OlsenThielen & Co., Ltd.
CPAS AND ADVISORS

American Association of Woodturners

Financial Statements
Together with
Independent Auditors' Report

December 31, 2025

AMERICAN ASSOCIATION OF WOODTURNERS

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OlsenThielen & Co., Ltd.
CPAS AND ADVISORS

INDEPENDENT AUDITORS' REPORT

Board of Directors
American Association of Woodturners
St. Paul, Minnesota

Opinion

We have audited the accompanying financial statements of American Association of Woodturners (a nonprofit organization), which comprise the statement of financial position as of December 31, 2025 and 2024, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of American Association of Woodturners as of December 31, 2025 and 2024, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of American Association of Woodturners and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about American Association of Woodturners' ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and is therefore not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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 American Association of Woodturners' internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about American Association of Woodturners' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Olsen Thielen & Co, Ltd.

Roseville, Minnesota
June 2, 2026

AMERICAN ASSOCIATION OF WOODTURNERS

STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2025 AND 2024

ASSETS

	2025	2024
CURRENT ASSETS:		
Cash	**$ 146,360**	$ 444,056
Accounts Receivable	**45,168**	100,575
Inventories	**34,071**	34,071
Prepaid Expenses	**61,097**	104,342
Total Current Assets	**286,696**	683,044
INVESTMENTS	**1,635,317**	1,449,920
ART COLLECTION:		
Kaplan Art Collection	**235,000**	235,000
AAW Collection	**213,690**	213,690
Total Art Collection	**448,690**	448,690
PROPERTY AND EQUIPMENT:		
Computer Software/Website	**79,999**	79,999
Furniture and Equipment	**205,244**	202,855
Less Accumulated Depreciation	**282,712**	281,719
Net Property and Equipment	**2,531**	1,135
TOTAL ASSETS	**$ 2,373,234**	$ 2,582,789

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:		
Accounts Payable	**$ 33,973**	$ 80,324
Accrued Expenses	**64,656**	62,996
Deferred Revenue - Membership Dues	**382,839**	399,574
Deferred Revenue - Symposium	**29,888**	78,084
Total Current Liabilities	**511,356**	620,978
DEFERRED REVENUE - MEMBERSHIP DUES	**51,433**	136,312
NET ASSETS:		
Net Assets without Donor Restrictions	**1,247,489**	1,347,156
Net Assets with Donor Restrictions	**562,956**	478,343
Total Net Assets	**1,810,445**	1,825,499
TOTAL LIABILITIES AND NET ASSETS	**$ 2,373,234**	$ 2,582,789

The accompanying notes are an integral part of the financial statements.

AMERICAN ASSOCIATION OF WOODTURNERS

STATEMENT OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2025 AND 2024

	2025			2024		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUES:						
Membership Dues	**$ 769,973**	**$ –**	**$ 769,973**	$ 792,644	$ –	$ 792,644
Symposium	**644,934**	**–**	**644,934**	764,562	–	764,562
Publications and Products	**202,784**	**800**	**203,584**	252,877	1,378	254,255
Contributions	**24,013**	**139,707**	**163,720**	105,293	7,050	112,343
Other	**32,208**	**–**	**32,208**	26,771	–	26,771
Investment Income	**177,118**	**22,277**	**199,395**	130,000	39,773	169,773
Net Assets Released from Restrictions	**78,171**	**(78,171)**	**–**	64,081	(64,081)	–
Total Support and Revenues	**1,929,201**	**84,613**	**2,013,814**	2,136,228	(15,880)	2,120,348
EXPENSES:						
Program Services:						
Symposium	**680,323**	**–**	**680,323**	589,921	–	589,921
Publications and Products	**607,370**	**–**	**607,370**	493,768	–	493,768
Gallery and Exhibition	**41,055**	**–**	**41,055**	65,218	–	65,218
Scholarships	**6,824**	**–**	**6,824**	17,500	–	17,500
Professional Outreach Program	**68,634**	**–**	**68,634**	47,003	–	47,003
Other Programs	**57,000**	**–**	**57,000**	116,105	–	116,105
Total Program Services	**1,461,206**	**–**	**1,461,206**	1,329,515	–	1,329,515
Support Services:						
Management and General	**486,341**	**–**	**486,341**	407,763	–	407,763
Member Development	**81,321**	**–**	**81,321**	256,828	–	256,828
Total Support Services	**567,662**	**–**	**567,662**	664,591	–	664,591
Total Expenses	**2,028,868**	**–**	**2,028,868**	1,994,106	–	1,994,106
CHANGE IN NET ASSETS	**(99,667)**	**84,613**	**(15,054)**	142,122	(15,880)	126,242
NET ASSETS, Beginning of Year, as Restated	**1,347,156**	**478,343**	**1,825,499**	1,205,034	494,223	1,699,257
NET ASSETS, End of Year	**$ 1,247,489**	**$ 562,956**	**$ 1,810,445**	$ 1,347,156	$ 478,343	$ 1,825,499

The accompanying notes are an integral part of the financial statements.

AMERICAN ASSOCIATION OF WOODTURNERS

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2025

	2025 Program Services							2025 Support Services			
	Symposium	Publication and Products	Gallery and Exhibition	Scholar-ships	Professional Outreach	Other Programs	Total Program	Management and General	Member Develop-ment	Total Support	Total Expenses
Professional Fees	$ 169,456	$ 256,468	$ –	$ –	$ 3,958	$ 1,609	$ 431,491	$ 140,622	$ 573	$ 141,195	$ 572,686
Salaries, Taxes and Benefits	125,080	101,049	13,828	–	9,966	24,618	274,541	96,974	54,455	151,429	425,970
Outside Printing	15,588	133,248	–	–	2,197	–	151,033	–	–	–	151,033
Rent	128,145	–	–	–	4,375	–	132,520	–	–	–	132,520
Travel	93,742	42	43	–	4	5,954	99,785	10,752	23	10,775	110,560
Supplies	19,396	1,530	1,235	–	152	5,877	28,190	69,448	833	70,281	98,471
Postage	3,536	58,936	652	–	13	608	63,745	1,922	3,217	5,139	68,884
Artist Payments	37,608	–	–	–	40,999	1,411	80,018	–	–	–	80,018
Bank Charges	13,031	10,240	1,368	–	2,044	4,111	30,794	42,321	4,679	47,000	77,794
Insurance	3,731	–	–	–	–	–	3,731	71,729	–	71,729	75,460
Cost of Goods Sold	32,329	13,410	–	–	6	8,139	53,884	577	33	610	54,494
Advertising	24,634	24,073	–	–	–	242	48,949	–	–	–	48,949
Occupancy	5,594	4,471	23,355	–	446	1,101	34,967	10,014	2,436	12,450	47,417
Miscellaneous	1,548	920	162	–	–	596	3,226	31,752	–	31,752	34,978
In Kind	–	–	–	–	–	–	–	–	12,222	12,222	12,222
Telephone	2,364	1,890	261	–	188	465	5,168	3,906	1,030	4,936	10,104
Computer Expenses	1,368	1,093	151	–	109	2,269	4,990	3,871	595	4,466	9,456
Grants	–	–	–	6,824	–	–	6,824	–	750	750	7,574
Awards	3,173	–	–	–	4,177	–	7,350	–	–	–	7,350
Dues and Subscriptions	–	–	–	–	–	–	–	1,460	475	1,935	1,935
Depreciation	–	–	–	–	–	–	–	993	–	993	993
Total Expenses	$ 680,323	$ 607,370	$ 41,055	$ 6,824	$ 68,634	$ 57,000	$ 1,461,206	$ 486,341	$ 81,321	$ 567,662	$ 2,028,868

The accompanying notes are an integral part of the financial statements.

AMERICAN ASSOCIATION OF WOODTURNERS

STATEMENT OF FUNCTIONAL EXPENSES (Continued)
YEAR ENDED DECEMBER 31, 2024

	2024 Program Services							2024 Support Services			
	Symposium	Publication and Products	Gallery and Exhibition	Scholar-ships	Professional Outreach	Other Programs	Total Program	Management and General	Member Develop-ment	Total Support	Total Expenses
Professional Fees	$ 182,127	$ 250,610	$ 5,151	$ –	$ 479	$ 5,744	$ 444,111	$ 60,861	$ 21,062	$ 81,923	$ 526,034
Salaries, Taxes and Benefits	58,357	16,674	29,179	–	4,168	50,021	158,399	77,644	183,408	261,052	419,451
Outside Printing	23,640	123,723	5	–	3,037	–	150,405	–	–	–	150,405
Travel	64,524	4,188	36	–	433	2,816	71,997	45,247	226	45,473	117,470
Rent	110,076	–	–	–	–	–	110,076	–	–	–	110,076
Supplies	31,554	582	987	–	113	2,918	36,154	61,619	5,056	66,675	102,829
Artist Payments	30,685	–	–	–	31,258	20,038	81,981	–	–	–	81,981
Postage	6,691	62,403	381	–	35	550	70,060	7,396	3,893	11,289	81,349
Bank Charges	2,771	792	1,386	–	198	2,376	7,523	58,271	8,710	66,981	74,504
Insurance	3,740	10	17	–	2	29	3,798	63,478	105	63,583	67,381
Cost of Goods Sold	43,455	2	68	–	–	19,921	63,446	149	20	169	63,615
Advertising	25,384	31,751	33	–	5	56	57,229	84	404	488	57,717
Occupancy	3,184	910	26,267	–	227	2,729	33,317	4,094	10,007	14,101	47,418
Grants	–	–	–	17,500	–	6,350	23,850	–	–	–	23,850
Miscellaneous	2,207	1,901	1,104	–	858	1,892	7,962	3,639	10,770	14,409	22,371
Depreciation	–	–	–	–	–	–	–	14,576	–	14,576	14,576
In Kind	–	–	–	–	–	–	–	–	10,728	10,728	10,728
Telephone	773	221	386	–	55	662	2,097	6,080	2,428	8,508	10,605
Awards	–	–	–	–	5,009	–	5,009	–	–	–	5,009
Computer Expenses	753	1	218	–	–	3	975	3,605	11	3,616	4,591
Dues and Subscriptions	–	–	–	–	1,126	–	1,126	1,020	–	1,020	2,146
Total Expenses	$ 589,921	$ 493,768	$ 65,218	$ 17,500	$ 47,003	$ 116,105	$ 1,329,515	$ 407,763	$ 256,828	$ 664,591	$ 1,994,106

The accompanying notes are an integral part of the financial statements.

AMERICAN ASSOCIATION OF WOODTURNERS

STATEMENT OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2025 AND 2024

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	**$ (15,054)**	$ 126,242
Adjustments to Reconcile Change in Net Assets to Net Cash Flows From Operating Activities:		
Depreciation	**993**	14,576
Realized and Unrealized Investment Gains	**(103,956)**	(143,432)
Changes in Assets and Liabilities:		
Accounts Receivable	**55,407**	(51,905)
Inventories	**–**	(8,345)
Prepaid Expenses	**43,245**	(58,006)
Accounts Payable	**(46,351)**	75,075
Accrued Expenses	**1,660**	10,467
Deferred Revenue - Membership Dues	**(101,614)**	(21,176)
Deferred Revenue - Symposium	**(48,196)**	(80,962)
Net Cash Flows From Operating Activities	**(213,866)**	(137,466)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from Sale of Investments	**14,772**	149,772
Purchases of Investments	**(63,150)**	(84,866)
Reinvested Interest and Dividend Income	**(33,063)**	(78,535)
Purchases of Property and Equipment	**(2,389)**	(980)
Net Cash Flows From Investing Activities	**(83,830)**	(14,609)
NET CHANGE IN CASH	**(297,696)**	(152,075)
CASH at Beginning of Year	**444,056**	596,131
CASH at End of Year	**$ 146,360**	$ 444,056

The accompanying notes are an integral part of the financial statements.

AMERICAN ASSOCIATION OF WOODTURNERS

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - NATURE OF ASSOCIATION AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

American Association of Woodturners (the Association) is a non-profit corporation organized under the laws of the State of Minnesota. The Association was founded in 1986, and their mission is to provide education, information, and organization to those interested in turning wood. The Association's revenue is derived primarily from membership dues, symposium registrations, and revenue associated with videos, publications, and merchandise sales.

Basis of Presentation

The accompanying financial statements have been prepared using the accrual basis of accounting in accordance with generally accepted accounting principles. Revenues, expenses, gains and losses, and net assets are classified based on the existence or absence of donor imposed restrictions. Accordingly, net assets of the Association and related changes are classified and reported as follows:

Net Assets without Donor Restrictions - Net assets without donor restrictions are resources available to support operations which the Board of Directors has discretionary control.

Net Assets with Donor Restrictions - Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature; the Association must continue to use the resources in accordance with the donor's instructions.

Accounting Estimates

The presentation 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

In preparing these financial statements, the Association has evaluated for recognition or disclosure the events or transactions that occurred through June 2, 2026, the date the financial statements were available to be issued.

Accounts Receivable and Credit Losses

Receivables are reported at net realizable value. The Association monitors outstanding balances and periodically writes off balances that are determined to be uncollectible.

NOTE 1 - NATURE OF ASSOCIATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable and Credit Losses (Continued)

The Association recognizes an allowance for expected credit losses on trade receivables. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the financial instrument. The expected credit losses on trade receivables are estimated based on historical credit loss experience, aging analysis, and management's assessment of current conditions and reasonable and supportable expectations of future conditions. The Association assesses collectability by pooling receivables where similar characteristics exist and evaluate receivables individually when specific customer balances no longer share those risk characteristics and are considered at risk or uncollectible. Accounts receivable balances are charged off against the allowance for credit losses after recovery efforts have ceased. The Association has not established an allowance for credit losses at December 31, 2025 and 2024.

Inventories

Inventories are stated at the lower of cost or net realizable value. Cost is determined using the first-in, first-out method (FIFO) for apparel and average cost method over the anticipated production for videos and printed materials. Net realizable value is the estimated selling price in the ordinary course of business.

AAW Collection and Kaplan Art Collection

Art collection items in the wood turned art collection are stated at cost, if purchased, or, at appraised or fair market value at the date of the donation. Gains and losses from disposal of collection items are reported as changes in net assets based on the existence or absence and nature of donor-imposed restrictions.

Property and Depreciation

Property and equipment are recorded at original cost. Additions, improvements, or major renewals are capitalized. If items of property are sold, retired, or otherwise disposed of, they are removed from the asset and accumulated depreciation accounts and any gains or losses thereon are reflected in operations. Donated property and equipment are carried at the approximate fair value at the date of donation.

Depreciation is computed using the straight-line method at rates based on the estimated service lives of the various assets as follows:

Computer Software/Website	3 Years
Furniture and Equipment	5-10 Years

Investments

Investment securities are stated at fair value, which is determined by quoted market prices in active markets. Realized and unrealized gains and losses are included in the statement of activities. Realized gains and losses are determined using the specific identification method. Interest and dividend income are reported as income when earned.

NOTE 1 - NATURE OF ASSOCIATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

Membership Dues

The Association offers various classes of membership which provide the members with a package of benefits based on the class of membership they purchase. Currently the Association offers Business Premium, Digital and Individual and Family memberships. In general, membership in the Association provides the member with access to the member's only content on their website, Networking opportunities, hard copy of their journal and access to the Symposium. The member dues revenue is reported at the amount that reflects the consideration to which the Association expects to be entitled in exchange for providing the member access to the requisite member benefits. The Association's membership dues are annually, and the period is one year from when they join. Members do register anywhere from one to four years in advance, and the advanced payments are recorded as a contract liability (deferred revenue) until earned. These revenues are recognized over a period of time which corresponds with the membership year. The Association recognizes revenue when payment is received and generally requires no collateral.

Symposium

The Association hosts an annual Symposium/conferences and meetings for turners from around the globe to learn, share, and celebrate the art and craft of woodturning. Registration fees for these events are billed to the participant at the time of registration. The event revenue is reported at the amount that reflects the consideration to which the Association expects to be entitled in exchange for providing the registrant with access to the event and event materials. Revenue from these events is recognized at the point in time the event is held and the Association's performance obligation to hold the event is completed. Registration for individuals and exhibitors for the Association's events open months before the events are scheduled to be held. Cash receipts for registrations and exhibitors collected in advance of the Symposium and meetings are deferred as contract liabilities until earned when the event is held at which point the revenue is recognized.

Publications

The Association produces a bi-monthly (6 x per year) journal, quarterly digital publication and weekly e-Newsletters for its members. The Association primarily derives revenue from the sale of advertising space in their publication. They also sell these publications to non-members for $8.95 an issue. The publication revenue is reported at the amount that reflects the consideration to which the Association expects to be entitled in exchange for providing advertising space in the Association's publication. This revenue is recognized at the point in time each issue is published. At times, the Association will provide a discount for an annual advertising package. It these cases, the receipts are reflected as contract liabilities and amortized into revenue as the requisite publications are published. Products are gift shop sales etc.

As a practical expedient, the Association groups similar contracts or similar performance obligations together into portfolios of contracts if doing so does not result in a significant difference from applying this accounting standard to the individual contracts.

NOTE 1 - NATURE OF ASSOCIATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

The Association's revenues disaggregated by the timing of such revenue recognized during the years ended December 31, 2025 and 2024 are as follows:

	2025	2024
Point in Time	**$ 880,726**	$ 1,045,588
Over Time	**769,973**	792,644
Revenue Not Subject to ASC 606	**163,720**	112,343
Ending Balance	**$ 1,814,419**	$ 1,950,575

Contract assets include deposits made and expenses incurred for future events, Symposium and meetings. Prepayments for the upcoming events are included in prepaid expenses on the statement of financial position.

Contract liabilities include deferred revenues related to advanced payments for membership dues and symposiums. These deposits are deferred until the performance obligation is completed.

The Association's receivables, contract assets and contract liabilities from contracts with customers are as follows:

	2025	2024
Accounts Receivable - Beginning	**$ 100,575**	$ 48,670
Accounts Receivable - Ending	**45,168**	100,575
Contract Assets - Beginning	**$ 105,324**	$ 49,131
Contract Assets - Ending	**61,092**	105,324
Contract Liabilities - Beginning	**$ 613,970**	$ 716,108
Contract Liabilities - Ending	**464,160**	613,970

Contributions and Grant Revenue

Contributions are not subject to ASC 606. Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. Conditional promises to give are not recognized until they become unconditional. The Association reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the assets, or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Donor-imposed contributions are reported as net assets with donor restrictions, even if it is anticipated such restrictions will be met in the current reporting period.

Functional Allocation of Expenses

The costs of providing various programs and services are summarized on a functional basis on the statement of activities. Accordingly, certain costs were allocated among the programs or services benefited based on best estimates by management.

NOTE 1 - NATURE OF ASSOCIATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Allocation of Expenses (Continued)

The Association allocates its expenses on a functional basis among its various programs and support services. Expenses that can be identified with a specific program are allocated directly according to their natural expenditure classification. General and administrative functions that are common to several functions are allocated based on the proportion of each program's direct and personnel expenses to the total program direct and personnel expenses.

Income Taxes

The Association is exempt from Federal and State income taxes under Section 501(c)(3) of the Internal Revenue Code, therefore, the statements do not include a provision for income taxes, but the Association is subject to income taxes on net unrelated business income. The Association generates unrelated business income from its publication. There was tax liability of $0 for 2025 and 2024. Payment for income taxes were made for $0 in 2025 and $141 in 2024.

The Association reviews income tax positions taken or expected to be taken in income tax returns to determine if there are any income tax uncertainties. This includes positions that the entity is exempt from income taxes or not subject to income taxes on unrelated business income. The Association recognizes tax benefits from uncertain tax positions only if it is more likely than not that the tax positions will be sustained on examination by taxing authorities, based on the technical merits of the positions. The Association has identified no income tax uncertainties.

Advertising

Advertising costs are expensed as incurred. Total advertising expenses were $48,949 and $57,717 for 2025 and 2024.

Credit Risk

Financial instruments which potentially subject the Association to concentrations of credit risk consist principally of cash. The Association places its cash with high credit quality financial institutions and, by policy, generally limits the amount of credit exposure to any one financial institution. As of December 31, 2025, the Association had no significant concentrations of credit risk.

Fair Value Measurements

Under generally accepted accounting principles 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. The accounting standards establish a three-level fair value hierarchy that prioritizes information used in developing assumptions when pricing an asset or liability as follows:

Level 1 - Observable inputs such as quoted prices in active markets;

Level 2 - Inputs, other than quoted prices in active markets, that are observable either directly or indirectly; and,

Level 3 - Unobservable inputs where there is little or no market data, which requires the reporting entity to develop its own assumptions.

NOTE 1 - NATURE OF ASSOCIATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements (Continued)

The Association uses observable market data, when available, in making fair value measurements. Fair value measurements are classified according to the lowest level input that is significant to the valuation.

The Association holds certain assets that are required to be measured at fair value on a recurring basis. The fair value of the Associations investment securities were determined based on Level 1 inputs as presented in Note 3.

Endowments

The Association follows the provisions of the Uniform Prudent Management of Institutional Funds Act (UPMIFA). This provides guidance on the classification of endowment net assets and enhances disclosure for endowment funds. Under UPMIFA all unappropriated endowment funds are considered restricted.

NOTE 2 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Association maintains and manages adequate operating reserves per policies set by the board of directors. The Finance Committee reviews and recommends reserve policies to the board of directors for approval.

The Association has established a goal for maintaining an operating reserve of 90 days of budgeted operating expenses, less noncash items such as depreciation. The reserve consists of cash and cash equivalents and assets with donor restrictions that will likely be released within 90 days.

The Association has a goal to maintain financial assets, which consist of cash and short-term investments, on hand to meet 90 days of normal operating expenses, which are, on average, approximately $450,000. The Association structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, as part of its liquidity management the Association invests cash in excess of daily requirements in various short-term investments, including certificates of deposit.

The Association’s endowment funds consist of donor-restricted endowments. Income from donor-restricted endowments is restricted for specific purposes and, therefore, is not available for general expenditure.

The Association’s cash flows and general expenditures have seasonal variations due to the annual cash receipts for memberships and receipts for attendance at its annual symposium and a concentration of contributions received near year-end.

NOTE 2 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS (Continued)

Financial assets available for general expenditure, without donor or other restrictions limiting their use, within one year of December 31, 2025 and 2024 are as follows:

	2025	2024
Financial Assets:		
Cash	**$ 146,360**	$ 444,056
Accounts Receivable, Net	**45,168**	100,575
Inventories	**34,071**	34,071
Endowment and Long-Term Investments	**1,635,317**	1,449,920
Total Financial Assets	**1,860,916**	2,028,622
Less Financial Assets Held to Meet Donor Restrictions:		
Purpose Restricted-Net Assets	**562,956**	478,343
Total Financial Assets Available for General Expenditure Within One Year	**$ 1,297,960**	$ 1,550,279

NOTE 3 - INVESTMENTS

Investments at December 31, 2025 and 2024 consisted of the following:

	2025		2024	
	Cost	**Market**	Cost	Market
Mutual Funds:				
Equity Funds	**$ 1,212,746**	**$ 1,635,317**	$ 1,179,500	$ 1,449,920
Total	**$ 1,212,746**	**$ 1,635,317**	$ 1,179,500	$ 1,449,920

The following tables, as of December 31, 2025 and 2024, provide information by level for assets that are measured at fair value, on a recurring basis.

Description	Total	Quoted Prices for Identical Assets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
2025				
Equity Funds	**$ 1,635,317**	**$ 1,635,317**	**$ –**	**$ –**
Totals	**$ 1,635,317**	**$ 1,635,317**	**$ –**	**$ –**
2024				
Equity Funds	$ 1,449,920	$ 1,449,920	$ –	$ –
Totals	$ 1,449,920	$ 1,449,920	$ –	$ –

NOTE 3 - INVESTMENTS (Continued)

The fair value of the Association's mutual funds and money market are determined by reference to quoted market prices and other relevant information generated by market transactions. These investments are classified within Level 1 of the valuation hierarchy.

The fair value of the Association's Certificates of Deposit were determined based on Level 2 inputs and are estimated as the present value of expected future cash inflows, taking into account (1) the type of security, its term, and any underlying collateral, (2) the seniority level of the debt security, and (3) quotes received from brokers and pricing services. In applying the valuation model, significant inputs including probability of default for debt securities, the estimated prepayment rate, and the projected yield based on estimated future market rates for similar securities.

Net investment income for the years ended December 31, 2025 and 2024 consisted of the following:

	2025	2024
Interest and Dividend Income	**$ 95,439**	$ 26,341
Realized and Unrealized Gains	**103,956**	143,432
Total Investment Income	**$ 199,395**	$ 169,773

The Association holds investments in a variety of investment funds. In general, their investments are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investments, it is reasonably possible that those changes in the value of the investments will occur in the near term and that such changes could be material to the amounts reported in the statement of financial position.

NOTE 4 - ENDOWMENTS

The purpose of the endowment funds is to ensure financial stability by providing a steady stream of investment income which is available for restricted and unrestricted purposes. The Association's endowments consist of a donor-restricted endowment fund. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of American Association of Woodturners has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the prudent expenditure of donor-restricted endowment funds. Unless stated otherwise in the gift instrument, the assets in an endowment fund are donor-restricted assets until appropriated for expenditure by the Association. In making a determination to appropriate, an organization shall act in good faith with the care that a prudent person would exercise. As a result of this interpretation, the Association classifies as net assets with donor restrictions (perpetual endowments) (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the perpetual endowment, and (c) accumulations to the perpetual 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 as perpetual endowments is classified as term endowments until those amounts are appropriated for expenditure by the Association in a manner consistent with the standard of prudence prescribed by UPMIFA.

NOTE 4 - ENDOWMENTS (Continued)

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 purpose 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.

The Association has adopted an investment policy and philosophy that concentrates on maximizing total return within reasonable risk parameters. This is accomplished through a strategic plan that strives to maintain and grow the investment corpus and provide annual earnings to support the Association's mission. Under this policy, as approved by the board of directors, the endowment assets are invested in a manner that is intended to produce results that preserve the inflation-adjusted value of the fund and maximize total return. The Association targets a diversified asset allocation that places an emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

The Association considers an endowment fund to be underwater if the fair value of the fund is less than the sum of (1) the original value of initial and subsequent gifts donated to the fund and (2) any accumulations to the fund that are required to be maintained in perpetuity in accordance with applicable donor gift instrument. The Association has interpreted UPMIFA to permit spending from underwater funds in accordance with prudent measures required under the law. There are no funds currently underwater.

The management of the investment strategy is delegated to an endowment committee of three members who are designated by the board of directors. The endowment committee periodically reviews the investments and recommends the amount to be distributed from endowment assets for the next fiscal year. The Association has a target drawdown guideline of 5% of the fund's net assets per year.

NOTE 4 - ENDOWMENTS (Continued)

Changes in endowment net assets for the years ended December 31, 2025 and 2024 were as follows:

	With Donor Restrictions		
	Term	Perpetual	Total
Endowment Net Assets December 31, 2023	$ 97,923	$ 181,492	$ 279,415
Contribution	7,050	–	7,050
Investment Gain Dividends and Interest, Net of Fees	39,773	–	39,773
Appropriation of Endowment Assets for Expenditure	(25,015)	–	(25,015)
Endowment Net Assets December 31, 2024	119,731	181,492	301,223
Contribution	**14,650**	**–**	**14,650**
Investment Gain Dividends and Interest, Net of Fees	**22,277**	**–**	**22,277**
Appropriation of Endowment Assets for Expenditure	**(7,574)**	**–**	**(7,574)**
Endowment Net Assets December 31, 2025	**$ 149,084**	**$ 181,492**	**$ 330,576**

NOTE 5 - NET ASSETS

Net assets with donor restrictions consist of the following at December 31, 2025 and 2024:

	2025	2024
Perpetual Restrictions:		
Memorial Fund Endowment	**$ 127,403**	$ 127,403
Osolnik Fund Endowment	**54,089**	54,089
Total Perpetual Restrictions	**181,492**	181,492
Purpose Restrictions:		
Education Programs	**209,884**	119,731
Educational Opportunity Grants	**52,242**	66,000
Professional Outreach Program	**105,617**	98,099
Women in Turning	**13,721**	13,021
Total Purpose Restrictions	**381,464**	296,851
Total Net Assets with Donor Restrictions	**$ 562,956**	$ 478,343

Net assets with donor restrictions released from restrictions were $78,171 and $64,081 in December 31, 2025 and 2024. Net assets with donor restrictions were released from restriction due to the satisfaction of program restrictions.

NOTE 6 - LEASE COMMITMENTS

The Association leases office space under a noncancelable lease expiring in December 2025 that has a 24-month term and does fall under FASB ASC 842, *Leases*. However, because the Association does not plan to renew the lease upon expiration in 2025, the lease will not be recorded as a Right-of-Use Asset on the balance sheet as of December 31, 2025.

Lease expense and future minimum commitments for this lease are as follows:

Lease Expense:	
2025	**$ 47,417**
2024	47,417

NOTE 7 - RETIREMENT PLAN

The Association has a defined contribution salary reduction simplified employee retirement plan that covers all employees. The Association had retirement contributions of $2,526 and $3,316 for 2025 and 2024.

NOTE 8 - COMMITMENTS

The Association has also entered into various contracts with national hotels and conference centers to host its 2026 annual symposium. All contracts include cancellation clauses that would result in financial penalties to the Association upon cancellation of the events. Most financial penalties are derived from a percentage of the anticipated revenue the Associations expect to receive. The Association is liable for approximately $306,239 for 2026 of the commitments if all of the agreements were cancelled as of December 31, 2025. The Association has purchased cancellation insurance to mitigate exposure for the 2026 annual symposium from these penalties.