

**Audited Consolidated Financial Statements  
and Supplementary Information**

**ASSOCIATION OF CLINICAL  
RESEARCH PROFESSIONALS  
& AFFILIATES**

***December 31, 2015***

# Association of Clinical Research Professionals & Affiliates

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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, 2015 and 2014, 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, 2015 and 2014, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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# Association of Clinical Research Professionals & Affiliates

## Consolidated Statements of Financial Position

<b>December 31,</b>	<b>2015</b>	<b>2014</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 776,308	\$ 1,542,080
Investments	2,679,192	2,727,741
Accounts receivable	80,015	59,082
Prepaid expenses	536,593	594,161
Property and equipment, net	956,042	1,115,882
<b>Total assets</b>	<b>\$ 5,028,150</b>	<b>\$ 6,038,946</b>
<b>Liabilities and Net Assets</b>		
Liabilities		
Accounts payable and accrued expenses	\$ 791,710	\$ 598,268
Deferred revenue:		
Annual meeting	699,766	780,214
Institution and education	202,803	184,280
Membership dues	1,050,479	1,120,028
Other programs	27,389	6,600
Total deferred revenue	1,980,437	2,091,122
Lease incentives and deferred rent	817,664	874,486
Margin loan	1,106,438	623,708
Total liabilities	4,696,249	4,187,584
Net assets		
Unrestricted	323,847	1,843,308
Temporarily restricted	8,054	8,054
Total net assets	331,901	1,851,362
<b>Total liabilities and net assets</b>	<b>\$ 5,028,150</b>	<b>\$ 6,038,946</b>

See notes to the consolidated financial statements.

# Association of Clinical Research Professionals & Affiliates

## Consolidated Statements of Activities

<b>Year Ended December 31,</b>	<b>2015</b>	<b>2014</b>
<b>Unrestricted activities</b>		
Revenue and support		
Institution and education	\$ 2,778,263	\$ 2,558,546
Membership dues	1,958,672	2,103,154
Annual meeting	1,872,127	1,895,982
Publications	634,533	642,478
Career site	346,911	220,354
Total unrestricted revenue and support	<b>7,590,506</b>	7,420,514
Expense		
Program services		
Institution and education	2,792,075	2,417,778
Annual meeting	1,859,477	1,755,140
Membership and outreach	1,506,592	1,353,055
Publications	806,569	729,571
Total program services	<b>6,964,713</b>	6,255,544
Supporting services		
Governance	1,346,706	1,281,929
General and administrative	750,194	402,675
Total supporting services	<b>2,096,900</b>	1,684,604
Total expense	<b>9,061,613</b>	7,940,148
Change in net assets before investment income	<b>(1,471,107)</b>	(519,634)
Investment income	<b>(48,354)</b>	120,136
<b>Change in net assets</b>	<b>(1,519,461)</b>	(399,498)
Net assets, beginning of year	1,851,362	2,250,860
<b>Net assets, end of year</b>	<b>\$ 331,901</b>	\$ 1,851,362

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>2015</b>	<b>2014</b>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ (1,519,461)	\$ (399,498)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	452,510	370,208
Net loss (gain) on investments	101,760	(57,376)
Changes in assets and liabilities:		
Accounts receivable	(20,933)	(12,884)
Prepaid expenses	57,568	236,852
Accounts payable and accrued expenses	193,442	90,169
Deferred revenue	(110,685)	55,579
Lease incentives and deferred rent	(56,822)	(45,096)
Total adjustments	616,840	637,452
Net cash (used in) provided by operating activities	(902,621)	237,954
<b>Cash flows from investing activities</b>		
Purchases of investments	(1,788,360)	(589,471)
Proceeds from sales of investments	1,735,149	527,957
Purchases of property and equipment	(292,670)	(574,473)
Net cash used in investing activities	(345,881)	(635,987)
<b>Cash flows from financing activities</b>		
Proceeds from (payments on) margin loan	482,730	(128,328)
Net cash provided by (used in) financing activities	482,730	(128,328)
<b>Net decrease in cash and cash equivalents</b>	<b>(765,772)</b>	<b>(526,361)</b>
Cash and cash equivalents, beginning of year	1,542,080	2,068,441
<b>Cash and cash equivalents, end of year</b>	<b>\$ 776,308</b>	<b>\$ 1,542,080</b>

### Supplemental Disclosure of Cash Flow Information

Cash paid during the year for interest	\$ 19,578	\$ 22,868
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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.

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, other than leasehold improvements, are depreciated on a straight-line basis over estimated useful lives of 3 to 10 years. Leasehold improvements are amortized over the lesser of the remaining office lease term or the estimated useful lives of the improvements.

# 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.

Reclassifications: Certain 2014 amounts have been reclassified from their original presentation to conform with the 2015 presentation. There was no impact on the reported change in net assets for 2014.

Subsequent events: Subsequent events have been evaluated through July 15, 2016 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,:

<b>2015</b>	Total	Level 1	Level 2	Level 3
Marketable equity securities	\$ 1,298,546	\$ 1,298,546	\$ -	\$ -
Mutual funds - fixed income	965,454	965,454		
Mutual funds - equity	371,340	371,340		
<b>Investments carried at fair value</b>	<b>2,635,340</b>	<b>\$ 2,635,340</b>	<b>\$ -</b>	<b>\$ -</b>
Cash equivalents*	43,852			
<b>Total investments</b>	<b>\$ 2,679,192</b>			
<b>2014</b>	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>			

\*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,:

	2015	2014
Interest and dividends	\$ 75,765	\$ 89,390
Net (loss) gain on investments	(101,760)	57,376
Management fees	(22,359)	(26,630)
	<b>\$ (48,354)</b>	<b>\$ 120,136</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,:

	2015	2014
Software	\$ 1,305,414	\$ 1,159,800
Leasehold improvements	736,227	736,227
Education development	680,375	543,386
Furniture and equipment	336,677	326,611
	<u>3,058,693</u>	<u>2,766,024</u>
Less accumulated depreciation and amortization	<u>(2,102,651)</u>	<u>(1,650,142)</u>
	<u>\$ 956,042</u>	<u>\$ 1,115,882</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. During 2015, the Organization borrowed an additional \$592,00 for operational and web development costs. The loan is due on demand and accrues interest on the daily balance at the lender's floating base rate. As of December 31, 2015 and 2014 this rate was 2.00% and 3.25%, respectively. The loan is secured by the Organization's investments which are also maintained with Wells Fargo Advisors. At December 31, 2015, the loan payable plus accrued interest of \$2,105 totaled \$1,106,438. At December 31, 2014, the loan payable plus accrued interest of \$1,933 totaled \$623,708.

### 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, 2015 and 2014 totaled \$98,072 and \$94,043, 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 were abated. \$736,227 of the allowance was used to purchase leasehold improvements 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 include a liability for these lease incentives and deferred rent totaling \$817,664 and \$874,486 as of December 31, 2015 and 2014.

The Organization has an irrevocable letter of credit with a bank in the amount of \$34,970 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, 2015 and 2014 was \$381,107 and \$366,250, respectively. Future minimum rental payments, not including increases in real estate taxes or operating expenses, are as follows:

Year Ending December 31,

2016	\$	449,476
2017		461,818
2018		474,479
2019		487,510
2020		500,910
Thereafter		<u>1,266,322</u>
	\$	<u>3,640,515</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

In 2014, 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 years ended December 31, 2015 and 2014 totaled \$41,606 and \$2,500, respectively.

### I. RECURRING LOSSES FROM OPERATIONS

As indicated in the accompanying statement of financial position, the Organization's unrestricted net assets have been reduced to \$323,847 as of December 31, 2015. Management has implemented a plan to continue to reduce costs and investigate new sources of revenue. Management believes net income from 2016 activities will significantly improve its unrestricted net assets. However, there can be no assurance of the success of these efforts.

### J. SUBSEQUENT EVENT

The management agreement between Association of Clinical Research Professionals and Academy of Physicians in Clinical Research expired on December 31, 2015. Effective January 1, 2016 Academy of Physicians in Clinical Research established itself as an organization autonomous from Association of Clinical Research Professionals and will no longer be included in its consolidated financial statements.

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, 2015 and 2014, and our report thereon dated July 15, 2016, which contained an unmodified opinion on those financial statements appears on page one. 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 and results of operations of the individual entities, and 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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July 15, 2016

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# Association of Clinical Research Professionals & Affiliates

## Consolidating Statement of Financial Position December 31, 2015

	ACRP	APCR	Academy	Eliminations	Consolidated Total
<b>Assets</b>					
Cash and cash equivalents	\$ 401,748	\$ 217,245	\$ 157,315	\$ -	\$ 776,308
Investments	2,679,192				2,679,192
Accounts receivable	58,455		21,560		80,015
Due from related entity		(25,003)	297,084	(272,081)	-
Prepaid expenses	489,821	34,706	12,066		536,593
Property and equipment, net	956,042				956,042
<b>Total assets</b>	<b>\$ 4,585,258</b>	<b>\$ 226,948</b>	<b>\$ 488,025</b>	<b>\$ (272,081)</b>	<b>\$ 5,028,150</b>
<b>Liabilities and Net Assets</b>					
<b>Liabilities</b>					
Accounts payable and accrued expenses	\$ 672,536	\$ 941	\$ 118,233	\$ -	\$ 791,710
Due to related entity	272,081			(272,081)	-
Deferred revenue:					
Annual meeting	699,766				699,766
Institution and education	40,128		162,675		202,803
Membership dues	966,806	83,673			1,050,479
Other programs	27,389				27,389
Total deferred revenue	1,734,089	83,673	162,675	-	1,980,437
Lease incentives and deferred rent	817,664				817,664
Margin loan	1,106,438				1,106,438
Total liabilities	4,602,808	84,614	280,908	(272,081)	4,696,249
<b>Net assets</b>					
Unrestricted	(25,604)	142,334	207,117		323,847
Temporarily restricted	8,054				8,054
Total net assets	(17,550)	142,334	207,117	-	331,901
<b>Total liabilities and net assets</b>	<b>\$ 4,585,258</b>	<b>\$ 226,948</b>	<b>\$ 488,025</b>	<b>\$ (272,081)</b>	<b>\$ 5,028,150</b>

# Association of Clinical Research Professionals & Affiliates

## Consolidating Statement of Activities Year Ended December 31, 2015

	ACRP	APCR	Academy	Eliminations	Consolidated Total
<b>Unrestricted activities</b>					
Revenue and support					
Institution and education	\$ 802,950	\$ -	\$ 1,975,313	\$ -	\$ 2,778,263
Membership dues	1,876,339	165,245		(82,912)	1,958,672
Annual meeting	1,893,703			(21,576)	1,872,127
Publications	634,533				634,533
Career site	346,911				346,911
Other programs	1,391,745			(1,391,745)	-
Total unrestricted revenue and support	6,946,181	165,245	1,975,313	(1,496,233)	7,590,506
Expense					
Program services					
Institution and education	2,207,374		584,701		2,792,075
Annual meeting	1,859,477				1,859,477
Membership and outreach	1,501,514	87,990		(82,912)	1,506,592
Publications	806,569				806,569
Total program services	6,374,934	87,990	584,701	(82,912)	6,964,713
Supporting services					
Governance	1,290,175	21,576	56,531	(21,576)	1,346,706
General and administrative	738,557	70,629	1,332,753	(1,391,745)	750,194
Total supporting services	2,028,732	92,205	1,389,284	(1,413,321)	2,096,900
Total expense	8,403,666	180,195	1,973,985	(1,496,233)	9,061,613
Change in net assets before investment income	(1,457,485)	(14,950)	1,328	-	(1,471,107)
Investment income	(48,354)				(48,354)
<b>Change in net assets</b>	(1,505,839)	(14,950)	1,328	-	(1,519,461)
Net assets, beginning of year	1,488,289	157,284	205,789	-	1,851,362
<b>Net assets, end of year</b>	\$ (17,550)	\$ 142,334	\$ 207,117	\$ -	\$ 331,901