

American Classical League

**FINANCIAL STATEMENTS
For the Years Ended
April 30, 2018 and 2017**

American Classical League

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INDEPENDENT AUDITORS' REPORT

To the Board of Governors of
American Classical League
Hamilton, Ohio

We have audited the accompanying consolidated financial statements of American Classical League (a nonprofit organization) which comprise the consolidated statements of financial position as of April 30, 2018 and 2017 and the related consolidated statements of activities, functional expenses and cash flows for the years 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 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.

Auditors' 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 audit 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 auditors' 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 qualified audit opinion.

Basis for Qualified Opinion

A physical inventory was not conducted at April 30, 2018, 2017 or 2016 and as such, we were unable to perform any inventory observation procedures. The Organization's inventory and supplies balance at April 30, 2018 (stated at \$134,049) and at April 30, 2017 (stated at \$136,511) was based on its perpetual inventory records on those dates. Because no physical counts were conducted, we were unable to determine whether any additional adjustments were necessary.

Qualified Opinion

In our opinion, except for the possible effects on the consolidated statements of financial position, activities, and cash flows of the matter described in the Basis for Qualified Opinion paragraph, the consolidated financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of American Classical League as of April 30, 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.

Kirsch CPA Group, LLC

Hamilton, Ohio

September 11, 2018

American Classical League
Consolidated Statements of Financial Position
As of April 30, 2018 and 2017

Assets		
	2018	2017
Current Assets		
Cash and Cash Equivalents	\$ 784,282	\$ 1,226,164
Accounts Receivable	681	1,276
Inventory and Supplies	134,049	136,511
Prepaid Expenses	18,349	7,796
Short-Term Investments	102,048	0
	<hr/>	<hr/>
Total Current Assets	1,039,409	1,371,747
Property and Equipment		
Property and Equipment	50,213	51,153
Less: Accumulated Depreciation	(45,014)	(44,180)
	<hr/>	<hr/>
Net Property and Equipment	5,199	6,973
Other Assets		
Investments	1,629,919	1,769,596
Intangible Assets, Net	70,405	50,315
Deposits	207,682	5,000
Beneficial Interest in Perpetual Trust	647,422	623,635
	<hr/>	<hr/>
Total Other Assets	2,555,428	2,448,546
	<hr/>	<hr/>
Total Assets	\$ 3,600,036	\$ 3,827,266
	<hr/> <hr/>	<hr/> <hr/>
Liabilities and Net Assets		
Current Liabilities		
Accrued Expenses	\$ 30,277	\$ 41,430
Deferred Revenue	349,803	448,171
	<hr/>	<hr/>
Total Current Liabilities	380,080	489,601
Total Liabilities	380,080	489,601
	<hr/>	<hr/>
Net Assets		
Unrestricted Net Assets	2,175,840	2,349,572
Temporarily Restricted Net Assets	396,694	364,458
Permanently Restricted Net Assets	647,422	623,635
	<hr/>	<hr/>
Total Net Assets	3,219,956	3,337,665
	<hr/>	<hr/>
Total Liabilities and Net Assets	\$ 3,600,036	\$ 3,827,266
	<hr/> <hr/>	<hr/> <hr/>

The accompanying notes are an integral part of these financial statements

**American Classical League
Consolidated Statement of Activities
For the Year Ended April 30, 2018**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE				
Contributions	\$ 44,560	\$ 65,848	\$ 0	\$ 110,408
Institute/Convention Revenue	808,270	0	0	808,270
Membership Dues	209,843	0	0	209,843
Sale of Teaching Materials	28,915	0	0	28,915
Examination Income (National Latin Exam)	781,034	0	0	781,034
Other Program Services	153,734	0	0	153,734
Interest and Dividend Income	68,105	26,536	0	94,641
Realized & Unrealized Gain (Loss) on Invest.	29,647	0	0	29,647
Change in Beneficial Interest in Perpetual Trust	0	0	23,787	23,787
Other Income	5,358	0	0	5,358
Net Assets Released From Restrictions	<u>60,148</u>	<u>(60,148)</u>	<u>0</u>	<u>0</u>
TOTAL SUPPORT AND REVENUE	2,189,614	32,236	23,787	2,245,637
EXPENSES				
Program Services:				
Institute/Convention	711,877	0	0	711,877
Membership/Publications	91,890	0	0	91,890
Teaching Materials Resource Center	63,608	0	0	63,608
Scholarships	188,194	0	0	188,194
National Latin Exam	654,470	0	0	654,470
National Committee on Latin and Greek	11,102	0	0	11,102
Other Program Services	131,504	0	0	131,504
Management and General	498,361	0	0	498,361
Fundraising	<u>12,340</u>	<u>0</u>	<u>0</u>	<u>12,340</u>
TOTAL EXPENSES	<u>2,363,346</u>	<u>0</u>	<u>0</u>	<u>2,363,346</u>
CHANGE IN NET ASSETS	(173,732)	32,236	23,787	(117,709)
NET ASSETS AT BEGINNING OF YEAR	<u>2,349,572</u>	<u>364,458</u>	<u>623,635</u>	<u>3,337,665</u>
NET ASSETS AT END OF YEAR	<u>\$ 2,175,840</u>	<u>\$ 396,694</u>	<u>\$ 647,422</u>	<u>\$ 3,219,956</u>

The accompanying notes are an integral part of these financial statements

**American Classical League
Consolidated Statement of Activities
For the Year Ended April 30, 2017**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE				
Contributions	\$ 6,115	\$ 32,068	\$ 0	\$ 38,183
Institute/Convention Revenue	957,410	0	0	957,410
Membership Dues	216,243	0	0	216,243
Sale of Teaching Materials	41,645	0	0	41,645
Examination Income (National Latin Exam)	803,991	0	0	803,991
Other Program Services	161,422	0	0	161,422
Interest and Dividend Income	66,698	33,983	0	100,681
Realized & Unrealized Gain (Loss) on Invest.	92,511	0	0	92,511
Change in Beneficial Interest in Perpetual Trust	0	0	26,348	26,348
Other Income	4,646	0	0	4,646
Net Assets Released From Restrictions	<u>38,738</u>	<u>(38,738)</u>	<u>0</u>	<u>0</u>
TOTAL SUPPORT AND REVENUE	2,389,419	27,313	26,348	2,443,080
EXPENSES				
Program Services:				
Institute/Convention	927,575	0	0	927,575
Membership/Publications	92,261	0	0	92,261
Teaching Materials Resource Center	71,694	0	0	71,694
Scholarships	133,249	0	0	133,249
National Latin Exam	640,459	0	0	640,459
National Committee on Latin and Greek	10,197	0	0	10,197
Other Program Services	96,086	0	0	96,086
Management and General	<u>389,975</u>	<u>0</u>	<u>0</u>	<u>389,975</u>
TOTAL EXPENSES	<u>2,361,496</u>	<u>0</u>	<u>0</u>	<u>2,361,496</u>
CHANGE IN NET ASSETS	27,923	27,313	26,348	81,584
NET ASSETS AT BEGINNING OF YEAR	<u>2,321,649</u>	<u>337,145</u>	<u>597,287</u>	<u>3,256,081</u>
NET ASSETS AT END OF YEAR	<u>\$ 2,349,572</u>	<u>\$ 364,458</u>	<u>\$ 623,635</u>	<u>\$ 3,337,665</u>

The accompanying notes are an integral part of these financial statements

American Classical League
Consolidated Statement of Functional Expenses
For the Year Ended April 30, 2018

Program Services										
	Institute/ Convention	Membership/ Publications	Teaching Materials Resource Center	Scholarships	National Latin Exam	National Committee for Latin and Greek	Other Program Services	Management & General	Fundraising	Total
Membership	\$ -	\$ 7,283	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,283
Professional Fees	-	-	-	-	6,700	-	-	61,530	-	68,230
Classical Outlook	-	21,040	-	-	-	-	-	-	-	21,040
Committee, Meetings and Travel	47,150	300	-	-	73,984	11,052	-	43,991	-	176,477
Bank and Credit Card Fees	-	-	-	-	-	-	-	41,603	-	41,603
Excellence Through Classics										
Study Materials	-	-	-	-	-	-	30,735	-	-	30,735
General Office	1,677	1,109	490	-	-	50	432	39,372	-	43,130
Conferences	573,127	-	-	-	-	-	-	-	-	573,127
Insurance	-	-	-	-	-	-	-	11,576	-	11,576
Greek Exam	-	-	-	-	-	-	7,027	-	-	7,027
Printing and Publications	-	520	-	-	42,066	-	-	-	-	42,586
Equipment Maintenance and Rental	-	-	-	-	-	-	-	13,202	-	13,202
Postage and Shipping	-	1,771	1,170	-	108,052	-	-	-	-	110,993
Cost of Teaching Materials Sold	-	-	35,695	-	-	-	-	-	-	35,695
Rent	9,845	6,512	2,874	-	1	-	2,535	17,449	-	39,216
Awards	-	-	-	-	175,288	-	-	-	-	175,288
Scholarships	-	-	-	188,194	-	-	-	-	-	188,194
Testing Services	-	-	-	-	163,100	-	-	-	-	163,100
Online Testing	-	-	-	-	-	-	37,891	-	-	37,891
Miscellaneous	-	391	-	-	-	-	14,505	25,772	-	40,668
Depreciation and Amortization	-	-	-	-	-	-	-	8,134	-	8,134
Honor Society Awards and Accessories	-	-	-	-	-	-	17,760	-	-	17,760
Salaries	59,101	39,090	17,255	-	79,170	-	15,218	141,322	-	351,156
Payroll Taxes	4,464	2,952	1,303	-	6,109	-	1,149	11,983	-	27,960
Benefits	16,513	10,922	4,821	-	-	-	4,252	29,267	-	65,775
Fundraising Consultant	-	-	-	-	-	-	-	-	12,340	12,340
Strategic Planning	-	-	-	-	-	-	-	41,890	-	41,890
Website Development	-	-	-	-	-	-	-	5,408	-	5,408
Organizational Development	-	-	-	-	-	-	-	5,862	-	5,862
	\$ 711,877	\$ 91,890	\$ 63,608	\$ 188,194	\$ 654,470	\$ 11,102	\$ 131,504	\$ 498,361	\$ 12,340	\$ 2,363,346

The accompanying notes are an integral part of these financial statements

American Classical League
Consolidated Statement of Functional Expenses
For the Year Ended April 30, 2017

	Program Services							Management & General	Total
	Institute/ Convention	Membership/ Publications	Teaching Materials Resource Center	Scholarships	National Latin Exam	National Committee for Latin and Greek	Other Program Services		
Membership	\$ -	\$ 6,190	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,190
Professional Fees	-	-	-	-	8,600	-	-	57,250	65,850
Classical Outlook	-	20,770	-	-	-	-	-	-	20,770
Committee, Meetings and Travel	31,977	-	-	-	68,213	9,525	-	23,570	133,285
Bank and Credit Card Fees	-	-	-	-	-	-	-	37,074	37,074
Excellence Through Classics									
Study Materials	-	-	-	-	-	-	23,519	-	23,519
General Office	3,283	2,197	1,094	-	-	672	844	36,823	44,913
Conferences	801,292	-	-	-	-	-	-	-	801,292
Insurance	-	-	-	-	-	-	-	11,687	11,687
Greek Exam	-	-	-	-	-	-	9,590	-	9,590
Printing and Publications	-	612	-	-	44,632	-	-	-	45,244
Equipment Maintenance									
and Rental	-	-	-	-	-	-	-	11,779	11,779
Postage and Shipping	-	1,266	3,572	-	89,862	-	-	-	94,700
Cost of Teaching Materials Sold	-	-	36,704	-	-	-	-	-	36,704
Rent	11,073	7,411	3,689	-	1	-	2,848	14,079	39,101
Awards	-	-	-	-	183,571	-	-	-	183,571
Scholarships	-	-	-	133,249	-	-	-	-	133,249
Testing Services	-	-	-	-	163,630	-	-	-	163,630
Online Testing	-	-	-	-	-	-	18,550	-	18,550
Miscellaneous	-	304	-	-	-	-	8,787	16,164	25,255
Depreciation	-	-	-	-	-	-	-	3,205	3,205
Honor Society Awards and									
Accessories	-	-	-	-	-	-	11,387	-	11,387
Salaries	58,209	38,960	19,392	-	75,877	-	14,970	111,444	318,852
Payroll Taxes	4,838	3,238	1,612	-	6,073	-	1,244	10,200	27,205
Benefits	16,903	11,313	5,631	-	-	-	4,347	21,492	59,686
Fundraising Consultant	-	-	-	-	-	-	-	-	-
Strategic Planning	-	-	-	-	-	-	-	-	-
Website Development	-	-	-	-	-	-	-	6,000	6,000
Organizational Development	-	-	-	-	-	-	-	29,208	29,208
	<u>\$ 927,575</u>	<u>\$ 92,261</u>	<u>\$ 71,694</u>	<u>\$ 133,249</u>	<u>\$ 640,459</u>	<u>\$ 10,197</u>	<u>\$ 96,086</u>	<u>\$ 389,975</u>	<u>\$ 2,361,496</u>

The accompanying notes are an integral part of these financial statements

American Classical League
Consolidated Statements of Cash Flows
For the Years Ended April 30, 2018 and 2017

	2018	2017
Cash Flows from Operating Activities		
Change in Net Assets	\$ (117,709)	\$ 81,584
Adjustments to Reconcile Net Income (Loss) to Net Cash Provided By (Used in) Operating Activities:		
Depreciation and Amortization	8,134	3,205
Realized and Unrealized (Gain) Loss on Investments	(29,647)	(92,511)
Change in Beneficial Interest in Perpetual Trust	(23,787)	(26,348)
Change in Accounts Receivable	595	385
Change in Inventory	2,462	6,811
Change in Prepaid Expenses	(10,553)	(259)
Change in Deposits	(202,682)	0
Change in Accrued Expenses	(11,153)	23,595
Change in Deferred Revenue	(98,368)	(59,296)
Net Cash Provided By (Used In) Operating Activities	(482,708)	(62,834)
Cash Flows from Investing Activities		
Purchase of Fixed Assets	(1,787)	0
Investment in Intangible Assets	(24,663)	(50,315)
Proceeds from Sale (Purchase) of Investments, net	67,276	(142,089)
Net Cash Provided By (Used In) Investing Activities	40,826	(192,404)
Net Increase (Decrease) In Cash and Cash Equivalents	(441,882)	(255,238)
Beginning Cash and Cash Equivalents	1,226,164	1,481,402
Ending Cash and Cash Equivalents	\$ 784,282	\$ 1,226,164

The accompanying notes are an integral part of these financial statements

American Classical League
Notes to Consolidated Financial Statements
April 30, 2018 and 2017

NOTE A – GENERAL INFORMATION

The American Classical League (ACL) is a nonprofit organization that promotes the study of classical languages.

These consolidated financial statements include the accounts of the Organization's two subsidiary organizations, National Junior Classical League (NJCL) and National Senior Classical League (NSCL) and all of ACL's committees including National Latin Exam (NLE) and National Committee for Latin and Greek (NCLG). All significant intercompany transactions have been eliminated. NLE's year-end is June 30, so these consolidated financial statements include the operating results for NLE from July 1 through June 30. All other subsidiaries and committees have April 30th year-ends.

The Organization promotes the study of classical languages by providing teaching materials, conventions and other resources to teachers and students across the nation. The Organization publishes newsletters and a classics journal to provide information related to classical activities.

In addition, the Organization plans an annual convention, provides scholarships to teachers for summer travel and attendance at an annual Institute and Workshop, and sponsors National Latin, National Greek and National Mythology Exams.

NJCL, which provides membership to middle school and high school students, consists of local and state/provincial chapters across the United States, Canada and Australia and hosts an annual conference. NSCL is the college-level affiliate of the NJCL and assists at the NJCL annual convention and offers scholarships to NSCL members.

The NLE committee coordinates all efforts related to the preparation and grading of the National Latin Exam as well as provides opportunities for students to apply for scholarships. The NCLG coordinates efforts on behalf of all cooperating classical organizations by developing an agenda of promotional items and activities. The committee meets twice each year to identify nationwide needs and priorities within the Classics and produces informational packages promoting the value of studying the Classics.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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

American Classical League
Notes to Consolidated Financial Statements
April 30, 2018 and 2017

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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Functional Allocation and Expenses

The costs of providing the various programs have been summarized on a functional basis in the statement of activities. Where identifiable, costs are charged directly to the program for which they are incurred. Costs that benefit more than one program are allocated among those programs based on estimates made by management based upon estimated program usage or consumption. The Organization's primary programs and activities are as follows:

Institute/Convention – The Organization holds two annual conferences at locations across the United States: one for ACL members (Institute) and another for NJCL members (Convention). The conferences provide an avenue for teachers and students to network, share ideas and attend workshops.

Membership/Publication – Members of the American Classical League receive a quarterly publication (*The Classical Outlook*) as well as a monthly on-line newsletter. Members of NJCL receive other publications throughout the year.

Teaching Materials Resource Center (TMRC) – The Organization maintains a teaching materials resource center, which publishes and provides a variety of teaching aids. The materials are available for sale to members at a discount, although non-members may also purchase materials.

Scholarships – The Organization provides scholarships to teachers of the classics as well as undergraduate and graduate classics majors planning to teach at the elementary through college level.

National Latin Exam – The Organization administers the National Latin Exam offered to Latin students around the world. More than 143,000 students took the exam during 2018 (2017 – over 149,000 students).

National Committee on Latin and Greek – The committee works to focus public awareness of the study of Latin, Greek and the Classics through the publication of brochures, informational packets, and statements about the value of classical studies.

American Classical League
Notes to Consolidated Financial Statements
April 30, 2018 and 2017

Other Program Services – Other program services include the Excellence Through Classics (ETC) Program, which promotes the classics by providing teaching packets and study materials for students wishing to compete in annual exams in topics such as mythology and exploratory Latin. It also includes the Honor Society program, which recognizes members achieving outstanding academic success in their classics studies, and NJCL on-line testing. The Organization also produces a Greek examination for high school and college students that tests student knowledge of ancient Greece.

Contribution Revenue and Pledges Receivable

The Organization recognizes contribution revenue when an unconditional pledge is made or when cash is received if a pledge was not made.

Pledges receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual unconditional promises. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to the applicable unconditional promise to give. At April 30, 2018 and 2017, there were no pledges receivable.

Fair Value of Financial Instruments

The carrying value of cash and cash equivalents, short-term investments, accounts receivable, prepaid expenses, accrued expenses and deferred revenue approximates fair value due to the short-term nature of these instruments. The carrying value of investments, security deposit and beneficial interest in perpetual trust also approximates their fair value.

Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) provides a framework for measuring fair value under accounting principles generally accepted in the United States of America. FASB ASC defines fair value as 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. FASB ASC also establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The fair value hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the instrument's fair value measurement.

The three levels of the fair value hierarchy under FASB ASC are:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Association has the ability to access at the measurement date.

American Classical League
Notes to Consolidated Financial Statements
April 30, 2018 and 2017

Level 2 – Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets in inactive markets; inputs other than quoted prices that are observable for the asset or liability; and inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified contractual term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The valuation methodologies used for assets and liabilities measured at fair value have not changed from prior periods. The Organization has short-term and long-term investments valued at Level 1 and Level 2 (see Note D) and a beneficial interest in perpetual trust valued at Level 3 (see note G).

A description of the valuation methodologies used for assets measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy, is set forth below:

Mutual funds/stock exchange traded funds/corporate common stock: Valued by the bid/ask and closing pricing. Each security is valued on a quoted market price and is traded in an active market.

Money market fund: Valued at the net asset value of the underlying asset.

Certificate of deposits: Valued using the present value of expected future cash flows.

The beneficial interest in perpetual trust is valued at Level 3 because there are no significant observable inputs. The fair value has been derived from assumptions about the present value of distributions to be received from the trust, which was determined using the fair value of the underlying trust assets.

Cash and Cash Equivalents

For purposes of reporting cash flows, the Organization considers all short-term investments with original maturities of three months or less to be cash equivalents.

Investments

Investments (including the beneficial interest in perpetual trust) are reported at their estimated fair values in the statement of financial position.

Investments are comprised of equity securities, mutual funds, fixed income securities and certificates of deposit with original maturities greater than three months. Unrealized gains and losses are included in the change in net assets on the statement of activities.

American Classical League
Notes to Consolidated Financial Statements
April 30, 2018 and 2017

Investment return is reflected in the statement of activities as unrestricted, temporarily restricted or permanently restricted based upon the existence and nature of any donor-imposed restrictions.

Inventory and Supplies

Inventories are stated at the lower of cost or net realizable value, with cost determined using the first-in, first out (FIFO) method. Shipping and handling costs on purchases are included in the cost of inventory. Inventory and supplies consist of teaching materials held for sale, honor society cords, pins and seals, and certificates, medals and books given to NLE award winners. The Organization adopted Accounting Standards Update 2015-11 on inventory effective May 1, 2017.

Accounts Receivable

Accounts receivable represents amounts billed related to the sale of teaching materials and examinations. The Organization does not charge interest on past due balances.

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual receivables. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to the appropriate accounts receivable. There is no allowance for uncollectible accounts at April 30, 2018 and 2017.

Revenue Recognition

Revenue from Institute and Convention is recorded in the period in which the event is held.

Annual renewal notices for membership dues are sent electronically. Receipts of dues attributable to the current fiscal year are recognized as revenue. Receipts of dues attributable to future periods are deferred and recognized over the period to which the dues apply.

Revenue from the sale of teaching materials is recorded in the period in which the goods are shipped.

Other program service revenue consists primarily of Honor Society fees of \$46,511 (2017 - \$51,618), Greek Exam revenue of \$11,735 (2017 - \$13,661), NJCL On-line Testing revenue of \$32,706 (2017 - \$38,607), and Excellence Through Classics revenue of \$59,516 (2017 - \$57,509) and is recognized when the certificates and materials are shipped or when the exam is given and graded.

Revenue received from administering the National Latin Exam is recorded in the period in which the exam is given and graded.

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Furniture and Equipment

It is the policy of the Organization to capitalize property and equipment over \$500. Lesser amounts are expensed. Furniture and equipment are stated at cost, net of accumulated depreciation. Depreciation is calculated on a straight-line basis over the estimated useful life, which ranges from three to seven years. Routine maintenance, repairs and renewals are charged to expense as incurred. Renewals and betterments, which substantially increase the life of an asset, are capitalized. At retirement or sale, the cost of assets, less the related accumulated depreciation, is removed from the accounts and resulting gains or losses are included in the statement of activities.

Intangible Assets

Intangible assets represent amounts invested in developing a new website for ACL, NJCL, ETC, and NLE that meet the requirements for capitalization. The website for ACL, NJCL, and ETC launched in fiscal 2018. The website development costs of \$68,595 are being amortized over the estimated useful life of five years. The NLE website is expected to launch in fiscal 2019. These website development costs will be amortized over its estimated useful life of five years.

Amortization expense for 2018 was \$4,573 (2017 - \$0). Amortization for the remaining useful life of the asset will be approximately \$14,000 per year.

Management reviews intangible assets for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. As of April 30, 2018, management believes that no impairment of intangible assets has been indicated.

Deposits

Deposits primarily consist of balances paid in advance to secure a site for the fiscal 2021 Convention.

Net Assets

The Organization classifies net assets into three categories: unrestricted, temporarily restricted and permanently restricted. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Unrestricted net assets may be used at the discretion of the Board to support the Organization's purposes.

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Temporarily restricted net assets are contributions with donor-imposed time and/or purpose restrictions. These temporary restrictions require that resources be used for specific purposes and/or in a later period or after a specified date. Temporarily restricted net assets become unrestricted when the time restrictions expire or the funds are used for their restricted purposes and are reported in the accompanying statement of activities as net assets released from restrictions. When the restrictions on contributions are met in the same period that the contributions are received, the contribution is reported as a temporarily restricted contribution and is included in net assets released from restrictions. Permanently restricted net assets have been restricted by donors to be maintained by the Organization in perpetuity.

The balances in temporarily restricted net assets represent monies received from donors that are restricted for the purpose of granting scholarships or must be spent on academics. Net assets were released from restriction during the current year as the scholarship or academic purpose restrictions were met.

Contributed Services and Materials

Donated materials, equipment and skilled volunteer services are reflected as contributions at their estimated fair values at the date of receipt of the good or service. The value recorded in the financial statements for donated materials, equipment and skilled volunteer services was \$0 for the years ended April 30, 2018 and 2017.

Many individuals volunteer their time and perform a variety of tasks to assist the Organization with various assistance programs; however, such contributed time does not meet the specific requirements of accounting standards for recognition in the financial statements.

Advertising Costs

Advertising costs are expensed as incurred.

Shipping and Handling Costs

Shipping costs billed to customers are included in the sale of the teaching materials. Shipping and handling costs on sales are included in postage and shipping expense.

Income Taxes

The Organization has received an exemption from the Internal Revenue Service indicating that it is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code, as amended and does not currently conduct any activities which would result in the imposition of the unrelated business income tax. Accordingly, no provision for income taxes is made in the accompanying financial statements

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Uncertain Tax Positions

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Organization and recognize a tax liability if the Organization has taken an uncertain position that more likely than not would fail to be sustained upon examination by the Internal Revenue Service. As discussed above, the Organization is exempt from federal income taxes and management believes the Organization has not engaged in any activities that would disqualify it from tax-exempt status or incur a tax obligation for the years ended April 30, 2018 and 2017. The Organization believes their estimates are appropriate based on current facts and circumstances. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Organization believes it is no longer subject to income tax examinations for years ended prior to April 30, 2014. The Organization's policy with regard to interest and penalty, if incurred, is to recognize interest through interest expense and penalties through other expenses.

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through September 11, 2018, the date the financial statement were available to be issued. The Organization has determined that there were no subsequent events that would require disclosure or adjustments to the accompanying financial statements.

NOTE C – CASH AND CASH EQUIVALENTS

Cash and cash equivalents may be spent on the following purposes:

	2018	2017
Unrestricted for Operations	\$ 442,228	\$ 902,212
Unrestricted-Board Designated	49,754	62,934
Scholarships	281,159	248,006
Academics and Certamen	11,141	13,012
Total Cash and Cash Equivalents	<u>\$ 784,282</u>	<u>\$ 1,226,164</u>

NOTE D – INVESTMENTS

At April 30, 2018, short-term investments consisted of three certificates of deposit with greater than three months original maturity that come due within twelve months of year-end. These short-term investments will mature over periods from July 2018 through September 2018 and bear interest at rates ranging from 0.85% to 1.20%. At April 30, 2018, \$91,730 was temporarily restricted for scholarships. There were no short-term investments at April 30, 2017.

At April 30, 2018, \$12,664 of investments are temporarily restricted for scholarships (2017 - \$103,440, including three certificates of deposit with maturity dates from July 2018 through September 2018 bearing interest at rates ranging from 0.85% to 1.2%).

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NOTE E – PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	2018	2017
Furniture and Equipment	\$ 50,213	\$ 51,153
Less: Accumulated Depreciation	<u>(45,014)</u>	<u>(44,180)</u>
Net Book Value	<u>\$ 5,199</u>	<u>\$ 6,973</u>

Depreciation expense for the year ended April 30, 2018 was \$3,561 (2017 - \$3,205).

NOTE F – INTANGIBLE ASSETS

Intangible assets consist of the following:

	2018	2017
Website Development Costs	\$ 74,978	\$ 50,315
Less: Accumulated Amortization	<u>(4,573)</u>	<u>-</u>
Net Book Value	<u>\$ 70,405</u>	<u>\$ 50,315</u>

NOTE G – BENEFICIAL INTEREST IN PERPETUAL TRUST

The Organization is the beneficiary under a perpetual trust administered by an outside party. Under the terms of the trust, the Organization has the irrevocable right to receive income earned on the trust assets in perpetuity, but never receive the assets held in trust. The estimated value of the expected future cash flows is \$647,422, which represents the fair value of the trust assets at April 30, 2018 (2017 - \$623,635). The interest and dividend income received from this trust was \$25,218 and \$33,124 for the years ended April 30, 2018 and 2017, respectively. Interest and dividend income is temporarily restricted for scholarships.

NOTE H – NET ASSETS

Board designated net assets are \$49,754 at April 30, 2018 (2017 - \$62,934). The Organization has voluntarily designated these funds for scholarships.

Temporarily restricted net assets are available for the following purposes:

	2018	2017
Scholarships	\$ 385,553	\$ 351,446
Academics/Certamen	<u>11,141</u>	<u>13,012</u>
Temporarily Restricted Net Assets	<u>\$ 396,694</u>	<u>\$ 364,458</u>

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Investment income earned on temporarily restricted cash and investments is temporarily restricted for the original contribution's purpose. Net assets released from restrictions by incurring expenses satisfying the following purposes are as follows:

	2018	2017
Scholarships	\$ 58,248	\$ 35,216
Academics/Certamen	1,900	3,522
Temporarily Restricted Net Assets	\$ 60,148	\$ 38,738

NOTE I - COMMITMENTS

The Organization has entered into a lease agreement for office space and mailing system equipment. The following are future minimum lease payments for the years ending April 30:

2019	\$	32,934
2020		31,095
2021		32,046
2022		32,997
2023		33,948
		163,020
Thereafter		46,532
Total	\$	209,552

Rent for office space and equipment rental expense for the year ended April 30, 2018 were \$39,216 and \$13,202, respectively (2017- \$39,101 and \$11,779, respectively).

NOTE J – CONCENTRATIONS

The Organization maintains cash balances and certificates of deposit at six financial institutions. Accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000. The Organization had no uninsured balances at April 30, 2018 (2017 - \$93,884).

NOTE K – RISKS AND UNCERTAINTIES

The Organization 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 changes could materially affect net asset balances and the amounts reported in the statement of financial position.

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NOTE L – FAIR VALUE MEASUREMENTS

Assets Measured at Fair Value on a Recurring Basis

	Fair Value Measurements Using			Total Fair Value
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
As of April 30, 2018				
Assets:				
Short-term Inv.				
Cert. of Deposits	\$ -	\$ 102,048	\$ -	\$ 102,048
Investments				
Fixed Income Funds				
Equity Securities				
Stock Exch.				
Traded Fund	700,192	-	-	700,192
Common Stock	-	-	-	-
Mutual Funds				
Money Market		4,698	-	4,698
Worldwide Growth	144,531	-	-	144,531
Capital Growth	156,156	-	-	156,156
Long-term Bond	21,076	-	-	21,076
Other Mutual Funds	547,230		-	547,230
Cash	56,036	-	-	56,036
Cert. of Deposits	-	-	-	-
Total Investments	1,625,221	4,698	-	1,629,919
Beneficial Interest in Perpetual Trust	-	-	647,422	647,422
Total Assets	\$ 1,625,221	\$ 106,746	\$ 647,422	\$ 2,379,389

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	Fair Value Measurements Using			Total Fair Value
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
As of April 30, 2017				
Assets:				
Short-term Inv.				
Cert. of Deposits	\$ -		\$ -	\$ -
Investments				
Fixed Income Funds				
Equity Securities				
Stock Exch.				
Traded Fund	746,953	-	-	746,953
Common Stock	9	-	-	9
Mutual Funds				
Money Market	-	28,702	-	28,702
Worldwide Growth	102,090	-	-	102,090
Capital Growth	136,264	-	-	136,264
Long-term Bond	22,251	-	-	22,251
Other Mutual Funds	526,198	-	-	526,198
Cash	106,122	-	-	106,122
Cert. of Deposits	-	101,007	-	101,007
Total Investments	1,639,887	129,709	-	1,769,596
Beneficial Interest in Perpetual Trust	-	-	623,635	623,635
Total Assets	\$ 1,639,887	\$ 129,709	\$ 623,635	\$ 2,393,231

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Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

	<u>Beneficial Interest In Perpetual Trust</u>
Balance, April 30, 2016	\$ 597,287
Interest and dividend income, net of fees	33,124
Disbursements	(33,124)
Total gains or losses (realized/unrealized)	<u>26,348</u>
Balance, April 30, 2017	\$ 623,635
Interest and dividend income, net of fees	25,218
Disbursements	(25,218)
Total gains or losses (realized/unrealized)	<u>23,787</u>
Balance, April 30, 2018	<u><u>\$ 647,422</u></u>

Total gains or losses are reported in the statement of activities as change in beneficial interest in perpetual trust.

NOTE M – RETIREMENT PLAN

The Organization has a defined contribution 403(b) retirement plan which allows for all eligible employees to contribute a percentage of their earnings to this plan. The Organization does not provide an employer matching contribution.

NOTE N – COMPARATIVE AMOUNTS

Certain reclassifications have been made to the prior year financial statements in order for them to be in conformity with the current year presentation. These reclassifications had no effect on change in net assets for that year.