NATIONAL ASSOCIATION OF CREDIT MANAGEMENT, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION

For the Years Ended December 31, 2016 and 2015

NATIONAL ASSOCIATION OF CREDIT MANAGEMENT, INC. AND SUBSIDIARIES

For the Years Ended December 31, 2016 and 2015

Table of Contents

E. COHEN
AND COMPANY, CPAs
Building Profitable Ideas

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
National Association of Credit Management Inc. and Subsidiaries
Columbia, Maryland

We have audited the accompanying consolidated financial statements of the National Association of Credit Management, Inc. and Subsidiaries (together, the Association), which comprise the consolidated statement of financial position as of December 31, 2016, and the related consolidated statements of activities and cash flows for the year 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 audit. We conducted our audit 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 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.

One Research Court, Suite 101, Rockville, Maryland 20850
Tel: 301.917.6200 | Fax: 301.917.6220 | www.ecohencpas.com

Opinion

In our opinion, the 2016 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the National Association of Credit Management, Inc. and Subsidiaries as of December 31, 2016 and the results of their consolidated operations and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Adjustments to Prior Period Consolidated Financial Statements

The consolidated financial statements of the National Association of Credit Management, Inc. and Subsidiaries (the Association) as of December 31, 2015, were audited by other auditors whose report dated March 23, 2016, expressed an unmodified opinion on those statements. As discussed in Note 2 to the consolidated financial statements, the Association has adjusted its 2015 consolidated financial statements to retrospectively apply the change in accounting principle related to the treatment of debt issuance costs per FASB ASU 2015-03. The other auditors reported on the consolidated financial statements before the retrospective adjustment.

As part of our audit of the 2016 consolidated financial statements, we also audited the adjustments to the 2015 consolidated financial statements to retrospectively apply the change in accounting as described in Note 2. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply and procedures to the Association's 2015 consolidated financial statements other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2015 consolidated financial statements as a whole.

E Cohen and Company, CPAs

March 31, 2017

NATIONAL ASSOCIATION OF CREDIT MANAGEMENT, INC.
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2016 AND 2015

ASSETS

	2016	2015
Current assets		
Cash and cash equivalents	$ 601,318	$ 543,876
Accounts receivable, net	409,820	388,034
Publications inventory, net	15,542	17,320
Prepaid expenses and other current assets	150,099	215,153
Note receivable - affiliate, net	30,515	11,228
Total current assets	1,207,294	1,175,611
Certificates of deposit	124,801	143,294
Investments	1,945,633	1,840,195
Property and equipment, net	1,988,296	2,071,680
Other assets		
Restricted cash equivalents	101,984	101,677
Note receivable - affiliate, noncurrent portion	7,797	52,052
Total other assets	109,781	153,729
Total assets	$ 5,375,805	$ 5,384,509

NATIONAL ASSOCIATION OF CREDIT MANAGEMENT, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)
DECEMBER 31, 2016 AND 2015

LIABILITIES AND NET ASSETS

	2016	2015
Current liabilities		
Accounts payable and accrued expenses	$ 218,166	$ 201,846
Payroll liabilities	137,970	125,471
Mortgage payable, current portion	60,266	57,707
Deferred revenue	616,043	675,771
Total current liabilities	1,032,445	1,060,795
Mortgage payable, noncurrent portion	1,449,755	1,507,021
Total liabilities	2,482,200	2,567,816
Net assets		
Unrestricted	2,700,937	2,630,081
Temporarily restricted	192,668	186,612
Total net assets	2,893,605	2,816,693
Total liabilities and net assets	$ 5,375,805	$ 5,384,509

NATIONAL ASSOCIATION OF CREDIT MANAGEMENT, INC.
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenue and support						
Membership dues	$ 1,115,849	$ -	$ 1,115,849	$ 1,180,550	$ -	$ 1,180,550
Conferences and meetings	1,484,620	-	1,484,620	1,414,100	-	1,414,100
Information resources	506,178	-	506,178	521,938	-	521,938
Courses and programs	669,289	-	669,289	788,526	-	788,526
Designations	154,652	-	154,652	171,432	-	171,432
Rental income	115,296	-	115,296	110,539	-	110,539
Services and management fees	2,320,346	-	2,320,346	2,470,583	-	2,470,583
Royalties	17,791	-	17,791	20,780	-	20,780
Other	32,571	-	32,571	60,713	-	60,713
Contributions	28,487	14,247	42,734	29,960	15,329	45,289
Net assets released from restriction:						
Restrictions satisfied by purpose	15,219	(15,219)	-	18,969	(18,969)	-
Total revenue and support	6,460,298	(972)	6,459,326	6,788,090	(3,640)	6,784,450
Expenses						
Affiliate commissions	24,699	-	24,699	24,949	-	24,949
Bank and investment fees	20,567	-	20,567	30,684	-	30,684
Business Credit Magazine	105,050	-	105,050	126,149	-	126,149
Conferences and meetings	626,056	-	626,056	563,980	-	563,980
Cost of sales	58,024	-	58,024	87,339	-	87,339
Credit reports	135,253	-	135,253	135,954	-	135,954
Depreciation and amortization	128,091	-	128,091	134,050	-	134,050
Dues and subscriptions	4,721	-	4,721	5,707	-	5,707
Equipment rental and support	154,437	-	154,437	160,930	-	160,930
Fringe benefits	558,288	-	558,288	562,785	-	562,785
Insurance	69,608	-	69,608	69,129	-	69,129
Meetings and travel	48,309	-	48,309	67,460	-	67,460
Merchant service fees	68,364	-	68,364	68,792	-	68,792
Occupancy	111,475	-	111,475	116,800	-	116,800
Office supplies, printing and maintenance	61,460	-	61,460	86,918	-	86,918
Online courses	99,820	-	99,820	99,130	-	99,130
Other	34,057	-	34,057	27,513	-	27,513
Outside services	160,731	-	160,731	115,256	-	115,256
Postage and shipping	571,281	-	571,281	628,200	-	628,200
Professional services	568,033	-	568,033	781,604	-	781,604
Promotions and advertising	37,888	-	37,888	56,472	-	56,472
Property taxes	51,360	-	51,360	32,764	-	32,764
Salaries	2,637,420	-	2,637,420	2,664,461	-	2,664,461
Scholarships	32,008	-	32,008	53,621	-	53,621
Telephone	22,856	-	22,856	21,914	-	21,914
Total expenses before other income (expense)	6,389,856	-	6,389,856	6,722,561	-	6,722,561
Other income (expenses)						
Interest and dividend income	62,626	6,053	68,679	76,070	7,727	83,797
Unrealized gain (loss) on investments	13,030	3,271	16,301	(79,486)	(10,084)	(89,570)
Realized gain (loss) on sale of investments	(8,448)	(2,296)	(10,744)	7,648	829	8,477
Interest expense	(66,266)	-	(66,266)	(65,383)	-	(65,383)
Total other income (expenses)	942	7,028	7,970	(61,151)	(1,528)	(62,679)
Increase (decrease) in net assets before provision for income taxes	71,384	6,056	77,440	4,378	(5,168)	(790)
Provision for income taxes	528	-	528	-	-	-
Increase (decrease) in net assets	70,856	6,056	76,912	4,378	(5,168)	(790)
Net assets, beginning	2,630,081	186,612	2,816,693	2,625,703	191,780	2,817,483
Net assets, ending	$ 2,700,937	$ 192,668	$ 2,893,605	$ 2,630,081	$ 186,612	$ 2,816,693

NATIONAL ASSOCIATION OF CREDIT MANAGEMENT , INC.
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
Cash flows from operating activities		
Change in net assets	$ 76,912	$ (790)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	128,091	134,050
Amortization expense reported as interest	3,000	3,000
Net realized and unrealized (gain) loss on investments	(5,557)	81,093
Provision for bad debt on accounts and notes receivable	-	(611)
(Increase) decrease in:		
Accounts receivable	(21,786)	127,672
Publications inventory	1,778	(1,324)
Prepaid expenses and other current assets	65,054	(68,368)
Increase (decrease) in:		
Accounts payable and accrued expenses	16,320	(76,597)
Payroll liabilities	12,499	10,407
Deferred revenue	(59,728)	(19,464)
Net cash provided by operating activities	216,583	189,068
Cash flows from investing activities		
Repayments of loan from affiliate	24,968	10,842
Proceeds from sale of investments	465,940	825,040
Purchases of investments	(547,328)	(903,492)
Purchases of property and equipment	(44,707)	(13,351)
Increase in restricted cash equivalents	(307)	(304)
Net cash used in investing activities	(101,434)	(81,265)
Cash flows from financing activities		
Principal repayments on mortgage payable	(57,707)	(58,602)
Net cash used in financing activities	(57,707)	(58,602)
Net increase in cash and cash equivalents	57,442	49,201
Cash and cash equivalents, beginning	543,876	494,675
Cash and cash equivalents, ending	$ 601,318	$ 543,876
Supplemental disclosure of cash flows information		
Cash paid during the year for:		
Interest	$ 66,266	$ 65,383
Taxes	$ -	$ -

NATIONAL ASSOCIATION OF CREDIT MANAGEMENT, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

1. Description of organization and operations

The National Association of Credit Management, Inc. (NACM) was founded in 1896 to enhance, promote, and protect the interests of commercial or business credit grantors in all industries. As a 501(c)(6) organization, NACM is the educational training resource for its member companies, represented by their individual employees who are responsible for making the independent decision to extend commercial credit to its business customers. NACM's role is to advance the profession of business/commercial credit management through education and information while connecting its members to a strong, national network of knowledgeable experts in areas that impact commercial credit. NACM monitors federal legislation and works to educate Congress on the differences between consumer and commercial credit and about the issues that impact business credit.

NACM's wholly owned subsidiary, FCIB-NACM, Inc. (FCIB) was founded in 1919 to foster and facilitate the exchange of business credit and financial information, which is critical to making sound global commercial credit decisions. FCIB is an information resource for its multinational and global company members, represented by the individuals who make the independent decision to extend commercial credit to its business customers. FCIB resells international business credit reports to its members and others and manages global credit exchange groups which discuss best practices in global credit management. Activities within FCIB are taxable.

FCIB's wholly owned subsidiary, FCIB Europe, LLC (FCIB Europe) was formed in November 2006 as a Maryland Limited Liability Company to facilitate training and meetings for its members in Europe, Africa, the Middle East, and Asia. FCIB Europe is consolidated with NACM and is treated as a disregarded entity for income tax reporting purposes.

NACM's wholly owned subsidiary, The Service Corporation of NACM (Service Corp.) was incorporated under the laws of the State of New York in 1933 and is the publisher of the association's magazine, *Business Credit*, electronic newsletter, *eNews*, and website. In 2007, NACM expanded its services offered through the Service Corp. by creating Secured Transaction Services to support companies engaged in the building and construction industry. Secured Transaction Services products include effecting construction notices to an owner that a company is on a job site, facilitating the filing of a mechanic's lien for materials for construction projects, or filing UCC financing statements to ensure that companies are timely paid for services and materials or positioned as a secured creditor. Activities within Service Corp. are taxable.

1. Description of organization and operations (continued)

In 1995, NACM, FCIB, and the Service Corporation were reincorporated under the laws of the State of Maryland.

NACM's wholly owned subsidiary, the National Association of Credit Management Realty Corporation (Realty Corp.), was incorporated in Maryland in 1995, organized under Section 501(c)(2) of the Internal Revenue Code. The purpose of the Realty Corp. is to hold title to real and personal property and to collect rental income.

Under the laws of the State of Maryland in 2005, NACM incorporated its charitable foundation, the NACM Scholarship Foundation, Inc. (the Foundation). The Foundation is operated exclusively for educational purposes, specifically to fund education in the area of credit management by providing scholarships. The Foundation is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code.

NACM's programs are:

Conventions consist of the Credit Congress and Exposition which is an annual gathering for credit professionals and providers of services to the business credit arena.

Education:

- Courses and programs capture revenues from the Graduate School of Credit & Financial Management; FSA I and FSA II, the Credit Learning Center, Business Credit Principles, and NACM Self Study courses; and NACM and FCIB online courses.
- Designations include all revenues related to NACM and FCIB designations and certifications (CBA, CBF, CCE, CCRA, CICP, and ICCE).

Publications relates to the sales of self-study courses and books, including the *Manual of Credit and Commercial Laws* and the *Principles of Business Credit*.

The Credit and Financial Development Division (CFDD) advances the profession of business/commercial credit management through education and information while connecting its members to a strong, national network of knowledgeable experts in areas that impact commercial credit.

1. Description of organization and operations (continued)

FCIB Division is an education and information resource for multinational and global company members, represented by the individuals who make the independent decision to extend commercial credit to business customers.

2. Summary of significant accounting policies

Basis of consolidation

The consolidated financial statements include the accounts of NACM and its wholly owned subsidiaries, FCIB, Service Corp., Realty Corp., and the Foundation (together, the Association). All significant intercompany items have been eliminated in consolidation. The accompanying consolidated financial statements do not include the assets and accounts of local member associations, each of which is autonomous and not under the direction or control of NACM.

Basis of accounting

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting.

Basis of presentation

The Association is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. There were no permanently restricted net assets at December 31, 2016 or 2015.

Cash and cash equivalents

The Association considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents, unless specifically designated for long-term investment. Cash and cash equivalents held by the investment custodian to facilitate investment transactions or for investment are included in investments in the Consolidated Statements of Financial Position. Cash pledged as collateral for a corporate credit card account is excluded from cash and cash equivalents and is included in restricted cash equivalents in the Consolidated Statements of Financial Position.

2. Summary of significant accounting policies (continued)

Certificates of deposit
The Association invests in certificates of deposit (CDs) that are not debt instruments. CDs with original maturities of less than one year are classified as short-term. CDs with original maturities greater than one year are classified as long-term.

Investments
Investments are included in these statements at the market prices that were in effect as of the date of the Consolidated Statements of Financial Position, which may differ from the amount ultimately realized at the time of sale. The difference may be material. Realized and unrealized gains and losses are reflected in the Consolidated Statements of Activities. Investment income and gains restricted by a donor are reported as increases in temporarily or permanently restricted net assets until the restriction expires, at which time they are reclassified as unrestricted net assets and reported in the Consolidated Statements of Activities as net assets released from restriction.

Accounts receivable
The Association grants trade credit. Receivables are valued at management's estimate of the amount that will ultimately be collected. The allowance for doubtful accounts is based on specific identification of uncollectible amounts and historical collection experience. The allowance at December 31, 2016 and 2015 was $5,217.

Accounts receivable are concentrated in members, credit card companies, and affiliated organizations substantially all of which are located in the United States. All probable bad debt losses related to accounts receivable have been appropriately recognized as expense. In general, the Association does not require collateral in relation to these receivables.

Publications inventory
Inventory consists primarily of publications and brochures and is valued at the lower of cost or market, with cost determined by using the first-in, first-out method. Inventory is presented net of a reserve for obsolescence of $4,633 at December 31, 2016 and 2015.

Prepaid expenses
Prepaid expenses represent costs paid prior to year-end for education programs, meetings, and other program activities that will occur in the subsequent year. The expenses will be recognized as the respective activities occur.

2. Summary of significant accounting policies (continued)

Property and equipment
Property and equipment are stated at cost. Individual purchases and improvements of $500 or more, which prolong the useful life of an asset, are capitalized, while expenditures for small items, maintenance, and minor repairs are expensed as incurred.

Depreciation and amortization are calculated under the straight-line method once the asset has been placed in service and are provided for on a consistent basis, based upon the estimated useful life of the particular asset.

Website and online education courses
The costs of purchased and internally developed website and online education courses are being amortized over their useful lives on a straight-line basis.

Restricted cash equivalents
The Association has a corporate credit card account with a major credit card company. The account is secured by a certificate of deposit (CD) held in an account at the same financial institution and is shown on the Consolidated Statement of Financial Position as restricted cash equivalents. The CD automatically renews upon maturity. Income generated from the CD is reinvested and becomes part of the collateral.

Restricted and unrestricted support and revenue
Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified as unrestricted net assets and reported in the Consolidated Statements of Activities as net assets released from restriction.

Revenue recognition
Membership dues are recorded as revenue during the applicable membership period. Advertising revenues are recorded as revenue when the applicable publications are issued. Revenue from conferences, meetings, and workshops is recognized upon completion.

2. Summary of significant accounting policies (continued)

Research and development costs

Research and development costs are charged to operations when incurred and are included in operating expenses, except for the development costs related to the Association's online education courses, which are capitalized and amortized over their useful life.

Advertising

Advertising costs are charged to operations when incurred. Advertising expense for the years ended December 31, 2016 and 2015 was $37,888 and $56,472, respectively.

Use of estimates

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

Fair value measurements

FASB ASC 820, *Fair Value Measurements and Disclosures*, established a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to the unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

- *Level 1*: Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that are accessible at the measurement date (e. g., equity securities traded on the New York Stock Exchange).
- *Level 2*: Level 2 inputs are from other than quoted market prices included in Level 1 that are observable for the asset or liability, either directly or indirectly (e. g., quoted market prices of similar assets or liabilities in active markets, or quoted market prices for identical or similar assets or liabilities in markets that are not active).
- *Level 3*: Level 3 inputs are unobservable (e. g., a company's own data) and should be used to measure fair value to the extent that observable inputs are not available.

2. Summary of significant accounting policies (continued)

Fair value measurements (continued)
The fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of the observable inputs and minimize the use of the unobservable inputs.

Debt issuance costs
In 2016, the Association retroactively adopted the requirements of FASB ASU 2015-03 to present debt issuance costs as a reduction of the carrying amount of the related mortgage payable rather than as an asset. The noncurrent portion of the mortgage payable as of December 31, 2015 was previously reported on the Consolidated Statements of Financial Position as $1,533,021 with the associated $26,000 unamortized deferred finance charges included in other assets. Amortization of the debt issuance costs is reported as interest expense in the Consolidated Statements of Activities

3. Reclassifications

Certain reclassifications were made to the December 31, 2015 consolidated financial statements to conform to the December 31, 2016 presentation.

4. Investments and fair value measurement

The following are the major categories of assets measured at fair value on a recurring basis as of December 31, 2016 and 2015, using quoted prices in active markets for identical assets (Level 1) and quoted prices in markets that are not active or for significant other observable inputs (Level 2).

All assets have been valued using a market approach. Fair values for assets in Level 2 are calculated using quoted market prices for similar assets in markets that are not active. There were no changes in the valuation techniques during the current year.

4. Investments and fair value measurement (continued)

	Total	Level 1	Level 2
December 31, 2016			
Money market mutual funds	$ 107,323	$ -	$ 107,323
Equity mutual funds and ETFs	740,428	740,428	-
Fixed income mutual funds	387,471	387,471	-
Corporate bonds	585,964	-	585,964
Municipal bonds	100,056	-	100,056
US agency bond	24,391	-	24,391
Total investments	$ 1,945,633	$ 1,127,899	$ 817,734

December 31, 2015	Total	Level 1	Level 2
Money market mutual funds	$ 212,598	$ -	$ 212,598
Equity mutual funds and ETFs	686,957	686,957	-
Fixed income mutual funds	402,156	402,156	-
Corporate bonds	461,119	-	461,119
Municipal bonds	77,365	-	77,365
Total investments	$ 1,840,195	$ 1,089,113	$ 751,082

The Association invests in certificates of deposit that are not debt instruments, and therefore, are excluded from the fair value measurement.

5. Property and equipment

As of December 31, property and equipment consists of the following:

	2016	2015
Building	$ 2,203,368	$ 2,203,368
Furniture and fixtures	522,023	537,342
Office equipment	184,894	189,799
Software	473,509	475,503
Tenant improvements	10,100	63,809
Website and online education courses	391,049	391,049
Subtotal of depreciable property and equipment	3,784,943	3,860,870
Less accumulated depreciation and amortization	2,428,513	2,394,210
Subtotal of net depreciable property and equipment	1,356,430	1,466,660
Tenant improvements not yet placed in service	26,846	-
Land	605,020	605,020
Total	$ 1,988,296	$ 2,071,680

Depreciation and amortization expense on property and equipment for the years ended December 31, 2016 and 2015 was $128,091 and $131,050 respectively.

6. Note receivable – affiliate

During 2011, the Association's Board of Directors approved a plan to assist an affiliate in accordance with NACM's Affiliate Assistance Program. According to the terms of the promissory note, NACM provided working capital for the affiliate through a line of credit that was not to exceed $250,000 at a rate of interest equal to the prime rate, as published in the Wall Street Journal, plus 0.25% per annum. All dues receivable that were past due from the affiliate and legal fees associated with creating and executing the documents were deducted from the available line of credit, which is required to be secured by all assets of the affiliate, with mortgages and/or UCC filings (on all property, furniture, fixtures and receivables). Monthly interest payments began upon borrowing. Beginning June 1, 2012 the affiliate made monthly principal and interest payments on the outstanding principal amount.

6. Note receivable – affiliate (continued)

The remaining principal balance and any accrued interest was due on June 1, 2017, however, during 2016 the Association's Board of Directors approved a request from the affiliate to refinance the note removing the balloon payment and extending the monthly payments through March of 2018 with no change to the interest rate. Funds advanced at December 31, 2016 and 2015 were $38,312 and $63,280, respectively. For the years ended December 31, 2016 and 2015, interest of $2,055 and $2,421, respectively, had been paid. At December 31, 2016 and 2015, management deemed the receivable to be fully collectible.

7. Deferred revenue

Deferred revenue includes monies received in advance for various activities. As of December 31, deferred revenue consists of the following:

	2016	2015
Dues	$ 141,399	$ 159,685
Expo and Credit Congress	343,993	388,392
Online courses	79,535	74,937
Grad school	27,462	27,100
Meetings	3,440	3,440
Deposits	13,304	8,033
Other	6,910	14,184
Total	$ 616,043	$ 675,771

8. Mortgage payable

The Association has a mortgage payable with a bank with an original principal balance of $1,850,000. The agreement calls for a fixed interest rate of 3.99%, monthly principal and interest payments of $10,098 and a balloon payment of $1,005,286 due on September 2, 2024. In addition, up to 20% of the principal balance on January 1 of each year can be prepaid without any prepayment penalty. The collateral for the mortgage is the building and land. The mortgage is guaranteed by each entity in the consolidated group.

8. Mortgage payable (continued)

As of December 31, the mortgage payable consists of the following:

	2016	2015
Mortgage payable	$ 1,533,021	$ 1,590,728
Less unamortized debt issuance costs	23,000	26,000
Mortgage payable, less unamortized debt issuance costs	1,510,021	1,564,728
Less current portion	60,266	57,707
Mortgage payable, noncurrent portion	$ 1,449,755	$ 1,507,021

Future maturities of the mortgage payable are as follows:

Years ending December 31:	
2017	$ 60,266
2018	62,812
2019	65,401
2020	67,944
2021	70,896
Thereafter	1,205,702
	1,533,021
Less current portion	60,266
Less unamortized debt issuance costs	23,000
Long-term portion	$ 1,449,755

Interest expense attributable to the mortgage payable was $66,266 and $65,383 for the years ended December 31, 2016 and 2015, respectively.

9. Line of credit

The Association maintains a $200,000 secured bank line of credit. The line has a one-year term and includes a due-on-demand feature. Interest, at a variable rate based on changes in an index set at the lender's discretion, is payable monthly. Terms of the agreement require the Association to achieve certain financial covenants. At December 31, 2016 and 2015 the Association is in compliance with those requirements. The collateral for the line of credit is the accounts receivable, publications inventory and property and equipment. There was no balance due at December 31, 2016 and 2015.

10. Operating leases

The Association is a lessor of office space under two operating leases which expire at various dates through 2024. Rental income from these leases was $115,296 and $110,539 for the years ended December 31, 2016 and 2015, respectively.

Future minimum rental income under the leases for the years ending December 31 are as follows:

2017	$ 102,515
2018	110,416
2019	113,274
2020	68,947
2021	71,016
Thereafter	154,780
Total	$ 620,948

The Association leases office equipment under leases with varying expiration dates through August 2020. Future minimum lease payments under operating leases for the years ending December 31 are as follows:

2017	$ 20,918
2018	20,918
2019	15,818
2020	3,745
Total	$ 61,399

10. Operating leases (continued)

Rental expense under operating leases was $16,994 and $18,336, respectively, for the years ended December 31, 2016 and 2015.

11. 401(k) plan

The Association provides a defined contribution savings retirement plan in accordance with Internal Revenue Code Section 401(k). The plan covers substantially all employees, age 21 or over, who meet the terms of service requirements. The Association elects annually to make a matching and profit sharing contribution for eligible employees. For the years ended December 31, 2016 and 2015, contributions to the retirement plan were $103,712 and $111,391, respectively.

12. Functional allocation of expenses

Total program, management and general, and fundraising expenses for the years ended December 31, were as follows:

	2016	2015
Program expenses	$ 5,512,185	$ 5,836,321
Management and general expenses	939,864	947,703
Fundraising expenses	4,601	3,920
Total	$ 6,456,650	$ 6,787,944

Program service expenses are those that directly relate to the Association's revenue producing programs in four major areas: conventions, education, publications, and the Credit and Financial Development Division (CFDD).

Management and general expenses are those that are incurred for the benefit of members but not directly related to specific revenue producing functions, or which are for the general administration of the Association. These include managerial, financial, and administrative services. Fundraising expenses are incurred for activities designed to encourage contributions.

13. Income taxes

The Association performed an evaluation of uncertain tax positions for the years ended December 31, 2016 and 2015, and determined that there were no matters that would require recognition in the financial statements or which may have any effect on its tax-exempt status. None of the Association's income tax returns are currently under examination.

NACM and Realty Corp.
NACM is a professional organization that qualifies under Section 501(c)(6) of the Internal Revenue Code and is exempt from federal income tax. Realty Corp. is organized under Section 501(c)(2) of the Internal Revenue Code and is exempt from income tax. However, income derived from sources unrelated to the entity's tax-exempt purpose is subject to tax. NACM had no taxable unrelated business income for the years ended December 31, 2016 and 2015.

The income tax expense of $528 for the year ended December 31, 2016 represents taxes on Realty Corp.'s unrelated business income. For the year ended December 31, 2015, Realty Corp. had no income tax expense for unrelated business income tax.

Foundation
The Foundation is exempt from federal income taxes in accordance with Section 501(c)(3) of the Internal Revenue Code. Income, except that derived from sources unrelated to the entity's tax-exempt purpose, is not subject to tax. For the years ended December 31, 2016 and 2015, the Foundation had no unrelated business income.

FCIB and Service Corp
FCIB and Service Corp are taxable entities and are, therefore, subject to federal and state income taxes. FCIB and Service Corp. file separate income tax returns.

At December 31, 2016, FCIB had net operating loss carry forwards of $67,390 which will expire at various years between 2034 and 2036. For 2016 and 2015 FCIB had no income tax expense. The net deferred income tax assets for FCIB at December 31, 2016 and 2015 are $17,066 and $12,463, respectively. FCIB has reflected a 100% valuation allowance against net deferred tax assets each year, due to uncertainty about its ultimate realization.

13. Income taxes (continued)

At December 31, 2016, Service Corp. had net operating loss carry forwards of $4,509,401, which will expire in various years between 2020 and 2035. The net deferred income tax assets for Service Corp. at December 31, 2016 and 2015 are $1,782,000 and $1,667,900, respectively. Service Corp. has reflected a 100% valuation allowance against net deferred tax assets each year, due to uncertainty about its ultimate realization.

14. Concentrations of credit risk

Financial instruments that potentially subject the Association to concentrations of credit risk consist of cash. The Association maintains its cash in commercial banks that are insured by the Federal Deposit Insurance Corporation (FDIC). The Association has amounts on deposit with banks, which at times exceed the FDIC insured threshold.

15. Temporarily restricted net assets

Temporarily restricted net assets consist of funds held by the Foundation to be used for CFDD scholarships.

16. Commitments

The Association has entered into agreements with vendors for various meetings in future years. The contracts contain contingency clauses whereby the Association is liable for cancellations. The monetary restitution varies among contracts, but generally is based on expenses incurred by the vendor up to the date of cancellation as well as additional cancellation and attrition fees.

17. Subsequent events

Management of the Association has evaluated events or transactions that occurred after December 31, 2016 through March 31, 2017, the date the consolidated financial statements were available to be issued and has determined that no subsequent events or transactions have occurred that require recognition or disclosure in the consolidated financial statements.

E. COHEN
AND COMPANY, CPAs
Building Profitable Ideas

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

The Board of Directors
National Association of Credit Management Inc. and Subsidiaries
Columbia, Maryland

We have audited the consolidated financial statements of the National Association of Credit Management, Inc. and Subsidiaries (together, the Association) as of and for the year ended December 31, 2016, which expressed an unmodified opinion on those consolidated financial statements, appears on page 1. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The 2016 supplementary information is presented for purposes of additional analysis 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 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 information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

The 2015 supplementary information was subjected to the auditing procedures applied in the 2015 audit of the consolidated financial statements by other auditors, whose report on such information stated that it was fairly stated in all material respects in relation to the 2015 consolidated financial statements taken as a whole.

E Cohen and Company, CPAs

March 31, 2017

One Research Court, Suite 101, Rockville, Maryland 20850
Tel: 301.917.6200 | Fax: 301.917.6220 | www.ecohencpas.com