

FINANCIAL STATEMENT, 1985**ASSETS**

Current Assets:	
Cash—checking	\$ 386,784
Cash—savings	1,401,225
Accounts receivable—trade	81,524
Non-sufficient funds checks outstanding	2,955
Inventory ^{1b}	31,986
Deposits	1,400
Total Current Assets	1,905,874
Furniture, Fixtures & Equipment, net ^{1c}	35,245
	<u>\$1,941,119</u>

¹Summary of Significant Accounting Practices: (a) Method of Accounting: The financial statements are presented on the accrual basis of accounting (b) Inventory: Magazine and tutorial syllabi inventory is valued at estimated cost per issue times the number of issues on hand at year-end (c) Furniture, fixtures and Equipment: Furniture, fixtures and equipment are stated at cost, less accumulated depreciation Depreciation is computed on the straight-line method over estimated useful lives of five to ten years Furniture, fixtures and equipment consist of the following at December 31, 1985:

Cost	\$50,001
Accumulated Depreciation	(14,756)
Net	<u>\$35,245</u>

(d) Income Taxes: American Association for Artificial Intelligence is exempt from income taxes under Section 501 (c) (3) of the Internal Revenue Code and Section 23701 (d) of the California Revenue and Taxation Code

The Association files United States and California Exempt Organization Annual Information Returns

²Operations: The American Association for Artificial Intelligence (AAAI) was formed in 1979 as a scientific society, to encourage the basic knowledge of what constitutes intelligent thought and behavior and how it can be exhibited in computers This is accomplished by the *AI Magazine*, an official publication of the Association, AAAI sponsored National Conference on Artificial Intelligence (NCAI), held annually, and the AAAI Workshop Program

³Conference—IJCAI-85: By agreement with IJCAI Inc, AAAI is to share revenue earned from the IJCAI-85 Technical Conference with IJCAI Inc To-date, AAAI has advanced to IJCAI Inc, and accrued an accounts payable amounts estimated to be IJCAI Inc's share of the conference revenue Included in the estimate is AAAI's share of expenses paid by IJCAI Inc, but, an accurate estimate of that amount cannot be determined without the assistance of IJCAI Inc, which to-date, has not been forthcoming Gross profit from IJCAI-85 Technical Conference may be effected by any eventual agreement by the two organizations as to the actual amount to be paid to IJCAI Inc

⁴Membership: Membership in the American Association for Artificial Intelligence is \$25 for regular members, \$15 for students, and \$50 for academic/corporate library subscriptions Twenty-five percent of all membership fees received is allocated to the *AI Magazine* Revenues from membership fees are earned ratably over the respective twelve month membership period

LIABILITIES AND FUND BALANCE

Current Liabilities:	
Accounts and contracts payable	184,201
Unearned membership fees ⁴	141,270
Deferred net revenue from future events	48,954
Accrued expenses	4,375
Total Current Liabilities	378,800
Fund Balance	1,562,319
	<u>\$ 1,941,119</u>
Gross Profit by Activity:	
<i>AI Magazine</i> ⁴	\$ 74,562
Conference—IJCAI-85 ³	58,228
Memberships ⁴	113,417
Tutorials	521,893
Exhibits	84,016
Proceedings	48,352
Cognitive Science Society	(691)
<i>AI Journal</i>	420
Interest Income	85,598
Workshop Grants	(34,672)
Conference—AAAI-84, paid in 1985	(6,870)
Misc. Income	130
Gross Profit, combined	944,383
Operating Expenses	(256,698)
Net Income	687,685
Fund Balance, beginning of year	874,634
Fund Balance, end of year	<u>\$ 1,562,319</u>

We have examined the balance sheet of the American Association for Artificial Intelligence as of December 31, 1985, and the related statements of income, fund balance and changes in financial position for the year then ended Our examination was made in accordance with generally accepted auditing standards and, included such tests as we considered necessary in the circumstance

As described in note 3 of the notes to financial statements, an uncertainty exists as to the final amount due to IJCAI Inc, for its share of net revenue from IJCAI-85 Conference An estimate of \$75,000 was accrued based on information the American Association for Artificial Intelligence has; however, an accurate amount cannot be determined without assistance from IJCAI Inc, which to-date, has not been forthcoming

In our opinion, subject to the effects of the final determination of amounts due IJCAI Inc, for its share of net revenues from IJCAI-85 Conference noted above, the aforementioned financial statements present fairly the financial position of the American Association for Artificial Intelligence as of December 31, 1985, and the results of operations and changes in financial position for the year then ended, in conformity with generally accepted accounting principles applied on a consistent basis —Goss & Marcussen, 530 Oak Grove Avenue, Suite 201, Menlo Park, CA 94025, May 1, 1986.