Community Associations Institute

Financial Report
June 30, 2020

Contents

Independent Auditor's Report

Board of Trustees
Community Associations Institute

Report on the Financial Statements
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, 2020, the related statements of activities, functional expense, and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit 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, 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.

Other Matter
The financial statements of the Institute as of and for the year ended June 30, 2019, were audited by other auditors whose report dated October 4, 2019, expressed an unmodified opinion on those financial statements.

RSM US LLP

Washington, D.C.
October 28, 2020

Community Associations Institute

Statements of Financial Position
June 30, 2020 and 2019

	2020	2019
Assets		
Cash and cash equivalents	**$ 1,333,744**	$ 656,437
Investments	**6,393,323**	7,286,919
Accounts receivable, net	**92,471**	34,341
Inventory	**93,247**	97,835
Prepaid expenses and other assets	**331,195**	259,547
Property and equipment, net	**969,906**	1,206,789
Total assets	**$ 9,213,886**	$ 9,541,868
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	**$ 1,144,735**	$ 1,237,403
Deferred revenue	**4,322,642**	4,219,029
Deferred rent and lease incentive	**601,512**	707,822
Total liabilities	**6,068,889**	6,164,254
Commitments and contingencies (Note 11)		
Net assets without donor restrictions:		
Undesignated	**2,757,211**	3,006,761
Board-designated	**387,786**	370,853
Total net assets	**3,144,997**	3,377,614
Total liabilities and net assets	**$ 9,213,886**	$ 9,541,868

See notes to financial statements.

Community Associations Institute

Statements of Activities
Years Ended June 30, 2020 and 2019

	2020	2019
Activities without donor restrictions:		
Revenue:		
Membership	**$ 6,621,552**	$ 6,317,558
Education	**3,553,190**	3,845,452
Conferences and seminars	**1,239,945**	2,279,799
Administrative fees	**924,900**	858,125
Advertising	**470,923**	433,604
Interest and dividends	**278,527**	330,017
Royalties	**255,839**	245,756
Other income	**176,565**	92,264
Publication sales	**107,358**	137,058
President’s club	**14,257**	26,167
Total revenue	**13,643,056**	14,565,800
Expenses:		
Program services:		
Membership and chapters	**4,031,232**	4,096,251
Education and conferences	**3,486,523**	4,560,949
Communications and marketing	**1,910,091**	2,056,165
Government and public affairs	**1,050,481**	957,897
Total program services	**10,478,327**	11,671,262
General and administrative	**3,279,197**	3,222,212
Total expenses	**13,757,524**	14,893,474
Change in net assets from operations	**(114,468)**	(327,674)
Net realized and unrealized loss on investments	**(118,149)**	(16,393)
Change in net assets	**(232,617)**	(344,067)
Net assets:		
Beginning	**3,377,614**	3,721,681
Ending	**$ 3,144,997**	$ 3,377,614

See notes to financial statements.

Community Associations Institute

Statement of Functional Expenses
Years Ended June 30, 2020

	Program Services						
	Membership and Chapters	Education and Conferences	Communications and Marketing	Government and Public Affairs	Total Program Services	General and Administrative	Total
Salaries and benefits	$ 1,025,225	$ 950,373	$ 976,755	$ 606,177	$ 3,558,530	$ 2,576,865	$ 6,135,395
Chapter rebates and commissions	2,401,588	190,729	-	-	2,592,317	-	2,592,317
Professional fees and services	142,199	200,477	315,194	282,154	940,024	158,773	1,098,797
Conferences and meetings	-	928,779	-	-	928,779	-	928,779
Printing and production	26,311	319,336	274,445	1,117	621,209	1,597	622,806
Other	176,372	163,109	165,151	44,978	549,610	102,713	652,323
Information technologies	59,905	304,538	49,318	26,628	440,389	111,188	551,577
Occupancy	92,582	155,918	75,586	37,793	361,879	162,593	524,472
Depreciation	46,285	142,425	40,250	20,125	249,085	86,582	335,667
Travel	60,765	130,839	13,392	31,509	236,505	78,886	315,391
	$ 4,031,232	$ 3,486,523	$ 1,910,091	$ 1,050,481	$ 10,478,327	$ 3,279,197	$ 13,757,524

See notes to financial statements.

Community Associations Institute

Statement of Functional Expenses
Years Ended June 30, 2019

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

See notes to financial statements.

Community Associations Institute

Statements of Cash Flows
Years Ended June 30, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Change in net assets	**$ (232,617)**	$ (344,067)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Net realized and unrealized loss on investments	**118,149**	16,393
Depreciation and amortization	**335,668**	316,200
Deferred rent and lease incentive	**(106,310)**	(56,845)
Changes in assets and liabilities:		
(Increase) decrease:		
Accounts receivable	**(58,130)**	198,038
Inventory	**4,588**	9,804
Prepaid expenses and other assets	**(71,648)**	93,003
Increase (decrease):		
Accounts payable and accrued expenses	**(92,668)**	(443,749)
Deferred revenue	**103,613**	315,330
Net cash provided by operating activities	**645**	104,107
Cash flows from investing activities:		
Purchase of investments	**(330,685)**	(340,252)
Proceeds from maturities/sales of investments	**1,106,132**	23,287
Purchases of property and equipment	**(98,785)**	(496,997)
Net cash provided by (used in) investing activities	**676,662**	(813,962)
Net increase (decrease) in cash and cash equivalents	**677,307**	(709,855)
Cash and cash equivalents:		
Beginning	**656,437**	1,366,292
Ending	**$ 1,333,744**	$ 656,437
Supplemental disclosure of noncash operating and investing activities:		
Acquisition of leasehold improvements through tenant allowance lease incentives	**$ -**	$ 251,100

See notes to financial statements.

Note 1. Nature of Activities and Significant Accounting Policies

Nature of Activities: Community Associations Institute (the Institute) 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.

A summary of the Institute's significant accounting policies follows:

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.

Basis of presentation: The financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). As required by the Non-Profit Entities Topic of ASC, Financial Statements of Not-for-Profit Organizations, the Institute is required to report information regarding its financial position and activities according to two classes of net assets, net assets without donor restrictions and net asset with donor restrictions.

Net assets without donor restrictions – undesignated: These net assets are available for the general use of the Institute.

Net assets without donor restrictions – designated: The President's Club was created in 1984 as a special fundraising group of dedicated volunteer leaders within the Institute. The mission of the President's Club is to provide initial funding for the Institute's related projects and to promote or advance enterprises and ideas, which enhance or expand the objectives of the Institute. 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.

Net assets with donor restrictions: Net assets with donor restrictions include those net assets whose use has been restricted either by an implied time restriction or by donors for a specific purpose. The Institute had no net assets with donor restrictions that were restricted by donors for specified purposes or time.

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.

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.

Investments: Investments in marketable debt and equity securities are carried at fair value. Unrealized and realized gains and losses are reported in the statements as part of investment income.

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.

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

Accounts receivable: Accounts receivable are presented at the gross, or face, amount due to the Institute. 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, the Institute'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.

Inventory: Inventory consists of publications and is stated at the lower of cost (first-in, first-out method) or net realizable value. Inventory is periodically reviewed for any obsolete and non-salable items and management believes all inventory recorded at June 30, 2020 and 2019, is fully salable; consequently, no allowance for obsolete or slow-moving items has been established.

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.

Valuation of long-lived assets: The Institute accounts for the valuation of long-lived assets under the Property, Plant and Equipment Topic of the ASC. This topic requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the long-lived asset is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed of are reportable at the lower of the carrying amount or fair value, less costs to sell.

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 rent: The Institute 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 11).

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

Revenue recognition: The FASB Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (ASU 2014-09), requires that the Institute recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods and services to customers. ASU 2014-09 replaces most existing revenue recognition guidance in the accounting principles generally accepted in the United States of America (U.S. GAAP). The ASU also requires expanded disclosures relating to the nature, amount, timing and uncertainty of revenue and cash flows from contracts from customers. The Institute adopted the standard for the year ended December 31, 2019, using the modified retrospective transition method analyzing all contracts not yet completed as of January 1, 2019. Membership dues, conferences and meetings registrations, accreditation, royalties and event sponsorships are those revenue line items affected by this standard. Based on management's review of its contracts with customers, the timing of the amount of revenue recognized previously is consistent with how revenue is recognized under this new standard. Therefore, the adoption of this standard had no impact on the Institute's financial statements but the standard does require additional disclosures.

The Institute's revenue streams under contracts with customers are comprised of membership dues, conferences and meetings registrations, accreditation, royalties and event sponsorships. The Institute's revenue is recognized when a given performance obligation is satisfied, either over a period of time or at a point in time. The majority of the Institute's revenue under contracts with customers is primarily earned in the United States of America and the majority of customers are members. The Institute's contracts include no significant financing components nor variable considerations.

Revenue is recognized in the period in which it is earned. The Institute 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 the Institute 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 not met, then revenue is recognized at a point in time.

Revenue from conferences and meetings and related sponsorships is generally recognized at the time the event is held. Registrations or meetings payments paid in advance of the event are recorded as deferred revenue.

Membership dues provide economic as well as other benefits to members and are therefore accounted for as exchange transactions rather than as contributions. Annual membership dues are recognized monthly over the calendar year as benefits are provided ratably over the membership period. The Institute bills for membership dues in advance of the membership period. Membership dues payments paid in advance of the membership period are recorded as deferred revenue in the accompanying statements of financial position.

Revenue from all other sources is recognized when earned.

The revenue streams noted above do not include significant financing components as the performance obligations are typically satisfied within a year of receipt of payment. Economic factors driven by consumer confidence, employment, inflation, and other world events impact the timing and level of cash received and revenue recognized by the Institute. Periods of economic downturn resulting from any of the above factors may result in declines in future cash flows and recognized revenue of the Institute, or can have a positive impact on cash flows in favorable economic conditions.

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

Payments on contracts with customers are typically due upon receipt of invoice by the customer. The Institute did not have any impairment or credit losses on any receivables or contract assets arising from contracts with customers. There are also no incremental costs of obtaining a contract and no significant financing components. Finally, there are no significant changes in the judgements affecting the determination of the amount and timing of revenue from contracts with customers. The level of revenue generated through contracts with customers can fluctuate due to certain economic factors, specifically in the lending and financing industry.

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.

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.

The Institute follows the accounting standard on accounting for uncertainty in income taxes, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, the Institute may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The guidance on accounting for uncertainty in income taxes also addresses de-recognition, classification, interest and penalties on income taxes, and accounting in interim periods.

Management evaluated the Institute's tax positions and concluded that the Institute had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance.

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.

Upcoming accounting pronouncements: In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, Leases. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statements 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 statements of activities. During November 2019, the FASB issued ASU 2019-10, *Leases (Topic 842) Effective Dates*, which delayed the effective date of ASU 2016-02 by one year. In June 2020, the FASB issued ASU 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities,* further delaying the effective date an additional year, making it effective for annual reporting periods beginning after December 15, 2021. 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. The Institute is currently evaluating the impact of the pending adoption of the new standard on the financial statements.

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

Subsequent events: Subsequent events have been evaluated through October 28, 2020, which is the date the financial statements were available to be issued.

Note 2. Fair Value Measurements and 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.

Investments consisted of the following at June 30, 2020 and 2019:

	2020	2019
Investments, at fair value:		
Mutual funds – equities	$ 3,372,821	$ 3,242,136
Mutual funds – fixed income	714,540	1,283,128
Exchange traded funds	976,656	1,035,556
Mutual funds – alternative strategies	210,222	186,572
Mutual funds – other	-	95,555
Total investments, at fair value	5,274,239	5,842,947
Investments, at cost:		
Certificates of deposit	986,294	1,306,884
Money market funds	132,790	137,088
	$ 6,393,323	$ 7,286,919

Note 3. Accounts Receivable

Accounts receivable consist of the following at June 30, 2020 and 2019:

		2020		2019
Trade accounts receivable	$	86,206	$	24,359
Due from CAMICB		4,532		14,982
Due from Foundation		1,733		-
		92,471		39,341
Less allowance for doubtful accounts		-		(5,000)
	$	92,471	$	34,341

Note 4. Related Party Transactions

Foundation for Community Association Research (the Foundation) was incorporated in 1975 under the laws of the District of Columbia as a nonprofit 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. The Institute 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 the Institute under current accounting standards.

Administrative fees: Under the terms of an agreement between the organizations, the Institute charges the Foundation an administrative fee for use of office facilities, personnel, and property and equipment owned by the Institute. The Foundation paid administrative fees of $156,900 and $147,600 during the years ended June 30, 2020 and 2019, respectively.

Receipts: Amounts due to the Foundation relate to contributions and survey sales that the Institute has collected on behalf of the Foundation. Amounts due to the Foundation were $20,983 and $20,180 at June 30, 2020 and 2019, 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. The Institute 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 the Institute under current accounting standards.

Administrative fees: Under the terms of an agreement between the organizations, the Institute charges CAMICB an administrative fee for use of office facilities, personnel, and property and equipment owned by the Institute. CAMICB paid administrative fees of $768,000 and $710,525 during the years ended June 30, 2020 and 2019, respectively. Amounts due from CAMICB were $3,878 and $14,982 at June 30, 2020 and 2019, respectively.

Note 5. Property and Equipment

Property and equipment consists of the following at June 30, 2020 and 2019:

	2020	2019
Furniture and equipment	$ 617,134	$ 611,892
Computer software	971,930	955,571
Course materials	844,363	767,180
Leasehold improvements	1,071,402	1,071,402
	3,504,829	3,406,045
Less: accumulated depreciation and amortization	(2,534,923)	(2,199,256)
	$ 969,906	$ 1,206,789

Note 6. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consist of the following at June 30, 2020 and 2019:

	2020	2019
Trade accounts payable	$ 332,256	$ 557,603
Accrued expenses	558,471	348,875
Due to Chapters	174,391	258,433
Due to Legislative Action Committees	56,833	52,312
Due to the Foundation	22,784	20,180
	$ 1,144,735	$ 1,237,403

Note 7. Deferred Revenue

Deferred revenue consists of the following at June 30, 2020 and 2019:

	2020	2019
Membership	$ 3,027,269	$ 3,082,405
Education	373,324	514,122
Conferences and seminars	636,607	472,369
Advertising and other income	285,442	150,133
	$ 4,322,642	$ 4,219,029

Note 8. Board-designated Net Assets

Board-designated net assets consist of the following at June 30, 2020 and 2019:

	2020	2019
President's Club	$ 329,764	$ 315,507
Issues Advancement Fund	58,022	55,346
	$ 387,786	$ 370,853

Note 9. 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 $182,610 and $171,807 for the years ended June 30, 2020 and 2019, respectively.

Note 10. Liquidity and Availability of Financial Assets

The following reflects the Institute's financial assets as of June 30, 2020 and 2019, reduced by amounts not available for general use within one year of the statement of financial position date.

	2020	2019
Financial assets:		
Cash and cash equivalents	$ 1,333,744	$ 656,437
Investments	6,393,323	7,286,919
Accounts receivable, net	92,471	34,341
Total financial assets at year-end	7,819,538	7,977,697
Less board-designated net assets	(387,786)	(370,853)
Financial assets available to meet cash needs for general expenditures within one year	$ 7,431,752	$ 7,606,844

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.

Note 11. Commitments and Contingencies

Office lease: The Institute has an operating lease for office space in Falls Church, Virginia, 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 $601,512 and $707,822 at June 30, 2020 and 2019, respectively. Rent expense under the lease totaled $414,364 and $408,784 for the years ended June 30, 2020 and 2019, respectively.

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

Years ending June 30:		
2021	$	1,025,807
2022		834,825
2023		552,418
2024		566,229
2025		580,385
Thereafter		2,739,979
	$	6,299,643

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.

Note 11. Commitments and Contingencies (Continued)

COVID-19 pandemic: On January 30, 2020, the World Health Organization declared the coronavirus 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 economies and financial markets. These financial statements do not include any adjustments related to the economic impact of COVID-19 (novel coronavirus). The extent of the impact is currently being monitored and evaluated by the Institute, although the potential impact is unknown at this time.