

The Midwest Sociological Society, Inc.

Financial Statements – Modified Cash Basis

Years Ended August 31, 2019 and 2018



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 - modified cash basis as of August 31, 2019 and 2018, and the related statements of revenue, expenses, and changes in net assets - modified cash basis, and functional expenses, for the years then ended, and the related notes to the financial statements - modified cash basis.

Management's Responsibility for the Financial Statements - Modified Cash Basis

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting as described in Note 1; this includes determining that the modified 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, 2019 and 2018, and its revenue collected and expenses paid and changes in net assets during the years then ended in accordance with the modified 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 modified 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.

Emphasis of Matter

As discussed in Note 1 to the financial statements, The Midwest Sociological Society, Inc. adopted Accounting Standards Update ("ASU") No. 2016-14, *Not-for-Profit-Entities - Presentation of Financial Statements for Not-for-Profit Entities*, as of and for the year ended August 31, 2019. The amendments have been applied on a retrospective basis, with the exception of the omission of certain information as permitted by the ASU.

A handwritten signature in cursive script that reads "Wipfli LLP".

Wipfli LLP

January 16, 2020
La Crosse, Wisconsin

The Midwest Sociological Society, Inc.

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

<i>As of August 31,</i>	2019	2018
<i>Assets:</i>		
Cash	\$ 262,377	\$ 284,081
Investments	1,948,921	1,902,294
TOTAL ASSETS	\$ 2,211,298	\$ 2,186,375
<i>Liabilities and Net Assets:</i>		
Net assets without donor restrictions		
Designated by the Board for endowment	\$ 1,948,921	\$ 1,902,294
Undesignated	262,377	284,081
TOTAL LIABILITIES AND NET ASSETS	\$ 2,211,298	\$ 2,186,375

See accompanying notes to financial statements - modified cash basis.

The Midwest Sociological Society, Inc.

Statements of Revenues, Expenses, and Changes in Net Assets - Modified Cash Basis

<i>Years Ended August 31,</i>	2019	2018
Revenue and support:		
Dues	\$ 51,255	\$ 42,203
Annual Meeting:		
Registration fees	73,333	55,593
Exhibits, advertising, and sponsorships	18,910	22,715
Other income	1,686	1,409
Publishing fees	240,118	240,333
Endowment fund donations	695	1,262
Grants and awards fund donations	586	67
Investment return, net	46,627	159,055
Interest income	2,514	391
Total revenue and support	435,724	523,028
Expenses:		
Program	276,987	186,662
Management and general	133,814	122,609
Total expenses	410,801	309,271
Increase in net assets	24,923	213,757
Net assets without donor restrictions - At beginning	2,186,375	1,972,618
Net assets without donor restrictions - At end	\$ 2,211,298	\$ 2,186,375

See accompanying notes to financial statements - modified cash basis.

The Midwest Sociological Society, Inc.

Statement of Functional Expenses - Modified Cash Basis

<i>Years Ended August 31, 2019</i>	Program	Management and General	Total
Board liaison	\$ -	\$ 5,000	\$ 5,000
Treasurer	-	10,258	10,258
Executive office	-	90,772	90,772
Credit card processing	5,240	-	5,240
Website and technology support	-	248	248
Office expense	398	862	1,260
Strategic project grant work	5,106	-	5,106
Membership system	5,178	-	5,178
Publication - editor	38,208	-	38,208
Publication - other	165	-	165
Fall board meetings	-	21,501	21,501
Annual meeting	194,851	-	194,851
Board and volunteer reimbursements	-	4,813	4,813
Society activities	26,822	360	27,182
Committee expense	1,019	-	1,019
Total	\$ 276,987	\$ 133,814	\$ 410,801

See accompanying notes to financial statements - modified cash basis.

The Midwest Sociological Society, Inc.

Statement of Functional Expenses - Modified Cash Basis

<i>Years Ended August 31, 2018</i>	Program	Management and General	Total
Board liaison	\$ -	\$ 5,000	\$ 5,000
Treasurer	-	10,574	10,574
Executive office	-	80,324	80,324
Credit card processing	4,310	-	4,310
Website and technology support	-	315	315
Office expense	92	905	997
Strategic project grant work	6,250	-	6,250
Membership system	4,932	-	4,932
Publication - editor	68,149	-	68,149
Publication - other	201	-	201
Fall board meetings	-	15,506	15,506
Annual meeting	81,353	-	81,353
Board and volunteer reimbursements	-	9,745	9,745
Society activities	19,992	240	20,232
Committee expense	1,383	-	1,383
Total	\$ 186,662	\$ 122,609	\$ 309,271

See accompanying notes to financial statements - modified cash basis.

The Midwest Sociological Society, Inc.

Notes to Financial Statements - Modified 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 modified cash basis of accounting, except as described further in the investments section within Note 1. The modified 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.

Change in Accounting Policy

On August 18, 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented with the exception of certain omissions of prior year data as allowed under the standard.

Use of Estimates

The preparation of financial statements in accordance with the modified 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.

The Midwest Sociological Society, Inc.

Notes to Financial Statements - Modified Cash Basis

Note 1: Summary of Significant Accounting Policies (Continued)

Net Assets

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net assets without donor restrictions - Net assets available for use in general operations and not subject to donor restrictions. The governing board has designated, from net assets without donor restrictions, net assets for a board-designated endowment.

Net assets with donor restrictions - 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.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of revenues, expenses, and changes in net assets - modified cash basis. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Costs that are not directly associated with providing specific services have been allocated based on the relative use by the Organization providing those services.

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 revenues, expenses, and other changes in net assets - cash basis. As of August 31, 2019 and 2018, management believes the Organization had no material uncertain tax positions requiring recognition or measurement.

The Midwest Sociological Society, Inc.

Notes to Financial Statements - Modified Cash Basis

Note 1: Summary of Significant Accounting Policies (Continued)

Subsequent Events

The Organization has evaluated events and transactions for potential recognition or disclosure in the financial statements through January 16, 2020, which is the date the financial statements were available to be issued.

New Accounting Pronouncements

In May 2014, FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers* (Topic 606). This ASU, as amended, provides comprehensive guidance on the recognition of revenue from customers arising from the transfer of goods and services, guidance on accounting for certain contract costs, and new disclosures. The new standard supersedes current revenue recognition requirements in FASB Accounting Standards Codification ("ASC") Topic 605, *Revenue Recognition*, and most industry-specific guidance. When adopted, the amendments in the ASU must be applied using one of two retrospective methods. ASU No. 2014-09 is effective for not-for-profit entities for annual periods beginning after December 15, 2018, including interim periods within that reporting period. The Organization is currently evaluating the impact of the provisions of ASC 606.

On June 21, 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this update will assist entities in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions and determining whether a transaction is conditional. The amendments in this update are effective for annual financial statements issued for fiscal years beginning after December 15, 2018, and for interim periods within fiscal years beginning after December 15, 2019, for transactions in which the entity serves as the resource recipient. Early application of the amendments in this update is permitted. The Organization is still evaluating the impact of the provisions of ASU Topic 958.

Reclassification

Certain amounts as previously reported in the 2018 financial statements have been reclassified to conform to the 2019 presentation. Such reclassifications have no effect on reported amounts of net assets or change in net assets.

The Midwest Sociological Society, Inc.

Notes to Financial Statements - Modified Cash Basis

Note 2: Liquidity and Availability of Financial Resources

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following as of August 31, 2019:

Cash and cash equivalents	\$ 262,377
Investments	1,948,921
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Total	\$ 2,211,298

The endowment funds consist of funds designated by the board as endowments.

The board-designated endowment of \$1,948,921 is not subject to an annual spending rate. Although the Organization does not intend to spend from this board-designated endowment, these amounts could be made available if necessary.

Note 3: 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.

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 Midwest Sociological Society, Inc.

Notes to Financial Statements - Modified Cash Basis

Note 3: Fair Value Measurements (Continued)

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, 2019 and 2018.

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 measured at fair value on a recurring basis by level within the fair value hierarchy at August 31, 2019 and 2018:

<i>Assets at Fair Value as of August 31, 2019</i>	Level 1	Level 2	Level 3	Total
Mutual funds:				
Blended funds	\$ 1,948,921	\$ -	\$ -	\$ 1,948,921
Total mutual funds	\$ 1,948,921	\$ -	\$ -	\$ 1,948,921

<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	\$ 1,902,294	\$ -	\$ -	\$ 1,902,294

There were no assets or liabilities measured at fair value on a nonrecurring basis as of August 31, 2019 and 2018.

The Midwest Sociological Society, Inc.

Notes to Financial Statements - Modified Cash Basis

Note 4: Investments

The historical cost and fair value of investments, including cash and cash equivalents held within the investment accounts, at August 31, 2019 and 2018, were as follows:

	2019		2018	
	Cost	Fair Value	Cost	Fair Value
Mutual funds	\$ 1,725,030	\$ 1,948,921	\$ 1,693,284	\$ 1,902,294
Totals	\$ 1,725,030	\$ 1,948,921	\$ 1,693,284	\$ 1,902,294

The following summarizes investment activity for the years ended August 31, 2019 and 2018:

	2019	2018
Fair value of investments - Beginning of year	\$ 1,902,294	\$ 1,643,239
Dividends and interest	68,093	35,587
Purchases	-	100,000
Investment fees	-	(1,225)
Net unrealized gain (loss) on investments	(21,466)	124,693
Fair value of investments - End of year	\$ 1,948,921	\$ 1,902,294

The following summarizes investment return for the years ended August 31, 2019 and 2018:

	2019	2018
Dividends and interest	\$ 68,093	\$ 35,587
Investment fees	-	(1,225)
Net unrealized gain (loss) on investments	(21,466)	124,693
Investment return, net	\$ 46,627	\$ 159,055

The Midwest Sociological Society, Inc.

Notes to Financial Statements - Modified Cash Basis

Note 5: Endowment Funds

As of August 31, 2019 and 2018, the Board of Directors had designated \$1,948,921 and \$1,902,294, respectively, as a general endowment fund to support the mission of the Organization. Since that amount resulted from an internal designation and is not donor-restricted, it is classified and reported as net assets without donor restrictions.

Changes in endowment net assets are as follows:

<i>August 31, 2019</i>	Without Donor Restriction
Endowment net assets, beginning of year	\$ 1,902,294
Investment return, net	46,627
Endowment net assets, end of year	\$ 1,948,921

<i>August 31, 2018</i>	Without Donor Restriction
Endowment net assets, beginning of year	\$ 1,649,113
Investment return, net	159,055
Board-designated contributions	94,126
Endowment net assets, end of year	\$ 1,902,294