of interest rate swap agreement	304,568	(331,333)
Other revenue	456,393	446,663
Net assets released from restriction	-	21,125
	27,489,530	19,492,479
Expenses		
Salaries and benefits	9,345,390	9,709,716
Phone, copy and supplies	364,602	408,038
Software, purchases and printing	936,317	768,944
Rent, utilities, insurance and property taxes	653,291	650,473
Consultant, legal and professional fees	5,160,894	4,311,457
Travel expenses	635,197	364,864
Meeting expenses	957,722	233,432
Food functions	344,919	117,347
Stipends, honorariums and payments to affiliates	872,462	925,929
Advertising and promotions	28,838	53,001
Awards, grants and contributions	412,726	488,320
Depreciation and amortization	814,864	869,146
Interest expense	241,020	293,809
Other expenses	719,036	688,828
	21,487,278	19,883,304
Change in Net Assets From Operations	6,002,252	(390,825)
Dividend received from subsidiary	-	250,000
Equity in undistributed earnings of subsidiary	523,253	222,712
	6,525,505	81,887
Increase in Net Assets Without Donor Restrictions	6,525,505	81,887

American Optometric Association
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Statements of Activities (Continued)
Years Ended December 31, 2021 and 2020

	2021	2020
Change in Net Assets With Donor Restrictions		
Provision for bad debt on uncollected campaign receivables	\$ -	\$ (79,761)
Net assets released from restriction	-	(21,125)
Decrease in net assets with donor restrictions	-	(100,886)
Change in Net Assets	6,525,505	(18,999)
Net Assets, Beginning of Year	18,449,604	18,468,603
Net Assets, End of Year	\$ 24,975,109	\$ 18,449,604

American Optometric Association
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Statement of Functional Expenses
Year Ended December 31, 2021

	Program Expenses						Total
	Membership Services	Advocacy	Communication & Publications	Optometry's Meetings & Conferences	Occupancy Expenses	General Administration	
Expenses							
Salaries & Benefits	\$ 3,013,050	\$ 2,603,805	\$ 859,151	\$ 383,061	\$ -	\$ 2,486,323	\$ 9,345,390
Phone, Copy & Supplies	110,247	24,989	50,905	17,314	9,358	151,789	364,602
Software, Purchases & Printing	552,275	36,970	32,729	52,836	-	261,507	936,317
Rent, Utilities, Insurance & Property	29,442	5,102	-	-	611,954	6,793	653,291
Consultant, Legal & Professional Fees	484,806	1,423,562	2,584,699	359,121	94,812	213,894	5,160,894
Travel Expenses	332,496	68,310	11,610	182,625	1,423	38,733	635,197
Meeting Expenses	155,283	78,171	10,034	713,430	-	804	957,722
Food Functions	77,018	26,786	-	232,980	-	8,135	344,919
Depreciation and Amortization	80,785	982	-	-	616,094	117,003	814,864
Interest Expense	12,584	-	-	-	228,436	-	241,020
Stipends, Honorariums, & Payments to							
Affiliates	751,953	29,445	-	91,064	-	-	872,462
Advertising & Promotions	28,838	-	-	-	-	-	28,838
Awards, Grants & Contributions	291,044	112,755	7,996	-	-	931	412,726
Other Expenses	441,022	229,490	1,105	53,974	(66,017)	59,462	719,036
	<u>\$ 6,360,843</u>	<u>\$ 4,640,367</u>	<u>\$ 3,558,229</u>	<u>\$ 2,086,405</u>	<u>\$ 1,496,060</u>	<u>\$ 3,345,374</u>	<u>\$ 21,487,278</u>

American Optometric Association
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Statement of Functional Expenses (Continued)
Year Ended December 31, 2020

	Program Expenses						Total
	Membership Services	Advocacy	Communication & Publications	Optometry's Meetings & Conferences	Occupancy Expenses	General Administration	
Expenses							
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	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
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
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Statements of Cash Flows
Years Ended December 31, 2021 and 2020

	2021	2020
Operating Activities		
Change in net assets	\$ 6,525,505	\$ (18,999)
Items not requiring (providing) cash		
Depreciation and amortization	814,864	869,146
Gain on disposition of property and equipment	(270)	-
Net realized and unrealized gains on investments	(2,361,986)	(1,586,732)
Gain in undistributed earnings of subsidiary	(523,253)	(222,712)
Provision (credit) for losses on receivables	(107,531)	140,404
Change in interest rate swap valuation	(304,568)	331,333
Changes in		
Dues receivable	751,097	(195,726)
Accounts and other receivables	(41,310)	57,213
Contributions receivable	46,250	21,114
Printed material for resale	(11,229)	7,643
Other assets	(242,250)	(47,540)
Accounts payable	208,060	(844,705)
Accrued expenses	2,852	(284,568)
Deferred revenue	(1,133,338)	1,027,264
	<u>3,622,893</u>	<u>(746,865)</u>
Net cash provided by (used in) operating activities		
Investing Activities		
Purchase of property and equipment	(179,540)	(83,765)
Proceeds from sale of equipment	270	-
Purchase of investments	(6,458,718)	(5,634,837)
Proceeds from disposition of investments	5,744,964	5,967,994
	<u>(893,024)</u>	<u>249,392</u>
Net cash provided by (used in) investing activities		
Financing Activities		
Payments on long-term debt	(533,333)	(533,333)
Borrowings on line of credit agreement	-	2,500,000
Payments on line of credit agreement	(2,500,000)	(1,500,000)
	<u>(3,033,333)</u>	<u>466,667</u>
Net cash provided by (used in) financing activities		
Decrease in Cash	(303,464)	(30,806)
Cash, Beginning of Year	<u>1,149,970</u>	<u>1,180,776</u>
Cash, End of Year	<u>\$ 846,506</u>	<u>\$ 1,149,970</u>
Supplemental Cash Flows Information		
Interest paid	\$ 246,584	\$ 285,740
Transfer of building used in operations to held-for-sale	\$ 1,511,837	\$ -

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Notes to Financial Statements

December 31, 2021 and 2020

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 parent-only 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

Uninvested cash and cash equivalents included in investment accounts and dividends on deposit are not considered to be cash and cash equivalents.

At December 31, 2021, the Association’s cash accounts exceeded federally insured limits by approximately \$702,000.

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.

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December 31, 2021 and 2020

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.

Dividend on Deposit and Dividend on Deposit Liability

The Association administers certain group life and long-term disability insurance policies as a service to its members which include a dividend on deposit. These dividends are owned by the Association; however, can only be paid out for the benefit of the customer related to the policies. As such a dividend on deposit and equal dividend on deposit liability are recorded for the balance of the policy.

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

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Notes to Financial Statements

December 31, 2021 and 2020

Building Held-For-Sale

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, 2021, was \$1,511,837. No loss is expected on a sale.

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, 2021 and 2020.

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 14 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

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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.

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.

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Notes to Financial Statements
December 31, 2021 and 2020

Note 2: Restatement of Prior Year's Financial Statements

The 2020 financial statements have been restated for recognition of the Association's dividend on deposit related to certain insurance policies. The Association has maintained the related policy for multiple years. The value of that dividend on deposit has now been included in the financial statements. The 2020 statement of financial position has been restated accordingly for the activity identified above, which results in addition of the dividend on deposit asset and corresponding liability of \$9,438,803. There was no impact to the statements of activities, changes in net assets or cash flows.

Note 3: Contributions Receivable

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

	2021	2020
Contributions receivable		
Due within one year	\$ 33,500	\$ 79,750
Less allowance for uncollectible contributions	(12,500)	(79,750)
	\$ 21,000	\$ -

Note 4: Revolving Line of Credit

The Association has a \$4,000,000 unsecured revolving line of credit that expires in July 2022. At December 31, 2021 and 2020, \$0 and \$2,500,000, respectively, was borrowed on the line. Interest is payable monthly and varies based on the Bank's Prime ("Index") rate. At December 31, 2021 and 2020, the interest rate was 2.25 percent.

Note 5: Long-Term Debt

	2021	2020
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 1.55% and 1.60% at December 31, 2021 and 2020, respectively, secured by first lien on building	\$ 5,333,334	\$ 5,866,667
Less unamortized debt issuance costs	26,517	29,214
Less current maturities	533,333	533,333
	\$ 4,773,484	\$ 5,304,120

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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, 2021 and 2020.

Aggregate annual maturities of long-term debt payments at December 31, 2021, are:

2022	\$ 533,333
2023	533,333
2024	533,333
2025	533,333
2026	533,333
Thereafter	<u>2,666,669</u>
	<u>\$ 5,333,334</u>

Note 6: 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 Index plus 1.45 percent and to pay interest to the counterparty at a fixed rate of 4.04 percent on current notional amounts of \$5,333,334 and \$5,866,667 at December 31, 2021 and 2020, 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>2021</u>	<u>2020</u>
Fair value of the interest rate swap agreement	\$ 356,653	\$ 661,221
Statement of financial position location of fair value amount	Long-term liabilities	Long-term liabilities
Gain (loss) recognized in statement of activities	\$ 304,568	\$ (331,333)
Location of gain (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	\$ 139,602	\$ 129,323
Location of settlement expense in statement of activities	Interest	Interest

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Notes to Financial Statements
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Note 7: Net Assets

Net Assets Without Donor Restrictions

Net assets without donor restrictions at December 31 consist of:

	2021	2020
Undesignated	\$ 27,879,429	\$ 20,578,211
Internally designated for Emergency funds	183,691	183,691
Program working capital funds	(3,088,011)	(2,312,298)
	<u>(2,904,320)</u>	<u>(2,128,607)</u>
	<u>\$ 24,975,109</u>	<u>\$ 18,449,604</u>

Net Assets With Donor Restrictions

Net assets with donor restrictions December 31, 2021 and 2020 were \$0.

Net Assets Released from Restriction

During 2020, net assets were released from donor restriction through the payment of pledges for the AOA Building Investment Campaign. Total releases in 2020 were \$21,125.

Note 8: 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 \$3,520 and \$3,950 for the years ended December 31, 2021 and 2020, respectively. The Association’s accounts receivable from AOSA were \$24,877 and \$72,175 for the years ended December 31, 2021 and 2020, respectively.

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Note 9: 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 \$385,000 and \$400,000 for the years ended December 31, 2021 and 2020, respectively.

Note 10: 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, 2021 and 2020:

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	Fair Value Measurements Using			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2021				
Assets				
Investments				
Common stocks, diverse industry sectors	\$ 9,172,753	\$ 9,172,753	\$ -	\$ -
Money market funds	784,261	784,261	-	-
Corporate bonds, primarily financial sector	1,040,536	-	1,040,536	-
Government bonds	3,458,098	-	3,458,098	-
Certificates of deposit	887,822	-	887,822	-
Mutual funds, diverse types of funds	4,263,236	4,263,236	-	-
Total investments	<u>\$ 19,606,706</u>	<u>\$ 14,220,250</u>	<u>\$ 5,386,456</u>	<u>\$ -</u>
Liabilities				
Interest rate swap agreement	<u>\$ (356,653)</u>	<u>\$ -</u>	<u>\$ (356,653)</u>	<u>\$ -</u>
December 31, 2020				
Assets				
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	3,626,662	3,626,662	-	-
Total investments	<u>\$ 16,530,966</u>	<u>\$ 13,286,518</u>	<u>\$ 3,244,448</u>	<u>\$ -</u>
Liabilities				
Interest rate swap agreement	<u>\$ (661,221)</u>	<u>\$ -</u>	<u>\$ (661,221)</u>	<u>\$ -</u>

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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, 2021.

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 11: 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.

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Note 12: 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 2021 or 2020. No liability was recorded or known as of December 31, 2021 and 2020. Should the Association cancel for a reason not allowed under any existing contracts, the approximate maximum penalties associated with commitments through 2029 are approximately \$10,600,000 as of December 31, 2021.

Note 13: 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, 2021 and 2020, are cash and investment balances of \$20,453,212 and \$17,680,936, 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 14: 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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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, 2021 and 2020, the Association recognized revenue of \$18,751,539 and \$14,907,355, respectively, and from goods and services that transfer to the member or customer over time and \$5,528,818 and \$2,734,968, 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:

	2021	2020
Dues, accounts and other receivables, net, beginning of year	\$ 3,303,027	\$ 3,193,707
Dues, accounts and other receivables, net, end of year	\$ 2,726,857	\$ 3,303,027
Deferred revenue, beginning of year	\$ 1,959,513	\$ 932,249
Deferred revenue, end of year	\$ 826,175	\$ 1,959,513

Note 15: 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 2021 and 2020. At December 31, 2021 and 2020, the Association had receivables from the Foundation for \$53,212 and \$51,399, 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 2021 and 2020, the Association paid \$200,000 in contributions to the Foundation. In addition, the Association has \$38,899 and \$46,793 included in accounts payable on the parent-only statements of financial position as of December 31, 2021 and 2020, respectively, 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 2021 and 2020. At December 31, 2021 and 2020, the Association had receivables from APS for \$14,303 and \$15,320, respectively, which is included in other receivables on the parent-only statements of financial position.

At December 31, 2021 and 2020, the Association received sponsorship and advertisement related income from AOAEExcel and APS for \$310,500 and \$127,500, respectively.

Note 16: Transactions With Wholly-Owned For-Profit Subsidiary

The Association has an agreement with AOAEExcel, 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 2021 and 2020. At December 31, 2021 and 2020, 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 2022. The line is collateralized by the Association’s assets. At December 31, 2021 and 2020, \$0 and \$600,000, 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:

	2021	2020
Current assets	\$ 484,766	\$ 636,489
Total assets	\$ 484,766	\$ 636,489
Current liabilities	\$ 227,786	\$ 870,632
Long-term liabilities	-	32,130
Equity	256,980	(266,273)
Total liabilities and equity	\$ 484,766	\$ 636,489

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	2021	2020
Total revenues	\$ 1,583,250	\$ 1,239,456
Total expenses	1,059,997	766,744
Net income	523,253	472,712
Dividends paid	-	250,000
Total change in equity	\$ 523,253	\$ 222,712

Note 17: Future Changes in Accounting Principle

Accounting for Leases

The Financial Accounting Standards Board 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 18: Subsequent Events

Subsequent to year end, the Association sold its share of equity held in a company outside of its investment portfolio for an approximate \$1,100,000 gain.

Subsequent events have been evaluated through June 3, 2022, which is the date the parent-only financial statements were available to be issued.