ASSOCIATION FOR COMPUTATIONAL LINGUISTICS, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2012

ASSOCIATION FOR COMPUTATIONAL LINGUISTICS, INC.
TABLE OF CONTENTS
DECEMBER 31, 2012

NISIVOCCIA LLP
Certified Public Accountants & Advisors

Mount Arlington Corporate Center
200 Valley Road, Suite 300
Mt. Arlington, NJ 07856
973-328-1825 | 973-328-0507 Fax

Lawrence Business Center
11 Lawrence Road
Newton, NJ 07860
973-383-6699 | 973-383-6555 Fax

Independent Auditors' Report

To the Board of Directors of
Association for Computational Linguistics, Inc.
Stroudsburg, PA

We have audited the accompanying financial statements of the Association for Computational Linguistics, Inc. (the "Association") (a nonprofit organization), which comprise the statement of financial position as of December 31, 2012, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

To the Board of Trustees of
Association for Computational Linguistics, Inc.
Page 2
November 4, 2013

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Association for Computational Linguistics, Inc. as of December 31, 2012, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

November 4, 2013
Mt. Arlington, New Jersey

Nisivoccia LLP

ASSOCIATION FOR COMPUTATIONAL LINGUISTICS, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2012

ASSETS

Cash and cash equivalents	$ 416,152
Accounts receivable	41,751
Prepaid expenses	142,019
Investments	225,749
Cash surrender value of life insurance policy	59,373
Equipment and furniture, net	803
Total assets	$ 885,847

LIABILITIES AND NET ASSETS

Liabilities:	
Accounts payable and accrued expenses	$ 191,408
Deferred revenue	16,536
Other liabilities	5,028
Total liabilities	212,972
Net assets:	
Unrestricted	672,875
Total net assets	672,875
Total liabilities and net assets	$ 885,847

ASSOCIATION FOR COMPUTATIONAL LINGUISTICS, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2012

Revenue and support:	
Program revenue	$ 998,783
Contributions	208,825
Membership fees	97,737
Sub chapter revenue	35,751
Investment income	10,336
Other income	17,658
Total revenue and support	1,369,090
Expenses:	
Scholarships	94,470
Outside services	92,556
Professional fees	18,281
Office expense	43,011
Occupancy	9,210
Training	26,122
Website	8,076
Conferences and meetings	804,533
Travel	51,694
Sub chapter expenses	29,158
Bad debt	5,065
Printing and publishing	106,774
Insurance	2,748
Bank & credit card fees	56,702
Depreciation expense	1,055
Miscellaneous	5,139
Total expenses	1,354,594
Change in net assets	14,496
Net assets, beginning of year	658,379
Net assets, end of year	$ 672,875

ASSOCIATION FOR COMPUTATIONAL LINGUISTICS, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2012

Cash flows from operating activities:	
Change in net assets	$ 14,496
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	1,055
Exchange gain on foreign investments	(5,510)
Changes in operating assets and liabilities:	
Accounts receivable	(18,429)
Prepaid expenses	(38,402)
Deferred revenue	2,280
Accounts payable and accrued expenses	159,443
Other liabilities	5,028
Net cash provided by operating activities	119,961
Net increase in cash and cash equivalents	119,961
Cash and cash equivalents, beginning of year	296,191
Cash and cash equivalents, end of year	$ 416,152
Supplemental disclosure of cash flow information:	
Realized exchange gain on foreign investments	$ 5,510

ASSOCIATION FOR COMPUTATIONAL LINGUISTICS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

Note 1 - Nature of Activities

Association for Computational Linguistics, Inc. (the "Association"), was organized in February 1989 under the laws of the State of New Jersey as a private association for the purpose of promoting research and development activities and to promote cooperation and information exchange among related professional and technical societies in the field of computational linguistics.

Note 2 - Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of the Association have been prepared on the accrual basis of accounting in accordance with accounting policies generally accepted in the United States of America. Significant accounting policies are described below:

Basis of Presentation

Association for Computational Linguistics, Inc. presents its financial statements in accordance with FASB Accounting Standards Codification, *Accounting for Contributions Received and Made, and Financial Statements of Not-for-Profit Associations. Financial Statements of Not-for-Profit Associations* establishes standards for external financial reporting by not-for-profit associations and requires that resources be classified for accounting and reporting purposes into three net asset categories according to externally (donor) imposed restrictions: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. *Accounting for Contributions Received and Made* requires that unconditional promises to give be recorded as receivables and revenue and requires the Association to distinguish between contributions received for each net asset category in accordance with donor imposed restrictions. Accordingly, net assets of the Association and changes therein are classified and reported as follows:

Unrestricted net assets are resources representing the portion of expendable funds available for support of the Association's programs and activities. These resources are not subject to donor-imposed stipulations.

Temporarily restricted net assets are net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Association and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. There were no temporarily restricted net assets at December 31, 2012.

Permanently restricted net assets are net assets subject to donor-imposed stipulations to be maintained permanently by the Association. There were no permanently restricted net assets at December 31, 2012.

Revenue and Support Recognition

Contributions are recognized as revenue when they are received or unconditionally pledged. Unconditional promises to give due in the next year are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reported at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises are to be received.

Note 2 - Summary of Significant Accounting Policies (Cont'd)

Revenue and Support Recognition (Cont'd)

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 donated assets. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction. However, the receipt of restricted contributions whose restrictions expire or are otherwise satisfied within the period of receipt are reported as unrestricted contributions in the statement of activities.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable is stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to expense and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Management has decided not to establish an allowance account, as all receivables have been deemed collectible.

Equipment and Furniture

Equipment and furniture are recorded at cost when purchased, or at fair value at date of gift, when donated. Major renewals and betterments are charged to the equipment and furniture accounts; maintenance and minor repairs and replacements, which do not improve or extend the life of the respective assets, are expensed currently.

Depreciation is provided on a straight-line method over the estimated useful lives of the assets. Proceeds from the sale of building and equipment, if unrestricted, are transferred to unrestricted net assets, or, if restricted, to deferred amounts restricted for equipment and furniture acquisitions.

In accordance with *Accounting for the Impairment or Disposal of Long-Lived Assets*, Association for Computational Linguistics, Inc. periodically evaluates equipment and furniture for impairment, relying on a number of factors including operating results, and future business plans. Recoverability of property is evaluated by a comparison of the carrying amount of an asset or asset group to estimated future recoverability of the carrying amount of the asset or asset group. If these comparisons indicate that an asset is not recoverable, the impairment loss recognized is the amount by which the carrying amount of the asset exceeds the estimated fair value. There were no impairments charged to operations for the year ended December 31, 2012.

Functional Expenses

Expenses are charged to each program based on direct expenditures incurred. Any program expenditures not directly chargeable are allocated to programs based on units of service and support costs are allocated to programs based on time spent. Program expenses are those related directly to conferences and publications. Supporting services relate to administrative expenses related to those programs.

ASSOCIATION FOR COMPUTATIONAL LINGUISTICS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012
(Continued)

Note 2 - Summary of Significant Accounting Policies (Cont'd)

Income Tax Status

The Association is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code (the "Code") and, therefore, is exempt from federal income taxes on income that is related to its tax-exempt purposes pursuant to Section 501(a) of the Code. The Association is also exempt under Title 15 of the State of New Jersey *Corporations and Associations Not for Profit Act*. Accordingly, no provision for federal or state income taxes has been presented in the accompanying financial statements.

The Association follows the provisions of FASB ASC, *Income Taxes*. The standard prescribes a minimum recognition threshold and measurement methodology that a tax position taken or expected to be taken in a tax return is required to meet before being recognized in the financial statements. It also provides guidance for derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition as they relate to those tax positions.

The Association is subject to audit by tax authorities, including a review of its nonprofit status, which management believes would be upheld upon examination.

As required by law, the Association files informational returns with both the United State federal and State of New Jersey jurisdictions on an annual basis - Form 990 with the Internal Revenue Service, and Form CRI-300R with the State of New Jersey. These returns are subject to examination by these authorities within three years from the latest filing date for federal and four years from the latest filing date for New Jersey.

New Pronouncements

In May 2011, the FASB issued ASU 2011-04, *Fair Value Measurements*. The provisions of the guidance result in applying common fair value measurement and disclosure requirements in both United States generally accepted accounting principles and International Financial Reporting Standards. The amendments primarily change the wording used to describe many of the requirements in generally accepted accounting principles for measuring and disclosing information about fair value measurements. The guidance is effective for annual periods beginning after December 15, 2011. The adoption of the guidance did not have a material effect on Association for Computational Linguistics, Inc.'s business, financial position, results of operations or liquidity.

Fair Value of Financial Instruments

In accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC), *Fair Value Measurements and Disclosures*, fair value is defined as a market-based measurement, not an entity-specific measurement. The objective of a fair value measurement is to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions (that is, an exit price at the measurement date from the perspective of a market participant that holds the assets or owes the liability). A fair value measurement assumes that the transaction to sell the asset or transfer the liability either occurs in the principal market (or in its absence, the most advantageous market) for the asset or liability.

Note 2 - Summary of Significant Accounting Policies (Cont'd)

Fair Value of Financial Instruments (Cont'd)

The Fair Value Measurements Topic of the FASB Accounting Standards Codification establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Fair value focuses on the price that would be received to sell the asset or paid to transfer the liability regardless of whether an observable liquid market price existed (an exit price). An exit price valuation will include margins for risk even if they are not observable. As the Association is released from risk, the margins for risk will also be released through net realized capital gains (losses) in net income. 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). The three levels of the fair value hierarchy under FASB ASC are described below:

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

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement. Level 3 assets and liabilities measured at fair value are based on one or more of three valuation techniques:

- Market approach - Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities;
- Cost approach - Amount that would be required to replace the service capacity of an asset (i.e., replacement cost);
- Income approach - Techniques that convert future amounts to a single present amount based on market expectations (including present value techniques, option-pricing models, and lattice models).

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. For some assets and liabilities, observable market transactions or market information may be available. For other assets and liabilities, observable market transactions and market information might not be available. When a price for an identical asset or liability is not observable, a reporting entity measures fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs.

ASSOCIATION FOR COMPUTATIONAL LINGUISTICS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012
(Continued)

Note 2 - Summary of Significant Accounting Policies (Cont'd)

Fair Value of Financial Instruments (Cont'd)

Because fair value is a market-based measurement, it is measured using the assumptions that market participants would use when pricing the asset or liability, including assumptions about risk. As a result, a reporting entity's intention to hold an asset or settle or otherwise fulfill a liability is not relevant when measuring fair value.

The following is a description of valuation methodologies used for assets and liabilities measured at fair value. There have been no changes in the methodologies used at December 31, 2012.

Cash and cash equivalents, accounts receivable, and other assets, accounts payable, accrued expenses, deferred revenue, and other liabilities: the carrying amounts approximate fair value because of the short term maturity of these instruments.

Cash surrender value of insurance policies: Valued at the cash surrender value of the life insurance contract as determined by the life insurance company.

Corporate bonds: Certain corporate bonds are valued at cost which equals fair value reported in the active market in which the bond is traded. When quoted prices are not available for identical or similar bonds, the bond is valued under a discounted cash flows approach that maximizes observable inputs, such as current yields of similar instruments, but includes adjustments for certain risks that may not be observable, such as credit and liquidity risk.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while Association for Computational Linguistics, Inc. believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Investments

Association for Computational Linguistics, Inc. follows, *Accounting for Certain Investments held by Not-for-Profit Associations.* In accordance with this standard, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. The fair value of investments is determined by reference to quoted market prices. Investment income or loss (including interest and dividends) and gain on sale of investments are included in the statement of activities unless the income or loss is restricted by the donor or law.

ASSOCIATION FOR COMPUTATIONAL LINGUISTICS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012
(Continued)

Note 2 - Summary of Significant Accounting Policies (Cont'd)

Investments (Cont'd)

A decline in the market value of an investment security below its cost that is designated to be other than temporary is recognized through an impairment charge. That impairment charge would be included in the statement of activities and a new cost basis would be established. For the year ended December 31, 2012, the Association did not record any impairment charge in the statement of activities.

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 amounts of assets and liabilities, revenues and expenses and changes therein, and disclosures of contingent assets and contingent liabilities and accompanying notes. It is reasonably possible that the Association's estimates may change in the near term.

Cash and Cash Equivalents

Association for Computational Linguistics, Inc. considers all highly liquid investing instruments purchased with an original maturity of three months or less to be cash equivalents held in both United States and Foreign accounts.

For those accounts held in the United States they may at times, exceed federally insured limits. The Association has not experienced any losses on such accounts, and management believes they are not exposed to any significant credit risk associated with United States based cash and cash equivalents.

Foreign cash accounts are under the control of the Association, but it should be noted that the political situation in many countries is subject to rapid change. Therefore, the reader should be aware that while management believes the assets are properly stated at the date of this report, subsequent changes could occur that would adversely affect the value of the assets in other countries. Total cash and cash equivalents held in foreign accounts amounted to $22,602 at December 31, 2012.

Foreign Currency Transactions

As mentioned above, the Association operates in several foreign countries using local currency. Current assets are translated at the exchange rates effective at the end of the year. Amounts in the statement of activities are translated at the actual exchange rates in effect when funds are transferred from the home office to the field. Currency translation adjustments resulting in a gain of $5,510 for the year ended December 31, 2012, are included in the statement of activities in other income.

ASSOCIATION FOR COMPUTATIONAL LINGUISTICS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012
(Continued)

Note 2 - Summary of Significant Accounting Policies (Cont'd)

Donated Services

The Board of Trustees makes significant contributions of time relative to general management and operations of the Association. The value of this contributed time is not reflected in the financial statements since it does not meet the criteria for recognition under U.S. generally accepted accounting principles.

Deferred Revenue

Deferred revenue consists of program revenue and membership dues received in advance of their proper usage.

Subsequent Events

Management has reviewed subsequent events and transactions that occurred after December 31, 2012 through the date of the auditors' report and date of issuance. The financial statements include all events or transactions, including estimates, required to be recognized in accordance with generally accepted accounting principles. Management has determined that there are no nonrecognized subsequent events that require additional disclosure.

Note 3 - Equipment and Furniture

Equipment and furniture and their related estimated useful lives at December 31, 2012, consist of the following:

Assets	Estimated Useful Life (Years)		
Equipment and furniture	5 to 15	$	2,993
Less: accumulated depreciation			2,190
		$	803

Total depreciation expense charged to operations for the year ended December 31, 2012 was $1,055.

ASSOCIATION FOR COMPUTATIONAL LINGUISTICS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012
(Continued)

Note 4 - Investments

The Association holds financial instruments, measured on a recurring basis, which are carried at fair value in the Association's financial statements. The fair value measurements disclosures include information regarding the valuation of the Association's investments as of December 31, 2012.

	Cost	Fair Value (Level II)
Foreign fixed income investments		
Bonds	$ 225,749	$ 225,749
Total foreign fixed income investments	$ 225,749	$ 225,749

Interest income for the year ended December 31, 2012 totaled $10,111.

Note 5 - Cash Surrender Value of Life Insurance

The Association maintains a key-man life insurance policy on an officer of the Association. The Association receives a cash surrender value if the policy is terminated, and receives all death benefits upon the death of the insured. As of December 31, 2012, the cash surrender value of the policy was $59,373.