

**American Association For  
Nude Recreation, Inc.**

**Financial Statements**

**As of December 31, 2018**

**AMERICAN ASSOCIATION FOR NUDE RECREATION, INC.**

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**December 31, 2018**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Trustees  
American Association for Nude Recreation, Inc.  
Kissimmee, Florida

We have audited the accompanying financial statements of American Association for Nude Recreation, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of American Association for Nude Recreation, Inc. as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Schafer, Tschopp, Whitcomb, Mitchell & Sheridan, LLP*

**Schafer, Tschopp, Whitcomb, Mitchell & Sheridan, LLP**

April 19, 2019

**AMERICAN ASSOCIATION FOR NUDE RECREATION, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2018 AND 2017**

**ASSETS**

	<u>2018</u>	<u>2017</u>
<b>Current Assets</b>		
Cash and cash equivalents	\$ 28,604	\$ 29,780
Investments	2	13,073
Accounts receivable	5,236	6,610
Prepaid expenses	23,181	373
Total current assets	<u>57,023</u>	<u>49,836</u>
<b>Property, Plant and Equipment, Net of Accumulated Depreciation</b>	<u>470,457</u>	<u>464,173</u>
<b>Other Assets</b>		
Development loans receivable	43,000	45,000
Cash and investments designated by the Board of Trustees	640,232	710,117
Total other assets	<u>683,232</u>	<u>755,117</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 1,210,712</u></u>	<u><u>\$ 1,269,126</u></u>

**LIABILITIES AND NET ASSETS**

<b>Current Liabilities</b>		
Accounts payable	\$ -	\$ 18,370
Deferred revenue	456,391	468,594
Security deposits	2,850	2,850
Accrued expenses	46,888	56,050
Current maturities of long-term leases	5,722	5,390
Total current liabilities	<u>511,851</u>	<u>551,254</u>
<b>Long-Term Liabilities</b>		
Lease obligations, less current maturities	<u>988</u>	<u>6,710</u>
Total Liabilities	<u>512,839</u>	<u>557,964</u>
<b>Net Assets</b>		
Unrestricted net assets	<u>697,873</u>	<u>711,162</u>
Total Net Assets	<u>697,873</u>	<u>711,162</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 1,210,712</u></u>	<u><u>\$ 1,269,126</u></u>

The accompanying notes are an integral part of these financial statements.

**AMERICAN ASSOCIATION FOR NUDE RECREATION, INC.**  
**STATEMENT OF ACTIVITIES**  
**YEARS ENDED DECEMBER 31, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
<b>Unrestricted net assets</b>		
<b>Revenue:</b>		
Membership dues	\$ 954,855	\$ 952,283
Advertising	117,006	143,431
Rental income	32,419	17,064
Unrestricted donations	39,420	20,259
Investment (losses) income	(45,280)	67,024
Other income	12,128	33,659
Total Revenue	<u>1,110,548</u>	<u>1,233,720</u>
<b>Expenses:</b>		
Salaries and benefits	558,663	600,765
Publications	172,144	176,773
Club programs	17,588	21,802
Government affairs	25,587	26,863
Public relations	47,935	17,366
Other direct membership services	70,076	81,716
Building and occupancy	35,290	54,145
Management and general	196,554	211,990
Total Expenses	<u>1,123,837</u>	<u>1,191,420</u>
<b>(Decrease) Increase in Unrestricted Net Assets</b>	<u>(13,289)</u>	<u>42,300</u>
<b>Total (Decrease) Increase in Net Assets</b>	(13,289)	42,300
<b>Net Assets at Beginning of Year</b>	<u>711,162</u>	<u>668,862</u>
<b>Net Assets at End of Year</b>	<u><u>\$ 697,873</u></u>	<u><u>\$ 711,162</u></u>

The accompanying notes are an integral part of these financial statements.

**AMERICAN ASSOCIATION FOR NUDE RECREATION, INC.**  
**STATEMENT OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
<b>Cash Flows from Operating Activities</b>		
(Decrease) Increase in net assets	\$ (13,289)	\$ 42,300
Adjustments to reconcile increase in net assets to net cash from operating activities:		
Depreciation expense	16,087	26,030
Unrealized loss (gain) on investments	75,919	(36,433)
(Increase) decrease in accounts receivable	1,374	(4,860)
(Increase) decrease in prepaid expenses	(22,808)	(54)
(Increase) decrease in development fund loans	2,000	3,000
Increase (decrease) in accounts payable and accrued expenses	(27,532)	30,873
Increase (decrease) in security deposits	-	2,100
Increase (decrease) in deferred revenue	(12,203)	16,572
	<u>19,548</u>	<u>79,528</u>
<b>Net Cash provided by Operating Activities</b>		
<b>Cash Flows from Investing Activities</b>		
Net change in investments	7,037	10,310
Purchase of property and equipment	(22,371)	(115,979)
	<u>(15,334)</u>	<u>(105,669)</u>
<b>Net Cash (used in) Investing Activities</b>		
<b>Cash Flows from Financing Activities</b>		
Principal payments on capital lease	(5,390)	5,077
	<u>(5,390)</u>	<u>5,077</u>
<b>Net Cash (used in) provided by Financing Activities</b>		
<b>Net Decrease in Cash and Cash Equivalents</b>	(1,176)	(31,218)
<b>Cash and Cash Equivalents at Beginning of Year</b>	<u>29,780</u>	<u>60,998</u>
<b>Cash and Cash Equivalents at End of Year</b>	<u><u>\$ 28,604</u></u>	<u><u>\$ 29,780</u></u>
 Cash paid during the year for:		
Interest	<u>\$ 579</u>	<u>\$ 892</u>
Income taxes	<u>-</u>	<u>-</u>
 Noncash investing and financing transactions:		
Disposal of fully depreciated property and equipment	<u><u>\$ 41,115</u></u>	<u><u>\$ 60,781</u></u>

The accompanying notes are an integral part of these financial statements.

**AMERICAN ASSOCIATION FOR NUDE RECREATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Nature of Activities

The American Association for Nude Recreation, Inc. is a not for profit association, comprised of 30,089 members, 179 clubs and 29 participating businesses in North America. Its headquarters are in Kissimmee, Florida. The general nature and purposes of the Association are to foster among the public a just and tolerant appreciation of the human person and body in all its aspects, and promote the understanding and liberty that humankind may achieve by the practice of social nudism; to disseminate knowledge and information about the practice of social nudism; to establish, maintain and foster the establishment of resorts, places, parks and areas for nude recreation; to lawfully and in combination with others, seek the establishment and maintenance of such laws in any jurisdiction as will facilitate and provide for the purpose of nude recreation.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) in its Accounting Standards Codification (ASC) Topic 958. The Association is required to report its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Association does not have any temporarily or permanently restricted net assets.

Revenue recognition

The Association recognizes membership dues income over the period of the membership. A membership typically lasts for one year, and can start at any time during the year. This means that at December 31, most members have some portion of their membership year remaining. Deferred revenue is the prorated portion of membership dues that have been received, but not recognized as income yet, as the membership year has not been completed.

Use of Estimates

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



**AMERICAN ASSOCIATION FOR NUDE RECREATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2018

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Cash Equivalents

For purposes of the statement of cash flows, the Association considers all highly liquid debt instruments with a maturity of three months or less at date of purchase to be cash equivalents.

Accounts Receivable

Accounts receivable are reported at the amount management expects to collect. Accounts are reserved or charged to bad debt expense as they are deemed to be doubtful or uncollectible. At December 31, 2018, and 2017, management considers all receivables to be collectible, and no allowance for uncollectible accounts is required.

Property and Equipment

Property and equipment are stated at cost. Depreciation is provided using straight line and accelerated methods over the estimated useful lives of the assets. Additions and improvements which substantially extend the useful life of a particular asset are capitalized. Repair and maintenance costs are charged to expense. Assets acquired through capital lease agreements are recorded in accordance with accounting principles generally accepted in the United States of America, which require capitalization at their fair market value as of the date of lease inception. Depreciation expense includes the depreciation of assets held under capital leases.

An asset held through a capital lease agreement at December 31, 2018 and 2017 is as follows:

	<u>2018</u>	<u>2017</u>
Office equipment	\$ 26,712	\$ 26,712
Less accumulated depreciation	<u>(24,154)</u>	<u>(21,231)</u>
	<u>\$ 2,558</u>	<u>\$ 5,481</u>

Investment Securities

The Association adopted FASB ASC Topic 958. Accordingly, the Association carries investments in equity securities with readily determinable fair values and all investments in debt securities at fair market value. Unrealized gains and losses are included in the change in net assets.

**AMERICAN ASSOCIATION FOR NUDE RECREATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2018

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Cash and investments designated by the Board of Trustees

The Board of Trustees has designated the segregation of funds for specific purposes, although the funds remain available for general purposes with the approval of the Board. The funds consist of the following:

Development Loans – to be used for non-interest bearing loans to clubs.

Capital Improvement Fund – to be used for making capital improvements to the Association facilities.

Life Memberships - income from the sale of life memberships is to be placed in this fund. Use of fund principal is to support advocacy and education for the Association. The earnings on the principal are to be used for providing benefits to the life members.

Connett Memorial Fund - established by the Board to maintain and receive the gifts and bequests generated by the Planned Giving Program.

Income Taxes

The Association is exempt from federal income taxes under section 501(c)(7) of the Internal Revenue Code on income related to its tax-exempt purpose. However, certain activities of the Association are taxable as unrelated business income. Due to net operating loss carryovers from prior years, the Association has no unrelated business income tax for 2018 and 2017.

The Association has adopted the provisions of the Income Tax Topic of the ASC. These provisions clarify the accounting for uncertainty in tax positions and prescribe guidance related to the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The tax benefit from an uncertain tax position is only recognized in the statement of financial position if the tax position is more likely than not to be sustained upon an examination, based on the technical merits of the position. Interest and penalties, if any, are included in expenses in the statement of activities. As of December 31, 2018, and 2017, the Association had no uncertain tax positions that qualify for recognition or disclosure in the financial statements.

The Association's income tax returns are subject to review and examination by federal authorities. The Association is not aware of any activities that would jeopardize its tax exempt status. The tax returns for the fiscal years ended from 2015 forward are open to examination by federal authorities.

**AMERICAN ASSOCIATION FOR NUDE RECREATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2018

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Credit Risk

Financial instruments that potentially subject the Association to concentrations of credit risk consist principally of cash investments and accounts receivable. At times during the year, the Association may have had balances in financial institutions that exceeded the FDIC insured limits.

Advertising Costs

Advertising costs are recorded as expense when incurred. Total advertising expense was \$0 and \$567 for the years ended December 31, 2018 and 2017, respectively.

**NOTE 2 - PROPERTY AND EQUIPMENT**

Property and equipment consists of the following:

	<u>2018</u>	<u>2017</u>
Land	\$ 131,000	\$ 131,000
Building	311,679	311,679
Building improvements	278,193	273,763
Furniture and equipment	<u>164,885</u>	<u>188,059</u>
	885,757	904,501
Less: accumulated depreciation	<u>(415,300)</u>	<u>(440,328)</u>
Total	<u>\$ 470,457</u>	<u>\$ 464,173</u>

Depreciation expense for the years ended December 31, 2018 and 2017 totaled \$16,087 and \$26,030, respectively.

**NOTE 3 – DEVELOPMENT LOANS RECEIVABLE**

Development loans receivable consist of non-interest bearing loans to clubs. Loan balances range from \$2,000 to \$10,000, and total \$43,000 and \$45,000, respectively at December 31, 2018 and 2017.

**AMERICAN ASSOCIATION FOR NUDE RECREATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2018

**NOTE 4 - INVESTMENTS**

Investments are stated at fair market value. The fair market value of these securities was determined based upon quoted prices as of the close of the statement period as listed on national investment exchanges. At December 31, 2018, investments consisted of mutual funds totaling \$640,234. At December 31, 2017, investments consisted of mutual funds totaling \$723,190.

The designated mutual fund investments are for the following purposes:

	<u>2018</u>	<u>2017</u>
Development loans	\$ 152,152	\$ 162,051
Capital Improvement Fund	188,908	125,665
Life memberships	82,560	164,501
Connett Memorial Fund	216,612	257,900
Total	<u>\$ 640,232</u>	<u>\$ 710,117</u>

At December 31, 2018 and 2017, investment income consisted of the following:

	<u>2018</u>	<u>2017</u>
Interest and dividends	\$ 29,340	\$ 28,699
Net realized gains	8,141	8,615
Net unrealized holding (losses) gains	(75,919)	36,433
Investment expenses	(6,842)	(6,723)
Total (losses) income	<u>\$(45,280)</u>	<u>\$ 67,024</u>

**NOTE 5 - LEASES (AS LESSOR)**

The Association leases a portion of its office building to other tenants. The current lease terms cover periods of less than one year.

**AMERICAN ASSOCIATION FOR NUDE RECREATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2018

**NOTE 6 – LONG-TERM OBLIGATIONS**

Long-term obligations consisted of the following:

	<u>2018</u>	<u>2017</u>
Capital lease payable for equipment, payable in 63 monthly payments of \$497, through February, 2020, includes imputed interest of 6%	\$ 6,710	\$ 12,100
Less: current portion	<u>( 5,722)</u>	<u>( 5,390)</u>
Long-term debt, net of current portion	<u>\$ 988</u>	<u>\$ 6,710</u>

Interest expense for the years ended December 31, 2018 and 2017 totaled \$579 and \$892, respectively.

Scheduled maturities of long-term debt are as follows:

2019	\$ 5,722
2020	988
Thereafter	-
	<u>\$ 6,710</u>

**NOTE 7 – RETIREMENT PLAN**

The Association adopted a 401(k) Profit Sharing Plan effective January 1, 2018. All employees that have completed six consecutive months of service and are age 18 or older are eligible to participate. The employer's contribution is based on 100% matching contributions on the first 1% of employee deferrals, and 50% matching on 2-3% of employee deferrals. The Association's contribution for the year ended December 31, 2018 was approximately \$4,700.

**NOTE 8 – EVALUATION OF SUBSEQUENT EVENTS**

The Association has evaluated subsequent events through April 19, 2019, which is the date the financial statements were issued. All subsequent events requiring recognition as of April 19, 2019 have been incorporated into these financial statements.