American Production and Inventory Control Society, Inc. and A.P.I.C.S. Educational and Research Foundation

Consolidated Financial Report

December 31, 2013

American Production and Inventory Control Society, Inc. and A.P.I.C.S. Educational and Research Foundation

Contents

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Independent Auditor's Report

To the Board of Directors
American Production and Inventory Control
Society, Inc. and A.P.I.C.S. Educational and
Research Foundation

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of American Production and Inventory Control Society, Inc. and A.P.I.C.S. Educational and Research Foundation (the "Association"), which comprise the consolidated statement of financial position as of December 31, 2013 and the related consolidated statements of activities and changes in net assets and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated 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.

To the Board of Directors
American Production and Inventory Control
Society, Inc. and A.P.I.C.S. Educational and
Research Foundation

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of American Production and Inventory Control Society, Inc. and A.P.I.C.S. Educational and Research Foundation as of December 31, 2013 and the changes in their net assets and their cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Plante & Moran, PLLC

May 7, 2014

American Production and Inventory Control Society, Inc. and A.P.I.C.S. Educational and Research Foundation

Consolidated Statement of Financial Position

Assets

Current Assets		
Cash and cash equivalents	$	3,592,885
Receivables - Net of allowance for doubtful accounts of $91,697		1,768,199
Inventory		318,623
Prepaid expenses and deposits		321,408
Total current assets		6,001,115
Noncurrent Assets		
Marketable securities		10,746,896
Property and equipment		2,019,591
Product development costs - Net of accumulated amortization of $1,865,665		303,658
Restricted cash		25,471
Total noncurrent assets		13,095,616
Total assets	**$**	**19,096,731**

Liabilities and Net Assets

Current Liabilities		
Accounts payable	$	2,126,632
Accrued expenses:		
Salaries, wages, and other compensation		904,565
Other		240,153
Deferred revenue		3,508,788
Deferred rent - Current portion		27,127
Total current liabilities		6,807,265
Other Liabilities - Deferred rent		837,935
Total liabilities		7,645,200
Net Assets		
Unrestricted		10,874,440
Temporarily restricted		197,845
Permanently restricted		379,246
Total net assets		11,451,531
Total liabilities and net assets	**$**	**19,096,731**

American Production and Inventory Control Society, Inc. and A.P.I.C.S. Educational and Research Foundation

Consolidated Statement of Activities and Changes in Net Assets
Year Ended December 31, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and Support				
Membership dues - Net of chapter rebates of $1,246,408	$ 4,591,036	$ -	$ -	$ 4,591,036
Courseware	6,881,113	-	-	6,881,113
Certification	7,523,741	-	-	7,523,741
Conference	1,766,077	-	-	1,766,077
Exhibit income	184,196	-	-	184,196
Publications	524,611	-	-	524,611
Program fees	1,668,969	-	-	1,668,969
Alliances	378,575	-	-	378,575
Sponsorship	54,534	-	-	54,534
Miscellaneous	120,026	-	-	120,026
Contributions	66,188	6,582	-	72,770
Total revenue and support	23,759,066	6,582	-	23,765,648
Net Assets Released from Restrictions	3,500	(3,500)	-	-
Total revenue, support, and net assets released from restrictions	23,762,566	3,082	-	23,765,648
Expenses				
Program services:				
Membership	1,002,890	-	-	1,002,890
Courseware	4,298,335	-	-	4,298,335
Certification	3,374,065	-	-	3,374,065
Conference	1,113,159	-	-	1,113,159
Publications	635,246	-	-	635,246
Program fees	1,678,759	-	-	1,678,759
Total program services	12,102,454	-	-	12,102,454
Support services - General and administrative expenses	10,632,917	-	-	10,632,917
Total expenses	22,735,371	-	-	22,735,371
Increase in Net Assets - Before changes related to acquisition and investment income	1,027,195	3,082	-	1,030,277
Contribution Received in Acquisition of A.P.I.C.S. Educational and Research Foundation	425,463	128,631	358,246	912,340
Investment Income				
Interest and dividends	414,288	17,848	-	432,136
Net realized and unrealized gains on investments	351,460	43,807	-	395,267
Increase in Net Assets	2,218,406	193,368	358,246	2,770,020
Net Assets - Beginning of year	8,656,034	4,477	21,000	8,681,511
Net Assets - End of year	**$ 10,874,440**	**$ 197,845**	**$ 379,246**	**$ 11,451,531**

See Notes to Financial Statements.

American Production and Inventory Control Society, Inc. and A.P.I.C.S. Educational and Research Foundation

Consolidated Statement of Cash Flows
Year Ended December 31, 2013

Cash Flows from Operating Activities	
Increase in net assets	$ 2,770,020
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation and amortization	772,094
Bad debt expense	24,000
Net realized and unrealized gains	(395,267)
Net fair value of assets acquired	(347,828)
Changes in operating assets and liabilities which (used) provided cash:	
Accounts receivable	(87,447)
Inventory	17,403
Prepaid expenses and deposits	(40,315)
Accounts payable and accrued expenses	577,207
Deferred revenue	1,227,753
Deferred rent	(363,514)
Net cash provided by operating activities	4,154,106
Cash Flows from Investing Activities	
Purchase of property and equipment	(284,866)
Purchases of marketable securities	(3,957,854)
Proceeds from sales and maturities of marketable securities	978,494
Net cash used in investing activities	(3,264,226)
Cash Flows from Financing Activities - Payments on capital lease obligation	(61,030)
Net Increase in Cash and Cash Equivalents	828,850
Cash and Cash Equivalents - Beginning of year	2,764,035
Cash and Cash Equivalents - End of year	**$ 3,592,885**
Supplemental Disclosure of Cash Flow Information - Cash paid for interest	**$ 1,731**

See Notes to Financial Statements.

Note 1 - Nature of Activities and Significant Accounting Policies

American Production and Inventory Control Society, Inc. (APICS) is a tax-exempt organization based in Chicago, Illinois, created to foster and maintain high standards in the field of operations management worldwide. APICS builds operations management excellence in individuals and enterprises through superior education and training, internationally recognized certifications, comprehensive resources, and a worldwide network of accomplished industry professionals.

A.P.I.C.S. Educational and Research Foundation, Inc. (APICS Foundation) seeks to shape the future of the supply chain management profession through forward-looking education and research initiatives and supporting academic relationships.

APICS and APICS Foundation are referred to collectively as the "Association."

On November 12, 2012, APICS Foundation's bylaws were amended so that APICS became its sole corporate member, effective January 1, 2013. Since APICS is deemed to have a controlling financial interest as of January 2013, APICS Foundation is required to be consolidated with APICS for 2013. The consolidation resulted in the acquisition of the following from APICS Foundation: assets of $952,291 and liabilities of $39,951. The fair value of the identified assets and liabilities exceeded liabilities by $912,340. As a result, a contribution for that amount was recorded.

Basis of Accounting - The consolidated financial statements have been prepared on the accrual basis of accounting, whereby revenue is recognized when earned and expenditures are recognized when the related liabilities are incurred and certain measurement and matching criteria are met.

Classification of Net Assets - Net assets of the Association are classified as unrestricted, temporarily restricted, or permanently restricted depending on the presence and characteristics of donor-imposed restrictions limiting the Association's ability to use or dispose of contributed assets or the economic benefits embodied in those assets.

Donor-imposed restrictions that expire with the passage of time or can be removed by meeting certain requirements result in temporarily restricted net assets. Permanently restricted net assets result from donor-imposed restrictions that limit the use of net assets in perpetuity. Earnings, gains, and losses on restricted net assets are classified as unrestricted unless specifically restricted by the donor or by applicable state law.

Note 1 - Nature of Activities and Significant Accounting Policies (Continued)

Cash Equivalents - The Association considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents, except for those amounts included in the Association's investment portfolio. The Association maintains cash and cash equivalents in bank deposit accounts which, at times, may exceed federally insured limits. The Association has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

Accounts Receivable - Receivables are carried at original invoice or closing statement amounts less estimates made for doubtful receivables. Management determines the allowance for doubtful accounts by reviewing and identifying troubled accounts on a regular basis and by using historical experience applied to an aging of accounts. Receivables are written off when deemed uncollectible and reasonable collection efforts have been used. Recoveries of receivables previously written off are recorded when received.

Marketable Securities - Unrealized gains and losses are included in the consolidated statement of activities and changes in net assets as increases or decreases in net assets. Realized gains and losses resulting from the sales of marketable securities are reported as of the trade date and are included in the consolidated statement of activities and changes in net assets as increases or decreases in net assets.

The Association's investments are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to these risk factors, it is reasonably possible that changes in the value of investments will occur in the near future and will materially affect the amount reported in the consolidated financial statements.

Inventory - Inventory, which consists of publications and certification material held for resale, is stated at the lower of cost or market, by use of the first-in, first-out (FIFO) method of valuation. Costs for publications and certification material include the direct cost of purchase, printing, and reproduction.

Product Development Costs - Costs incurred for the development of courseware products, which the Association expects will be sold in the future, are amortized over the economic life of the courseware products, which averages approximately three years. Internal costs are expensed as incurred. Amortization expense totaled $263,548 for the year ended December 31, 2013.

Note 1 - Nature of Activities and Significant Accounting Policies (Continued)

Property and Equipment - Property and equipment are recorded at cost when purchased and are being depreciated on a straight-line basis over their estimated useful lives. Costs of maintenance and repairs are charged to expense when incurred. Management's policy is to capitalize items with a cost exceeding $500.

Income Taxes - The Association is comprised of the following organizations that are exempt from income taxes under the following sections of the Internal Revenue Code:

- APICS - Section 501(c)(6)
- APICS Foundation - Section 501(c)(3)

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Association and recognize a tax liability if the Association has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS or other applicable taxing authorities. Management has analyzed the tax positions taken by the Association and has concluded that as of December 31, 2013, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. The Association is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes it is no longer subject to income tax examinations for years prior to 2010. Accordingly, no provision for federal income taxes is included in the consolidated statement of activities and changes in net assets, as the Association had no significant taxable unrelated business income.

Deferred Rent - The Association's ground lease includes escalated rent payments through January 2024. Rent expense is recognized ratably over the lease term. The cumulative amount by which rent expense recognized exceeds rent paid is included as deferred rent in the consolidated statement of financial position.

Use of Estimates - The preparation of 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 and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue, expenses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Note 1 - Nature of Activities and Significant Accounting Policies (Continued)

Revenue Recognition and Deferred Revenue - The Association derives its revenue primarily from membership dues, sales of books and materials, certification, and conferences. Conference revenue is comprised primarily of registration, sponsorships, and exhibit fees.

Membership dues revenue is recognized ratably over the respective membership periods. Revenue from the sales of books and materials is recognized upon shipment. Certification revenue is recognized when the certification exams take place. Conference registration revenue and booth space exhibit revenue are recognized when the conference takes place.

Contributions of cash and other assets, including unconditional promises to give in the future, are reported as revenue when received, measured at fair value. Donor promises to give in the future are recorded at the present value of estimated cash future cash flow. Donor-restricted contributions and promises are reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the contribution is recognized. All other donor-restricted contributions are reported as an increase in temporarily restricted or permanently restricted net assets, as appropriate. When a restriction expires, the temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities and changes in net assets as net assets released from restriction.

Functional Allocation of Expenses - The costs of providing the program and support services have been reported on a functional basis in the consolidated statement of activities and changes in net assets. Indirect costs have been allocated between the various programs and support services based on estimates, as determined by management. Although the methods of allocation used are considered reasonable, other methods could be used that would produce a different amount.

Subsequent Events - The consolidated financial statements and related disclosures include evaluation of events up through and including May 7, 2014, which is the date the consolidated financial statements were available to be issued.

Note 2 - Cash and Cash Equivalents

Cash and cash equivalents consist of the following at December 31, 2013:

Cash	$ 2,531,827
Eurodollars	1,061,058
Total	$ 3,592,885

Note 3 - Fair Value Measurements

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

In general, fair values determined by Level 1 inputs use quoted prices in active markets for identical assets that the Association has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets in active markets, and other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset. These Level 3 fair value measurements are based primarily on management's own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset. The Association does not utilize any Level 3 inputs.

In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Association's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

The following tables present information about the Association's assets measured at fair value on a recurring basis at December 31, 2013 and the valuation techniques used by the Association to determine those fair values.

Assets Measured at Fair Value on a Recurring Basis at December 31, 2013

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2013
Mutual funds:				
Fixed income	$ 667,761	$ -	$ -	$ 667,761
Equities	9,645,779	-	-	9,645,779
Commodities	240,970	-	-	240,970
Total investments	$ 10,554,510	$ -	$ -	$ 10,554,510

Not included in the above table is $192,386 in money market funds held in brokerage accounts as of December 31, 2013.

Note 4 - Property and Equipment

Property and equipment are summarized as follows:

	Amount	Depreciable Life - Years
Furniture and equipment	$ 2,893,015	3-10
Leasehold improvements - Cost	2,886,277	10
Total cost	5,779,292	
Accumulated depreciation	3,759,701	
Net property and equipment	$ 2,019,591	

Furniture and equipment includes assets under capital lease with a cost basis of $770,894 as of December 31, 2013. Accumulated amortization related to this equipment totaled $440,095 as of December 31, 2013. Amortization expense for 2013 was $77,089.

Note 5 - Net Assets

Temporarily restricted net assets consist of purpose-restricted funds to be used for awards and scholarships. As of December 31, 2013, the balance in temporarily restricted net assets is $197,845.

Permanently restricted net assets consist of four endowment funds established to support the awards and scholarships programs. The awards and scholarships are to be funded from the earnings on the initial contributions, with the principal remaining intact. As of December 31, 2013, the balance in permanently restricted net assets is $379,246.

Note 6 - Donor-restricted and Board-designated Endowments

The Association's endowment includes four individual donor-restricted endowment funds. Net assets associated with endowment funds, including funds designated by the board of trustees to function as endowment, are classified and reported based on the existence or absence of donor-imposed restrictions. There are no board-designated endowment funds.

Note 6 - Donor-restricted and Board-designated Endowments (Continued)

Interpretation of Relevant Law

The board of directors of the Association has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Association classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Association in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Association considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

(1) The duration and preservation of the fund
(2) The purposes of the Association and the donor-restricted endowment fund
(3) General economic conditions
(4) The possible effect of inflation and deflation
(5) The expected total return from income and the appreciation of investments
(6) Other resources of the Association
(7) The investment policies of the Association

Endowment Net Asset Composition by Type of Fund as of December 31, 2013

	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ 92,165	$ 379,246	$ 471,411

Note 6 - Donor-restricted and Board-designated Endowments (Continued)

Changes in Endowment Net Assets for the Fiscal Year Ended December 31, 2013

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets - Beginning of year	$ 4,477	$ 21,000	$ 25,477
Investment return:			
Investment income	17,848	-	17,848
Net appreciation (realized and unrealized)	43,807	-	43,807
Total investment return	61,655	-	61,655
Contributions	29,533	358,246	387,779
Appropriation of endowment assets for expenditure	(3,500)	-	(3,500)
Endowment net assets - End of year	$ 92,165	$ 379,246	$ 471,411

Return Objectives and Risk Parameters

The Association has adopted investment policies for endowment assets that attempt 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 designed to preserve the principal amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of return objectives, the Association relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

Spending Policy and How the Investment Objectives Relate to Spending Policy

Each year the board of directors approves the amount to be appropriated, taking into consideration the long-term expected return on its endowment.

Note 6 - Donor-restricted and Board-designated Endowments (Continued)

Fund with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Association to retain as a fund of perpetual duration. There were no such deficiencies as of December 31, 2013.

Note 7 - Employee Benefit Plans

The Association offers a 401(k) plan covering all eligible employees. The plan provides for the elective deferral of up to 19 percent of covered employees' salaries. For employees who have completed six months of employment, the Association provides a dollar-for-dollar match on elective employee deferrals of up to 6 percent of total eligible compensation. Employer contributions to the plan for the year ended December 31, 2013 were $255,854.

The Association has had employment agreements with its current CEO since May 22, 2006. The current agreement includes a severance provision that will be effective if certain conditions are met.

Effective December 1, 2011, the Association adopted 457(b) and 457(f) deferred compensation plans. For the 457(b) plan, the participants are eligible to make salary reduction contributions and the Association provides a dollar-for-dollar match under Code Section 457(b). The amounts will be maintained on the Association's books in a designated account and will remain the sole property of the Association and be available to satisfy the claims of all general creditors of the Association. The participants have a fully vested interest in salary reduction and employer-matching contributions

For the 457(f) plan, an annual discretionary contribution is made on the CEO's behalf under Code Section 457(f). The amount is maintained on the Association's books in a designated account and will remain the sole property of the Association and is available to satisfy the claims of all general creditors of the Association. The CEO shall have a fully vested, nonforfeitable interest in his deferred compensation if the Association dissolves or if he (1) dies, (2) becomes disabled, or (3) is terminated from employment for reasons other than for cause.

Note 7 - Employee Benefit Plans (Continued)

As of December 31, 2013, the assets and corresponding liabilities of the 457(b) and 457(f) plans in the amount of $234,604 and $271,999, respectively, are recorded in investments and in accrued expenses in the consolidated statement of financial position. Contributions under the 457(b) plan for the year ended December 31, 2013 are $8,750. Discretionary contributions under the 457(f) plan for the years ended December 31, 2013 and 2012 were $36,666. Contributions in the amount of $36,666 have been accrued as of December 31, 2013.

Note 8 - Operating Lease Commitments

The Association is obligated under an operating lease for the rental of its Chicago office until January 31, 2024. Minimum rent is recognized over the terms of the lease using the straight-line method. As part of the lease agreement, the landlord reimbursed the Association for the cost of certain leasehold improvements totaling $1,453,760. Accordingly, the Association deferred the reimbursement amounts as lease incentive and will recognize the reimbursements as reductions in rent expense over the life of the lease. Total rent expense for the leased office space was $476,676 for the year ended December 31, 2013. As part of the Chicago lease, the Association is obligated to pay 5.38 percent of common building operating expenses. For the year ended December 31, 2013, common building operating expenses were $247,189. Minimum future lease payments under the above operating leases in effect as of December 31, 2013 are as follows:

Years Ending December 31		Amount
2014		$ 503,802
2015		516,720
2016		529,638
2017		542,556
2018		555,474
Later years		3,023,350
	Total	$ 5,671,540