

**Audited Financial Statements
and Supplementary Information**

**COMMUNITY ASSOCIATIONS
INSTITUTE**

June 30, 2015

Community Associations Institute

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T A T E



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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, 2015 and 2014, 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, 2015 and 2014, 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.

Washington, DC
October 23, 2015

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Community Associations Institute

Statements of Financial Position

June 30,	2015	2014
Assets		
Cash and cash equivalents	\$ 1,477,389	\$ 1,442,184
Investments	5,519,340	4,852,873
Accounts receivable	58,725	53,934
Inventory	124,171	112,729
Prepaid expenses and other assets	318,821	262,559
Property and equipment	1,095,656	1,177,679
Total assets	\$ 8,594,102	\$ 7,901,958
Liabilities and net assets		
Liabilities		
Accounts payable and accrued expenses	\$ 1,433,125	\$ 1,021,577
Deferred revenue	3,753,746	3,627,424
Deferred rent and lease incentive	827,389	909,656
Total liabilities	6,014,260	5,558,657
Commitments and contingencies	-	-
Net assets		
Undesignated	2,297,331	1,976,181
Designated	282,511	367,120
Total net assets	2,579,842	2,343,301
Total liabilities and net assets	\$ 8,594,102	\$ 7,901,958

See notes to the financial statements.

Community Associations Institute

Statements of Activities

<i>Year Ended June 30,</i>	2015	2014
Revenue		
Membership	\$ 5,915,739	\$ 5,904,609
Education	3,382,212	3,091,386
Conferences and seminars	1,700,428	1,661,771
Administrative fees	669,100	583,302
Advertising	503,108	454,932
Interest and dividends	261,427	156,238
Royalties	238,337	239,725
Publication sales	194,221	185,846
Other income	56,383	60,226
President's club	29,754	24,331
Total revenue	12,950,709	12,362,366
Expense		
Program services		
Education and conferences	3,868,950	3,436,805
Chapter development and services	2,582,510	2,596,934
Communications and marketing	1,607,143	1,646,026
Government and public affairs	835,306	776,606
Membership	756,277	657,945
President's club	116,932	3,114
Total program services	9,767,118	9,117,430
General and administrative	2,772,916	2,742,486
Total expense	12,540,034	11,859,916
Change in net assets from operations	410,675	502,450
Net realized and unrealized (loss) gain on investments	(174,134)	319,908
Change in net assets	236,541	822,358
Net assets, beginning of year	2,343,301	1,520,943
Net assets, end of year	\$ 2,579,842	\$ 2,343,301

See notes to the financial statements.

Community Associations Institute

Statements of Cash Flows

Year Ended June 30,	2015	2014
Cash flows from operating activities		
Change in net assets	\$ 236,541	\$ 822,358
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Net realized and unrealized loss (gain) on investments	174,134	(319,908)
Depreciation and amortization	356,515	358,806
Gain on disposal of property and equipment	-	(659)
Deferred rent and lease incentive	(82,267)	(71,549)
Changes in assets and liabilities:		
Accounts receivable	(4,791)	20,870
Inventory	(11,442)	8,439
Prepaid expenses and other assets	(56,262)	36,481
Accounts payable and accrued expenses	411,548	233,748
Deferred revenue	126,322	166,348
Total adjustments	913,757	432,576
Net cash provided by operating activities	1,150,298	1,254,934
Cash flows from investing activities		
Purchase of investments	(840,601)	(657,926)
Proceeds from maturities/sales of investments	-	7,117
Proceeds from sale of property and equipment	-	800
Purchases of property and equipment	(274,492)	(196,017)
Net cash used in investing activities	(1,115,093)	(846,026)
Net increase in cash and cash equivalents	35,205	408,908
Cash and cash equivalents, beginning of year	1,442,184	1,033,276
Cash and cash equivalents, end of year	\$ 1,477,389	\$ 1,442,184

See notes to the financial statements.

Community Associations Institute

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. The Institute generated no net taxable unrelated business income for the years ended June 30, 2015 and 2014.

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, 2015 and 2014 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 statement 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 (loss) gain on investments in the change in net assets from operations.

Subsequent events: Subsequent events have been evaluated through October 23, 2015 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 securities, 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 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.

Community Associations Institute

Notes to the Financial Statements

C. INVESTMENTS - CONTINUED

The following is a summary of the input levels used to determine fair values of investments, which are measured on a recurring basis, at June 30,:

2015	Total	Level 1	Level 2	Level 3
Investments, at fair value				
Mutual funds - equities	\$ 2,862,542	\$ 2,862,542	\$ -	\$ -
Mutual funds - fixed income	728,531	728,531		
Exchange traded funds	297,078	297,078		
Total investments, at fair value	\$ 3,888,151	\$ 3,888,151	\$ -	\$ -
Investments, at cost				
Money market funds	254,247			
Certificate of deposit	1,376,942			
Total Investments	\$ 5,519,340			

2014	Total	Level 1	Level 2	Level 3
Investments, at fair value				
Mutual funds - equities	\$ 2,815,665	\$ 2,815,665	\$ -	\$ -
Mutual funds - fixed income	745,861	745,861		
Exchange traded funds	95,155	95,155		
Total investments, at fair value	\$ 3,656,681	\$ 3,656,681	\$ -	\$ -
Investments, at cost				
Money market funds	20,970			
Certificates of deposit	1,175,222			
Total investments	\$ 4,852,873			

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,:

	2015	2014
Trade accounts receivable	\$ 49,976	\$ 58,934
Due from CAMICB	13,749	-
	<u>63,725</u>	<u>58,934</u>
Less allowance for doubtful accounts	<u>(5,000)</u>	<u>(5,000)</u>
	<u>\$ 58,725</u>	<u>\$ 53,934</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 \$144,000 and \$129,000 during the years ended June 30, 2015 and 2014, respectively. No amounts were due from the Foundation at June 30, 2015 and 2014.

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 \$10,369 and \$15,569 at June 30, 2015 and 2014, 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 \$525,100 and \$454,302 during the years ended June 30, 2015 and 2014, respectively. \$13,749 and \$0 were due from CAMICB at June 30, 2015 and 2014, respectively.

Receipts: Amounts due to CAMICB relate to certification and re-certification that CAI has collected on behalf of CAMICB. Amounts due to CAMICB were \$0 and \$974 at June 30, 2015 and 2014, 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,:

	2015	2014
Furniture and equipment	\$ 440,617	\$ 436,765
Computer software	835,094	815,322
Course materials	386,640	309,609
Website development	308,836	135,000
Leasehold improvements	714,142	714,142
	<u>2,685,329</u>	<u>2,410,838</u>
Less accumulated depreciation and amortization	<u>(1,589,673)</u>	<u>(1,233,159)</u>
	<u>\$ 1,095,656</u>	<u>\$ 1,177,679</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,:

	2015	2014
Trade accounts payable	\$ 936,806	\$ 545,748
Accrued expenses	258,115	246,002
Due to Chapters	175,106	177,104
Due to Legislative Action Committees	52,729	36,180
Due to the Foundation	10,369	15,569
Due to CAMICB	-	974
	<u>\$ 1,433,125</u>	<u>\$ 1,021,577</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,:

	2015	2014
Membership	\$ 2,899,057	\$ 2,795,650
Education	422,752	416,408
Conferences and seminars	309,900	296,092
Advertising and other income	122,037	119,274
	<u>\$ 3,753,746</u>	<u>\$ 3,627,424</u>

I. 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 \$135,934 and \$129,769 for the years ended June 30, 2015 and 2014, respectively.

Community Associations Institute

Notes to the Financial Statements

J. COMMITMENTS AND CONTINGENCIES

Office lease – Falls Church, VA: The Institute has an operating lease for office space in Falls Church, VA which expires 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 includes 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 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 will be amortized over the life of the lease as a reduction of rent expense. Accordingly, the Institute has recorded a liability for deferred rent and lease incentive totaling \$827,389 and \$909,656 at June 30, 2015 and 2014, respectively.

Rent expense under this lease totaled \$383,711 and \$380,782 for the years ended June 30, 2015 and 2014, respectively. Future minimum cash basis lease payments are as follows:

Year Ending June 30,	Amount
2016	\$ 450,400
2017	461,700
2018	473,200
2019	485,080
2020	497,200
Thereafter	<u>811,320</u>
	<u>\$ 3,178,900</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.

Community Associations Institute

Notes to the Financial Statements

K. 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 particular 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.

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

	2015	2014
President's Club	\$ 242,266	\$ 329,444
Issues Advancement Fund	<u>40,245</u>	<u>37,676</u>
	<u>\$ 282,511</u>	<u>\$ 367,120</u>

T A T E



T R Y O N

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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, 2015 and 2014 and issued our report thereon dated October 23, 2015, 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.

Washington, DC
October 23, 2015

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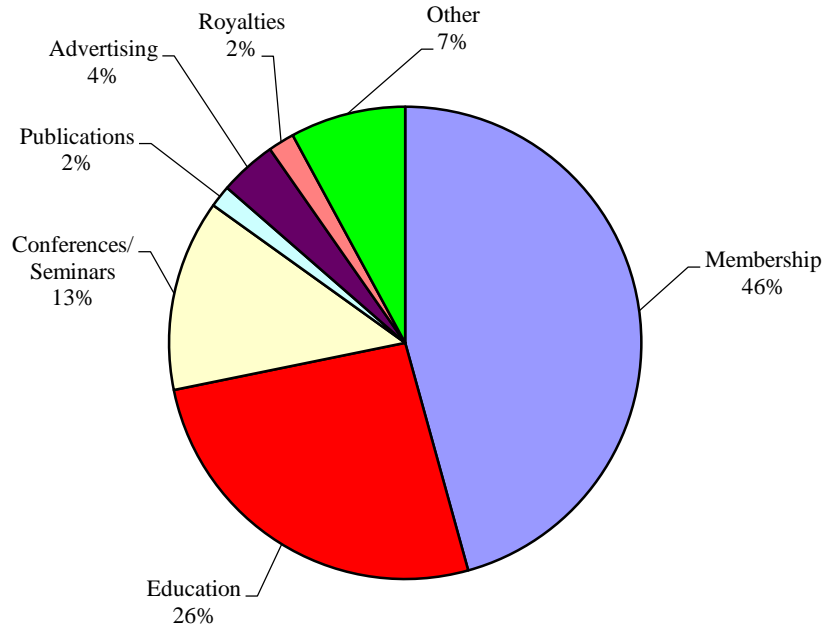
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Community Associations Institute

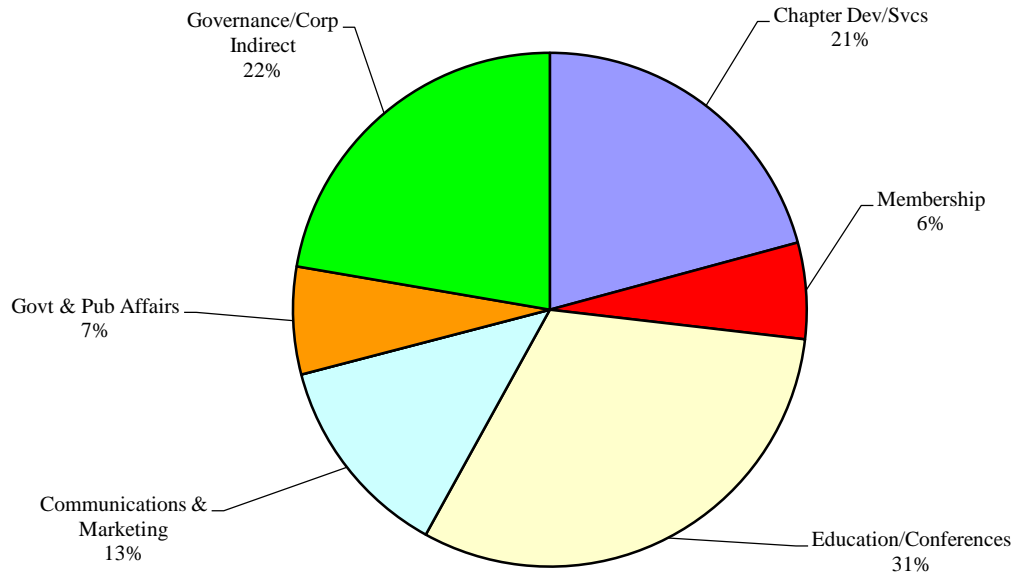
Revenue and Expense Composition

Year Ended June 30, 2015

Revenue Composition



Expense Composition

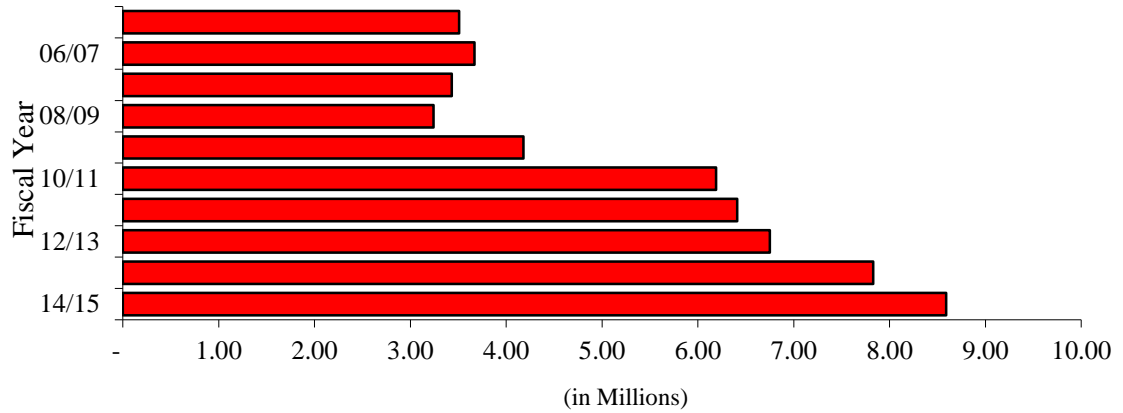


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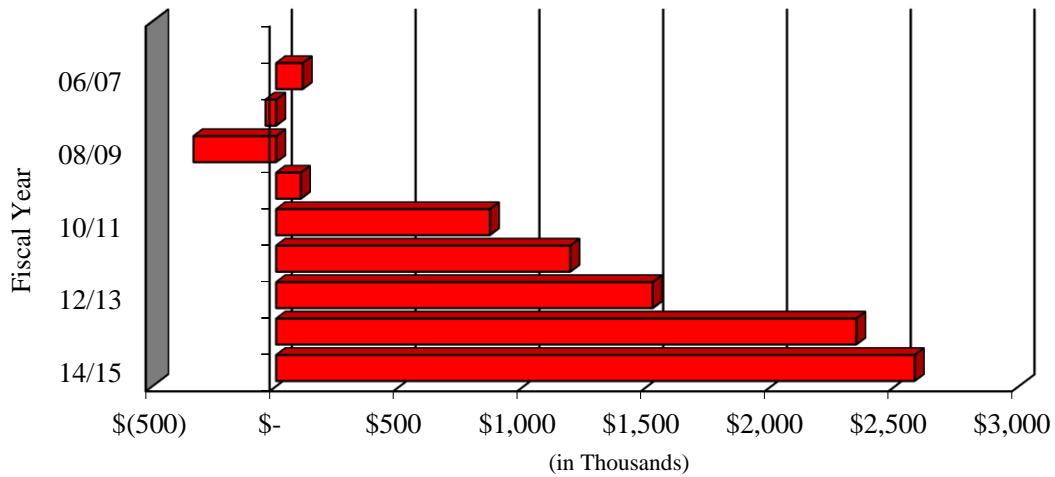
10-Year Trend Analyses

Years Ended June 30, 2005 through 2015

Total Asset Trend Comparison



Total Net Asset Trend Comparison



Revenue, Expense, and Net Income Comparison

