Audited Financial Statements
and Supplementary Information

COMMUNITY ASSOCIATIONS
INSTITUTE

June 30, 2019

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TATE
&
TRYON
A Professional Corporation
Certified Public
Accountants
and Consultants
2021 L Street, NW
Suite 400
Washington, DC
20036
Telephone
202/293-2200
Facsimile
202/293-2208
www.tatetryon.com

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, 2019 and 2018, and the related statements of activities and cash flows for the years then ended, the statement of functional expense for the year ended June 30, 2019, 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, 2019 and 2018, 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.

Adoption of Accounting Standards Update 2016-14

As described in Note A to the 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 Institute 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 financial statements, new disclosures were added regarding functional allocation of expenses, liquidity and the availability of resources. There was no change in the Institute's previously reported change in net assets as a result of the adoption of the ASU. Our opinion is not modified with respect to this matter.

Tate & Tryon

Washington, DC
October 4, 2019

Statements of Financial Position

June 30,	2019		2018	
Assets				
Cash and cash equivalents	**$**	**656,437**	$	1,366,292
Investments		**7,286,919**		6,986,347
Accounts receivable, net		**34,341**		232,379
Inventory		**97,835**		107,639
Prepaid expenses and other assets		**259,547**		352,550
Property and equipment, net		**1,206,789**		774,892
Total assets	**$**	**9,541,868**	$	9,820,099
Liabilities and net assets				
Liabilities				
Accounts payable and accrued expenses	**$**	**1,237,403**	$	1,681,152
Deferred revenue		**4,219,029**		3,903,699
Deferred rent and lease incentive		**707,822**		513,567
Total liabilities		**6,164,254**		6,098,418
Net assets without donor restrictions				
Undesignated		**3,006,761**		3,373,482
Board-designated		**370,853**		348,199
Total net assets		**3,377,614**		3,721,681
Total liabilities and net assets	**$**	**9,541,868**	$	9,820,099

See notes to the financial statements.

Statements of Activities

Year Ended June 30,	2019	2018
Activities without donor restrictions		
Revenue		
Membership	**$ 6,317,558**	$ 6,331,563
Education	**3,845,452**	3,688,068
Conferences and seminars	**2,279,799**	2,038,710
Administrative fees	**858,125**	794,798
Advertising	**433,604**	429,488
Interest and dividends	**330,017**	260,593
Royalties	**245,756**	270,592
Publication sales	**137,058**	137,624
Other income	**92,264**	87,163
President's club	**26,167**	18,784
Total revenue	**14,565,800**	14,057,383
Expense		
Program services		
Education and conferences	**4,560,949**	4,407,474
Membership and chapters	**4,096,251**	3,702,255
Communications and marketing	**2,056,165**	2,004,167
Government and public affairs	**957,897**	949,623
Total program services	**11,671,262**	**11,063,519**
General and administrative	**3,222,212**	3,124,460
Total expense	**14,893,474**	14,187,979
Change in net assets from operations	**(327,674)**	(130,596)
Net realized and unrealized (loss) gain on investments	**(16,393)**	148,943
Change in net assets	**(344,067)**	18,347
Net assets, beginning of year	**3,721,681**	3,703,334
Net assets, end of year	**$ 3,377,614**	$ 3,721,681

See notes to the financial statements.

Statement of Functional Expense

Year Ended June 30, 2019 with 2018 Totals

	Program Services							
	Education and Conferences	Membership and Chapters	Communications and Marketing	Government and Public Affairs	Total Program Services	General and Administrative	2019 Total	2018 Total
Salaries and benefits	$ 905,723	$ 963,211	$ 956,172	$ 574,287	$ 3,399,393	$ 2,466,679	$ 5,866,072	5,655,749
Chapter rebates and commissions	220,183	2,422,295	-	-	2,642,478	-	2,642,478	2,475,199
Conferences and meetings	1,517,675	-	-	-	1,517,675	-	1,517,675	1,480,652
Professional fees and services	228,250	144,124	385,777	220,943	979,094	178,988	1,158,082	1,104,658
Printing and production	538,400	30,254	304,738	4,848	878,240	456	878,696	705,116
Other	215,183	264,690	218,713	43,482	742,068	108,244	850,312	734,581
Information technologies	407,436	64,422	47,787	24,533	544,178	111,714	655,892	697,178
Occupancy	175,183	87,906	74,419	37,210	374,718	160,082	534,800	554,768
Travel	231,126	72,784	28,066	32,347	364,323	108,944	473,267	470,547
Depreciation	121,790	46,565	40,493	20,247	229,095	87,105	316,200	309,531
	$ 4,560,949	**$ 4,096,251**	**$ 2,056,165**	**$ 957,897**	**$ 11,671,262**	**$ 3,222,212**	**$ 14,893,474**	**$ 14,187,979**

See notes to the financial statements.

Statements of Cash Flows

Year Ended June 30,	2019	2018
Cash flows from operating activities		
Change in net assets	**$ (344,067)**	$ 18,347
Adjustments to reconcile change in net assets		
to net cash provided by (used in) operating activities:		
Net realized and unrealized loss (gain) on investments	**16,393**	(148,943)
Depreciation and amortization	**316,200**	309,531
Deferred rent and lease incentive	**(56,845)**	(116,056)
Changes in assets and liabilities:		
Accounts receivable	**198,038**	(73,951)
Inventory	**9,804**	13,213
Prepaid expenses and other assets	**93,003**	(64,849)
Accounts payable and accrued expenses	**(443,749)**	(54,207)
Deferred revenue	**315,330**	(4,650)
Total adjustments	**448,174**	(139,912)
Net cash provided by (used in) operating activities	**104,107**	(121,565)
Cash flows from investing activities		
Purchase of investments	**(340,252)**	(280,363)
Proceeds from maturities/sales of investments	**23,287**	27,361
Proceeds from sale of property and equipment	**-**	550
Purchases of property and equipment	**(496,997)**	(349,229)
Net cash used in investing activities	**(813,962)**	(601,681)
Net decrease in cash and cash equivalents	**(709,855)**	(723,246)
Cash and cash equivalents, beginning of year	**1,366,292**	2,089,538
Cash and cash equivalents, end of year	**$ 656,437**	$ 1,366,292
Supplemental Disclosure of Non-cash Operating and Investing Activity		
Acquisition of leasehold improvements through tenant allowance lease incentives	**$ 251,100**	$ -

See notes to the financial statements.

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, 2019 and 2018 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. 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 are allocated based on estimated employee time and effort.

New accounting standard: 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 Institute 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 financial statements, new disclosures were added regarding functional expenses and liquidity and the availability of resources. There was no change in the Institute's previously reported changes in net assets as a result of the adoption of ASU 2016-14.

Reclassifications: Within the 2017 statement of activities and statement of functional expenses, certain amounts have been reclassified with no effect on the previously reported change in net assets.

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 October 4, 2019 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.

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 market funds 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.

C. Investments - Continued

Investments consisted of the following at June 30,:

	2019	2018
Investments, at fair value		
Mutual funds - equities	$ 3,242,136	$ 3,298,010
Mutual funds - fixed income	1,283,128	1,221,569
Exchange traded funds	1,035,556	898,539
Mutual funds - alternative strategies	186,572	174,203
Mutual funds - other	95,555	-
Total investments, at fair value	5,842,947	5,592,321
Investments, at cost		
Certificates of deposit	1,306,884	1,350,456
Money market funds	137,088	43,570
	$ 7,286,919	**$ 6,986,347**

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,:

	2019	2018
Trade accounts receivable	$ 24,359	$ 131,106
Due from CAMICB	14,982	106,273
	39,341	237,379
Less: allowance for doubtful accounts	(5,000)	(5,000)
	$ 34,341	**$ 232,379**

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 $147,600 and $137,700 during the years ended June 30, 2019 and 2018, 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 $20,180 and $17,724 at June 30, 2019 and 2018, respectively.

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 $710,525 and $657,098 during the years ended June 30, 2019 and 2018, respectively. Amounts due from CAMICB were $14,982 and $106,273 at June 30, 2019 and 2018, respectively.

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,:

	2019	2018
Furniture and equipment	$ 611,892	$ 452,616
Computer software	955,571	933,453
Course materials	767,180	557,737
Leasehold improvements	1,071,402	714,142
	3,406,045	2,657,948
Less: accumulated depreciation and amortization	(2,199,256)	(1,883,056)
	$ 1,206,789	**$ 774,892**

G. Accounts Payable and Accrued Expenses

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

	2019	2018
Trade accounts payable	$ 557,603	$ 1,076,714
Accrued expenses	348,875	344,404
Due to Chapters	258,433	194,937
Due to Legislative Action Committees	52,312	47,373
Due to the Foundation	20,180	17,724
	$ 1,237,403	**$ 1,681,152**

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,:

	2019	2018
Membership	$ 3,082,405	$ 2,824,373
Education	514,122	534,920
Conferences and seminars	472,369	492,842
Advertising and other income	150,133	51,564
	$ 4,219,029	**$ 3,903,699**

I. Net Assets

Net assets without donor restrictions include those net assets whose use is not restricted by donors. However, the Institute's net assets without donor restrictions may be limited in other respects, such as by board designation. Net assets without donor restrictions include the following categories:

Undesignated – These net assets are available for the general use of the Institute.

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.

Board-designated net assets consist of the following at June 30,:

	2019	2018
President's Club	$ 315,507	$ 289,340
Issues Advancement Fund	55,346	58,859
	$ 370,853	**$ 348,199**

The Institute has no funds which have been restricted by outside donors who provided contributions for a stipulated purpose.

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 $171,807 and $158,689 for the years ended June 30, 2019 and 2018, respectively.

K. Liquidity and Availability of Financial Assets

The following reflects the Institute's financial assets as of June 30, 2019 and 2018, reduced by amounts not available for general use within one year of the statement of financial position date.

	2019	2018
Financial assets:		
Cash and cash equivalents	$ 656,437	$ 1,366,292
Investments	7,286,919	6,986,347
Accounts receivable, net	34,341	232,379
Total financial assets at year-end	7,977,697	8,585,018
Less:		
Board-designated net assets	(370,853)	(348,199)
Financial assets available to meet cash needs for general expenditures within one year	$ 7,606,844	$ 8,236,819

The Institute 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 the Institute's investment policy.

Operating fund: Included within investments is the operating fund, the purpose of which is to provide sufficient cash to meet the current financial obligations of the Institute in a timely manner.

Short-term investment fund: Included within investments is the short-term investment fund, the purpose of which is to meet the expenses occurring as the result of unanticipated activities, to improve the return on funds held for expenditure over the next one to two years, and to manage investment risk.

Long-term investment fund: Included within investments is the long-term investment fund, the purpose of which is to enhance the purchasing power of funds held for future expenditure including initiating new programs within the Institute and providing funds for capital investments.

L. 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.

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 began December 1, 2018 and expires November 30, 2029. A total of five months' rent was abated under the amended lease.

A tenant improvement allowance of up to $251,100 was provided by the landlord and was 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 was reduced to $42,134.

The tenant improvement allowances are 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 $707,822 and $513,567 at June 30, 2019 and 2018, respectively. Rent expense under the lease totaled $408,784 and $379,057 for the years ended June 30, 2019 and 2018, respectively.

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

Year Ending June 30,	Amount
2020	$ 512,975
2021	525,800
2022	538,945
2023	552,418
2024	566,229
Thereafter	3,320,369
	$ 6,016,736

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.

TATE
&
TRYON
A Professional Corporation
Certified Public
Accountants
and Consultants
2021 L Street, NW
Suite 400
Washington, DC
20036
Telephone
202/293-2200
Facsimile
202/293-2208
www.tatetryon.com

Independent Auditor's Report on Supplementary Information

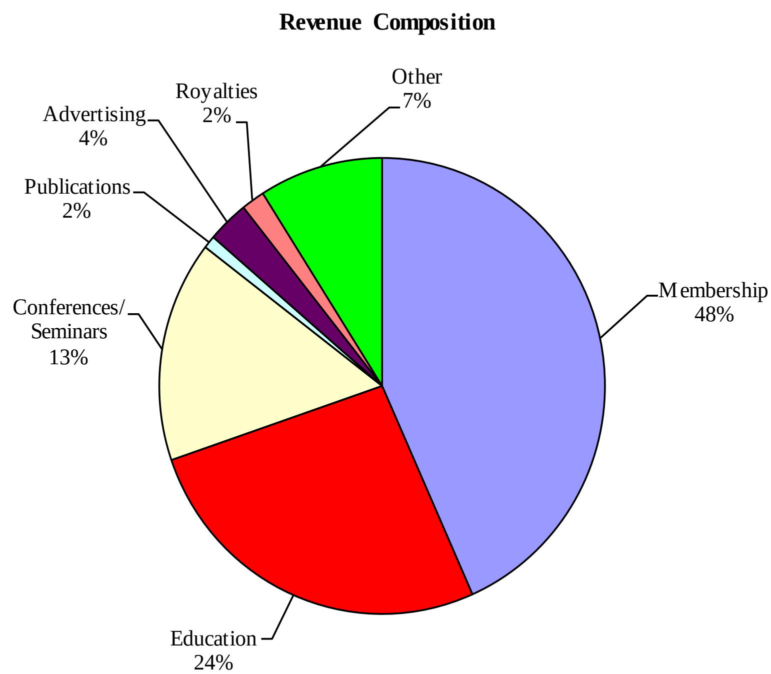
To the Board of Trustees
Community Associations Institute

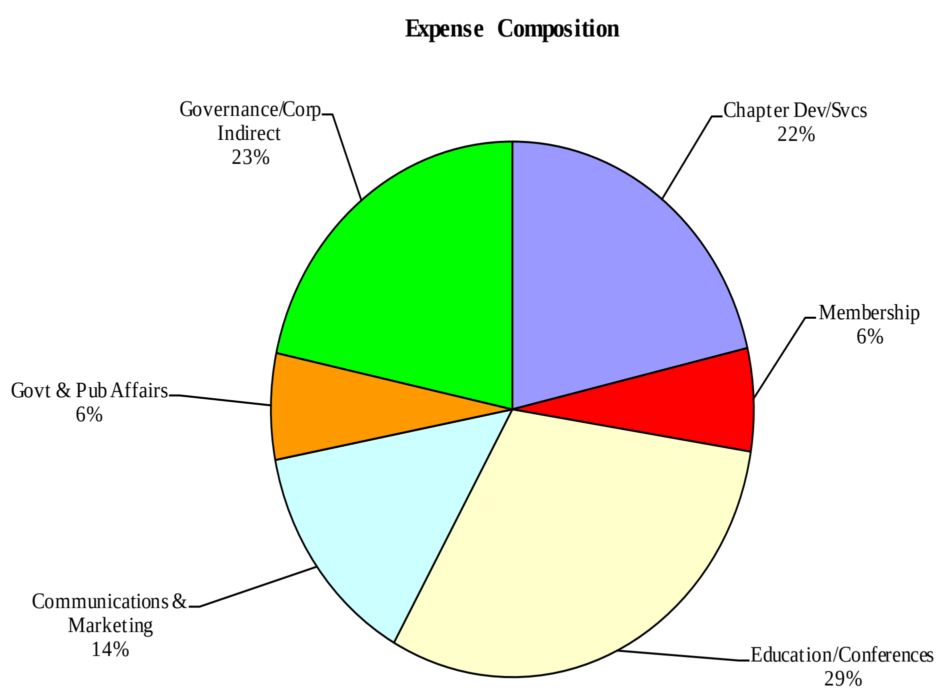
We have audited the financial statements of Community Associations Institute (the Institute) as of and for the years ended June 30, 2019 and 2018 and issued our report thereon dated October 4, 2019, which expressed an unmodified opinion on the financial statements and appears on page one. Our audit was 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.

Tate & Tryon

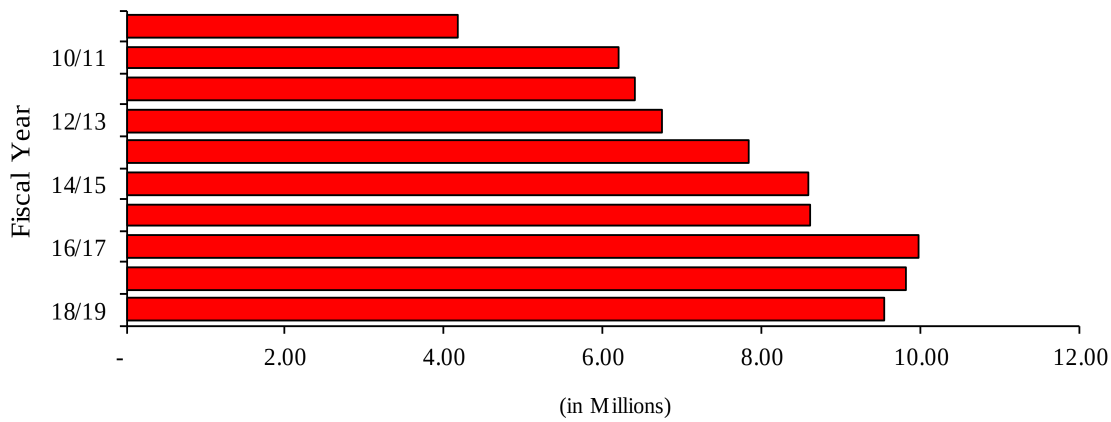
Washington, DC
October 4, 2019

Revenue and Expense Composition
Year Ended June 30, 2019

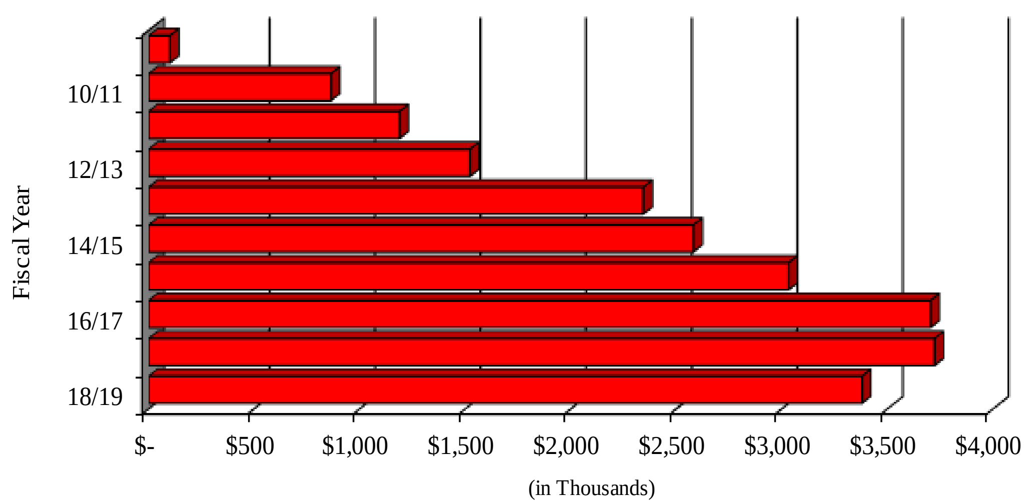


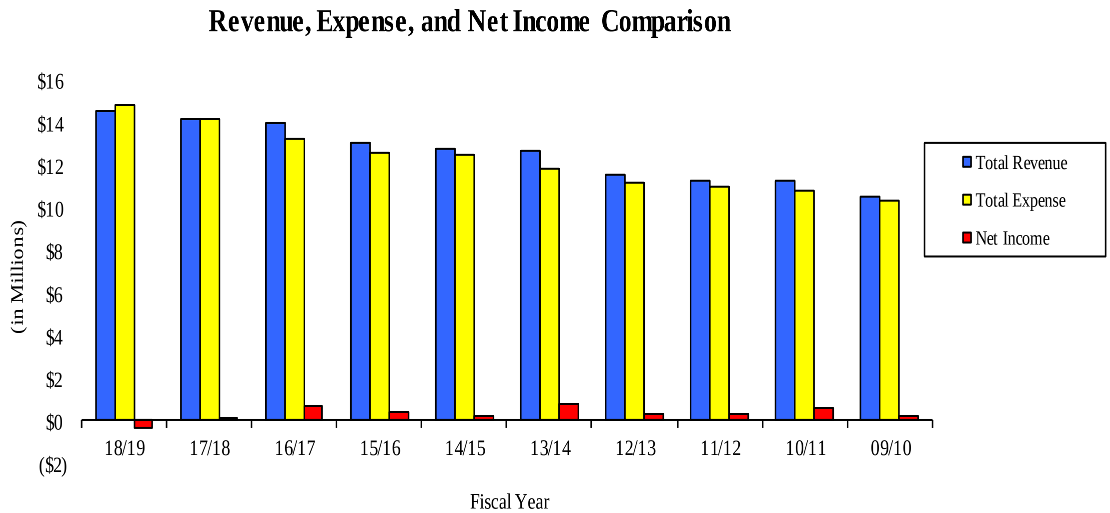


Total Asset Trend Comparison



Total Net Asset Trend Comparison




Revenue, Expense, and Net Income Comparison
$16
$14
$12
$10
$8
$6
$4
$2
$0
($2)
(in Millions)
18/19
17/18
16/17
15/16
14/15
13/14
12/13
11/12
10/11
09/10
Fiscal Year
Total Revenue
Total Expense
Net Income