

**Audited Financial Statements
and Other Financial Information**

**FOUNDATION FOR COMMUNITY
ASSOCIATION RESEARCH**

June 30, 2011

Foundation for Community Association Research

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T A T E



T R Y O N

A Professional Corporation

Certified Public

Accountants

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, 2011 and 2010, 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, 2011 and 2010, 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.

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September 15, 2011

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Foundation for Community Association Research

Statements of Financial Position

June 30,	2011	2010
Assets		
Cash	\$ 37,288	\$ 20,548
Investments - Notes B & C	255,499	228,101
Promises to give	-	2,500
Due from CAI - Note D	18,262	16,620
Inventory	5,544	15,804
Total assets	\$ 316,593	\$ 283,573
 Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 6,592	\$ -
Due to CAI - Note D	5,906	8,922
Total liabilities	12,498	8,922
Net assets - Note E		
Unrestricted	237,892	209,753
Temporarily restricted	51,661	51,622
Permanently restricted - Note F	14,542	13,276
Total net assets	304,095	274,651
Total liabilities and net assets	\$ 316,593	\$ 283,573

Foundation for Community Association Research

Statements of Activities

Year Ended June 30,	2011	2010
Unrestricted activities		
Revenue and support		
Contributions - Note D	\$ 190,873	\$ 170,052
Survey sales	9,669	23,657
Other income	2,995	2,835
Investment income - Note C	2,393	1,641
	205,930	198,185
Net assets released from restrictions - satisfaction of program restrictions - Note E	3,661	2,700
Total revenue and support	209,591	200,885
Expense - Note D		
Program services		
Volunteer Leadership	47,781	17,807
Surveys	38,316	68,238
Meetings	16,826	22,346
Best practices/CPI	15,128	15,715
Awards	10,450	3,493
Adopt-a-Library	6,226	4,938
Grants	3,360	3,360
Website	2,663	2,383
Scholarships	2,001	3,212
Total program services	142,751	141,492
Supporting services		
General and administrative	29,648	29,335
Fund raising	9,053	10,873
Total supporting services	38,701	40,208
Total expense	181,452	181,700
Change in unrestricted net assets	28,139	19,185
Temporarily restricted activities		
Contributions	3,700	5,700
Net assets released from restrictions - Note E	(3,661)	(2,700)
Change in temporarily restricted net assets	39	3,000
Permanently restricted activities		
Contribution	1,250	5,000
Investment income - Note C	16	6
Change in permanently restricted net assets	1,266	5,006
Change in net assets	29,444	27,191
Net assets, beginning of year	274,651	247,460
Net assets, end of year	\$ 304,095	\$ 274,651

See notes to the financial statements.

Foundation for Community Association Research

Statements of Cash Flows

Year Ended June 30,	2011	2010
Cash flows from operating activities		
Change in net assets	\$ 29,444	\$ 27,191
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Net loss on investments	2,214	2,127
Permanently restricted contributions	(1,250)	(5,000)
Changes in assets and liabilities:		
Promises to give	2,500	(2,500)
Due from CAI	(1,642)	(1,829)
Prepaid expenses	-	6,385
Inventory	10,260	(10,592)
Accounts payable	6,592	(884)
Due to CAI	(3,016)	8,310
Total adjustments	15,658	(3,983)
Net cash provided by operating activities	45,102	23,208
Cash flows from investing activities		
Purchases of investments, net	(29,612)	(23,769)
Cash flows from financing activities		
Permanently restricted contributions	1,250	5,000
Net increase in cash	16,740	4,439
Cash, beginning of year	20,548	16,109
Cash, end of year	\$ 37,288	\$ 20,548

See notes to the financial statements.

Foundation for Community Association Research

Notes to the Financial Statements

A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization: Foundation for Community Association Research (the Foundation) was incorporated in 1975 under the laws of the District of Columbia as a not-for-profit corporation. The Foundation serves as the driving force for common interest community research, development and scholarship by illuminating future trends and opportunities, supporting and conducting research and mobilizing resources. Through these activities, the Foundation is the catalyst for positive change in the community association industry.

Income taxes: The Foundation is exempt from the payment of income taxes under Section 501(c)(3) of the Internal Revenue Code and has been classified by the Internal Revenue Service as other than a private foundation within the meaning of Section 509(a)(2) of the Internal Revenue Code.

The Foundation believes that it has appropriate support for income tax positions taken. Therefore, management has not identified any uncertain income tax positions. The fiscal years ending June 30, 2008 through 2011 remain open for examination by taxing authorities.

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

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

Cash: For financial statement purposes, the Foundation considers demand deposits to be cash. Money market mutual funds and certificates of deposit held in the investment portfolio are included in investments.

Inventory: Inventory consists of a survey and is stated at the lower of cost (first in, first out method) or market. No allowance for obsolete or slow-moving items has been established.

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

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 (see Note D) has been allocated among the program and supporting services benefited.

Subsequent events: Subsequent events have been evaluated through September 15, 2011, which is the date the financial statements were available to be issued.

Foundation for Community Association Research

Notes to the Financial Statements

B. MARKET VALUE RISK

The Foundation 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.

C. INVESTMENTS

In accordance with generally accepted accounting principles, the Foundation 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 inputs 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.

Certificates of deposit were classified in Level 2 and were valued based on original cost plus accrued interest, which approximates fair value. Other investments classified within Level 2 were valued by pricing vendors using outside data. In determining the fair value of the investments, the pricing vendors use a market approach and pricing spreads based on the credit risk of the issuer, maturity, current yield, and other terms and conditions of each security. Management believes the estimated fair value to be a reasonable approximation of the exit price for these investments.

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,:

2011	Total	Level 1	Level 2	Level 3
Money market funds	\$ 172,010	\$ 172,010	\$ -	\$ -
Certificates of deposit	24,878		24,878	
Corporate bonds	58,611		58,611	
	\$ 255,499	\$ 172,010	\$ 83,489	\$ -

Foundation for Community Association Research

Notes to the Financial Statements

C. INVESTMENTS - CONTINUED

2010	Total	Level 1	Level 2	Level 3
Money market funds	\$ 118,111	\$ 118,111	\$ -	\$ -
Certificates of deposit	25,311		25,311	
Corporate bonds	84,679		84,679	
	\$ 228,101	\$ 118,111	\$ 109,990	\$ -

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

	2011	2010
Interest income	\$ 4,623	\$ 3,774
Net loss on investments	<u>(2,214)</u>	<u>(2,127)</u>
	\$ 2,409	\$ 1,647

Investment income includes permanently restricted interest income totaling \$16 and \$6 for the years ended June 30, 2011 and 2010, respectively.

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 \$18,262 and \$16,620 at June 30, 2011 and 2010, respectively.

Administrative fees: Under the terms of an agreement between the organizations, CAI charges the Foundation an administrative fee for use of office facilities, personnel, and property and equipment owned by CAI. The Foundation paid administrative fees of \$112,000 for both years ending June 30, 2011 and 2010. Amounts due to CAI for shared operating expenses were \$5,906 and \$8,922 at June 30, 2011 and 2010, respectively.

Foundation for Community Association Research

Notes to the Financial Statements

E. NET ASSETS

Unrestricted: Unrestricted net assets include those net assets whose use has not been restricted by donors, even though their use may be limited in other respects, such as by board designation. Designated net assets have been set aside for use in the Foundation's Communities of Tomorrow project which relates to its five year strategic plan.

Unrestricted net assets consist of the following at June 30,:

	2011	2010
Undesignated	\$ 181,925	\$ 166,352
Designated	<u>55,967</u>	<u>43,401</u>
	<u>\$ 237,892</u>	<u>\$ 209,753</u>

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

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

	2011	2010
Large-scale manager	\$ 44,522	\$ 46,522
JCAL Award of Excellence	5,100	5,100
Jerry Fien Memorial Scholarship	<u>2,039</u>	<u>-</u>
	<u>\$ 51,661</u>	<u>\$ 51,622</u>

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

	2011	2010
Large-scale manager	\$ 2,000	\$ 2,000
Jerry Fien Memorial Scholarship	1,661	-
JCAL Award of Excellence	<u>-</u>	<u>700</u>
	<u>\$ 3,661</u>	<u>\$ 2,700</u>

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

Foundation for Community Association Research

Notes to the Financial Statements

F. ENDOWMENT

The Foundation's endowment fund includes a permanently restricted fund which is a traditional donor-restricted endowment fund. In particular, 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. 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 (DC UPMIFA) 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 will be classified within temporarily restricted activities even if the intended use of the earnings is for unrestricted purposes.

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 money market fund.

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 to achieve its long-term return objectives.

Spending Policy and How Investment Objectives Relate to Spending Policy

The Foundation has not yet established a spending policy relating to its endowment fund. In establishing a policy, the Foundation will consider the long-term expected return on its endowment. 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.

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, 2011 or 2010.

Foundation for Community Association Research

Notes to the Financial Statements

F. ENDOWMENT - CONTINUED

Changes in the endowment fund consist of the following as of and for the year ended June 30, 2011:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment fund, July 1, 2010	\$ -	\$ -	\$ 13,276	\$ 13,276
Contributions			1,250	1,250
Interest income			16	16
Endowment fund, June 30, 2011	\$ -	\$ -	\$ 14,542	\$ 14,542

Changes in the endowment fund consist of the following as of and for the year ended June 30, 2010:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment fund, July 1, 2009	\$ -	\$ -	\$ 8,270	\$ 8,270
Contributions			5,000	5,000
Interest income			6	6
Endowment fund, June 30, 2010	\$ -	\$ -	\$ 13,276	\$ 13,276

T A T E



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A Professional Corporation

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and Consultants

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, 2011 and 2010 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 the following pages 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 15, 2011

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Foundation for Community Association Research

Statements of Natural Expense

<i>Year Ended June 30,</i>	2011	2010
Program services		
Administrative fee	\$ 81,760	\$ 81,760
Consultant	22,334	16,850
Printing and publications	12,345	25,546
Food and beverages	7,122	6,173
Grant and award	6,250	1,250
Scholarships	3,959	3,212
Travel	2,809	1,380
Library donation	2,800	1,400
Supplies	783	-
Audio visual	657	635
Dues and subscriptions	515	143
Gifts	429	2,026
Facility rental	423	-
Miscellaneous	286	-
Telephone	181	805
Postage and mailing	98	312
Total program services	142,751	141,492
Supporting services		
Administrative fee	30,240	30,240
Audit	5,140	4,410
Printing and publications	1,933	-
Postage and mailing	821	945
Dues and subscriptions	410	920
Supplies	142	502
Miscellaneous	15	1,760
Travel	-	586
Food and beverages	-	547
Telephone	-	221
Speakers cost	-	77
Total supporting services	38,701	40,208
Total expense	\$ 181,452	\$ 181,700