

**International Association of Registered
Financial Consultants, Inc.**

Financial Statements

June 30, 2021



International Association of Registered Financial Consultants, Inc.

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FLAGEL HUBER FLAGEL
CPAs & BUSINESS ADVISORS

Independent Auditor's Report

To the Board of Directors of
International Association of Registered Financial Consultants, Inc.

We have audited the accompanying financial statements of International Association of Registered Financial Consultants, Inc., (IARFC), (a nonprofit organization), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses, and cash flows for the year 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 the 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 from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of IARFC as of June 30, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Flagel Huber Flagel

Certified Public Accountants
Dayton, Ohio
March 29, 2022

International Association of Registered Financial Consultants, Inc.
Statement of Financial Position
June 30, 2021

Assets

Cash and cash equivalents	\$	315,374
Accounts receivable, net		100,638
Property and equipment, net		272,879
Total Assets	\$	688,891

Liabilities and Net Assets

Liabilities

Accounts payable	\$	32,539
Accrued payroll		1,559
Deferred revenue		328,971
PPP (2) Loan		65,022
Note payable		186,123
Total Liabilities		614,214

Unrestricted Net Assets

Total Liabilities and Net Assets	\$	688,891
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International Association of Registered Financial Consultants, Inc.
Statement of Activities
For the Year Ended June 30, 2021

Revenues

Membership dues	\$	688,253
Publication fees		11,112
Course and accreditation fees		13,102
Debt forgiveness - Paycheck Protection Program (PPP 1)		52,147
Other		365
Total Revenues		<u>764,979</u>

Expenses

Program services		352,386
Management and general		313,712
Total Expenses		<u>666,098</u>

Change in Unrestricted Net Assets 98,881

Unrestricted Net Assets – beginning of year (24,204)

Unrestricted Net Assets – end of year \$ 74,677

International Association of Registered Financial Consultants, Inc.

Statement of Functional Expenses

For the Year Ended June 30, 2021

	Program Services	Management and General	Total
	<u> </u>	<u> </u>	<u> </u>
Salaries and contract labor	\$ 146,823	\$ 146,823	\$ 293,646
Employee benefits	54,486	54,486	108,972
Bad debts	31,436	31,436	62,872
Accreditation	21,388	2,376	23,764
Office and general	17,508	5,836	23,344
Dues and subscriptions	7,293	7,293	14,586
Interest expense	0	13,706	13,706
Bank and credit card fees	6,673	6,673	13,346
Printing and reproduction	11,841	1,315	13,156
Depreciation	6,410	6,410	12,820
Professional fees	0	11,469	11,469
Board of Directors expenses	5,482	5,482	10,964
Occupancy	4,341	4,341	8,682
Consulting services	7,344	816	8,160
Technology	6,105	2,035	8,140
Postage and shipping	7,207	801	8,008
Advertising	3,375	3,375	6,750
Real estate taxes	3,059	3,059	6,118
Miscellaneous	2,979	2,978	5,957
Insurance	2,878	2,878	5,756
Financial plan competition and awards	5,508	0	5,508
Travel	189	63	252
Repairs and maintenance	61	61	122
Total Expenses	<u>\$ 352,386</u>	<u>\$ 313,712</u>	<u>\$ 666,098</u>

International Association of Registered Financial Consultants, Inc.
Statement of Cash Flows
For the Year Ended June 30, 2021

Cash Flows From Operating Activities:	
Change in net assets	\$ 98,881
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	12,820
Debt forgiveness - Paycheck Protection Program	(52,147)
Changes in assets and liabilities:	
Accounts receivable, net	(3,998)
Accounts payable	2,973
Accrued payroll	3,629
Deferred revenue	(6,848)
Net Cash Provided by Operating Activities	<u>55,310</u>
Cash Flows From Financing Activities:	
Proceeds from PPP (2) loan	65,022
Payments on note payable	(19,154)
Net Cash Provided by Financing Activities	<u>45,868</u>
Change in Cash and Cash Equivalents	101,178
Cash and Cash Equivalents – beginning of year	<u>214,196</u>
Cash and Cash Equivalents – end of year	<u>\$ 315,374</u>
Supplemental Disclosure of Cash Flow Information:	
Cash paid during the year for interest	\$ 13,706

International Association of Registered Financial Consultants, Inc.

Notes to Financial Statements

June 30, 2021

1. Nature of Activities

Founded in 1984, International Association of Registered Financial Consultants (IARFC) is a professional association formed to foster public confidence in the financial services profession, to help financial consultants exchange planning techniques and best practices, and to provide access to accreditations and continuing education courses for practitioners who are truly committed to ethical standards and continuous professional education. The IARFC mission is to empower financial consultants to make impactful changes in the lives of the community they serve.

2. Summary of Significant Accounting Policies

The following is a summary of the significant accounting policies followed in the preparation of the financial statements.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America for not-for-profit organizations.

Basis of Presentation

IARFC is required to report information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions. A description of each class as it pertains to IARFC is as follows:

Net assets without donor restrictions - represent net assets available for use in general operations and not subject to donor restrictions.

Net assets with donor restrictions - represent net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. There were no restricted net assets at June 30, 2021.

Use of Estimates

The preparation of 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 amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Accounts Receivable

Accounts receivable represent uncollected amounts due to IARFC for membership dues.

IARFC utilizes the allowance method in accounting for bad debts. An allowance is made for possible losses on collection of accounts receivable based upon periodic review of credit risks. When accounts are determined to be uncollectible, they are charged off against the allowance. Management deems an account to be uncollectible when all internal collection efforts have been exhausted. The allowance for doubtful accounts was \$38,171 at June 30, 2021. Total bad debts recorded for the year ended June 30, 2021, related to membership dues was \$62,872.

International Association of Registered Financial Consultants, Inc.

Notes to Financial Statements

June 30, 2021

2. Summary of Significant Accounting Policies (Continued)

Tax Status

The financial statements include no provision for income taxes as IARFC is qualified as a tax-exempt organization under Section 501(c)(6) of the Internal Revenue Code. However, any income from certain activities not directly related to IARFC's tax-exempt purpose may be subject to taxation as unrelated business income.

Accounting principles generally accepted in the United States of America prescribe attributes for the financial statement recognition and measurement of a tax position taken, or expected to be taken, in a tax return. It requires affirmative evaluation that it is more-likely-than-not, based on the technical merits of a tax position, that an enterprise is entitled to economic benefits resulting from positions taken in income tax returns. If a tax position does not meet the more-likely-than-not recognition threshold, the benefit of that tax position is not recognized in the financial statements, and additional disclosures about uncertain tax positions are required.

IARFC's evaluation as of June 30, 2021, revealed no income tax positions that, if overturned, would have a material impact on the financial statements, including any position that would place IARFC's exempt status in jeopardy at June 30, 2021. The 2018 through 2020 tax years remain subject to examination by the Internal Revenue Service. IARFC does not believe that any reasonable possible changes will occur within the next twelve months that will have a material impact on the financial statements

Cash and Cash Equivalents

IARFC considers cash and cash equivalents to be all highly liquid bank accounts that include interest and non-interest bearing demand deposit accounts.

Concentration of Credit Risk

IARFC maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. IARFC has not experienced any losses in these accounts and believes it is not exposed to any significant credit risk on cash.

Property and Equipment

Purchased property and equipment is recorded at cost. Donated property and equipment is recorded at fair market value at the date of the donation. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets, ranging from 5 to 30 years.

Deferred Revenue

Deferred revenue represents membership dues received in advance of the period to which they apply.

Donated Materials and Services

Donated services are recognized as contributions only if the donated services create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation to IARFC. Donated materials are recorded at their fair market value at the date of donation.

International Association of Registered Financial Consultants, Inc.

Notes to Financial Statements

June 30, 2021

2. Summary of Significant Accounting Policies (Continued)

Revenue Recognition

IARFC accounts for program service revenue in accordance with *Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers (Topic 606)*. Under this guidance, revenues from contracts are measured based on the amount of consideration specified in a contract with a customer and are recognized when performance obligations (i.e., obligations to transfer goods and / or services) are satisfied, which generally occurs with the transfer of control of the goods or services to the customer. IARFC recognizes program service fee revenue at a point in time following completion of the services provided to its clients.

IARFC's primary source of revenue is membership dues. Member dues are billed annually and recognized as revenue at a point in time when services are completed over the term of the membership. As of June 30, 2021, IARFC has recorded \$100,638 of receivables related to member dues which are included in total accounts receivable, net presented on the statement of financial position. As of June 30, 2021, IARFC has recorded \$328,971 of deferred revenue related to member dues which is included in total deferred revenue presented on the statement of financial position.

Fair Value Measurement

Fair value is defined as the price that would be received for an asset or paid to transfer a liability, in the principal or most advantageous market for the asset or liability, in an orderly transaction between market participants at the measurement date. Assets or liabilities listed at fair value require expanded disclosure about the extent to which they are measured at fair value, the information used to measure fair value and the effect of fair value measurements on earnings. Fair value measurements apply whenever standards require (or permit) assets or liabilities to be measured at fair value. IARFC has not expanded the use of fair value measurements in any circumstances.

Compensated Absences

There is no accrual for compensated absences included in these financial statements, as IARFC is not obligated to pay for unused vacation upon termination.

Functional Allocation of Expenses

The costs of providing various programs and related supporting services have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated to the appropriate programs and supporting services.

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Expenses that are allocated include payroll, utilities, maintenance, insurance, administrative, and depreciation, which are allocated based on a space utilization schedule.

Advertising

IARFC uses advertising to promote its programs in the communities it serves. The costs of advertising are expensed as incurred. Advertising costs totaled approximately \$6,750 for the year ended June 30, 2021.

International Association of Registered Financial Consultants, Inc.

Notes to Financial Statements

June 30, 2021

3. Liquidity and Availability

The following reflects IARFC's financial assets as of June 30, 2021:

Cash and cash equivalents	\$	315,374
Accounts receivable, net		<u>100,638</u>
Financial assets at June 30, 2021, available to meet cash needs for general expenditures within one year	\$	<u>416,012</u>

As part of IARFC's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. It is the policy of IARFC to regularly review and assess the need for funds to meet operating obligations and to ensure the availability of cash or collateral to fulfill those needs.

4. Property and Equipment

Property and equipment consist of the following at June 30:

	<u>2021</u>	<u>Estimated Useful Life in Years</u>
Buildings and improvements	\$ 285,520	30
Equipment, furniture and fixtures	<u>19,825</u>	5-7
	305,345	
Less accumulated depreciation	<u>(32,466)</u>	
Net book value	<u>\$ 272,879</u>	

IARFC capitalizes all expenditures in excess of \$500 for property and equipment with a useful life of two years or more. Depreciation expense was \$12,820 for the year ended June 30, 2021.

5. Note Payable

Note payable consists of the following at June 30:

	<u>2021</u>
Chase Bank, interest at 6.99%, payable in monthly installments of \$2,658 including principal and interest, collateralized by certain real estate, due January 2029.	<u>\$ 186,123</u>

Maturities of long-term debt for each of the five years succeeding June 30, 2021 and thereafter are as follows:

<u>Year</u>	<u>Amount</u>
2022	\$ 19,500
2023	20,908
2024	22,417
2025	24,035
2026	25,770
Thereafter	<u>73,493</u>
	<u>\$ 186,123</u>

International Association of Registered Financial Consultants, Inc.

Notes to Financial Statements

June 30, 2021

6. Lease Commitments

IARFC leases certain office equipment with terms expiring through March 2026. Rent expense for the year ended June 30, 2021 was \$7,435.

Future minimum lease payments for operating leases are as follows:

<u>Year</u>	<u>Amount</u>
2022	\$ 5,148
2023	4,680
2024	4,680
2025	4,680
2026	3,510
	<u>\$ 22,698</u>

7. Payroll Protection Program Loan

In May 2020, IARFC received approval and funding for a loan under the Paycheck Protection Program (PPP) as provided for by the CARES Act. The loan was issued through Chase Bank in connection with the Small Business Administration (SBA) in the amount of \$52,147. The PPP (1) loan was eligible for forgiveness depending upon certain factors. IARFC met the requirements for forgiveness, and as a result, the PPP (1) loan was fully forgiven in June 2021. Accordingly, IARFC has recorded debt forgiveness of \$52,147 on the statement of activities for the year ended June 30, 2021.

In March 2021, IARFC received approval and funding for a second loan under the Paycheck Protection Program (PPP) as provided for by the CARES Act. The loan was issued through Chase Bank in connection with the Small Business Administration (SBA) in the amount of \$65,022. The PPP (2) loan is eligible for forgiveness depending upon certain factors, however at June 30, 2021, the loan had not yet been forgiven and IARFC has recorded \$65,022 as “PPP (2) Loan” on the statement of financial position.

8. COVID-19

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus (the “COVID-19 outbreak” or “COVID”) and the health risks to the international community. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

As mandated by the Ohio state government, IARFC ceased programs and use of facilities in March 2020. The facilities and programs were eventually reopened under modified protocols to comply with the state of Ohio’s safety guidelines. In addition to complying with local health mandates, management took appropriate actions to mitigate the spread of the virus by altering its protocols to minimize personal contact within its facility. However, given the continuing evolution of the COVID-19 outbreak, IARFC is not able to fully estimate the effects of COVID-19 on its results of operations, financial condition, or liquidity for fiscal year 2021. Management believes that adaptive changes in operations, in addition to receiving funds from the CARES Act PPP program, have been sufficient to protect IARFC from the near-term negative impact related to the COVID-19 outbreak through the date of this report.

International Association of Registered Financial Consultants, Inc.

Notes to Financial Statements

June 30, 2021

9. Subsequent Events

Subsequent to year-end, IARFC met the requirements for forgiveness of its PPP (1) Loan, and as a result, the PPP (1) loan was fully forgiven in September 2021.

Management evaluated the activity of IARFC through March 29, 2022 (the date the financial statements were available to be issued) and concluded that no additional subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.



In this ever-changing business environment, Flagel Huber Flagel goes beyond numbers and deadlines, returning the trust and confidence our clients place in us, with a caring partner relationship. We are committed to a collaborative search for ideas and solutions that help business organizations thrive and families build and preserve wealth. Our commitment is simple; financial and operational *insight*, service *integrity*, and problem solving *innovation*.

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