



Consolidated Financial Statements

December 31, 2019

(with summarized information for December 31, 2018)



Wallace Plese + Dreher
CERTIFIED PUBLIC ACCOUNTANTS + CONSULTANTS

AZ Multihousing Association and Subsidiaries

Contents

December 31, 2019

(with summarized information for December 31, 2018)

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Independent Auditor's Report

Board of Directors
Arizona Multihousing Association

We have audited the accompanying consolidated financial statements of Arizona Multihousing Association and Subsidiaries, which comprise the statement of financial position as of December 31, 2019, and the related 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 Consolidated 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.

Auditor's 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 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 auditor's judgment, including the assessment of the risks of material misstatement of the 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.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Arizona Multihousing Association and Subsidiaries as of December 31, 2019, and the changes in their net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Arizona Multihousing Association and Subsidiaries' December 31, 2018 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated August 14, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.



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Other Matter

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplemental consolidating information 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.

Wallace, Plese + Dreher, S.S.P.

Scottsdale, Arizona

DATE, 2020

DRAFT

Arizona Multihousing Association and Subsidiaries

Consolidated Statements of Financial Position

December 31, 2019

(with summarized information for December 31, 2018)

| | 2019 | 2018 |
|---|---------------------|---------------------|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | \$ 1,406,407 | \$ 1,387,160 |
| Short-term investments | 1,386,894 | 796,080 |
| Accounts receivable, net of allowance for doubtful accounts of \$22,819 and \$23,386 as of December 31, 2019 and 2018, respectively | 83,704 | 66,331 |
| Prepaid expenses | 43,684 | 55,328 |
| Total current assets | 2,920,689 | 2,304,899 |
| Property and equipment, net | 57,537 | 37,578 |
| Other assets | | |
| Interest in Arizona Community Foundation investment pool | 91,660 | 74,433 |
| Deposit | 9,212 | 9,212 |
| Total other assets | 100,872 | 83,645 |
| Total assets | <u>\$ 3,079,098</u> | <u>\$ 2,426,122</u> |
| Liabilities and Net Assets | | |
| Current liabilities | | |
| Accounts payable | \$ 74,545 | \$ 24,844 |
| Accrued expenses | 56,683 | 37,717 |
| Deferred revenue | 512,130 | 617,115 |
| Total current liabilities | 643,358 | 679,676 |
| Deferred rent | 9,635 | 5,669 |
| Total liabilities | 652,993 | 685,345 |
| Commitments and contingency (Note 7) | | |
| Net assets | | |
| Without donor restrictions | | |
| Undesignated | 1,134,075 | 807,103 |
| Board designated | 767,012 | 525,901 |
| Total net assets without donor restrictions | 1,901,087 | 1,333,004 |
| With donor restrictions | 525,018 | 407,773 |
| Total net assets | <u>2,426,105</u> | <u>1,740,777</u> |
| | <u>\$ 3,079,098</u> | <u>\$ 2,426,122</u> |

See Notes to Consolidated Financial Statements

Arizona Multihousing Association and Subsidiaries
Consolidated Statements of Activities
Year Ended December 31, 2019
(with summarized information for year ended December 31, 2018)

| | Net assets without donor restrictions | Net assets with donor restrictions | Total | |
|---|---|--|---------------------|---------------------|
| | | | 2019 | 2018 |
| Revenue, gains and other support | | | | |
| Membership dues | \$ 1,092,885 | \$ - | \$ 1,092,885 | \$ 1,030,057 |
| Conferences and tradeshow | 710,857 | - | 710,857 | 672,960 |
| Publications | 373,898 | - | 373,898 | 360,880 |
| Education and training | 91,629 | - | 91,629 | 79,825 |
| Contributions and grants | 187,496 | 83,427 | 270,923 | 241,491 |
| Fundraising and special events | | | | |
| Fundraising | 83,654 | 33,818 | 117,472 | 121,936 |
| Golf tournaments | 133,300 | - | 133,300 | 140,945 |
| Tribute awards | 309,027 | - | 309,027 | 281,821 |
| Dinner meetings | 83,174 | - | 83,174 | 80,722 |
| Other | 79,299 | - | 79,299 | 115,655 |
| Insurance income | 20,600 | - | 20,600 | 30,933 |
| Other income | - | - | - | 7,200 |
| Net investment return | 153,323 | - | 153,323 | (49,818) |
| Total revenues, gains and other support | <u>3,319,142</u> | <u>117,245</u> | <u>3,436,387</u> | <u>3,114,607</u> |
| Expenses | | | | |
| Programs | | | | |
| Industry development | 436,134 | - | 436,134 | 367,018 |
| Industry training and educational seminars | 165,546 | - | 165,546 | 177,266 |
| Community outreach | 285,544 | - | 285,544 | 317,522 |
| Governmental affairs | 552,937 | - | 552,937 | 550,699 |
| Supporting activities | | | | |
| Membership development | 329,645 | - | 329,645 | 345,236 |
| General and administrative | 375,153 | - | 375,153 | 361,618 |
| Costs of special events and direct benefits to donors | 343,299 | - | 343,299 | 320,689 |
| Fundraising | 262,801 | - | 262,801 | 238,623 |
| Total expenses | <u>2,751,059</u> | <u>-</u> | <u>2,751,059</u> | <u>2,678,671</u> |
| Change in net assets | 568,083 | 117,245 | 685,328 | 435,936 |
| Net assets, beginning of year | <u>1,333,004</u> | <u>407,773</u> | <u>1,740,777</u> | <u>1,304,841</u> |
| Net assets, end of year | <u>\$ 1,901,087</u> | <u>\$ 525,018</u> | <u>\$ 2,426,105</u> | <u>\$ 1,740,777</u> |

See Notes to Consolidated Financial Statements

Arizona Multihousing Association and Subsidiaries

Consolidated Statements of Functional Expenses

Year Ended December 31, 2019

(with summarized information for year ended December 31, 2018)

| | Programs | | | | | Supporting Services | | | | 2019 Total expenses | 2018 Total expenses |
|----------------------------------|-------------------------|--|-----------------------|--------------------------|---------------------|---------------------------|-------------------------------|---|-------------------|---------------------------|---------------------------|
| | Industry development | Industry training and educational seminars | Community outreach | Governemental affairs | Total programs | Membership development | General and administrative | Costs of special events and direct benefits to donors | Fundraising | | |
| Advertising | \$ 1,828 | \$ - | \$ - | \$ - | \$ 1,828 | \$ 13,179 | \$ - | \$ - | \$ - | \$ 15,007 | \$ 12,589 |
| Awards | - | - | - | - | - | - | - | 6,966 | - | 6,966 | 7,294 |
| Bad debt expense | 1,516 | - | - | - | 1,516 | - | 253 | 13 | 1,278 | 3,060 | 1,424 |
| Bank fees | 7,206 | 869 | 130 | - | 8,205 | 14,748 | 4,025 | (1) | 6,129 | 33,106 | 32,009 |
| Bill writing | - | - | - | - | - | - | - | - | - | - | 29,704 |
| Clothing | 2,680 | - | 807 | - | 3,487 | - | - | 7,850 | - | 11,337 | 10,714 |
| Contract services | - | - | - | 390,000 | 390,000 | - | - | - | - | 390,000 | 359,569 |
| Contributions | - | - | 71,409 | 15,000 | 86,409 | - | - | - | - | 86,409 | 83,195 |
| Depreciation | - | - | - | - | - | - | 19,131 | - | - | 19,131 | 17,966 |
| Donations | - | - | 6,750 | 43,262 | 50,012 | - | - | - | 25 | 50,037 | 20,466 |
| Dues and subscriptions | - | - | - | 28,327 | 28,327 | 5,521 | 1,553 | - | - | 35,401 | 26,435 |
| Educational materials | - | 14,599 | 3,039 | - | 17,638 | - | - | - | - | 17,638 | 16,880 |
| Employee payroll and benefits | 203,983 | 103,119 | 156,230 | 52,706 | 516,039 | 214,372 | 132,025 | - | 165,852 | 1,028,287 | 1,024,185 |
| Entertainment | 54 | - | - | - | 54 | - | - | 2,500 | - | 2,554 | 6,109 |
| Event prizes | 5,601 | 187 | - | - | 5,788 | - | - | 3,377 | - | 9,165 | 9,829 |
| Event registration | - | - | - | - | - | - | - | - | - | - | 900 |
| Expense reimbursements | 2,297 | - | - | - | 2,297 | - | - | - | - | 2,297 | 191 |
| Facilities | 111,947 | 1,380 | 3,845 | - | 117,172 | - | - | 135,638 | - | 252,810 | 203,250 |
| Food, beverages, and incidentals | 73,037 | 4,595 | 548 | 2,726 | 80,906 | 1,653 | 169 | 185,456 | - | 268,184 | 266,455 |
| Insurance | - | - | - | - | - | - | 8,966 | - | 502 | 9,468 | 9,418 |
| IT expenses | - | - | - | - | - | - | 47,668 | - | - | 47,668 | 29,666 |
| Market research | - | - | - | - | - | - | 48,543 | - | - | 48,543 | 34,586 |
| Meetings | - | - | - | - | - | - | - | - | - | - | 39,397 |
| Miscellaneous | 202 | - | - | - | 202 | - | 902 | - | 40 | 1,144 | 1,172 |
| Occupancy | 224 | 15,209 | 25,687 | 8,690 | 49,810 | 37,354 | 21,076 | - | 48,314 | 156,554 | 134,998 |
| Office supplies | 5,009 | 4,739 | 1,096 | 1,898 | 12,742 | 3,648 | 5,177 | - | 3,419 | 24,986 | 21,369 |
| Payroll related expenses | 90 | 6,174 | 10,427 | 3,527 | 20,218 | 15,163 | 8,555 | - | 19,610 | 63,546 | 65,578 |
| Postage | 320 | 629 | 63 | 50 | 1,062 | 1,103 | 999 | - | 272 | 3,436 | 5,517 |
| Printed materials | 2,916 | - | - | - | 2,916 | - | - | - | 1,237 | 4,153 | 2,204 |
| Professional services | - | - | - | - | - | - | 26,291 | - | 1,800 | 28,091 | 58,110 |
| Publications | - | - | - | - | - | 15,319 | - | - | 4,436 | 19,755 | 19,221 |
| Repairs and maintenance | - | - | - | - | - | - | 3,441 | - | - | 3,441 | 968 |
| Security | 1,443 | 9 | - | - | 1,452 | - | - | - | - | 1,452 | 1,694 |
| Speaking fees | 13,608 | 8,300 | - | - | 21,908 | - | - | 1,500 | - | 23,408 | 33,761 |
| Sponsorships | - | - | - | - | - | - | - | - | - | - | 6,570 |
| Staff development | - | - | - | - | - | - | 7,557 | - | - | 7,557 | 9,639 |
| Taxes | - | - | - | - | - | - | 1,740 | - | - | 1,740 | 2,672 |
| Travel | 1,581 | 3,717 | 2,101 | 5,597 | 12,996 | 2,624 | 34,285 | - | 3,471 | 53,376 | 52,666 |
| Utilities | 591 | 2,020 | 3,412 | 1,154 | 7,177 | 4,961 | 2,797 | - | 6,416 | 21,351 | 20,301 |
| | <u>\$ 436,134</u> | <u>\$ 165,546</u> | <u>\$ 285,544</u> | <u>\$ 552,937</u> | <u>\$ 1,440,161</u> | <u>\$ 329,645</u> | <u>\$ 375,153</u> | <u>\$ 343,299</u> | <u>\$ 262,801</u> | <u>\$ 2,751,059</u> | <u>\$ 2,678,671</u> |

See Notes to Consolidated Financial Statements

Arizona Multihousing Association and Subsidiaries

Consolidated Statements of Cash Flows

Year ended December 31, 2019

(with summarized information for year ended December 31, 2018)

| | 2019 | 2018 |
|--|----------------------------|----------------------------|
| Cash flows from operating activities | | |
| Change in net assets | \$ 685,328 | \$ 435,936 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities | | |
| Depreciation | 19,131 | 17,966 |
| Recovery of doubtful accounts | (567) | (1,119) |
| Net realized and unrealized (gains)/losses on investments | (100,941) | 76,964 |
| Deferred rent | 3,966 | 5,669 |
| Changes in assets and liabilities | | |
| Accounts receivable | (16,806) | (6,383) |
| Prepaid expenses | 11,644 | (7,682) |
| Accounts payable | 49,701 | 5,867 |
| Accrued expenses | 18,966 | 8,077 |
| Deferred revenue | (104,985) | 55,916 |
| Net cash provided by operating activities | <u>565,437</u> | <u>591,211</u> |
| Cash flows from investing activities | | |
| Proceeds from sales of short-term investments | 205,025 | 212,265 |
| Purchases of short-term investments | (706,711) | (535,572) |
| Purchase of property and equipment | (39,090) | (13,737) |
| Purchases of interest in Arizona Community Foundation investment pool | (5,414) | (22,948) |
| Net cash used in investing activities | <u>(546,190)</u> | <u>(359,992)</u> |
| Increase in cash and cash equivalents | 19,247 | 231,219 |
| Cash and cash equivalents | | |
| Beginning | <u>1,387,160</u> | <u>1,155,941</u> |
| Ending | <u><u>\$ 1,406,407</u></u> | <u><u>\$ 1,387,160</u></u> |

See Notes to Consolidated Financial Statements

AZ Multihousing Association and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2019

(with summarized information for December 31, 2018)

Note 1 – Nature of Operations and Significant Accounting Policies

Nature of operations:

Arizona Multihousing Association (AMA) was organized in May 1966 to promote the interests of the Arizona multihousing rental industry. AMA has approximately 2,310 members who are either property managers or owners of apartment communities or member communities. Together, they represent over 293,500 housing units in 1,570 properties. In addition, there are approximately 525 associate members (vendors) who provide goods and services to the industry.

The Association's regular members work to provide high-quality, professionally managed housing for the one-in-three Arizona residents who live in rental communities. These include a growing number of singles, couples, and retired individuals. They are long-term residents who prefer the freedom of the rental lifestyle, which does not require yard, pool, or interior maintenance and does include resort-like amenities available at many apartment communities.

The Association actively represents the multihousing industry to elected officials at the state, county, and municipal levels. The Association reviews legislation and regulations that directly affect the multihousing industry and its residents. In addition, the Association sponsors a Political Action Committee, Arizona Multihousing Association PAC (AMAPAC), which contributes to political campaigns of candidates whose platforms favor the multihousing industry.

Benefits available to the Association members include education and training, the bi-monthly *Apartment News* publication, annual conferences, trade shows and networking opportunities in Phoenix and Tucson. The Association also produces rental housing forms, and members have access to industry specific job boards and the National Apartment Association's Click & Lease program.

Arizona Multihousing Consulting Corporation (AMCC) (a Subsidiary) was organized in December 1990 to provide for-profit services to the Arizona multihousing industry. The Subsidiary offers various discount insurance programs through Crest Insurance, such as discounts for Smoke-Free Living communities.

Arizona Multihousing Charitable Foundation (AMCF) (a Subsidiary) was primarily established for charitable and educational purposes. The AMCF's Big Hearts committees in Phoenix and Tucson cultivate opportunities and generate financial resources to provide safer communities and enhance resident's and member's lives through programs, fundraising to benefit local charities and the Julie Hurst Scholarship fund. It addresses the needs of the community, children, veterans, housing, and education.

The Association (Association) and Subsidiaries are collectively referred to as "the Association" throughout the notes to the consolidated financial statements.

A summary of the Association's significant accounting policies follows:

Basis of presentation:

The consolidated financial statements include the operations of Arizona Multihousing Association, Arizona Multihousing Consulting Corporation, Arizona Multihousing Association Political Action Committee, and Arizona Multihousing Charitable Foundation. These entities have been consolidated as they have common ownership and management control.

All significant inter-organization transactions and accounts have been eliminated.

AZ Multihousing Association and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2019

(with summarized information for December 31, 2018)

Note 1 – Nature of Operations and Significant Accounting Policies (Continued)

Basis of presentation (continued):

The Association is required to report information regarding the financial position and activities according to two classes of net assets:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Association. These net assets may be used at the discretion of the Association's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors. Donor restrictions are temporary in nature; those restrictions will be met by actions of the Association or by the passage of time.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted explicitly by donor stipulation or by law.

Summarized comparative information:

The consolidated financial statements include certain prior year summarized comparative information for the year ended December 31, 2018 in total, but not by net asset class and separate categories of expenses by program or supporting function. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles (US GAAP). Accordingly, such information should be read in conjunction with the Association's consolidated financial statements for the year ended December 31, 2018, from which the summarized information was derived.

Use of estimates:

The preparation of the consolidated financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents:

For purposes of reporting within the consolidated statements of financial position and cash flows, the Association considers all cash on hand, cash accounts not subject to withdrawal restrictions or penalties, and all highly liquid financial instruments purchased with original maturities of three months or less to be cash equivalents.

The Association maintains its cash in bank accounts with financial institutions which at times may exceed federally insured limits. Accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to certain limits. At December 31, 2019, the Association had approximately \$712,000 in excess of FDIC-insured limits. The Association has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash balances.

Accounts receivable:

Accounts receivable consist primarily of non-interest bearing amounts due for membership, educational and training programs and fundraising events. Receivables from contracts with customers are reported as accounts receivable, net in the accompanying consolidated statements of financial position. Accounts receivable are typically due within 60 days of invoicing. The Association provides an allowance for doubtful accounts receivable based on a detailed review of balances. Accounts receivable are considered past due when payment has not been received within the normal terms extended to that customer; accounts are charged off to expense when the possibility of collection is remote.

AZ Multihousing Association and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2019

(with summarized information for December 31, 2018)

Note 1 – Nature of Operations and Significant Accounting Policies (Continued)

Investments:

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 2 for discussion of fair value measurements. Net investment return/(loss) is reported in the consolidated statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less investment expenses.

Investment securities are exposed to various risks, such as interest rate, market fluctuation, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in risks in the near term could materially affect account balances and the amounts reported in the consolidated statements of financial position and activities and changes in net assets.

Property and equipment:

The Association capitalizes property and furniture over \$1,000, and computer/electronic equipment over \$500. Purchased property and equipment is capitalized at cost. Donated property and equipment is recorded at the fair value at the date of receipt to the Association. Leasehold improvements are amortized over the lesser of the estimated useful life of the leased property or the lease term. Amortization expense is included with depreciation expense in the accompanying financial statements. Maintenance and repairs are charged to operations when incurred. When property and equipment are sold or otherwise disposed of, the asset account and related accumulated depreciation or amortization accounts are relieved, and any gain or loss is included in operations. Depreciation of property and equipment is computed on a straight-line basis over the following estimated useful lives:

| | <u>Years</u> |
|-------------------------|--------------|
| Furniture and equipment | 3-10 |
| Leasehold improvements | 5 |

Interest in Arizona Community Foundation investment pool:

AMCF has established an investment fund ("the Fund") exclusively for its benefit. The Fund is held by Arizona Community Foundation ("ACF"). The Association receives quarterly reports from ACF showing earnings on the amount invested. The agreement with ACF stipulates ACF maintains variance power over the fund and that the fund shall be held and owned by ACF. ACF may distribute, on an annual basis, a fixed percentage of the fund assets. The percentage is determined by the Board of Directors of ACF. The agreement also provides that, upon written request from a majority of the Board of Directors of the Association, additional distributions may be made from the fund assets, even to the exhaustion of the fund, if in the sole judgment of the Board of Directors of ACF the requested distribution is consistent with the objectives and purposes of AMCF.

Deferred rent:

The Association's operating lease agreements for its office space contains a provision for future rent increases. In accordance with generally accepted accounting principles, the Association records monthly rent expense equal to the total of the payments due over the lease term divided by the number of months of the lease term. The difference between rent expense recorded and the amount paid is credited or charged to deferred rent, which is reflected as a separate line item in the accompanying consolidated statement of financial position.

Designation of net assets without donor restrictions:

The Board of Directors of the Association reviews its plans for future support of the Association. It has designated a portion of net assets without donor restrictions as board designated to assure adequate funds are available for such support.

AZ Multihousing Association and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2019

(with summarized information for December 31, 2018)

Note 1 – Nature of Operations and Significant Accounting Policies (Continued)

Revenues and support recognition:

The Association recognizes contributions when cash, securities or other assets, an unconditional promise to give, or a notification of a beneficial interest is received. A portion of the Association's revenue is derived from a cost-reimbursable state and city contract and grant, which is conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Association has incurred expenditures in compliance with specific contract or grant provisions.

The Association has identified membership dues, publications, conferences and tradeshow, fundraising and special events as revenue categories subject to the adoption of ASC 606. Unearned revenue related to membership dues, tradeshow sponsorships, registration, education fees, and tribute fees is reflected as deferred revenue on the consolidated statement of financial position. Revenue recognition varies based on the following revenue streams:

Membership dues

Membership dues are on a calendar year basis and are recognized ratably over the membership period since there are no distinct performance obligations and the general membership benefits are considered a bundled group of performance obligations that are delivered to members throughout the membership period.

Conferences and tradeshow

Conference and tradeshow revenue and conference and tradeshow sponsors and exhibitor revenue are recognized at a point in time when the conference and tradeshow occurs.

Publications

The Association sells advertising space in its major publications, which are provided to members without additional charge as part of their membership benefits. Advertising revenue is recognized in the month of each publication's issue date. Additionally, the Association's members engage in the National Apartment Association (NAA) Click and Lease program. The Association applies the net reporting of revenues as an agent versus as a principal because the Association's performance obligation is to arrange for the provision of the specified service that is provided by a third-party Blue Moon Software.

Education and training

Education and training revenue are recognized at a point in time when the education and training event occurs.

Fundraising and special events

The Association recognizes revenue from fundraising event sales at the time of admission. The Association records fundraising event revenue equal to the cost of direct benefits to donors, and contribution income for the excess received when the event takes place. Additionally, the Association recognizes fundraising and special event sponsorships at a point in time when the event occurs.

The following reconciles revenues by the timing of revenue recognition during the year ended December 31:

| | <u>2019</u> |
|---------------------------------------|---------------------|
| Revenue recognized at a point in time | \$ 1,919,613 |
| Revenue recognized over time | <u>1,092,885</u> |
| | <u>\$ 3,012,498</u> |

AZ Multihousing Association and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2019

(with summarized information for December 31, 2018)

Note 1 – Nature of Operations and Significant Accounting Policies (Continued)

Revenues and support recognition (continued):

Unconditional contributions are recognized when pledged and recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Gifts of cash and other assets are reported with donor restricted support if they are received with donor stipulations that limit the use of the donated assets.

When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as net assets without donor restriction support. Donations of property and equipment are recorded as support at their estimated fair value at the date of donation.

A portion of the Association's revenue is derived from a cost-reimbursable state and city contract and grant, which is conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Association has incurred expenditures in compliance with specific contract provisions. All conditions under the grant to recognize revenue were met as of December 31, 2019.

Donated materials and professional services are reflected as contributions in the accompanying consolidated financial statements at their estimated values at the date of receipt. No amounts have been reflected in the consolidated financial statements for certain donated volunteer services because they did not qualify for recording under the guidelines; however, a substantial number of volunteers have donated significant amounts of their time in the Association's program services. Donated materials used in special events totaled \$35,565 and \$16,705 during the years ended December 31, 2019 and 2018.

Functional expenses:

Expenses are summarized and categorized based upon their functional classification as either program or supporting services. Specific expenses that are readily identifiable to a single program or activity are charged directly to that function. Certain categories of expenses are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include facilities expenses, occupancy and utilities, which are allocated on a square-footage basis, as well as employee payroll, benefits and payroll related expenses, which are allocated on the basis of estimates of time and effort.

Income tax status:

AMA, AMCF and AMAPAC, are not-for-profit organizations operating under Section 501(c)(6), 501(c)(3) and 527, respectively, of the Internal Revenue Code, and are generally exempt from income taxes. Revenue from mailing lists and insurance dividends, net of expenses, has been taxed at the applicable federal and state of Arizona rates through AMCC.

Deferred taxes are provided on a liability method whereby deferred tax assets are recognized for deductible temporary differences and operating losses and tax credit carry-forwards and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when necessary to reduce deferred tax assets to the amount expected to be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

AZ Multihousing Association and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2019

(with summarized information for December 31, 2018)

Note 1 – Nature of Operations and Significant Accounting Policies (Continued)

Income tax status (continued):

The Association has evaluated its tax positions for all open tax years. If assessed, the Association would classify any interest and penalties recognized associated with a tax position as other expenses in the consolidated statements of activities. However, the Association is not currently under audit nor has the Association been contacted by any of these jurisdictions. Based on the evaluation of the Association's tax positions, management believes all tax positions taken would be upheld under an examination. Therefore, no provision for the effects of uncertain tax positions have been recorded for the years ended December 31, 2019 and 2018.

Recently adopted accounting pronouncements:

In June, 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU provides a more robust framework for evaluating whether transactions such as grants and similar contracts with government agencies and others should be accounted for as exchange transactions (that is, revenue from contracts with customers) or contributions. The ASU also assists entities in determining whether a contribution is conditional. The Association adopted the requirements of the ASU as of January 1, 2019. The changes in the ASU have been applied on a modified prospective basis, that is, the changes have been applied to agreements that are either not completed as of January 1, 2019, or entered into after that date. Accordingly, there is no effect on net assets in connection with the adoption of ASU 2018-08.

In May, 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The ASU and all subsequently issued clarifying ASUs supersedes the revenue recognition requirements and most industry-specific guidance in US GAAP. The core principle of the new guidance is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new guidance also includes a cohesive set of disclosure requirements that will provide users of the consolidated financial statements with comprehensive information about the nature, amount, timing, and uncertainty of revenue and cash flows arising from the Association's contracts with customers.

The Association adopted the requirements of the new guidance as of January 1, 2019, using the modified retrospective method of transition.

The adoption of the new guidance did not have a significant impact on the Association's consolidated financial statements. However, the ASU requires that membership dues be presented in the consolidated statement of activities at the transaction price, i.e., net of any NAA membership dues. Previously, such revenues were presented on a gross basis. Accordingly, the Association's 2018 consolidated statement of activities has been revised to conform to the 2019 presentation. The majority of the Association's revenue arrangements generally consist of a single performance obligation to transfer promised goods or services. Based on the Association's evaluation process and review of its contracts with customers, the timing and amount of revenue recognized previously is consistent with how revenue is recognized under the new guidance.

Upcoming accounting standards update:

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which establishes the principles that lessees and lessors shall apply to report useful information to users of financial statements about the amount, timing, and uncertainty of cash flows arising from a lease. ASU 2016-02 is effective for annual periods beginning after December 15, 2021. Early adoption is permitted. The Association is currently evaluating the new guidance and has not determined the precise impact this standard may have on its financial statements.

AZ Multihousing Association and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2019

(with summarized information for December 31, 2018)

Note 1 – Nature of Operations and Significant Accounting Policies (Continued)

Reclassifications:

Certain amounts in 2018 were reclassified to conform to 2019 presentation. The reclassifications did not affect the Association's financial position or results of its operation.

Subsequent events:

Management has evaluated subsequent events through **DATE**, 2020, which is the date the consolidated financial statements were available to be issued.

Note 2 – Fair Value Measurements

FASB ASC 820, *Fair Value Measurements and Disclosures*, establishes a framework for measuring fair value. That framework 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 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described below:

- Level 1 Quoted prices in active markets for identical assets or liabilities.
- Level 2 Quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 Unobservable inputs that are significant and reflect substantial management judgment or estimation, including the use of pricing models, discounted cash flow methodologies or similar techniques.

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 used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2019 and 2018.

Mutual funds: Investments in mutual funds are valued at the daily closing price as reported by the fund. Mutual funds held are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Association are deemed to be actively traded.

Interest in Arizona Community Foundation investment pool: Reported at fair value based on the Association's proportionate ownership of the long-term investment pool of the Arizona Community Foundation (ACF). The ACF values their pooled investments based on the fair value of the underlying assets.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Association believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

AZ Multihousing Association and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2019

(with summarized information for December 31, 2018)

Note 2 – Fair Value Measurements (Continued)

The following table sets forth by level, within the fair value hierarchy, the Association's assets at fair value as of December 31, 2019:

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|----------------------------|---------------------|------------------|----------------|---------------------|
| Mutual funds | \$ 1,386,894 | \$ - | \$ - | \$ 1,386,894 |
| ACF investment pool | - | 91,660 | - | 91,660 |
| Total assets at fair value | <u>\$ 1,386,894</u> | <u>\$ 91,660</u> | <u>\$ -</u> | <u>\$ 1,478,554</u> |

The following table sets forth by level, within the fair value hierarchy, the Association's assets at fair value as of December 31, 2018:

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|----------------------------|-------------------|------------------|----------------|-------------------|
| Mutual funds | \$ 796,080 | \$ - | \$ - | \$ 796,080 |
| ACF investment pool | - | 74,433 | - | 74,433 |
| Total assets at fair value | <u>\$ 796,080</u> | <u>\$ 74,433</u> | <u>\$ -</u> | <u>\$ 870,513</u> |

Note 3 – Property and Equipment

Property and equipment consisted of the following at December 31:

| | <u>2019</u> | <u>2018</u> |
|-------------------------------|------------------|------------------|
| Equipment | \$ 74,200 | \$ 45,738 |
| Furniture | 26,442 | 29,916 |
| Leasehold improvements | <u>36,509</u> | <u>35,972</u> |
| | 137,151 | 111,626 |
| Less accumulated depreciation | <u>79,614</u> | <u>74,048</u> |
| | <u>\$ 57,537</u> | <u>\$ 37,578</u> |

Note 4 – Net Assets

The Association's Board has chosen to place the following limitations on net assets without donor restrictions at December 31:

| | <u>2019</u> | <u>2018</u> |
|------------------------|-------------------|-------------------|
| Operating reserve | \$ 562,401 | \$ 525,901 |
| Better Government Fund | <u>204,611</u> | <u>-</u> |
| | <u>\$ 767,012</u> | <u>\$ 525,901</u> |

AZ Multihousing Association and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2019

(with summarized information for December 31, 2018)

Note 4 – Net Assets (Continued)

Net assets with donor restrictions are restricted for the following at December 31:

| | <u>2019</u> | <u>2018</u> |
|------------------------|-------------------|-------------------|
| Better Government Fund | \$ 252,796 | \$ 174,778 |
| Political action | 39,895 | 34,751 |
| Community outreach | 139,152 | 105,334 |
| Scholarship fund | <u>93,175</u> | <u>92,910</u> |
| | <u>\$ 525,018</u> | <u>\$ 407,773</u> |

Note 5 – Information Regarding Liquidity and Availability

The Association strives to maintain liquid financial assets sufficient to cover 90 days of general expenditures. Financial assets in excess of daily cash requirements are held in investment funds. As a membership organization, the Association receives membership dues throughout the year, which are available to meet annual cash needs for general expenditures. The Association also receives contributions with donor restrictions to be used in accordance with the associated purpose restrictions. In addition, the Association receives support without donor restrictions. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Association considers all expenditures related to its ongoing activities of industry advocacy, educational programs and membership activities as well as the conduct of services undertaken to support those activities to be general expenditures.

The following table reflects the Association's financial assets reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of board designations and donor restrictions as of December 31:

| | <u>2019</u> | <u>2018</u> |
|---|---------------------|---------------------|
| Cash and cash equivalents | \$ 1,406,407 | \$ 1,387,160 |
| Short term investments | 1,386,894 | 796,080 |
| Accounts receivable, net | 70,929 | 66,331 |
| Interest in ACF investment pool | <u>91,660</u> | <u>74,433</u> |
| Total financial assets | 2,955,890 | 2,324,004 |
| Restricted by board for specified purposes | (767,012) | (525,901) |
| Restricted by donors for specified purposes | <u>(525,018)</u> | <u>(407,773)</u> |
| Financial assets available to meet cash needs for general expenditures within one year | <u>\$ 1,663,860</u> | <u>\$ 1,390,330</u> |

In addition to financial assets available to meet general expenditures over the next 12 months, the Association operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures. Refer to the consolidated statements of cash flows, which identifies the sources and uses of the Association's cash and shows positive cash flow generated by operations for fiscal years 2019 and 2018. In the event the need arises to utilize the board designated funds for liquidity purposes, the reserves could be drawn upon through board resolution.

AZ Multihousing Association and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2019

(with summarized information for December 31, 2018)

Note 6 – Related Party Transactions

The Association has a sublease commitment and consulting agreement (Note 7) with Capitol Consulting, LLC, a related party through common management. The current President and CEO of the Association is also the President and Co-Founder of Capitol Consulting, LLC.

Note 7 – Commitments and Contingency

Operating leases:

The Association leases office space and equipment under the terms of operating leases. Minimum future rental commitments for non-cancelable operating leases as of December 31, 2019 are as follows:

| | |
|------|-------------------|
| 2020 | \$ 127,366 |
| 2021 | 131,202 |
| 2022 | 135,206 |
| 2023 | <u>29,870</u> |
| | <u>\$ 423,644</u> |

Sublease commitments:

The Association subleases a portion of the premises to Capitol Consulting, LLC, a related party, under an operating lease that expires February 2023.

The future minimum lease income is as follows:

| | |
|------|------------------|
| 2020 | \$ 20,605 |
| 2021 | 21,273 |
| 2022 | 21,941 |
| 2023 | <u>3,675</u> |
| | <u>\$ 67,494</u> |

Net rent expense for the years ended December 31, 2019 and 2018 was as follows:

| | <u>2019</u> | <u>2018</u> |
|------------------|------------------|------------------|
| Minimum rentals | \$ 124,787 | \$ 98,393 |
| Deferred rent | (3,968) | (16,165) |
| Sublease rentals | <u>(32,330)</u> | <u>(26,351)</u> |
| | <u>\$ 88,489</u> | <u>\$ 55,877</u> |

AZ Multihousing Association and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2019

(with summarized information for December 31, 2018)

Note 7 – Commitments and Contingency (Continued)

Consulting agreement:

The Association has an agreement with Capitol Consulting, LLC, a related party, to provide government relations consulting and management related services thru December 31, 2020, with an option to renew for two additional years. Total non-cancelable, future annual consulting fee commitment as of December 31, 2019 is \$402,000 for 2020.

Total consulting fees paid to Capitol Consulting, LLC for the years ended December 31, 2019 and 2018 were \$390,000 and \$363,255 respectively.

Service agreement:

The Association has an agreement with Cox Communications Arizona, LLC for telecommunication related services through March 31, 2021. The following is a schedule of the non-cancelable, annual service fees as of December 31, 2019:

| | |
|------|------------------|
| 2020 | \$ 9,892 |
| 2021 | <u>2,473</u> |
| | <u>\$ 12,365</u> |

Hotel contracts:

The Association has contractual agreements with multiple hotels to secure facilities for future events. The agreements contain cancellation penalties should the Association decide to cancel an event. Generally, these cancellation fees escalate as the event date nears. The Association currently has no intention on cancelling the event. Thus, no liability has been recorded in the accompanying financial statements, but the approximate cancellation penalty for these events is approximately \$20,000 as of December 31, 2019.

From time to time, the Association is involved in various legal proceedings in the ordinary course of business. In the opinion of management, the results of such proceedings will not have a material adverse effect upon the consolidated financial position or results of operations of the Association.

Note 8 – Income Taxes

At December 31, 2019, AMCC has cumulative federal net operating loss carry-forwards of approximately \$888,000, and a state net operating loss carry-forward of approximately \$707,000. The federal net operating loss carry-forwards began to expire on December 31, 2019, and the state net operating loss carry-forwards will begin to expire on December 31, 2032. The federal carry-forwards resulted in the recognition of federal deferred tax assets of approximately \$186,000 and \$179,000 at December 31, 2019 and 2018, respectively. A valuation allowance of \$186,000 and \$179,000 at December 31, 2019 and 2018, respectively, has been provided to reduce the deferred tax asset to the amount of tax benefit management believes it will likely realize. The change in the valuation allowance for the years ended December 31, 2019 and 2018 was an increase of approximately \$7,000 and decrease of approximately \$55,000, respectively. The state carry-forwards resulted in the recognition of state deferred tax assets of approximately \$35,000 and \$30,000 at December 31, 2019 and 2018. A valuation allowance of \$35,000 and \$30,000 at December 31, 2019 and 2018, respectively, has been provided to reduce the deferred tax asset to the amount of tax benefit management believes it will likely realize. The change in the valuation allowance for both the years ended December 31, 2019 and 2018, was an increase of approximately \$5,000.

AZ Multihousing Association and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2019

(with summarized information for December 31, 2018)

Note 9 – Retirement Plan

The Association has a defined contribution plan under Section 401(k) of the Internal Revenue Code. Under the plan, all participating employees are eligible to receive an employer match. At its discretion, the Association may also contribute a profit sharing contribution to all participating employees. For the years ended December 31, 2019 and 2018, the Association made employer match contributions of \$25,644 and \$23,338, respectively, and elected not to contribute a profit sharing contribution.

Note 10 – Subsequent Events

The Association believes it understands the risks associated with the outbreak of COVID-19, which was declared a pandemic by the World Health Organization on March 11, 2020. The Association is in the process of implementing risk mitigation tactics pertaining to the risk of the impact, if any, COVID-19 may have related to all aspects of the Association's transactions with contributors and vendors, as well as human interaction inside and outside of the Association. As of the report date, the extent to which COVID-19 may impact the Association's financial condition or changes in net assets is uncertain.

On May 12, 2020, the Association received \$149,103 of funds under the Paycheck Protection Program, a loan program established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act, signed into law on March 27, 2020. The loan has a stated interest rate of 1% and requires monthly principal and interest payments commencing November 2020. Some, or all of, the loan proceeds may be eligible for forgiveness under CARES. The loan is uncollateralized and is fully guaranteed by the Federal government.

Supplementary Information

Arizona Multihousing Association and Subsidiaries

Consolidating Statement of Financial Position

December 31, 2019

| | AMA | AMCC | AMAPAC | AMCF | Eliminations | Consolidated |
|--|--------------|-------------|-----------|------------|----------------|--------------|
| Assets | | | | | | |
| Current assets | | | | | | |
| Cash and cash equivalents | \$ 904,111 | \$ 308,280 | 34,590 | \$ 159,426 | \$ - | \$ 1,406,407 |
| Short-term investments | 1,386,894 | - | - | - | - | 1,386,894 |
| Accounts receivable, net | 83,354 | - | - | 350 | - | 83,704 |
| Due from related parties | 1,610,279 | - | - | - | (1,610,279) | - |
| Prepaid expenses | 43,286 | - | - | 398 | - | 43,684 |
| Total current assets | 4,027,924 | 308,280 | 34,590 | 160,174 | (1,610,279) | 2,920,689 |
| Property and equipment, net | 57,537 | - | - | - | - | 57,537 |
| Other assets | | | | | | |
| Investment in subsidiary | 10,000 | - | - | - | (10,000) | - |
| Interest in Arizona Community Foundation investment pool | - | - | - | 91,660 | - | 91,660 |
| Deposit | 9,212 | - | - | - | - | 9,212 |
| Total other assets | 19,212 | - | - | 91,660 | (10,000) | 100,872 |
| Total assets | \$ 4,104,673 | \$ 308,280 | \$ 34,590 | \$ 251,834 | \$ (1,620,279) | \$ 3,079,098 |
| Liabilities and Net Assets | | | | | | |
| Current liabilities | | | | | | |
| Accounts payable | \$ 74,545 | \$ - | \$ - | \$ - | \$ - | \$ 74,545 |
| Due to related parties | - | 1,594,080 | - | 16,199 | (1,610,279) | - |
| Accrued expenses | 54,731 | 949 | - | 1,003 | - | 56,683 |
| Deferred revenue | 512,130 | - | - | - | - | 512,130 |
| Total current liabilities | 641,406 | 1,595,029 | - | 17,202 | (1,610,279) | 643,358 |
| Deferred rent | 9,635 | - | - | - | - | 9,635 |
| Total liabilities | 651,041 | 1,595,029 | - | 17,202 | (1,610,279) | 652,993 |
| Commitments and contingency (Note 7) | | | | | | |
| Net assets (deficit) | | | | | | |
| Without donor restrictions | 3,200,836 | (1,296,749) | (5,305) | 2,305 | - | 1,901,087 |
| With donor restrictions | 252,796 | - | 39,895 | 232,327 | - | 525,018 |
| Capital stock | - | 10,000 | - | - | (10,000) | - |
| | 3,453,632 | (1,286,749) | 34,590 | 234,632 | (10,000) | 2,426,105 |
| Total liabilities and net assets | \$ 4,104,673 | \$ 308,280 | \$ 34,590 | \$ 251,834 | \$ (1,620,279) | \$ 3,079,098 |

Arizona Multihousing Association and Subsidiaries

Consolidating Statement of Financial Position

December 31, 2018

| | AMA | AMCC | AMAPAC | AMCF | Eliminations | Consolidated |
|-----------------------------------|---------------------|-------------------|------------------|-------------------|-----------------------|---------------------|
| Assets | | | | | | |
| Current assets | | | | | | |
| Cash and cash equivalents | \$ 937,454 | \$ 288,670 | 29,446 | \$ 131,590 | \$ - | \$ 1,387,160 |
| Short-term investments | 796,080 | - | - | - | - | 796,080 |
| Accounts receivable, net | 66,230 | - | - | 101 | - | 66,331 |
| Due from related parties | 1,496,009 | - | - | - | (1,496,009) | - |
| Prepaid expenses | 51,969 | - | - | 3,359 | - | 55,328 |
| Total current assets | 3,347,742 | 288,670 | 29,446 | 135,050 | (1,496,009) | 2,304,899 |
| Property and equipment, net | 37,578 | - | - | - | - | 37,578 |
| Other assets | | | | | | |
| Investment in subsidiary | 10,000 | - | - | - | (10,000) | - |
| Interest in ACF investment pool | - | - | - | 74,433 | - | 74,433 |
| Deposit | 9,212 | - | - | - | - | 9,212 |
| Total other assets | 19,212 | - | - | 74,433 | (10,000) | 83,645 |
| Total assets | <u>\$ 3,404,532</u> | <u>\$ 288,670</u> | <u>\$ 29,446</u> | <u>\$ 209,483</u> | <u>\$ (1,506,009)</u> | <u>\$ 2,426,122</u> |
| Liabilities and Net Assets | | | | | | |
| Current liabilities | | | | | | |
| Accounts payable | \$ 23,357 | \$ 940 | \$ - | \$ 547 | \$ - | \$ 24,844 |
| Due to related parties | - | 1,486,503 | - | 9,506 | (1,496,009) | - |
| Accrued expenses | 37,662 | - | - | 55 | - | 37,717 |
| Deferred revenue | 617,115 | - | - | - | - | 617,115 |
| Total current liabilities | 678,134 | 1,487,443 | - | 10,108 | (1,496,009) | 679,676 |
| Deferred Rent | 5,669 | - | - | - | - | 5,669 |
| Total liabilities | 683,803 | 1,487,443 | - | 10,108 | (1,496,009) | 685,345 |
| Commitments (Note 7) | | | | | | |
| Net assets (deficit) | | | | | | |
| Without donor restrictions | 2,545,951 | (1,208,773) | (5,305) | 1,131 | - | 1,333,004 |
| With donor restrictions | 174,778 | - | 34,751 | 198,244 | - | 407,773 |
| Capital stock | - | 10,000 | - | - | (10,000) | - |
| | 2,720,729 | (1,198,773) | 29,446 | 199,375 | (10,000) | 1,740,777 |
| Total liabilities and net assets | <u>\$ 3,404,532</u> | <u>\$ 288,670</u> | <u>\$ 29,446</u> | <u>\$ 209,483</u> | <u>\$ (1,506,009)</u> | <u>\$ 2,426,122</u> |

Arizona Multihousing Association and Subsidiaries

Consolidating Statement of Activities

Year Ended December 31, 2019

| | AMA | AMCC | AMAPAC | AMCF | Eliminations | Consolidated |
|---|--------------|----------------|-----------|------------|--------------|--------------|
| Revenue, gains and other support | | | | | | |
| Membership dues | \$ 1,092,885 | \$ - | \$ - | \$ - | \$ - | \$ 1,092,885 |
| Conferences and tradeshow | 710,857 | - | - | - | - | 710,857 |
| Publications | 373,898 | - | - | - | - | 373,898 |
| Education and training | 91,629 | - | - | - | - | 91,629 |
| Contributions and grants | 250,178 | - | 20,745 | - | - | 270,923 |
| Fundraising and special events | | | | | | |
| Fundraising | - | - | - | 117,472 | - | 117,472 |
| Golf tournaments | 133,300 | - | - | - | - | 133,300 |
| Tribute awards | 309,027 | - | - | - | - | 309,027 |
| Dinner meetings | 83,174 | - | - | - | - | 83,174 |
| Other programs | 78,752 | - | - | 547 | - | 79,299 |
| Insurance income | - | 20,600 | - | - | - | 20,600 |
| Net investment return | 207,407 | - | - | 10,584 | (64,668) | 153,323 |
| Total revenue, gains and other support | 3,331,107 | 20,600 | 20,745 | 128,603 | (64,668) | 3,436,387 |
| Expenses | | | | | | |
| Programs | | | | | | |
| Industry development | 436,125 | 9 | - | - | - | 436,134 |
| Industry training and educational seminars | 164,907 | 639 | - | - | - | 165,546 |
| Community outreach | 198,516 | 1,079 | - | 85,949 | - | 285,544 |
| Governmental affairs | 537,572 | 365 | 15,000 | - | - | 552,937 |
| Supporting activities | | | | | | |
| Membership development | 328,076 | 1,569 | - | - | - | 329,645 |
| General and administrative | 334,597 | 102,886 | 601 | 1,737 | (64,668) | 375,153 |
| Costs of special events and direct benefits to donors | 340,314 | - | - | 2,985 | - | 343,299 |
| Fundraising | 258,097 | 2,029 | - | 2,675 | - | 262,801 |
| Total expenses | 2,598,204 | 108,576 | 15,601 | 93,346 | (64,668) | 2,751,059 |
| Change in net assets | 732,903 | (87,976) | 5,144 | 35,257 | - | 685,328 |
| Net assets (deficit), beginning of year | 2,720,729 | (1,198,773) | 29,446 | 199,375 | (10,000) | 1,740,777 |
| Net assets (deficit), end of year | \$ 3,453,632 | \$ (1,286,749) | \$ 34,590 | \$ 234,632 | \$ (10,000) | \$ 2,426,105 |

Arizona Multihousing Association and Subsidiaries

Consolidating Statement of Activities

Year Ended December 31, 2018

| | AMA | AMCC | AMAPAC | AMCF | Eliminations | Consolidated |
|---|--------------|----------------|-----------|------------|--------------|--------------|
| Revenue, gains and other support | | | | | | |
| Membership dues | \$ 1,030,057 | \$ - | \$ - | \$ - | \$ - | \$ 1,030,057 |
| Conferences and tradeshow | 672,960 | | | | | 672,960 |
| Publications | 360,880 | - | | - | - | 360,880 |
| Education and training | 79,825 | - | - | - | - | 79,825 |
| Contributions and grants | 210,571 | - | 28,085 | 2,835 | - | 241,491 |
| Fundraising and special events | | | | | | |
| Fundraising | - | - | - | 121,936 | - | 121,936 |
| Golf tournaments | 140,945 | - | - | - | - | 140,945 |
| Tribute awards | 281,821 | - | - | - | - | 281,821 |
| Dinner meetings | 80,722 | - | - | - | - | 80,722 |
| Other programs | 92,290 | - | - | 23,365 | - | 115,655 |
| Insurance income | - | 30,933 | - | - | - | 30,933 |
| Net investment return | 14,356 | - | - | (3,803) | (60,371) | (49,818) |
| Other income | 7,200 | - | - | - | - | 7,200 |
| Total revenue, gains and other support | 2,971,627 | 30,933 | 28,085 | 144,333 | (60,371) | 3,114,607 |
| Expenses | | | | | | |
| Programs | | | | | | |
| Industry development | 367,018 | - | - | - | - | 367,018 |
| Industry training and educational seminars | 151,067 | - | - | 26,199 | - | 177,266 |
| Community outreach | 226,843 | - | - | 90,679 | - | 317,522 |
| Governmental affairs | 526,129 | - | 24,570 | - | - | 550,699 |
| Supporting activities | | | | | | |
| Membership development | 345,236 | - | - | - | - | 345,236 |
| General and administrative | 282,945 | 134,865 | 1,110 | 3,069 | (60,371) | 361,618 |
| Costs of special events and direct benefits to donors | 320,689 | - | - | - | - | 320,689 |
| Fundraising | 238,623 | - | - | - | - | 238,623 |
| Total expenses | 2,458,550 | 134,865 | 25,680 | 119,947 | (60,371) | 2,678,671 |
| Change in net assets | 513,077 | (103,932) | 2,405 | 24,386 | - | 435,936 |
| Net assets (deficit), beginning of year | 2,207,652 | (1,094,841) | 27,041 | 174,989 | (10,000) | 1,304,841 |
| Net assets (deficit), end of year | \$ 2,720,729 | \$ (1,198,773) | \$ 29,446 | \$ 199,375 | \$ (10,000) | \$ 1,740,777 |