

**Audited Financial Statements
and Supplementary Information**

**FOUNDATION FOR COMMUNITY
ASSOCIATION RESEARCH**

June 30, 2014

Foundation for Community Association Research

Contents

| | |
|--|-------|
| <i>Independent Auditor's Report on the Financial Statements</i> | 1 |
| <i>Financial Statements</i> | |
| Statements of financial position | 2 |
| Statements of activities | 3 |
| Statements of cash flows | 4 |
| Notes to the financial statements | 5 - 9 |
| <i>Supplementary Information</i> | |
| Independent auditor's report on supplementary information | 10 |
| Statements of natural expense | 11 |

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Independent Auditor's Report on the Financial Statements

To the Board of Directors
Foundation for Community
Association Research

We have audited the accompanying financial statements of the Foundation for Community Association Research (the Foundation), which comprise the statements of financial position as of June 30, 2014 and 2013, 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 Foundation'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 Foundation'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 the Foundation as of June 30, 2014 and 2013, 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 9, 2014

**Foundation for Community
Association Research**

Statements of Financial Position

| June 30, | 2014 | 2013 |
|---|-------------------|-------------------|
| Assets | | |
| Cash | \$ 82,462 | \$ 88,549 |
| Investments | 258,574 | 257,501 |
| Receivables | 5,000 | 510 |
| Due from affiliates | 15,569 | 19,964 |
| Inventory | 4,916 | 164 |
| Total assets | \$ 366,521 | \$ 366,688 |
| Liabilities and Net Assets | | |
| Liabilities | | |
| Accounts payable | \$ 6,685 | \$ 3,605 |
| Due to affiliates | - | 3,121 |
| Total liabilities | 6,685 | 6,726 |
| Net assets | | |
| Unrestricted | 291,788 | 300,043 |
| Temporarily restricted | 68,048 | 59,919 |
| Total net assets | 359,836 | 359,962 |
| Total liabilities and net assets | \$ 366,521 | \$ 366,688 |

**Foundation for Community
Association Research**

Statements of Activities

| Year Ended June 30, | 2014 | 2013 |
|--|-------------------|-------------|
| Unrestricted activities | | |
| Revenue and support | | |
| Contributions | \$ 229,151 | \$ 229,912 |
| Survey sales and other income | 28,531 | 7,348 |
| Investment income | 1,072 | 1,209 |
| | 258,754 | 238,469 |
| Net assets released from restrictions | 4,550 | 4,687 |
| Total revenue and support | 263,304 | 243,156 |
| Expense | | |
| Program services | 173,836 | 140,668 |
| Supporting services | | |
| Fund raising | 55,804 | 25,153 |
| General and administrative | 41,919 | 34,880 |
| Total supporting services | 97,723 | 60,033 |
| Total expense | 271,559 | 200,701 |
| Change in unrestricted net assets | (8,255) | 42,455 |
| Temporarily restricted activities | | |
| Contributions | 12,679 | 527 |
| Net assets released from restrictions | (4,550) | (4,687) |
| Net assets transferred from permanently restricted | - | 16,572 |
| Change in temporarily restricted net assets | 8,129 | 12,412 |
| Permanently restricted activities | | |
| Contributions | - | 1,000 |
| Investment income | - | 29 |
| Net assets transferred to temporarily restricted | - | (16,572) |
| Change in permanently restricted net assets | - | (15,543) |
| Change in net assets | (126) | 39,324 |
| Net assets, beginning of year | 359,962 | 320,638 |
| Net assets, end of year | \$ 359,836 | \$ 359,962 |

**Foundation for Community
Association Research**

Statements of Cash Flows

| Year Ended June 30, | 2014 | 2013 |
|--|------------------|------------------|
| Cash flows from operating activities | | |
| Change in net assets | \$ (126) | \$ 39,324 |
| Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities: | | |
| Net loss (gain) on investments | 153 | (23) |
| Contributions to endowment | - | (1,000) |
| Changes in assets and liabilities: | | |
| Receivables | (4,490) | (510) |
| Due from affiliates | 4,395 | (17,181) |
| Inventory | (4,752) | 904 |
| Accounts payable | 3,080 | (12,133) |
| Due to affiliates | (3,121) | (4,302) |
| Total adjustments | (4,735) | (34,245) |
| Net cash (used in) provided by operating activities | (4,861) | 5,079 |
| Cash flows from investing activities | | |
| Purchases of investments | (1,226) | (125,000) |
| Proceeds from the sales of investments | - | 123,772 |
| Net cash used in investing activities | (1,226) | (1,228) |
| Cash flows from financing activities | | |
| Contributions to endowment | - | 1,000 |
| Net (decrease) increase in cash | (6,087) | 4,851 |
| Cash, beginning of year | 88,549 | 83,698 |
| Cash, end of year | \$ 82,462 | \$ 88,549 |

Foundation for Community Association Research

Notes to the Financial Statements

A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization: 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.

Income taxes: 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 Foundation believes that it has appropriate support for income tax positions taken. Therefore, management has not identified any uncertain income tax positions. Generally, income tax returns related to the current year and three prior years remain open for examination by taxing authorities.

Basis of accounting: The accompanying financial statements have been prepared on the accrual basis of accounting. Revenue, other than contributions, 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: For financial statement purposes, the Foundation considers demand deposits to be cash. Money market mutual funds and certificates of deposit held in the investment portfolio are included in investments.

Inventory: Inventory consists of a survey 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, 2014 and 2013 is fully salable; consequently, no allowance for obsolete or slow-moving items has been established.

Contributions: Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support depending upon the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in temporarily restricted net assets or permanently restricted net assets. Within temporarily restricted net assets, amounts are reclassified to unrestricted net assets when the restriction expires.

Subsequent events: Subsequent events have been evaluated through October 9, 2014, which is the date the financial statements were available to be issued.

Foundation for Community Association Research

Notes to the Financial Statements

B. INVESTMENTS

The Foundation invests funds in a professionally managed portfolio that may include various types of fixed income investments. Certain of these investments are exposed to various risks, such as fluctuations in market value, interest rate, or credit risk. Therefore, the Foundation'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.

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.

The following is a summary of investments at June 30,:

| | 2014 | 2013 |
|--------------------------|-------------------|-------------------|
| Investments, at cost | | |
| Certificates of deposit | \$ 200,447 | \$ 200,558 |
| Money market funds | 58,127 | 56,943 |
| Total investments | \$ 258,574 | \$ 257,501 |

Investment income consists of the following for the years ended June 30,:

| | 2014 | 2013 |
|--------------------------------|-----------------|-----------------|
| Interest income | \$ 1,225 | \$ 1,215 |
| Net (loss) gain on investments | (153) | 23 |
| | \$ 1,072 | \$ 1,238 |

Investment income includes permanently restricted interest income totaling \$0 and \$29 for the years ended June 30, 2014 and 2013, respectively.

C. RELATED PARTY TRANSACTIONS

Community Associations Institute (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. CAI 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 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.

Foundation for Community Association Research

Notes to the Financial Statements

C. RELATED PARTY TRANSACTIONS – CONTINUED

Contributions: Amounts due from CAI relate to contributions and survey sales that CAI has collected on behalf of the Foundation. Amounts due from CAI were \$15,569 and \$19,964 at June 30, 2014 and 2013, respectively.

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 \$129,000 and \$124,000 during the years ended June 30, 2014 and 2013, respectively. Amounts due to CAI were \$0 and \$3,121 at June 30, 2014 and 2013, respectively.

Community Association Manager International Certification Board (CAMICB formerly known as *National Board of Certification for Community Association Managers*) 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 Foundation 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 Foundation under current accounting standards.

D. NET ASSETS

Unrestricted: Unrestricted net assets include those net assets whose use has not been restricted by donors, even though their use may be limited in other respects, such as by board designation.

Temporarily restricted: Temporarily restricted net assets include those net assets whose use by the Foundation have been donor-restricted for specified purpose limitations.

Temporarily restricted net assets consist of the following at June 30,:

| | 2014 | 2013 |
|--------------------------|------------------|------------------|
| Large-scale manager | \$ 41,376 | \$ 38,247 |
| Dolnick Homeowner Fund | 21,572 | 16,572 |
| JCAL Award of Excellence | 5,100 | 5,100 |
| | \$ 68,048 | \$ 59,919 |

Net assets released from restriction consist of the following during the years ended June 30,:

| | 2014 | 2013 |
|---------------------------------|-----------------|-----------------|
| Large-scale manager | \$ 4,550 | \$ 2,648 |
| Jerry Fien Memorial Scholarship | - | 2,039 |
| | \$ 4,550 | \$ 4,687 |

Foundation for Community Association Research

Notes to the Financial Statements

D. NET ASSETS – CONTINUED

Permanently restricted: Permanently restricted net assets are required by donor stipulation to be maintained in perpetuity by the Foundation. The Foundation's permanently restricted net assets consist of contributions to establish an endowment fund, the income from which will be used in the Foundation's unrestricted operations.

Prior to June 30, 2013, the Foundation's endowment fund included a permanently restricted fund which was a traditional donor-restricted endowment fund. In particular, the Foundation's endowment principal and interest income earned on the principal would have been left to accumulate until the endowment fund balance exceeded \$250,000. Once this level had been reached, the interest income on the fund would have been used in the unrestricted operations of the Foundation. As required by generally accepted accounting principles, net assets associated with endowment funds were classified and reported based on the existence or absence of donor-imposed restrictions.

On June 18, 2013, with the written approval of the donor, the permanently restricted net assets were reclassified to temporarily net assets. The remaining funds, totaling \$16,572, were used to establish the Dolnick Homeowner Fund, whose purpose is to fund programs specifically designated for homeowners. As of June 30, 2013 the remaining funds totaled \$0.

Changes in the endowment fund consist of the following as of and for the year ended June 30, 2013:

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|--------------|---------------------------|---------------------------|-----------|
| Endowment fund, July 1, 2012 | \$ - | \$ - | \$ 15,543 | \$ 15,543 |
| Contributions | | | 1,000 | 1,000 |
| Interest income | | | 29 | 29 |
| Donor-approved release from restriction | | | (16,572) | (16,572) |
| Endowment fund, June 30, 2013 | \$ - | \$ - | \$ - | \$ - |

Foundation for Community Association Research

Notes to the Financial Statements

E. FUNCTIONAL COSTS

The costs of providing various program and supporting services have been summarized on a functional basis in the statement of activities. The administrative fees paid to CAI (see Note C) have been allocated among the programs and supporting services benefited. In particular, program services consisted of the following for the years ended June 30,:

| | 2014 | 2013 |
|----------------------|-------------------|-------------------|
| Surveys | \$ 60,685 | \$ 43,156 |
| Marketing | 34,457 | 23,640 |
| Meetings | 26,180 | 22,355 |
| Volunteer Leadership | 25,800 | 25,512 |
| Best practices/CPI | 14,424 | 12,400 |
| Scholarships | 5,840 | 7,405 |
| Awards | 2,580 | 2,480 |
| Grants | 2,580 | 2,480 |
| Website | 1,290 | 1,240 |
| | <u>\$ 173,836</u> | <u>\$ 140,668</u> |

T A T E



T R Y O N

A Professional Corporation

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Independent Auditor's Report on Supplementary Information

To the Board of Directors
Foundation for Community
Association Research

We have audited the financial statements of Foundation for Community Association Research (the Foundation) as of and for the years ended June 30, 2014 and 2013 and issued our report thereon dated October 9, 2014, 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 9, 2014

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**Foundation for Community
Association Research**

Statements of Natural Expense

| <i>Year Ended June 30,</i> | 2014 | 2013 |
|----------------------------|-------------------|-------------------|
| Program services | | |
| Administrative fee | \$ 94,170 | \$ 90,520 |
| Printing and publications | 47,963 | 9,157 |
| Consultant | 11,005 | 20,138 |
| Food and beverages | 5,100 | 4,575 |
| Travel | 4,500 | 1,655 |
| Scholarships | 4,000 | 5,517 |
| Gifts | 3,701 | 7,122 |
| Audio visual | 2,940 | 998 |
| Postage and mailing | 457 | 986 |
| Total program services | 173,836 | 140,668 |
| Supporting services | | |
| Consultant | 45,185 | 15,935 |
| Administrative fee | 34,830 | 33,480 |
| Audit | 7,930 | 7,560 |
| Volunteer travel | 4,806 | 1,200 |
| Telephone | 1,218 | 519 |
| Gifts | 1,041 | 174 |
| Supplies | 784 | 415 |
| Postage and mailing | 666 | 308 |
| Production | 562 | - |
| Legal | 412 | - |
| Food and beverages | 262 | - |
| Miscellaneous | 27 | 72 |
| Dues and subscriptions | - | 370 |
| Total supporting services | 97,723 | 60,033 |
| Total expense | \$ 271,559 | \$ 200,701 |