2019 ANNUAL REPORT

Connect. Engage. Impact.

INSTITUTE OFFICERS

PRESIDENT
James P. Silvestri
Head, Global Taxation
PCS Wireless

SENIOR VICE PRESIDENT
Katrina H. Welch
Vice President & Tax Director
Texas Instruments Incorporated

SECRETARY
James A. Kennedy
Sr. Vice President, Finance &
Chief Tax Officer
OppenheimerFunds, Inc.

TREASURER
Mitchell S. Trager
Senior Tax Counsel
Georgia-Pacific LLC

VICE PRESIDENT – REGION I
(Calgary, Montreal, Toronto, Vancouver)
Brian Mustard
BCE, INC.
Montreal, QC

VICE PRESIDENT – REGION II
(Buffalo-Niagara, New Jersey, New York, Rochester)
Kimberly M. Pepe
Lighthouse Management Services, LLC
New York, NY

VICE PRESIDENT – REGION III
(Connecticut Valley, New England, Westchester-Fairfield)
Gregory Stay
Ahold USA, Inc.
Quincy, MA

VICE PRESIDENT – REGION IV
(Baltimore-Washington, Harrisburg, Philadelphia, Pittsburgh)
Evan G. Ernest
Toll Brothers, Inc.
Horsham, PA

VICE PRESIDENT – REGION V
(Cincinnati-Columbus, Cleveland, Detroit, Indiana, Kentucky, Western Michigan)
Craig Schmidtgesling
Givaudan Flavors Corporation
Cincinnati, OH

VICE PRESIDENT – REGION VI
(Chicago, Iowa, Kansas City, Minnesota, Nebraska, St. Louis, Wisconsin NE, Wisconsin)
John A. Mann
Albott Laboratories
Albott Park, IL

VICE PRESIDENT – REGION VII
(Austin, Dallas, Denver, Ft. Worth, Houston, New Orleans, Oklahoma City, Tulsa)
Kristine M. Rogers
Love's Travel Stops & Country Stores, Inc.
Oklahoma City, OK

VICE PRESIDENT – REGION VIII
(Atlanta, Carolinas, Florida, Nashville, Virginia)
Dina Armstrong
Swedish Match North America Inc.
Richmond, VA

VICE PRESIDENT – REGION IX
(Alaska, Portland, San Francisco, Seattle, Silicon Valley)
Jennifer K. Bowers
Fortive Corporation
Everett, WA

VICE PRESIDENT – REGION X
(Arizona, Hawaii, Los Angeles, Orange County, Salt Lake City, San Diego)
Linda S. Kim
The Wonderful Company
Los Angeles, CA

VICE PRESIDENT – REGION XI
(Asia, EMEA, Latin America)
Anna Theeuwes
Shell International B.V.
Netherlands

Audited Consolidating Financial Statements

Tax Executives Institute, Inc. and TEI Education Fund

June 30, 2019

Independent Auditor's Report

To the Board of Directors
Tax Executives Institute, Inc. and
TEI Education Fund

We have audited the accompanying consolidating financial statements of Tax Executives Institute, Inc. and TEI Education Fund (collectively, the Organization), which comprise the consolidating statements of financial position as of June 30, 2019 and 2018, and the related consolidating statements of activities and cash flows for the years then ended, and the related notes to the consolidating financial statements.

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATING FINANCIAL STATEMENTS

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidating financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material mis-statement of the consolidating financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the consolidating 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 Organization'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 consolidating financial statements.

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

OPINION

In our opinion, the consolidating financial statements referred to above present fairly, in all material respects, the individual and consolidated financial positions of Tax Executives Institute, Inc. and TEI Education Fund as of June 30, 2019 and 2018, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

ADOPTION OF ACCOUNTING STANDARDS UPDATE 2016-14

As described in Note A to the consolidating financial statements, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities (ASU 2016-14). As required by the FASB, the Organization adopted the provisions of ASU 2016-14 during the year ended June 30, 2018. In addition to changes in terminology used to describe categories of net assets throughout the financial statements, new disclosures were added regarding liquidity and functional expense. There was no change in the Organization's previously reported change in net assets as a result of the adoption of ASU 2016-14. Our opinion was not modified with respect to this matter.

Tate & Tryon

Washington, DC
July 19, 2019

Consolidating Statements of Financial Position
Years Ended June 30, 2019 and 2018

	2019			2018		
	TEI	TEIF	Total	TEI	TEIF	Total
Assets						
Cash and cash equivalents	**$ 1,075,879**	**$ 85,100**	**$ 1,160,979**	$ 844,198	$ 99,280	$ 943,478
Investments	**8,833,031**		**8,833,031**	8,951,354		8,951,354
Accounts receivable	**51,491**		**51,491**	70,853		70,853
Due (to) from affiliate	**(6,796)**	**6,796**	**-**	(5,454)	5,454	-
Prepaid expenses	**102,779**		**102,779**	57,664		57,664
Property and equipment	**696,580**		**696,580**	953,215		953,215
Total assets	**$ 10,752,964**	**$ 91,896**	**$ 10,844,860**	$ 10,871,830	$ 104,734	$ 10,976,564
Liabilities and net assets						
Accounts payable	**$ 20,517**	**$ -**	**$ 20,517**	$ 75,529	$ 1,647	$ 77,176
Accrued liabilities	**225,867**		**225,867**	166,249		166,249
Deferred revenue	**2,858,772**		**2,858,772**	3,050,229		3,050,229
Deferred rent and lease incentive	**1,137,225**		**1,137,225**	1,146,207		1,146,207
Total liabilities	**4,242,381**	**-**	**4,242,381**	4,438,214	1,647	4,439,861
Commitments and contingencies			**-**			-
Net assets						
without donor restrictions	**6,510,583**	**91,896**	**6,602,479**	6,433,616	103,087	6,536,703
Total liabilities and net assets	**$ 10,752,964**	**$ 91,896**	**$ 10,844,860**	$ 10,871,830	$ 104,734	$ 10,976,564

See notes to the consolidating financial statements.

Consolidating Statements of Activities
Years Ended June 30, 2019 and 2018

	2019			2018		
	TEI	TEIF	Total	TEI	TEIF	Total
Revenue						
Sponsorships	$ 2,358,350	$ -	$ 2,358,350	$ 1,892,575	$ -	$ 1,892,575
Membership dues	1,552,459		1,552,459	1,545,431		1,545,431
Continuing education	2,111,345		2,111,345	1,894,475		1,894,475
Royalty	541,000		541,000	533,025		533,025
Publications	333,317		333,317	404,991		404,991
Investment income	188,874	18	188,892	207,462	21	207,483
Other income	10,690		10,690	6,827		6,827
Management fees	(10,771)	10,771	-	(9,996)	9,996	-
Total revenue	7,085,264	10,789	7,096,053	6,474,790	10,017	6,484,807
Expense						
Program services						
Continuing education	2,291,683	21,161	2,312,844	2,352,352	12,416	2,364,768
Publications	850,272		850,272	823,572		823,572
Committee and liaison	716,637		716,637	721,746		721,746
Membership services	418,674		418,674	382,572		382,572
Dues transferred to chapters	201,975		201,975	207,500		207,500
Total program services	4,479,241	21,161	4,500,402	4,487,742	12,416	4,500,158
Supporting services						
General and administrative	2,594,411	819	2,595,230	2,687,938	801	2,688,739
Total expense	7,073,652	21,980	7,095,632	7,175,680	13,217	7,188,897
Change in net assets from operations	11,612	(11,191)	421	(700,890)	(3,200)	(704,090)
Net realized and unrealized gain (loss) on investments	187,890		187,890	(5,022)		(5,022)
Special projects expense	(122,535)		(122,535)	(130,141)		(130,141)
Change in net assets	76,967	(11,191)	65,776	(836,053)	(3,200)	(839,253)
Net assets, beginning of year	6,433,616	103,087	6,536,703	7,269,669	106,287	7,375,956
Net assets, end of year	$ 6,510,583	$ 91,896	$ 6,602,479	$ 6,433,616	$ 103,087	$ 6,536,703

See notes to the consolidating financial statements.

Consolidating Statements of Cash Flows
Years Ended June 30, 2019 and 2018

Connect. Engage. Impact.

	2019			2018		
	TEI	**TEIF**	**Total**	**TEI**	**TEIF**	**Total**
Cash flows from operating activities						
Change in net assets	**$ 76,967**	**$ (11,191)**	**$ 65,776**	$ (836,053)	$ (3,200)	$ (839,253)
Adjustments to reconcile change in net assets to net cash used in operating activites						
Net realized and unrealized (gain) loss on investments	**(187,890)**		**(187,890)**	5,022		5,022
Bad debt	**120**		**120**	7,538		7,538
Depreciation and amortization	**267,512**		**267,512**	263,057		263,057
Changes in assets and liabilities:						
Accounts receivable	**19,242**		**19,242**	(31,200)		(31,200)
Due from (to) affiliate	**1,342**	**(1,342)**	**-**	5,454	(5,454)	-
Prepaid expenses	**(45,115)**		**(45,115)**	109,558		109,558
Accounts payable	**(55,012)**	**(1,647)**	**(56,659)**	26,484	1,647	28,131
Accrued liabilities	**59,618**		**59,618**	2,161		2,161
Deferred revenue	**(191,457)**		**(191,457)**	(102,778)		(102,778)
Deferred rent and lease incentive	**(8,982)**		**(8,982)**	19,197		19,197
Total adjustments	**(140,622)**	**(2,989)**	**(143,611)**	304,493	(3,807)	300,686
Net cash used in operating activities	**(63,655)**	**(14,180)**	**(77,835)**	(531,560)	(7,007)	(538,567)
Cash flows from investing activities						
Proceeds from sales and maturities of investments	**2,860,000**		**2,860,000**	4,524,056		4,524,056
Purchases of investments	**(2,553,787)**		**(2,553,787)**	(3,724,722)		(3,724,722)
Purchases of property and equipment	**(10,877)**		**(10,877)**	(106,118)		(106,118)
Net cash provided by investing activities	**295,336**	**-**	**295,336**	693,216	-	693,216
Net increase (decrease) in cash and cash equivalents	**231,681**	**(14,180)**	**217,501**	161,656	(7,007)	154,649
Cash and cash equivalents, beginning of year	**844,198**	**99,280**	**943,478**	682,542	106,287	788,829
Cash and cash equivalents, end of year	**$ 1,075,879**	**$ 85,100**	**$ 1,160,979**	$ 844,198	$ 99,280	$ 943,478

See notes to the consolidating financial statements.

A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization: *Tax Executives Institute, Inc. (TEI)* was incorporated in 1944 in the State of New York and exists to enhance and improve the tax system and to serve TEI members, their employers, and society generally by facilitating interaction among, and the training of, members and their staffs, by effectively advocating its members' views, and by promoting competence and professionalism in both the private and government sectors.

TEI Education Fund (TEIF) was formed in 1987 in the Commonwealth of Virginia and exists to sponsor TEI's conferences, seminars, and tax courses.

TEI established *TEI Business Consulting (Shanghai) Company Limited (TEI China)* as a for-profit limited liability company in accordance with Chinese law in April 2018. Shanghai is registered as a Wholly Foreign-Owned Enterprise (WFOE) and will maintain an office in Shanghai, China. Shanghai's authorized business scope includes business information consulting, enterprise management consulting, exhibition and conference services, and other similar activities. TEI will provide capital of $200,000 (U.S. Dollars) to Shanghai through a holding company as described below. The capital of $200,000 (U.S. Dollars) will be payable over 5 years.

Because TEI is a non-profit organization, it was required to organize a for-profit holding company to hold the shares of Shanghai. Accordingly, TEI Asia Pacific Limited (Hong Kong) was incorporated in February 2018 in accordance with the Hong Kong Companies Ordinance (Chapter 622). Hong Kong is authorized to issue 100 ordinary shares of stock at $1 each and was formed as a wholly-owned subsidiary of TEI. After capital of $200,000 is contributed by TEI as previously described, Shanghai will be a wholly-owned subsidiary of Hong Kong.

Principles of consolidation: The consolidating financial statements include the accounts of TEI and its affiliate, TEIF (collectively referred to as the Organization). Significant intra-entity accounts and transactions have been eliminated in consolidation.

The financial activities of Shanghai and Hong Kong are not significant to the consolidating financial statements. Therefore, Shanghai and Hong Kong have been included with TEI for purposes of the accompanying consolidating financial statements.

Income tax status: TEI is exempt from the payment of income taxes on its exempt activities under Section 501(c)(6) of the Internal Revenue Code. However, TEI is subject to income tax on its unrelated business activities, such as advertising. TEI has operating loss carry-forwards resulting from its unrelated business activities of approximately $13,240 which may be applied against future years' taxable income. A deferred tax asset has not been recognized due to the uncertainty of realizing the benefit of the loss carry-forwards.

TEIF is exempt from the payment of income taxes under Section 501(c)(3) of the Internal Revenue Code and has been classified by the Internal Revenue Service as other than a private foundation.

Shanghai and Hong Kong are subject to taxation on their activities and file income tax returns and other required statutory filings with the government of the People's Republic of China.

Basis of accounting: The Organization prepares its consolidating financial statements on the accrual basis of accounting. Revenue is recognized when earned and expense when the obligation is incurred.

Use of estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from estimates.

Cash and cash equivalents: For financial statement purposes, cash and cash equivalents consists of demand deposits and money market accounts which are not included in the investment portfolio. Money market accounts held in the investment portfolio are classified as investments for financial statement purposes.

Accounts receivable: Accounts receivable consists primarily of membership dues related to services provided and have been presented at the gross amount due to the Organization. Management periodically reviews the status of all receivable balances for collectability. Each receivable balance is assessed based on management's knowledge of the member, the Organization's relationship with the member, and the age of the receivable balance. As a result of these reviews, receivable balances deemed to be uncollectible are charged directly to bad debt expense, which totaled $120 and $7,538 for the years ended June 30, 2019 and 2018, respectively. Management believes that the use of the direct write-off method approximates the results that would be presented if an allowance for bad debts had been recorded.

Change in accounting policy: The Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* (ASU 2016-14). The Organization adopted the provisions of ASU 2016-14 during the year ended June 30, 2019. In addition to changes in terminology used to describe categories of net assets throughout the consolidating financial statements, new disclosures were added regarding liquidity and functional expense.

Measure of operations: The Organization excludes certain financial statement line items from operations, such as net realized and unrealized gain (loss) on investments and special projects expense.

Subsequent events: Subsequent events have been evaluated through July 19, 2019, which is the date the consolidating financial statements were available to be issued.

B. CONCENTRATIONS

Credit risk: The Organization maintains demand deposit accounts with commercial banks and money market funds with financial institutions. At times, certain balances held within these accounts may not be fully guaranteed or insured by the U.S. Government. The uninsured portions of these accounts are backed solely by the assets of the underlying institution. Therefore, the failure of an underlying institution could result in financial loss to the Organization.

Market value risk: The Organization also invests funds in a professionally managed portfolio of short-term and long-term investments which contain various types of marketable debt and equity securities. Such investments are exposed to market and credit risks and may be subject to fluctuations in fair value. As a result, the investment balances reported in the accompanying consolidating financial statements may not be reflective of fair value during subsequent periods.

C. INVESTMENTS

Investments held in the short-term and long-term portfolios consisted of the following at June 30,:

	2019	2018
Short-term investments		
Money market funds	$ 1,527,038	$ 1,009,881
Certificates of deposit	1,437,018	2,388,770
Subtotal short-term investments	2,964,056	3,398,651
Long-term investments		
Money market funds	1,672,777	1,153,312
Certificates of deposit	403,848	835,032
Mutual funds		
Fixed income	2,772,628	2,601,024
Equity	823,403	774,567
Alternative strategies	196,319	188,768
Subtotal long-term investments	5,868,975	5,552,703
	$ 8,833,031	**$ 8,951,354**

In accordance with accounting principles generally accepted in the United States of America, the Organization uses the following prioritized input levels to measure investments recorded at fair value. The input levels used for valuing investments are not necessarily an indication of risk.

Level 1 – Observable inputs that reflect quoted prices for identical assets or liabilities in active markets, such as stock quotes.

Level 2 – Includes inputs other than Level 1 inputs that are directly or indirectly observable in the marketplace, such as yield curves or other market data.

Level 3 – Unobservable inputs reflect an assessment of the assumptions that market participants would use in pricing an asset (or liability) and may include assumptions about risk or other considerations such as bid / ask spreads and liquidity discounts.

Investments valued using Level 1 inputs include various types of mutual funds, such as fixed income, equity, and alternative strategies (exchange traded funds, closed-end funds, and unit investment trusts). Mutual funds were valued based on quoted prices for identical assets in active markets. Furthermore, the alternative strategies funds were valued based on the inputs used in the valuation of their underlying portfolios of securities, which were primarily Level 1.

Management believes the estimated fair values of investments to be a reasonable approximation of their exit price.

Investments recorded at cost include money market funds and certificates of deposit, which are not required to be classified in one of the levels prescribed by the fair value hierarchy.

Investment return: Investment return consisted of the following for the years ended June 30,:

	2019	2018
Investment income		
Interest and dividends	$ 217,819	$ 236,504
Investment management fees	(28,927)	(29,021)
Subtotal investment income	188,892	207,483
Net realized and unrealized gain (loss) on investments	187,890	(5,022)
	$ 376,782	**$ 202,461**

D. LIQUIDITY

Financial assets available for general expenditure within one year are reduced by amounts that are not available to meet gneral expenditures within one year of the statement of financial position date. TEI's Reserve Policy provides guidance regarding the Board Designated Operating and Capital / Opportunity reserve funds as described in Note G. In the event the need arises to utilize the operating reserve fund for liquidity purposes, the Board of Directors could approve a motion to use the operating reserve fund.

The following provides a summary of financial assets avialable for general expenditures within one year at June 30,:

	2019	2018
Cash and cash equivalents	$ 1,160,979	$ 943,478
Accounts receivable	51,491	70,853
Investments	8,833,031	8,951,354
	10,045,501	9,965,685
Less amounts not available for general expenditure		
Board designated net assets		
Capital/opportunity reserve	(294,020)	(511,773)
2020 Annual Conference (75th Anniversary)	(200,000)	(150,000)
	$ 9,551,481	**$ 9,303,912**

E. PROPERTY AND EQUIPMENT

Acquisitions of property and equipment greater than $1,000 are recorded at cost and depreciated or amortized using the straight-line basis over the following useful lives: office furniture and equipment – three to ten years; leasehold improvements – over the lesser of the remaining life of the office lease or the estimated useful life of the improvements.

Property and equipment consisted of the following at June 30,:

	2019	2018
Office furniture, equipment and website	$ 923,222	$ 928,267
Leasehold improvements	703,755	703,755
	1,626,977	1,632,022
Less accumulated depreciation and amortization	(930,397)	(678,807)
	$ 696,580	**$ 953,215**

F. DEFERRED REVENUE

Revenue received in advance of the period in which underlying earnings process has been completed is recorded as deferred revenue. The revenue is recognized when earned in the subsequent period.

Deferred revenue consisted of the following at June 30,:

	2019	2018
Membership dues	$ 1,297,534	$ 1,219,188
Continuing education		
Sponsorships	863,650	1,233,500
Seminars, schools, and conferences	383,155	289,840
Royalty	305,000	305,000
Publications		
Subscriptions	2,608	2,701
Advertising	6,825	-
	$ 2,858,772	**$ 3,050,229**

G. NET ASSETS

The Organization's net assets consist entirely of net assets without donor restriction. Net assets without donor restrictions include those net assets whose use is not restricted by donors, even though their use may be limited in other respects, such as by board designation. Designated net assets include the following:

Operating reserves: Operating reserves represent TEI's safety net. Net assets were board designated for operating reserves to provide a cushion against unexpected events, loss of income, or large unbudgeted expenses. Operating reserves are approximately equal to the three-year rolling average of (1) 50% of annual operating expenses plus (2) 100% of annual sponsorship and royalty revenue..

Capital / opportunity reserves: The capital/opportunity reserves represent the remaining balance of TEI's unrestricted net assets after the operating and any other reserves have been determined.

2020 Annual Conference (75th Anniversary): The Board of Directors has designated net assets to fund the 2020 Annual Conference (75th Anniversary).

Net assets without donor restriction consisted of the following at June 30,:

	2019	2018
TEI		
Designated net assets		
Operating reserves	$ 6,016,563	$ 5,771,843
Capital / opportunity reserves	294,020	511,773
2020 Annual Conference (75th Anniversary)	200,000	150,000
	6,510,583	6,433,616
TEIF		
Undesignated net assets	91,896	103,087
	$ 6,602,479	**$ 6,536,703**

H. MANAGEMENT FEES

Pursuant to a written agreement, TEI administers certain continuing education courses which are sponsored by TEIF. Under the terms of the agreement, TEI pays a percentage of the net income from the sponsored courses to TEIF. The management fees paid by TEI totaled $10,771 and $9,996 for the years ended June 30, 2019 and 2018, respectively.

I. RETIREMENT PLANS

Money purchase plan: TEI has a defined contribution money-purchase retirement plan, which covers all eligible employees who meet age and length-of-service requirements. Under the plan, TEI contributes 8% of each participant's compensation and participants are fully vested after six years of service. TEI's contributions to the plan totaled $196,649 and $162,300 for the years ended June 30, 2019 and 2018, respectively.

401(k) plan: TEI has a defined contribution salary deferral and savings incentive plan, which covers all eligible employees who meet age and length of service requirements. The plan includes automatic enrollment with an opt-out option. Under the plan, TEI matches employee deferral contributions (50% of the first 2% and 25% of the next 4%) up to the maximum contribution allowed by Internal Revenue Service limits and participants are fully vested in the matching contributions after five years of service. TEI's contributions to the plan totaled $45,873 and $43,335 for the years ended June 30, 2019 and 2018, respectively.

J. SPECIAL PROJECTS EXPENSE

Special projects expense relates to either nonrecurring costs or multi-year projects. Special projects expense is approved through the Organization's annual budget process but, by policy, it is excluded from the change in net assets from operations.

Special projects expense consisted of the following for the years ended June 30,:

	2019	2018
Membership structure	$ 108,046	$ 80,994
Start up costs for Shanghai	8,614	44,772
Grants and scholarships	$ 5,875	$ 4,375
	$ 122,535	**$ 130,141**

K. CHAPTERS AND REGIONS

TEI has several chapters and regions located throughout the United States of America, Canada, Europe, Latin America, and Asia. As stipulated in the Chapter Regulations, the activities of the chapters and regions are subject to (1) the policies adopted by TEI's board and (2) the general oversight of TEI's board. Except in situations where TEI has control through 100% ownership, its oversight of the chapters and regions does not constitute control in accordance with generally accepted accounting principles. Therefore, chapters and regions that are not controlled by TEI have not been included in the accompanying consolidating financial statements.

Chapter and region cash balances aggregated to approximately $2.4 million at June 30, 2018 and chapter and region revenue aggregated to approximately $4.0 million for the year ended June 30, 2018. Aggregate chapter and region financial information is not yet available as of and for the year ended June 30, 2019.

L. FUNCTIONAL EXPENSE

The costs of providing the various program and supporting activities of the Organization have been summarized on a functional basis in the accompanying consolidating statements of activities. Costs related to a specific functional activity are charged directly to that activity. However, other indirect costs are allocated among the program and supporting services benefited based on management's best estimates. In particular, salaries and benefits along with other shared costs such as occupancy and depreciation and amortization are allocated based on estimated employee time and effort.

Functional expense consisted of the following for the year ended June 30,:

	2019			2018		
	Program Services	Supporting Services	Total	Program Services	Supporting Services	Total
Salaries and employee benefits	**$ 1,873,973**	**$ 1,313,592**	**$3 ,187,565**	$1 ,863,482	$ 1,301,422	$3 ,164,904
Meals, entertainment and travel	**1,276,622**	**47,102**	**1,323,724**	1,290,741	53,397	1,344,138
Publications, promotion and printing	**572,905**	**-**	**572,905**	544,824	-	544,824
Occupancy	**85,529**	**443,131**	**528,660**	87,459	417,725	505,184
Office Expenses	**13,844**	**458,047**	**471,891**	11,385	510,204	521,589
Conference and seminars expenses	**316,284**	**-**	**316,284**	290,466	-	290,466
Depreciation and amortization	**41,562**	**225,950**	**267,512**	40,785	222,272	263,057
Chapter rebates	**201,975**	**-**	**201,975**	207,500	-	207,500
Other	**117,708**	**33,902**	**151,610**	163,516	107,837	271,353
Professional fees	**-**	**73,506**	**73,506**		75,882	75,882
	4,500,402	**2,595,230**	**7,095,632**	4,500,158	2,688,739	7,188,897

M. COMMITMENTS AND CONTINGENCIES

Office lease: TEI has an operating lease for office space that expires February 2028. The office lease contains annual escalations of the monthly base rent. In accordance with generally accepted accounting principles, the difference between cash payments required under the terms of the lease and rent expense has been reported as deferred rent in the accompanying consolidating statements of financial position. Deferred rent will be amortized on a basis to achieve straight-line rent expense over the life of the lease. The terms of the office lease also include a tenant improvement allowance of $752,080 which will also be amortized on a straight-line basis over the term of the lease. The liability for deferred rent and lease incentive totaled $1,137,225 and $1,146,207 at June 30, 2019 and 2018, respectively.

Rent expense, on a straight-line basis, totaled $528,660 and $505,184 for the years June 30, 2019 and 2018, respectively.

Future minimum cash basis office lease payments are as follows:

Year Ending June 30,	Amount
2020	$ 524,500
2021	548,000
2022	572,600
2023	598,200
2024	625,100
Thereafter	2,541,400
	$ 5,409,800

Employment agreement: TEI has an employment agreement with its Executive Director which expires on December 31, 2025. Under the terms of the agreement, should the agreement be terminated for any reason other than good cause, TEI would be obligated to pay salary and benefits through December 31, 2022 or December 31, 2025, depending on the date of termination. Furthermore, TEI is obligated to pay the Executive Director an additional amount if employed on December 31, 2025 and provided certain conditions are met.

Hotel contracts: TEI has agreements with hotels to provide conference facilities, meeting space, and room accommodations for future events. The agreements contain cancellation or attrition clauses whereby TEI may be liable for liquidated damages in the event of cancellation or lower than anticipated attendance.