



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

## **Consolidated Financial Statements and Supplementary Information**

*For the Year Ended December 31, 2018*

*(With Summarized Financial Information for the Year Ended December 31, 2017)*



**and  
Report Thereon**



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

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**For the Year Ended December 31, 2018**

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## **INDEPENDENT AUDITORS' REPORT**

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

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, 2018, 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.

**Continued**

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## **Opinion**

In our opinion, the 2018 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, 2018, 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*

The Association's 2017 consolidated financial statements were audited by Raffa, P.C., whose practice was combined with Marcum LLP as of October 1, 2018, and whose report dated July 12, 2018, expressed an unmodified opinion on those statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, 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  
June 26, 2019

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

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
December 31, 2018  
(With Summarized Financial Information as of December 31, 2017)**

	<u>2018</u>	<u>2017</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 619,839	\$ 338,613
Accounts receivable, net of allowance for doubtful accounts of \$847	285,943	227,869
Prepaid expenses	65,401	46,537
Investments	826,985	588,063
Publications inventory	6,957	8,693
Property and equipment, net	<u>2,699,212</u>	<u>2,886,530</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 4,504,337</u></u>	<u><u>\$ 4,096,305</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable and accrued liabilities	\$ 372,133	\$ 270,504
Accrued vacation and payroll benefits	98,373	86,741
Deferred income – membership	1,957,459	1,915,445
Deferred income – other	<u>52,806</u>	<u>85,571</u>
<b>TOTAL LIABILITIES</b>	<u>2,480,771</u>	<u>2,358,261</u>
<b>Net Assets</b>		
Without Donor Restrictions		
Undesignated	1,866,566	1,578,918
Board-designated	<u>150,000</u>	<u>150,000</u>
Total Without Donor Restrictions	2,016,566	1,728,918
With Donor Restrictions	<u>7,000</u>	<u>9,126</u>
<b>TOTAL NET ASSETS</b>	<u>2,023,566</u>	<u>1,738,044</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 4,504,337</u></u>	<u><u>\$ 4,096,305</u></u>

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, 2018**

**(With Summarized Financial Information for the Year Ended December 31, 2017)**

	Without Donor Restrictions	With Donor Restrictions	2018 Total	2017 Total
<b>REVENUE AND SUPPORT</b>				
Membership	\$ 3,341,206	\$ -	\$ 3,341,206	\$ 3,197,664
Program services:				
Conferences	1,526,213	-	1,526,213	1,408,001
Professional development classes	501,369	-	501,369	515,467
Publications	204,905	-	204,905	228,378
Certification	94,200	-	94,200	76,025
Contract income	666,773	-	666,773	518,176
Other income	281,218	-	281,218	225,666
Investment loss	(11,033)	-	(11,033)	53,099
Rental income	11,880	-	11,880	9,360
Contribution income	-	-	-	23,126
Net assets released from restrictions:				
Satisfaction of program restrictions	2,126	(2,126)	-	-
<b>TOTAL REVENUE AND SUPPORT</b>	<b>6,618,857</b>	<b>(2,126)</b>	<b>6,616,731</b>	<b>6,254,962</b>
<b>EXPENSES</b>				
Program Services:				
Conferences	1,196,918	-	1,196,918	1,093,948
Professional development	1,085,285	-	1,085,285	965,111
Member services	538,351	-	538,351	592,834
Legislation and program development	510,882	-	510,882	738,400
RSO Advantage	425,664	-	425,664	168,402
Publications	354,117	-	354,117	483,719
Certifications	120,451	-	120,451	120,525
<b>Total Program Services</b>	<b>4,231,668</b>	<b>-</b>	<b>4,231,668</b>	<b>4,162,939</b>
Supporting Services:				
General and administrative	2,099,541	-	2,099,541	2,085,169
<b>Total Supporting Services</b>	<b>2,099,541</b>	<b>-</b>	<b>2,099,541</b>	<b>2,085,169</b>
<b>TOTAL EXPENSES</b>	<b>6,331,209</b>	<b>-</b>	<b>6,331,209</b>	<b>6,248,108</b>
<b>CHANGE IN NET ASSETS</b>	<b>287,648</b>	<b>(2,126)</b>	<b>285,522</b>	<b>6,854</b>
<b>NET ASSETS, BEGINNING OF YEAR, AS RESTATED</b>	<b>1,728,918</b>	<b>9,126</b>	<b>1,738,044</b>	<b>1,731,190</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 2,016,566</b>	<b>\$ 7,000</b>	<b>\$ 2,023,566</b>	<b>\$ 1,738,044</b>

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, 2018**  
**(With Summarized Financial Information for the Year Ended December 31, 2017)**

	Program Services								Supporting Services		
	Conferences	Professional Development	Member Services	Legislation and Program Development	RSO Advantage	Publications	Certifications	Total Program Services	General and Administrative	2018 Total	2017 Total
Salaries and benefits	\$ 134,739	\$ 280,732	\$ 340,940	\$ 428,809	\$ 413,244	\$ 162,800	\$ 102,325	\$ 1,863,589	\$ 969,186	\$ 2,832,775	\$ 2,857,554
Meetings	874,879	41,255	116,407	-	-	112	2,509	1,035,162	3,481	1,038,643	839,424
Professional fees	89,241	579,919	1,718	30,154	-	56,631	397	758,060	227,095	985,155	1,081,151
Equipment	-	15	-	-	-	10,000	447	10,462	332,133	342,595	222,605
Other office expenses	386	4,480	14,393	27,861	2,586	13,248	895	63,849	169,708	233,557	155,150
Depreciation and amortization	-	11,292	-	-	-	-	-	11,292	176,024	187,316	198,266
Printing and production	15,912	122,599	-	4,050	-	34,127	-	176,688	162	176,850	324,154
Travel and entertainment	29,830	21,744	35,588	17,607	8,332	4,888	2,108	120,097	7,673	127,770	147,704
Taxes	-	-	-	-	-	-	-	-	114,479	114,479	104,449
Postage and delivery	1,122	4,278	5,174	77	176	68,113	8,174	87,114	1,988	89,102	117,444
Telephone	20,512	1,132	1,542	2,174	1,266	890	588	28,104	35,120	63,224	60,169
Supplies	6,411	17,839	7,934	150	60	83	2,758	35,235	16,709	51,944	48,968
Marketing	23,886	-	14,655	-	-	3,225	250	42,016	1	42,017	51,138
Building utilities	-	-	-	-	-	-	-	-	45,782	45,782	39,932
TOTAL EXPENSES	\$ 1,196,918	\$ 1,085,285	\$ 538,351	\$ 510,882	\$ 425,664	\$ 354,117	\$ 120,451	\$ 4,231,668	\$ 2,099,541	\$ 6,331,209	\$ 6,248,108

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, 2018**

**(With Summarized Financial Information for the Year Ended December 31, 2017)**

	<u>2018</u>	<u>2017</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 285,522	\$ (10,293)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	187,316	198,266
Realized gains	(16,205)	(13,775)
Unrealized (gains) losses	35,365	(32,984)
Changes in assets and liabilities:		
Accounts receivable	(58,074)	95,283
Prepaid expenses	(18,864)	8,599
Publications inventory	1,736	710
Accounts payable and accrued liabilities	101,629	(103,252)
Accrued vacation and payroll benefits	11,632	6,592
Deferred income – membership	42,014	101,522
Deferred income – other	(32,765)	(92,877)
	<u>539,306</u>	<u>157,791</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment	-	(40,625)
Purchases of investments	(281,180)	(6,340)
Proceeds from sales of investments	<u>23,100</u>	<u>175,745</u>
	<u>(258,080)</u>	<u>128,780</u>
<b>NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES</b>		
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	281,226	286,571
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>338,613</u>	<u>52,042</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u><u>\$ 619,839</u></u>	<u><u>\$ 338,613</u></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, 2018**

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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.

**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  
REDEVELOPMENT OFFICIALS AND AFFILIATE**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
For the Year Ended December 31, 2018**

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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, 2018, 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, 2018.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
For the Year Ended December 31, 2018**

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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 are recognized as revenue in the period to which the dues relate. Accordingly, dues paid by members in advance of the period to which the dues pertain are reported as deferred income-membership in the accompanying consolidated statement of financial position.

Conference revenue consists of registrations, event sales and sponsorship fees and is recognized in the year in which the conference takes place. Revenue from these activities received in advance of the meeting is reported as deferred income-other in the accompanying consolidated statement of financial position.

Revenue from professional development classes is recognized as the services are performed. Revenues billed and collected for which the service or function has not been fulfilled are reflected as deferred income-other in the accompanying consolidated statement of financial position.

Publication sales revenue is recorded when the related publication is shipped and is reported net of any discounts in the accompanying consolidated statement of activities.

Grants and 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.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
For the Year Ended December 31, 2018**

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

**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 statement 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.

**New Accounting Pronouncement**

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return for nonprofit organizations.

The Association has adjusted the presentation of these statements accordingly. The major changes of the ASU affecting the Association include requiring the disclosure of qualitative and quantitative information regarding the liquidity and availability of resources and incorporating the statement of functional expenses into the basic financial statements, when it had previously been presented as supplementary information. The ASU has been applied retrospectively to the summarized comparative information presented for the year ended December 31, 2017.

2. Investments and Fair Value Measurement

Investments consisted of the following as of December 31, 2018:

Mutual funds	\$ 269,076
U.S. Treasury bills	250,704
Money market fund	207,205
Certificates of deposit	<u>100,000</u>
Total Investments	<u>\$ 826,985</u>

Continued

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
For the Year Ended December 31, 2018**

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, 2018, aggregated by the fair value hierarchy level with which those measurements were made:

	Total Fair Value	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	\$ 269,076	\$ 269,076	\$ -	\$ -
U.S. Treasury bills	250,704	250,704	-	-
Money market fund	207,205	207,205	-	-
Certificates of deposit	<u>100,000</u>	<u>-</u>	<u>100,000</u>	<u>-</u>
Total Investments	<u>\$ 826,985</u>	<u>\$ 726,985</u>	<u>\$ 100,000</u>	<u>\$ -</u>

For the year ended December 31, 2018, 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, 2018:

Building	\$ 3,339,482
Land	1,075,186
Furniture, fixtures and equipment	<u>569,641</u>
Total Property and Equipment	4,984,309
Less: Accumulated Depreciation and Amortization	<u>(2,285,097)</u>
Property and Equipment, Net	<u>\$ 2,699,212</u>

Depreciation and amortization expense was \$187,316 for the year ended December 31, 2018.

Continued

**NATIONAL ASSOCIATION OF HOUSING AND  
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
For the Year Ended December 31, 2018**

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4. Net Assets

As of December 31, 2018, 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, 2018, net assets with donor restrictions consisted of \$7,000 restricted for the purpose of scholarships.

5. Concentrations, Risks and Contingency

**Concentration of Credit Risk**

The Association maintains its cash and cash equivalents with a certain commercial financial institution, which aggregate balance, at times, may exceed the Federal Deposit Insurance Corporation (FDIC) insured limit of \$250,000 per depositor per institution. As of December 31, 2018, the amount in excess of the maximum limit insured by the FDIC was approximately \$395,000. The Association monitors the creditworthiness of this institution 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 \$124,000 for the year ended December 31, 2018.

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.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
For the Year Ended December 31, 2018**

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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 \$5,519 for the year ended December 31, 2018. The arrangement may be terminated at any time without cause.

8. Liquidity and Availability of Financial Assets

As of December 31, 2018, 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	\$ 619,840
Investments	826,985
Accounts receivable	<u>285,943</u>
Total Financial Assets	1,732,768
Less:	
Amounts unavailable for general expenditures within one year due to donor's restriction with purpose restriction	(7,000)
Amounts unavailable to management without Board approval: Board-designated	<u>(150,000)</u>
Financial Assets Available to Meet General Expenditures Within One Year	<u><u>\$ 1,575,768</u></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, 2018, the Association became aware of uncollectible receivable and also an overstatement of accounts payable. An adjustment in the amount of \$17,147 was made to reduce current year accounts receivable and accounts payable 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, 2017, as previously reported, was to increase net assets without donor restrictions by \$17,147.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
For the Year Ended December 31, 2018**

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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, 2018, 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, 2018, 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, 2018, the statute of limitations for tax years 2015 through 2017 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, 2018, 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, 2017, from which the summarized information was derived.

12. Reclassifications

Certain 2017 amounts have been reclassified to conform to the 2018 financial statement presentation.

13. Subsequent Events

In preparing these consolidated financial statements, the Association has evaluated events and transactions, for potential recognition or disclosure, through June 26, 2019, the date the consolidated financial statements were issued. 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, 2018**

	NAHRO	Transpire, Inc.	Eliminations	Total
<b>ASSETS</b>				
Cash and cash equivalents	\$ 575,214	\$ 44,625	\$ -	\$ 619,839
Accounts receivable, net of allowance for doubtful accounts of \$847	270,317	15,626	-	285,943
Prepaid expenses	65,401	-	-	65,401
Investments	826,985	-	-	826,985
Publications inventory	6,957	-	-	6,957
Property and equipment, net	2,699,212	-	-	2,699,212
<b>TOTAL ASSETS</b>	<b>\$ 4,444,086</b>	<b>\$ 60,251</b>	<b>\$ -</b>	<b>\$ 4,504,337</b>
<b>LIABILITIES AND NET ASSETS</b>				
<b>Liabilities</b>				
Accounts payable and accrued liabilities	\$ 329,170	\$ 42,963	\$ -	\$ 372,133
Accrued vacation and payroll benefits	98,373	-	-	98,373
Deferred income – membership	1,957,459	-	-	1,957,459
Deferred income – other	52,806	-	-	52,806
<b>TOTAL LIABILITIES</b>	<b>2,437,808</b>	<b>42,963</b>	<b>-</b>	<b>2,480,771</b>
<b>Net Assets</b>				
<b>Without Donor Restrictions</b>				
Undesignated	1,849,278	17,288	-	1,866,566
Board-designated	150,000	-	-	150,000
<b>Total Without Donor Restrictions</b>	<b>1,999,278</b>	<b>17,288</b>	<b>-</b>	<b>2,016,566</b>
<b>With Donor Restrictions</b>	<b>7,000</b>	<b>-</b>	<b>-</b>	<b>7,000</b>
<b>TOTAL NET ASSETS</b>	<b>2,006,278</b>	<b>17,288</b>	<b>-</b>	<b>2,023,566</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 4,444,086</b>	<b>\$ 60,251</b>	<b>\$ -</b>	<b>\$ 4,504,337</b>

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, 2018**

	NAHRO	Transpire, Inc.	Eliminations	Total
REVENUE AND SUPPORT				
Membership	\$ 3,341,206	\$ -	\$ -	\$ 3,341,206
Program services:				
Conferences	1,526,213	-	-	1,526,213
Professional development classes	501,369	-	-	501,369
Publications	204,905	-	-	204,905
Certification	94,200	-	-	94,200
Contract income	666,773	112,500	(112,500)	666,773
Other income	281,218	-	-	281,218
Investment loss	(11,033)	-	-	(11,033)
Rental income	11,880	-	-	11,880
<b>TOTAL REVENUE AND SUPPORT</b>	<b>6,616,731</b>	<b>112,500</b>	<b>(112,500)</b>	<b>6,616,731</b>
EXPENSES				
Program Services:				
Conferences	1,196,918	-	-	1,196,918
Professional development	1,085,285	-	-	1,085,285
Member services	538,351	-	-	538,351
Legislation and program development	510,882	-	-	510,882
RSO Advantage	425,664	112,500	(112,500)	425,664
Publications	354,117	-	-	354,117
Certifications	120,451	-	-	120,451
<b>Total Program Services</b>	<b>4,231,668</b>	<b>112,500</b>	<b>(112,500)</b>	<b>4,231,668</b>
Supporting Services:				
General and administrative	2,099,541	-	-	2,099,541
<b>Total Supporting Services</b>	<b>2,099,541</b>	<b>-</b>	<b>-</b>	<b>2,099,541</b>
<b>TOTAL EXPENSES</b>	<b>6,331,209</b>	<b>112,500</b>	<b>(112,500)</b>	<b>6,331,209</b>
CHANGE IN NET ASSETS	285,522	-	-	285,522
NET ASSETS, BEGINNING OF YEAR, AS RESTATED	1,720,756	17,288	-	1,738,044
NET ASSETS, END OF YEAR	\$ 2,006,278	\$ 17,288	\$ -	\$ 2,023,566

See independent auditors' report on supplementary information.