



NATIONAL ASSOCIATION OF HOUSING AND REDEVELOPMENT OFFICIALS AND AFFILIATE

Consolidated Financial Statements and Supplementary Information

For the Year Ended December 31, 2019

(With Summarized Financial Information for the Year Ended December 31, 2018)



**and
Report Thereon**



**NATIONAL ASSOCIATION OF HOUSING AND
REDEVELOPMENT OFFICIALS AND AFFILIATE**

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For the Year Ended December 31, 2019**

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INDEPENDENT AUDITORS' REPORT

To the Board of Governors of the
National Association of Housing and
Redevelopment Officials and Affiliate

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of the National Association of Housing and Redevelopment Officials and Affiliate (the Association), which comprise the consolidated statement of financial position as of December 31, 2019, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated 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 entity'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 consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the 2019 consolidated financial statements referred to above present fairly, in all material respects, the financial position of the National Association of Housing and Redevelopment Officials and Affiliate as of December 31, 2019, 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 Matters

Report on Summarized Comparative Information

We have previously audited the Association's 2018 financial statements, and in our report dated June 26, 2019, we expressed an unmodified audit opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information (supplementary schedules) is presented for purposes of additional analysis, and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Marcum LLP

Washington, DC
April 27, 2020

**NATIONAL ASSOCIATION OF HOUSING AND
REDEVELOPMENT OFFICIALS AND AFFILIATE**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
December 31, 2019
(With Summarized Financial Information as of December 31, 2018)**

	2019	2018
ASSETS		
Cash and cash equivalents	\$ 1,638,920	\$ 619,839
Accounts receivable, net of allowance for doubtful accounts of \$847	418,529	285,943
Prepaid expenses	183,365	65,401
Investments	896,371	826,985
Publications inventory	11,660	6,957
Property and equipment, net	2,679,402	2,699,212
TOTAL ASSETS	\$ 5,828,247	\$ 4,504,337
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued liabilities	\$ 357,084	\$ 372,133
Accrued vacation and payroll benefits	81,344	98,373
Deferred income – membership	2,165,792	1,957,459
Deferred income – other	118,764	52,806
TOTAL LIABILITIES	2,722,984	2,480,771
Net Assets		
Without Donor Restrictions		
Undesignated	2,784,827	1,829,580
Board-designated	150,000	150,000
Total Without Donor Restrictions	2,934,827	1,979,580
With Donor Restrictions	170,436	43,986
TOTAL NET ASSETS	3,105,263	2,023,566
TOTAL LIABILITIES AND NET ASSETS	\$ 5,828,247	\$ 4,504,337

The accompanying notes are an integral part of these consolidated financial statements.

**NATIONAL ASSOCIATION OF HOUSING AND
REDEVELOPMENT OFFICIALS AND AFFILIATE**

**CONSOLIDATED STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2019**

(With Summarized Financial Information for the Year Ended December 31, 2018)

	Without Donor Restrictions	With Donor Restrictions	2019 Total	2018 Total
REVENUE AND SUPPORT				
Membership	\$ 3,457,746	\$ -	\$ 3,457,746	\$ 3,341,206
Program services:				
Conferences	1,433,361	-	1,433,361	1,489,227
Professional development classes	438,341	-	438,341	501,369
Publications	314,143	-	314,143	204,905
Certification	95,450	-	95,450	94,200
Onsite trainings and certification income	751,800	-	751,800	666,773
Other income	253,820	-	253,820	281,218
Contributions	-	153,533	153,533	36,986
Investment income (loss)	77,563	-	77,563	(11,033)
Rental income	25,540	-	25,540	11,880
Net assets released from restrictions:				
Satisfaction of program restrictions	27,083	(27,083)	-	-
TOTAL REVENUE AND SUPPORT	6,874,847	126,450	7,001,297	6,616,731
EXPENSES				
Program Services:				
Conferences	1,155,574	-	1,155,574	1,196,918
Professional development	1,118,876	-	1,118,876	1,085,285
Member services	517,663	-	517,663	538,351
Legislation and program development	523,264	-	523,264	510,882
RSO Advantage	179,417	-	179,417	425,664
Publications	411,186	-	411,186	354,117
Certifications	128,284	-	128,284	120,451
Total Program Services	4,034,264	-	4,034,264	4,231,668
Supporting Services:				
General and administrative	2,165,766	-	2,165,766	2,099,541
Total Supporting Services	2,165,766	-	2,165,766	2,099,541
TOTAL EXPENSES	6,200,030	-	6,200,030	6,331,209
CHANGE IN NET ASSETS	674,817	126,450	801,267	285,522
NET ASSETS, BEGINNING OF YEAR, AS RESTATED	2,260,010	43,986	2,303,996	1,738,044
NET ASSETS, END OF YEAR	\$ 2,934,827	\$ 170,436	\$ 3,105,263	\$ 2,023,566

The accompanying notes are an integral part of these consolidated financial statements.

**NATIONAL ASSOCIATION OF HOUSING AND
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**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2019
(With Summarized Financial Information for the Year Ended December 31, 2018)**

	Program Services							Supporting Services		2019 Total	2018 Total
	Conferences	Professional Development	Member Services	Legislation and Program Development	RSO Advantage	Publications	Certifications	Total Program Services	General and Administrative		
Salaries and benefits	\$ 137,257	\$ 232,314	\$ 348,162	\$ 442,894	\$ 169,002	\$ 174,135	\$ 102,109	\$ 1,605,873	\$ 1,028,691	\$ 2,634,564	\$ 2,832,775
Professional fees	71,642	625,588	16,121	7,250	3,394	96,493	5,911	826,399	285,792	1,112,191	985,155
Meetings	857,934	35,171	103,024	-	229	15,024	1,513	1,012,895	31	1,012,926	1,038,643
Equipment	-	-	-	9,000	970	-	362	10,332	320,191	330,523	342,595
Printing and production	9,601	186,393	2,140	169	-	33,254	-	231,557	170	231,727	176,850
Depreciation and amortization	-	4,345	-	-	-	-	-	4,345	211,000	215,345	187,316
Other office expenses	2,030	2,894	2,657	17,531	380	-	-	25,492	92,402	117,894	233,557
Taxes	-	-	-	-	3,460	-	-	3,460	112,183	115,643	114,479
Travel and entertainment	31,032	19,345	12,101	23,943	1,982	2,996	2,923	94,322	12,293	106,615	127,770
Postage and delivery	795	3,132	7,055	15	-	71,337	9,602	91,936	327	92,263	89,102
Telephone	15,817	1,710	1,905	1,440	-	720	360	21,952	35,366	57,318	63,224
Marketing	22,945	449	20,482	1,410	-	10,184	-	55,470	-	55,470	42,017
Supplies	6,521	7,535	4,016	612	-	7,043	5,504	31,231	23,836	55,067	51,944
Building utilities	-	-	-	-	-	-	-	-	43,484	43,484	45,782
Scholarships	-	-	-	19,000	-	-	-	19,000	-	19,000	-
TOTAL EXPENSES	\$ 1,155,574	\$ 1,118,876	\$ 517,663	\$ 523,264	\$ 179,417	\$ 411,186	\$ 128,284	\$ 4,034,264	\$ 2,165,766	\$ 6,200,030	\$ 6,331,209

The accompanying notes are an integral part of these consolidated financial statements.

**NATIONAL ASSOCIATION OF HOUSING AND
REDEVELOPMENT OFFICIALS AND AFFILIATE**

CONSOLIDATED STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2019
(With Summarized Financial Information for the Year Ended December 31, 2018)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 801,267	\$ 285,522
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	215,345	187,316
Realized gains	(13,136)	(16,205)
Unrealized (gains) losses	(43,358)	35,365
Changes in assets and liabilities:		
Accounts receivable	147,844	(58,074)
Prepaid expenses	(117,964)	(18,864)
Publications inventory	(4,703)	1,736
Accounts payable and accrued liabilities	(15,049)	101,629
Accrued vacation and payroll benefits	(17,029)	11,632
Deferred income – membership	208,333	42,014
Deferred income – other	65,958	(32,765)
	<u>1,227,508</u>	<u>539,306</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(195,535)	-
Purchases of investments	(27,592)	(281,180)
Proceeds from sales of investments	14,700	23,100
	<u>(208,427)</u>	<u>(258,080)</u>
NET CASH USED IN INVESTING ACTIVITIES		
	<u>1,019,081</u>	<u>281,226</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		
	<u>619,839</u>	<u>338,613</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		
	<u>619,839</u>	<u>338,613</u>
CASH AND CASH EQUIVALENTS, END OF YEAR		
	<u>\$ 1,638,920</u>	<u>\$ 619,839</u>

The accompanying notes are an integral part of these consolidated financial statements.

**NATIONAL ASSOCIATION OF HOUSING AND
REDEVELOPMENT OFFICIALS AND AFFILIATE**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2019**

1. Organization and Summary of Significant Accounting Policies

Organization

The National Association of Housing and Redevelopment Officials (NAHRO) and Affiliate (collectively referred to as the Association) is a non-profit organization whose mission is to improve the proficiency of agencies and persons engaged in administration in the field of housing and community development through serving as an education, information, and career advancement center for state and local agencies and individuals. These activities are funded primarily through membership dues, conferences, and professional development fees.

Transpire, Inc. was organized under the laws of the District of Columbia on September 26, 2001, as a non-profit supporting organization to sponsor additional programs in cooperation with NAHRO. NAHRO has majority membership in the governing board of Transpire, Inc.

State chapters and regional councils, which are members of the Association, are independent and autonomous organizations. As the Association has no economic interest in or control of the state chapters and regional councils, their financial activities are not included in the accompanying consolidated financial statements.

Basis of Accounting

The consolidated financial statements of the Association have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). Consequently, revenue is recognized when earned and expenses when the obligation is incurred.

Principles of Consolidation

The consolidated financial statements of the Association have been prepared on the accrual basis of accounting and include the accounts of NAHRO and its affiliate, Transpire, Inc. All material intercompany balances and transactions have been eliminated in consolidation.

Cash and Cash Equivalents

The Association considers all demand deposits, money market funds and certificates of deposit with original maturity dates of 90 days or less that are not part of the Association's investment portfolio to be cash equivalents.

Accounts Receivable

Accounts receivable are primarily derived from meeting registrations. The Association uses the allowance method to record potentially unallowable accounts. As of December 31, 2018, the accounts receivable balance was \$285,943.

Investments

Investments consist of mutual funds, U.S. Treasury bills, certificates of deposit and a money market fund. The investments are recorded in the accompanying consolidated financial statements at their fair value, with gains and losses included in the consolidated statement of activities. Fair value is the price that would be received to sell an asset or liability through an orderly transaction between market participants at the measurement date.

Continued

**NATIONAL ASSOCIATION OF HOUSING AND
REDEVELOPMENT OFFICIALS AND AFFILIATE**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2019**

1. Organization and Summary of Significant Accounting Policies (continued)

Fair Value Measurement

Accounting standards define fair value and establish a framework for measuring fair value for those assets and liabilities that are measured at fair value on a recurring basis. In accordance with the fair value measurement standards, the Association has categorized its applicable financial instruments into a required fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest-level input that is significant to the fair value measurement of the instrument.

Applicable financial assets and liabilities are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Financial assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market that the Association has the ability to access.

Level 2 – Financial assets and liabilities whose values are based on quoted prices in markets that are not active or model inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3 – Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect management's own assumptions about the assumptions a market participant would use in pricing the asset or liability.

As of December 31, 2019, the Association's investments, as described in Note 2 of these consolidated financial statements, were measured at fair value on a recurring basis.

Property and Equipment and Related Depreciation and Amortization

Property and equipment are recorded at cost. The Association's policy is to capitalize all property and equipment with a cost of \$1,500 or more and useful life in excess of one year. Depreciation and amortization are provided for on a straight-line basis over the estimated useful lives of the respective assets, which range from two to 10 years for furniture, fixtures and equipment and 40 years for the buildings and building improvements. Maintenance and repairs are charged to expense when incurred, while major improvements are capitalized. Upon the retirement or disposal of the assets, the accounts are relieved of the cost and accumulated depreciation or amortization, with any resulting gain or loss included in revenue or expense.

Impairment of Long-Lived Assets

In accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 360, *Property, Plant, and Equipment*, the Association reviews its property for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If the fair value is less than the carrying amount of the asset, an impairment loss is recognized for the difference. There has been no impairment loss recognized as of December 31, 2019.

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**NATIONAL ASSOCIATION OF HOUSING AND
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2019**

1. Organization and Summary of Significant Accounting Policies (continued)

Inventory

Inventory is stated at net realizable value on a first-in, first-out (FIFO) basis and consists of industry publications.

Net Assets

The Association's net assets are reported as follows:

- Net assets without donor restrictions represent the portion of expendable funds that are available for support of the Association's operations.
- Net assets with donor restrictions represent amounts that are specifically restricted by donors or grantors for various purposes or time periods.

Revenue Recognition

Membership Dues

Membership dues are on an anniversary-date basis and are recognized ratably over the membership period since there are no distinct performance obligations and the general member benefits are considered a bundled group of performance obligations that are delivered to members throughout the membership period. Accordingly, dues paid by members in advance of the reporting period to which the dues pertain are reported as deferred income – membership in the accompanying consolidated statement of financial position.

Conference, professional development classes, publication and onsite trainings and certification income

Conference, professional development classes and onsite trainings revenue are recognized in the month when the conferences and training are held. Publication and advertising revenue is recognized based upon when the advertisements are published, which is consistent with when the performance obligation is satisfied. Revenue from these activities received in advance of the period to which the revenue pertains is reported as deferred income – other in the accompanying consolidated statement of financial position.

Contributions

Contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted for specific purposes by the donor are reported as support with donor restrictions. When a donor restriction expires (that is, when a stipulated time restriction ends or purpose of a restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying consolidated statement of activities as net assets released from restrictions.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying consolidated statements of activities and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services based upon estimates deemed to justify the benefits received by those

**NATIONAL ASSOCIATION OF HOUSING AND
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2019**

1. Organization and Summary of Significant Accounting Policies (continued)

Functional Allocation of Expenses (continued)

programs and supporting services. Salaries and employee benefits are allocated based on time and effort and overhead costs such as depreciation and amortization are primarily allocated among the functional areas on the basis of direct salary.

Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

New Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which requires an entity to recognize revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. The Association adopted ASU 2014-09 and related amendments on January 1, 2019 using the modified retrospective method and elected to apply the standard only to contracts that were not completed as of that date. The adoption of the standard did not impact the results of operations or change in net assets.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. This ASU provides additional guidance to be used to determine whether a contribution is conditional and when a transaction should be accounted for as a contribution versus an exchange. The Association adopted ASU 2018-08 as of January 1, 2019 and has applied the amendments of this standard on a modified prospective basis and elected to apply the standard only to agreements that were entered into after the effective date. This standard did not result in a material change to the consolidated financial statements or the timing of revenue recognition for the Association's contributions and grants.

2. Investments and Fair Value Measurement

Investments consisted of the following as of December 31, 2019:

Mutual funds	\$ 317,400
U.S. Treasury bills	255,268
Money market fund	223,703
Certificate of deposit	<u>100,000</u>
Total Investments	<u>\$ 896,371</u>

Continued

**NATIONAL ASSOCIATION OF HOUSING AND
REDEVELOPMENT OFFICIALS AND AFFILIATE**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2019**

2. Investments and Fair Value Measurement (continued)

The table below summarizes the Association's investments measured at fair value on a recurring basis as of December 31, 2019, aggregated by the fair value hierarchy level with which those measurements were made:

	<u>Total Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Investments:				
Mutual funds –				
equity funds	\$ 317,400	\$ 317,400	\$ -	\$ -
U.S. Treasury bills	255,268	-	255,268	-
Money market fund	223,703	223,703	-	-
Certificate of deposit	<u>100,000</u>	<u>-</u>	<u>100,000</u>	<u>-</u>
Total Investments	<u>\$ 896,371</u>	<u>\$ 541,103</u>	<u>\$ 355,268</u>	<u>\$ -</u>

For the year ended December 31, 2019, the Association used the following methods and significant assumptions to estimate fair value for investments recorded at fair value:

Mutual funds, U.S. Treasury bills and money market fund – Value of these funds is derived from the net asset value of shares held at year-end and based on quoted market prices in active markets.

Certificates of deposit – Certificates of deposit are valued at fair value by discounting the related cash flows based on current yields of similar instruments with comparable characteristics.

3. Property and Equipment and Accumulated Depreciation and Amortization

The Association held the following property and equipment as of December 31, 2019:

Building	\$ 3,339,482
Land	1,075,186
Furniture, fixtures and equipment	<u>710,532</u>
Total Property and Equipment	5,125,200
Less: Accumulated Depreciation and Amortization	<u>(2,445,798)</u>
Property and Equipment, Net	<u>\$ 2,679,402</u>

Depreciation and amortization expense was \$215,345 for the year ended December 31, 2019.

Continued

**NATIONAL ASSOCIATION OF HOUSING AND
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2019**

4. Net Assets

As of December 31, 2019, net assets without donor restrictions included \$150,000 designated by the Board of Governors as a reserve for the payment of sick leave benefits. These sick leave benefits can only be paid to a staff member who is disabled and who has an unused sick leave balance available. As of December 31, 2019, net assets with donor restrictions consisted of \$170,436 restricted for the purpose of scholarships.

5. Concentrations, Risks and Contingency

Concentration of Credit Risk

The Association maintains its cash and cash equivalents with various commercial financial institutions, which aggregate balances, at times, may exceed the Federal Deposit Insurance Corporation (FDIC) insured limit of \$250,000 per depositor per institution. As of December 31, 2019, the amount in excess of the maximum limit insured by the FDIC was approximately \$1,385,000. The Association monitors the creditworthiness of the institutions and has not experienced any credit losses on its cash and cash equivalents.

Hotel Commitments

The Association has entered into agreements with various vendors for future meetings and conferences. Many of these agreements contain contingency clauses whereby the Association is liable for cancellations. The monetary restitution varies among contracts, but generally is based on expenses incurred by the vendor up to the date of cancellation as well as additional cancellation fees. Management of the Association does not believe that any of these commitments will result in a loss due to liquidated damages. Accordingly, no amount for this potential liability has been reflected in the accompanying consolidated financial statements.

6. Pension Plan

The Association sponsors a defined contribution retirement plan, which includes a money purchase portion and a 401(k) portion. Employer contributions to the money purchase portion are based on the employee's compensation such that the Association contributes an amount equal to 5% of the employee's compensation up to the employee's 10th year of service. For each year after the 10th year of service, the Association will contribute an additional 1% of the employee's annual compensation, not to exceed an additional 5%. Under the 401(k) portion, employees may contribute up to 15% of their annual compensation, subject to the Internal Revenue Service limitations. The Association's expense associated with this plan was \$110,318 for the year ended December 31, 2019.

Employees are immediately fully vested in their 401(k) contributions and earnings. Under the money purchase portion of the plan, participants are 20% vested after two years of service are completed, and an additional 20% per year until fully vested after six years. As of December 31, 2019 the Association's balance of the forfeited cash account was \$258,060.

**NATIONAL ASSOCIATION OF HOUSING AND
REDEVELOPMENT OFFICIALS AND AFFILIATE**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2019**

7. Related Party

The Housing and Development Law Institute (HDLI), a not-for-profit organization, began operations in 1984 with initial funding from the Association. The Association allows use of 280 square feet of office space, copy machines and common area facilities for a nominal (below market) fee of \$780 per month. Additionally, the Association provided conference reimbursement and a stipend for the HDLI Annual Fall Conference in the amount estimated to be \$9,505 for the year ended December 31, 2019. The arrangement may be terminated at any time without cause.

8. Liquidity and Availability of Financial Assets

As of December 31, 2019, financial assets and liquidity resources available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, were as follows:

Cash	\$ 1,638,920
Investments	896,371
Accounts receivable	<u>418,529</u>
Total Financial Assets	2,953,820
Less:	
Amounts unavailable for general expenditures within one year due to donor's restriction with purpose restriction	(170,436)
Amounts unavailable to management without Board approval: Board-designated	<u>(150,000)</u>
Financial Assets Available to Meet General Expenditures Within One Year	<u>\$ 2,633,384</u>

The Association's cash flows have seasonal variations during the year attributable to membership dues billings. The Association has a short-term and a long-term investment policy to manage its liquidity. These policies have been approved by the Board of Governors, and all funds are available for general operations at the discretion of management.

9. Prior Period Adjustment

During the year ended December 31, 2019, the Association became aware that the cash balance, which was generated from the forfeited amounts in the 401(k) Plan, was not recorded in the Association's books. Furthermore, management reviewed historical accounts and changed several processing systems which prompted management to review several accounts that contained outstanding invoices related to activities from prior years. An adjustment in the amount of \$280,430 was made to increase current year cash and accounts receivable and increase beginning net asset balances. The net effect of this adjustment on the net asset balance and changes in net assets of the Association as of and for the year ended December 31, 2018, as previously reported, was to increase net assets without donor restrictions by \$280,430.

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**NATIONAL ASSOCIATION OF HOUSING AND
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2019**

10. Income Taxes

NAHRO and Transpire, Inc. are exempt from the payment of taxes on income other than net unrelated business income under Section 501(c)(3) of the Internal Revenue Code. For the year ended December 31, 2019, no provision for income taxes was made, as the Association had no net material unrelated business income.

The Association has adopted the authoritative guidance relating to accounting for uncertainty in income taxes included in FASB ASC 740, *Income Taxes*. These provisions provide consistent guidance for the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribe a threshold of "more likely than not" for recognition and derecognition of tax positions taken or expected to be taken in a tax return. The Association evaluated its uncertainty in income taxes for the year ended December 31, 2019, and determined that there were no matters that would require recognition in the consolidated financial statements or that may have any effect on its tax-exempt status. As of December 31, 2019, the statute of limitations for tax years 2016 through 2018 remained open with the U.S. federal jurisdiction or the various states and local jurisdictions in which the Association files tax returns, however, there are currently no examinations in progress. It is the Association's policy to recognize interest and/or penalties related to uncertainty in income taxes, if any, in income tax or interest expense. As of December 31, 2019, the Association had no accruals for interest and/or penalties.

11. Prior Year Summarized Financial Information

The accompanying consolidated financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Association's consolidated financial statements for the year ended December 31, 2018, from which the summarized information was derived.

12. Reclassifications

Certain 2018 amounts have been reclassified to conform to the 2019 financial statement presentation.

13. Subsequent Events

On March 12, 2020, the Association made a decision to cancel the March 2020 Washington Conference due to COVID-19 and the Government of the District of Columbia Public Health Declaration. The hotel has fully released the Association from the agreement without any financial liability. The Association will be refunding 100% of all paid registrations to all attendees. The Association did not incurred any significant expenses prior to cancellation.

**NATIONAL ASSOCIATION OF HOUSING AND
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2019**

13. Subsequent Events (continued)

In preparing these consolidated financial statements, the Association has evaluated events and transactions, for potential recognition or disclosure, through April 27, 2020, the date the consolidated financial statements were issued. Except for the above conference cancellation, there were no other subsequent events that require recognition or disclosure in these consolidated financial statements.

SUPPLEMENTARY INFORMATION

**NATIONAL ASSOCIATION OF HOUSING AND
REDEVELOPMENT OFFICIALS AND AFFILIATE**

**CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
December 31, 2019**

	NAHRO	Transpire, Inc.	Eliminations	Total
ASSETS				
Cash and cash equivalents	\$ 1,622,420	\$ 16,500	\$ -	\$ 1,638,920
Accounts receivable, net of allowance for doubtful accounts of \$847	372,208	46,321	-	418,529
Prepaid expenses	183,365	-	-	183,365
Investments	896,371	-	-	896,371
Publications inventory	11,660	-	-	11,660
Property and equipment, net	2,679,402	-	-	2,679,402
TOTAL ASSETS	\$ 5,765,426	\$ 62,821	\$ -	\$ 5,828,247
LIABILITIES AND NET ASSETS				
Liabilities				
Accounts payable and accrued liabilities	\$ 311,551	\$ 45,533	\$ -	\$ 357,084
Accrued vacation and payroll benefits	81,344	-	-	81,344
Deferred income – membership	2,165,792	-	-	2,165,792
Deferred income – other	118,764	-	-	118,764
TOTAL LIABILITIES	2,677,451	45,533	-	2,722,984
Net Assets				
Without Donor Restrictions				
Undesignated	2,767,539	17,288	-	2,784,827
Board-designated	150,000	-	-	150,000
Total Without Donor Restrictions	2,917,539	17,288	-	2,934,827
With Donor Restrictions				
	170,436	-	-	170,436
TOTAL NET ASSETS	3,087,975	17,288	-	3,105,263
TOTAL LIABILITIES AND NET ASSETS	\$ 5,765,426	\$ 62,821	\$ -	\$ 5,828,247

See independent auditors' report on supplementary information.

**NATIONAL ASSOCIATION OF HOUSING AND
REDEVELOPMENT OFFICIALS AND AFFILIATE**

**CONSOLIDATING SCHEDULE OF ACTIVITIES
For the Year Ended December 31, 2019**

	NAHRO	Transpire, Inc.	Eliminations	Total
REVENUE AND SUPPORT				
Membership	\$ 3,457,746	\$ -	\$ -	\$ 3,457,746
Program services:				
Conferences	1,433,361	-	-	1,433,361
Professional development classes	438,341	-	-	438,341
Publications	314,143	-	-	314,143
Certification	95,450	-	-	95,450
Onsite trainings and certification income	751,800	108,795	(108,795)	751,800
Other income	253,820	-	-	253,820
Contributions	153,533	-	-	153,533
Investment income	77,563	-	-	77,563
Rental income	25,540	-	-	25,540
	7,001,297	108,795	(108,795)	7,001,297
TOTAL REVENUE AND SUPPORT				
EXPENSES				
Program Services:				
Conferences	1,155,574	-	-	1,155,574
Professional development	1,118,876	-	-	1,118,876
Member services	517,663	-	-	517,663
Legislation and program development	523,264	-	-	523,264
RSO Advantage	179,417	108,795	(108,795)	179,417
Publications	411,186	-	-	411,186
Certifications	128,284	-	-	128,284
	4,034,264	108,795	(108,795)	4,034,264
Total Program Services				
Supporting Services:				
General and administrative	2,165,766	-	-	2,165,766
	2,165,766	-	-	2,165,766
Total Supporting Services				
	2,165,766	-	-	2,165,766
TOTAL EXPENSES	6,200,030	108,795	(108,795)	6,200,030
CHANGE IN NET ASSETS	801,267	-	-	801,267
NET ASSETS, BEGINNING OF YEAR, AS RESTATED	2,286,708	17,288	-	2,303,996
NET ASSETS, END OF YEAR	\$ 3,087,975	\$ 17,288	\$ -	\$ 3,105,263

See independent auditors' report on supplementary information.