

**NATIONAL AUCTIONEERS
ASSOCIATION**

FINANCIAL STATEMENTS

December 31, 2011 and 2010

IFFT & CO. PA

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
National Auctioneers Association
Overland Park, Kansas

We have audited the accompanying statements of financial position of National Auctioneers Association (a nonprofit organization) as of December 31, 2011 and 2010, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our report dated April 1, 2011, we expressed an opinion that the 2010 financial statements did not fairly present financial position, activities, and cash flows in conformity with accounting principles generally accepted in the United States of America because the Association was unable to determine the correct amount of deferred lifetime memberships recorded in the statement of financial position or the amount of related revenue recorded in the statement of activities. As described in Note 10 to the financial statements, the Association has restated its 2010 financial statements to conform with accounting principles generally accepted in the United States of America. Accordingly, our present opinion on the 2010 financial statements, as presented therein, is different from that expressed in our previous report.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of National Auctioneers Association as of December 31, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of other revenues and schedule of auxiliary activities are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Deft + Co. PA

April 18, 2012

**NATIONAL AUCTIONEERS ASSOCIATION
STATEMENTS OF FINANCIAL POSITION
December 31, 2011 and 2010**

	2011	2010
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 702,344	496,160
Cash and cash equivalents - Auxiliary	<u>43,656</u>	<u>53,815</u>
Total cash and cash equivalents	746,000	549,975
Auctioneer accounts receivable, less allowance for doubtful accounts of \$471 in 2011 and 2010	12,381	2,345
Related party receivable	4,851	498
Accrued interest receivable	3,532	3,489
Prepaid expenses	<u>31,427</u>	<u>43,274</u>
TOTAL CURRENT ASSETS	798,191	599,581
PROPERTY AND EQUIPMENT		
Equipment	171,313	150,975
Furniture and fixtures	134,516	134,516
Building	<u>1,264,531</u>	<u>1,264,531</u>
	1,570,360	1,550,022
Accumulated depreciation	<u>(1,204,601)</u>	<u>(1,126,808)</u>
	365,759	423,214
Land	<u>271,561</u>	<u>271,561</u>
TOTAL PROPERTY AND EQUIPMENT	637,320	694,775
ASSETS LIMITED AS TO USE		
Lifetime membership designated funds	310,508	309,654
Auxiliary scholarship designated funds	59,870	52,061
Building maintenance designated funds	<u>5,002</u>	<u>-</u>
TOTAL ASSETS LIMITED AS TO USE	<u>375,380</u>	<u>361,715</u>
TOTAL ASSETS	<u>\$ 1,810,891</u>	<u>1,656,071</u>

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

**NATIONAL AUCTIONEERS ASSOCIATION
STATEMENTS OF FINANCIAL POSITION
December 31, 2011 and 2010**

	2011	2010
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 59,793	38,826
Accrued liabilities	18,269	13,516
Current portion of deferred memberships	534,741	537,224
Current portion of deferred lifetime memberships	24,834	19,556
Deferred program and conference revenue	85,560	121,233
Current portion of deferred rent	24,000	24,000
TOTAL CURRENT LIABILITIES	747,197	754,355
 LONG-TERM LIABILITIES		
Deferred memberships, less current portion	42,186	33,426
Deferred lifetime memberships, less current portion	189,320	214,154
Deferred rent, less current portion	472,000	496,000
TOTAL LONG-TERM LIABILITIES	703,506	743,580
TOTAL LIABILITIES	1,450,703	1,497,935
 NET ASSETS		
Unrestricted	(15,192)	(203,579)
Board-designated - lifetime membership	310,508	309,654
Board-designated - Auxiliary scholarship	59,870	52,061
Board-designated - building maintenance	5,002	-
TOTAL NET ASSETS	360,188	158,136
TOTAL LIABILITIES AND NET ASSETS	\$ 1,810,891	1,656,071

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

NATIONAL AUCTIONEERS ASSOCIATION
STATEMENTS OF ACTIVITIES
For the Years Ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
REVENUES		
Dues	\$ 1,183,799	1,186,408
Designation programs	480,675	446,434
Conference	614,365	603,210
Advertising	167,926	136,258
Investment income	5,777	6,566
Lease income	24,000	24,000
Contributions	25,000	13,720
Management fee	13,217	-
Other Auxiliary income	15,020	13,456
Funds from dissolution of PAC	-	47,687
In-kind revenue	20,260	10,001
Other	<u>34,018</u>	<u>42,494</u>
	2,584,057	2,530,234
EXPENSES		
Salaries and benefits	868,240	841,310
Conference	457,536	441,811
Designation programs	352,416	314,307
Publications	115,267	129,213
Auxiliary	30,788	21,658
Board travel	38,711	45,443
Staff travel and training expenses	52,946	45,147
Membership development	63,119	50,512
Professional and consultant fees	24,036	59,078
Public relations	24,693	25,158
Utilities	36,013	38,413
Repairs and maintenance	32,212	33,580
Taxes and insurance	25,122	33,099
Computer expenses	75,096	98,526
Office supplies and postage	28,158	30,832
Bank fees	47,391	41,294
Depreciation	77,793	98,167
In-kind expense	20,260	10,001
Other	<u>12,208</u>	<u>5,902</u>
	2,382,005	2,363,451
CHANGE IN NET ASSETS	202,052	166,783
NET ASSETS, BEGINNING OF YEAR, AS PREVIOUSLY REPORTED	158,136	174,737
PRIOR PERIOD ADJUSTMENT	<u>-</u>	<u>(183,384)</u>
NET ASSETS, BEGINNING OF YEAR, AS RESTATED	<u>158,136</u>	<u>(8,647)</u>
NET ASSETS, END OF YEAR	<u>\$ 360,188</u>	<u>158,136</u>

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

**NATIONAL AUCTIONEERS ASSOCIATION
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2011 and 2010**

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 202,052	166,783
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	77,793	98,167
Changes in operating assets and liabilities		
Auctioneer accounts receivable	(10,036)	892
Related party receivable	(4,353)	13,370
Accrued interest receivable	(43)	(3,489)
Prepaid expenses	11,847	(22,644)
Accounts payable	20,967	(1,646)
Accrued liabilities	4,753	(1,456)
Deferred memberships	6,277	(27,735)
Deferred lifetime memberships	(19,556)	(8,723)
Deferred program and conference revenue	(35,673)	(859)
Deferred rent	<u>(24,000)</u>	<u>(24,000)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	230,028	188,660
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(20,338)	(4,685)
Change in assets limited as to use	<u>(13,665)</u>	<u>(19,606)</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(34,003)</u>	<u>(24,291)</u>
 NET CHANGE IN CASH AND CASH EQUIVALENTS	196,025	164,369
 CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>549,975</u>	<u>385,606</u>
 CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 746,000</u>	<u>549,975</u>

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

NATIONAL AUCTIONEERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

National Auctioneers Association (the Association) is a nonprofit corporation that provides educational services and information regarding the auctioneering profession. Magazines are published as part of the member's annual dues investment, a convention is presented annually, and several seminars are presented throughout the year. The Association also has an Auxiliary, through which non-auctioneers can assist the Association.

Basis of Accounting and Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

The Association reports 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. The Association had no permanently restricted or temporarily restricted net assets at December 31, 2011 or 2010.

Cash Equivalents

The Association considers all highly liquid instruments purchased with maturities of less than three months to be cash equivalents.

Accounts Receivable

The majority of the Association's receivables is due from advertisers for advertisements placed in the Association's newsletter. Receivables are recorded at amounts due from advertisers, net of an allowance for doubtful accounts. Credit is extended based on evaluation of an advertiser's financial condition; generally, collateral is not required. Receivables are considered past due after thirty days. The Association writes off receivables when they become uncollectible. At December 31, 2011 and 2010, the allowance for doubtful accounts was \$471.

Property and Equipment

The Association capitalizes all significant acquisitions of property and equipment, which are recorded at cost, or fair value if donated. Property and equipment are depreciated using the straight-line method over the estimated useful lives of the assets.

NATIONAL AUCTIONEERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Recognition of Donor Restrictions

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

In-Kind Contributions

In-kind contributions are received for conference items and are recorded as revenue and expense in the accompanying statements of activities.

Income Taxes

The Association is generally exempt from federal income tax under Section 501(c)(6) of the Internal Revenue Code. Accordingly, no provision for income taxes is recorded.

The Association recognizes the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more-likely-than-not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement with the relevant tax authority.

The Association is subject to income tax regulations in the U.S. federal jurisdiction and certain state jurisdictions. Tax regulations within each jurisdiction are subject to the interpretation of the related tax laws and regulations and require significant judgment to apply. With few exceptions, the Association is no longer subject to income tax examinations by the applicable tax authorities for the years before 2008. If any were to be incurred, the Association's policy is to record penalties and interest assessed by income tax authorities as operating expenses.

The Association had unrelated business activity that resulted in net operating losses in 2007 and 2008 of \$10,871 and \$112, respectively. The net operating losses can be carried forward for twenty years.

Advertising

The Association utilizes its own publications to satisfy its advertising needs. Therefore, any advertising expenses are accounted for indirectly as a portion of the publishing expenses of these publications.

**NATIONAL AUCTIONEERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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.

Reclassifications

Certain items in the 2010 financial statements have been reclassified to conform to the 2011 presentation. These reclassifications had no effect on the change in net assets.

Subsequent Events

Subsequent events have been evaluated through April 18, 2012, which is the date the financial statements were available to be issued.

NOTE 2 - LIFETIME MEMBERSHIPS

In prior years, members of the Association had the opportunity to purchase life memberships. Those funds and earnings thereon were placed in Board-designated investments and are maintained separately from the Association's operating account in certificates of deposit. The balance of the Board-designated lifetime membership fund was \$310,508 and \$309,654 at December 31, 2011 and 2010, respectively. During 2009, the Board of Directors froze the selling of this membership option while they review the benefits of this program. See Note 10.

NOTE 3 - AUXILIARY SCHOLARSHIP FUND

The Auxiliary of the Association has established a fund to pay annual scholarships to qualifying candidates. In 2011 and 2010, the Auxiliary authorized three and two scholarships, respectively, to be awarded.

The Auxiliary raises funds for the scholarships by selling "Unsung Heroes" prints. They also supplement the income from this campaign by holding other fundraising activities during the year. Certain proceeds from the fund are designated for the growth of the fund. The balance of the fund as of December 31, 2011 and 2010 was \$59,870 and \$52,061, respectively.

**NATIONAL AUCTIONEERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010**

NOTE 4 - DISSOLUTION OF THE POLITICAL ACTION COMMITTEE

During 2009, the Board authorized the dissolution of the Association's Political Action Committee (PAC). During 2010, the Board approved the investment of the PAC's remaining funds into the Association's current operations, and the Association recognized revenue of \$47,687.

NOTE 5 - LEASE COMMITMENT

The Association entered into a facility lease agreement in September 2007 with the National Auctioneers Foundation (the Foundation), a related organization, in which the Foundation leases a portion of the Association's building. The lease is for twenty-five years with a monthly rate of \$2,000. This lease expires in August 2032, unless sooner terminated in accordance with the provisions of the lease agreement. The Foundation has prepaid the lease in its entirety.

Deferred rent revenue totaled \$496,000 and \$520,000 at December 31, 2011 and 2010, respectively, and will be recognized in revenue as follows:

<u>Year ending December 31,</u>	<u>Amount</u>
2012	\$ 24,000
2013	24,000
2014	24,000
2015	24,000
2016	24,000
Thereafter	<u>376,000</u>
	<u>\$ 496,000</u>

NOTE 6 - DEFINED CONTRIBUTION PLAN

The Association maintains a 401(k) savings plan (the Plan) for all eligible employees. All participants may elect to defer up to 20% of their salary on a pre-tax basis, but cannot exceed the amount of allowable contributions established by the Internal Revenue Service for a given calendar year.

All full-time employees are eligible to receive a matching contribution from the Association after one year of employment. The Association makes a contribution equal to 100% of an employee's salary deferrals that do not exceed 4% of the employee's compensation. The Association contributed \$21,628 and \$21,674 to the Plan for the years ended December 31, 2011 and 2010, respectively. Participants are fully vested in both their salary deferral and the matching contributions.

**NATIONAL AUCTIONEERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010**

NOTE 7 - FUNCTIONAL EXPENSES

The functional classification of expenses consisted of the following for the years ended December 31,

	<u>2011</u>	<u>2010</u>
Program	\$ 1,589,029	1,556,862
Management and general	752,939	768,702
Fundraising	<u>40,037</u>	<u>37,887</u>
	<u>\$ 2,382,005</u>	<u>2,363,451</u>

NOTE 8 - RELATED PARTIES AND AFFILIATED ORGANIZATIONS

The Association sells advertising space in its publication, *The Auctioneer*. Several members of the Board of Directors purchase advertising space in the publication for their outside businesses. There were no advertising fees owed by these related parties as of December 31, 2011 or 2010. The amount of advertising revenue received from members of the Board of Directors was \$4,754 and \$3,380 during the years ended December 31, 2011 and 2010.

Through April 2011, the Association had an agreement with the Foundation to handle the processing and payment of the Foundation's semi-monthly payroll. The Foundation then reimbursed the Association. As of April 2011, the Foundation no longer had its own employees, and the Foundation agreed to pay monthly management fees of \$800 to the Association to manage the Foundation. Beginning in August 2011, the Foundation entered a new agreement whereby quarterly management fees of \$6,250 are paid to the Association. Total management fee income recognized by the Association was \$13,217 for the year ended December 31, 2011. The Foundation also reimburses the Association for items such as postage and conference calls. The amounts due from the Foundation at December 31, 2011 and 2010 were \$4,851 and \$498, respectively.

Members of the Board of Directors are utilized as instructors for the designation program seminars made available to the members. The amounts paid to related party instructors during the years ended December 31, 2011 and 2010 were \$5,000 and \$3,000, respectively.

During the years ended December 31, 2011 and 2010, the Foundation contributed \$25,000 and \$13,720, respectively, to the Association.

Also see Note 5.

NATIONAL AUCTIONEERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

NOTE 9 - CONCENTRATION OF CREDIT RISK

The Association maintains cash balances at various financial institutions in the greater Kansas City area. The balances were insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 at December 31, 2011 and 2010. The Association also had a money market fund in 2010 that was not insured by the FDIC. At December 31, 2011 and 2010, the Association's uninsured balances totaled \$27,057 and \$349,151, respectively.

NOTE 10 - PRIOR PERIOD ADJUSTMENT

The Association's net assets as of December 31, 2009 have been decreased by \$183,384 to correct the recorded amount of deferred lifetime memberships. Accounting principles generally accepted in the United States of America require that the revenue earned under lifetime memberships be recognized over the estimated lives of the applicable members. Prior to 2011, the Association was unable to determine the correct amount of deferred lifetime memberships. During 2011, the Association was able to determine the correct amount of deferred lifetime memberships. As a result, deferred lifetime memberships were increased and net assets were decreased by \$183,384 as of December 31, 2009 and the previously reported change in net assets for the year ended December 31, 2010 was decreased by \$35,389.

SUPPLEMENTAL INFORMATION

**NATIONAL AUCTIONEERS ASSOCIATION
SCHEDULES OF OTHER REVENUES
For the Years Ended December 31, 2011 and 2010**

	<u>2011</u>	<u>2010</u>
OTHER REVENUES		
Affinity	\$ 32,874	41,552
Other income	<u>1,144</u>	<u>942</u>
	<u>\$ 34,018</u>	<u>42,494</u>

**NATIONAL AUCTIONEERS ASSOCIATION
SCHEDULE OF AUXILIARY ACTIVITIES
For the Year Ended December 31, 2011**

	<u>Undesignated</u>	<u>Designated</u>	<u>Total</u>
INCOME			
Membership dues	\$ 14,650	-	14,650
Fun Auction proceeds	-	4,408	4,408
Unsung Heroes print	-	8,010	8,010
Special events	210	-	210
Interest income	231	221	452
Other income	<u>1,001</u>	<u>1,170</u>	<u>2,171</u>
TOTAL REVENUES	16,092	13,809	29,901
EXPENSES			
Management fees	6,500	-	6,500
Conference and Show	9,521	-	9,521
Membership/Newsletter	3,050	-	3,050
Scholarships	-	6,000	6,000
Long-range planning	4,360	-	4,360
Operating	<u>1,357</u>	<u>-</u>	<u>1,357</u>
TOTAL EXPENSES	<u>24,788</u>	<u>6,000</u>	<u>30,788</u>
CHANGE IN NET ASSETS	(8,696)	7,809	(887)
NET ASSETS, BEGINNING OF YEAR	<u>55,289</u>	<u>52,061</u>	<u>107,350</u>
NET ASSETS, END OF YEAR	<u>\$ 46,593</u>	<u>59,870</u>	<u>106,463</u>