

Community Associations Institute

Financial Report
June 30, 2021

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RSM US LLP

Independent Auditor's Report

Board of Trustees
Community Associations Institute

Report on the Financial Statements

We have audited the accompanying financial statements of Community Associations Institute (CAI), which comprise the statements of financial position as of June 30, 2021 and 2020, the related statements of activities, functional expenses and cash flows for the years 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 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 financial statements are free of 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 CAI'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 CAI'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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Community Associations Institute as of June 30, 2021 and 2020, 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.

RSM US LLP

Washington, D.C.
November 22, 2021

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Community Associations Institute

Statements of Financial Position
June 30, 2021 and 2020

	2021	2020
Assets		
Cash and cash equivalents	\$ 2,052,886	\$ 1,333,744
Investments	10,284,439	6,393,323
Accounts receivable	111,802	92,471
Inventory	68,554	93,247
Prepaid expenses and other assets	433,423	331,195
Property and equipment, net	685,402	969,906
	<hr/>	<hr/>
Total assets	\$ 13,636,506	\$ 9,213,886
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 1,310,944	\$ 1,144,735
Deferred revenue	5,272,954	4,322,642
Note payable	927,950	-
Deferred rent	469,948	601,512
	<hr/>	<hr/>
Total liabilities	7,981,796	6,068,889
Commitments and contingencies (Note 12)		
Net assets:		
Without donor restrictions		
Undesignated	5,201,066	2,757,211
Board-designated	371,966	387,786
	<hr/>	<hr/>
	5,573,032	3,144,997
With donor restrictions	81,678	-
	<hr/>	<hr/>
Total net assets	5,654,710	3,144,997
	<hr/>	<hr/>
Total liabilities and net assets	\$ 13,636,506	\$ 9,213,886

See notes to financial statements.

Community Associations Institute

**Statements of Activities
Years Ended June 30, 2021 and 2020**

	2021	2020
Activities without donor restrictions:		
Revenue and support:		
Membership	\$ 6,422,942	\$ 6,621,552
Education	4,022,403	3,553,190
Management fees	969,859	924,900
Conferences and seminars	658,540	1,239,945
Advertising	568,438	470,923
Royalties	328,539	255,839
Interest and dividends	182,199	278,527
Other income	55,856	176,565
Publication sales	66,128	107,358
President's club	14,628	14,257
Net assets released from restrictions	51,209	-
Total revenue and support	13,340,741	13,643,056
Expenses:		
Program services:		
Membership and chapters	4,090,055	4,031,232
Education and conferences	2,129,160	3,486,523
Communications and publications	1,838,311	1,910,091
Government and public affairs	1,013,480	1,050,481
Total program services	9,071,006	10,478,327
General and administrative	3,187,630	3,279,197
Total expenses	12,258,636	13,757,524
Change in net assets without donor restrictions from operations	1,082,105	(114,468)
Net realized and unrealized gain (loss) on investments	1,432,977	(118,149)
Reclassification of donor restricted net assets	(87,047)	-
Change in net assets without donor restrictions	2,428,035	(232,617)
Activities with donor restrictions:		
Contributions	45,840	-
Reclassification of donor restricted net assets	87,047	-
Net assets released from restrictions	(51,209)	-
Change in net assets with donor restrictions	81,678	-
Change in net assets	2,509,713	(232,617)
Net assets:		
Beginning	3,144,997	3,377,614
Ending	\$ 5,654,710	\$ 3,144,997

See notes to financial statements.

Community Associations Institute

**Statement of Functional Expenses
Year Ended June 30, 2021**

	<u>Program Services</u>					<u>General and Administrative</u>	<u>Total</u>
	<u>Membership and Chapters</u>	<u>Education and Conferences</u>	<u>Communications and Publications</u>	<u>Government and Public Affairs</u>			
Salaries and benefits	\$ 1,061,916	\$ 971,111	\$ 1,017,775	\$ 626,177	\$ 2,628,936	\$ 6,305,915	
Chapter rebates and commissions	2,545,448	110,972	-	-	-	2,656,420	
Professional fees and services	148,115	161,487	275,458	251,075	168,920	1,005,055	
Other	109,540	162,918	187,084	48,510	40,450	548,502	
Information technology	67,531	185,793	58,720	29,360	120,333	461,737	
Printing and production	28,573	220,313	185,793	851	-	435,530	
Occupancy	84,835	82,373	73,766	36,883	151,166	429,023	
Depreciation and amortization	42,935	139,433	37,333	18,667	76,504	314,872	
Conferences and meetings	-	85,003	-	-	-	85,003	
Travel	1,162	9,757	2,382	1,957	1,321	16,579	
	<u>\$ 4,090,055</u>	<u>\$ 2,129,160</u>	<u>\$ 1,838,311</u>	<u>\$ 1,013,480</u>	<u>\$ 3,187,630</u>	<u>\$ 12,258,636</u>	

See notes to financial statements.

Community Associations Institute

**Statement of Functional Expenses
Year Ended June 30, 2020**

	Program Services					General and Administrative	Total
	Membership and Chapters	Education and Conferences	Communications and Publications	Government and Public Affairs			
Salaries and benefits	\$ 1,025,225	\$ 950,373	\$ 976,755	\$ 606,177	\$ 2,576,865	\$ 6,135,395	
Chapter rebates and commissions	2,401,588	190,729	-	-	-	2,592,317	
Professional fees and services	142,199	200,477	315,194	282,154	158,773	1,098,797	
Other	176,372	163,109	165,151	44,978	102,712	652,322	
Information technology	59,905	304,538	49,318	26,628	111,188	551,577	
Printing and production	26,311	319,336	274,445	1,117	1,597	622,806	
Occupancy	92,582	155,918	75,586	37,793	162,593	524,472	
Depreciation and amortization	46,285	142,425	40,250	20,125	86,583	335,668	
Conferences and meetings	-	928,779	-	-	-	928,779	
Travel	60,765	130,839	13,392	31,509	78,886	315,391	
	<u>\$ 4,031,232</u>	<u>\$ 3,486,523</u>	<u>\$ 1,910,091</u>	<u>\$ 1,050,481</u>	<u>\$ 3,279,197</u>	<u>\$ 13,757,524</u>	

See notes to financial statements.

Community Associations Institute

Statements of Cash Flows
Years Ended June 30, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Change in net assets	\$ 2,509,713	\$ (232,617)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Net realized and unrealized (gain) loss on investments	(1,432,977)	118,149
Depreciation and amortization	314,872	335,668
Deferred rent	(131,564)	(106,310)
Changes in assets and liabilities:		
(Increase) decrease:		
Accounts receivable	(19,331)	(58,130)
Inventory	24,693	4,588
Prepaid expenses and other assets	(102,228)	(71,648)
Increase (decrease):		
Accounts payable and accrued expenses	166,209	(92,668)
Deferred revenue	950,312	103,613
Net cash provided by operating activities	2,279,699	645
Cash flows from investing activities:		
Proceeds from sales and maturities of investments	1,830,519	1,106,132
Purchases of investments	(4,288,658)	(330,685)
Purchases of property and equipment	(30,368)	(98,785)
Net cash (used in) provided by investing activities	(2,488,507)	676,662
Cash flows from financing activities:		
Proceeds from note payable	927,950	-
Net cash provided by financing activities	927,950	-
Net increase in cash and cash equivalents	719,142	677,307
Cash and cash equivalents:		
Beginning	1,333,744	656,437
Ending	\$ 2,052,886	\$ 1,333,744

See notes to financial statements.

Community Associations Institute

Notes to Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies

Nature of Activities: Community Associations Institute (CAI) was formed in January 1973 as a nonprofit corporation in the District of Columbia. CAI is an international membership organization dedicated to building better communities. With over 40,000 members, CAI has 64 chapters worldwide, including Canada, the Middle East and South Africa, and relationships with housing leaders in a number of other countries, including Australia and the United Kingdom. CAI provides information, education and resources to the homeowner volunteers who govern communities and the professionals who support them. CAI members include association board members and other homeowner leaders, community managers, association management firms and other professionals who provide products and services to associations.

In addition, CAI has established affiliated political action committees (the PACs). The PACs include one federal and six state PACs which are voluntary, nonprofit, unincorporated associations created to further the interests of CAI and the communities it represents through financial participation in the elective process. The financial activities of the PACs have been included in the accompanying financial statements. In particular, the assets related to the PACs consisted entirely of cash accounts which totaled \$81,678 and \$87,047 at June 30, 2021 and 2020, respectively. The PACs had no liabilities at June 30, 2021 and 2020.

A summary of CAI's significant accounting policies follows:

Basis of presentation: CAI follows the accounting requirements of the Not-for-Profit Entities topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). Under the FASB ASC, CAI is required to report information regarding its net assets and its activities according to two categories: 1) net assets without donor restrictions and 2) net assets with donor restrictions.

Without donor restrictions: 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. Board-designated net assets include the President's Club and the Issues Advancement Fund (see Note 10). The President's Club was created in 1984 as a special fundraising group of dedicated volunteer leaders within CAI whose purpose is to provide initial funding for CAI's projects and to promote or advance enterprises and ideas that enhance or expand the objectives of CAI. The Issues Advancement Fund is a discretionary fund whereby chapters or legislative action committees can petition for funding to assist in their legislative or regulatory efforts.

With donor restrictions: Net assets with donor restrictions include those net assets whose use is subject to donor-imposed restrictions. Donor restrictions may be for a specified time or purpose limitation or the donor may specify that the corpus of their original and certain subsequent gifts be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. CAI's net assets with donor restrictions consisted entirely of net assets related to the PACs. Since the net assets related to the PACs was included in net assets without donor restrictions at June 30, 2020, CAI has included a reclassification of net assets in the statement of activities related to the year ended June 30, 2021.

Use of estimates: The preparation of the financial statements in conformity with generally accepted accounting principles in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Community Associations Institute

Notes to Financial Statements

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

Income tax status: CAI is exempt from the payment of income taxes on its exempt activities under Section 501(c)(6) of the Internal Revenue Code (IRC). As a result of direct and indirect costs relating to its unrelated business activities, such as advertising, CAI has generated net operating loss carryforwards resulting from its taxable activities. The net operating loss carryforwards that may be applied against future years' taxable income totaled \$58,725 (estimated) and \$47,825 (actual) at June 30, 2021 and 2020, respectively. The net operating loss carryforwards were generated beginning with the year ended June 30, 2019. Therefore, the net operating loss carryforwards can be carried forward indefinitely to future years.

Cash and cash equivalents: For financial statement purposes, CAI considers demand deposits and money market funds to be cash and cash equivalents. Amounts held in the investment portfolio, regardless of maturity, are not included in cash and cash equivalents.

Investments: Investments with readily determinable fair values are reflected at fair value. To adjust the carrying value of these investments, the change in fair value is recorded to net realized and unrealized gain (loss) on investments.

Financial risk: CAI maintains demand deposits 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. federal government. The uninsured portions of cash and money market accounts are backed solely by the assets of the underlying institution. Therefore, the failure of an underlying institution could result in financial loss to CAI. However, CAI has not experienced any losses in such accounts and management believes it is not exposed to any significant credit risk on its cash and cash equivalents.

CAI invests funds in a professionally managed portfolio that contains various types of marketable equity securities. Investments are exposed to market and credit risks and may be subject to significant fluctuations in fair value. As a result, the investment balances reported in the accompanying financial statements may not be reflective of the portfolio's value during subsequent periods.

Accounts receivable: Accounts receivable are presented at the gross amount due to CAI. Management periodically reviews the status of all receivable balances for collectability. Each receivable balance is assessed based on management's knowledge of the customer, CAI's relationship with the customer and the age of the receivable balance. As a result of these reviews, receivable balances deemed to be uncollectable are charged directly to bad debt expense which totaled \$0 for both years ended June 30, 2021 and 2020. Management believes that the use of the direct write-off method approximates the results that would have been presented if an allowance for doubtful accounts had been recorded.

Inventory: Inventory includes items held for sale such as publications and logo merchandise. Inventory has been reported at the lower of cost or net realizable value and cost of goods sold is determined using the average cost method. Based on a review of the age and sales history of items held in stock, management did not identify any inventory items requiring a write-off during the years ended June 30, 2021 and 2020. The cost of goods sold has been recorded within the professional fees and services natural cost category on the statements of functional expenses and totaled \$33,752 and \$43,937 for the years ended June 30, 2021 and 2020, respectively.

Property and equipment: Acquisitions of property and equipment greater than \$1,000 are recorded at cost and depreciated or amortized using the straight-line method over the following useful lives: furniture and equipment – 3 to 10 years; computer software – 3 to 5 years; course materials – 5 to 10 years; leasehold improvements – over the lesser of the remaining life of the office lease or the estimated useful life of the improvements.

Community Associations Institute

Notes to Financial Statements

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

Impairment: Long-lived property, such as leasehold improvements, that suffers a permanent impairment will be written down to fair value and an impairment loss equal to the difference between the property's carrying amount and fair value would be included as a reduction in the change in net assets from operations.

Deferred rent: CAI recognizes the minimum rents required under a lease as rent expense on a straight-line basis over the term of the lease. Differences between amounts recorded as expense and amounts actually paid are reported as deferred in the statements of financial position along with the unamortized landlord provided tenant improvement allowance (see Note 12).

Revenue and support: Revenue includes line items that have performance obligations. Support includes contributions. CAI's revenue streams are considered contracts with customers that have performance obligations. The majority of CAI's revenue is earned in the United States of America. CAI's contracts with customers include no significant financing components and no variable considerations.

Revenue from contracts with customers includes performance obligations that are satisfied either at a point in time or over time, and most contracts have initial terms of one year or less. CAI performs an evaluation at contract inception focused on whether a performance obligation is satisfied over time or at a point in time. If a performance obligation meets certain specific criteria, the related revenue is recognized over time if CAI is able to reasonably measure its progress toward complete satisfaction of the performance obligation using reliable information. Output methods and input methods are used to measure progress for goods and services for which control has been transferred to the customer. If the certain criteria are met, revenue is recognized at a point in time.

Prices are specific to a distinct performance obligation and contracts with customers do not have multiple performance obligations. Economic factors driven by consumer confidence, employment, inflation and other world events impact the timing and level of revenue recognized in the financial statements. Periods of economic downturn resulting from any of the above factors may result in declines in future cash flows and recognized revenue of CAI or can have a positive impact on cash flows in favorable economic conditions.

Membership: Membership dues provide economic as well as other benefits to members and are therefore accounted for as exchange transactions rather than as contributions. Revenue from membership dues is recognized on a straight-line basis over the related annual membership period because benefits are consumed ratably over the membership term by members. Dues received prior to the membership period are recorded as deferred revenue in the accompanying statements of financial position.

Education: Education revenue includes various courses and credentials to provide homeowner leaders, community managers and business partners worldwide the latest training to make an immediate impact in their association, career and business. Revenue from CAI's suite of live virtual courses, classroom courses, self-paced online learning, monthly webinars and on-demand programs is recognized at the point in time when the related course is taken or when online materials are made available to the customer. Education revenue received in advance of being earned are recorded as deferred revenue in the accompanying statements of financial position.

Conferences and seminars: Conferences and seminars revenue, which includes registration fees, exhibit fees and sponsorships received in advance of the date of the event is recorded as deferred revenue until the related events occurs. Conferences and seminars revenue is recognized over the period of time in which the related events occur.

Community Associations Institute

Notes to Financial Statements

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

Advertising: Advertising revenue relates to advertising placements within either printed publications or digital resources which are available on CAI's website. Advertising revenue for printed publications is recognized in the month during which the advertisement is placed. Advertising revenue for digital resources is recognized in the period during which the advertisements are placed online. Advertising revenue received in advance of being earned is recorded as deferred revenue in the accompanying statements of financial position.

Royalties: Royalty revenue is recognized in the same period as the sales which generated the royalty.

Contributions: Unconditional contributions are recognized when received. Contributions are classified within activities without donor restrictions or within activities with donor restrictions depending upon the existence and/or nature of any donor restrictions. Net assets with donor restrictions are reclassified to net assets without donor restrictions when either the purpose restriction is satisfied, or the time restriction expires. Contributions with donor restrictions that is both received and released in the same period is classified as without donor restrictions in the statements of activities.

Functional allocation of expense: The costs of providing various programs and supporting services activities have been summarized on a functional basis in the financial statements. Costs related to a specific functional activity are charged directly to that activity. Indirect costs are allocated among program and supporting services on a reasonable basis that is consistently applied. In particular, personnel costs are allocated based on employee effort. Other indirect costs, such as professional fees and services, other, information technology, occupancy and depreciation and amortization are also allocated based on employee effort.

Upcoming accounting pronouncement: Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*, which supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. For CAI, the new standard will be effective during the year ending June 30, 2023. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. CAI is currently evaluating the impact of the pending adoption of the new standard on the financial statements.

Subsequent events: Subsequent events have been evaluated through November 22, 2021, which is the date the financial statements were available to be issued.

Community Associations Institute

Notes to Financial Statements

Note 2. Fair Value Measurements and Investments

CAI follows the accounting standards topic regarding fair value measurements, which establishes a framework for measuring fair value in accordance with U.S. GAAP and expands disclosures about fair value measurements. This standard uses the following prioritized input levels to measure 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 which reflect the reporting entity's assessment of the assumptions that market participants would use in pricing the asset or liability including assumptions about risk, such as bid/ask spreads and liquidity discounts.

Investments presented at fair value using Level 1 inputs include mutual funds and exchange-traded funds, which were valued based on quoted prices for identical assets in active markets.

Investments consisted of the following at June 30, 2021 and 2020:

	2021	2020
Investments, at fair value (Level 1):		
Mutual funds – equities	\$ 4,406,460	\$ 3,372,821
Mutual funds – fixed income	1,900,620	714,540
Exchange traded funds	1,009,748	976,656
Mutual funds – alternative strategies	1,002,267	210,222
Total investments, at fair value	<u>8,319,095</u>	<u>5,274,239</u>
Investments, at cost:		
Cash and cash equivalents	1,965,344	132,790
Certificates of deposit	-	986,294
	<u>\$ 10,284,439</u>	<u>\$ 6,393,323</u>

Community Associations Institute

Notes to Financial Statements

Note 3. Accounts Receivable

Accounts receivable consisted of the following at June 30, 2021 and 2020:

	2021	2020
Royalties and education	\$ 103,174	\$ 86,206
Amount due from CAM-ICB	8,229	4,532
Amount due from FCAR	399	1,733
	<u>\$ 111,802</u>	<u>\$ 92,471</u>

Note 4. Liquidity and Availability of Resources

CAI manages its financial assets to be available as its operating expenditures, liabilities and other obligations come due. In addition, financial assets in excess of daily cash requirements are invested in financial instruments that can be converted to cash within a short period of time in accordance with CAI's investment policy. Furthermore, CAI does not currently have a line of credit as an available resource. CAI's investments include portfolios for the following specific uses:

Operating fund: The purpose of the operating fund is to provide sufficient cash to meet CAI's current financial obligations in a timely manner.

Short-term investment fund: The purpose of the short-term investment fund is to provide liquidity to pay for expenses that may occur due to unanticipated activities, to improve the return on the short-term funds which are held for expenditure within one to two years and to manage investment risk.

Long-term investment fund: The purpose of the long-term investment fund is to enhance the purchasing power of CAI's assets that are held for future expenditures, such as initiating new programs and providing funds for capital investments.

The following provides a summary of financial assets available for general expenditure within one year at June 30, 2021 and 2020:

	2021	2020
Financial assets:		
Cash and cash equivalents	\$ 2,052,886	\$ 1,333,744
Investments	10,284,439	6,393,323
Accounts receivable, net	111,802	92,471
	<u>12,449,127</u>	<u>7,819,538</u>
Less amounts not available for expenditure within one year:		
Board-designated net assets	(371,966)	(387,786)
	<u>\$ 12,077,161</u>	<u>\$ 7,431,752</u>

Community Associations Institute

Notes to Financial Statements

Note 5. Related Party Transactions

Chapters: CAI has 64 separately incorporated and separately governed nonprofit chapters in the United States and worldwide, including Canada, the Middle East and South Africa (Chapters). The Chapters administer a variety of programs and services, such as professional development, community association board member education, networking opportunities, educational publications and other services to meet the needs of their members. Some of the Chapters have professional staff and others are administered solely by volunteer efforts. CAI's involvement in and oversight of the Chapters does not constitute control in accordance with U.S. GAAP. Therefore, the Chapters are not required to be consolidated with CAI for financial reporting purposes.

In an agency capacity, CAI processes cash receipts on behalf of the Chapters. Therefore, CAI has recorded an amount due to the Chapters totaling \$252,793 and \$174,391 as of June 30, 2021 and 2020, respectively.

FCAR: Community Associations Institute Research Foundation (d/b/a Foundation for Community Association Research) (FCAR) was incorporated in 1975 under the laws of the District of Columbia as a nonprofit corporation. Authoritative research sponsored by FCAR supports the aspirations of the more than 70 million Americans who live and work in an estimated 344,500 community associations in the United States of America. FCAR's mission is to provide research-based information for homeowners, association board members, community managers, developers and others. Since FCAR's inception in 1975, FCAR has built a solid reputation for producing accurate, insightful and timely information.

FCAR is exempt from the payment of income taxes under Section 501(c)(3) of the IRC and has been classified by the Internal Revenue Service as other than a private foundation within the meaning of Section 509(a)(2) of the IRC. CAI does not control FCAR because it does not have the ability to appoint a majority voting interest of FCAR's Board of Directors. Therefore, FCAR is not required to be consolidated with CAI for financial reporting purposes.

The amount due from FCAR primarily relates to management fees owed to CAI and cost reimbursements which totaled \$399 and \$1,733 at June 30, 2021 and 2020, respectively.

The amount due to FCAR primarily relates to contributions and survey sales that CAI has collected on behalf FCAR in an agency capacity. The amount due to FCAR totaled \$22,393 and \$22,130 at June 30, 2021 and 2020, respectively.

Under the terms of memorandum of understanding, FCAR pays CAI a management fee for use of office facilities, personnel and property and equipment owned by CAI. FCAR paid management fees to CAI totaling \$152,100 and \$156,900 during the years ended June 30, 2021 and 2020, respectively.

CAM-ICB: Community Association Managers International Certification Board, Inc. (CAM-ICB) was formed in 1995 to ensure that community association managers practice with professionalism, integrity and knowledge. To do so, CAM-ICB administers the Certified Manager of Community Associations (CMCA®) certification program, the only internationally accredited certification program in the field.

CAM-ICB is exempt from the payment of income taxes on its exempt activities under Section 501(c)(6) of the IRC. CAI does not control the CAM-ICB because it does not have the ability to appoint a majority voting interest of CAM-ICB's Board of Commissioners. Therefore, CAM-ICB is not required to be consolidated with CAI for financial reporting purposes.

Community Associations Institute

Notes to Financial Statements

Note 5. Related Party Transactions (Continued)

The amount due from CAM-ICB primarily relates to management fees owed to CAI and cost reimbursements which totaled \$8,229 and \$4,532 at June 30, 2021 and 2020, respectively.

The amount due to CAM-ICB primarily relates to certification and re-certification fees that CAI has collected on behalf CAM-ICB in an agency capacity. The amount due to CAM-ICB totaled \$2,875 and \$654 at June 30, 2021 and 2020, respectively.

Under the terms of memorandum of understanding, CAM-ICB pays CAI a management fee for use of office facilities, personnel and property and equipment owned by CAI. CAM-ICB paid management fees to CAI totaling \$817,759 and \$768,000 during the years ended June 30, 2021 and 2020, respectively.

Note 6. Property and Equipment

Property and equipment consisted of the following at June 30, 2021 and 2020:

	2021	2020
Furniture and equipment	\$ 472,240	\$ 617,134
Computer software	971,930	971,930
Course materials	844,363	844,363
Leasehold improvements	1,071,402	1,071,402
	<u>3,359,935</u>	<u>3,504,829</u>
Less accumulated depreciation and amortization	(2,674,533)	(2,534,923)
	<u>\$ 685,402</u>	<u>\$ 969,906</u>

Note 7. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consisted of the following at June 30, 2021 and 2020:

	2021	2020
Accrued expenses	\$ 635,454	\$ 615,304
Accounts payable	397,429	332,256
Amount due to the Chapters	252,793	174,391
Amount due to FCAR	22,393	22,130
Amount due to CAM-ICB	2,875	654
	<u>\$ 1,310,944</u>	<u>\$ 1,144,735</u>

Community Associations Institute

Notes to Financial Statements

Note 8. Deferred Revenue

Deferred revenue consisted of the following at June 30, 2021 and 2020:

	2021	2020
Membership	\$ 3,145,856	\$ 3,027,269
Conferences and seminars	1,266,240	636,607
Education	496,630	373,324
Advertising	291,481	239,642
Other income	72,747	45,800
	<u>\$ 5,272,954</u>	<u>\$ 4,322,642</u>

Note 9. Note Payable

On March 30, 2021, CAI obtained proceeds totaling \$927,950, pursuant to the Paycheck Protection Program (PPP) under Division A, Title I of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) of March 27, 2020. The forgivable note payable matures on March 30, 2026, and bears interest at a rate of 1% per annum. Proceeds may only be used for payroll costs, costs used to continue group healthcare benefits, mortgage payments, rent, utilities and interest on other debt obligations that were incurred during the forgiveness covered period as described in the note payable.

The note payable and related accrued interest are forgivable if CAI uses the proceeds for eligible purposes. The unforgiven portion of the PPP loan is payable over five years. The note payable may be prepaid at any time prior to maturity with no prepayment penalties. CAI intends to use the entire proceeds for qualifying expenses as described in the CARES Act. CAI has elected to record the note payable related to the PPP loan in accordance with ASC Topic 470: Debt.

Future maturities of principal related to the note payable are as follows as of June 30, 2021:

Years ending June 30:		
2022		\$ 185,590
2023		185,590
2024		185,590
2025		185,590
2026		185,590
		<u>\$ 927,950</u>

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Notes to Financial Statements

Note 10. Board-Designated Net Assets

Board-designated net assets consisted of the following at June 30, 2021 and 2020:

	2021	2020
President's Club	\$ 344,392	\$ 329,764
Issues Advancement Fund	27,574	58,022
	<u>\$ 371,966</u>	<u>\$ 387,786</u>

Note 11. Retirement Plan

CAI sponsors a defined contribution 401(k) retirement plan available to all employees meeting certain eligibility requirements as defined by the plan document. The plan requires a safe harbor employer matching contribution equal to 100% of employee deferrals up to 3% of participant compensation plus 50% of employee deferrals above 3% and up to 5% of participant compensation. CAI may also make an employer discretionary profit-sharing contribution to the plan on behalf of eligible participants. CAI's contributions to the retirement plan totaled \$180,921 and \$182,610 for the years ended June 30, 2021 and 2020, respectively.

Note 12. Commitments and Contingencies

Operating lease: CAI has an operating lease for office space which expires on March 30, 2029. The office lease, as amended, includes abatements of rent and escalation terms that adjust annual base rentals. The lease also has a pass-through clause relating to real estate taxes and operating expenses, which are not included in base rentals. In relation to the office lease, CAI has recorded a security deposit of \$42,134 at June 30, 2021 and 2020. The security deposit is included in prepaid expenses and other assets in the accompanying statements of financial position.

The office lease, as amended, included two tenant improvement allowances for build-out of the office space totaling \$1,021,773. The cost of these leasehold improvements was capitalized within property and equipment. The rent abatement and scheduled rent increases along with the tenant improvement allowance have been recorded as a liability and will be amortized ratably to achieve straight-line rent expense over the term of the lease. The liability for deferred rent totaled \$469,948 and \$601,512 at June 30, 2021 and 2020, respectively.

Rent expense related to the office lease totaled \$398,568 and \$414,364 for the years ended June 30, 2021 and 2020, respectively.

Future minimum rental payments related to the office lease are as follows:

Years ending June 30:	
2022	\$ 834,825
2023	552,418
2024	566,229
2025	580,385
2026	594,894
Thereafter	2,145,085
	<u>\$ 5,273,836</u>

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Notes to Financial Statements

Note 12. Commitments and Contingencies (Continued)

Employment agreement: CAI has an employment agreement with its Chief Executive Officer. Under the terms of the agreement, should CAI terminate his employment without cause, CAI would be obligated to pay severance in accordance with the terms stipulated in the agreement.

COVID-19 pandemic: On January 30, 2020, the World Health Organization declared the coronavirus (COVID-19) outbreak a “Public Health Emergency of International Concern” and, on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had, and are expected to continue to have, an adverse impact on the economies and financial markets of many countries, including the geographical area in which CAI operates. It is unknown how long these conditions will last and what the complete financial affect will be to CAI, to date, and it is reasonably possible that CAI is vulnerable to the risk of a near-term impact.