

**Audited Financial Statements
and Other Financial Information**

**FOUNDATION FOR COMMUNITY
ASSOCIATION RESEARCH**

June 30, 2009

Foundation for Community Association Research

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T A T E



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A Professional Corporation

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and Consultants

Independent Auditor's Report on the Financial Statements

To the Board of Directors
Foundation for Community
Association Research

We have audited the accompanying statements of financial position of Foundation for Community Association Research (the Foundation) as of June 30, 2009 and 2008, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Foundation for Community Association Research at June 30, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Washington, DC
September 22, 2009

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Foundation for Community Association Research

Statements of Financial Position

<i>June 30,</i>	2009	2008
Assets		
Cash - Note B	\$ 16,109	\$ 28,308
Investments - Notes B & C	206,459	173,129
Due from CAI - Note D	14,791	12,852
Prepaid expenses	6,385	-
Inventory	5,212	15,319
Total assets	\$ 248,956	\$ 229,608
 Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 884	\$ -
Due to CAI - Note D	612	6,932
Total liabilities	1,496	6,932
Net assets		
Unrestricted	190,568	165,298
Temporarily restricted - Note E	48,622	50,224
Permanently restricted - Note F	8,270	7,154
Total net assets	247,460	222,676
Total liabilities and net assets	\$ 248,956	\$ 229,608

See notes to the financial statements.

Certain 2008 amounts have been reclassified for comparative purposes.

Foundation for Community Association Research

Statements of Activities

Year Ended June 30,	2009	2008
Unrestricted activities		
Revenue and support		
Contributions - Note D	\$ 159,420	\$ 149,420
Surveys	7,177	19,641
Interest income	4,673	9,670
Other income	3,040	4,496
	174,310	183,227
Net assets released from restrictions - satisfaction of program restrictions - Note E	6,852	4,273
Total revenue and support	181,162	187,500
Expenses		
Program services		
Surveys	23,400	35,872
Best practices/CPI	22,817	17,850
Meetings	22,400	19,587
Volunteer Leadership	17,729	18,870
Adopt-a-Library	16,545	15,812
Awards	8,502	6,250
Scholarships	3,629	4,273
Website	3,443	3,391
Grants	2,200	2,100
Publications	23	-
Total program services	120,688	124,005
Supporting services		
General and administrative	29,495	27,497
Fund raising	5,709	6,158
Total supporting services	35,204	33,655
Total expense	155,892	157,660
Change in unrestricted net assets	25,270	29,840
Temporarily restricted activities		
Contributions	5,250	5,000
Net assets released from restrictions - Note E	(6,852)	(4,273)
Change in temporarily restricted net assets	(1,602)	727
Permanently restricted activities		
Contribution	1,000	1,000
Interest income	116	154
Change in permanently restricted net assets	1,116	1,154
Change in net assets	24,784	31,721
Net assets, beginning of year	222,676	190,955
Net assets, end of year	\$ 247,460	\$ 222,676

See notes to the financial statements.

**Foundation for Community
Association Research**

Statements of Cash Flows

Year Ended June 30,	2009	2008
Cash flows from operating activities		
Change in net assets	\$ 24,784	\$ 31,721
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Permanently restricted contributions	(1,000)	(1,000)
Changes in assets and liabilities:		
Due from CAI	(1,939)	4,997
Inventory	10,107	6,414
Prepaid expenses	(6,385)	-
Accounts payable	884	(10,306)
Due to CAI	(6,320)	833
Total adjustments	(4,653)	938
Net cash provided by operating activities	20,131	32,659
Cash flows from investing activities		
Purchases of investments, net	(33,330)	(29,817)
Cash flows from financing activities		
Permanently restricted contributions	1,000	1,000
Net (decrease) increase in cash	(12,199)	3,842
Cash, beginning of year	28,308	24,466
Cash, end of year	\$ 16,109	\$ 28,308

See notes to the financial statements.

Certain 2008 amounts have been reclassified for comparative purposes.

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.

Financial Accounting Standards Board (FASB) Staff Position FIN 48-3 (FSP FIN 48-3), *Effective Date of FASB Interpretation No. 48 for Certain Nonpublic Enterprises*, grants nonpublic organizations the option to defer the effective date of FASB Interpretation No. 48 (FIN 48), *Accounting for Uncertainty in Income Taxes*. As permitted by FSP FIN 48-3, the Foundation has elected to delay the implementation of FIN 48 until the year ending June 30, 2010. Currently, the Foundation records a liability for income taxes when it believes that such an accrual is warranted based on current law or guidance from the appropriate taxing authorities.

Basis of accounting: The accompanying financial statements have been prepared on the accrual basis of accounting. Revenue is recognized when earned and expense when the obligation is incurred.

Use of estimates: Preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from estimates.

Cash: 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. No allowance for obsolete or slow moving items has been established.

Net assets: For financial statement purposes, net assets are as follows:

Unrestricted net assets: 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. Unrestricted net assets include a designated fund called the Communities of Tomorrow which had a balance of \$28,381 and \$13,146 at June 30, 2009 and 2008, respectively.

Temporarily restricted net assets: Temporarily restricted net assets (see Note E) include those net assets whose use by the Foundation has been donor-restricted for specified purpose limitations.

Foundation for Community Association Research

Notes to the Financial Statements

A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Permanently restricted net assets: 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 received by the Foundation to establish an endowment fund.

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.

Functional allocation of expense: The costs of providing various program and supporting services activities have been summarized on a functional basis in the statement of activities. Accordingly, the administrative fee paid to CAI (Note D) has been allocated among the program and supporting services benefited.

Subsequent events: Subsequent events have been evaluated through September 22, 2009.

B. CONCENTRATIONS

Credit risk: The Foundation has not experienced any losses due to concentration of credit risk in the past, and does not believe it is exposed to any significant financial risk relating to its cash balance.

Market value risk: The Foundation also invests funds in a professionally managed portfolio that contains various types of fixed income investments. Certain of these investments are exposed to various risks, such as fluctuations in market value and 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.

Foundation for Community Association Research

Notes to the Financial Statements

C. INVESTMENTS

The Foundation has implemented Statement of Financial Accounting Standards No. 157 (FAS 157), *Fair Value Measurements*. FAS 157 defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles, and expands disclosures about fair value measurements. FAS 157 uses the following prioritized input levels to measure fair value. The input levels used for valuing investments are not necessarily an indication of risk.

Level 1 – Observable inputs that reflect quoted prices for identical assets or liabilities in active markets such as stock quotes;

Level 2 – Includes inputs other than level 1 that are directly or indirectly observable in the marketplace such as yield curves or other market data;

Level 3 – Unobservable inputs which reflect the reporting entity’s assessment of the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk such as bid/ask spreads and liquidity discounts.

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

2009	Total	Level 1	Level 2	Level 3
Money market funds	\$ 103,946	\$ 103,946	\$ -	\$ -
Certificates of deposit	76,958		76,958	
Corporate bonds	25,555		25,555	
	\$ 206,459	\$ 103,946	\$ 102,513	\$ -

2008	Total	Level 1	Level 2	Level 3
Money market funds	\$ 94,275	\$ 94,275	\$ -	\$ -
Certificates of deposit	78,854		78,854	
	\$ 173,129	\$ 94,275	\$ 78,854	\$ -

Foundation for Community Association Research

Notes to the Financial Statements

D. 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.

Contributions: Amounts due from CAI relate to contributions and survey sales that CAI has collected on behalf of the Foundation and amounted to \$14,791 and \$12,852 at June 30, 2009 and 2008, respectively. During the year ended June 30, 2008, CAI contributed \$20,000 to the Foundation out of its President's Club.

Administrative fees: Under the terms of an agreement between the organizations, CAI charges the Foundation an administrative fee for use of office facilities and property and equipment owned by CAI. The Foundation paid administrative fees of \$110,000 and \$105,000 for years ended June 30, 2009 and 2008, respectively. Amounts due to CAI for shared operating expenses were \$612 and \$6,932 at June 30, 2009 and 2008, respectively.

E. TEMPORARILY RESTRICTED NET ASSETS

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

	2009	2008
Large-scale manager	\$ 43,522	\$ 44,622
JCAL Award of Excellence	5,100	5,100
Jerry Fien Memorial Scholarship Fund	-	502
	\$ 48,622	\$ 50,224

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

	2009	2008
Large-scale manager	\$ 6,100	\$ 2,000
Jerry Fien Memorial Scholarship Fund	752	2,273
	\$ 6,852	\$ 4,273

Foundation for Community Association Research

Notes to the Financial Statements

F. ENDOWMENT

The Foundation's endowment fund includes a permanently fund which is a traditional donor-restricted endowment fund. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Foundation's Board of Directors has interpreted the law that underlies the net asset classification of donor-restricted endowment funds as requiring the preservation of the fair value of the original gift. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (1) the original value of gifts donated to the permanent endowment, (2) the original value of subsequent gifts to the permanent endowment, and (3) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument. Without explicit instructions from the donor, investment income from permanently restricted funds would be classified within temporarily restricted activities.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor originally contributed as an endowment fund to the Foundation. In accordance with generally accepted accounting principles, deficiencies of this nature would be reported in unrestricted net assets. There were no such deficiencies at June 30, 2009 or 2008.

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding for the endowment fund while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for donor-specified periods. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a conservative portfolio of cash and fixed income securities.

Strategies Employed for Achieving Objectives

To satisfy its long-term objectives, the Foundation relies on a conservative strategy in which investment returns are achieved through current yield (interest income). The Foundation targets a conservative asset allocation that places more emphasis on money market funds and certificates of deposit to achieve its long-term return objectives.

Spending Policy and How Investment Objectives Relate to Spending Policy

The Foundation's endowment principal and interest income earned on the principal will be left to accumulate until the endowment fund balance exceeds \$250,000. Once this level has been reached, the interest income on the fund will be used in the unrestricted operations of the Foundation. Therefore, the Foundation has not yet established a spending policy relating to its endowment funds. In establishing a policy, the Foundation will consider the long-term expected return on its endowments. The spending policy will be consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity as well as to provide additional growth through new gifts and investment return.

Foundation for Community Association Research

Notes to the Financial Statements

F. ENDOWMENT - CONTINUED

Endowment net asset composition consists of the following at June 30, 2009:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Net assets	\$ 190,568	\$ 48,622	\$ 8,270	\$ 247,460
Less non-endowment net assets	(190,658)	(48,622)		(239,190)
Total endowment fund	\$ -	\$ -	\$ 8,270	\$ 8,270
Donor restricted	\$ -	\$ -	\$ 8,270	\$ 8,270
Board designated				-
Total endowment fund	\$ -	\$ -	\$ 8,270	\$ 8,270

Endowment net asset composition consists of the following at June 30, 2008:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Net assets	\$ 165,298	\$ 50,224	\$ 7,154	\$ 222,676
Less non-endowment net assets	(165,298)	(50,224)		(215,522)
Total endowment fund	\$ -	\$ -	\$ 7,154	\$ 7,154
Donor restricted	\$ -	\$ -	\$ 7,154	\$ 7,154
Board designated				-
Total endowment fund	\$ -	\$ -	\$ 7,154	\$ 7,154

Foundation for Community Association Research

Notes to the Financial Statements

F. ENDOWMENT - CONTINUED

Changes in the endowment fund consist of the following for the year ended June 30, 2009:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment fund, July 1, 2008	\$ -	\$ -	\$ 7,154	\$ 7,154
Contributions			1,000	1,000
Interest and dividends			116	116
Endowment fund, June 30, 2009	\$ -	\$ -	\$ 8,270	\$ 8,270

Changes in the endowment fund consist of the following for the year ended June 30, 2008:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment fund, July 1, 2007	\$ -	\$ -	\$ 6,000	\$ 6,000
Contributions			1,000	1,000
Interest and dividends			154	154
Endowment fund, June 30, 2008	\$ -	\$ -	\$ 7,154	\$ 7,154

T A T E



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Independent Auditor's Report on the Other Financial Information

To the Board of Directors
Foundation for Community
Association Research

Our report on our audits of the basic financial statements of Foundation for Community Association Research (the Foundation) as of and for the years ended June 30, 2009 and 2008 appears on page one. The audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The other financial information presented on page thirteen is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Washington, DC
September 22, 2009

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**Foundation for Community
Association Research**

Statements of Natural Expense

Year Ended June 30,	2009	2008
Program services		
Administrative fee	\$ 82,291	\$ 77,700
Printing and publications	11,046	6,412
Library donation	8,050	7,700
Scholarships	3,629	4,273
Food and beverages	3,014	1,795
Grant and award	3,000	1,000
Consultant	2,100	35
Media and production	2,000	18,950
Travel	1,512	2,121
Gifts	1,592	514
Postage and mailing	1,025	807
Audio visual	130	405
Dues and subscriptions	370	208
Telephone	786	1,919
Miscellaneous	143	8
Supplies	-	158
Total program services	120,688	124,005
Supporting services		
Administrative fee	27,709	27,300
Audit	3,825	3,545
Miscellaneous	2,579	313
Supplies	676	376
Professional development	310	110
Postage and mailing	105	57
Printing	-	1,954
Total supporting services	35,204	33,655
Total expense	\$ 155,892	\$ 157,660