

**Audited Financial Statements  
and Supplementary Information**

**COMMUNITY ASSOCIATIONS  
INSTITUTE**

*June 30, 2018*

# Community Associations Institute

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T A T E



T R Y O N

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# Independent Auditor's Report on the Financial Statements

To the Board of Trustees  
Community Associations Institute

We have audited the accompanying financial statements of the Community Associations Institute (the Institute), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities 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 the Institute'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 Institute'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, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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September 13, 2018

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# Community Associations Institute

## Statements of Financial Position

<i>June 30,</i>	<b>2018</b>	<b>2017</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 1,366,292	\$ 2,089,538
Investments	6,986,347	6,584,402
Accounts receivable	232,379	158,428
Inventory	107,639	120,852
Prepaid expenses and other assets	352,550	287,701
Property and equipment, net	774,892	735,744
<b>Total assets</b>	<b>\$ 9,820,099</b>	<b>\$ 9,976,665</b>
<b>Liabilities and net assets</b>		
Liabilities		
Accounts payable and accrued expenses	\$ 1,681,152	\$ 1,735,359
Deferred revenue	3,903,699	3,908,349
Deferred rent and lease incentive	513,567	629,623
Total liabilities	6,098,418	6,273,331
Commitments and contingencies	-	-
Net assets		
Undesignated	3,373,482	3,380,592
Designated	348,199	322,742
Total net assets	3,721,681	3,703,334
<b>Total liabilities and net assets</b>	<b>\$ 9,820,099</b>	<b>\$ 9,976,665</b>

See notes to the financial statements.

# Community Associations Institute

## Statements of Activities

<i>Year Ended June 30,</i>	<b>2018</b>	<b>2017</b>
<b>Revenue</b>		
Membership	\$ 6,331,563	\$ 6,270,142
Education	3,691,273	3,524,341
Conferences and seminars	2,038,710	1,907,925
Administrative fees	795,168	737,200
Advertising	430,443	419,198
Royalties	270,592	258,928
Interest and dividends	260,593	148,172
Publication sales	136,669	145,433
Other income	83,588	108,106
President's club	18,784	18,041
Total revenue	<b>14,057,383</b>	13,537,486
<b>Expense</b>		
Program services		
Education and conferences	4,231,515	3,941,546
Chapter development and services	3,083,110	2,747,389
Communications and marketing	2,005,876	1,889,737
Government and public affairs	949,623	902,741
Membership	795,104	806,984
President's club	4,637	4,997
Total program services	<b>11,069,865</b>	10,293,394
General and administrative	3,118,114	3,007,303
Total expense	<b>14,187,979</b>	13,300,697
Change in net assets from operations	<b>(130,596)</b>	236,789
Net realized and unrealized gain on investments	<b>148,943</b>	435,950
<b>Change in net assets</b>	<b>18,347</b>	672,739
Net assets, beginning of year	3,703,334	3,030,595
<b>Net assets, end of year</b>	<b>\$ 3,721,681</b>	<b>\$ 3,703,334</b>

See notes to the financial statements.

# Community Associations Institute

## Statements of Cash Flows

<i>Year Ended June 30,</i>	<b>2018</b>	<b>2017</b>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 18,347	\$ 672,739
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Net realized and unrealized gain on investments	(148,943)	(435,950)
Depreciation and amortization	309,531	316,094
Deferred rent and lease incentive	(116,056)	(104,514)
Changes in assets and liabilities:		
Accounts receivable	(73,951)	(116,700)
Inventory	13,213	(7,296)
Prepaid expenses and other assets	(64,849)	36,408
Accounts payable and accrued expenses	(54,207)	803,817
Deferred revenue	(4,650)	(3,650)
<b>Total adjustments</b>	<b>(139,912)</b>	<b>488,209</b>
Net cash (used in) provided by operating activities	<b>(121,565)</b>	<b>1,160,948</b>
<b>Cash flows from investing activities</b>		
Purchase of investments	(280,363)	(169,555)
Proceeds from maturities/sales of investments	27,361	41,015
Proceeds from sale of property and equipment	550	-
Purchases of property and equipment	(349,229)	(75,161)
Net cash used in investing activities	<b>(601,681)</b>	<b>(203,701)</b>
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(723,246)</b>	<b>957,247</b>
Cash and cash equivalents, beginning of year	2,089,538	1,132,291
<b>Cash and cash equivalents, end of year</b>	<b>\$ 1,366,292</b>	<b>\$ 2,089,538</b>

See notes to the financial statements.

# Community Associations Institute

## Notes to the Financial Statements

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### A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization: Community Associations Institute (the Institute or CAI) was formed in January 1973 as a national, nonprofit organization dedicated to fostering vibrant, responsive, competent community associations and helping them promote harmony, community and responsible leadership.

Income tax status: The Institute is exempt from the payment of income taxes on its exempt activities under Section 501(c)(6) of the Internal Revenue Code. However, the Institute may be subject to tax on its unrelated business income such as advertising.

Basis of accounting: The Institute prepares its financial statements on the accrual basis of accounting. Consequently, revenue is recognized when earned and expense when the obligation is incurred.

Use of estimates: Preparation of financial statements in accordance 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, the Institute considers demand deposits and money market mutual funds not held in the investment portfolio to be cash and cash equivalents. Money market mutual funds and certificates of deposit held in the investment portfolio are included in investments.

Inventory: Inventory consists of publications and is stated at the lower of cost (first-in, first-out method) or market. Inventory is periodically reviewed for any obsolete and non-salable items and management believes all inventory recorded at June 30, 2018 and 2017 is fully salable; consequently, no allowance for obsolete or slow-moving items has been established.

Functional allocation of expense: The costs of providing various programs and supporting services activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Measure of operations: The Institute does not include the net gain and loss on investments in the change in net assets from operations.

Subsequent events: Subsequent events have been evaluated through September 13, 2018 which is the date the financial statements were available to be issued.

### B. CONCENTRATIONS

Credit risk: The Institute 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. 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 the Institute.

Market value risk: The Institute also invests funds in a professionally managed portfolio that contains various types of marketable fixed income and equity mutual funds, as well as exchange traded funds. Such investments are exposed to various risks, such as fluctuations in market value and credit risk. Therefore, the Institute's investments 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.

# Community Associations Institute

## Notes to the Financial Statements

### C. INVESTMENTS

In accordance with generally accepted accounting principles, the Institute uses the following prioritized input levels to measure fair value of investments. 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 classified within Level 1 included mutual funds and exchange traded funds which were valued based on quoted prices for identical assets in active markets.

Investments recorded at cost included money markets and certificates of deposit. Investments carried at cost are not required to be classified in one of the levels prescribed by the fair value hierarchy.

Investments consisted of the following at June 30,:

	<b>2018</b>	<b>2017</b>
Investments, at fair value		
Mutual funds - equities	\$ 3,298,010	\$ 3,500,241
Mutual funds - fixed income	1,221,569	1,151,392
Mutual funds - alternative strategies	174,203	-
Exchange traded funds	<u>898,539</u>	<u>563,545</u>
Total investments, at fair value	5,592,321	5,215,178
Investments, at cost		
Money market funds	43,570	46,222
Certificates of deposit	<u>1,350,456</u>	<u>1,323,002</u>
	<b><u>\$ 6,986,347</u></b>	<b><u>\$ 6,584,402</u></b>



# Community Associations Institute

## Notes to the Financial Statements

### D. ACCOUNTS RECEIVABLE

Accounts receivable are presented at the gross, or face, amount due to CAI. Management periodically reviews the status of all accounts 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, accounts receivable balances deemed to be uncollectible are charged directly to bad debt expense.

Although an allowance for bad debt has been established, management believes that the use of the direct write-off method approximates the results that would be presented if the allowance for bad debt had been revalued on a periodic basis.

Accounts receivable consist of the following at June 30,:

	2018	2017
Trade accounts receivable	\$ 131,106	\$ 131,967
Due from CAMICB	106,273	31,461
	<u>237,379</u>	<u>163,428</u>
Less: allowance for doubtful accounts	<u>(5,000)</u>	<u>(5,000)</u>
	<u>\$ 232,379</u>	<u>\$ 158,428</u>

### E. RELATED PARTY TRANSACTIONS

*Foundation for Community Association Research* (the Foundation) was incorporated in 1975 under the laws of the District of Columbia as a not-for-profit corporation. The Foundation serves as the driving force for common interest community research, development and scholarship by illuminating future trends and opportunities, supporting and conducting research and mobilizing resources. Through these activities, the Foundation is the catalyst for positive change in the community association industry. The Foundation 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 within the meaning of Section 509(a)(2) of the Internal Revenue Code. CAI does not control the Foundation because it does not have the ability to appoint a majority voting interest of the Foundation's Board of Directors. Therefore, the Foundation is not required to be consolidated with CAI under current accounting standards.

Administrative fees: Under the terms of an agreement between the organizations, CAI charges the Foundation an administrative fee for use of office facilities, personnel, and property and equipment owned by CAI. The Foundation paid administrative fees of \$137,700 and \$145,200 during the years ended June 30, 2018 and 2017, respectively.

Receipts: Amounts due to the Foundation relate to contributions and survey sales that CAI has collected on behalf of the Foundation. Amounts due to the Foundation were \$17,724 and \$3,497 at June 30, 2018 and 2017, respectively.

# Community Associations Institute

## Notes to the Financial Statements

### E. RELATED PARTY TRANSACTIONS - CONTINUED

*Community Association Managers International Certification Board (CAMICB)* was formed in 1995 to conduct a certification program for community association managers. CAMICB is exempt from the payment of income taxes on its exempt activities under Section 501(c)(6) of the Internal Revenue Code. CAI does not control the CAMICB because it does not have the ability to appoint a majority voting interest of CAMICB's Board of Directors. Therefore, CAMICB is not required to be consolidated with CAI under current accounting standards.

Administrative fees: Under the terms of an agreement between the organizations, CAI charges CAMICB an administrative fee for use of office facilities, personnel, and property and equipment owned by CAI. CAMICB paid administrative fees of \$657,098 and \$592,000 during the years ended June 30, 2018 and 2017, respectively. Amounts due from CAMICB were \$106,273 and \$31,461 at June 30, 2018 and 2017, respectively.

Receipts: Amounts due to CAMICB relate to certification and re-certification that CAI has collected on behalf of CAMICB.

### F. PROPERTY AND EQUIPMENT

Property and equipment is stated at cost and acquisitions greater than \$1,000 are capitalized 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.

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

	2018	2017
Furniture and equipment	\$ 452,616	\$ 471,605
Computer software	933,453	753,927
Course materials	557,737	489,618
Leasehold improvements	714,142	714,142
	<u>2,657,948</u>	<u>2,429,292</u>
Less: accumulated depreciation and amortization	<u>(1,883,056)</u>	<u>(1,693,548)</u>
	<u><b>\$ 774,892</b></u>	<u><b>\$ 735,744</b></u>

# Community Associations Institute

## Notes to the Financial Statements

### G. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consist of the following at June 30,:

	2018	2017
Trade accounts payable	\$ 1,076,714	\$ 1,157,004
Accrued expenses	344,404	325,270
Due to Chapters	194,937	199,698
Due to Legislative Action Committees	47,373	49,890
Due to the Foundation	17,724	3,497
	<u>\$ 1,681,152</u>	<u>\$ 1,735,359</u>

### H. DEFERRED REVENUE

Revenue received in advance of the period in which it will be earned is reported as deferred revenue. Membership receipts are recognized as revenue over the applicable renewal period. Education, conferences and seminars include registration fees, exhibit fees, and sponsorships which are recognized when the event occurs. Advertising is recognized when advertisements are printed.

Deferred revenue consists of the following at June 30,:

	2018	2017
Membership	\$ 2,824,373	\$ 3,012,061
Education	534,920	535,075
Conferences and seminars	492,842	256,120
Advertising and other income	51,564	105,093
	<u>\$ 3,903,699</u>	<u>\$ 3,908,349</u>

### I. NET ASSETS

Net assets are unrestricted. In other words, the Institute has no funds which have been restricted by outside donors who provided contributions for a stipulated purpose. However, the Institute's unrestricted net assets may be limited in other respects, such as by board designation. Designated net assets include the following categories:

*President's Club* - The President's Club was created in 1984 as a special fundraising group of dedicated volunteer leaders within CAI. The mission of the President's Club is to provide initial funding for CAI's related projects and to promote or advance enterprises and ideas which enhance or expand the objectives of CAI.

*Issues Advancement Fund* - The Issues Advancement Fund is a discretionary fund whereby chapters or legislative action committees can petition for monetary support to assist in their legislative or regulatory efforts.

# Community Associations Institute

## Notes to the Financial Statements

### I. NET ASSETS - CONTINUED

Designated net assets consist of the following at June 30,:

	2018	2017
President's Club	\$ 289,340	\$ 275,193
Issues Advancement Fund	58,859	47,549
	<u>\$ 348,199</u>	<u>\$ 322,742</u>

### J. RETIREMENT PLAN

The Institute maintains a 401(k) defined contribution retirement plan, which covers all eligible employees who meet age and length of service requirements. Under the plan, the Institute contributes an amount based on a percentage of each participant's contribution. The Institute's contributions to the plan totaled \$158,689 and \$147,689 for the years ended June 30, 2018 and 2017, respectively.

### K. COMMITMENTS AND CONTINGENCIES

Office lease – Falls Church, VA: The Institute has an operating lease for office space in Falls Church, VA which was originally set to expire in January 2022. In relation to this lease, the Institute paid a security deposit equal to the first four months' rent totaling \$132,081, which is included in prepaid expenses and other assets in the accompanying statements of financial position. The lease also included an option to reduce the security deposit after the fifth lease year to \$66,040.

The lease contains an escalation clause that adjusts the annual base rentals and it includes a rent abatement of five months' rent during the first lease year and five months' rent during the second lease year. Both the rent escalations and the rent abatement have been recorded on a basis to achieve straight-line rent expense over the life of the original lease. The lease also contains a tenant improvement allowance of \$770,673 as an incentive to lease the office space. The lease incentive was used to purchase leasehold improvements and furniture and equipment which have been capitalized and are included in property and equipment. The tenant improvement allowance is being amortized over the life of the original lease as a reduction of rent expense. Accordingly, the Institute has recorded a liability for deferred rent and lease incentive totaling \$513,567 and \$629,623 at June 30, 2018 and 2017, respectively. Rent expense under this lease totaled \$379,057 and \$368,290 for the years ended June 30, 2018 and 2017, respectively.

During June 2018, the Institute amended its office lease. Under the terms of the amended lease agreement, the square footage leased by the Institute has expanded by approximately 4,185 square feet to 18,726 square feet. The amended lease term will begin December 1, 2018 and expire November 30, 2029. A total of five months' rent will be abated under the amended lease. A tenant improvement allowance of up to \$251,100 will be provided by the landlord and can be used toward improving the expanded office space. In addition, in February 2022, the Institute will have the opportunity to use a tenant improvement allowance of up to \$290,820 toward improving the original office space. Lastly, the security deposit for the office space has been reduced to \$42,134.

# Community Associations Institute

## Notes to the Financial Statements

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### K. COMMITMENTS AND CONTINGENCIES - CONTINUED

Future minimum cash basis lease payments as determined by the original and amended lease are as follows:

Year Ending June 30,	Amount
2019	\$ 280,520
2020	512,975
2021	525,800
2022	538,945
2023	552,418
Thereafter	<u>3,886,598</u>
	<u><b>\$ 6,297,256</b></u>

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

T A T E



T R Y O N

A Professional Corporation

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## Independent Auditor's Report on Supplementary Information

To the Board of Trustees  
Community Associations Institute

We have audited the financial statements of Community Associations Institute (the Institute) as of and for the years ended June 30, 2018 and 2017 and issued our report thereon dated September 13, 2018, which expressed an unmodified opinion on the financial statements and appears on page one. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the financial statements taken as a whole.

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September 13, 2018

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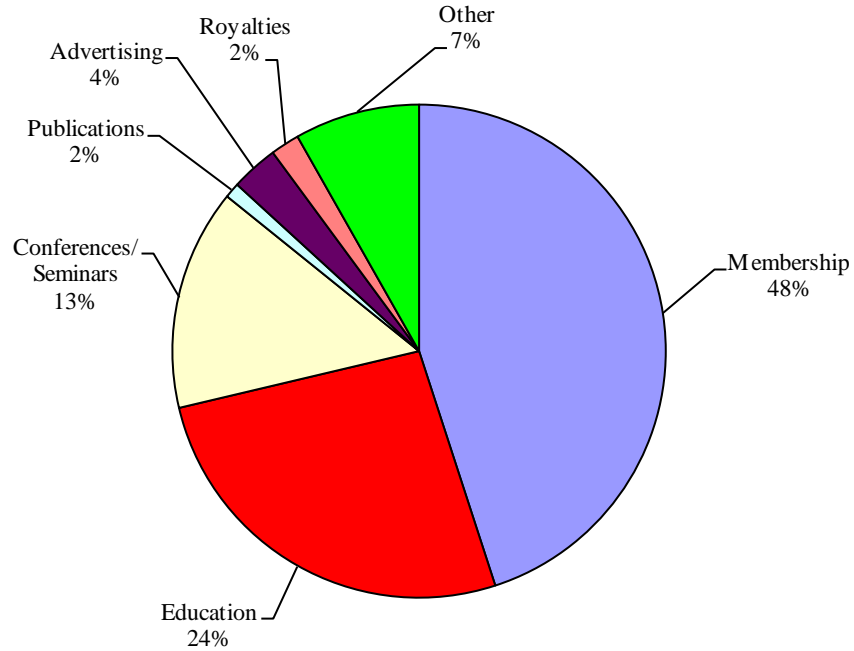
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# Community Associations Institute

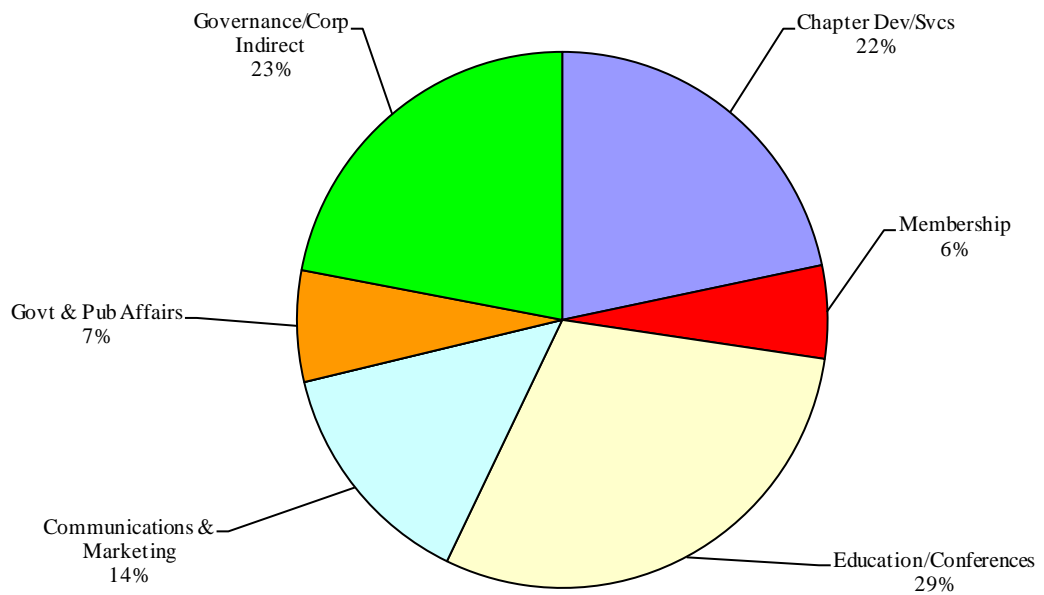
## Revenue and Expense Composition

Year Ended June 30, 2018

### Revenue Composition



### Expense Composition

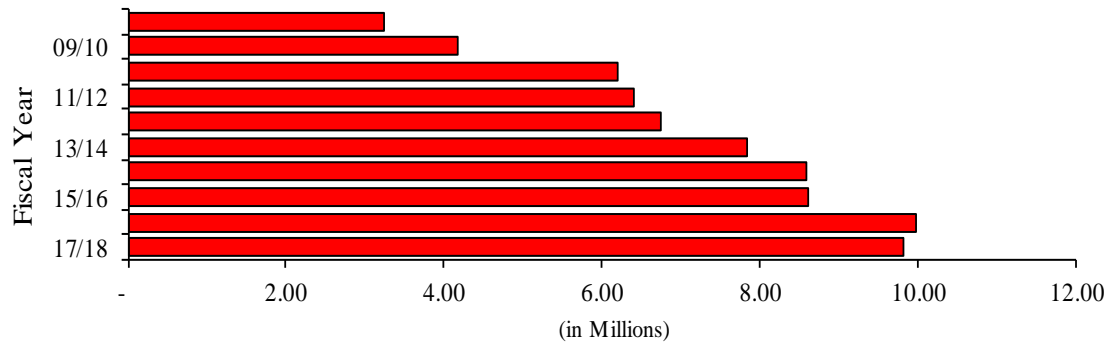


# Community Associations Institute

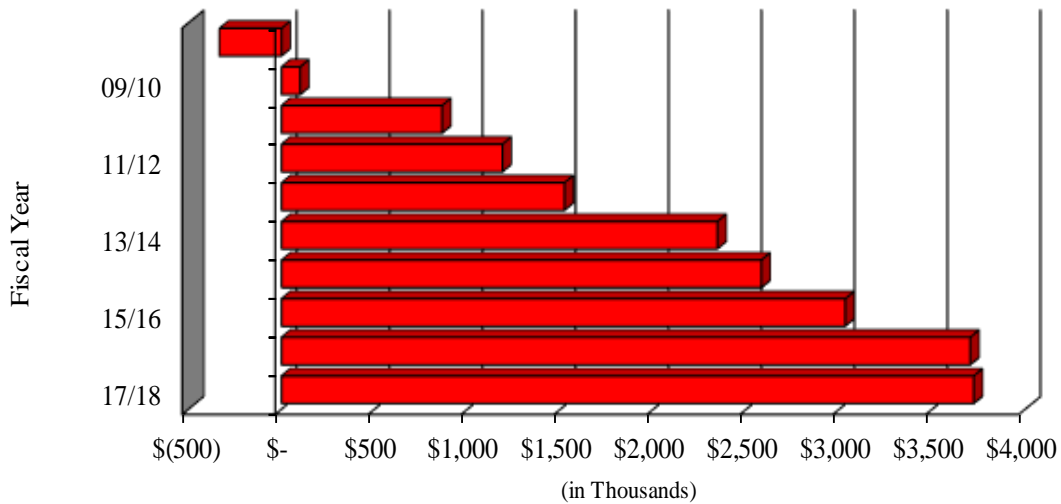
## 10-Year Trend Analyses

Years Ended June 30, 2009 through 2018

### Total Asset Trend Comparison



### Total Net Asset Trend Comparison



### Revenue, Expense, and Net Income Comparison

