

COMMUNITY ASSOCIATIONS INSTITUTE
CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2022 and 2021

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Community Associations Institute
Falls Church, Virginia

Opinion

We have audited the financial statements of Community Associations Institute, which comprise the consolidated statement of financial position as of June 30, 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Community Associations Institute as of June 30, 2022, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Community Associations Institute and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Prior Period Financial Statements

The financial statements of Community Associations Institute as of June 30, 2021, were audited by other auditors whose report dated November 22, 2021, expressed an unmodified opinion on those statements.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Community Associations Institute's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Community Associations Institute's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Community Associations Institute's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Wegner CPAs LLP

Wegner CPAs, LLP
Alexandria, Virginia
October 19, 2022

COMMUNITY ASSOCIATIONS INSTITUTE
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Cash	\$ 2,354,739	\$ 2,052,886
Investments	10,279,118	10,284,439
Accounts receivable	173,441	86,534
Inventory	71,188	68,554
Prepaid expenses	197,513	391,289
Deposits	55,990	42,134
Equipment, net	<u>506,781</u>	<u>685,402</u>
Total assets	<u>\$ 13,638,770</u>	<u>\$ 13,611,238</u>
LIABILITIES		
Accounts payable and accrued expenses	\$ 1,884,250	\$ 1,285,676
Deferred revenue	4,711,978	5,272,954
Paycheck Protection Program loan	-	927,950
Deferred rent	<u>384,465</u>	<u>469,948</u>
Total liabilities	6,980,693	7,956,528
NET ASSETS		
Without member restrictions		
Undesignated	6,197,192	5,201,066
Board designated - President's Club	341,725	344,392
Board designated - Issues Advancement Fund	28,627	27,574
With member restrictions		
Political Action Committees	<u>90,533</u>	<u>81,678</u>
Total net assets	<u>6,658,077</u>	<u>5,654,710</u>
Total liabilities and net assets	<u>\$ 13,638,770</u>	<u>\$ 13,611,238</u>

See accompanying notes.

COMMUNITY ASSOCIATIONS INSTITUTE
CONSOLIDATED STATEMENTS OF ACTIVITIES
Years Ended June 30, 2022 and 2021

	2022			2021		
	Without Member Restrictions	With Member Restrictions	Total	Without Member Restrictions	With Member Restrictions	Total
SUPPORT AND REVENUE						
Membership	\$ 6,744,379	\$ -	\$ 6,744,379	\$ 6,422,942	\$ -	\$ 6,422,942
Education	4,398,963	-	4,398,963	4,022,403	-	4,022,403
Management fees	1,160,680	-	1,160,680	969,859	-	969,859
Conferences and seminars	4,169,988	-	4,169,988	658,540	-	658,540
Advertising	578,610	-	578,610	568,438	-	568,438
Royalties	312,358	-	312,358	328,539	-	328,539
Other income	54,422	-	54,422	55,812	-	55,812
Publication sales	102,316	-	102,316	66,128	-	66,128
President's club	49	-	49	14,628	-	14,628
Contributions	1,000	61,733	62,733	-	45,840	45,840
Paycheck Protection Program loan forgiveness	927,950	-	927,950	-	-	-
Investment return, net	(1,231,986)	-	(1,231,986)	1,615,181	-	1,615,181
Total support and revenue	17,218,729	61,733	17,280,462	14,722,470	45,840	14,768,310
EXPENSES						
Program Services						
Membership and Chapters	3,590,560	-	3,590,560	3,267,154	-	3,267,154
Education and Conferences	4,801,556	-	4,801,556	2,010,389	-	2,010,389
Communication and Publications	1,815,578	-	1,815,578	1,726,946	-	1,726,946
Government and Public Affairs	1,025,135	-	1,025,135	970,762	-	970,762
Total program services	11,232,829	-	11,232,829	7,975,251	-	7,975,251
Supporting Activities						
Management and General	4,202,505	-	4,202,505	3,575,625	-	3,575,625
Membership Development	841,761	-	841,761	707,721	-	707,721
Total expenses	16,277,095	-	16,277,095	12,258,597	-	12,258,597
NET ASSETS RELEASED FROM RESTRICTION						
Satisfaction of purpose restrictions	52,878	(52,878)	-	51,209	(51,209)	-
Reclassification of donor restricted net assets	-	-	-	(87,047)	87,047	-
Net assets released from restrictions	52,878	(52,878)	-	(35,838)	35,838	-
Change in net assets	994,512	8,855	1,003,367	2,428,035	81,678	2,509,713
Net assets at beginning of year	5,573,032	81,678	5,654,710	3,144,997	-	3,144,997
Net assets at end of year	\$ 6,567,544	\$ 90,533	\$ 6,658,077	\$ 5,573,032	\$ 81,678	\$ 5,654,710

See accompanying notes.

COMMUNITY ASSOCIATIONS INSTITUTE
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended June 30, 2022 and 2021

	Program Services				Supporting Activities		Total
	Membership and Chapters	Education and Conferences	Communications and Publications	Government and Public Affairs	Management and General	Membership Development	
<u>2022</u>							
Personnel	\$ 494,917	\$ 1,026,718	\$ 1,041,472	\$ 652,513	\$ 2,853,485	\$ 637,088	\$ 6,706,193
Professional fees	-	28,509	66,986	9,000	103,628	21,552	229,675
Office expenses	55,273	343,654	358,723	183,075	551,030	66,576	1,558,331
Conferences and meetings	321,182	2,706,872	61,012	6,508	52,026	3,385	3,150,985
Insurance	-	-	-	-	27,119	-	27,119
Occupancy	35,675	74,010	75,073	47,036	205,689	45,924	483,407
Advertising	-	29,162	64,986	157	-	13,385	107,690
Information technology	25,504	52,908	53,668	33,625	147,044	32,830	345,579
Travel	60,890	107,862	22,109	20,894	171,982	815	384,552
Depreciation	15,697	32,564	33,032	20,695	90,502	20,206	212,696
Miscellaneous	-	-	-	282	-	-	282
Cost of goods sold	-	240,997	30,196	-	-	-	271,193
Grants and assistance	17,000	-	8,321	51,350	-	-	76,671
Chapter rebates and commissions	2,564,422	158,300	-	-	-	-	2,722,722
Total expenses	<u>\$ 3,590,560</u>	<u>\$ 4,801,556</u>	<u>\$ 1,815,578</u>	<u>\$ 1,025,135</u>	<u>\$ 4,202,505</u>	<u>\$ 841,761</u>	<u>\$ 16,277,095</u>

	Program Services				Supporting Activities		Total
	Membership and Chapters	Education and Conferences	Communications and Publications	Government and Public Affairs	Management and General	Membership Development	
<u>2021</u>							
Personnel	\$ 527,174	\$ 971,111	\$ 1,017,775	\$ 626,177	\$ 2,628,936	\$ 534,742	\$ 6,305,915
Professional fees	9,700	34,452	57,940	9,762	95,835	22,798	230,487
Office expenses	49,343	191,082	332,261	162,054	449,612	68,231	1,252,583
Conferences and meetings	33,214	209,953	66,562	2,208	5,689	870	318,496
Insurance	-	-	-	-	27,361	-	27,361
Occupancy	34,529	63,605	66,662	41,013	172,189	35,024	413,022
Advertising	-	29,145	66,621	145	-	22,067	117,978
Information technology	23,649	43,565	45,658	28,091	117,936	23,989	282,888
Travel	1,162	9,757	2,382	1,957	1,321	-	16,579
Interest	-	-	-	-	242	-	242
Depreciation	42,935	139,433	37,333	18,667	76,504	-	314,872
Miscellaneous	-	-	-	138	-	-	138
Cost of goods sold	-	207,314	33,752	-	-	-	241,066
Grants and assistance	-	-	-	80,550	-	-	80,550
Chapter rebates and commissions	2,545,448	110,972	-	-	-	-	2,656,420
Total expenses	<u>\$ 3,267,154</u>	<u>\$ 2,010,389</u>	<u>\$ 1,726,946</u>	<u>\$ 970,762</u>	<u>\$ 3,575,625</u>	<u>\$ 707,721</u>	<u>\$ 12,258,597</u>

See accompanying notes.

COMMUNITY ASSOCIATIONS INSTITUTE
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,003,367	\$ 2,509,713
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	212,696	314,872
Net realized and unrealized (gain) loss on investments	1,658,995	(1,432,977)
Loss on disposal of equipment	91	-
Forgiveness of Paycheck Protection Program loan	(927,950)	-
(Increase) decrease in assets		
Accounts receivable	(86,907)	(19,331)
Inventory	(2,634)	24,693
Prepaid expenses	193,776	(102,228)
Deposits	(13,856)	-
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	598,574	166,209
Deferred revenue	(560,976)	950,312
Deferred rent	(85,483)	(131,564)
Net cash flows from operating activities	<u>1,989,693</u>	<u>2,279,699</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments	23,320	1,830,519
Purchases of and interest and dividends retained in investments	(1,676,994)	(4,288,658)
Purchases of property and equipment	(34,166)	(30,368)
Net cash flows from investing activities	<u>(1,687,840)</u>	<u>(2,488,507)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Paycheck Protection Program loan	-	927,950
Change in cash	<u>301,853</u>	<u>719,142</u>
Cash at beginning of year	<u>2,052,886</u>	<u>1,333,744</u>
Cash at end of year	<u><u>\$ 2,354,739</u></u>	<u><u>\$ 2,052,886</u></u>

See accompanying notes.

COMMUNITY ASSOCIATIONS INSTITUTE
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

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

In addition, CAI has established affiliated political action committees (the PACs). The PACs include one federal and six state PACs which are voluntary, nonprofit, unincorporated associations created to further the interest of CAI and the communities it represents through financial participation in the elective process. The financial activities of the PACs have been included in the accompanying financial statements. In particular, the assets related to the PACs consisted entirely of cash accounts which totaled \$90,533 and \$81,678 at June 30, 2022 and 2021, respectively.

Principles of Consolidation

The consolidated financial statements include the activities of CAI and the PACs (collectively, CAI). The PACs are consolidated since CAI has both an economic interest and control of the PACs through a majority voting interest in its governing body. Significant intra-entity accounts and transactions, if any, have been eliminated in consolidation.

Accounts Receivable

Accounts receivable consist primarily of amounts owed from CAI's affiliates, as well as royalties. Accounts receivable are presented at the gross amount due to CAI. CAI's 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, customer balances deemed to be uncollectible are charged directly to bad debt expense. Management believes that the use of the direct write-off method approximates the results that would be presented if an allowance for bad debts was recorded. There were no amounts deemed uncollectible at June 30, 2022 and 2021.

Inventory

Inventory includes items held for sale such as publications and logo merchandise. Inventory has been reported at the lower of cost or net realizable value and cost of goods sold is determined using the average cost method.

COMMUNITY ASSOCIATIONS INSTITUTE
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the consolidated statements of financial position. Unrealized and realized gains and losses are included in the consolidated statements of activities in the period in which such changes occur. Interest and dividends are recorded when earned.

Investment securities, in general, are exposed to various risks, such as interest rates, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the consolidated statements of financial position.

Property and Equipment

CAI capitalizes all expenditures for furniture and equipment in excess of \$1,000 with expected useful lives greater than one year. Purchases of furniture and equipment are carried at cost. Depreciation of furniture and equipment is computed using the straight-line method over the estimated useful lives of the assets, ranging from three to ten years. Leasehold improvements are amortized over the lesser of the remaining life of the office lease or the estimated useful life of the improvements.

Revenue Recognition

CAI's earned revenue consists of membership, management fees, education, conferences and seminars, advertising, and royalties.

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

Management fees revenue consist of revenue earned by CAI for providing personnel, facility use, and use of property and equipment to its affiliates, as detailed in Note 7. Revenue from management fees is earned when CAI's personnel, facilities, or equipment is used by its affiliates.

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

COMMUNITY ASSOCIATIONS INSTITUTE
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition (continued)

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

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

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

Contributions

Contributions received are recorded as increases in net assets without member restrictions and net assets with member restrictions depending on the existence of any member restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with member restrictions are reclassified to net assets without member restrictions and reported in the consolidated statements of activities as net assets released from restrictions.

Income Tax Status

CAI is exempt from federal income tax under section 501(c)(6) of the Internal Revenue Code. However, CAI is subject to income taxes on its unrelated business activities (primarily advertising). The PACs are subject to income taxes on their investment income, less related expenses, under Section 527 of the Internal Revenue Code.

Expense Allocation

The financial statements report certain categories of expenses that are attributable to more than one program service or supporting activity. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include personnel, office expenses, conferences and meetings, occupancy, information technology, travel, and depreciation, which are allocated on the basis of estimates of time and effort.

Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

COMMUNITY ASSOCIATIONS INSTITUTE
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Date of Management’s Review

Management has evaluated subsequent events through October 19, 2022, the date which the financial statements were available to be issued.

NOTE 2 – CASH

At June 30, 2022 and 2021, cash includes \$90,533 and \$81,678, respectively, that is required by Section 527 of the Internal Revenue Code to be maintained in a separate account for CAI’s various political action committees.

NOTE 3 – CONCENTRATIONS OF CREDIT RISK

CAI maintains its cash balances in two financial institutions located in Alexandria, Virginia. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At times during the year, CAI’s cash balances exceed the FDIC Insurance amount. Management believes the risk in these situations to be minimal.

NOTE 4 – INVESTMENTS

Investments are comprised of the following:

	2022	2021
Cash and cash equivalents	\$ 1,476,815	\$ 1,965,344
Mutual funds	6,177,835	7,309,347
Exchange traded funds	1,126,841	1,009,748
Certificates of deposit	1,497,627	-
Investments	\$ 10,279,118	\$ 10,284,439

Fair values of mutual funds and exchange traded funds are valued at the closing price reported on the active market on which the funds are traded and are considered Level 1 fair value measurements. Fair values of certificates of deposit are determined using a market approach on yields currently available on comparable securities of issuers with similar credit ratings, which is a Level 2 fair value measurement.

NOTE 5 – RETIREMENT PLAN

CAI sponsors a defined contribution 401(k) retirement plan available to all employees meeting certain eligibility requirements as defined by the plan document. The plan requires a safe harbor employer matching contribution equal to 100% of employee deferrals up to 3% of participant compensation plus 50% of employee deferrals above 3% and up to 5% of participant compensation. CAI may also make an employer discretionary profit-sharing contribution to the plan on behalf of eligible participants. Total contributions were \$199,750 and \$180,921 for the years ending June 30, 2022 and 2021, respectively.

COMMUNITY ASSOCIATIONS INSTITUTE
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021

NOTE 6 – PROPERTY AND EQUIPMENT

Property and equipment is comprised of the following:

	2022	2021
Furniture and equipment	\$ 434,162	\$ 472,240
Computer software	971,930	971,930
Course materials	844,363	844,363
Leasehold improvements	1,071,402	1,071,402
Less accumulated depreciation	(2,815,076)	(2,674,533)
Furniture and equipment, net	\$ 506,781	\$ 685,402

NOTE 7 – RELATED PARTY TRANSACTIONS

Chapters

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

In an agency capacity, CAI processes cash receipts on behalf of the Chapters. Therefore, CAI has recorded an amount due to the Chapters totaling \$226,058 and \$252,793 as of June 30, 2022 and 2021, respectively.

FCAR

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

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

COMMUNITY ASSOCIATIONS INSTITUTE
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021

NOTE 7 – RELATED PARTY TRANSACTIONS (continued)

CAI collects contributions and survey sales on behalf of FCAR in an agency capacity while also having amounts due from FCAR related to management fees owed to CAI, as well as cost reimbursements. At June 30, 2022, the net amount due from FCAR totals \$5,287. At June 30, 2021, the net amount due to FCAR totals \$21,994.

Under the terms of memorandum of understanding, FCAR pays CAI a management fee for use of office facilities, personnel and property and equipment owned by CAI. FCAR paid management fees to CAI totaling \$190,000 and \$152,100 during the years ended June 30, 2022 and 2021, respectively.

CAM-ICB

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

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

CAI collects certification and re-certification fees on behalf of CAM-ICB in an agency capacity while also having amounts due from CAM-ICB related to management fees owed to CAI, as well as cost reimbursements. At June 30, 2022 and 2021, the net amount due from CAM-ICB totals \$50,969 and \$5,354, respectively.

Under the terms of memorandum of understanding, CAM-ICB pays CAI a management fee for use of office facilities, personnel and property and equipment owned by CAI. CAM-ICB paid management fees to CAI totaling \$970,680 and \$817,758 during the years ended June 30, 2022 and 2021, respectively.

NOTE 8 – COMMITMENTS

Employment Agreement

CAI has an employment agreement with its President and CEO. Under the terms of the agreement, should CAI terminate his employment without cause, CAI would be obligated to pay severance.

Hotel Commitments

CAI has entered into agreements to reserve space for future conferences through 2024. These agreements indicated that CAI would be liable for certain cancellation fees and liquidated damages in the event of cancellation. If cancellations occur, CAI could be liable for up to approximately \$1,140,000.

COMMUNITY ASSOCIATIONS INSTITUTE
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021

NOTE 9 – LEASES

CAI has an operating lease for office space, which expires on March 30, 2029. The office lease, as amended, includes abatements of rent and escalation terms that adjust annual base rentals. The lease also has a pass-through clause relating to real estate taxes and operating expenses, which are not included in base rentals. The office lease, as amended, also included two tenant improvement allowances for build-out of the office space totaling \$1,021,773. The cost of these leasehold improvements was capitalized within property and equipment. The rent abatement and scheduled rent increases along with the tenant improvement allowance have been recorded as a liability and will be amortized ratably to achieve straight-line rent expense over the term of the lease.

For the years ended June 30, 2022 and 2021, rent expense totaled \$468,652 and \$398,568, respectively.

Future minimum payments under the office lease are as follows:

2023	\$ 552,418
2024	566,229
2025	580,385
2026	594,894
2027	609,767
Thereafter	<u>1,535,319</u>
	<u>\$ 4,439,012</u>

NOTE 10 – PAYCHECK PROTECTION PROGRAM LOAN

During the year ended June 30, 2021, CAI received a \$927,150 loan under the Paycheck Protection Program (PPP) established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act and administered by the U.S. Small Business Administration (SBA). During the year ended June 30, 2022, CAI received preliminary forgiveness of its PPP loan. CAI must retain PPP documentation in its files for six years after the date the loan is forgiven or repaid in full and permit authorized representatives of SBA to access such files upon request. SBA may review any loan at any time at its discretion. Therefore, SBA may review CAI's good-faith certification concerning the necessity of its loan request, whether CAI calculated the loan amount correctly, whether CAI used loan proceeds for the allowable uses specified in the CARES Act, and whether CAI is entitled to loan forgiveness in the amount claimed on its application. If SBA determines CAI was ineligible for the loan or for forgiveness in whole or in part, SBA will seek repayment of the outstanding loan balance.

COMMUNITY ASSOCIATIONS INSTITUTE
NOTES TO FINANCIAL STATEMENTS
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NOTE 11 – LIQUIDITY AND AVAILABILITY

The following reflects CAI's financial assets as of the date of the consolidated statements of financial position, reduced by amounts not available for expenditures within one year of the date of the consolidated statements of financial position because of board-designations or member-imposed restrictions.

	2022	2021
Financial assets at end of year		
Cash	\$ 2,354,739	\$ 2,052,886
Investments	10,279,118	10,284,439
Accounts receivable	173,441	86,534
Total financial assets	12,807,298	12,423,859
Less amounts unavailable for general expenditures within one year:		
Designated by the board for specific use	(370,352)	(371,966)
Restricted by members with purpose restrictions	(90,533)	(81,678)
Financial assets available to meet cash needs for general expenditures within one year	\$ 12,346,413	\$ 11,970,215

As part of CAI's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, financial assets in excess of daily cash requirements are invested in financial instruments that can be converted to cash within a short period of time in accordance with CAI's investment policy. CAI's investments include portfolios for the following specific uses:

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

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

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