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The Midwest Sociological Society, Inc.

Financial Statements - Cash Basis

Years Ended August 31, 2018 and 2017



WIPFLI^{LLP}
CPAs and Consultants #



Independent Auditor's Report

Board of Directors
The Midwest Sociological Society, Inc.
Omaha, Nebraska

We have audited the accompanying financial statements of The Midwest Sociological Society, Inc. (the "Organization"), which comprise the statements of assets, liabilities, and net assets - cash basis as of August 31, 2018 and 2017, and the related statements of revenue collected, expenses paid, and changes in net assets - cash basis for the years then ended, and the related notes to the financial statements - cash basis.

Management's Responsibility for the Financial Statements - Cash Basis

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting as described in Note 1; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. 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 assets and liabilities and net assets of The Midwest Sociological Society, Inc. as of August 31, 2018 and 2017, and its revenue collected and expenses paid and changes in net assets during the years then ended in accordance with the cash basis of accounting described in Note 1.



Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States. Our opinion is not modified with respect to that matter.

Wipfli LLP

DATE

La Crosse, Wisconsin

The Midwest Sociological Society, Inc.

Statements of Assets, Liabilities, and Net Assets - Cash Basis

<i>As of August 31,</i>	2018	2017
<i>Assets:</i>		
Cash	\$ 284,081	\$ 329,379
Investments	1,902,294	1,643,239
TOTAL ASSETS	\$ 2,186,375	\$ 1,972,618
<i>Liabilities and Net Assets:</i>		
Net assets - Unrestricted	\$ 2,186,375	\$ 1,972,618
TOTAL LIABILITIES AND NET ASSETS	\$ 2,186,375	\$ 1,972,618

See accompanying notes to financial statements - cash basis.

The Midwest Sociological Society, Inc.

Statements of Revenue Collected, Expenses Paid, and Changes in Net Assets - Cash Basis

<i>Years Ended August 31,</i>	2018	2017
Revenue and support:		
Dues	\$ 42,203	\$ 36,167
Annual Meeting:		
Registration fees	55,593	49,730
Exhibits, advertising, and sponsorships	22,715	22,600
Other income	1,409	10,368
Publishing fees	240,333	253,133
Endowment fund donations	1,262	110
Grants and awards fund donations	67	732
Investment income, net	160,280	171,387
Interest income	391	1,345
Total revenue and support	524,253	545,572
Expenses:		
Executive office	113,927	112,486
Publication	68,350	49,796
Fall board meeting	15,506	19,037
Annual meeting	91,098	79,857
Society activities	20,232	26,319
Committee	1,383	1,553
Total expenses	310,496	289,048
Increase in net assets	213,757	256,524
Net assets - Unrestricted - At beginning	1,972,618	1,716,094
Net assets - Unrestricted - At end	\$ 2,186,375	\$ 1,972,618

See accompanying notes to financial statements - cash basis.

The Midwest Sociological Society, Inc.

Notes to Financial Statements - Cash Basis

Note 1: Summary of Significant Accounting Policies

Nature of Activities

The Midwest Sociological Society, Inc. (the "Organization") is a not-for-profit corporation organized under the laws of the state of Missouri. The executive office is located in Omaha, Nebraska. Members of the Organization operate a professional society for the advancement of sociology in the Midwest region of the United States, including the states of North Dakota, South Dakota, Nebraska, Kansas, Missouri, Iowa, Minnesota, Wisconsin, and Illinois. The Organization publishes a newsletter, *The Midwest Sociologist*, and a scholarly journal, *The Sociological Quarterly*. The Organization also provides a forum for the discussion and presentation of sociological matters by providing an annual conference for members and others interested in sociology. The Organization supports professional and scholarly development by providing scholarships for undergraduate and advanced studies in the field of sociology.

Basis of Accounting

The accompanying financial statements have been prepared on the cash basis of accounting, except as described further in the investments section within Note 1. The cash basis differs from generally accepted accounting principles primarily because revenues are recognized when received rather than when earned, and expenses are recognized when paid rather than when the obligation is incurred.

Unrestricted or Temporarily Restricted Net Assets

All assets have been recorded and reported as unrestricted net assets because all are available for use in carrying out the mission of the Organization and include those expendable resources which have been designated for special use by the Organization's Board of Directors.

Net assets subject to donor-imposed stipulations that have been met by actions of the Organization have been reflected in the statements of revenue collected, expenses paid, and changes in net assets - cash basis as a current expense and are not reflected as temporarily restricted net assets as a result of the purpose restriction being accomplished.

Income Taxes

The Organization is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes on related income pursuant to Section 501(a) of the Code. The Organization has been classified as a publicly supported organization, which is not a private foundation under Section 509(a) of the Code.

The Organization assesses the potential outcome of uncertain tax positions. The Organization's policy for interest and penalties related to income tax exposures is to recognize interest and penalties as other income (expense) in the statements of revenue collected, expenses paid, and changes in net assets - cash basis. As of August 31, 2018 and 2017, management believes the Organization had no material uncertain tax positions requiring recognition or measurement.

The Midwest Sociological Society, Inc.

Notes to Financial Statements - Cash Basis

Note 1: Summary of Significant Accounting Policies (Continued)

Use of Estimates

The preparation of financial statements in accordance with the cash basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures in the financial statements. Accordingly, actual results could differ from those estimates.

Investments

Investments in mutual funds, including money market mutual funds, are stated at their fair value based on the market value of the underlying securities. Realized and unrealized gains and losses on investments are included in the change in net assets. The cost of investments sold is determined by the average-cost method.

Subsequent Events

The Organization has evaluated events and transactions for potential recognition or disclosure in the financial statements through DATE, which is the date the financial statements were available to be issued.

New Accounting Pronouncements

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958)*. This ASU, as amended, provides comprehensive guidance on the new requirements for presenting financial statements and disclosures related to net assets, liquidity, functional expense classification, and investments, including returns and endowment funds. The new standard supersedes current financial statement and notes presentation requirements in FASB Accounting Standards Codification (ASC) Topic 958, *Not-for-Profit Entities*, and most industry-specific guidance. ASU No. 2016-14 is effective for not-for-profit entities for annual periods beginning after December 15, 2017. Early adoption is permitted. The Organization is currently evaluating the impact of the provisions of ASC 958.

Note 2: Fair Value Measurements

The Organization measures fair value of its financial instruments using a three-tier hierarchy that prioritizes the inputs used in measuring fair value. The hierarchy gives the highest priority to 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 are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

The Midwest Sociological Society, Inc.

Notes to Financial Statements - Cash Basis

Note 2: Fair Value Measurements (Continued)

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets.
- Quoted prices for identical or similar assets or liabilities in inactive markets.
- Inputs, other than quoted prices, that are observable for the asset or liability.
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's 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 observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at August 31, 2018 and 2017.

Blended mutual funds: Valued at the net asset value (NAV) of shares held by the Organization at year-end.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair value. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following tables present the balances of assets and liabilities measured at fair value on a recurring basis by level within the fair value hierarchy at August 31, 2018 and 2017:

<i>Assets at Fair Value as of August 31, 2018</i>	Level 1	Level 2	Level 3	Total
Mutual funds:				
Blended funds	\$ 1,902,294	\$ -	\$ -	\$ 1,902,294
Total mutual funds	\$ -	\$ -	\$ -	-

The Midwest Sociological Society, Inc.

Notes to Financial Statements - Cash Basis

Note 2: Fair Value Measurements (Continued)

<i>Assets at Fair Value as of August 31, 2017</i>	Level 1	Level 2	Level 3	Total
Mutual funds:				
Blended funds	\$ 1,643,239	\$ -	\$ -	\$ 1,643,239
Totals	\$ 1,643,239	\$ -	\$ -	\$ 1,643,239

There were no assets or liabilities measured at fair value on a nonrecurring basis as of August 31, 2018 and 2017.

Note 3: Investments

The historical cost and fair value of investments, including cash and cash equivalents held within the investment accounts, at August 31, 2018 and 2017, were as follows:

	2018		2017	
	Cost	Fair Value	Cost	Fair Value
Mutual funds	\$ 1,693,284	\$ 1,902,294	\$ 1,510,941	\$ 1,643,239
Totals	\$ 1,693,284	\$ 1,902,294	\$ 1,510,941	\$ 1,643,239

The following summarizes investment activity for the years ended August 31, 2018 and 2017:

	2018	2017
Fair value of investments - Beginning of year	\$ 1,643,239	\$ 1,471,852
Dividends and interest	35,587	19,803
Proceeds from sales of investments	-	1,485,481
Cost basis of investments sold	-	(1,355,017)
Purchases	100,000	-
Investment fees	(1,225)	-
Net unrealized gain on investments	124,693	21,120
Fair value of investments - End of year	\$ 1,902,294	\$ 1,643,239

The Midwest Sociological Society, Inc.

Notes to Financial Statements - Cash Basis

Note 3: Investments (Continued)

The following summarizes investment return for the years ended August 31, 2018 and 2017:

	2018	2017
Dividends and interest	\$ 35,587	\$ 19,803
Gain on sale of investments	-	130,464
Net unrealized gain on investments	124,693	21,120
Investment income	\$ 160,280	\$ 171,387

Note 4: Unrestricted Net Assets

Periodically, the Board of Directors designates the segregation of net assets for specific purposes or projects. The designations are entirely voluntary and may be reversed, modified, or rescinded by the Board at any time. The Board of Directors has designated funds for the following purposes:

The Endowment Fund was established to provide operational support for The Midwest Sociological Society.

The Sociological Quarterly Fund represents a portion of net income from publications and is maintained to defray editorial office expenses.

The Grants and Awards Fund was established to provide support to minority graduate students enrolled at universities in the Midwest.

The Executive Committee Fund was to maintain a minimum balance of \$5,000, and funds were to be spent at the discretion of the Executive Committee. This fund was dissolved in 2018.

At August 31, 2018 and 2017, net assets were designated by the Board of Directors as follows:

<i>Years Ended August 31,</i>	2018	2017
Designated by the Board for:		
Endowment Fund	\$ 1,212,441	\$ 1,002,674
Sociological Quarterly Fund	176,137	163,553
Grants and Awards Fund	513,716	477,012
Executive Committee Fund	-	5,874
Undesignated	284,081	323,505
Net assets - Unrestricted	\$ 2,186,375	\$ 1,972,618