

AMERICAN BRUSH MANUFACTURERS
ASSOCIATION

FINANCIAL STATEMENTS
with
INDEPENDENT AUDITORS' REPORT
for the year ended December 31, 2018

Weber & Associates CPAs, LLC
Certified Public Accountants

AMERICAN BRUSH MANUFACTURERS ASSOCIATION

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
American Brush Manufacturers Association

We have audited the accompanying financial statements of American Brush Manufacturers Association (a nonprofit organization), which comprise the statement of assets, liabilities and net assets - modified cash basis as of December 31, 2018, and the related statement of revenues, expenses and changes in net assets - modified cash basis and schedule of functional expenses - modified cash basis 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 the modified cash basis of accounting as described in Note 2; 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 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 assets, liabilities and net assets of American Brush Manufacturers Association as of December 31, 2018, and its revenues, expenses and changes in net assets for the year then ended in accordance with the modified cash basis of accounting as described in Note 2.

Basis of Accounting

We draw attention to Note 2 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 of America. Our opinion is not modified with respect to this matter.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary schedules on pages 10 and 11 are presented for purposes of additional analysis and are not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.



Aurora, Illinois
February 12, 2019

AMERICAN BRUSH MANUFACTURERS ASSOCIATION

Statement of Assets, Liabilities and Net Assets -

Modified Cash Basis

as of December 31, 2018

	<u>Without Donor Restrictions</u>
ASSETS	
Cash	
Checking and money market accounts	\$ 220,660
Certificates of deposit	350,000
Investments, at cost	<u>12,540</u>
TOTAL ASSETS	<u><u>\$ 583,200</u></u>
Net assets	
Without donor restrictions:	
Undesignated	
Designated	\$ 250,794
Board designated	280,000
Divisions	<u>52,406</u>
Total unrestricted net assets	<u>583,200</u>
TOTAL NET ASSETS	<u><u>\$ 583,200</u></u>

See accompanying notes to financial statements.

AMERICAN BRUSH MANUFACTURERS ASSOCIATION

Statement of Revenues, Expenses and Changes in Net Assets -

Modified Cash Basis

for the year ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES			
Member dues and entrance fees	\$ 143,934	\$ -	\$ 143,934
Annual convention	122,122	-	122,122
Literature income - safety leaflets and other	210,458	-	210,458
Division assessments	25,242	-	25,242
Investment income	6,387	-	6,387
Contributions	-	3,700	3,700
Special events, net of direct costs of \$19,275	4,400	-	4,400
Other income	17,333	-	17,333
Net assets released from restriction -			
ABMA Foundation	9,824	(9,824)	-
Total revenues	539,700	(6,124)	533,576
EXPENSES			
Program services	182,833	-	182,833
Supporting services			
Management and general	148,356	-	148,356
Membership development	213,476	-	213,476
Total expenses	544,665	-	544,665
CHANGE IN NET ASSETS	(4,965)	(6,124)	(11,089)
NET ASSETS, BEGINNING OF YEAR	588,165	6,124	594,289
NET ASSETS, END OF YEAR	\$ 583,200	\$ -	\$ 583,200

See accompanying notes to financial statements.

AMERICAN BRUSH MANUFACTURERS ASSOCIATION

Statement of Functional Expenses - Modified Cash Basis

for the year ended December 31, 2018

	Program Services - Public Awareness	Supporting Services		Total
		Management and General	Membership Development	
Management fee	\$ -	\$ 90,000	\$ -	\$ 90,000
Printing, postage and telephone	-	1,167	-	1,167
Staff travel	-	682	-	682
Bonus	-	5,000	-	5,000
Supplies	-	583	-	583
Fees and interest	-	7,544	-	7,544
Accounting	-	4,380	-	4,380
Legal	-	797	-	797
Liability insurance	-	3,267	-	3,267
Internet service provider	-	660	-	660
Association management software	-	4,613	-	4,613
Statistical expense	-	3,300	-	3,300
Plaques	-	1,138	-	1,138
Safety literature	182,833	-	-	182,833
Member services	-	439	-	439
Officer and board expenses	-	10,564	-	10,564
Contributions - Foundation	-	9,924	-	9,924
FEIBP annual conference	-	3,898	-	3,898
ANSI/ASTM annual dues and audit	-	400	-	400
Convention printing	-	-	4,229	4,229
Convention travel	-	-	8,802	8,802
Convention supplies	-	-	301	301
Convention food and beverage	-	-	134,799	134,799
Exhibitor display	-	-	2,789	2,789
General tours expenses	-	-	6,080	6,080
Speaker fees and reimbursed expenses	-	-	24,539	24,539
Freight	-	-	2,568	2,568
Audio visual	-	-	23,834	23,834
Companion program	-	-	5,463	5,463
Miscellaneous	-	-	72	72
Total expenses	\$ 182,833	\$ 148,356	\$ 213,476	\$ 544,665

See accompanying notes to financial statements.

AMERICAN BRUSH MANUFACTURERS ASSOCIATION

Notes to Financial Statements

December 31, 2018

1. ORGANIZATION AND PURPOSE

The American Brush Manufacturers Association (the Association) is a nonprofit organization representing brush manufacturers and global suppliers. The Association was formed to provide its members the opportunity to learn about the industry and new developments and to enhance the industry through the free exchange of information. Public awareness, the Association's program, provides guidance on topics relevant to the industry.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The records of the Association are maintained on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The modified cash basis of accounting differs from accounting principles generally accepted in the United States of America primarily because the Association has not recognized receivables, prepayments and payables. In addition, the Association reports investments at cost, which approximates fair value.

Financial Statement Presentation

Net assets and revenue, gains, and losses are classified based on donor-imposed restrictions. Accordingly, net assets of the Association and changes therein are classified and reported as:

Without Donor Restrictions - Those resources not subject to donor-imposed restrictions. The board of directors has discretionary control over these resources. Designated amounts represent those net assets that the board has set aside for a particular purpose.

With Donor Restrictions - Those resources subject to donor-imposed restrictions that will be satisfied by action of the Association or by the passage of time.

The Association has elected to present contributions with donor restrictions that are fulfilled in the same period within the net assets without donor restrictions class. The Association has no permanently restricted net assets as of December 31, 2018.

Designated Funds

The Board of Directors of the Association has designated a portion of unrestricted net assets as a designated reserve. This amount is presented in the statement of assets, liabilities and net assets as Board designated net assets. Amounts collected and paid for divisional activity are also presented separately as designated net assets.

AMERICAN BRUSH MANUFACTURERS ASSOCIATION

Notes to Financial Statements

December 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Change in Accounting Principle

In August 2016, Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, Presentation of Financial Statements of Not-for Profit Entities. ASU 2016-14 represents phase 1 of FASB's Not-for Profit financial reporting project and reduces the number of net asset classes, requires expense presentation by functional and natural classification, requires quantitative and qualitative information in liquidity, retains the option to present the cash flow statement on a direct or indirect method as well as includes various other additional disclosure requirements. The Association adopted ASU 2016-14 in the current year.

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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue

The primary sources of revenue for the Association are those collected for membership dues, fees and attendance at the annual convention. Revenues are recognized when cash is received.

3. INVESTMENTS

Investments consist of preferred securities and are carried at cost, which approximates fair value. Fair value of these investments was \$15,120 at December 31, 2018.

4. CONCENTRATION OF CREDIT RISK

The Association maintains its cash balances in various financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. As of December 31, 2018, bank account balances did not exceed federally insured limits.

5. NET ASSETS WITH DONOR RESTRICTIONS

There were no net assets with donor restrictions at December 31, 2018. Net assets amounting to \$9,824 were released during the year ended December 31, 2018 for contributions to the ABMA Foundation.

AMERICAN BRUSH MANUFACTURERS ASSOCIATION

Notes to Financial Statements

December 31, 2018

6. FUNCTIONAL EXPENSES

Directly identifiable expenses are charged to programs and supporting services. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide the overall support and direction of the Association.

7. LIQUIDITY

The Association's financial assets available within one year of the statement of assets, liabilities, and net assets date for general expenditures are as follows:

Financial assets, at year-end	\$	583,200
Less those unavailable for general expenditures within one year, due to:		
Board designations:		
Amounts set aside for liquidity reserve		(280,000)
Divisions activity		(52,406)
Financial assets available to meet cash needs for general expenditures within one year	\$	<u>250,794</u>

As part of the Association's liquidity management plan, cash in excess of daily requirements is invested in short-term investments and money market funds. At December 31, 2018, the operating reserve was \$280,000. This reserve, established by the board of trustees, may be drawn upon, if necessary, to meet unexpected liquidity needs or in the event of financial distress.

8. INCOME TAXES

The Association has been determined to be exempt from federal income taxes under Section 501 (c)(6) of the Internal Revenue Code. Income from activities not directly related to the Association's tax exempt purpose is subject to federal income tax as unrelated business income.

Management has determined that the Association had no uncertain income tax positions that would require financial statement disclosure. The Association files income tax returns in the U.S. federal jurisdiction. The Association is no longer subject to U.S. federal income tax examinations by tax authorities for years before 2016.

AMERICAN BRUSH MANUFACTURERS ASSOCIATION

Notes to Financial Statements

December 31, 2018

9. RELATED PARTY TRANSACTIONS

The Association engaged SilvaCor, Inc. to provide all management and administrative services. During the year ended December 31, 2018, the Association paid \$97,000 to SilvaCor, Inc. for these services. The Association's Executive Director is also the President and a shareholder of SilvaCor, Inc.

10. SUBSEQUENT EVENTS

Management has evaluated subsequent events through February 12, 2019, the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

AMERICAN BRUSH MANUFACTURERS ASSOCIATION
Supplemental Schedule of Revenues, Expenses and Changes in Net Assets - Modified Cash Basis
Operating
for the year ended December 31, 2018

	Actual			Budget
	Convention	General Operating	Total	
REVENUES				
Member dues and entrance fees	\$ -	\$ 143,934	\$ 143,934	\$ 150,000
Annual convention	122,122	-	122,122	131,500
Literature income - safety leaflets and other	-	210,458	210,458	102,000
Investment income	-	6,357	6,357	4,200
Special events, net of direct costs of \$19,275	4,400	-	4,400	4,000
Contributions	-	3,700	3,700	-
Other income	17,329	4	17,333	17,100
Total revenues	<u>143,851</u>	<u>364,453</u>	<u>508,304</u>	<u>408,800</u>
EXPENSES				
Headquarter office expense				
Management fee	-	90,000	90,000	90,000
	-	90,000	90,000	90,000
General operating expenses				
Printing, postage and telephone	-	1,167	1,167	2,405
Staff travel	-	682	682	3,000
Bonus	-	5,000	5,000	-
Supplies	-	583	583	1,440
Fees and interest	-	7,544	7,544	10,250
	-	14,976	14,976	17,095
Professional services				
Accounting	-	4,380	4,380	4,500
Legal	-	797	797	4,000
Liability insurance	-	3,267	3,267	3,500
Internet service provider	-	660	660	2,500
Association management software	-	4,613	4,613	4,500
Statistical expense	-	3,300	3,300	2,600
	-	17,017	17,017	21,600
Other Association activities				
Plaques	-	1,138	1,138	1,200
Safety literature	-	182,833	182,833	90,000
Member services	-	439	439	1,200
Officer and board expenses	-	10,564	10,564	14,000
Contributions - Foundation	-	9,924	9,924	-
	-	204,898	204,898	106,400
Affiliated associations				
FEIBP annual conference	-	3,898	3,898	3,500
ANSI/ASTM annual dues and audit	-	400	400	7,500
NAM council dues	-	-	-	1,500
	-	4,298	4,298	12,500
Convention expenses	182,221	-	182,221	148,900
Total expenses	<u>182,221</u>	<u>331,189</u>	<u>513,410</u>	<u>396,495</u>
INCREASE (DECREASE) IN NET ASSETS	<u>\$ (38,370)</u>	<u>\$ 33,264</u>	<u>\$ (5,106)</u>	<u>\$ 12,305</u>

AMERICAN BRUSH MANUFACTURERS ASSOCIATION
 Supplemental Schedule of Revenues, Expenses and Changes in Net Assets - Modified Cash Basis
 Divisions
 for the year ended December 31, 2018

	<u>Broom and Mop Division</u>	<u>Paint Applicator Division</u>	<u>Suppliers Division</u>	<u>Total</u>
REVENUES				
Division assessments	\$ -	\$ -	\$ 25,242	\$ 25,242
Investment income	12	14	4	30
Total revenues	<u>12</u>	<u>14</u>	<u>25,246</u>	<u>25,272</u>
EXPENSES				
Convention expenses	<u>-</u>	<u>-</u>	<u>31,255</u>	<u>31,255</u>
Total expenses	<u>-</u>	<u>-</u>	<u>31,255</u>	<u>31,255</u>
INCREASE (DECREASE) IN NET ASSETS	<u>\$ 12</u>	<u>\$ 14</u>	<u>\$ (6,009)</u>	<u>\$ (5,983)</u>