Turnaround Management Association

Consolidated Financial Report

December 31, 2018

Contents

Plante & Moran, PLLC
10 South Riverside Plaza
9th floor
Chicago, IL 60606
Tel: 312.207.1040
Fax: 312.207.1066
plantemoran.com

Independent Auditor's Report

To the Audit Committee
Turnaround Management Association

We have audited the accompanying consolidated financial statements of Turnaround Management Association (the "Association"), which comprise the consolidated statement of financial position as of December 31, 2018 and 2017 and the related consolidated statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Turnaround Management Association as of December 31, 2018 and 2017 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

As described in Note 2 to the consolidated financial statements, the Association adopted the provisions of Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not for Profit Entities*, as of January 1, 2018, applied retrospectively to all years presented. Our opinion is not modified with respect to this matter.

Plante & Moran, PLLC

June 12, 2019

Turnaround Management Association

Consolidated Statement of Financial Position

December 31, 2018 and 2017

	2018	2017
Assets		
Current Assets		
Cash and cash equivalents	$ 1,160,204	$ 1,267,019
Investments (Note 3)	4,727,971	4,583,027
Receivables	158,626	195,223
Prepaid expenses (Note 6)	174,386	322,636
Total current assets	6,221,187	6,367,905
Other Assets - Deposits	-	14,304
Equipment - Net (Note 5)	254,981	336,088
Total assets	**$ 6,476,168**	**$ 6,718,297**
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	$ 92,733	$ 92,685
Chapter payables (Note 12)	221,561	258,441
Accrued expenses	235,159	257,067
Deferred revenue:		
Membership dues	767,169	815,757
Conferences	401,149	364,552
Other	59,350	16,750
Total current liabilities	1,777,121	1,805,252
Deferred Rent Expense (Note 7)	282,104	324,996
Net Assets		
Net assets without donor restrictions:		
Undesignated	3,126,355	3,246,800
Board designated (Note 10)	1,288,588	1,339,249
Total net assets without donor restrictions	4,414,943	4,586,049
Net assets with donor restrictions	2,000	2,000
Total net assets	4,416,943	4,588,049
Total liabilities and net assets	**$ 6,476,168**	**$ 6,718,297**

See notes to consolidated financial statements.

Consolidated Statement of Activities and Changes in Net Assets

Years Ended December 31, 2018 and 2017

	2018			2017		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Gains, and Other Support						
Membership dues	$ 2,035,942	$ -	$ 2,035,942	$ 2,119,290	$ -	$ 2,119,290
Chapter allocations (Note 12)	(369,169)	-	(369,169)	(383,700)	-	(383,700)
Commissions	6,150	-	6,150	(4,384)	-	(4,384)
Conference revenue	1,982,024	-	1,982,024	2,039,849	-	2,039,849
Education	56,385	-	56,385	74,963	-	74,963
Certification	94,827	-	94,827	103,409	-	103,409
Designation	128,950	-	128,950	121,925	-	121,925
Subscriptions and advertising fees	161,652	-	161,652	203,587	-	203,587
TMA Europe registration, sponsorships, and exhibits	102,671	-	102,671	148,817	-	148,817
Other income	-	-	-	1,293	-	1,293
Total revenue, gains, and other support	4,199,432	-	4,199,432	4,425,049	-	4,425,049
Expenses						
Personnel	1,706,338	-	1,706,338	1,849,018	-	1,849,018
Travel	174,121	-	174,121	261,322	-	261,322
Administrative	260,848	-	260,848	265,487	-	265,487
Professional services	256,717	-	256,717	148,924	-	148,924
Marketing	94,474	-	94,474	93,426	-	93,426
Conferences and meetings	590,774	-	590,774	676,604	-	676,604
Facility	260,607	-	260,607	250,994	-	250,994
Technology	485,332	-	485,332	517,711	-	517,711
Grants	70,073	-	70,073	97,621	-	97,621
Miscellaneous	152,840	-	152,840	116,984	-	116,984
Total expenses	4,052,124	-	4,052,124	4,278,091	-	4,278,091
Increase in Net Assets from Operations	147,308	-	147,308	146,958	-	146,958
Investment (Loss) Income (Note 4)	(318,414)	-	(318,414)	572,363	-	572,363
(Decrease) Increase in Net Assets	(171,106)	-	(171,106)	719,321	-	719,321
Net Assets - Beginning of year	4,586,049	2,000	4,588,049	3,866,728	2,000	3,868,728
Net Assets - End of year	**$ 4,414,943**	**$ 2,000**	**$ 4,416,943**	**$ 4,586,049**	**$ 2,000**	**$ 4,588,049**

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Years Ended December 31, 2018 and 2017

	2018	2017
Cash Flows from Operating Activities		
(Decrease) increase in net assets	$ (171,106)	$ 719,321
Adjustments to reconcile (decrease) increase in net assets to net cash from operating activities:		
Depreciation and amortization	102,438	110,623
Net change in realized and unrealized losses (gains) on investments	401,509	(512,495)
Changes in operating assets and liabilities that provided (used) cash:		
Deferred revenue	30,609	(331,611)
Accounts receivable	36,597	63,988
Prepaid expenses	148,250	(56,227)
Deposits	14,304	4,693
Accounts payable	48	(7,442)
Accrued expenses and deferred rent	(64,800)	(78,518)
Chapter payables	(36,880)	(138,049)
Net cash provided by (used in) operating activities	460,969	(225,717)
Cash Flows from Investing Activities		
Capital expenditures	(21,331)	(54,873)
Purchases of investments	(5,787,893)	(552,856)
Proceeds from sales and maturities of investments	5,241,440	485,600
Payout of cash restricted as to use	-	7,573
Net cash used in investing activities	(567,784)	(114,556)
Net Decrease in Cash and Cash Equivalents	(106,815)	(340,273)
Cash and Cash Equivalents - Beginning of year	1,267,019	1,607,292
Cash and Cash Equivalents - End of year	**$ 1,160,204**	**$ 1,267,019**

See notes to consolidated financial statements.

Note 1 - Nature of Business

Turnaround Management Association (TMA or the "Association") was incorporated as a not-for-profit corporation in the state of North Carolina in 1988 as an international educational and professional association composed of individuals in corporate renewal and turnaround management. Subsequently, in 2006, the Association was incorporated in Illinois via a merger under the Illinois General Not-for-Profit Act. The Association provides its members networking forums to exchange information, ideas, and knowledge about the turnaround business, educational programs to improve methodologies in turnaround management, and information to promote the image and credibility of turnaround executives as professionals committed to the highest standards of practice.

On January 31, 2011, TMA incorporated a new subsidiary entity entitled TMA (Europe) LTD. (TMA Europe). Its Certificate of Incorporation of a Private Limited Company is registered with the Registrar of Companies for England and Wales, U.K., under the Companies Act of 2006, and whose registered office is in Middlesex, England, U.K. TMA is the owner of all 1,000 shares of the new company, whose purpose is the management of the annual conference in Europe and providing management assistance as needed over TMA's European chapters.

The Association's Certified Turnaround Professional (CTP) and Certified Turnaround Analyst (CTA) program recognizes professional excellence and provides an objective measure of expertise related to workouts, restructurings, and corporate renewal. Applicants for certification must meet stringent standards of education, experience, and professional conduct; pass a comprehensive examination; and maintain the credential through continuing education credits.

The Association's board-designated endowment fund is dedicated to the development and promotion of educational programs and initiatives for the corporate renewal industry and turnaround professionals.

The Association is headquartered and conducts its activities from offices in Chicago, Illinois.

Note 2 - Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of TMA and TMA Europe. All significant intercompany accounts and transactions have been eliminated in consolidation.

Cash and Cash Equivalents

The Association considers all investments with an original maturity of three months or less when purchased to be cash equivalents. The Association maintains cash in bank deposit accounts, which at times may exceed federally insured limits. The Association has not experienced any losses in such accounts and believes it is not exposed to any significant risk on cash and cash equivalents.

Foreign Currency Translation

Assets and liabilities of TMA Europe and certain bank accounts held by the Association are translated into U.S. dollars at the rate of exchange in effect at the close of the period. Revenue and expenses of TMA Europe are translated into U.S. dollars at an average rate of exchange for the period. The aggregate foreign currency translation effect on the consolidated financial statements was $14,654 and $(15,675) for the years ended December 31, 2018 and 2017, respectively.

Investments

Unrealized gains and losses are included in the change in net assets in the accompanying consolidated statement of activities and changes in net assets. Interest income is recorded on the accrual basis.

Equipment

Equipment is recorded at cost and depreciated over the estimated useful lives using the straight-line method. Costs of maintenance and repairs are charged to expense when incurred.

Note 2 - Significant Accounting Policies (Continued)

Accounts Receivable

Accounts receivable are stated at net invoice amounts. An allowance for doubtful accounts is established based on a specific assessment of the collectibility or specific funding source accounts and the aging of the accounts receivable. All amounts deemed to be uncollectible are charged against the allowance for doubtful accounts in the period that determination is made. Management considers all accounts receivable collectible, and, therefore, an allowance for doubtful accounts has not been recorded at December 31, 2018 and 2017.

Classification of Net Assets

Net assets of the Association are classified based on the presence or absence of donor-imposed restrictions.

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions or the donor-imposed restrictions have expired or been fulfilled. Net assets in this category may be expended for any purpose in performing the primary objectives of the Association.

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

Earnings, gains, and losses on donor-restricted net assets are classified as net assets without donor restrictions unless specifically restricted by the donor or by applicable state law.

Board-designated Net Assets

Board-designated net assets are net assets without donor restrictions designated by the board primarily for the development and promotion of educational programs and initiatives for the corporate renewal industry and turnaround professionals. These designations are based on board actions, which can be altered or revoked at a future time by the board.

Revenue

Membership dues are assessed on an anniversary basis and recognized as revenue during the applicable membership period. Fees received for future membership are included in deferred revenue.

Conference fees are recognized as revenue in the period in which the conference is held. Fees received for future conferences are included in deferred revenue.

Functional Allocation of Expenses

Costs of providing the program and support services have been reported on a functional basis in Note 14. Costs have been allocated between the various programs and support services on several bases and estimates. Allocations for personnel expenses are based on estimates of time and effort of personnel involved in each function. Although the methods of allocation used are considered appropriate, other methods could be used that would produce different amounts.

Tax Status

The Association is a not-for-profit corporation and has been granted tax-exempt status by the Internal Revenue Service under the provisions of Code Section 501(c)(6). TMA Europe is subject to the income tax laws of Great Britain. Net income from activities unrelated to the Association's tax-exempt purpose is subject to taxation. Taxes on unrelated business income are not material to the consolidated financial statements.

Note 2 - Significant Accounting Policies (Continued)

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Association and recognize a tax liability if the Association has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS or other applicable taxing authorities. Management has analyzed the tax positions taken by the Association and has concluded that, as of December 31, 2018 and 2017, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the consolidated financial statements.

Use of Estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles 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 consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Upcoming Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which will supersede the current revenue recognition requirements in Topic 605, *Revenue Recognition*. The ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU also requires additional disclosure about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The new guidance will be effective for the Association's year ending December 31, 2019. The ASU permits application of the new revenue recognition guidance using one of two retrospective application methods. The Association has not yet determined which application method it will use. The Association's primary revenue streams are not expected to be significantly impacted by the ASU.

In February 2016, the FASB issued ASU No. 2016-02, *Leases*, which will supersede the current lease requirements in ASC 840. The ASU requires lessees to recognize a right-of-use asset and related lease liability for all leases, with a limited exception for short-term leases. Leases will be classified as either finance or operating, with the classification affecting the pattern of expense recognition in the statement of operations. Currently, leases are classified as either capital or operating, with only capital leases recognized on the balance sheet. The reporting of lease-related expenses in the statements of operations and cash flows will be generally consistent with the current guidance. The new lease guidance will be effective for the Association's year ending December 31, 2020 and will be applied using a modified retrospective transition method to the beginning of the earliest period presented. The new lease standard is expected to have a significant effect on the Association’s consolidated financial statements as a result of the leases for assets and liabilities classified as operating leases. The effects on the changes in net assets are not expected to be significant, as recognition and measurement of expenses and cash flows for leases will be substantially the same under the new standard.

Note 2 - Significant Accounting Policies (Continued)

Adoption of New Accounting Pronouncement

As of January 1, 2018, the Association adopted ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The standard requires net assets to be classified into two categories: net assets with donor restrictions and net assets without donor restrictions. This standard also requires changes in the way certain information is aggregated and reported by the Association, including disclosures of quantitative and qualitative information about the liquidity and availability of resources and the presentation of expenses by both functional and natural classification. The standard also clarifies the definition of management and general. All applicable changes to the reporting model have been retrospectively incorporated into the presentation of the consolidated financial statements. As a result of the adoption of this standard, the financial information for the year ended December 31, 2017 has been restated in the consolidated statement of activities and changes in net assets and Note 4 as follows: interest and dividend income previously reported gross of investment advisory related fees is now reported net of such fees.

Subsequent Events

The consolidated financial statements and related disclosures include evaluation of events up through and including June 12, 2019, which is the date the consolidated financial statements were available to be issued.

Note 3 - Fair Value Measurements

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

The following tables present information about the Association's assets measured at fair value on a recurring basis at December 31, 2018 and 2017 and the valuation techniques used by the Association to determine those fair values.

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets that the Association has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets in active markets and other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset. These Level 3 fair value measurements are based primarily on management's own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset.

In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Association's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

Note 3 - Fair Value Measurements (Continued)

The following tables present information about the Association's assets measured at fair value on a recurring basis at December 31, 2018 and 2017 and the valuation techniques used by the Association to determine those fair values. The Association has implemented guidance that changes the required disclosures for investments valued at net asset value (NAV) per share (or its equivalent) as a practical expedient. Previously, investments measured at fair value using NAV practical expedient were classified in the fair value hierarchy based on the redemption features associated with the investment. Under the new guidance, investments measured at fair value using net asset value per share (or its equivalent) as a practical expedient are no longer classified in the fair value hierarchy below:

	Assets Measured at Fair Value on a Recurring Basis at December 31, 2018				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Net Asset Value	Balance at December 31, 2018
Assets					
Fixed income:					
Intermediate-duration portfolio	$ 542,807	$ -	$ -	$ -	$ 542,807
Inflation strategy	45,136	-	-	-	45,136
Real asset	159,757	-	-	-	159,757
Unconstrained bond	215,275	-	-	-	215,275
Global fixed income	484,604	-	-	-	484,604
Total fixed income	1,447,579	-	-	-	1,447,579
Equities:					
U.S. equity	616,335	-	-	-	616,335
International	852,446	-	-	-	852,446
Total equities	1,468,781	-	-	-	1,468,781
Money market	452,012	-	-	-	452,012
Alternative investments:					
Overlay A Portfolio	-	-	-	883,682	883,682
Overlay B Portfolio	-	-	-	344,889	344,889
Multi-Manager Alternative Fund	-	-	-	131,023	131,023
Total alternative investments	-	-	-	1,359,594	1,359,594
Total assets	$ 3,368,372	$ -	$ -	$ 1,359,594	$ 4,727,966

Note 3 - Fair Value Measurements (Continued)

	Assets Measured at Fair Value on a Recurring Basis at December 31, 2017				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Net Asset Value	Balance at December 31, 2017
Assets					
Fixed-income mutual funds:					
Intermediate-duration portfolio	$ 535,721	$ -	$ -	$ -	$ 535,721
Inflation strategy	83,479	-	-	-	83,479
Global fixed income	551,898	-	-	-	551,898
Total fixed-income mutual funds	1,171,098	-	-	-	1,171,098
Equities:					
Strategic value	1,408,683	-	-	-	1,408,683
International	516,598	-	-	-	516,598
Emerging markets	95,299	-	-	-	95,299
Total equities	2,020,580	-	-	-	2,020,580
Dynamic asset allocation funds:					
Overlay A Portfolio	-	-	-	842,855	842,855
Overlay B Portfolio	-	-	-	530,934	530,934
Total dynamic asset allocation funds	-	-	-	1,373,789	1,373,789
Total assets	$ 3,191,678	$ -	$ -	$ 1,373,789	$ 4,565,467

Not included in the above table is $5 and $17,560 in money market accounts as of December 31, 2018 and 2017, respectively.

Investments in Entities that Calculate Net Asset Value per Share

The Association holds shares or interests in investment companies (alternative investments) whereby the fair value of the investments is measured on a recurring basis using net asset value per share (or its equivalent) of the investment companies as a practical expedient.

At year end, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

	December 31, 2018	December 31, 2017	December 31, 2018		
	Fair Value	Fair Value	Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period
Overlay A Portfolio	$ 883,682	$ 842,855	$ -	Daily	One day
Overlay B Portfolio	344,889	530,934	-	Daily	One day
Multi-Manager Alternative Fund	131,023	-	-	Quarterly	45 days
Total	$ 1,359,594	$ 1,373,789	$ -		

Note 3 - Fair Value Measurements (Continued)

The investment objective of the Overlay A Portfolio is to moderate the volatility of an equity-oriented asset allocation over the long term. It may invest in a diversified portfolio of securities and other financial instruments, including derivative instruments that provide investment exposure to a variety of asset classes. These asset classes may include equity securities and fixed-income instruments of issuers located within and outside of the United States, real estate-related securities, below-investment-grade securities, currencies, and commodities. The fair values of the investments in this class have been estimated using net asset value per share of the investments.

The investment objective of the Overlay B Portfolio is to moderate the volatility of fixed-income-oriented asset allocation over the long term. It may invest in a diversified portfolio of securities and other financial instruments, including derivative instruments that provide investment exposure to a variety of asset classes. These asset classes may include equity securities and fixed-income instruments of issuers located within and outside of the United States, real estate-related securities, below-investment-grade securities, currencies, and commodities. The fair values of the investments in this class have been estimated using net asset value per share of the investments.

The investment objective of the Multi-Manager Alternative Fund is to allocate its assets among nontraditional and alternative investment strategies. The funds are allocated in the following strategy types: long/short equity, special situations, credit, and global macro. These asset classes may include equity securities and fixed-income instruments of issuers located within and outside of the United States, real estate-related securities, below-investment-grade securities, currencies, and commodities. The fair values of the investments in this class have been estimated using net asset value per share of the investments.

Note 4 - Investments

Investment (loss) income is composed of the following:

	2018	2017
Interest and dividends	$ 83,095	$ 59,868
Net realized and unrealized (losses) gains	(401,509)	512,495
Total	$ (318,414)	$ 572,363

Interest and dividend income is shown net of investment fees of $20,442 and $22,369 for December 31, 2018 and 2017, respectively.

Note 5 - Equipment

The cost of equipment is summarized as follows:

	2018	2017	Depreciable Life - Years
Leased equipment	$ 21,685	$ 21,685	2-10
Furniture and fixtures	357,338	342,551	3-5
Computer equipment and software - Cost	677,520	670,975	3-5
Leasehold improvements - Cost	188,872	188,872	5-10
Total cost	1,245,415	1,224,083	
Less accumulated depreciation	990,434	887,995	
Net equipment	$ 254,981	$ 336,088	

Note 5 - Equipment (Continued)

Depreciation and amortization expense for 2018 and 2017 was $102,439 and $110,623, respectively. Amortization of equipment under capital leases is included with depreciation expense.

Note 6 - Prepaid Expenses

Prepaid expenses as of December 31, 2018 and 2017 consist of the following:

	2018	2017
Conference	$ 80,477	$ 187,707
Insurance	6,733	6,406
Meetings, travel, and other	87,176	128,523
Total	$ 174,386	$ 322,636

Note 7 - Operating Leases

The Association entered into a lease on August 9, 2012 with a commencement date of August 1, 2013. The terms of the lease require annual rent payments of $168,042, increasing periodically to $196,766 through May 2024. The lease provides for a tenant allowance of $310,230, of which up to $166,605 can be applied against the prior lease termination penalty, with the remainder to be used for the cost of leasehold improvements. Accordingly, the Association accounted for the entire tenant allowance as deferred lease incentive and will recognize the incentive as a reduction of rent expense over the life of the lease. In addition, the lease provides for abated rental payments for 12 months between 2012 and 2015, totaling approximately $172,000. The Association recognizes rent expense on a straight-line basis over the life of the lease. Deferred rent expense, including deferred lease incentive, as of December 31, 2018 and 2017 was $282,104 and $324,996, respectively.

Future minimum annual commitments under this operating lease are as follows:

Years Ending December 31	Amount
2019	$ 183,601
2020	186,473
2021	189,346
2022	192,218
2023	195,091
Thereafter	81,986
Total	$ 1,028,715

The rent expense under all operating leases was $137,836 for the years ended December 31, 2018 and 2017.

The Association also leases general, low-cost office equipment through various vendors.

Note 8 - Retirement Plan

The Association sponsors a 401(k) plan for eligible employees. Eligible employees must be on staff for one year before becoming eligible to enroll in the plan. Employees make deferrals under the terms of the plan. The Association matches up to 6 percent of the deferrals. Retirement plan expense was $56,236 and $72,582 for the years ended December 31, 2018 and 2017, respectively.

Note 9 - Association of Certified Turnaround Professionals, Inc.

The Association merged with Association of Certified Turnaround Professionals, Inc. (ACTP), effective January 1, 2008. The merger was accounted for similar to a pooling of interests method. The Association provides certification and training to professionals in the turnaround industry. The program includes developing and organizing a body of knowledge composed of a core curriculum of universal, tangible principles and practices required of the turnaround profession and related disciplines. Minimum standards for individuals seeking certification have been established, national educational programs have been developed and are taught on a regular basis, and an examination program is in place for certification. Prior to 2008, many of the functions of the certification program were carried out by ACTP, with staff support and underwriting by the Association.

Under the terms of the agreement, the Certification Oversight Committee (the "COC") has been established by the Association and is responsible for evaluating whether the Association is conducting the Certified Turnaround Professional (CTP) program in accordance with its mission. If, after consultation with the board of the Association, the COC determines that the Association has failed to meet the mission of the certification program, the COC can elect to disassociate the certification program from the Association. Through March 11, 2012, had there been a disassociation, the Association would have been liable to the successor certification program for providing net assets in the amount of $395,538. For a disassociation after 2012, the Association would have been liable to provide $197,769 in net assets to the successor organization under the merger agreement.

However, on March 12, 2012, the Association's executive board unanimously approved amending the TMA bylaws, primarily to make changes to the COC and its relationship with TMA. The key changes include the following: (1) the full integration of the CTP program into TMA while providing the COC the responsibility for setting the annual CTP program fees, standards for CTP designees, and the marketing/promotion of the CTP program; (2) annual fees will be budgeted for through the TMA budget process, but will be segregated strictly for CTP program purposes; (3) effective on January 1, 2013, the establishment of a board-designated fund of $250,000 (which can grow to a maximum of $300,000 from the accumulation of annual CTP program operating surpluses) to exist through the year 2020 to offset any CTP program operating deficits; (4) all education and testing responsibilities will fall under the TMA Education program; and (5) the disassociation provision under the original merger agreement was removed, effective on March 12, 2012. The Association established the $250,000 board-designated fund during 2012 and increased the balance to the $300,000 maximum during 2013. The board-designated fund is included in net assets without donor restrictions in the consolidated statement of financial position.

Note 10 - Board-designated Endowment

In 2005, the Association's executive board established the endowment fund (formerly known as Cornerstone) for the purpose of providing funding for various education-related initiatives and a reserve for the Association's operations.

The Association created and approved its investment policy statement in 2011 for both its operating and endowment net assets, which balances the objectives of capital appreciation and generation of income, along with security of principal. The endowment fund portfolio is composed of money market funds, fixed-income mutual funds, equities, dynamic asset allocation funds, and annuities and is professionally managed by a registered investment manager in accordance with the parameters outlined in the investment policy statement.

Note 10 - Board-designated Endowment (Continued)

Changes in endowment net assets for the year ended December 31 are as follows:

	Endowment Net Asset Composition by Type of Fund as of December 31, 2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	$ 1,288,588	$ -	$ 1,288,588

	Changes in Endowment Net Assets for the Fiscal Year Ended December 31, 2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets - Beginning of year	$ 1,339,249	$ -	$ 1,339,249
Investment return - Investment loss	(27,822)	-	(27,822)
Appropriation of endowment assets for expenditure - Cornerstone program	(22,839)	-	(22,839)
Endowment net assets - End of year	$ 1,288,588	$ -	$ 1,288,588

	Endowment Net Asset Composition by Type of Fund as of December 31, 2017		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	$ 1,339,249	$ -	$ 1,339,249

	Changes in Endowment Net Assets for the Fiscal Year Ended December 31, 2017		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets - Beginning of year	$ 1,230,940	$ -	$ 1,230,940
Investment return - Investment income	163,168	-	163,168
Appropriation of endowment assets for expenditure - Cornerstone program	(54,859)	-	(54,859)
Endowment net assets - End of year	$ 1,339,249	$ -	$ 1,339,249

The Association's executive board determines whether income, if any, will be distributed from the endowment fund and maintains broad discretion to direct such funds to current operations, capital expenditures, or new programs. Under extraordinary circumstances, the endowment fund's corpus also may be designated by the board to fund any part of the Association's operations.

For the years ended December 31, 2018 and 2017, the endowment fund provided operations with $22,839 and $54,859, respectively.

Note 11 - Commitment

On July 30, 2018, the Association entered into an employee agreement with its chief executive officer for a term of three years. If the Association terminates the agreement without cause, as defined in the agreement, the Association shall pay an amount equal to the executive director's current salary for six months plus unused accrued vacation pay.

Note 12 - Related Party Transactions

The Association is the national governing body of the TMA chapters. The agreement with the chapters states that the Association will receive 80 percent of all membership dues, and the chapters will receive 20 percent. The Association also collects event revenue for the chapters and then remits the full amount to them, net of processing costs. For the years ended December 31, 2018 and 2017, the chapters' allocation of dues totaled $369,169 and $383,700, respectively. As of December 31, 2018 and 2017, the Association owed the chapters $221,561 and $258,441, respectively.

Note 13 - Contingencies

The Association has entered into contracts for services and accommodations for future meetings. Some of these contracts include attrition penalty clauses, which would require the Association to pay certain amounts if a meeting were canceled or if the Association were to not meet its room block or food and beverage guarantees.

Note 14 - Functional Expenses

The Association's expenses are classified by functional category as follows:

	2018	2017
Program:		
Personnel	$ 945,773	$ 1,035,854
Travel	127,594	223,398
Postage and printing	165,083	197,707
Awards	28,510	4,040
Administrative	6,183	8,180
Professional services	102,689	77,136
Marketing	94,474	93,426
Conferences and meetings	582,386	653,861
Technology	211,560	228,968
Grants	47,478	51,838
Miscellaneous	134,114	118,098
Total program	2,445,844	2,692,506
Management and administration:		
Personnel	760,565	813,164
Travel	46,527	37,924
Postage and printing	5,870	2,868
Awards	39	1,554
Administrative	55,164	51,138
Professional services	154,028	71,788
Facility	260,607	250,994
Conferences and meetings	8,388	22,743
Technology	273,773	288,743
Grants	22,595	45,783
Miscellaneous	18,724	(1,114)
Total management and administration	1,606,280	1,585,585
Total	$ 4,052,124	$ 4,278,091

Note 15 - Liquidity

The following reflects the Association's financial assets as of the consolidated statement of financial position date, reduced by amounts not available for general use because of donor-imposed restrictions or board designations within one year of the consolidated statement of financial position date:

	2018	2017
Cash and cash equivalents	$ 1,160,204	$ 1,267,019
Investments	4,727,971	4,583,027
Accounts receivable	158,626	195,223
Deposits	-	14,304
Financial assets - At year end	6,046,801	6,059,573
Less those unavailable for general expenditures within one year due to:		
Donor-imposed restrictions	2,000	2,000
Board designations	1,288,588	1,339,249
Financial assets available to meet cash needs for general expenditures within one year	$ 4,756,213	$ 4,718,324

The Association has a goal to maintain financial assets, which consist primarily of cash, on hand to meet 60 days of normal operating expenses, which are, on average approximately $675,000. The Association has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.