

Audited Combined Financial Statements

AMERICAN SOCIETY OF APPRAISERS and AFFILIATES

Herndon, Virginia

June 30, 2023 and 2022

American Society of Appraisers and Affiliates

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INDEPENDENT AUDITOR'S REPORT

**To the Board of Governors
American Society of Appraisers and Affiliates
Herndon, Virginia**

Opinion

We have audited the accompanying combined financial statements of American Society of Appraisers and Affiliates, which comprise the combined statements of financial position as of June 30, 2023 and 2022, and the related combined statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of American Society of Appraisers and Affiliates as of June 30, 2023 and 2022, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of American Society of Appraisers and Affiliates and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the combined financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of combined financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the combined financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about American Society of Appraisers and Affiliates' ability to continue as a going concern within one year after the date that the combined financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the combined financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the combined financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the combined financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the combined financial statements.
- Obtain an understanding of internal control relevant to the audit 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 American Society of Appraisers and Affiliates' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the combined financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about American Society of Appraisers and Affiliates' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

CST Group, CPAs, PC

January 19, 2024

American Society of Appraisers and Affiliates

COMBINED STATEMENTS OF FINANCIAL POSITION as of June 30

	<u>2023</u>	<u>2022</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 3,305,034	\$ 3,086,344
Accounts receivable, net	191,171	138,498
Prepaid expenses	<u>265,620</u>	<u>259,654</u>
	3,761,825	3,484,496
PROPERTY AND EQUIPMENT		
Furniture and equipment	26,215	26,215
Accumulated depreciation	<u>(20,721)</u>	<u>(17,005)</u>
	5,494	9,210
OTHER ASSETS		
Investments	2,403,727	2,236,613
Deposits	33,957	33,957
Right-of-use assets, operating, net	1,925,001	0
457(b) supplemental retirement plan asset	<u>23,625</u>	<u>15,313</u>
	<u>4,386,310</u>	<u>2,285,883</u>
	<u>\$ 8,153,629</u>	<u>\$ 5,779,589</u>
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 254,474	\$ 358,572
Due to related parties	120,054	106,885
Deferred dues	1,489,926	1,518,988
Other deferred revenue	276,486	302,687
Lease liability, operating, current	<u>174,061</u>	<u>0</u>
	2,315,001	2,287,132
LONG-TERM LIABILITIES		
Lease liability, operating, long-term	2,000,438	0
Deferred rent, long-term	0	123,508
457(b) supplemental retirement plan liability	<u>23,625</u>	<u>15,313</u>
	2,024,063	138,821
NET ASSETS		
Without donor restrictions	<u>3,814,565</u>	<u>3,353,636</u>
	<u>\$ 8,153,629</u>	<u>\$ 5,779,589</u>

See independent auditor's report and notes to combined financial statements.

American Society of Appraisers and Affiliates

COMBINED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS for Year Ended June 30, 2023

	American Society of Appraisers (ASA)	ASA- Education Foundation	ASA- Political Action Committee (PAC)	NAIFA Trust	Total
OPERATING ACTIVITIES					
REVENUES					
Membership dues and fees	\$ 3,141,308	\$ 0	\$ 0	\$ 0	\$ 3,141,308
Education and training	1,762,753	0	0	775	1,763,528
Conferences	482,324	0	0	0	482,324
Journals	98,564	0	0	0	98,564
Publications and advertising	34,760	20,750	0	0	55,510
Other	<u>57,241</u>	<u>12,318</u>	<u>250</u>	<u>2,333</u>	<u>72,142</u>
TOTAL REVENUE	5,576,950	33,068	250	3,108	5,613,376
EXPENSES					
Program services:					
Government relations	233,997	0	0	0	233,997
Membership	655,090	0	0	0	655,090
Education	862,665	0	0	0	862,665
Marketing	504,863	10,857	0	0	515,720
Conferences	<u>380,267</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>380,267</u>
TOTAL PROGRAM SERVICES	2,636,882	10,857	0	0	2,647,739
Supporting services:					
General and administration	1,510,642	14,632	0	3,400	1,528,674
Governance	<u>1,124,591</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,124,591</u>
TOTAL SUPPORTING SERVICES	2,635,233	14,632	0	3,400	2,653,265
TOTAL EXPENSES	<u>5,272,115</u>	<u>25,489</u>	<u>0</u>	<u>3,400</u>	<u>5,301,004</u>
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS	304,835	7,579	250	(292)	312,372
NON-OPERATING ACTIVITIES					
Investment income, net	188,238	120	0	33,409	221,767
Technology upgrade expenses	<u>(73,210)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(73,210)</u>
INCREASE IN NET ASSETS	419,863	7,699	250	33,117	460,929
NET ASSETS, beginning of year	<u>2,544,583</u>	<u>266,447</u>	<u>10,263</u>	<u>532,343</u>	<u>3,353,636</u>
NET ASSETS, END OF YEAR	<u>\$ 2,964,446</u>	<u>\$ 274,146</u>	<u>\$ 10,513</u>	<u>\$ 565,460</u>	<u>\$ 3,814,565</u>

See independent auditor's report and notes to combined financial statements.

American Society of Appraisers and Affiliates

COMBINED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS for Year Ended June 30, 2022

	American Society of Appraisers (ASA)	ASA- Education Foundation	ASA- Political Action Committee (PAC)	NAIFA Trust	Total
OPERATING ACTIVITIES					
REVENUES					
Membership dues and fees	\$ 3,165,330	\$ 0	\$ 0	\$ 0	\$ 3,165,330
Education and training	1,650,345	0	0	500	1,650,845
Conferences	447,597	0	0	0	447,597
Journals	109,822	0	0	0	109,822
Publications and advertising	53,099	77,575	0	0	130,674
Other	34,188	8,569	0	10	42,767
TOTAL REVENUE	5,460,381	86,144	0	510	5,547,035
EXPENSES					
Program services:					
Government relations	265,021	0	0	0	265,021
Membership	613,067	0	0	0	613,067
Education	771,935	73,837	0	0	845,772
Marketing	502,848	0	0	0	502,848
Conferences	362,364	6,802	0	4,393	373,559
TOTAL PROGRAM SERVICES	2,515,235	80,639	0	4,393	2,600,267
Supporting services:					
General and administration	1,834,020	0	0	3,100	1,837,120
Governance	970,418	0	0	0	970,418
TOTAL SUPPORTING SERVICES	2,804,438	0	0	3,100	2,807,538
TOTAL EXPENSES	5,319,673	80,639	0	7,493	5,407,805
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS	140,708	5,505	0	(6,983)	139,230
NON-OPERATING ACTIVITIES					
Investment income, net	(213,287)	135	0	(66,082)	(279,234)
Technology upgrade expenses	(180,702)	0	0	0	(180,702)
INCREASE (DECREASE) IN NET ASSETS	(253,281)	5,640	0	(73,065)	(320,706)
NET ASSETS, beginning of year	2,797,864	260,807	10,263	605,408	3,674,342
NET ASSETS, END OF YEAR	\$ 2,544,583	\$ 266,447	\$ 10,263	\$ 532,343	\$ 3,353,636

See independent auditor's report and notes to combined financial statements.

American Society of Appraisers and Affiliates

COMBINED STATEMENT OF FUNCTIONAL EXPENSES for Year Ended June 30, 2023

	Government Relations	Membership	Education	Marketing	Conferences	General and Administration	Governance	Total
Advertising	\$ 0	\$ 20	\$ 62	\$ 116,361	\$ 0	\$ 2	\$ 472	\$ 116,917
Annual conference	70	4,560	4,097	1,033	369,216	1,081	1,703	381,760
Bank and merchant fees	0	0	0	0	10,896	156,451	0	167,347
Computer and web support	972	70,230	31,405	13,974	155	235,797	1,212	353,745
Depreciation	0	0	0	0	0	3,716	0	3,716
Discipline committees and affiliates	0	0	3,775	51,116	0	16,612	49,737	121,240
Education courses	0	0	362,996	0	0	0	0	362,996
Employee benefits	35,227	91,704	73,404	49,251	0	89,896	133,235	472,717
Government relations	12,912	0	0	0	0	0	0	12,912
Insurance	0	0	0	0	0	44,431	0	44,431
Legal and accounting fees	0	0	0	0	0	136,503	0	136,503
Membership and program	0	4,250	0	0	0	0	0	4,250
Office expense	0	0	10	0	0	9,023	0	9,033
Officer, board and committee	0	0	0	0	0	0	284,602	284,602
Postage and delivery	0	1,868	152	40	0	8,011	108	10,179
Publications	0	0	0	20,690	0	576	0	21,266
Rent	0	0	0	0	0	213,774	0	213,774
Salaries	183,507	480,123	385,145	259,537	0	515,234	643,593	2,467,139
Supplies and maintenance	0	571	309	0	0	8,721	0	9,601
Taxes and licenses	0	0	0	0	0	3,268	0	3,268
Telephone	1,250	775	995	900	0	24,609	3,300	31,829
Temporary personnel	0	0	0	0	0	14,340	0	14,340
Training	59	989	315	2,818	0	46,629	6,629	57,439
	<u>\$ 233,997</u>	<u>\$ 655,090</u>	<u>\$ 862,665</u>	<u>\$ 515,720</u>	<u>\$ 380,267</u>	<u>\$ 1,528,674</u>	<u>\$ 1,124,591</u>	<u>\$ 5,301,004</u>

See independent auditor's report and notes to combined financial statements.

American Society of Appraisers and Affiliates

COMBINED STATEMENT OF FUNCTIONAL EXPENSES for Year Ended June 30, 2022

	Government Relations	Membership	Education	Marketing	Conferences	General and Administration	Governance	Total
Advertising	\$ 0	\$ 0	\$ 172	\$ 114,224	\$ 0	\$ 135	\$ 513	\$ 115,044
Annual conference	0	1,270	2,064	0	361,369	1,274	0	365,977
Bad debt expense	0	0	0	0	0	0	0	0
Bank and merchant fees	0	0	0	0	11,238	155,806	0	167,044
Computer and web support	972	53,952	19,295	3,683	706	384,757	5,866	469,231
Depreciation	0	0	0	0	0	3,723	0	3,723
Discipline committees and affiliates	0	0	5,148	52,103	246	9,921	37,863	105,281
Education courses	0	0	391,397	0	0	0	0	391,397
Employee benefits	38,278	89,406	67,618	51,466	0	95,727	111,299	453,794
Government relations	22,000	0	0	0	0	0	0	22,000
Insurance	0	0	0	0	0	45,417	0	45,417
Legal and accounting fees	5,000	0	0	0	0	166,595	0	171,595
Membership and program	0	2,250	0	0	0	0	0	2,250
Office expense	0	148	599	0	0	22,074	258	23,079
Officer, board and committee	0	0	0	0	0	78	239,581	239,659
Postage and delivery	0	872	1,026	428	0	8,659	31	11,016
Publications	0	0	0	13,978	0	73,837	0	87,815
Rent	0	0	0	0	0	223,681	0	223,681
Salaries	197,821	462,053	349,456	265,978	0	494,755	565,202	2,335,265
Supplies and maintenance	0	0	163	0	0	16,171	0	16,334
Taxes and licenses	0	0	0	0	0	3,665	0	3,665
Telephone	950	1,200	4,849	900	0	27,486	3,850	39,235
Temporary personnel	0	0	0	0	0	29,159	0	29,159
Training	0	1,916	3,985	88	0	74,200	5,955	86,144
	<u>\$ 265,021</u>	<u>\$ 613,067</u>	<u>\$ 845,772</u>	<u>\$ 502,848</u>	<u>\$ 373,559</u>	<u>\$ 1,837,120</u>	<u>\$ 970,418</u>	<u>\$ 5,407,805</u>

See independent auditor's report and notes to combined financial statements.

American Society of Appraisers and Affiliates

COMBINED STATEMENTS OF CASH FLOWS for Years Ended June 30

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 460,929	\$(320,706)
Changes to net assets not affecting cash:		
Depreciation	3,716	3,723
Realized and unrealized gain on investments	(150,423)	316,991
Effects of changes in income and expense accruals:		
Accounts receivable	(52,673)	(90,907)
Prepaid expenses and other assets	(5,966)	26,119
Deposits	0	18,482
Right-of-use assets, operating, net	(1,925,001)	0
Accounts payable and accrued expenses	(104,098)	80,160
Due to related parties	13,169	41,524
Deferred dues	(29,062)	(120,082)
Other deferred revenue	(26,201)	5,158
Lease liabilities, operating	2,174,499	0
Deferred rent	<u>(123,508)</u>	<u>96,518</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	235,381	56,980
CASH FLOWS FROM INVESTING ACTIVITIES		
Net change in investments	<u>(16,691)</u>	<u>(28,575)</u>
NET CASH USED BY INVESTING ACTIVITIES	(16,691)	(28,575)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of SBA loan	<u>0</u>	<u>(149,395)</u>
NET CASH USED BY FINANCING ACTIVITIES	0	(149,395)
NET INCREASE (DECREASE) IN CASH	218,690	(120,990)
Cash and cash equivalents, beginning of year	<u>3,086,344</u>	<u>3,207,334</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 3,305,034</u>	<u>\$ 3,086,344</u>

See independent auditor's report and notes to combined financial statements.

American Society of Appraisers and Affiliates

NOTES TO COMBINED FINANCIAL STATEMENTS for Years Ended June 30, 2023 and 2022

NOTE A - INTRODUCTION

The American Society of Appraisers and Affiliates (the Society) is an international professional society originally founded in 1936 and incorporated in July 1952 as a not-for-profit, non-stock corporation in the State of Delaware. The Society's mission is to promote the exchange of ideas and experiences among its members and to cultivate professional excellence in its membership through education, accreditation, publication and other related services. The Society's headquarters are located in the Washington, D.C. metropolitan area. The Society has several discipline committees that represent the interest of certain specialties within the appraisal and valuation profession.

Affiliates

In July 1967, the Society established the American Society of Appraisers and Affiliates Educational Foundation (the Foundation) as a tax-exempt not-for-profit 501(c)(3) organization to conduct the educational, research, and charitable activities of the Society. The Foundation provides scholarships and grants for the Society's various educational courses and programs designed to advance the profession of appraisal and valuation.

The Society has also established a political action committee (ASA-PAC) to further the political and legislative interest of the appraisal profession.

On July 1, 2018, the Society acquired the National Associations of Independent Fee Appraisers (NAIFA). NAIFA is an association of professional real estate appraisers. NAIFA's activities were subsequently combined with the American Society of Appraisers unconsolidated activities.

In the acquisition, the Society also acquired the NAIFA Educational Trust (the NAIFA Trust). The Trust is a tax-exempt not-for-profit 501(c)(3) organization to conduct the educational, research, and charitable activities. The financial statements contained herein include the financial information of the Foundation, the ASA-PAC, and the NAIFA Trust. All the affiliates are under common control of the ASA Board of Governors.

The accompanying combined financial statements include the accounts of the Society and its affiliates with all significant inter-company accounts and transactions eliminated.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The combined financial statements of the Society have been prepared in accordance with accounting principles generally accepted in the United States, which involves the application of accrual accounting; accordingly, revenues and expenses are recognized when earned or incurred.

Basis of Presentation

The Society reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions are resources available to support operations and not subject to donor restrictions. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the Society, the environment in which it operates, the purposes specified in

American Society of Appraisers and Affiliates

NOTES TO COMBINED FINANCIAL STATEMENTS for Years Ended June 30, 2023 and 2022

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation (continued)

its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Net assets with donor restrictions are resources that are subject to donor-imposed restrictions. Some restrictions are temporary in nature, such as those that are restricted by a donor for use for a particular purpose or in a particular future period. Other restrictions may be perpetual in nature; such as those that are restricted by a donor that the resources be maintained in perpetuity.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the combined financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions. There were no donor restricted net assets at June 30, 2023 and 2022.

Use of Estimates

The preparation of combined financial statements in conformity with accounting principles generally accepted in the United States requires the use of management's estimates that affect the reported amounts and disclosures in the financial statements. Actual amounts could differ from those estimates.

Revenue and Revenue Recognition

Revenue is recognized when the Society satisfies a performance obligation by transferring a promised good to or performing a service for, a customer. The amount of revenue recognized reflects the consideration the Society expects to receive in exchange for satisfying distinct performance obligations. If a performance obligation does not meet the criteria to be considered distinct, the Society combines it with other performance obligations until a distinct bundle of goods or services exists. Fees or amounts received in advance of satisfying contractual performance obligations are reflected as deferred revenue in the combined statements of financial position. Revenue is recognized either over time or at the point in time that contractual obligations are met.

The Society records revenue from exchange transactions as increases in net assets without donor restrictions to the extent that the earnings process is complete. Resources received in exchange transactions are recognized as deferred revenue to the extent the earnings process has not yet been completed. These transactions include the following:

Member dues and fees, and publication and journal subscriptions are recognized ratably over the term which is generally one year. Advertising revenue is recognized at a point in time when the advertisement is published.

Sales of materials is revenue from the sale of professional and consumer books and other publications and is recognized at a point in time when shipped by the Society or its vendors.

Program service fees results from registration fees paid for professional events and from booth and other space rentals at our professional events. These include education, training, and conferences. Revenue for such activities is recognized at a point in time when the related event occurs.

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NOTES TO COMBINED FINANCIAL STATEMENTS for Years Ended June 30, 2023 and 2022

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue and Revenue Recognition (continued)

The beginning and ending contract balances were as follows:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Deferred dues	\$ 1,489,926	\$ 1,518,988	\$ 1,639,070
Other deferred revenue	276,486	302,687	297,529

Cash and Cash Equivalents

The Society considers deposits that may be redeemed on demand and investments that have original maturities of less than three months to be cash equivalents.

Accounts Receivable

The Society's accounts receivable balance includes amounts due from the sale of its publications, membership dues, education course offerings, accreditation services, and royalty agreements. The Society uses the allowance method for recording bad debt. The allowance for uncollectable accounts totaled \$0 and \$6,368 for years ended June 30, 2023 and 2022, respectively. The Society included a provision for uncollectable membership dues that totaled \$56,153 and \$69,083 for the years ended June 30, 2023 and 2022, respectively. The provision for uncollected membership dues was directly applied against membership revenue. There was no bad debt expense for both years ended June 30, 2023 and 2022.

Prepaid Expenses

Prepaid expenses consist primarily of amounts prepaid by the Society for future conferences, maintenance agreements and liability insurance.

Property and Equipment

Property and equipment are recorded at cost. Additions and improvements to existing property and equipment in excess of \$1,000 are capitalized; general maintenance and repairs are charged to expense. The cost and accumulated depreciation of assets sold or retired are removed from the property and equipment accounts, and any gain or loss upon disposition is recognized at that time. Depreciation and amortization on furniture, equipment, and software are computed using the straight-line method based on estimated useful lives ranging from three to seven years. Leasehold improvements are amortized over the shorter of the useful life or the lease term. Depreciation expense was \$3,716 and \$3,723 for the years then ended June 30, 2023 and 2022, respectively.

Leases

The Society leases certain office space and office equipment. The determination of whether an arrangement is a lease is made at the lease's inception. Under ASC 842, a contract is (or contains) a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is defined under the standard as having both the right to obtain substantially all of the economic benefits from use of the asset and the right to direct the use of the asset. Management only reassesses its determination if the terms and conditions of the contract are changed.

American Society of Appraisers and Affiliates

NOTES TO COMBINED FINANCIAL STATEMENTS for Years Ended June 30, 2023 and 2022

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

Operating leases are included in operating lease right-of-use ("ROU") assets and operating lease liabilities in the Society's combined statements of financial position.

ROU assets represent the Society's right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments. ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. The Society uses the implicit rate when it is readily determinable. Since most of the Society's leases do not provide an implicit rate, to determine the present value of lease payments, management has elected to use a risk-free discount rate, determined using a period comparable with that of the lease term. ROU assets also includes any lease payments made and excludes any lease incentives. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The Society's lease terms may include options to extend or terminate the lease when it is reasonably certain that the Society will exercise the option.

Deposits

Deposits consist of rental deposits placed on office leases.

Accrued Expenses

Accrued expenses consist primarily of the estimated liability for accrued leave, wages, and payroll tax related costs.

Deferred Revenue

Deferred revenue consists of membership dues, education courses, conference registrations, and journal subscriptions received in advance of the applicable membership period or event. Membership dues and journal subscriptions are recognized ratably over the respective members' dues/subscription period. Conference and course registration income are recognized at the time the event occurs.

Contributions and Donations

Contributions are recorded as with or without donor restrictions, depending on the existence and/or nature of any donor restrictions.

Restricted donor support is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction.

Functional Expenses

Costs of providing various programs have been summarized on a functional basis in the Combined Statement of Activities. The Combined Statement of Functional Expenses presents the natural classification of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated include costs for activities have been directly identified and charged to the programs based on management's measured and estimated usage of these costs by function. Indirect costs that are not directly charged to programs are

American Society of Appraisers and Affiliates

NOTES TO COMBINED FINANCIAL STATEMENTS for Years Ended June 30, 2023 and 2022

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Functional Expenses (continued)

accumulated in general and administration expenses and have not been allocated in these combined financial statements.

Advertising Costs

Advertising costs are expensed as incurred and totaled \$116,917 and \$115,044 for the years ended June 30, 2023 and 2022, respectively.

Income Taxes

The American Society of Appraisers is exempt from Federal income tax under Section 501(c)(6) of the U.S. Internal Revenue Code. The Educational Foundation and NAIFA Educational Trust are exempt from the federal income taxes under IRC Section 501(c)(3). Income from certain activities not directly related to the Society's tax-exempt purpose is subject to taxation as unrelated business income.

Under the provisions of Statement of Financial Accounting Standards ASC Topic 740, *Income Taxes* (ASC 740), the Society is required to disclose unrecognized tax benefits. Management has evaluated the effect of the guidance provide by ASC 740 and all other tax positions that could have a significant effect on the financial statement and determined that the Society had no material uncertain tax positions at June 30, 2023 and 2022 that required disclosure or recognition. Generally, the Society's tax returns remain open and subject to examination for three years from the filing date.

New accounting pronouncements adopted in 2022

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (Topic 842). The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. The FASB also subsequently issued the following additional ASUs, which amend and clarify Topic 842: ASU 2018-01, *Land Easement Practical Expedient for Transition to Topic 842*; ASU 2018-10, *Codification Improvements to Topic 842, Leases*; ASU 2018-11, *Leases* (Topic 842): *Targeted Improvements*; ASU 2018-20, *Narrow-scope Improvements for Lessors*; and ASU 2019-01, *Leases* (Topic 842): *Codification Improvements*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the combined statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the combined statement of operations.

The Society elected to adopt these ASUs effective July 1, 2022 and the Society elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things, allowed the Society to carry forward the historical lease classification. The adoption had a material impact on the Society's combined statement of financial position but did not have a material impact on the combined statement of activities. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases. Adoption of the standard required the Society to restate amounts as of July 1, 2022, resulting in an increase in operating lease ROU assets of \$2,089,609 and an increase in operating lease liabilities of \$2,213,118.

American Society of Appraisers and Affiliates

NOTES TO COMBINED FINANCIAL STATEMENTS for Years Ended June 30, 2023 and 2022

NOTE C - AVAILABILITY AND LIQUIDITY

The following represents the Society's financial assets at June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 3,305,034	\$ 3,086,344
Accounts receivable	<u>191,171</u>	<u>138,498</u>
	3,496,205	3,224,842
Less amounts not available to be used within one year due:		
Cash, educational foundation and NAIFA trust	<u>(273,091)</u>	<u>(275,355)</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 3,223,114</u>	<u>\$ 2,949,487</u>

The Society's goal is generally to maintain financial assets to meet 90 days of operating expenses. As part of its liquidity plan, excess cash is invested in short-term investments, including money market funds and mutual funds.

NOTE D - DUE TO RELATED PARTIES

The Society works closely with approximately 68 local and regional chapters located throughout North and South America, Europe, and the Pacific Rim. Such chapters are independently chartered and locally governed, and are not included in the Society's combined financial statements. The Society collects chapter dues and assessments from members on behalf of the chapters in addition to the Society's annual membership dues. Total amounts due to chapters at June 30, 2023 and 2022 were \$120,054 and \$106,885, respectively. Amounts due to chapters are remitted semi-annually.

NOTE E - INVESTMENTS

Investments are summarized as follows at June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Equity securities (ETFs, CEFs, mutual funds)	\$ 1,294,008	\$ 1,285,918
Fixed income securities (ETFs, CEFs, mutual funds)	<u>1,109,719</u>	<u>950,695</u>
Total investments	<u>\$ 2,403,727</u>	<u>\$ 2,236,613</u>

American Society of Appraisers and Affiliates

NOTES TO COMBINED FINANCIAL STATEMENTS for Years Ended June 30, 2023 and 2022

NOTE E - INVESTMENTS (continued)

Investment returns are summarized as follows for the years ended June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Interest and dividends	\$ 87,838	\$ 55,794
Net realized and unrealized gain (loss)	150,423	(316,991)
Investment management fees	(16,494)	(18,037)
Totals	<u>\$ 221,767</u>	<u>\$(279,234)</u>

Investment returns are reported net of related investment expenses in the combined statements of activities. The amount of expenses netted with revenues was \$16,494 and \$18,037 for the years ended June 30, 2023 and 2022, respectively.

NOTE F - FAIR VALUE OF FINANCIAL INSTRUMENTS

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described below:

- Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Society has the ability to access.
- Level 2: Inputs to the valuation methodology include (a) quoted prices for similar assets or liabilities in active markets; (b) quoted prices for identical or similar assets or liabilities in inactive markets; (c) inputs other than quoted prices that are observable for the asset or liability; and (d) inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs. Following is a description of the valuation methodologies used for assets measured at fair value.

Equity Securities

These funds are valued at the closing price reported on the active market on which individual securities are traded.

American Society of Appraisers and Affiliates

NOTES TO COMBINED FINANCIAL STATEMENTS for Years Ended June 30, 2023 and 2022

NOTE F - FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Fixed Income Securities

These funds are valued at the closing price reported on the active market on which individual securities are traded.

In determining the appropriate levels, the Society performs a detailed analysis of the assets and liabilities that are subject to this reporting requirement. The recorded values of financial instruments, including cash and cash equivalents, accounts receivable, other current assets, accounts payable, accrued expenses and deferred revenue, approximate their fair values as of June 30, 2023 and 2022 because of the relatively short maturity of these instruments.

The availability of market data is monitored to assess the appropriate classification of investments within the fair value hierarchy. Changes in economic conditions or valuation techniques may require the transfer of investments from one fair value level to another. In such instances, the transfer is reported at the end of the reporting period. The Society evaluates the significance of transfers between levels based upon the nature of the investment and size of the transfer relative to total net assets available for benefits.

For the years ended June 30, 2023 and 2022, there were no significant transfers into or out of Levels 1, 2 or 3.

The following tables summarize the Society's investments by level within the fair value hierarchy as of June 30, 2023.

	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Equity securities				
(ETFs, CEFs, mutual funds)	\$ 1,294,008	\$ 1,294,008	\$ 0	\$ 0
Fixed income securities				
(ETFs, CEFs, mutual funds)	<u>1,109,719</u>	<u>1,109,719</u>	<u>0</u>	<u>0</u>
Investments at fair value	<u>\$ 2,403,727</u>	<u>\$ 2,403,727</u>	<u>\$ 0</u>	<u>\$ 0</u>

The following tables summarize the Society's investments by level within the fair value hierarchy as of June 30, 2022.

	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Equity securities				
(ETFs, CEFs, mutual funds)	\$ 1,285,918	\$ 1,285,918	\$ 0	\$ 0
Fixed income securities				
(ETFs, CEFs, mutual funds)	<u>950,695</u>	<u>950,695</u>	<u>0</u>	<u>0</u>
Investments at fair value	<u>\$ 2,236,613</u>	<u>\$ 2,236,613</u>	<u>\$ 0</u>	<u>\$ 0</u>

American Society of Appraisers and Affiliates

NOTES TO COMBINED FINANCIAL STATEMENTS for Years Ended June 30, 2023 and 2022

NOTE G - LEASE OBLIGATIONS

The Society leases office space in Herndon, Virginia under a non-cancelable operating lease agreement that commenced on December 1, 2021 and expires on January 1, 2034. The lease includes annual rent escalations over the lease term. The Society is responsible for its proportionate share of building costs and real estate taxes.

The Society leases office equipment under operating leases, which expire in May 2026.

The following summarizes the line items in the combined statements of financial position which include amounts for operating leases as of June 30, 2023:

Operating Leases:	
Operating lease right-of-use-assets	<u>\$ 1,925,001</u>
Operating lease liabilities	<u>\$(2,174,499)</u>

The following summarizes the weighted average remaining lease term and discount rate as of June 30, 2023:

Weighted average remaining lease term:	
Operating leases	10.27 years
Weighted average discount rate:	
Operating leases	2.97%

The following summarizes the line items in the combined statements of activities which include the components of lease expense for the year ended June 30, 2023:

Operating lease expense included in operating expenses	\$ 213,774
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The following summarizes cash flow information related to leases for the year ended December 31, 2023:

Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	\$ 102,955
Lease assets obtained in exchange for lease obligations:	
Operating leases	\$ 2,089,609

American Society of Appraisers and Affiliates

NOTES TO COMBINED FINANCIAL STATEMENTS for Years Ended June 30, 2023 and 2022

NOTE G - LEASE OBLIGATIONS (continued)

Maturities of lease liabilities under noncancelable operating leases as of June 30, 2023 are as follows:

<u>For the Year Ending December 31,</u>	
2024	\$ 235,758
2025	236,610
2026	230,344
2027	223,561
2028	229,688
Thereafter	<u>1,380,181</u>
	2,536,142
Interest	<u>(361,643)</u>
Total lease liabilities	<u>\$ 2,174,499</u>

NOTE H - COMMITMENTS AND CONTINGENCIES

The Society holds meetings in various hotels in the United States and contracts for such events in advance. In the event the Society is required to cancel a meeting, it may be liable for cancellation fees, which vary considerably based on the date of cancellation and the proximity of the event date. At June 30, 2023, the Society's maximum commitments for possible liquidated damages totaled approximately \$505,454 for events planned through the report date. Currently, the Society has no plans to cancel any conventions or meetings that would result in liquidated damages. In addition, the Society carries meetings cancellation insurance covering costs associated with event cancellation up to a certain deductible limit.

The Society has entered into contracts with course developers. These contracts pay a development fee upon completion of development. The contracts are cancellable by either party.

NOTE I - CONCENTRATION OF CREDIT RISK

As of June 30, 2023, the Society's cash and cash equivalents was held in several institutions. Bank account balances, at times, may exceed federally insured limits. The Society has not experienced any losses in these accounts, and management believes that the Society is not exposed to significant credit risk on cash and cash equivalent balances.

American Society of Appraisers and Affiliates

NOTES TO COMBINED FINANCIAL STATEMENTS for Years Ended June 30, 2023 and 2022

NOTE J - RETIREMENT PLAN

The Society maintains a defined contribution 401(k) retirement plan for employees who meet certain age and length of service requirements. Employees may contribute a portion of their salaries on a tax-deferred basis up to statutory limits. For the year ended June 30, 2023, the Society made discretionary matching contributions to the plan based upon each participant's contribution up to 5% of the participant's compensation. The Society contributed \$106,355 and \$90,329 to the plan during the fiscal years ended June 30, 2023 and 2022, respectively.

During the year 2022, a deferred compensation plan was established under Internal Revenue Service Code Section 457(b) for the Society's highly compensated employees. The contribution liability for the plan was \$23,625 and \$15,313 as of June 30, 2023 and 2022, respectively.

NOTE K - TECHNOLOGY INVESTMENT/UPGRADE

During the year ended June 30, 2022, the Society began implementation of a strategy to migrate all business applications to the cloud utilizing a Software as a Service (SaaS) solution. The implementation required the replacement of the Society's financial management, member management, learning management and content management (website) systems. The implementation was completed in the first quarter of 2023. Management expensed costs associated with the implementation in accordance with ASU 2018-15. The expenses relate to project management, consulting configuration and software development, training, IT support, data migration and third-party integration services. During the years ended June 30, 2023 and 2022, the Society expensed \$73,210 and \$180,702 in implementation costs, respectively.

NOTE L - CASH FLOW INFORMATION

There were no asset dispositions for the years ended June 30, 2023 and 2022, respectively.

NOTE M - SUBSEQUENT EVENTS

The Society's management has evaluated subsequent events and transactions for potential recognition or disclosure through January 19, 2024, which is the date the combined financial statements were available to be issued.