

**INTERNATIONAL ASSOCIATION  
OF EXHIBITIONS AND EVENTS, INC.**

**FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITOR'S REPORT**

**FOR THE YEAR ENDED  
SEPTEMBER 30, 2016**

INTERNATIONAL ASSOCIATION OF EXHIBITIONS AND EVENTS, INC.

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
International Association of Exhibitions and Events, Inc.

We have audited the accompanying financial statements of International Association of Exhibitions and Events, Inc. (a nonprofit organization), which comprise the statement of financial position as of September 30, 2016, and the related statements of activities and changes in net assets and cash flows for the year then ended, and the related notes to the financial statements.

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

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of International Association of Exhibitions and Events, Inc. as of September 30, 2016, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Fox, Byrd + Company, P.C.*

Dallas, Texas  
November 23, 2016

INTERNATIONAL ASSOCIATION OF EXHIBITIONS AND EVENTS, INC.  
STATEMENT OF FINANCIAL POSITION  
SEPTEMBER 30, 2016

ASSETS

CASH AND CASH EQUIVALENTS	\$	510,080
INVESTMENTS		1,918,173
ACCOUNTS RECEIVABLE		
Pledges receivable		516,815
Accounts receivable		222,189
Due from affiliates		51,344
Other receivables		33,866
Allowance for doubtful accounts		<u>(51,682)</u>
		<u>772,532</u>
INVENTORY		11,836
PREPAID EXPENSES AND OTHER ASSETS		155,229
PROPERTY AND EQUIPMENT, net		<u>309,232</u>
	\$	<u><u>3,677,082</u></u>

LIABILITIES AND NET ASSETS

LIABILITIES		
Accounts payable	\$	23,572
Accrued expenses and other liabilities		183,827
Deferred revenues		<u>2,461,942</u>
		<u>2,669,341</u>
NET ASSETS		
Unrestricted net assets		437,661
Temporarily restricted net assets		<u>570,080</u>
		<u>1,007,741</u>
	\$	<u><u>3,677,082</u></u>

The accompanying notes are an integral part of these financial statements.

INTERNATIONAL ASSOCIATION OF EXHIBITIONS AND EVENTS, INC.  
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>REVENUES</b>			
Membership dues	\$ 1,384,716	\$ -	\$ 1,384,716
Meetings	2,877,794	-	2,877,794
Education	819,924	-	819,924
Publications and products	256,649	-	256,649
Other programs	21,700	-	21,700
Contributions	-	577,935	577,935
	<u>5,360,783</u>	<u>577,935</u>	<u>5,938,718</u>
<b>EXPENSES</b>			
Program			
Program services	153,577	-	153,577
Membership services	972,465	-	972,465
Meetings	2,503,147	-	2,503,147
Education	715,877	-	715,877
Publications and products	308,159	-	308,159
Public relations campaign	327,789	-	327,789
	<u>4,981,014</u>	<u>-</u>	<u>4,981,014</u>
General and administrative	903,772	-	903,772
	<u>5,884,786</u>	<u>-</u>	<u>5,884,786</u>
REVENUES OVER (UNDER) EXPENSES	(524,003)	577,935	53,932
<b>OTHER CHANGES IN NET ASSETS</b>			
Investment income, net	145,657	-	145,657
Net assets released from restrictions	377,222	(377,222)	-
	<u>(1,124)</u>	<u>200,713</u>	<u>199,589</u>
CHANGE IN NET ASSETS	(1,124)	200,713	199,589
NET ASSETS, beginning of year	<u>438,785</u>	<u>369,367</u>	<u>808,152</u>
NET ASSETS, end of year	<u>\$ 437,661</u>	<u>\$ 570,080</u>	<u>\$ 1,007,741</u>

The accompanying notes are an integral part of these financial statements.

INTERNATIONAL ASSOCIATION OF EXHIBITIONS AND EVENTS, INC.  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED SEPTEMBER 30, 2016

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 199,589
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Net gain on investments	(145,657)
Depreciation and amortization	85,733
Changes in assets and liabilities:	
Accounts receivable	(376,082)
Inventory	(520)
Prepaid expenses and other assets	39,753
Accounts payable - and accrued liabilities	(34,176)
Deferred revenues	38,974
Net cash used in operating activities	<u>(192,386)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of property and equipment	(137,976)
Purchase of investments	(105,587)
Proceeds from sales of investments	200,922
Net cash used in investing activities	<u>(42,641)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(235,027)
CASH AND CASH EQUIVALENTS, beginning of year	<u>745,107</u>
CASH AND CASH EQUIVALENTS, end of year	<u><u>\$ 510,080</u></u>

The accompanying notes are an integral part of these financial statements.

INTERNATIONAL ASSOCIATION OF EXHIBITIONS AND EVENTS, INC.  
NOTES TO FINANCIAL STATEMENTS

1. HISTORY AND ORGANIZATION

International Association of Exhibitions and Events, Inc. (the Organization) is a not-for-profit membership organization exempt from income tax under Section 501(c)(6) of the U.S. Internal Revenue Code. The Organization was incorporated in the state of Texas. The Organization's international office is located in Dallas, Texas and serves numerous chapter offices located throughout the United States. The purpose of the Organization is to promote the exhibitions and events industry throughout the world and to provide for the education and professional growth of its members.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

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

Basis of presentation

Accounting principles generally accepted in the United States of America require the Organization to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

*Unrestricted net assets* include those economic resources of the Organization which are expendable for any purpose in performing the primary objectives of the Organization. They are not subject to donor-imposed restrictions.

*Temporarily restricted net assets* include those assets whose use is limited by donor-imposed stipulations that expire by either passage of time or actions of the Organization. At September 30, 2016, temporarily restricted net assets comprised funds restricted for public relations and promotion of the industry.

*Permanently restricted net assets* include donor-restricted funds that must be maintained permanently. The Organization did not have any permanently restricted net assets as of September 30, 2016.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. In connection with the Organization's annual meeting, certain vendors provide services in exchange for sponsorship recognition. The estimated value of the services and related sponsorships is recognized as meeting revenue and expense. For 2016, the total amount of revenue and expense recognized in connection with these transactions was \$717,688.

INTERNATIONAL ASSOCIATION OF EXHIBITIONS AND EVENTS, INC.  
NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Cash and cash equivalents

The Organization considers all highly liquid instruments purchased with a remaining maturity of three months or less to be cash equivalents. The Organization places its cash and cash equivalents with high credit quality financial institutions in amounts that exceed federally insured limits. The Organization has not experienced any losses on such accounts.

Accounts receivable

Accounts receivable consist primarily of unconditional promises to give stated at the present value of the amount management expects to collect from outstanding balances, and amounts due from sponsors and event participants stated at the amount management expects to collect from outstanding balances. An allowance for doubtful accounts is based on historical experience and an evaluation of the outstanding receivables. Differences between the amount due and the amount management expects to collect are reported in the results of operations as bad debts expense in the period in which those differences are determined. Balances outstanding after management has used reasonable collection efforts are written off through a charge to the allowance for doubtful accounts and a credit to accounts receivable.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the accompanying consolidated statements of financial position. The realized and unrealized gains and losses are netted in the accompanying consolidated statements of activities.

Inventory

Inventory is stated at the lower of cost (specific identification basis) or market, and consists of publications.

Property and equipment

In general, the Organization capitalizes property and equipment with an original cost of \$1,000 or more. Property and equipment is stated at cost if purchased, or at fair value at the date of donation, if contributed, and includes expenditures for major betterments and renewals. Maintenance and repairs are expensed as incurred unless they materially prolong the useful life of the asset. The Organization depreciates property and equipment using the straight-line method over the estimated useful lives of the assets which range from three to seven years.



INTERNATIONAL ASSOCIATION OF EXHIBITIONS AND EVENTS, INC.  
NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Fair value measurements

Generally accepted accounting principles (GAAP) establishes a fair value hierarchy for inputs used in measuring fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date. GAAP emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that participants would use in pricing the asset or liability.

As a basis for considering market participant assumptions in fair value measurements, GAAP establishes a three-tier hierarchy to distinguish between various types of inputs used in determining the value of the Organization's financial instruments. The inputs are summarized in three levels as outlined below:

*Level 1 Inputs* – Quoted prices (unadjusted) in active markets for identical assets and liabilities. Valuations of these instruments do not require a high degree of judgment since the valuations are based on quoted prices in active markets.

*Level 2 Inputs* – Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities that are not active; and inputs other than quoted prices that are observable, such as models or other valuation methodologies. Valuations in this category are inherently less reliable than quoted market prices due to the degree of subjectivity involved in determining appropriate methodologies and the applicable underlying assumptions.

*Level 3 Inputs* – Unobservable inputs for the valuation of the asset or liability. These inputs require significant management judgment or estimation. These financial instruments have inputs that cannot be validated by readily determinable market data and generally involve considerable judgment by management.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the measurement falls in its entirety is determined based on the lowest level input that is significant. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The Organization's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the financial instrument.

Membership dues and deferred revenue

Membership dues are recognized as revenues over the service period of the membership. Deferred revenue also includes advance registrations and payments for future events and meetings.

INTERNATIONAL ASSOCIATION OF EXHIBITIONS AND EVENTS, INC.  
NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Federal income taxes

The Organization is exempt from income tax under Section 501(c)(6) of the U.S. Internal Revenue Code. Income from activities substantially related to the pursuit of their exempt purposes is not subject to federal income tax. Unrelated business income (income, net of related expenses, from activities not substantially related to the pursuit of their exempt purposes) is subject to federal income tax. The Organization did not have any liability for unrelated business income tax at September 30, 2016. The tax years ended on or after September 30, 2013 are open for audit.

Concentrations of credit risk

Financial instruments that potentially subject the Organization to credit risk include cash and cash equivalents on deposit with financial institutions, investments and accounts receivable. At various times throughout the year, the Organization's balance in its bank accounts has exceeded federally insured limits. Investments have been placed with high credit quality financial service providers which are not federally insured. The Organization has not experienced any losses in bank or investment accounts and does not believe it is exposed to any significant risk. Accounts receivable are due from businesses and individuals in exhibitions and events industry and are somewhat affected by the well-being of the industry and overall economy. Management believes its exposure to credit losses on accounts receivable is minimal.

Compensated absences

Employees of the Organization are entitled to paid vacation, paid sick days and personal days off depending on job classification, length of service and other factors. Compensated absences are earned on a calendar year basis and amounts not used at the calendar year end do not carry over to the following year. Compensated absences have been accrued in the financial statements and are included in accrued expenses.

Subsequent events

Subsequent events have been evaluated through November 23, 2016, which is the date the financial statements were available to be issued.

INTERNATIONAL ASSOCIATION OF EXHIBITIONS AND EVENTS, INC.  
NOTES TO FINANCIAL STATEMENTS

3. PLEDGES RECEIVABLE

Unconditional promises to give, discounted to present value at an effective interest rate of approximately 1% at September 30, 2016, are as follows:

Due in one year or less	\$ 296,408
Due in one to three years	<u>229,058</u>
	525,466
Less discount to present value	<u>(8,651)</u>
	<u><u>\$ 516,815</u></u>

4. INVESTMENTS

Investments consisted primarily of mutual funds, exchange traded funds and marketable equity securities at September 30, 2016. Investment income is summarized as follows for the year ended September 30, 2016:

Reinvested dividends	\$ 77,030
Realized and unrealized gain, net	<u>68,627</u>
	<u><u>\$ 145,657</u></u>

Investments measured at fair value on a recurring basis at September 30, 2016, are as follows:

	<u>Fair Value Measurements at Reporting Date Using</u>			<u>Total</u>
	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>	
Mutual funds and exchange-traded funds:				
Fixed income	\$ 1,016,349	\$ -	\$ -	\$ 1,016,349
Equity	<u>901,824</u>	<u>-</u>	<u>-</u>	<u>901,824</u>
	<u><u>\$ 1,918,173</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,918,173</u></u>

Marketable equity securities and mutual funds reported as Level 1 are determined by reference to quoted market prices for investments listed on an active exchange or over-the-counter market. The Organization does not hold any fair value assets that are Level 2 or 3. These investments have been placed with high credit quality financial institutions which are not federally insured and are therefore subject to credit risk. The Organization has not experienced any losses on such accounts.

INTERNATIONAL ASSOCIATION OF EXHIBITIONS AND EVENTS, INC.  
NOTES TO FINANCIAL STATEMENTS

5. PROPERTY AND EQUIPMENT

Property and equipment is summarized as follows at September 30, 2016:

Furniture, office equipment and software	\$ 523,879
Less accumulated depreciation	<u>(214,647)</u>
	<u>\$ 309,232</u>

Depreciation expense was \$85,733 for the year ended September 30, 2016.

6. COMMITMENTS

The Organization leases its office space under a non-cancellable operating lease. Rent expense was \$109,771 for the year ended September 30, 2016. Future minimum operating lease payments for office space for future years are as follows:

<u>Year ending</u> <u>September 30</u>	<u>Amount</u>
2017	\$ 109,014
2018	107,200
2019	103,083
2020	104,399
2021	104,399
Thereafter	200,097

7. RETIREMENT PLAN

The Organization established a defined contribution plan that qualifies for the deferral arrangement under U.S. Internal Revenue Code 401(k). The plan is available to eligible employees (by tenure) who choose to participate. Each year, participants may contribute up to the maximum dollar amount allowed by law. The plan allows for discretionary profit sharing contributions by the Organization. For the year ended September 30, 2016, the Organization contributed \$134,472 to the plan.

8. RELATED PARTY TRANSACTIONS

The Organization is affiliated with The Center for Exhibition Industry Research Foundation (CEIRF) and shares certain management resources and facilities with CEIRF and funds certain costs of CEIRF. During 2016, the Organization paid \$30,000 to CEIRF in connection with these arrangements. At September 30, 2016, \$51,344 was receivable from CEIRF and that balance is reflected in the Statement of Financial Position.

INTERNATIONAL ASSOCIATION OF EXHIBITIONS AND EVENTS, INC.  
NOTES TO FINANCIAL STATEMENTS

9. SUBSEQUENT EVENTS

Management has recommended the Organization's board of directors, acting in concert with the board of directors of CEIRF, transfer governance of CEIRF to the Organization's board of directors during the fiscal year ending September 30, 2017. If the boards of the two organizations approve this action, the financial statements of CEIRF will be consolidated with the financial statements of International Association of Exhibitions and Events, Inc. beginning in the fiscal year ending September 30, 2017. The impact on the financial statements of the Organization has not yet been determined. As of September 30, 2016, CEIRF reported (unaudited) total assets of \$2,820,000 and net assets of \$2,537,000.