

**Audited Consolidated Financial Statements  
and Supplementary Information**

**ASSOCIATION OF CLINICAL  
RESEARCH PROFESSIONALS  
& AFFILIATES**

***December 31, 2014***

# Association of Clinical Research Professionals & Affiliates

## Contents

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<b><i>Independent Auditor's Report on the Consolidated Financial Statements</i></b>	1
<b><i>Consolidated Financial Statements</i></b>	
Consolidated statements of financial position	2
Consolidated statements of activities	3
Consolidated statements of cash flows	4
Notes to the consolidated financial statements	5 - 10
<b><i>Supplementary Information</i></b>	
Independent auditor's report on the supplementary information	11
Consolidating statement of financial position	12
Consolidating statement of activities	13

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# Independent Auditor's Report on the Consolidated Financial Statements

To the Association Board of Trustees  
Association of Clinical Research Professionals  
& Affiliates

We have audited the accompanying consolidated financial statements of Association of Clinical Research Professionals & Affiliates (the Organization), which comprise the consolidated statements of financial position as of December 31, 2014 and 2013, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

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

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

## **Auditor's Responsibility**

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

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

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

## **Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Association of Clinical Research Professionals & Affiliates as of December 31, 2014 and 2013, 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.

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April 7, 2015

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# Association of Clinical Research Professionals & Affiliates

## Consolidated Statements of Financial Position

<b>December 31,</b>	<b>2014</b>	<b>2013</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 1,542,080	\$ 2,068,441
Investments	2,727,741	2,608,851
Accounts receivable	59,082	46,198
Prepaid expenses	594,161	831,013
Property and equipment, net	1,115,882	911,617
<b>Total assets</b>	<b>\$ 6,038,946</b>	<b>\$ 6,466,120</b>
<b>Liabilities and Net Assets</b>		
Liabilities		
Accounts payable and accrued expenses	\$ 598,268	\$ 508,099
Deferred revenue:		
Annual meeting	780,214	702,118
Institution and education	184,280	172,314
Membership dues	1,120,028	1,156,311
Other programs	6,600	4,800
Total deferred revenue	2,091,122	2,035,543
Lease incentives and deferred rent	874,486	919,582
Margin loan	623,708	752,036
Total liabilities	4,187,584	4,215,260
Net assets		
Unrestricted	1,843,308	2,242,806
Temporarily restricted	8,054	8,054
Total net assets	1,851,362	2,250,860
<b>Total liabilities and net assets</b>	<b>\$ 6,038,946</b>	<b>\$ 6,466,120</b>

# Association of Clinical Research Professionals & Affiliates

## Consolidated Statements of Activities

<b>Year Ended December 31,</b>	<b>2014</b>	<b>2013</b>
<b>Unrestricted activities</b>		
Revenue and support		
Institution and education	\$ 2,944,086	\$ 3,053,365
Membership dues	2,103,154	2,146,467
Annual meeting	1,895,982	2,197,023
Publications	252,275	201,568
Career site	220,354	232,969
Other programs	979	2,680
Net assets released from restriction	-	7,500
Total unrestricted revenue and support	7,416,830	7,841,572
Expense		
Program services		
Institution and education	2,417,778	2,458,045
Annual meeting	1,755,140	2,004,607
Membership	1,353,055	1,145,142
Publications	729,571	741,530
Total program services	6,255,544	6,349,324
Supporting services		
Governance	1,281,929	1,224,614
General and administrative	398,991	506,647
Total supporting services	1,680,920	1,731,261
Total expense	7,936,464	8,080,585
Change in net assets before investment income	(519,634)	(239,013)
Investment income	120,136	366,608
Change in unrestricted net assets	(399,498)	127,595
<b>Temporarily restricted activities</b>		
Net assets released from restriction	-	(7,500)
Changes in temporarily restricted activities	-	(7,500)
<b>Change in net assets</b>	<b>(399,498)</b>	<b>120,095</b>
Net assets, beginning of year	2,250,860	2,130,765
<b>Net assets, end of year</b>	<b>\$ 1,851,362</b>	<b>\$ 2,250,860</b>

See notes to the consolidated financial statements.

# Association of Clinical Research Professionals & Affiliates

## Consolidated Statements of Cash Flows

<b>Year Ended December 31,</b>	<b>2014</b>	<b>2013</b>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ (399,498)	\$ 120,095
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	370,208	153,578
Gain on disposal of fixed assets	-	(114)
Net gain on investments	(57,376)	(304,308)
Changes in assets and liabilities:		
Accounts receivable	(12,884)	(5,198)
Prepaid expenses	236,852	(107,533)
Deposits	-	33,002
Accounts payable and accrued expenses	90,169	50,275
Deferred revenue	55,579	(226,363)
Lease incentives and deferred rent	(45,096)	151,638
<b>Total adjustments</b>	<b>637,452</b>	<b>(255,023)</b>
Net cash provided by (used in) operating activities	237,954	(134,928)
<b>Cash flows from investing activities</b>		
Purchases of investments	(589,471)	(1,126,499)
Proceeds from sales of investments	527,957	1,065,945
Purchases of property and equipment	(574,473)	(36,774)
Net cash used in investing activities	(635,987)	(97,328)
<b>Cash flows from financing activities</b>		
(Payments on) proceeds from margin loan	(128,328)	752,036
Net cash (used in) provided by financing activities	(128,328)	752,036
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(526,361)</b>	<b>519,780</b>
Cash and cash equivalents, beginning of year	2,068,441	1,548,661
<b>Cash and cash equivalents, end of year</b>	<b>\$ 1,542,080</b>	<b>\$ 2,068,441</b>

### Supplemental Disclosure of Cash Flow Information

Cash paid during the year for interest	\$ 22,868	\$ 12,893
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# Association of Clinical Research Professionals & Affiliates

## Notes to the Consolidated Financial Statements

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### A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization: Association of Clinical Research Professionals (the Association) exists to provide global leadership to promote integrity and excellence for the clinical research profession.

Academy of Physicians in Clinical Research (APCR) exists to promote and advance excellence and professionalism in pharmaceutical medicine and clinical research.

Academy of Clinical Research Professionals (the Academy) exists to advance and promote the professional interests of clinical research professionals by defining, promoting, and maintaining the highest standards and the best practices in the field of clinical research worldwide.

Income tax status: The Association is exempt from the payment of income taxes on its exempt purpose activities under Section 501(c)(3) of the Internal Revenue Code and is classified as other than a private foundation by the Internal Revenue Service. APCR and the Academy are exempt from the payment of income taxes under Section 501(c)(6) of the Internal Revenue Code. Each of the entities above is subject to income tax on its unrelated business activities, such as advertising. The Association, APCR and the Academy believe that they have appropriate support for any tax positions taken, and therefore do not have any uncertain tax positions that are material to the consolidated financial statements. The organizations' income tax returns are generally subject to examination by the Internal Revenue Service and other taxing authorities for three years after they were filed.

Principles of consolidation: As required by generally accepted accounting principles, the accompanying consolidated financial statements include the accounts of the Association, APCR and the Academy (collectively, the Organization). Significant intra-entity accounts and transactions have been eliminated in consolidation.

Basis of accounting: The accompanying consolidated financial statements have been prepared on the accrual basis of accounting. Consequently, revenue is recognized when earned and expense when the obligation is incurred.

Use of estimates: The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and cash equivalents: For consolidated financial statement purposes, the Organization considers money market accounts (exclusive of the investment portfolio) to be cash equivalents.

Accounts receivable: Accounts receivable consists primarily of amounts due from advertisers. Accounts receivable are presented at the gross amount due to the Organization. Balances deemed to be uncollectible are charged directly to the respective revenue accounts. Management believes that the use of this direct write-off method approximates the results that would be presented if an allowance for bad debt were recorded.

Property and equipment: Property and equipment acquisitions greater than or equal to \$500 are capitalized at cost and then depreciated on a straight-line basis over estimated useful lives of 3 to 10 years.

# Association of Clinical Research Professionals & Affiliates

## Notes to the Consolidated Financial Statements

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### A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Deferred revenue: Fees received in advance of the period in which they are earned are reflected in the consolidated statements of financial position as deferred revenue.

Temporarily restricted net assets: Temporarily restricted net assets are composed of contributions relating to the Lou Sherwood Memorial Fund.

Contributions: Contributions are recorded as unrestricted or temporarily restricted support depending upon the existence and/or nature of any 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. All other donor-restricted support is reported as an increase in temporarily restricted net assets and then reclassified to unrestricted net assets when the restriction expires.

Functional allocation of expense: The costs of providing various programs and other activities have been summarized on a functional basis in the consolidated statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Subsequent events: Subsequent events have been evaluated through April 7, 2015 which was the date the consolidated financial statements were available to be issued.

### B. CONCENTRATIONS AND FLUCTUATIONS IN FAIR VALUE

The Organization maintains demand deposits with commercial banks and money market funds with financial institutions. At times, certain balances held within these accounts may not be fully guaranteed or insured by the U.S. federal government. The uninsured portions of cash and money market accounts are backed solely by the assets of the underlying institution. As such, the failure of an underlying institution could result in financial loss to the Organization.

The Organization invests in a professionally managed portfolio that contains various types of marketable securities detailed in Note C. Such investments are exposed to various risks, such as fluctuations in market value and credit risks. As a result, the investment balances reported in the accompanying consolidated financial statements may not be reflective of the portfolio's value during subsequent periods.



# Association of Clinical Research Professionals & Affiliates

## Notes to the Consolidated Financial Statements

### C. INVESTMENTS

In accordance with generally accepted accounting principles the Organization uses the following prioritized input levels to measure fair value of investments. The input levels used for valuing investments are not necessarily an indication of risk.

Level 1 – observable inputs that reflect quoted prices for identical assets or liabilities in active markets, such as stock quotes;

Level 2 – includes inputs other than level 1 inputs that are directly or indirectly observable in the marketplace, such as yield curves or other market data;

Level 3 – unobservable inputs which reflect the reporting entity's assessments of the assumptions that market participants would use in pricing the asset or liability including assumptions about risk, such as bid/ask spreads and liquidity discounts.

Investments, recorded at fair value using level inputs, consist of the following at December 31,:

2014	Total	Level 1	Level 2	Level 3
Marketable equity securities	\$ 1,066,347	\$ 1,066,347	\$ -	\$ -
Mutual funds - fixed income	825,304	825,304		
Mutual funds - equity	790,199	790,199		
<b>Investments carried at fair value</b>	<b>2,681,850</b>	<b>\$ 2,681,850</b>	<b>\$ -</b>	<b>\$ -</b>
Cash equivalents*	45,891			
<b>Total investments</b>	<b>\$ 2,727,741</b>			
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2013	Total	Level 1	Level 2	Level 3
Marketable equity securities	\$ 667,813	\$ 667,813	\$ -	\$ -
Mutual funds - fixed income	961,257	961,257		
Mutual funds - equity	921,964	921,964		
<b>Investments carried at fair value</b>	<b>2,551,034</b>	<b>\$ 2,551,034</b>	<b>\$ -</b>	<b>\$ -</b>
Cash equivalents*	57,817			
<b>Total investments</b>	<b>\$ 2,608,851</b>			

\*Cash equivalents included in the investment portfolio are not subject to the provisions of fair value measurements. They are recorded at cost.

Investment income consists of the following for the years ended December 31,:

	2014	2013
Interest and dividends	\$ 89,390	\$ 86,000
Net gain on investments	57,376	304,308
Management fees	(26,630)	(23,700)
	<b>\$ 120,136</b>	<b>\$ 366,608</b>

# Association of Clinical Research Professionals & Affiliates

## Notes to the Consolidated Financial Statements

### D. PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31,:

	2014	2013
Software	\$ 1,159,800	\$ 1,068,194
Leasehold improvements	736,227	736,227
Education development	543,386	65,986
Furniture and equipment	326,611	321,143
	<u>2,766,024</u>	<u>2,191,550</u>
Less accumulated depreciation and amortization	<u>(1,650,142)</u>	<u>(1,279,933)</u>
	<u>\$ 1,115,882</u>	<u>\$ 911,617</u>

### E. MARGIN LOAN

During August 2013, the Organization borrowed \$750,000 from Wells Fargo Advisors to purchase and implement a new Learning Management System and for Course Development. The loan is due on demand and accrues interest on the daily balance at the lender's floating base rate. As of both December 31, 2014 and 2013 this rate was 3.250%. The loan is secured by the Organization's investments which are also maintained with Wells Fargo Advisors. At December 31, 2014, the loan payable plus accrued interest of \$1,933 totaled \$623,708. At December 31, 2013, the loan payable plus accrued interest of \$2,036 totaled \$752,036.

### F. PENSION PLAN

The Organization makes retirement contributions for eligible employees to a defined contribution plan. Under this plan, the Organization matches employee contributions up to five percent of the employee's annual salary, which vests immediately. The Organization's retirement plan contributions for the years ended December 31, 2014 and 2013 totaled \$94,043 and \$105,412, respectively.

### G. COMMITMENTS

#### Office leases

The Organization signed a ten and one half year operating lease for new office space in Alexandria, Virginia. The lease term began December 1, 2012 and contains a 2.75% percent annual rent escalation. In addition to its base rent, the Organization is required to pay its proportionate share of operating expenses and real estate taxes.

# Association of Clinical Research Professionals & Affiliates

## Notes to the Consolidated Financial Statements

### G. COMMITMENTS - CONTINUED

As an incentive to lease the office space the Organization received a \$751,642 tenant improvement allowance and the rent payments during the first six months of the Organization's occupancy have been abated. \$736,227 of the allowance was used to purchase leasehold improvements and equipment which have been capitalized and are included in property and equipment. The remaining \$15,415 was utilized as an additional rent abatement. Both the rent escalations and the lease incentives have been recorded on a basis to achieve straight-line rent expense over the life of the lease. Accordingly, the statements of financial position includes a liability for these lease incentives and deferred rent totaling \$874,486 and \$919,582 for the years ended December 31, 2014 and 2013.

The Organization has an irrevocable letter of credit with a bank in the amount of \$34,912 which serves as a security deposit for the office lease. The letter remains in effect until 60 days after the expiration of the lease term. Total rent expense for the years ended December 31, 2014 and 2013 was \$366,250 and \$380,784, respectively. Future minimum rental payments, not including increases in real estate taxes or operating expenses, are as follows:

Year Ending December 31,	
2015	\$ 437,431
2016	449,476
2017	461,818
2018	474,479
2019	487,510
Thereafter	<u>1,767,231</u>
	<u>\$ 4,077,945</u>

#### Hotel commitments

The Organization has entered into several agreements with vendors to provide services for future meetings and conventions. Many of these agreements contain clauses whereby the Organization may be obligated for liquidated damages in the event of cancellation.

#### Employee contract:

The Organization has entered into a contract with its current executive director that obligates the Organization to pay six months of salary as severance if the executive director is terminated without cause.

#### Legal matters:

The Organization from time to time is a party to litigation arising in the ordinary course of business. Management believes that no pending legal proceeding will have a material adverse effect on the business, financial condition, or changes in net assets and cash flows of the Organization.

# Association of Clinical Research Professionals & Affiliates

## Notes to the Consolidated Financial Statements

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### H. PROFESSIONAL EMPLOYER ORGANIZATION FEES

ACRP entered into a professional employer organization (PEO) agreement with ADP, to provide employee benefits and payroll administration services to ACRP. Total cash payments to the PEO for these services rendered, for the year ended December 31, 2014 totaled \$2,500.

T A T E



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## Independent Auditor's Report on the Supplementary Information

To the Association Board of Trustees  
Association of Clinical Research Professionals  
& Affiliates

We have audited the consolidated financial statements of Association of Clinical Research Professionals & Affiliates (the Organization) as of and for the years ended December 31, 2014 and 2013, and have issued our report thereon dated April 7, 2015, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information on the following pages is presented for purposes of additional analysis of the consolidated financial statements, rather than to present the financial position, results of operations, and cash flows of the individual companies, and it is not a required part of the consolidated 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 consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information on the following pages is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

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April 7, 2015

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# Association of Clinical Research Professionals & Affiliates

## Consolidating Statement of Financial Position December 31, 2014

	ACRP	APCR	Academy	Eliminations	Consolidated Total
<b>Assets</b>					
Cash and cash equivalents	\$ 1,277,473	\$ 200,632	\$ 63,975	\$ -	\$ 1,542,080
Investments	2,727,741				2,727,741
Accounts receivable	36,397		22,685		59,082
Due from related entity		6,618	285,909	(292,527)	-
Prepaid expenses	530,450	39,688	24,023		594,161
Property and equipment, net	1,115,882				1,115,882
<b>Total assets</b>	<b>\$ 5,687,943</b>	<b>\$ 246,938</b>	<b>\$ 396,592</b>	<b>\$ (292,527)</b>	<b>\$ 6,038,946</b>
<b>Liabilities and Net Assets</b>					
<b>Liabilities</b>					
Accounts payable and accrued expenses	\$ 588,483	\$ 984	\$ 8,801	\$ -	\$ 598,268
Due to related entity	292,527			(292,527)	-
Deferred revenue:					
Annual meeting	780,214				780,214
Institution and education	2,278		182,002		184,280
Membership dues	1,031,358	88,670			1,120,028
Other programs	6,600				6,600
Total deferred revenue	1,820,450	88,670	182,002	-	2,091,122
Lease incentives and deferred rent	874,486				874,486
Margin loan	623,708				623,708
Total liabilities	4,199,654	89,654	190,803	(292,527)	4,187,584
<b>Net assets</b>					
Unrestricted	1,480,235	157,284	205,789		1,843,308
Temporarily restricted	8,054				8,054
Total net assets	1,488,289	157,284	205,789	-	1,851,362
<b>Total liabilities and net assets</b>	<b>\$ 5,687,943</b>	<b>\$ 246,938</b>	<b>\$ 396,592</b>	<b>\$ (292,527)</b>	<b>\$ 6,038,946</b>

# Association of Clinical Research Professionals & Affiliates

## Consolidating Statement of Activities Year Ended December 31, 2014

	ACRP	APCR	Academy	Eliminations	Consolidated Total
<b>Unrestricted activities</b>					
Revenue and support					
Institution and education	\$ 946,078	\$ -	\$ 1,998,008	\$ -	\$ 2,944,086
Membership dues	2,017,169	172,817		(86,832)	2,103,154
Annual meeting	1,920,255			(24,273)	1,895,982
Publications	252,275				252,275
Career site	220,354				220,354
Other programs	1,373,321			(1,372,342)	979
Net assets released from restriction	-				-
<b>Total unrestricted revenue and support</b>	<b>6,729,452</b>	<b>172,817</b>	<b>1,998,008</b>	<b>(1,483,447)</b>	<b>7,416,830</b>
Expense					
Program services					
Institution and education	1,824,951		592,827		2,417,778
Annual meeting	1,779,413			(24,273)	1,755,140
Membership	1,349,166	90,721		(86,832)	1,353,055
Publications	729,571				729,571
<b>Total program services</b>	<b>5,683,101</b>	<b>90,721</b>	<b>592,827</b>	<b>(111,105)</b>	<b>6,255,544</b>
Supporting services					
Governance	1,205,128	22,502	54,299		1,281,929
General and administrative	390,573	32,750	1,348,010	(1,372,342)	398,991
<b>Total supporting services</b>	<b>1,595,701</b>	<b>55,252</b>	<b>1,402,309</b>	<b>(1,372,342)</b>	<b>1,680,920</b>
<b>Total expense</b>	<b>7,278,802</b>	<b>145,973</b>	<b>1,995,136</b>	<b>(1,483,447)</b>	<b>7,936,464</b>
Change in net assets before investment income	(549,350)	26,844	2,872	-	(519,634)
Investment income	120,136				120,136
Change in unrestricted net assets	(429,214)	26,844	2,872	-	(399,498)
<b>Temporarily restricted activities</b>					
Net assets released from restriction					
					-
Changes in temporarily restricted activities					
	-	-	-	-	-
<b>Change in net assets</b>	<b>(429,214)</b>	<b>26,844</b>	<b>2,872</b>	<b>-</b>	<b>(399,498)</b>
Net assets, beginning of year	1,917,503	130,440	202,917	-	2,250,860
<b>Net assets, end of year</b>	<b>\$ 1,488,289</b>	<b>\$ 157,284</b>	<b>\$ 205,789</b>	<b>\$ -</b>	<b>\$ 1,851,362</b>