

FORUM ON EDUCATION ABROAD
FINANCIAL REPORT
JUNE 30, 2013

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Forum on Education Abroad
Carlisle, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of the Forum on Education Abroad which comprise the statements of financial position as of June 30, 2013 and 2012, and the related statements of activities, cash flows and functional expenses for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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 of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Forum on Education Abroad, as of June 30, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in cursive script that reads "Boyer & Ritten". The signature is written in black ink and is centered on the page.

Carlisle, Pennsylvania
October 22, 2013

FORUM ON EDUCATION ABROAD

STATEMENTS OF FINANCIAL POSITION June 30, 2013 and 2012

	2013	2012
ASSETS		
Current Assets		
Cash	\$ 498,377	\$ 828,715
Accounts receivable	-	593
Current portion of pledges receivable	40,000	-
Prepaid expenses	16,387	9,311
Inventory	1,202	3,159
Total current assets	555,966	841,778
Noncurrent Assets		
Pledges receivable - net of current portion	58,347	-
Investments	1,156,088	520,125
Total noncurrent assets	1,214,435	520,125
Total assets	\$ 1,770,401	\$ 1,361,903
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ -	\$ 1,690
Accrued expenses	24,885	9,443
Deferred revenue	284,260	288,178
Total current liabilities	309,145	299,311
Net Assets		
Unrestricted		
Undesignated	148,186	473,697
Board designated - endowment	1,156,088	520,125
	1,304,274	993,822
Temporarily restricted	156,982	68,770
Total net assets	1,461,256	1,062,592
Total liabilities and net assets	\$ 1,770,401	\$ 1,361,903

See Notes to Financial Statements.

FORUM ON EDUCATION ABROAD

STATEMENTS OF ACTIVITIES Years Ended June 30, 2013 and 2012

	2013		
	Total	Unrestricted	Temporarily Restricted
Changes in Net Assets			
Revenue and Other Support			
Membership fees	\$ 514,811	\$ 514,811	\$ -
Conference income	1,033,462	1,033,462	-
Contributions	178,097	79,750	98,347
Grant revenue	59,250	-	59,250
Workshops and seminars	81,517	81,517	-
Other program income	7,600	7,600	-
Publication sales	5,050	5,050	-
Interest	646	646	-
Endowment income	13,288	13,288	-
Other income	926	926	-
Release of restricted revenues	-	69,385	(69,385)
Total revenue and other support	1,894,647	1,806,435	88,212
Expenses			
Program services			
Member Education and Resources	550,922	550,922	-
Conference	784,845	784,845	-
	1,335,767	1,335,767	-
Management and general	217,361	217,361	-
Fundraising expenses	15,530	15,530	-
Total expenses	1,568,658	1,568,658	-
Other Income			
Unrealized holding gain (loss) on investments	72,675	72,675	-
Increase in net assets	398,664	310,452	88,212
Net Assets:			
Beginning	1,062,592	993,822	68,770
Ending	\$ 1,461,256	\$ 1,304,274	\$ 156,982

See Notes to Financial Statements.

2012		
Total	Unrestricted	Temporarily Restricted
\$ 505,288	\$ 505,288	\$ -
740,798	740,798	-
79,700	79,700	-
59,250	-	59,250
76,289	76,289	-
12,350	12,350	-
6,404	6,404	-
1,473	1,473	-
7,090	7,090	-
-	-	-
-	29,053	(29,053)
1,488,642	1,458,445	30,197
440,952	440,952	-
653,358	653,358	-
1,094,310	1,094,310	-
196,206	196,206	-
18,635	18,635	-
1,309,151	1,309,151	-
(12,955)	(12,955)	-
166,536	136,339	30,197
896,056	857,483	38,573
\$ 1,062,592	\$ 993,822	\$ 68,770

FORUM ON EDUCATION ABROAD

STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2013

	2013				
	<u>Program Services</u>				
	<u>Member</u>		<u>Management</u>		
	<u>Education</u>		<u>and</u>		
	<u>and</u>		<u>General</u>	<u>Fundraising</u>	<u>Total</u>
	<u>Resources</u>	<u>Conference</u>			
Management expenses	\$ 352,340	\$ 135,561	\$ 85,535	\$ 14,921	\$ 588,357
Conference event expense	-	610,683	-	-	610,683
Office expense/supplies	1,661	653	389	-	2,703
Legal and professional fees	2,898	-	7,535	-	10,433
License and permits	90	35	-	-	125
Postage and delivery	2,168	852	507	-	3,527
Scholarship donations	10,000	-	-	-	10,000
Certification program	6,523	-	-	-	6,523
Bank service charges	-	-	1,681	-	1,681
Credit card charges	-	-	64,370	-	64,370
QUIP expense	11,540	-	-	-	11,540
Grant expenses	69,385	-	-	-	69,385
Webinar expenses	25,560	10,044	-	-	35,604
Professional development	-	-	350	-	350
Contributed services	22,543	8,859	47,489	609	79,500
Miscellaneous expenses	-	-	-	-	-
Telephone	1,633	641	-	-	2,274
Advertising	2,798	1,099	-	-	3,897
Auto and travel expenses	28,399	11,159	-	-	39,558
Meeting expense	-	-	-	-	-
Meals and entertainment	-	-	8,498	-	8,498
Repairs and maintenance	-	-	1,007	-	1,007
Dues and subscriptions	-	-	-	-	-
Printing and reproduction	13,384	5,259	-	-	18,643
	<u>\$ 550,922</u>	<u>\$ 784,845</u>	<u>\$ 217,361</u>	<u>\$ 15,530</u>	<u>\$ 1,568,658</u>

See Notes to Financial Statements.

FORUM ON EDUCATION ABROAD

STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2012

	2012				
	<u>Program Services</u>				
	Member Education and Resources	Conference	Management and General	Fundraising	Total
Management expenses	\$ 294,441	\$ 115,701	\$ 71,849	\$ 17,781	\$ 499,772
Conference event expense	-	498,053	-	-	498,053
Office expense/supplies	1,500	589	351	-	2,440
Legal and professional fees	1,890	-	11,837	-	13,727
License and permits	90	35	-	-	125
Postage and delivery	5,018	1,972	1,174	-	8,164
Scholarship donations	10,000	-	-	-	10,000
Certification program	-	-	-	-	-
Bank service charges	-	-	128	-	128
Credit card charges	-	-	53,427	-	53,427
QUIP expense	4,779	-	-	-	4,779
Grant expenses	29,053	-	-	-	29,053
Webinar expenses	9,532	3,745	-	-	13,277
Contributed services	22,396	8,800	47,450	854	79,500
Miscellaneous expenses	3	1	-	-	4
Telephone	2,836	1,114	-	-	3,950
Advertising	-	-	-	-	-
Auto and travel expenses	30,203	11,869	-	-	42,072
Meeting expense	-	-	115	-	115
Meals and entertainment	-	-	8,817	-	8,817
Repairs and maintenance	-	-	1,058	-	1,058
Dues and subscriptions	538	212	-	-	750
Printing and reproduction	28,673	11,267	-	-	39,940
	<u>\$ 440,952</u>	<u>\$ 653,358</u>	<u>\$ 196,206</u>	<u>\$ 18,635</u>	<u>\$ 1,309,151</u>

See Notes to Financial Statements.

FORUM ON EDUCATION ABROAD

STATEMENTS OF CASH FLOWS Years Ended June 30, 2013 and 2012

	2013	2012
Cash Flows From Operating Activities		
Increase in net assets	\$ 398,664	\$ 166,536
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Unrealized holding (gain) loss on investments	(72,675)	12,955
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	593	3,604
Pledges receivable	(98,347)	-
Prepaid expenses	(7,076)	1,189
Inventory	1,957	1,325
(Decrease) increase in:		
Accounts payable	(1,690)	(8,602)
Accrued expenses	15,442	9
Deferred revenue	(3,918)	39,720
Net cash provided by operating activities	232,950	216,736
Cash Flows From Investing Activities		
Purchase of investments	(563,288)	(57,090)
Net increase (decrease) in cash	(330,338)	159,646
Cash:		
Beginning	828,715	669,069
Ending	\$ 498,377	\$ 828,715

See Notes to Financial Statements.

FORUM ON EDUCATION ABROAD

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Activity and Significant Accounting Policies

Nature of Activity: The Forum on Education Abroad (Forum) is a non-profit organization. The Forum was founded in July 2001, by a group of leading practitioners in the field. Its members are educational institutions, consortia, agencies, organizations and individuals that provide, direct or manage educational opportunities in the field of Education Abroad. The Forum promotes high quality and effective programming through advocating standards of good practice, and by promoting excellence in curricular development and academic design. The Forum encourages outcomes assessment and other research through data collection and advocating for Education Abroad at all levels with a focus on college campuses.

Basis of Accounting: The Forum prepares its financial statements on the accrual basis of accounting. Under the accrual basis, revenue is recognized when earned and expenses are recognized when the obligation is incurred.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses, including functional allocations during the reporting period. Actual results could differ from those estimates.

Restricted and Unrestricted Revenue and Support: Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities as net assets released from restrictions.

In-kind contributions are recorded as support at their estimated fair value at the date of donation. The Forum reports in-kind donations as unrestricted support unless explicit donor stipulations specify how the donated assets must be used.

Accounts Receivable: Trade receivables are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a regular basis. Management determines the allowance for doubtful accounts by regularly evaluating individual customer receivables and considering a customer's financial condition, credit history, and current economic conditions. Trade receivables are written off when deemed uncollectible. Recoveries of trade receivables previously written off are recorded when received.

FORUM ON EDUCATION ABROAD

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Activity and Significant Accounting Policies (Continued)

Promises to Give: Unconditional promises to give 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. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts are computed using the interest method and is included in contribution revenue. Conditional promises to give are not included as support until conditions are substantially met.

Investments and Fair Value: Investments are reported at fair value with realized and unrealized gains and losses included in the Statement of Activities. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Functional Expenses: Expenses directly related to a function are charged to that function. Expenses not directly related to a function are allocated by management to the various functions on a reasonable basis.

Income Taxes: The Forum has received exemption from income taxes as a public charity under Section 501(c)(3) of the Internal Revenue Code. On such basis, the Forum will not incur any liability for federal income taxes, except for possible unrelated business income.

Management has assessed the Forum's exposure to income taxes at the entity level as a result of uncertain tax positions taken in current and previously filed tax returns. Examples of tax positions taken at the entity level include the continuing validity of its exempt organization status, potential filing requirement for unrelated business income and other tax positions that could result in income tax liabilities to the Forum upon examination by taxing authorities. Presently, management believes that it is more likely than not its tax position will be sustained upon examination, including any appeals and litigation, such that the Forum has no exposure to income tax liabilities from uncertain tax positions. The Forum is subject to routine audits by taxing jurisdictions, however there are currently no audits for any tax periods in progress. Management believes the Forum is no longer subject to audit for years prior to June 30, 2010.

Subsequent Events: Subsequent events have been evaluated for potential recognition or disclosure through October 22, 2013, the date the financial statements were available to be issued.

Note 2. Concentration of Credit Risk

Financial instruments that are potentially subject the Forum to concentrations of credit risk consist of principally of cash and cash equivalents. The Forum maintains its cash deposits with high credit quality, financial institutions that provide Federal Deposit Insurance Corporations (FDIC) coverage up to \$250,000. Balances in excess of FDIC insured limits at June 30, 2013.

FORUM ON EDUCATION ABROAD

NOTES TO FINANCIAL STATEMENTS

Note 3. Pledges Receivable

Pledges receivable represent unconditional promises to give. Pledges receivable at June 30, 2013 and 2012, consist of the following:

	2013	2012
The AIFS/AIFS Foundation Education Abroad Special Collection	\$ 100,000	\$ -
Less: unamortized discount	(1,653)	-
	<u>\$ 98,347</u>	<u>\$ -</u>
Amounts due in:		
Less than one year	\$ 40,000	\$ -
One to five years	58,347	-
	<u>\$ 98,347</u>	<u>\$ -</u>

Note 4. Deferred Revenue

Deferred revenue consists of membership dues, conference sponsorship fees, and other program revenues collected as of June 30, for the next fiscal year. Deferred revenue consists of the following as of June 30:

	2013	2012
Membership dues	\$ 198,122	\$ 224,397
Conference fees	85,005	63,781
	<u>\$ 283,127</u>	<u>\$ 288,178</u>

Note 5. Management Services

The Forum has contracted with Dickinson College to provide management, development, and program services. As part of the contract, the President of the Forum is employed by Dickinson College and is appointed by the Board of Directors of the Forum. The Forum staff is also provided under the contract but the hiring decision is made by the Forum President and the Board of Directors of the Forum. The payment for these services for the fiscal years ended June 30, 2013 and 2012, was \$657,492 and \$499,772, respectively.

Included in payments to Dickinson College was \$69,135 during the fiscal year ended June 30, 2013, for the reimbursement of wages and benefits of an employee under the American Council of Learned Societies Public Fellows Program.

FORUM ON EDUCATION ABROAD

NOTES TO FINANCIAL STATEMENTS

Note 6. Donated Goods and Services

Dickinson College provides the Forum with program and administrative services and other contributed goods and services. The value of the donated goods and services included in the financial statements and corresponding expenditures for the years ended June 30, 2013 and 2012, are as follows:

	2013	2012
Contributions		
Donated facility	\$ 20,000	\$ 20,000
Donated services	57,500	57,500
Donated supplies	2,000	2,000
	<u>\$ 79,500</u>	<u>\$ 79,500</u>
Expenses		
Program	\$ 31,402	\$ 31,196
Management and general	47,489	47,450
Fundraising	609	854
	<u>\$ 79,500</u>	<u>\$ 79,500</u>

Note 7. Board Designated - Endowment Fund

The Forum has invested in the Dickinson College Endowment Fund for the purpose of enhancing the growth of its operating account, with the intent that income distributions from the Board Designated Endowment Fund will provide support for the Forum's programming. At June 30, 2013, the investment is carried at fair value of \$1,156,088. An unrealized gain of \$72,675 is included in the Statements of Activities. The net assets of the Endowment Fund are classified as unrestricted.

Interpretation of Relevant Law

FASB Staff Position No. 117-1, Endowments of Not-for-Profit Organizations: Net Asset Classifications of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act [UPMIFA] and Enhanced Disclosures for all Endowment Funds, primarily provides guidance on accounting for donor restricted endowment funds subject to UPMIFA. The state of Pennsylvania has not adopted UPMIFA. Nonprofit corporations in Pennsylvania follow Act 141. Under Act 141, a nonprofit corporation can elect to adopt and follow a "total return" investment policy, i.e., a policy to seek the best total return on the principal whether from capital appreciation, earnings or both. Pennsylvania law permits the Board of Directors to make an election to annually appropriate for expenditure a selected percentage between 2% and 7% of the fair value of the assets related to donor-restricted endowment funds averaged over a period of three or more preceding years, provided the Board has determined that such percentage is consistent with the long-term preservation of the real value of such assets.

FORUM ON EDUCATION ABROAD

NOTES TO FINANCIAL STATEMENTS

Note 7. Board Designated - Endowment Fund (Continued)

Return Objective and Risk Parameters

The Forum has adopted investment and spending policies of the Dickinson College Endowment Fund that attempts to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Under this policy the endowment assets are invested in a manner that is intended to produce results that exceed the endowment spending rate plus inflation, defined as the Consumer Price Index plus 1%, while assuming a moderate level of investment risk.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate of return objectives, the Forum relies on a total return strategy of the Dickinson College Endowment Fund in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Dickinson College Endowment Fund targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy

If the Forum requests it, a distribution from the Board Designated Endowment Fund will be made if the Forum's cash reserves total less than six months of estimated operating expenses. At such time, the spendable amount will be that percentage of the total Fund which the Dickinson College Endowment Fund would consider available for spending from the overall Dickinson College Endowment Fund under the spending policies then in effect. Any portion of the spendable amount not distributed in any year shall be added to the principal of the Forum's Board Designated Endowment Fund. The Forum may decide to withdraw a portion of or the entire amount of the Fund from the Dickinson College Endowment Fund, in which case such amount will be deposited in the Forum operating account. The Forum President or Chair of the Board may authorize a withdrawal. Should the Forum withdraw its investment from the Fund, regardless of when such withdrawal occurs, the market value of the investment will be calculated as of the end of the previous month.

FORUM ON EDUCATION ABROAD

NOTES TO FINANCIAL STATEMENTS

Note 7. Board Designated - Endowment Fund (Continued)

Changes in the unrestricted board designated - endowment for the years ended June 30, 2013 and 2012, are as follows:

	2013	2012
Endowment Fund, at beginning of year	\$ 520,125	\$ 475,990
Transfers	550,000	50,000
Investment Returns		
Investment income	13,288	7,090
Unrealized gain (loss)	72,675	(12,955)
	<u>85,963</u>	<u>(5,865)</u>
Endowment Fund, at end of year	<u>\$ 1,156,088</u>	<u>\$ 520,125</u>

Note 8. Fair Value Measurements

Financial Accounting Standards Board ASC 820, *Fair Value Measurements and Disclosures* establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure 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).

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan 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 is observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

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.

FORUM ON EDUCATION ABROAD

NOTES TO FINANCIAL STATEMENTS

Note 8. Fair Value Measurements (Continued)

The assets that are recorded at fair value on a recurring basis consist of the investment in the Dickinson College Endowment Fund (DCEF). The fair value of the DCEF is derived from unitizing the fair value of the underlying investments owned by the fund. The unitized fair value is supplied to the Forum by the DCEF fund manager on a monthly basis. Inputs to the valuation methodology that are significant to the fair value measurement are unobservable and thus deemed to be Level 3 inputs.

The table below sets forth a summary of changes in the fair value of the Forum's investment in the Dickinson College Endowment Fund (Level 3 assets) for the years ended June 30, 2013 and 2012.

	2013	2012
Balance, beginning of year	\$ 520,125	\$ 475,990
Purchases, sales, issuances and settlements (net)	563,288	57,090
Unrealized gains (losses)	72,675	(12,955)
Balance, end of year	<u>\$ 1,156,088</u>	<u>\$ 520,125</u>

Note 9. Temporarily Restricted Net Assets

The Forum has the following temporarily restricted net assets as of June 30:

	2013	2012
Ron Koehn Conference Grant Award	\$ 9,270	\$ 9,520
American Council of Learned Societies Public Fellows Program	49,365	59,250
The AIFS/AIFS Foundation Education Abroad Special Collection	98,347	-
	<u>\$ 156,982</u>	<u>\$ 68,770</u>

The Ron Koehn Conference Grant Award will be given to faculty members or education abroad colleagues who have been especially effective in contributing to innovations in education abroad program design. Award winners receive a stipend that will help to underwrite the costs of their attendance at the Forum's Annual Conference.

The American Council of Learned Societies Public Fellow Program is to provide a fellowship stipend and the total cost of the Fellow's health insurance. The program provides the Forum with a full-time Associate Director to work on a wide range of projects and initiatives, and runs from July 1, 2012 to June 30, 2014.

The AIFS/AIFS Foundation Education Abroad Special Collection fund was established to obtain, develop, and maintain historical artifacts related to the education abroad field of study. Earnings from the fund are restricted for the purposes set forth above.