

FINANCIAL STATEMENTS



AMERICAN FISHERIES SOCIETY

**FOR THE YEARS ENDED
DECEMBER 31, 2016 AND 2015**

AMERICAN FISHERIES SOCIETY

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GELMAN, ROSENBERG

& FREEDMAN

CERTIFIED PUBLIC ACCOUNTANTS



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
American Fisheries Society
Bethesda, Maryland

We have audited the accompanying financial statements of the American Fisheries Society (the Society), which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities and changes in net assets 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 financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the 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 financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Society as of December 31, 2016 and 2015, 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.

August 14, 2017

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AMERICAN FISHERIES SOCIETY
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2016 AND 2015

ASSETS

	<u>2016</u>	<u>2015</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 227,660	\$ 679,016
Investments	153,095	100,000
Accounts receivable, net of allowance for doubtful accounts of \$14,170 in 2016 and 2015	366,465	405,079
Prepaid expenses	28,606	30,676
Inventory	516,208	466,927
Deposits	<u>34,403</u>	<u>26,376</u>
Total current assets	<u>1,326,437</u>	<u>1,708,074</u>
FIXED ASSETS		
Office building equity	655,490	655,490
Office furniture and equipment	<u>430,396</u>	<u>397,702</u>
	1,085,886	1,053,192
Less: Accumulated depreciation and amortization	<u>(664,750)</u>	<u>(635,024)</u>
Net fixed assets	<u>421,136</u>	<u>418,168</u>
OTHER ASSETS		
Deposits, long-term	9,815	-
Investments, long-term	<u>3,904,600</u>	<u>4,359,560</u>
Total other assets	<u>3,914,415</u>	<u>4,359,560</u>
TOTAL ASSETS	<u>\$ 5,661,988</u>	<u>\$ 6,485,802</u>

LIABILITIES AND NET ASSETS

	<u>2016</u>	<u>2015</u>
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 52,233	\$ 369,489
Accrued vacation and benefits	154,991	124,164
Due to sub-units	<u>91,872</u>	<u>113,683</u>
Total accounts payable and accrued expenses	<u>299,096</u>	<u>607,336</u>
Deferred revenue:		
Membership	278,142	256,808
Other	<u>18,123</u>	<u>31,012</u>
Total deferred revenue	<u>296,265</u>	<u>287,820</u>
Publication rights royalty, current	<u>142,857</u>	<u>142,857</u>
Total current liabilities	<u>738,218</u>	<u>1,038,013</u>
NON-CURRENT LIABILITIES		
Publication rights royalty, long-term	-	142,857
Chapter liability	<u>80,000</u>	<u>80,000</u>
Total non-current liabilities	<u>80,000</u>	<u>222,857</u>
Total liabilities	<u>818,218</u>	<u>1,260,870</u>
NET ASSETS		
Unrestricted	2,348,725	3,084,161
Temporarily restricted	<u>2,495,045</u>	<u>2,140,771</u>
Total net assets	<u>4,843,770</u>	<u>5,224,932</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 5,661,988</u>	<u>\$ 6,485,802</u>

AMERICAN FISHERIES SOCIETY

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016		
	Unrestricted	Temporarily Restricted	Total
REVENUE			
Membership dues:			
Membership subscriptions	\$ 63,425	\$ -	\$ 63,425
Regular	272,721	-	272,721
Official	68,800	-	68,800
Student	66,373	-	66,373
Contributing	33,250	-	33,250
Retired	14,080	-	14,080
Life	5,000	-	5,000
Total membership dues	523,649	-	523,649
Grants and contracts	176,155	209,900	386,055
Annual meeting	220,886	-	220,886
Sales of publications	165,549	-	165,549
Unrealized gain on investments	35,202	127,048	162,250
Interest and dividends	77,428	65,471	142,899
Royalty income	126,691	-	126,691
Realized gain on investments	97,032	-	97,032
Contributions	8,054	164,340	172,394
Institutional subscriptions	741,835	-	741,835
Miscellaneous income	36,398	-	36,398
Net assets released from donor restrictions	212,485	(212,485)	-
Total revenue	2,421,364	354,274	2,775,638
EXPENSES			
Salaries	1,594,809	-	1,594,809
Professional fees	337,740	-	337,740
Fringe benefits	283,560	-	283,560
Grant expenses	180,298	-	180,298
Maintenance and repairs	132,840	-	132,840
Payroll taxes	114,167	-	114,167
Travel expenses	100,975	-	100,975
Bank charges	65,444	-	65,444
Awards	56,531	-	56,531
Utilities	48,732	-	48,732
Division dues and allotment	39,373	-	39,373
Printing, publications and reproduction	37,577	-	37,577
Depreciation and amortization	29,726	-	29,726
Office supplies	24,138	-	24,138
Telephone	21,160	-	21,160
Staff development	9,619	-	9,619
Annual meeting	15,018	-	15,018
Postage and shipping	12,095	-	12,095
Advertising and promotion	6,094	-	6,094
Miscellaneous	46,904	-	46,904
Total expenses	3,156,800	-	3,156,800
Changes in net assets	(735,436)	354,274	(381,162)
Net assets at beginning of year	3,084,161	2,140,771	5,224,932
NET ASSETS AT END OF YEAR	\$ 2,348,725	\$ 2,495,045	\$ 4,843,770

AMERICAN FISHERIES SOCIETY

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	2015		
	Unrestricted	Temporarily Restricted	Total
REVENUE			
Membership dues:			
Membership subscriptions	\$ 63,653	\$ -	\$ 63,653
Regular	299,435	-	299,435
Official	72,000	-	72,000
Student	69,143	-	69,143
Contributing	35,750	-	35,750
Retired	14,280	-	14,280
Life	12,162	-	12,162
Total membership dues	566,423	-	566,423
Grants and contracts	82,337	90,400	172,737
Annual meeting	536,008	-	536,008
Sales of publications	209,341	-	209,341
Unrealized loss on investments	(163,940)	(73,882)	(237,822)
Interest and dividends	94,904	103,873	198,777
Royalty income	103,815	-	103,815
Realized loss on investments	(41,001)	-	(41,001)
Contributions	3,403	230,806	234,209
Institutional subscriptions	905,689	-	905,689
Miscellaneous income	59,349	-	59,349
Net assets released from donor restrictions	125,506	(125,506)	-
Total revenue	2,481,834	225,691	2,707,525
EXPENSES			
Salaries	1,426,514	-	1,426,514
Professional fees	296,805	-	296,805
Fringe benefits	235,214	-	235,214
Grant expenses	100,146	-	100,146
Maintenance and repairs	96,747	-	96,747
Payroll taxes	107,280	-	107,280
Travel expenses	101,029	-	101,029
Bank charges	90,704	-	90,704
Awards	30,934	-	30,934
Utilities	49,576	-	49,576
Division dues and allotment	36,492	-	36,492
Printing, publications and reproduction	101,707	-	101,707
Depreciation and amortization	23,620	-	23,620
Office supplies	10,117	-	10,117
Telephone	8,323	-	8,323
Staff development	5,206	-	5,206
Annual meeting	22,674	-	22,674
Postage and shipping	10,319	-	10,319
Advertising and promotion	12,095	-	12,095
Off-site order fulfillment	22,597	-	22,597
Information technology	10,378	-	10,378
Miscellaneous	49,050	-	49,050
Total expenses	2,847,527	-	2,847,527
Changes in net assets	(365,693)	225,691	(140,002)
Net assets at beginning of year	3,449,854	1,915,080	5,364,934
NET ASSETS AT END OF YEAR	\$ 3,084,161	\$ 2,140,771	\$ 5,224,932

AMERICAN FISHERIES SOCIETY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ (381,162)	\$ (140,002)
Adjustments to reconcile changes in net assets to net cash used by operating activities:		
Depreciation and amortization	29,726	23,620
Unrealized (gain) loss on investments	(162,250)	237,822
Realized (gain) loss on investments	(97,032)	41,001
Bad debt expense, net of recovery	-	2,867
(Increase) decrease in:		
Accounts receivable	38,614	(247,021)
Prepaid expenses	2,070	(14,717)
Inventory	(49,281)	26,238
Deposits	(17,842)	6,956
Increase (decrease) in:		
Accounts payable and accrued expenses	(317,255)	154,417
Accrued vacation and benefits	30,827	(10,644)
Due to sub-units	(21,811)	(114)
Deferred revenue	8,445	(42,843)
Publication rights royalty	(142,857)	(142,857)
Chapter liability	-	80,000
Net cash used by operating activities	<u>(1,079,808)</u>	<u>(25,277)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net sale (purchase) of investments	661,146	(740,419)
Purchase of office furniture and equipment	<u>(32,694)</u>	<u>(40,618)</u>
Net cash provided (used) by investing activities	<u>628,452</u>	<u>(781,037)</u>
Net decrease in cash and cash equivalents	(451,356)	(806,314)
Cash and cash equivalents at beginning of year	<u>679,016</u>	<u>1,485,330</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 227,660</u>	<u>\$ 679,016</u>

AMERICAN FISHERIES SOCIETY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

The American Fisheries Society (the Society) is a non-profit organization, incorporated in 1910, under the laws of the District of Columbia. The object of the Society is to promote the conservation, development, and wise use of fisheries; to promote and evaluate the development and advancement of fisheries science and practice; to encourage teaching of fisheries science and practices in colleges and universities; and the continuing development of fisheries workers.

Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with FASB ASC 958, *Not-for-Profit Entities*.

Net asset classification -

The net assets are reported in two self-balancing groups as follows:

- **Unrestricted net assets** include unrestricted revenue and contributions received without donor-imposed restrictions. These net assets are available for the operation of the Society.
- **Temporarily restricted net assets** include revenue and contributions subject to donor-imposed stipulations that will be met by the actions of the Society and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities and Changes in Net Assets as net assets released from restrictions.

Cash and cash equivalents -

The Society considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

Bank deposit accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to a limit of \$250,000. At times during the year, the Society maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

Investments -

Investments are recorded at their readily determinable fair value. Interest and dividends, realized and unrealized gains and losses are shown separately in the Statements of Activities and Changes in Net Assets. Certificates of deposit held for investment that are not debt securities are with original maturities greater than three months and remaining maturities less than one year are classified under current assets. Certificates of deposit with remaining maturities greater than one year are classified as long-term investments. All other investments are classified as long-term investments in accordance with the Society's policy.

Accounts receivable -

Accounts receivable are recorded at their net realizable value, which approximates fair value. The allowance for doubtful accounts is determined based upon an annual review of account balances, including the age of the balance and the historical experience with the customer. The Society considers receivables to be delinquent after 120 days, and begins collection activities on that date. Delinquent receivables aggregated \$84,455 and \$12,027 as of December 31, 2016 and 2015, respectively.

AMERICAN FISHERIES SOCIETY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)

Inventory -

Inventory consists of books and publications regarding various fisheries subjects. Inventory is carried at the lower of cost or market, using the first-in-first-out method of accounting.

Fixed assets -

Office furniture and equipment in excess of \$1,000 are stated at cost and are being depreciated on a straight-line basis over the estimated useful lives of the related assets, generally three to ten years. The cost of maintenance and repairs is recorded as expenses are incurred.

The equity in the office building is being amortized over the life of the agreement.

Depreciation and amortization expense for the years ended December 31, 2016 and 2015 totaled \$29,726 and \$23,620, respectively.

Due to sub-units -

Unremitted membership dues received by the Society on behalf of its sub-units are appropriately recorded as liability.

Chapter liability -

Investments received by the Society on behalf of its chapters are appropriately recorded as a liability.

Deferred revenue -

Deferred revenue consists of membership fees, conference and meeting registrations received in advance of the period in which they are earned. The Society recognizes membership dues equal to membership fees received over the annual membership period. The Society recognizes conference and meeting revenue when the related event has occurred.

Institutional subscriptions -

Institutional subscriptions are revenues from royalties paid to the Society by its journal publisher for various subscription and publishing services such as subscriptions, electronic services, advertising, editorial and author fees. The Society receives an annual lump sum payment at the beginning of each year and quarterly interim payments for other earned services thereafter.

Contributions -

Unrestricted and temporarily restricted contributions are recorded as revenue in the year notification is received from the donor. Temporarily restricted contributions are recognized as unrestricted support only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions. Such funds in excess of expenses incurred are shown as temporarily restricted net assets in the accompanying financial statements.

Grants and contracts -

Grants and contracts are recognized as revenue when the related expenses on those contracts are incurred. Expenditures incurred in excess of funds received are shown as grants receivable in the accompanying financial statements.

AMERICAN FISHERIES SOCIETY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)

Grants and contracts (continued) -

Funds received in excess of expenditures are shown as deferred revenue in the accompanying financial statements.

Income taxes -

The Society is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Society is subject to unrelated business income taxes under Section 512 of the Internal Revenue Code. The Society is not a private foundation.

Uncertain tax positions -

For the years ended December 31, 2016 and 2015, the Society has documented its consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements.

Use of estimates -

The preparation of the 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 at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Risks and uncertainties -

The Society invests in various investment securities. Investment securities are exposed to various risks such as interest rates, 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 the amounts reported in the accompanying financial statements.

Fair value measurement -

The Society adopted the provisions of FASB ASC 820, *Fair Value Measurement*. FASB ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs (assumptions that market participants would use in pricing assets and liabilities, including assumptions about risk) used to measure fair value, and enhances disclosure requirements for fair value measurements. The Society accounts for a significant portion of its financial instruments at fair value or considers fair value in their measurement.

Reclassification -

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation.

New accounting pronouncement -

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* (Topic 958), intended to improve financial reporting for not-for-profit entities.

AMERICAN FISHERIES SOCIETY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)

New accounting pronouncement (continued) -

The ASU will reduce the current three classes of net assets into two: with and without donor restrictions. The change in each of the classes of net assets must be reported on the Statements of Activities and Changes in Net Assets. The ASU also requires various enhanced disclosures around topics such as board designations, liquidity, functional classification of expenses, investment expenses, donor restrictions, and underwater endowments. The ASU is effective for years beginning after December 15, 2017. Early adoption is permitted. The ASU should be applied on a retrospective basis in the year the ASU is first applied. While the ASU will change the presentation of the Society's financial statements, it is not expected to alter the Society's reported financial position.

2. INVESTMENTS

Investments are recorded at their readily determinable fair value and consisted of the following at December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Mutual funds	\$ 3,874,641	\$ 4,105,142
Certificates of deposit	153,095	298,034
Stocks	27,716	54,678
Shares in partnership	<u>2,244</u>	<u>1,706</u>
TOTAL INVESTMENTS	<u>\$ 4,057,696</u>	<u>\$ 4,459,560</u>

Included in investment income (loss) are the following at December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Interest and dividends	\$ 142,899	\$ 198,777
Unrealized gain (loss)	162,250	(237,822)
Realized gain (loss)	<u>97,032</u>	<u>(41,001)</u>
TOTAL INVESTMENT INCOME (LOSS)	<u>\$ 402,181</u>	<u>\$ (80,046)</u>

3. RETIREMENT PLAN

The Society sponsors the American Fisheries Society Pension Plan (the Plan). The Plan is a defined contribution pension plan that covers all employees who have completed 1,000 hours of service for the Society.

On May 1, 2016, the Society sponsored a new plan called American Fisheries Society 401(k) Plan (the 401(k) Plan). The 401(k) Plan is a defined contribution pension plan that covers all employees who have completed 1,000 hours of service for the Society.

Effective August 29, 2016, the Plan was merged into the 401(k) Plan. All pension plan assets will likewise be merged under the 401(k) Plan.

AMERICAN FISHERIES SOCIETY

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

3. RETIREMENT PLAN (Continued)

Pension expense totaled \$142,450 and \$128,313, for the years ended December 31, 2016 and 2015, respectively.

4. TEMPORARILY RESTRICTED NET ASSETS

The following is a summary of the balances, which remain in temporarily restricted net assets, as of December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Publications Endowment Fund	\$ 688,051	\$ 633,737
Skinner Memorial Fund	332,198	295,242
Steve Berkeley Fellowship	311,151	291,752
Carl R. Sullivan International Endowment and Developing Countries Fund	281,938	268,290
J. Francis Allen Scholarship Fund	226,573	194,081
Obligated Reserve	127,003	117,039
AFS 2000 Campaign	108,941	100,394
Monetary Values of Fish and Freshwater Mussel Kills	92,650	-
Hutton Fund	87,620	23,981
Shelby Gerking Education Fund	72,001	66,352
Unit Investment Program	62,784	57,858
Snieszko Endowment Fund	59,741	55,054
Past President's Endowment Fund	35,339	32,212
Other	<u>9,055</u>	<u>4,779</u>
TOTAL TEMPORARILY RESTRICTED NET ASSETS	\$ <u>2,495,045</u>	\$ <u>2,140,771</u>

5. NET ASSETS RELEASED FROM RESTRICTIONS

The following temporarily restricted net assets were released from donor restrictions by incurring expenses, which satisfied the restricted purposes specified by the donors, at December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Publications Endowment Fund	\$ 3,038	\$ -
Skinner Memorial Fund	2,065	7,651
Steve Berkeley Fellowship	13,399	13,000
Carl R. Sullivan International Endowment and Developing Countries Fund	31,640	-
J. Francis Allen Scholarship Fund	930	2,500
Obligated Reserve	561	-
AFS 2000 Campaign	481	-
Hutton Fund	159,334	97,500
Shelby Gerking Education Fund	318	-
Unit Investment Program	277	-
Snieszko Endowment Fund	264	1,132
Past President's Endowment Fund	154	-
Other	<u>24</u>	<u>3,723</u>
TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS	\$ <u>212,485</u>	\$ <u>125,506</u>

AMERICAN FISHERIES SOCIETY

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2016 AND 2015

6. OFFICE BUILDING EQUITY

In May 1986, the Society executed an "equity participation agreement" with the Renewable National Resource Foundation (the Foundation), which will provide the Society with office space until December 31, 2079.

The acquisition cost of this agreement and original office occupancy expenses are being amortized over the life of the agreement.

The Society has also executed an "equity lease" agreement with the Foundation for additional office space in an adjoining building for 98 years beginning April 1, 1988. The acquisition cost of the lease is being amortized over the life of the agreement. In addition, under the terms of the agreement, the Society is obligated to pay its share of all operating costs of the building.

Amortization expense under this agreement for 2016 and 2015 totaled \$12,090 and \$12,030, respectively.

7. FUNCTIONAL CLASSIFICATION

The costs of providing the various programs and other activities have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The following is a summary of expense totals, by functional classification, at December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Program Services:		
Journals and Publications	\$ 496,107	\$ 518,403
Policy and Outreach	469,603	169,624
Project Management	422,558	438,751
Annual Meeting	374,688	259,605
Membership	315,307	194,370
Education and Professional Development	<u>47,434</u>	<u>78,932</u>
Total program services	<u>2,125,697</u>	<u>1,659,685</u>
Supporting Services:		
Management and General	968,472	1,108,680
Fundraising	<u>62,631</u>	<u>79,162</u>
Total supporting services	<u>1,031,103</u>	<u>1,187,842</u>
TOTAL EXPENSES	<u>\$ 3,156,800</u>	<u>\$ 2,847,527</u>

8. PUBLICATION RIGHTS ROYALTY

During 2010, the Society signed an agreement with an outside party to manage the publication of the journals which was formerly managed by the Society. The term of the agreement is seven years, starting January 1, 2011 and ending December 31, 2017.

As part of the agreement, the Society received a one-time publication rights royalty of \$1,000,000, which will be recognized as revenue over seven years, beginning January 1, 2011.

AMERICAN FISHERIES SOCIETY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

8. PUBLICATION RIGHTS ROYALTY (Continued)

The following is a schedule of the future royalty income to be recognized:

Year Ending December 31, 2017	\$ <u>142,857</u>
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9. COMMITMENTS

The Society is committed under agreements for conference space through the year 2020. The total commitments under the agreements are not determinable as it depends upon attendance and other unknown factors. There are cancellation penalties that would be due if the agreements were cancelled prior to the event date. The amount of the cancellation penalties increase through the date of the event.

10. FAIR VALUE MEASUREMENT

In accordance with FASB ASC 820, *Fair Value Measurement*, the Society has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument. Investments recorded in the Statements of Financial Position are categorized based on the inputs to valuation techniques as follows:

Level 1. These are investments where values are based on unadjusted quoted prices for identical assets in an active market the Society has the ability to access.

Level 2. These are investments where values are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, or model-based valuation techniques that utilize inputs that are observable either directly or indirectly for substantially the full-term of the investments.

Level 3. These are investments where inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Following is a description of the valuation methodology used for investments measured at fair value. There have been no changes in the methodologies used at December 31, 2016 and 2015.

- *Mutual funds*—The fair value is equal to the reported net asset value of the fund, which is the price at which additional shares can be obtained.
- *Certificates of deposit*—Generally valued at original cost plus accrued interest, which approximates fair value.
- *Stocks*—Valued at the closing price reported on the active market in which the individual securities are traded.
- *Shares in partnership*—These instruments do not have a readily determinable fair value. The fair values used are generally determined by the general partner or management of the entity and are based on appraisals or other estimates that require varying degrees of judgment. Inputs used in determining fair value may include the cost and recent activity concerning the underlying investments in the funds or partnerships.

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10. FAIR VALUE MEASUREMENT (Continued)

The table below summarizes, by level within the fair value hierarchy, the Society's investments as of December 31, 2016:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Asset Class - Investments:				
Mutual funds	\$ 3,874,641	\$ -	\$ -	\$ 3,874,641
Certificates of deposit	-	153,095	-	153,095
Stocks	27,716	-	-	27,716
Shares in partnership	-	-	2,244	2,244
TOTAL	<u>\$ 3,902,357</u>	<u>\$ 153,095</u>	<u>\$ 2,244</u>	<u>\$ 4,057,696</u>

The table below summarizes, by level within the fair value hierarchy, the Society's investments as of December 31, 2015:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Asset Class - Investments:				
Mutual funds	\$ 4,105,142	\$ -	\$ -	\$ 4,105,142
Certificates of deposit	-	298,034	-	298,034
Stocks	54,678	-	-	54,678
Shares in partnership	-	-	1,706	1,706
TOTAL	<u>\$ 4,159,820</u>	<u>\$ 298,034</u>	<u>\$ 1,706</u>	<u>\$ 4,459,560</u>

Level 3 Financial Assets

The following table provides a summary of changes in fair value of the Society's financial assets for the years ended December 31, 2016 and 2015:

	<u>Shares in Partnership</u>	
	<u>2016</u>	<u>2015</u>
Beginning balance	\$ 1,706	\$ 1,884
Investment gain (loss) income	<u>538</u>	<u>(178)</u>
ENDING BALANCE	<u>\$ 2,244</u>	<u>\$ 1,706</u>

11. SUBSEQUENT EVENTS

In preparing these financial statements, the Society has evaluated events and transactions for potential recognition or disclosure through August 14, 2017, the date the financial statements were issued.