



NATIONAL ASSOCIATION OF HOUSING AND REDEVELOPMENT OFFICIALS AND AFFILIATE

Consolidated Financial Statements and Supplementary Information

For the Year Ended December 31, 2020

(With Summarized Financial Information for the Year Ended December 31, 2019)



**and
Report Thereon**



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

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For the Year Ended December 31, 2020**

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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, 2020, 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 2020 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, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Report on Summarized Comparative Information

We have previously audited the Association's 2019 financial statements, and in our report dated April 27, 2020, 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, 2019, 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
May 28, 2021

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 2020

(With Summarized Financial Information as of December 31, 2019)

	2020	2019
ASSETS		
Cash and cash equivalents	\$ 2,066,680	\$ 1,638,920
Accounts receivable, net of allowance for doubtful accounts of \$847	264,363	418,529
Prepaid expenses	254,989	183,365
Investments	1,662,559	896,371
Publications inventory	6,911	11,660
Property and equipment, net	2,623,852	2,679,402
TOTAL ASSETS	\$ 6,879,354	\$ 5,828,247
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued liabilities	\$ 244,062	\$ 357,084
Accrued vacation and payroll benefits	113,517	81,344
Deferred income – membership	2,077,187	2,165,792
Deferred income – other	177,757	118,764
Paycheck protection program loan	350,000	-
TOTAL LIABILITIES	2,962,523	2,722,984
Net Assets		
Without donor restrictions		
Undesignated	3,347,225	2,784,827
Board-designated	150,000	150,000
Total Without Donor Restrictions	3,497,225	2,934,827
With donor restrictions	419,606	170,436
TOTAL NET ASSETS	3,916,831	3,105,263
TOTAL LIABILITIES AND NET ASSETS	\$ 6,879,354	\$ 5,828,247

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, 2020

(With Summarized Financial Information for the Year Ended December 31, 2019)

	Without Donor Restrictions	With Donor Restrictions	2020 Total	2019 Total
REVENUE AND SUPPORT				
Membership	\$ 3,470,061	\$ -	\$ 3,470,061	\$ 3,457,746
Program services:				
Conferences	220,304	-	220,304	1,433,361
Professional development classes	480,624	-	480,624	438,341
Publications	169,995	-	169,995	314,143
Certification	42,025	-	42,025	95,450
Onsite trainings and certification income	320,287	-	320,287	751,800
Other income	205,671	-	205,671	253,820
Contributions	-	277,390	277,390	153,533
Investment income	34,003	-	34,003	77,563
Rental income	30,374	-	30,374	25,540
Net assets released from restrictions:				
Satisfaction of program restrictions	28,220	(28,220)	-	-
TOTAL REVENUE AND SUPPORT	5,001,564	249,170	5,250,734	7,001,297
EXPENSES				
Program Services:				
Conferences	218,130	-	218,130	1,155,574
Professional development	530,190	-	530,190	1,118,876
Member services	329,699	-	329,699	517,663
Legislation and program development	545,195	-	545,195	523,264
RSO Advantage	157,985	-	157,985	179,417
Publications	332,052	-	332,052	411,186
Certifications	116,263	-	116,263	128,284
Total Program Services	2,229,514	-	2,229,514	4,034,264
Supporting Services:				
General and administrative	2,209,652	-	2,209,652	2,165,766
Total Supporting Services	2,209,652	-	2,209,652	2,165,766
TOTAL EXPENSES	4,439,166	-	4,439,166	6,200,030
CHANGE IN NET ASSETS	562,398	249,170	811,568	801,267
NET ASSETS, BEGINNING OF YEAR,	2,934,827	170,436	3,105,263	2,303,996
NET ASSETS, END OF YEAR	\$ 3,497,225	\$ 419,606	\$ 3,916,831	\$ 3,105,263

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

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

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2020
(With Summarized Financial Information for the Year Ended December 31, 2019)

	Program Services							Supporting Services	2020 Total	2019 Total	
	Conferences	Professional Development	Member Services	Legislation and Program Development	RSO Advantage	Publications	Certifications	Total Program Services			General and Administrative
Salaries and benefits	\$ 138,037	\$ 311,938	\$ 311,862	\$ 462,192	\$ 129,981	\$ 194,915	\$ 106,056	\$ 1,654,981	\$ 1,120,678	\$ 2,775,659	\$ 2,634,564
Professional services	45,885	158,207	-	44,534	26,000	46,687	4,567	325,880	268,036	593,916	1,112,191
Equipment	-	121	-	178	-	7,500	250	8,049	327,920	335,969	330,523
Depreciation and amortization	-	2,893	-	-	-	-	-	2,893	177,965	180,858	215,345
Taxes	-	-	-	-	600	-	-	600	120,181	120,781	115,643
Other office expenses	5,242	2,738	1,150	2,285	-	442	-	11,857	98,115	109,972	117,894
Printing and production	1,155	42,116	-	-	-	24,658	133	68,062	-	68,062	231,727
Meetings	20,658	4,682	-	-	-	20,895	719	46,954	15,276	62,230	1,012,926
Postage and delivery	62	1,514	4,969	95	371	34,391	2,495	43,897	1,322	45,219	92,263
Telephone	393	1,029	1,089	1,542	360	783	393	5,589	37,634	43,223	57,318
Building utilities	-	-	-	-	-	-	-	-	29,640	29,640	43,484
Scholarships	-	-	-	28,220	-	-	-	28,220	-	28,220	19,000
Supplies	1,088	144	5,929	157	-	1,781	1,650	10,749	10,108	20,857	55,067
Marketing	5,610	-	4,700	2,750	-	-	-	13,060	-	13,060	55,470
Travel and entertainment	-	4,808	-	3,242	673	-	-	8,723	2,777	11,500	106,615
Total Expenses	\$ 218,130	\$ 530,190	\$ 329,699	\$ 545,195	\$ 157,985	\$ 332,052	\$ 116,263	\$ 2,229,514	\$ 2,209,652	\$ 4,439,166	\$ 6,200,030

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, 2020
(With Summarized Financial Information for the Year Ended December 31, 2019)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 811,568	\$ 801,267
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	180,858	215,345
Realized gains	(2,842)	(13,136)
Unrealized gains	(19,429)	(43,358)
Changes in assets and liabilities:		
Accounts receivable	154,166	147,844
Prepaid expenses	(71,624)	(117,964)
Publications inventory	4,749	(4,703)
Accounts payable and accrued liabilities	(113,022)	(15,049)
Accrued vacation and payroll benefits	32,173	(17,029)
Deferred income – membership	(88,605)	208,333
Deferred income – other	58,993	65,958
NET CASH PROVIDED BY OPERATING ACTIVITIES	946,985	1,227,508
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(125,308)	(195,535)
Purchases of investments	(843,917)	(27,592)
Proceeds from sales of investments	100,000	14,700
NET CASH USED IN INVESTING ACTIVITIES	(869,225)	(208,427)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from paycheck protection program loan	350,000	-
NET CASH PROVIDED BY FINANCING ACTIVITIES	350,000	-
NET INCREASE IN CASH AND CASH EQUIVALENTS	427,760	1,019,081
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,638,920	619,839
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 2,066,680	\$ 1,638,920

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, 2020**

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 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.

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, 2020, the accounts receivable balance was \$264,363.

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.

**NATIONAL ASSOCIATION OF HOUSING AND
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2020**

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, 2020, 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

**NATIONAL ASSOCIATION OF HOUSING AND
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2020**

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

Impairment of Long-Lived Assets (continued)

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, 2020.

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 at the point in time 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

Unconditional 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.

**NATIONAL ASSOCIATION OF HOUSING AND
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2020**

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

Revenue Recognition (continued)

Contributions (continued)

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.

Rental Income

Rental income consists of fees from rental services related to the Association's residential property and is recognized as revenue on a monthly basis over the period in which the rentals relate.

Other Income

Other income consists of fees from other services related to the Association's annual convention and operations and is recognized as revenue when the events take place.

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 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.

2. Investments and Fair Value Measurement

Investments consisted of the following as of December 31, 2020:

Mutual funds	\$ 346,956
U.S. Treasury bills	500,936
Money market fund	324,579
Certificates of deposit	<u>490,088</u>
Total Investments	<u>\$ 1,662,559</u>

Continued

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2020**

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, 2020, aggregated by the fair value hierarchy level with which those measurements were made:

	<u>Total Fair Value</u>	Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments:				
Mutual funds –				
equity funds	\$ 346,956	\$ 346,956	\$ -	\$ -
U.S. Treasury bills	500,936	-	500,936	-
Money market fund	324,579	324,579	-	-
Certificates of deposit	<u>490,088</u>	<u>-</u>	<u>490,088</u>	<u>-</u>
Total Investments	<u>\$ 1,662,559</u>	<u>\$ 671,535</u>	<u>\$ 991,024</u>	<u>\$ -</u>

For the year ended December 31, 2020, 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.

Certificate 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, 2020:

Building	\$ 3,349,752
Land	1,075,186
Furniture, fixtures and equipment	<u>829,916</u>
Total Property and Equipment	5,254,854
Less: Accumulated Depreciation and Amortization	<u>(2,631,002)</u>
Property and Equipment, Net	<u>\$ 2,623,852</u>

Depreciation and amortization expense was \$180,858 for the year ended December 31, 2020.

Continued

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2020**

4. Notes Payable

On May 8, 2020, the Association entered into a Small Business Administration (SBA) loan with its financial institution under the Paycheck Protection Program (PPP) for the amount of \$350,000. The loan will mature on May 8, 2022, with a fixed interest rate of 1% per annum. Consecutive monthly payments of principal and interest will commence on one month after the earlier of the following dates: (1) the date the financial institution receives the applicable forgiveness amount from the SBA; or (2) the date that is 10 months after the end of the forgiveness covered period, through the maturity date. The loan amount may be eligible for forgiveness pursuant to the PPP, which established minimum amounts of the loan to be used to cover payroll costs and the remainder used for mortgage interest, rent and utility costs over a specified period of time after the loan is made; assuming the number of employees and compensation levels are maintained. On December 23, 2020, the Association applied for full forgiveness of the loan. The Association believes it will meet these requirements for forgiveness at which point the forgiveness will be recognized in the consolidated financial statements. On January 26, 2021, the Association received approval of its application forgiveness from the SBA.

5. Net Assets

Net Assets Without Donor Restrictions

As of December 31, 2020, the Association's net assets without donor restrictions were as follows:

Undesignated – operating	\$ 3,347,225
Board-designated:	
Reserve funds *	150,000
Total Net Assets Without Donor Restrictions	\$ 3,497,225

* 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.

Net Assets With Donor Restrictions

As of December 31, 2020, net assets with donor restrictions were restricted for the following purposes:

Subject to expenditure for specified purpose:	
Scholarships	\$ 262,606
Wells Fargo housing and equity grant	157,000
Total Subject to Expenditure for Specified Purpose	419,606
Total Net Assets With Donor Restrictions	\$ 419,606

Continued

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2020**

6. 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, 2020, the amount in excess of the maximum limit insured by the FDIC was approximately \$1,825,000. 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.

Global Pandemic

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses across the country for non-essential services. While the disruption is currently expected to be temporary, there is considerable uncertainty about the duration of closings. The Association has been able to continue most of its operations in a remote environment. As of December 31, 2020 and through the date of these financial statements, the Association evaluated its accounting estimates for any potential future impacts of the pandemic. This evaluation did not result in a material effect to the Association's financial statements as of December 31, 2020, future evaluations could result in a material effect depending on the eventual impact to the Association of the pandemic in future periods.

7. Retirement Plans

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 \$154,577 for the year ended December 31, 2020.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2020**

7. Retirement Plans (continued)

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, 2020 the Association's balance of the forfeited cash account was \$103,865.

The Association has established deferred compensation plans for its eligible executives under IRC Section 457(b). The plan is a nonqualified deferred compensation plan. The Association makes nonelective contributions under this plan. Contributions to the plan are vested upon fulfillment by the executive of certain requirements as set forth in the plan agreement. The Association's expense associated with this plan was \$10,000 for the year ended December 31, 2020.

8. 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 would provide conference reimbursement and a stipend for the HDLI Annual Fall Conference. For the year ended December 31, 2020, there were no reimbursements and stipend payments since HDLI held its conference separately from the Association.

9. Liquidity and Availability of Financial Assets

As of December 31, 2020, 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	\$ 2,066,680
Investments	1,662,559
Accounts receivable	<u>264,363</u>
Total Financial Assets	3,993,602
Less:	
Amounts unavailable for general expenditures within one year due to donors' restriction with purpose restriction	(419,606)
Amounts unavailable to management without Board approval: Board-designated	<u>(150,000)</u>
Financial Assets Available to Meet General Expenditures Within One Year	<u>\$ 3,423,996</u>

Continued

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2020**

9. Liquidity and Availability of Financial Assets (continued)

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.

10. Income Taxes

NAHRO and Transpire, Inc. are exempt from the payment of taxes on income under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Association's tax-exempt purpose is subject to taxation as unrelated business income. The Association generates unrelated business income from advertising. The Association's provision for unrelated business income tax expense was \$2,184 for the year ended December 31, 2020.

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, 2020, 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, 2020, the statute of limitations 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 pending or 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, 2020, 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, 2019, from which the summarized information was derived.

12. Reclassifications

Certain 2019 amounts have been reclassified to conform to the 2020 financial statement presentation.

Continued

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2020**

13. Subsequent Events

In preparing these consolidated financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through May 28, 2021, the date the consolidated financial statements were available to be issued. Except for the note payable forgiveness approval by the SBA, there were no 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, 2020**

	NAHRO	Transpire, Inc.	Eliminations	Total
ASSETS				
Cash and cash equivalents	\$ 2,045,363	\$ 21,317	\$ -	\$ 2,066,680
Accounts receivable, net of allowance for doubtful accounts of \$847	262,575	42,476	(40,688)	264,363
Prepaid expenses	254,989	-	-	254,989
Investments	1,662,559	-	-	1,662,559
Publications inventory	6,911	-	-	6,911
Property and equipment, net	2,623,852	-	-	2,623,852
TOTAL ASSETS	\$ 6,856,249	\$ 63,793	\$ (40,688)	\$ 6,879,354
LIABILITIES AND NET ASSETS				
Liabilities				
Accounts payable and accrued liabilities	\$ 244,062	\$ 40,688	\$ (40,688)	\$ 244,062
Accrued vacation and payroll benefits	113,517	-	-	113,517
Deferred income – membership	2,077,187	-	-	2,077,187
Deferred income – other	177,757	-	-	177,757
Paycheck protection program loan	350,000	-	-	350,000
TOTAL LIABILITIES	2,962,523	40,688	(40,688)	2,962,523
Net Assets				
Without donor restrictions				
Undesignated	3,324,120	23,105	-	3,347,225
Board-designated	150,000	-	-	150,000
Total Without Donor Restrictions	3,474,120	23,105	-	3,497,225
With donor restrictions				
	419,606	-	-	419,606
TOTAL NET ASSETS	3,893,726	23,105	-	3,916,831
TOTAL LIABILITIES AND NET ASSETS	\$ 6,856,249	\$ 63,793	\$ (40,688)	\$ 6,879,354

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, 2020**

	NAHRO	Transpire, Inc.	Eliminations	Total
REVENUE AND SUPPORT				
Membership	\$ 3,470,061	\$ -	\$ -	\$ 3,470,061
Program services:				
Conferences	220,304	-	-	220,304
Professional development classes	480,624	-	-	480,624
Publications	169,995	-	-	169,995
Certification	42,025	-	-	42,025
Onsite trainings and certification income	314,470	107,301	(101,484)	320,287
Other income	205,671	-	-	205,671
Contributions	277,390	-	-	277,390
Investment income	34,003	-	-	34,003
Rental income	30,374	-	-	30,374
	<u>5,244,917</u>	<u>107,301</u>	<u>(101,484)</u>	<u>5,250,734</u>
TOTAL REVENUE AND SUPPORT				
	<u>5,244,917</u>	<u>107,301</u>	<u>(101,484)</u>	<u>5,250,734</u>
EXPENSES				
Program Services:				
Conferences	218,130	-	-	218,130
Professional development	530,190	-	-	530,190
Member services	329,699	-	-	329,699
Legislation and program development	545,195	-	-	545,195
RSO Advantage	157,985	101,484	(101,484)	157,985
Publications	332,052	-	-	332,052
Certifications	116,263	-	-	116,263
	<u>2,229,514</u>	<u>101,484</u>	<u>(101,484)</u>	<u>2,229,514</u>
Total Program Services	<u>2,229,514</u>	<u>101,484</u>	<u>(101,484)</u>	<u>2,229,514</u>
Supporting Services:				
General and administrative	2,209,652	-	-	2,209,652
	<u>2,209,652</u>	<u>-</u>	<u>-</u>	<u>2,209,652</u>
Total Supporting Services	<u>2,209,652</u>	<u>-</u>	<u>-</u>	<u>2,209,652</u>
TOTAL EXPENSES	<u>4,439,166</u>	<u>101,484</u>	<u>(101,484)</u>	<u>4,439,166</u>
CHANGE IN NET ASSETS	805,751	5,817	-	811,568
NET ASSETS, BEGINNING OF YEAR	<u>3,087,975</u>	<u>17,288</u>	<u>-</u>	<u>3,105,263</u>
NET ASSETS, END OF YEAR	<u>\$ 3,893,726</u>	<u>\$ 23,105</u>	<u>\$ -</u>	<u>\$ 3,916,831</u>

See independent auditors' report on supplementary information.