



Carr, Riggs & Ingram, LLC
Certified Public Accountants
500 Grand Boulevard
Suite 210
Miramar Beach, Florida 32550

(850) 837-3141
(850) 654-4619 (fax)
CRlcpa.com

October 28, 2020

The Board of Directors and Management
Emerald Coast Association of Realtors, Inc.

We are pleased to present the results of our audit of the 2019 financial statements of Emerald Coast Association of Realtors, Inc. ("ECAR").

This report to the Board of Directors and management summarizes our audit, the report issued and various analyses and observations related to ECAR's accounting and reporting. The document also contains the communications required by our professional standards.

Our audit was designed, primarily, to express an opinion on ECAR's 2019 financial statements. We considered ECAR's current and emerging business needs, along with an assessment of risks that could materially affect the financial statements, and aligned our audit procedures accordingly. We conducted the audit with the objectivity and independence that you expect. We received the full support and assistance of ECAR personnel.

At Carr, Riggs & Ingram, LLC (CRI), we are continually evaluating the quality of our professionals' work in order to deliver audit services of the highest quality that will meet or exceed your expectations. We encourage you to provide any feedback you believe is appropriate to ensure that we do not overlook a single detail as it relates to the quality of our services.

This report is intended solely for the information and use of the Board of Directors, management and others within ECAR and should not be used by anyone other than these specified parties.

We appreciate this opportunity to work with you. If you have any questions or comments, please contact me at 850-837-3141 or tfulmer@cricpa.com.

Very truly yours,

Tim Fulmer, CPA
Partner

Required Communications

As discussed with the Board of Directors and management during our planning process, our audit plan represented an approach responsive to the assessment of risk for ECAR. Specifically, we planned and performed our audit to:

- Perform audit services, as requested by the Board of Directors, in accordance with auditing standards generally accepted in the United States of America, in order to express an opinion on the ECAR’s financial statements for the year ended December 31, 2019;
- Communicate directly with the Board of Directors and management regarding the results of our procedures; and
- Address with the Board of Directors and management any accounting and financial reporting issues.
- Anticipate and respond to concerns of the Board of Directors and Management; and
- Other audit-related projects as they arise and upon request.

We have audited the financial statements of Emerald Coast Association of Realtors, Inc. for the year ended December 31, 2019, and have issued our report thereon dated October 28, 2020. Professional standards require that we provide you with the following information related to our audit:

MATTER TO BE COMMUNICATED	AUDITOR’S RESPONSE
<p>Auditor’s responsibility under Generally Accepted Auditing Standards</p>	<p>As stated in our engagement letter dated June 15, 2018 our responsibility as described by professional standards is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America (GAAP). Our audit of the financial statements does not relieve you or management of your responsibilities.</p> <p>As part of our audit, we considered the internal control of ECAR. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.</p>

Required Communications

MATTER TO BE COMMUNICATED	AUDITOR'S RESPONSE
Client's responsibility	Management, with oversight from those charged with governance, is responsible for establishing and maintaining internal controls, including monitoring ongoing activities; for the selection and application of accounting principles; and for the fair presentation in the financial statements of financial position, results of operations, and cash flows in conformity with the applicable framework. Management is responsible for the design and implementation of programs and controls to prevent and detect fraud.
Planned scope and timing of the audit	Our initial audit plan was delayed due to staff changes and outages.
Management judgments and accounting estimates	Please see the following section titled "Accounting Policies, Judgments and Sensitive Estimates & CRI Comments on Quality."
Potential effect on the financial statements of any significant risks and exposures	No such significant risks or exposures were noted.

Required Communications

MATTER TO BE COMMUNICATED	AUDITOR'S RESPONSE
<p>Significant accounting policies, including critical accounting policies and alternative treatments within generally accepted accounting principles and the auditors' judgment about the quality of accounting principles.</p>	<p>Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by ECAR are described in Note 2 to ECAR's financial statements. Please see the following section titled "Accounting Policies, Judgments and Sensitive Estimates & CRI Comments on Quality" for changes in accounting policies adopted in the current year.</p> <p>We noted no transactions entered into by ECAR during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.</p> <p>Further, ECAR's financial statement disclosures are neutral, consistent, and clear. Certain Association financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting ECAR's financial statements are the disclosures regarding Note 2: Functional Allocation of Expenses, Note 9: Fair Value Measurements, Note 11: Revenue recognition for ASC 606 adoption, and Note 14: Subsequent Events.</p>
<p>Significant difficulties encountered in the audit</p>	<p>Our audit plan was delayed due to staff changes in the accounting department and additional delays due to COVID-19.</p>
<p>Disagreements with management</p>	<p>None.</p>
<p>Other findings or issues</p>	<p>None.</p>
<p>Corrected and uncorrected misstatements</p>	<p>Please see the following section titled "Summary of Audit Adjustments."</p>
<p>Matters arising from the audit that were discussed with, or the subject of correspondence with, management</p>	<p>None.</p>

Required Communications

MATTER TO BE COMMUNICATED	AUDITOR'S RESPONSE
Consultations with other accountants	ECAR has outsourced part of the accounting function to a third party CPA firm. We consulted with the CPA firm during performance of our audit procedures.
Written representations	We have requested certain representations from management that are included in the management representation letter dated October 28, 2020.
Internal control deficiencies	None.
Fraud and illegal acts	We are unaware of any fraud or illegal acts involving management or causing material misstatement of ECAR's financial statements.
Other matters	None.

Accounting Policies, Sensitive Estimates and Significant Disclosures & CRI Comments on Quality

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Association are described in Note 2 to the financial statements. The Financial Accounting Standards Board (FASB) issued new accounting guidance that created Topic 606, *Revenue from Contracts with Customers*, in the Accounting Standards Codification. The Association adopted the requirements of the new guidance as of January 1, 2019. No other changes in accounting policies or their application occurred during the year.

Accounting estimates are an integral part of the financial statements prepared by management and are based on your knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

We are required to communicate our judgments about the quality, not just the acceptability, of ECAR's accounting principles as applied in its financial reporting. We are also required to communicate critical accounting policies and sensitive accounting estimates. Management may wish to monitor through the year the process used to compute and record these accounting estimates. The table below summaries our communications regarding these matters.

AREA	ACCOUNTING POLICY	CRITICAL POLICY?	JUDGMENTS & SENSITIVE ESTIMATE	COMMENTS ON QUALITY OF ACCOUNTING POLICY & APPLICATION
Property and Equipment Estimated Lives	ECAR provides estimated lives for property and equipment	X	Depreciation is based on management's review of the underlying life of the asset which may or may not result in the actual useful life of the asset.	ECAR's policies are in accordance with all applicable guidelines.

**Accounting Policies, Sensitive Estimates and Significant Disclosures & CRI
Comments on Quality**

AREA	ACCOUNTING POLICY	CRITICAL POLICY?	JUDGMENTS & SENSITIVE ESTIMATE	COMMENTS ON QUALITY OF ACCOUNTING POLICY & APPLICATION
Functional Allocation of Expenses	ECAR allocates salaries and other expenses that are associated with a specific program directly to the program. Salaries and other expenses that benefit multiple programs are allocated based on each program's volume of activity relative to the specific expense	X	ECAR's functional allocation of expenses policy is applied consistently however allocation of expenses requires management judgement.	ECAR's policies are in accordance with all applicable guidelines.

Summary of Audit Adjustments

During the course of our audit, we accumulate differences between amounts recorded by ECAR and amounts that we believe are required to be recorded under GAAP. Those adjustments are either recorded (corrected) by ECAR or passed (uncorrected). In connection with our audit, we proposed the following material adjustment which was corrected by management:

- An adjustment totaling approximately \$132,000 to record depreciation expense and accumulated depreciation.
- An adjustment totaling approximately \$700,000 to properly record prepaid assessment fee dues as of December 31, 2019; which will be recognized as dues income in 2020.
- An adjustment totaling approximately \$111,000 to record prepaid MLS dues for credits provided in December 2019.

In connection with our audit, we identified no uncorrected adjustments in the current year.

QUALITATIVE MATERIALITY CONSIDERATIONS

In evaluating the materiality of audit differences when they do arise, we consider both quantitative and qualitative factors, for example:

- Whether the difference arises from an item capable of precise measurement or whether it arises from an estimate, and, if so, the degree of imprecision inherent in the estimate.
- Whether the difference masks a change in earnings or other trends.
- Whether the difference changes a net decrease in assets to addition, or vice versa.
- Whether the difference concerns an area of ECAR's operating environment that has been identified as playing a significant role in ECAR's operations or viability.
- Whether the difference affects compliance with regulatory requirements.
- Whether the difference involves concealment of an unlawful transaction.