CONSOLIDATED FINANCIAL STATEMENTS

ICMA & ICMA EUROPE

FOR THE YEAR ENDED JUNE 30, 2018
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2017

ICMA & ICMA EUROPE

CONTENTS

INDEPENDENT AUDITOR'S REPORT

To the Executive Board
International City/County Management Association
Washington, D.C.

We have audited the accompanying consolidated financial statements of International City/County Management Association & ICMA Europe (the Association), which comprise the Consolidated Statement of Financial Position as of June 30, 2018, and the related Consolidated Statements of Activities and Change in Net Assets, Functional Expenses and Cash Flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Association as of June 30, 2018, and the consolidated change in its net assets and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

4550 MONTGOMERY AVENUE · SUITE 650 NORTH · BETHESDA, MARYLAND 20814
(301) 951-9090 · FAX (301) 951-3570 · WWW.GRFCPA.COM

Report on Summarized Comparative Information

We have previously audited the Association's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 11, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The Schedule of Financial Position by Fund on page 22 and the Schedule of Activities and Change in Net Asset by Fund on page 23 are presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

Gelman Rosenberg & Freedman

October 26, 2018

ICMA & ICMA EUROPE

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2018
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2017

ASSETS

	2018	2017
ASSETS		
Cash and cash equivalents	$ 1,977,531	$ 3,279,000
Investments	13,579,924	10,689,375
Grants and contracts receivable, net	2,600,639	2,966,628
Pledges receivable, net	87,601	104,854
Trade receivables, net	1,011,015	1,131,693
Prepaid expenses and advances	1,142,977	734,970
Property and equipment, net	2,582,417	2,441,223
Capitalized legal commissions, net	22,247	30,814
TOTAL ASSETS	**$ 23,004,351**	**$ 21,378,557**

LIABILITIES AND NET ASSETS

	2018	2017
LIABILITIES		
Accounts payable and accrued expenses	$ 3,807,905	$ 4,294,988
Advance payments in excess of revenue recognized	14,384	46,902
Deferred revenue	5,375,636	4,505,622
Subtenant deposits	46,688	51,471
Total liabilities	9,244,613	8,898,983
NET ASSETS		
Unrestricted	10,711,711	9,577,628
Temporarily restricted	3,048,027	2,901,946
Total net assets	13,759,738	12,479,574
TOTAL LIABILITIES AND NET ASSETS	**$ 23,004,351**	**$ 21,378,557**

See accompanying notes to consolidated financial statements.

ICMA & ICMA EUROPE

CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS FOR THE YEAR ENDED JUNE 30, 2018 WITH SUMMARIZED FINANCIAL INFORMATION FOR 2017

	2018			2017
	Unrestricted	Temporarily Restricted	Total	Total
SUPPORT AND REVENUE				
Grants and contracts:				
Government	$ 12,337,968	$ -	$ 12,337,968	$ 18,608,661
Contributed services	797,386	-	797,386	1,186,803
Program income	25,836	-	25,836	27,476
Non-government	121,000	-	121,000	146,000
Membership dues	5,749,802	-	5,749,802	5,543,791
Publications, subscriptions sales and advertising	1,277,996	-	1,277,996	1,259,645
Conferences and meetings	3,781,159	-	3,781,159	3,905,558
Fees	1,711,433	-	1,711,433	1,866,409
Subtenant rental income	1,143,194	-	1,143,194	1,075,607
Royalty income	2,518,706	-	2,518,706	1,640,331
Investment income	728,650	77,743	806,393	861,615
Other	686,693	365,400	1,052,093	564,528
Net assets released from donor restrictions	297,062	(297,062)	-	-
Total support and support and revenue	31,176,885	146,081	31,322,966	36,686,424
EXPENSES				
Program services	21,363,527	-	21,363,527	25,733,545
Management and general	8,679,275	-	8,679,275	8,455,480
Total expenses	30,042,802	-	30,042,802	34,189,025
Change in net assets	1,134,083	146,081	1,280,164	2,497,399
Net assets at beginning of year	9,577,628	2,901,946	12,479,574	9,982,175
NET ASSETS AT END OF YEAR	**$ 10,711,711**	**$ 3,048,027**	**$ 13,759,738**	**$ 12,479,574**

See accompanying notes to consolidated financial statements.

ICMA & ICMA EUROPE

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30 2018
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2017

	2018						2017
	Program Services				Supporting Services		
	Grants and Contracts	Other Association Activities	Temporarily Restricted	Total Program Services	Management and General	Total Expenses	Total Expenses
On-site labor	$ 897,925	$ 3,292,083	$ -	$ 4,190,008	$ 2,800,083	$ 6,990,091	$ 6,879,959
Domestic offsite labor	102,425	781,148	-	883,573	39,189	922,762	964,660
Field Office labor	278,029	-	-	278,029	-	278,029	392,840
Interns	29,844	19,544	-	49,388	24,806	74,194	37,127
TOTAL SALARIES AND WAGES	1,308,223	4,092,775	-	5,400,998	2,864,078	8,265,076	8,274,586
Fringe benefits	538,716	1,716,481	-	2,255,197	1,196,485	3,451,682	3,609,912
Other employee costs	-	-	-	-	788,008	788,008	720,575
Professional fees and consulting services	2,567,759	822,390	2,569	3,392,718	1,040,100	4,432,818	5,502,744
Field office expenses and other	3,643,762	-	-	3,643,762	-	3,643,762	6,244,459
Travel and related expenses	1,099,879	554,985	930	1,655,794	274,722	1,930,516	1,945,990
Contributed services	797,386	-	-	797,386	-	797,386	1,186,803
Rent	-	1,100,055	-	1,100,055	1,180,563	2,280,618	2,201,213
Conferences, meetings, and workshops	49,407	1,455,683	-	1,505,090	99,539	1,604,629	1,483,388
Printing and other production costs	19,158	451,292	605	471,055	4,956	476,011	394,493
Communications	15,127	215,049	-	230,176	145,971	376,147	378,274
Living allowance	83,133	-	-	83,133	-	83,133	214,662
Depreciation and amortization	-	20,474	-	20,474	469,701	490,175	421,535
Subgrants	136,514	-	-	136,514	-	136,514	200,354
Selling expenses	-	22,627	-	22,627	-	22,627	19,692
Non-capitalized equipment	1,568	12,094	-	13,662	123,297	136,959	165,790
Insurance	12,955	-	-	12,955	105,739	118,694	136,008
Supplies	1,780	57,338	910	60,028	40,089	100,117	123,284
Equipment rental and maintenance	2,750	39,835	590	43,175	42,697	85,872	26,367
Credit card processing fees	-	-	-	-	168,636	168,636	177,015
Memberships and subscriptions	3,490	101,128	-	104,618	12,966	117,584	124,234
Interest	-	-	-	-	248	248	2,266
Bank fees	-	-	-	-	22,727	22,727	20,512
Promotions	-	-	-	-	-	-	769
Other expenses	12,864	109,788	291,458	414,110	98,753	512,863	612,058
Service center allocations	-	-	-	-	-	-	2,042
TOTAL DIRECT EXPENSES	10,294,471	10,771,994	297,062	21,363,527	8,679,275	30,042,802	34,189,025

See accompanying notes to consolidated financial statements.

ICMA & ICMA EUROPE

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30 2018
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2017

	2018						2017
	Program Services				Supporting Services		
	Grants and Contracts	Other Association Activities	Temporarily Restricted	Total Program Services	Management and General	Total Expenses	Total Expenses
Allocation of onsite contract administration expenses	$ 472,347	$ -	$ -	$ 472,347	$ (472,347)	$ -	$ -
Allocation of onsite facilities costs	163,523	583,687	-	747,210	(747,210)	-	-
Allocation of field office contract administration expenses	138,736	-	-	138,736	(138,736)	-	-
Allocation of general and administrative costs	3,026,463	3,345,852	87,487	6,459,802	(6,459,802)	-	-
TOTAL EXPENSES AFTER ALLOCATIONS	**$ 14,095,540**	**$ 14,701,533**	**$ 384,549**	**$ 29,181,622**	**$ 861,180**	**$ 30,042,802**	**$ 34,189,025**

See accompanying notes to consolidated financial statements.

ICMA & ICMA EUROPE

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 1,280,164	$ 2,497,399
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	490,175	421,535
Realized and unrealized gain on investments	(39,648)	(71,665)
Discount for present value of pledges receivable	(772)	(722)
Provision for doubtful accounts and reserves	(108,476)	73,979
Loss on disposal of assets	4,626	-
Decrease (increase) in:		
Receivables	595,143	831,595
Pledges receivable	18,025	59,642
Capitalized legal commissions and deposit	-	(35,709)
Prepaid expenses and advances	(408,007)	56,430
(Decrease) increase in:		
Accounts payable and accrued expenses	(487,083)	(248,731)
Advance payments in excess of revenue recognized	(32,518)	(968)
Deferred revenue	870,014	(686,313)
Subtenant deposits	(4,783)	(1,630)
Net cash provided by operating activities	2,176,860	2,894,842
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(13,398,796)	(8,158,833)
Proceeds from sale of investments	10,547,895	6,437,075
Purchase of property and equipment	(627,428)	(534,807)
Net cash used by investing activities	(3,478,329)	(2,256,565)
Net (decrease) increase in cash and cash equivalents	(1,301,469)	638,277
Cash and cash equivalents at beginning of year	3,279,000	2,640,723
CASH AND CASH EQUIVALENTS AT END OF YEAR	**$ 1,977,531**	**$ 3,279,000**

See accompanying notes to consolidated financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

Founded in 1914, the International City/County Management Association (ICMA) is a 501(c)(3) nonprofit organization that advances professional local government through leadership, management, innovation, and ethics. ICMA's vision is to be the leading professional association dedicated to creating and supporting thriving communities throughout the world. ICMA's members are the professional local government managers who are appointed by elected officials to oversee the day-to-day operation of our communities. The organization promotes and embraces diversity among its members, including a governing board that reflects ICMA's membership and the communities served.

The International City/County Management Association Europe (ICMA Europe) was founded by ICMA in December 2017 as a nonprofit organization in the Slovak Republic. ICMA Europe works to advance ICMA's mission on a global scale by serving as a platform for ICMA's international affiliates and implementing projects and activities aimed at advancing local government management in Europe. ICMA and ICMA Europe are collectively referred to as the Association.

The Association offers a wide range of services to its members and the local government community. It also performs mission-driven grant and contract-funded work both in the U.S. and internationally, which is supported by federal government agencies, local governments, foundations and corporations. Such funded work provided 42% of gross support and revenues for the Association during the year ended June 30, 2018.

The Association provides member support, publications, data and information, peer and results-oriented assistance, and training and professional development to over 11,000 city, town, and county managers, their staffs, and other individuals and organizations throughout the world. The management decisions made by the Association's members affect millions of individuals living in thousands of communities, from small villages and towns to large metropolitan areas.

The Association's projects and programs are organized and managed around the following outcomes:

Member Services - Build and sustain a dynamic network of engaged members who demonstrate a commitment to the highest standards of honesty and integrity while seeking the best solutions in local government leadership and management worldwide.

Professional Development - Be the comprehensive and accessible source for professional development in local government leadership and management.

Research and Policy - Identify trends and issues affecting local governments; conduct research and develop information resources important to local government professionals and government leaders.

Global Program Management - Identify and develop leading practices and provide technical assistance in their implementation to local governments. Provide a broad array of customized, adaptable, client-driven services to local governments to improve the effectiveness and efficiency of local government services worldwide.

Outreach - Build awareness and reputation of the Association and the profession through effective packaging and dissemination of local government thought leadership content leading to increased demand for membership, partnerships, and resources.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Organization (continued) -

Strategic Development - Generate business opportunities and innovations that boost membership value and foster professional local government management by identifying and aligning resources with the Association's strategic goals.

Support Services - Provide program teams with the right people, technology, and resources needed to achieve their priorities and meet their performance objectives.

Basis of presentation -

The accompanying consolidated financial statements are presented on the accrual basis of accounting, and in accordance with FASB ASC 958, *Not-for-Profit Entities*.

The consolidated financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Association's consolidated financial statements for the year ended June 30, 2017, from which the summarized information was derived.

Principles of consolidation -

The accompanying consolidated financial statements include the accounts of ICMA and ICMA Europe pursuant to the criterion established by FASB ASC 958-810, Not-for-Profit Entities, Consolidation. Under FASB 958-810, consolidation is required if a separate not-for-profit organization has control (i.e. major voting interest) and significant economic interest in that other organization. All significant inter-company accounts and transactions have been eliminated in consolidation.

Cash and cash equivalents -

The Association considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

Bank deposit accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to a limit of $250,000. At times during the year the Association maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

Investments -

Investments are recorded at their readily determinable fair value. Purchases and sales of securities are recorded on a trade-date basis. Realized and unrealized gains and losses are included in investment income in the Consolidated Statement of Activities and Change in Net Assets as increases or decreases in unrestricted net assets, unless otherwise restricted by the donor or by law.

Receivables -

Receivables are carried at original invoice amounts less an estimate made for doubtful receivables based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using the historical experience applied to an aging of accounts.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Receivables (continued) -

Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received. The allowance for doubtful accounts, based on management's evaluation of the collection of receivables at June 30, 2018 is $12,859 for grants and contracts receivable and $221,287 for trade receivables.

Property and equipment -

The Association capitalizes all property and equipment purchased with non-federal funds with a cost of $1,000 or more. Property and equipment is recorded at cost and depreciated on a straight-line basis over the estimated useful lives of the related assets, generally 2 to 10 years. Leasehold improvements are also recorded at cost and are amortized over their estimated useful lives or the remaining life of the lease, whichever is shorter. The cost of maintenance and repairs is recorded as expenses are incurred. Replacements and betterments are capitalized.

Property and equipment purchased under federal government contracts and grants, subject to reversion to the federal government, are expensed as contract costs.

At the time assets are retired or otherwise disposed, the property and related accumulated depreciation or amortization accounts are relieved of the applicable amounts, and any gain or loss is credited or charged to revenue or expense in the accompanying Consolidated Statement of Activities and Change in Net Assets. Depreciation and amortization expense for the year ended June 30, 2018 totaled $490,175.

Impairment of long-lived assets -

Management reviews asset carrying amounts whenever events or circumstances indicate that such carrying amounts may not be recoverable. When considered impaired, the carrying amount of the assets is reduced, by a charge to the Consolidated Statement of Activities and Change in Net Assets, to its current fair value.

Income taxes -

ICMA is generally exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code. In addition, ICMA qualifies for charitable contribution deductions and has been classified as an organization that is not a private foundation. As such, it is exempt from income taxes on all but unrelated business income. No provisions for federal or state income taxes is required for 2018.

ICMA Europe is a registered non-profit in the Slovak Republic. ICMA Europe fully complies with the laws of the Slovak Republic and any other authority that has jurisdiction over the entity. As a result, ICMA Europe is exempt from all income taxes in the Unites States. No provisions for federal or state income taxes are required for 2018.

Uncertain tax positions -

For the year ended June 30, 2018, the Association has documented its consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the consolidated financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Deferred revenue -

Deferred revenue consists of member dues, subscriptions, conference and meeting registrations and other items. The Association recognizes member dues and subscriptions on a pro-rata basis over the annual membership or subscription period. The Association recognizes conference and meeting revenue when the related event has occurred.

Net asset classification -

The net assets are reported in two self-balancing groups as follows:

- **Unrestricted net assets** include unrestricted revenue and contributions received without donor-imposed restrictions. These net assets are available for the operation of the Association and include both internally designated and undesignated resources.

- **Temporarily restricted net assets** include revenue and contributions subject to donor-imposed stipulations that will be met by the actions of the Association and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Consolidated Statement of Activities and Change in Net Assets as net assets released from restrictions.

Contributions -

Unrestricted and temporarily restricted contributions are recorded as revenue in the year notification is received from the donor. Temporarily restricted contributions are recognized as unrestricted support and revenue only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions. Such funds in excess of expenses incurred are shown as temporarily restricted net assets in the accompanying consolidated financial statements.

Grant and contract revenue -

The Association receives funding under grants and contracts from the U.S. and foreign governments, international organizations and other grantors for direct and indirect program costs. This funding is subject to contractual restrictions, which must be met through incurring qualifying expenses for particular programs. Accordingly, such grants are considered exchange transactions and are recorded as unrestricted income to the extent that related expenses are incurred in compliance with the criteria stipulated in the grant and contract agreements.

Revenue on cost-type contracts and grants is recognized as costs are incurred plus an allocable portion of the fee related to performance. Revenue on time and materials contracts is recognized based on fixed hourly rates for direct labor hours expended. The fixed rate includes direct labor, indirect expenses, and related fees. Material and other direct costs are recorded at actual cost. Revenue on fixed price contracts is recognized as the work is performed, with estimated profits recorded based on costs incurred and total estimated costs for the contracts. Advances in excess of allowable costs incurred are recorded as a liability. Reimbursable contract and grant costs incurred in excess of advances and reimbursements are reported as accounts receivable.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Promises to give -

Unconditional promises to give (i.e., pledges or contributions receivable) that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support and revenue until the conditions are substantially met.

Contributed services -

Contributed services consist of services of corporate, government, and member volunteers who have donated time in the performance of the Association's contracts and grants, which would otherwise have to be purchased and which have a clear measurable basis for valuation. These services are recorded as contributed services revenue and expenses at their estimated fair market value.

Use of estimates -

The preparation of the consolidated 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 reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Consolidated Statement of Activities and Change in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Investment risks and uncertainties -

The Association invests in various investment securities. Investment securities are exposed to various risks such as interest rates, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying consolidated financial statements.

Fair value measurement -

The Association adopted the provisions of FASB ASC 820, *Fair Value Measurement*. FASB ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs (assumptions that market participants would use in pricing assets and liabilities, including assumptions about risk) used to measure fair value, and enhances disclosure requirements for fair value measurements. The Association accounts for a significant portion of its financial instruments at fair value or considers fair value in their measurement.

2. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at June 30, 2018 consisted of the following:

Unrestricted:	
Cash	$ 1,895,468
Money market	31,936
Temporarily restricted - money market	50,127
TOTAL	**$ 1,977,531**

3. PLEDGES RECEIVABLE

Pledges receivable are discounted to present value using a blended rate that contemplates the donor's estimated borrowing rate and a risk-free rate of return at the time the unconditional promise is made. Management estimates that the fair value of pledges receivable approximates their carrying values. The discount rate for 2018 was 2.75%. An allowance for uncollectible pledges receivable is recorded to accommodate outstanding amounts that management believes may not be collected based upon the current economic conditions.

The Association has recorded an allowance for uncollectible pledges receivable of $2,962. The outstanding pledges at June 30, 2018 are expected to be collected as follows:

Less than one year	$ 17,912
One to five years	80,825
Total	98,737
Less: Allowance to discount balance to present value	(8,174)
Less: Allowance for uncollectible pledges	(2,962)
PLEDGES RECEIVABLE, NET	**$ 87,601**

4. INVESTMENTS

Investments consisted of the following at June 30, 2018:

	Fair Value
Certificates of deposit	$ 7,328,014
Corporate and government bonds	2,552,414
Mutual funds	136,049
Annuities	713,100
Exchange traded funds	2,849,994
Common stock	353
	$ 13,579,924

Included in investment income are the following:

Interest and dividends (including CPAS dividend - see Note 15)	$ 766,745
Realized and unrealized gain on investments, net	39,648
TOTAL INVESTMENT INCOME	**$ 806,393**

5. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30, 2018:

Asset Category:	Estimated Useful Lives	Cost	Accumulated Depreciation	Net Book Value	Depreciation Expense
Software	3-10 years	$ 2,595,103	$ 739,698	$ 1,855,405	$ 278,126
Computer hardware	2 to 5 years	979,962	540,269	439,693	117,943
Furniture and fixtures	10 years	90,120	58,702	31,418	8,216
Leasehold improvements	Lease terms	291,003	134,704	156,299	25,150
Office equipment	5 Years	214,653	115,051	99,602	49,728
TOTAL PROPERTY AND EQUIPMENT		**$ 4,170,841**	**$ 1,588,424**	**$ 2,582,417**	**$ 479,163**

6. CAPITALIZED LEGAL COMMISSIONS

The Association has capitalized legal commissions of $22,247 at June 30, 2018, net of accumulated amortization of $141,198 for legal services obtained while subleasing space within its own leased office space. The costs are amortized using the straight-line method over the life of the leases. Amortization expense was $11,012 for the year ended June 30, 2018.

7. LINE OF CREDIT

The Association has a $1,000,000 line of credit with SunTrust Bank which matures March 29, 2019 and is payable on demand. Amounts borrowed under this agreement bear interest at the one month LIBOR rate plus two percent and are secured primarily by all deposits and investments maintained by the Association. There was no balance outstanding on the line of credit as of June 30, 2018.

8. DEFERRED REVENUE

Deferred revenue at June 30, 2018, consists of the following:

Membership dues	$ 3,484,355
Annual conference	1,509,364
Subscriptions	36,719
Other	345,198
TOTAL DEFERRED REVENUE	**$ 5,375,636**

9. LEASE COMMITMENTS

ICMA leases office space from the Center for Public Administration and Service, Inc. (CPAS), a related party (See Note 15), under an operating lease expiring on December 31, 2026. The office lease consists of minimum payments plus additional amounts from pass-through of real estate taxes and operating expenses. Rent expense for the year June 30, 2018 was $2,280,618.

9. LEASE COMMITMENTS (Continued)

The following is a schedule of the future minimum lease payments:

Year Ending June 30,	
2019	$ 1,199,000
2020	1,199,000
2021	1,191,800
2022	1,191,800
2023	1,191,800
Thereafter	4,171,300
	$ 10,144,700

ICMA also sublets certain office space as lessor. Sublease income for the year ended June 30, 2018 was $1,143,194, including approximately $785,005 from a related party, as discussed in Note 15.

The following is a schedule of the future minimum rental income:

Year Ending June 30,	
2019	$ 1,095,200
2020	558,100
2021	335,500
2022	92,300
2023	7,900
	$ 2,089,000

10. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets include donor restricted and other funds, which are only available for program services. Temporarily restricted net assets were released from restrictions during the year ended June 30, 2018 through the accomplishment of the purpose restrictions.

Following is a summary of temporarily restricted net assets for the year ended June 30, 2018:

	Balance at June 30, 2017	Additions	Releases	Balance at June 30, 2018
Fund for Professional Management	$ 2,213,511	$ 58,785	$ (113,879)	$ 2,158,417
Life, Well Run Campaign	393,818	7,934	(98,152)	303,600
Future of Professional Management	84,028	156,260	(66,238)	174,050
Tranter-Leong Fund	760	202,726	-	203,486
Endowed awards	58,837	1,740	-	60,577
Babs Elwell	27,767	2,837	(3,950)	26,654
Garvey Scholarship	25,226	785	(2,293)	23,718
Kennedy Shaw	7,431	216	(1,800)	5,847
Legacy Fund	39,771	5,809	(1,750)	43,830
Hansell Fund	28,863	1,091	(9,000)	20,954
CAI-ICMA Coaching Program	12,738	621	-	13,359
O'Neill Leadership Fund	9,196	4,339	-	13,535
	$ 2,901,946	$ 443,143	$ (297,062)	$ 3,048,027

11. RETIREMENT PLANS

ICMA maintains a defined contribution plan with TIAA-CREF. Employees contribute to the plan through elective salary deferrals. However, effective January 2013, the plan was amended to require a salary deferral equal to 1.5% of the employee's annual salary with employees also to receive a matching contribution equal to 1.5% of their annual salary.

Upon completion of one year of service with ICMA, the organization contributes 1.5% of the employee's annual salary.

For employees who have completed two years of service with ICMA, the organization contributes 7% of the employee's annual salary up to the maximum FICA salary base and 12.7% on salary in excess of the FICA limit. For employees who have completed 10 years of service, ICMA contributes 8% of the employee's annual salary up to the maximum FICA salary base and 13.7% on salary in excess of the FICA limit.

Employee contributions, plus actual earnings thereon, are fully vested. Contributions made by ICMA vest 25% annually after two years of service, with full vesting after five years. The organization contributed $644,663 to the plan during the year ended June 30, 2018.

ICMA also maintains a non-qualified deferred compensation plan pursuant to Section 457(b) of the Internal Revenue Code which covers qualified participants.

Earnings on 457(b) plan assets are reflected as an increase in the plan obligations. Plan obligations totaled $713,100 at June 30, 2018, and are reflected as part of accounts payable and accrued expenses on the Consolidated Statement of Financial Position. Investment elections for Plan assets are made by the participants. Plan investments are deferred from distribution until the participant terminates employment and are subject to the ICMA's general creditor claims. The underlying assets are included with the Association's investments.

12. CONCENTRATION OF REVENUE

Approximately 32% of the Association's revenue for the year ended June 30, 2018 was derived from contracts and cooperative agreements awarded by the United States Agency for International Development (USAID).

13. COMMITMENTS

Hotel Contracts

The Association has entered into several contracts for hotel rooms for conferences. In the event of cancellations, the Association is required to pay various costs of the hotel rooms and conference spaces as stipulated in the contracts, the amounts of which are dependent upon the date of cancellation.

Employment Agreement

ICMA has entered into an employment contract with the Executive Director, which commenced on October 31, 2016 and continues indefinitely. The contract provides for severance payments equal to a period of twelve months if the Executive Director is terminated by the Executive Board for any reason other than for cause. Any amount paid would be based upon the Executive Director's salary at the date of termination.

14. CONTINGENCIES

The Association received grants, cooperative agreements and contracts from various agencies of the United States Government.

Beginning for the fiscal year ended June 30, 2016, such awards are subject to audit under the provisions of *Title 2 U.S. Code of Federal Regulations (CFR) Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. The ultimate determination of amounts received under the United States Government awards is based upon the allowance of costs reported to and accepted by the United States Government as a result of the audits.

Audits in accordance with the applicable provisions have been completed for all required fiscal years through 2018. Until such audits have been accepted by the United States Government, there exists a contingency to refund any amount received in excess of allowable costs. Management is of the opinion that no material liability will result from such audits.

The Association also participates in a number of federally assisted programs which are subject to financial and compliance audits. The Association has undergone an audit by the Special Inspector General for Afghanistan Reconstruction (SIGAR) on a cooperative agreement awarded to the Association by USAID in 2007.

In connection with the audit, $1,902,410 of reimbursable costs have been identified as questioned costs. Management believes that such costs are allowable and is working with USAID to resolve the questioned costs. However, as the ultimate resolution of the questioned costs is unknown, in 2015 management elected to record a reserve of approximately $951,000 for any cost disallowances. This reserve is included in accounts payable and accrued expenses in the accompanying Consolidated Statement of Financial Position.

15. RELATED PARTIES

Center for Public Administration and Service, Inc.

The Center for Public Administration and Service, Inc. (CPAS) is equally owned by the following common shareholders: Metropolitan Washington Council of Governments (MWCOG), the International City/County Management Association (ICMA) and the International City Management Association Retirement Corporation (ICMA-RC). In 2007, CPAS made a tax election under the Internal Revenue Code Section 856 to become a Real Estate Investment Trust (REIT). During 2008, CPAS accepted 125 preferred shareholders, each of whom invested in one $1,000 share of non-voting 12.5% cumulative preferred stock.

CPAS carries on its books at December 31, 2017 $37,300,000 in notes payable for the financing of the building. The note bears interest at 3.65% per annum and is payable in 119 equal interest only installments with a balloon payment required on January 5, 2026, with the land, building, improvements thereon, personal property, rents and receivables serving as collateral. Under the refinancing agreement, ICMA has agreed to extend its lease at 777 North Capitol Street until December 31, 2026.

The Association accounts for its investment in CPAS under the equity method; however, since the Association has no obligation to provide additional financial support to CPAS, any losses recognized have been limited to the cost of its investment. For the year ended June 30, 2018, the Association recognized no losses because its equity has been reduced to zero in previous years.

15. RELATED PARTIES (Continued)

Center for Public Administration and Service, Inc. (Continued)

During the year ended June 30, 2018, the Association received $620,000 in dividend income from the investment in the REIT.

International City Management Association Retirement Corporation

In accordance with an agreement dated July 1981, the International City Management Association Retirement Corporation (ICMA-RC) pays a royalty to the Association for the use of ICMA's name and for marketing efforts performed on behalf of ICMA-RC. ICMA and ICMA-RC entered into a revised royalty agreement in 1993, and the agreement was amended effective January 1, 2017. Under the agreement, as amended, ICMA grants ICMA-RC a license to use its name and logo and ICMA-RC agrees to pay ICMA an annual royalty. For the year ended June 30, 2018, ICMA-RC paid the Association a royalty of $2,518,706, of which $652,913 was outstanding at June 30, 2018 and is included in accounts receivable in the accompanying Consolidated Statement of Financial Position. The agreement is effective through December 31, 2026, and will automatically renew thereafter unless both parties agree to an earlier termination. The agreement is subject to review at five-year intervals beginning with the inception date.

On July 1, 2004, ICMA entered into a sublease agreement with ICMA-RC, wherein ICMA-RC agreed to sublease 6,218 of rentable square feet of space from ICMA. Subsequent to the initial sublease agreement, ICMA-RC subleased an additional 14,593 square feet from ICMA.

Some portion of the sublease expired in July and August 2010, while a portion of the sublease expired on December 31, 2016 and another portion expires on December 31, 2019. According to the terms of the sublease, ICMA-RC agreed to pay a base monthly rent of $64,278 beginning in fiscal year 2016, with annual escalations at 2.5% ($67,534 for fiscal year 2018).

16. FAIR VALUE MEASUREMENT

In accordance with FASB ASC 820, *Fair Value Measurement*, the Association has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Investments recorded in the Consolidated Statement of Financial Position are categorized based on the inputs to valuation techniques as follows:

Level 1. These are investments where values are based on unadjusted quoted prices for identical assets in an active market the Association has the ability to access.

Level 2. These are investments where values are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, or model-based valuation techniques that utilize inputs that are observable either directly or indirectly for substantially the full-term of the investments.

Level 3. These are investments where inputs to the valuation methodology are unobservable and significant to the fair value measurement.

16. FAIR VALUE MEASUREMENT (Continued)

Following is a description of the valuation methodology used for investments measured at fair value. There have been no changes in the methodologies used as of June 30, 2018.

- *Certificates of deposit* - Generally valued at original cost plus accrued interest, which approximates fair value.
- *Corporate and government bonds* - Fair value is based upon current yields available on comparable securities of issuers with similar ratings, the security's terms and conditions, and interest rate and credit risk.
- *Annuities* - These accounts are invested principally in equity securities, fixed income instruments, real estate-related investments, and short-term investments in accordance with each portfolio's investment objectives.

  The account's value is principally derived from the market value of the underlying holdings using market quotations or prices obtained from independent pricing sources that may employ various pricing methods to value the investments including matrix pricing. Accordingly, such assets, and the corresponding 457(b) Plan liability (Note 11), are classified within level 2 of the valuation hierarchy.
- *Exchange traded funds* - The fair value is equal to the reported net asset value of the fund, which is the price at which additional shares can be obtained.
- *Common stocks* - Valued at the closing price reported on the active market in which the individual securities are traded.
- *Mutual funds* - Valued at the daily closing price as reported by the fund. Mutual funds held by Association are open-end mutual funds that are registered with the SEC. These funds are required to publish their daily value and to transact at that price. Mutual funds held by Association are deemed to be actively traded.

The table below summarizes, by level within the fair value hierarchy, the Association's investments as of June 30, 2018:

	Level 1	Level 2	Level 3	Total June 30, 2018
Asset Class:				
Certificates of deposit	$ -	$ 7,328,014	$ -	$ 7,328,014
Corporate and government bonds	-	2,552,414	-	2,552,414
Mutual funds	136,049	-	-	136,049
Annuities	-	713,100	-	713,100
Exchange traded funds	2,849,994	-	-	2,849,994
Common stock	353	-	-	353
TOTAL	**$ 2,986,396**	**$ 10,593,528**	**$ -**	**$ 13,579,924**

The table below summarizes, by level within the fair value hierarchy, the Association's liabilities measured at fair value as of June 30, 2018:

	Level 1	Level 2	Level 3	Total June 30, 2018
Liability Class:				
457(b) Plan	**$ -**	**$ 713,100**	**$ -**	**$ 713,100**

17. NEW ACCOUNTING PRONOUNCEMENTS (NOT YET ADOPTED) -

In August 2016, the FASB issued ASU 2016-14, Presentation of Financial Statements of Not-for-Profit Entities (Topic 958), intended to improve financial reporting for not-for-profit entities. The ASU will reduce the current three classes of net assets into two: with and without donor restrictions. The change in each of the classes of net assets must be reported on the Consolidated Statement of Activities and Change in Net Assets. The ASU also requires various enhanced disclosures around topics such as board designations, liquidity, functional classification of expenses, investment expenses, donor restrictions, and underwater endowments. The ASU is effective for years beginning after December 15, 2017. Early adoption is permitted. The ASU should be applied on a retrospective basis in the year the ASU is first applied. While the ASU will change the presentation of the Association's financial statements, it is not expected to alter the Association's reported financial position.

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606) (ASU 2014-09). The ASU establishes a comprehensive revenue recognition standard for virtually all industries under generally accepted accounting principles in the United States (U.S. GAAP) including those that previously followed industry-specific guidance. The guidance states that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The FASB issued ASU 2015-14 in August 2015 that deferred the effective date of ASU 2014-09 by a year; thus, the effective date is years beginning after December 15, 2018. Early adoption is permitted. Association has not yet selected a transition method and is currently evaluating the effect that the updated standard will have on its financial statements.

In 2016, the FASB issued ASU 2016-02, Leases (Topic 842). The ASU changes the accounting treatment for operating leases by recognizing a lease asset and lease liability at the present value of the lease payments in the Consolidated Statement of Financial Position and disclosing key information about leasing arrangements. The ASU is effective for private entities for years beginning after December 15, 2019. Early adoption is permitted. The ASU should be applied at the beginning of the earliest period presented using a modified retrospective approach.

The Association plans to adopt the new ASUs at the respective required implementation dates.

18. SUBSEQUENT EVENTS

In preparing these consolidated financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through October 26, 2018, the date the consolidated financial statements were issued.

SUPPLEMENTAL INFORMATION

ICMA & ICMA EUROPE

CONSOLIDATING SCHEDULE OF FINANCIAL POSITION BY FUND
FOR THE YEAR ENDED JUNE 30 2018
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2017

	2018					2017
	Unrestricted		Temporarily			
ASSETS	ICMA	ICMA Europe	Restricted	Eliminations	Total	Total
Cash and cash equivalents	$ 1,902,151	$ 25,253	$ 50,127	$ -	$ 1,977,531	$ 3,279,000
Investments	10,593,528	-	2,986,396	-	13,579,924	10,689,375
Grants and contracts receivable, net	2,600,639	-	-	-	2,600,639	2,966,628
Pledges receivable, net	-	-	87,601	-	87,601	104,854
Trade receivables, net	1,087,112	-	-	(76,097)	1,011,015	1,131,693
Prepaid expenses and advances	1,142,977	-	-	-	1,142,977	734,970
Property and equipment, net	2,582,417	-	-	-	2,582,417	2,441,223
Capitalized legal commissions, net	22,247	-	-	-	22,247	30,814
TOTAL ASSETS	**$ 19,931,071**	**$ 25,253**	**$ 3,124,124**	**$ (76,097)**	**$ 23,004,351**	**$ 21,378,557**
LIABILITIES AND NET ASSETS						
Liabilities:						
Accounts payable and accrued expenses	$ 3,782,652	$ 25,253	$ 76,097	$ (76,097)	$ 3,807,905	$ 4,294,988
Advance payments in excess of revenue recognized	14,384	-	-	-	14,384	46,902
Deferred revenues	5,375,636	-	-	-	5,375,636	4,505,622
Subtenant deposits	46,688	-	-	-	46,688	51,471
Total liabilities	9,219,360	25,253	76,097	(76,097)	9,244,613	8,898,983
Net assets:						
Unrestricted	10,711,711	-	-	-	10,711,711	9,577,628
Temporarily restricted	-	-	3,048,027	-	3,048,027	2,901,946
Total net assets	10,711,711	-	3,048,027	-	13,759,738	12,479,574
TOTAL LIABILITIES AND NET ASSETS	**$ 19,931,071**	**$ 25,253**	**$ 3,124,124**	**$ (76,097)**	**$ 23,004,351**	**$ 21,378,557**

ICMA & ICMA EUROPE

CONSOLIDATING SCHEDULE OF ACTIVITIES AND CHANGE IN NET ASSETS BY FUND
FOR THE YEAR ENDED JUNE 30 2018
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2017

	2018					2017
	Unrestricted		Temporarily			
SUPPORT AND REVENUE	ICMA	ICMA Europe	Restricted	Eliminations	Total	Total
Grants and contracts						
Government	$ 12,337,968	$ -	$ -	$ -	$ 12,337,968	$ 18,608,661
Contributed services	797,386	-	-	-	797,386	1,186,803
Program income	25,836	-	-	-	25,836	27,476
Non-government	121,000	-	-	-	121,000	146,000
Membership dues	5,749,802	-	-	-	5,749,802	5,543,791
Publications, subscription sales, and advertising	1,277,996	-	-	-	1,277,996	1,259,645
Conferences and meetings	3,781,159	-	-	-	3,781,159	3,905,558
Fees	1,711,433	-	-	-	1,711,433	1,866,409
Subtenant rental income	1,143,194	-	-	-	1,143,194	1,075,607
Royalty income	2,518,706	-	-	-	2,518,706	1,640,331
Investment income	728,650	-	77,743	-	806,393	861,615
Other	686,693	57,764	365,400	(57,764)	1,052,093	564,528
Net assets released from donor restrictions	297,062	-	(297,062)	-	-	-
Total support and revenue	31,176,885	57,764	146,081	(57,764)	31,322,966	36,686,424
EXPENSES						
Program services	21,363,527	57,764	-	(57,764)	21,363,527	25,733,545
Management and general	8,679,275	-	-	-	8,679,275	8,455,480
Total expenses	30,042,802	57,764	-	(57,764)	30,042,802	34,189,025
Change in net assets	1,134,083	-	146,081	-	1,280,164	2,497,399
Net assets at beginning of year	9,577,628	-	2,901,946	-	12,479,574	9,982,175
NET ASSETS AT END OF YEAR	**$ 10,711,711**	**$ -**	**$ 3,048,027**	**$ -**	**$ 13,759,738**	**$ 12,479,574**