

**Emerald Coast Association  
of Realtors, Inc.**

**FINANCIAL STATEMENTS**

December 31, 2019



**CRI** CARR  
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**Emerald Coast Association of Realtors, Inc.**  
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**December 31, 2019**

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
Emerald Coast Association of Realtors, Inc.  
Fort Walton Beach, Florida

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Emerald Coast Association of Realtors, Inc. (a nonprofit organization) ("ECAR") 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 financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the 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 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 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 financial statements referred to above present fairly, in all material respects, the financial position of Emerald Coast Association of Realtors, Inc. as of December 31, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Emphasis of Matter

As discussed in Note 2 to the financial statements, ECAR implemented new accounting guidance under FASB ASC 606, Revenue from Contracts with Customers. ECAR's implementation of the new accounting standard did not significantly change the recognition of revenues from prior years. Our opinion is not modified with respect to the implementation of the new guidance.

## Report on Summarized Comparative Information

We have previously audited Emerald Coast Association of Realtors, Inc.'s 2018 financial statements, and our report dated May 15, 2020 expressed an unmodified opinion on those audited financial statements. 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 financial statements from which it has been derived.

*Carr, Riggs & Ingram, L.L.C.*

CARR, RIGGS & INGRAM, LLC

Miramar Beach, Florida

October 28, 2020

**Emerald Coast Association of Realtors, Inc.**  
**Statement of Financial Position**  
**(With Comparative Amounts for 2018)**

December 31,	2019	2018
<b>Assets</b>		
Cash and cash equivalents	\$ 1,649,265	\$ 1,413,131
Accounts receivable, net	28,304	39,941
Investments	1,519,142	1,221,637
Prepaid expenses	9,223	6,990
Property and equipment, net	1,257,117	1,341,694
Other assets	5,967	5,967
<b>Total assets</b>	<b>\$ 4,469,018</b>	<b>\$ 4,029,360</b>
<b>Liabilities</b>		
Accounts payable	\$ 134,028	\$ 169,766
Accrued liabilities	46,087	48,144
Capital lease obligation	7,780	13,466
Other liabilities	167,831	136,371
Prepaid MLS fees	111,125	-
Performance obligation	728,268	638,962
<b>Total liabilities</b>	<b>1,195,119</b>	<b>1,006,709</b>
<b>Net assets:</b>		
Net assets without donor restrictions	3,262,193	3,022,651
Net assets with donor restrictions	11,706	-
<b>Total net assets</b>	<b>3,273,899</b>	<b>3,022,651</b>
<b>Total liabilities and net assets</b>	<b>\$ 4,469,018</b>	<b>\$ 4,029,360</b>

The accompanying notes are an integral part of these financial statements.

**Emerald Coast Association of Realtors, Inc.**  
**Statement of Activities**  
**(With Comparative Amounts for 2018)**

For the years ended December 31,	Without Donor Restrictions	With Donor Restrictions	2019 Total	2018 Summarized Total
<b>Support and revenue</b>				
Member dues, less rebate	\$ 1,223,698	\$ -	\$ 1,223,698	\$ 1,081,919
Member service fees	1,523,617	-	1,523,617	1,463,356
Committees	112,271	-	112,271	84,029
Administrative fees	137,291	-	137,291	150,656
Other income	12,414	36,466	48,880	37,148
Information systems	53,962	-	53,962	21,154
Gain on investments	93,781	-	93,781	-
Interest	44,824	-	44,824	36,629
Net assets released from restrictions	24,760	(24,760)	-	-
<b>Total support and revenue</b>	<b>3,226,618</b>	<b>11,706</b>	<b>3,238,324</b>	<b>2,874,891</b>
<b>Expenses</b>				
Program Services				
Membership	491,841	-	491,841	496,745
Member services	741,196	-	741,196	798,622
Professional development	257,709	-	257,709	202,987
<b>Total program expenses</b>	<b>1,490,746</b>	<b>-</b>	<b>1,490,746</b>	<b>1,498,354</b>
Supporting Services				
General and administrative	1,496,330	-	1,496,330	1,664,307
<b>Total expenses</b>	<b>2,987,076</b>	<b>-</b>	<b>2,987,076</b>	<b>3,162,661</b>
<b>Change in net assets</b>	<b>239,542</b>	<b>11,706</b>	<b>251,248</b>	<b>(287,770)</b>
<b>Net assets - beginning of year</b>	<b>3,022,651</b>	<b>-</b>	<b>3,022,651</b>	<b>3,310,421</b>
<b>Net assets - end of year</b>	<b>\$ 3,262,193</b>	<b>\$ 11,706</b>	<b>\$ 3,273,899</b>	<b>\$ 3,022,651</b>

The accompanying notes are an integral part of these financial statements.

**Emerald Coast Association of Realtors, Inc.**  
**Statement of Functional Expenses**  
**(With Comparative Amounts for 2018)**

For the years ended December 31,	Program Services			Supporting Services	2019 Total	2018 Sumamrized Total
	Membership	Member Services	Professional Development	General and Administrative		
Salaries, wages and related costs	\$ 198,185	\$ 206,811	\$ 95,611	\$ 685,170	<b>1,185,777</b>	\$ 1,163,234
Multiple listing service (MLS) expense	-	270,893	-	-	<b>270,893</b>	273,161
Credit card fees	-	-	-	72,062	<b>72,062</b>	60,447
Cost of merchandise sold	-	19,898	-	-	<b>19,898</b>	46,720
Committees	106,288	-	-	-	<b>106,288</b>	88,644
Utilities	-	-	-	59,414	<b>59,414</b>	69,239
Travel	161,786	-	-	21,561	<b>183,347</b>	167,455
Insurance	-	-	-	12,254	<b>12,254</b>	21,875
Information systems	-	243,594	-	-	<b>243,594</b>	228,161
Rent and property taxes	-	-	-	211,966	<b>211,966</b>	209,558
Repairs and maintenance	-	-	-	50,411	<b>50,411</b>	144,547
Office supplies and expense	-	-	-	126,185	<b>126,185</b>	129,728
Professional development	-	-	162,098	-	<b>162,098</b>	117,861
Professional fees	-	-	-	71,203	<b>71,203</b>	18,455
Realtor support	25,582	-	-	-	<b>25,582</b>	45,925
Loss on investments	-	-	-	-	-	37,229
Loss on disposal of fixed assets	-	-	-	-	-	162,913
Other expenses	-	-	-	34,083	<b>34,083</b>	37,569
Bad debt provision	-	-	-	20,000	<b>20,000</b>	-
Depreciation	-	-	-	132,021	<b>132,021</b>	139,940
<b>Total</b>	<b>\$ 491,841</b>	<b>\$ 741,196</b>	<b>\$ 257,709</b>	<b>\$ 1,496,330</b>	<b>\$ 2,987,076</b>	<b>\$ 3,162,661</b>

The accompanying notes are an integral part of these financial statements.

**Emerald Coast Association of Realtors, Inc.**  
**Statement of Cash Flows**  
**(With Comparative Amounts for 2018)**

For the years ended December 31,	2019	2018
<b>Operating activities</b>		
Change in net assets	\$ 251,248	\$ (287,770)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	132,021	139,940
(Gain) loss on investments	(105,954)	37,229
Loss on disposal of fixed assets	-	162,913
Change in operating assets and liabilities:		
Accounts receivable	11,637	38,519
Inventory	-	7,114
Prepaid expenses	(2,233)	4,083
Other assets	-	100
Accounts payable	(35,738)	33,851
Accrued liabilities	(2,057)	8,001
Other liabilities	31,460	32,172
Prepaid MLS fees	111,125	-
Performance obligation	89,306	27,295
<b>Net cash provided by operating activities</b>	<b>480,815</b>	<b>203,447</b>
<b>Investing activities</b>		
Maturity (purchase) of investments	(191,551)	142,419
Purchase of property and equipment	(47,444)	(109,421)
Proceeds from fixed asset disposal	-	250,740
<b>Net cash (used) by investing activities</b>	<b>(238,995)</b>	<b>283,738</b>
<b>Financing activities</b>		
Payments on capital lease	(5,686)	(5,561)
<b>Net cash (used) by financing activities</b>	<b>(5,686)</b>	<b>(5,561)</b>
<b>Net increase in cash and cash equivalents</b>	<b>236,134</b>	<b>481,624</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>1,413,131</b>	<b>931,507</b>
<b>Cash and cash equivalents at end of year</b>	<b>\$ 1,649,265</b>	<b>\$ 1,413,131</b>

The accompanying notes are an integral part of these financial statements.



## **Emerald Coast Association of Realtors, Inc.** **Notes to Financial Statements**

### **NOTE 1: DESCRIPTION OF THE ORGANIZATION**

The Emerald Coast Association of Realtors, Inc. ("ECAR") is a not-for-profit corporation organized under the laws of the State of Florida on October 22, 1964. Its mission is to unify those engaged in the recognized branches of the real estate business for the purpose of exerting a beneficial influence upon matters affecting the real estate business, and to unite those engaged in the real estate business with the Florida Association of Realtors and the National Association of Realtors. This purpose is accomplished through the establishment of a uniform code of ethics, annual meetings, continuing professional education, and publications provided to disseminate information to the profession and the public. ECAR services a geographical area encompassing all of Okaloosa and Walton counties in Florida.

### **NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **Basis of Accounting**

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The Financial Accounting Standards Board (FASB) provides authoritative guidance regarding U.S. GAAP through the Accounting Standards Codification (ASC) and related Accounting Standards Updates (ASUs).

#### **Use of Estimates**

The preparation of U.S. GAAP financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

#### **Comparative Financial Information**

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with ECAR's financial statements for the year ended December 31, 2018, from which the summarized information was derived.

#### **Cash and Cash Equivalents**

Cash and cash equivalents include cash and all highly liquid investments with an original maturity of 90 days or less.

## Emerald Coast Association of Realtors, Inc. Notes to Financial Statements

### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Accounts Receivable

Accounts receivable are stated at unpaid balances, less an allowance for doubtful accounts. ECAR provides for losses on accounts receivable using the allowance method. The allowance is based on experience, third-party contracts, and other circumstances, which may affect the ability of members to meet their obligations. Receivables are considered impaired if full principal payments are not received in accordance with the contractual terms. It is ECAR's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected. At December 31, 2019, the allowance for doubtful accounts totaled \$20,000.

#### Investments

EACR reports investments in equity securities with readily determinable fair values and all investments in debt securities at their fair values in the Statement of Financial Position. Unrealized gains and losses are included in the change in net assets in the accompanying Statement of Activities. Investment income and gains restricted by donors are reported as increases in net assets without donor restrictions if the restrictions are met (either a stipulated time period ends, or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized.

#### Prepaid Expenses

Certain payments to vendors reflect cost applicable to future accounting periods and are recorded as prepaid items on the Balance Sheet. These items will be expensed over the applicable usage period.

#### Property and Equipment

Property and equipment acquired by ECAR is capitalized at cost. Additions and betterments of \$5,000 or more are capitalized, while maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed as incurred. Depreciation is computed using the straight-line method. Estimated useful lives used in computing depreciation are as follows:

Buildings	40 years
Parking lot	15 years
Furniture and equipment	3 to 7 years

#### Net Assets

ECAR 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.

## Emerald Coast Association of Realtors, Inc. Notes to Financial Statements

### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Net Assets (Continued)

Net assets with donor restrictions are subject to donor imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, such as those that the donor stipulates that resources be maintained in perpetuity. ECAR has \$11,706 of net assets with donor restrictions as of December 31, 2019.

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 ECAR, the environment in which it operates, the purposes specified in 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.

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 financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

#### Contract Assets and Liabilities

Contract assets represent revenue recognized in excess of amounts billed. No such amounts are reported on the Balance Sheet as of December 31, 2019. Contract liabilities represent annual membership dues collected in advance of the contract period or amounts billed in excess of revenue recognized. These liabilities are reported on the Balance Sheet as prepaid MLS fees and performance obligation liabilities.

#### Revenue Recognition

Membership dues and program service fees payments under cost reimbursable contracts are accounted for under ASC Topic 606, Revenue from Contracts with Customers (ASC 606), recognizing revenue when performance obligations under the terms of the contracts with customers are satisfied. Prior to the adoption of ASC 606, the Company recognized revenue when persuasive evidence of an arrangement existed, delivery of products had occurred, the sales price was fixed or determinable and collectability was reasonably assured.

Member dues are billed in September each year for the following calendar year and are recognized as revenue during the period for which they are assessed.

Member service fee revenue primarily relates to member usage of the Multiple Listing Service (MLS). Members are billed a flat rate per month for this service. Revenues are recognized when billed for the monthly service provided.

## Emerald Coast Association of Realtors, Inc. Notes to Financial Statements

### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Revenue Recognition

Committees revenue includes fees for continuing professional education courses and are included in revenue when earned.

Administrative fees are obtained by ECAR for administration of the Supra Keybox system. These fees paid by a third party company are recognized as revenue when earned.

Information systems consist of IDX fees charged to external vendors. Information system revenue is recognized as revenue when earned.

Gain on investments/interest consists of investment earnings. Revenues are recognized when earned or incurred.

#### Functional Allocation of Expenses

Direct identifiable expenses are charged to the related programs and supporting services. Expenses relating to salaries and other expenses that are associated with a specific program are charged directly to that program. Salaries and other expenses that benefit more than one program are allocated to the various programs based on each program's volume of activity relative to the specific expense.

#### Advertising

Advertising costs are expensed as incurred and for 2019 totaled \$67,803. Advertising expense is included in office supplies and expense in the Statement of Functional Expenses.

#### Income Taxes

Under section 501(c)(6) of the Internal Revenue Code, ECAR is exempt from taxes on income other than unrelated business income. Under these provisions, no tax is paid on income received from its members. Accordingly, no provision for income taxes is provided in the accompanying financial statements. ECAR annually files Form 990 as required for not-for-profit organizations.

ECAR utilizes the accounting requirements associated with uncertainty in income taxes using the provisions of Financial Accounting Standards Board (FASB) ASC 740, Income Taxes. Using that guidance, tax positions initially need to be recognized in the financial statements when it is more-likely-than-not the positions will be sustained upon examination by the tax authorities. It also provides guidance for derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. As of December 31, 2019, ECAR has no uncertain tax provisions that qualify for recognition or disclosure in the financial statements. ECAR believes it is no longer subject to income tax examinations for years prior to 2017.

**Emerald Coast Association of Realtors, Inc.**  
**Notes to Financial Statements**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Subsequent Events**

Management has evaluated subsequent events through the date that the financial statements were available to be issued, October 28, 2020. See Note 14 for relevant disclosures. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

**Recent Accounting Pronouncements**

In May 2014, the Financial Accounting Standards Board (FASB) issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606). This guidance specifies that an entity should recognize 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. This ASU and its amendments supersede the revenue recognition requirements in Topic 605, Revenue Recognition, and most industry specific guidance. Effective January 1, 2019, ECAR adopted ASC 606. There were no prior year adjustments made or required upon adopting the new accounting standard.

**NOTE 3: FINANCIAL ASSET AVAILABILITY**

ECAR maintains its financial assets primarily in cash and cash equivalents to provide liquidity to ensure funds are available as ECAR's expenditures come due. The following reflects ECAR's financial assets as of the statement of financial position date, reduced by amounts not available for general use within one year of the statement of financial position date because of contractual or donor-imposed restrictions.

December 31,	<b>2019</b>
Financial assets, at year-end	\$ 3,196,711
Less those not available for general expenditures within one year, due to contractual or donor-imposed restrictions	
Restricted by donor with time or purpose restrictions	(11,706)
Financial assets available to meet cash needs for general expenditures	\$ 3,185,005

Financial assets at year-end as noted in the above schedule exclude prepaid expenses, property and equipment, and other assets.

**Emerald Coast Association of Realtors, Inc.**  
**Notes to Financial Statements**

**NOTE 4: INVESTMENTS**

Investments consist of the following:

December 31,	2019
Annuity contract	\$ 86,497
Certificates of deposit	204,773
Common stocks	324,546
Corporate bonds	207,234
Mutual funds	280,707
U.S government and agency securities	415,385
<b>Total investments</b>	<b>\$ 1,519,142</b>

The annuity contract is measured at amortized cost plus accumulated interest which approximates fair value. The annuity contract renews on an annual basis and has a stated interest rate of 3%. At December 31, 2019, the annuity contract had an amortized cost value of \$86,497. Any withdrawal on this contract in excess of 10% of the value prior to maturity is subject to a surrender charge.

The certificates of deposit are measured at amortized cost which approximates fair value, plus accrued interest. Terms for these investments are for 12 months, maturing February 2020 and extended in 2020, with 0.25% interest rate.

The investments in corporate bonds, common stocks, U.S. government and agency securities, and mutual funds are all valued at fair value as of the end of the year. See Note 8 for additional disclosures.

**NOTE 5: PROPERTY AND EQUIPMENT, NET**

Property and equipment is summarized as follows:

December 31,	2019
Land	\$ 157,928
Buildings	1,409,201
Furniture and equipment	1,096,960
Parking lot	9,222
Signs	28,836
<b>Total property and equipment</b>	<b>2,702,147</b>
<b>Less: accumulated depreciation</b>	<b>(1,445,030)</b>
<b>Property and equipment, net</b>	<b>\$ 1,257,117</b>

Depreciation expense for the year ended December 31, 2019 was \$132,021.

**Emerald Coast Association of Realtors, Inc.**  
**Notes to Financial Statements**

**NOTE 6: OTHER LIABILITIES**

State and national realtor association dues are billed in advance with the member's local dues billing. Dues are billed in September each year for the following calendar year and are due by January 10. Dues collected prior to December 31 for other organizations are not included in revenues but are included as other liabilities as follows:

December 31,	2019
State and national association dues	\$ 78,291
MLS deposits	81,146
Miscellaneous liabilities	8,394
Total	\$ 167,831

**NOTE 7: CAPITAL LEASE AGREEMENT**

In 2016, ECAR entered into a five-year lease agreement for financing the acquisition of office equipment. This non-cash financing transaction qualifies as a capital lease for accounting purposes as a result of the ownership of the asset being transferred from the lessor to ECAR at the end of the lease term. The equipment has been capitalized and is included in property and equipment at a cost of \$27,583 on the accompanying Balance Sheet. Depreciation expense was \$5,517 for this leased asset for 2019.

At December 31, 2019, the future minimum lease obligations and net present value of those payments are as follows:

Year ending December 31,	
2020	\$ 5,927
2021	1,976
Total minimum lease payments	7,903
Less amount representing interest	(123)
Present value of net minimum lease payments	\$ 7,780

**Emerald Coast Association of Realtors, Inc.**  
**Notes to Financial Statements**

**NOTE 8: NET ASSETS**

A summary of net assets with donor restrictions follows:

December 31,	2019
Purpose restricted	
Soldiers on the Water contributions	\$ 11,706
Total net assets with donor restrictions	\$ 11,706

**NOTE 9: FAIR VALUE MEASUREMENTS**

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. There are three levels of inputs that may be used to measure fair values:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices, such as:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs, other than quoted prices, that are:
  - observable; or
  - can be corroborated by observable market data.

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 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. There have been no changes in the methodologies used at December 31, 2019.

Common Stocks: Valued at the closing price reported on the active market on which the individual securities are traded.



**Emerald Coast Association of Realtors, Inc.**  
**Notes to Financial Statements**

**NOTE 9: FAIR VALUE MEASUREMENTS (Continued)**

Corporate Bonds: Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.

Mutual Funds: Valued at the daily closing price as reported by the fund. Mutual funds held by ECAR are open-end mutual funds that are registered with the SEC. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by ECAR are deemed to be actively traded.

U.S. Government and Agency Securities: Valued using pricing models maximizing the use of observable inputs for similar securities.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although ECAR 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.

The following tables set forth by level, within the fair value hierarchy, ECAR's investment assets at fair value as of December 31, 2019:

December 31, 2019	Amortized Cost	Level 1	Level 2	Level 3	Total
Common stocks	\$ -	\$ 324,546	\$ -	\$ -	\$ 324,546
Corporate bonds	-	-	207,234	-	207,234
Mutual funds	-	280,707	-	-	280,707
U.S. Government and agencies	-	-	415,385	-	415,385
Contract annuity	86,497	-	-	-	86,497
Certificates of deposit	204,773	-	-	-	204,773
<b>Total investments</b>	<b>\$ 291,270</b>	<b>\$ 605,253</b>	<b>\$ 622,619</b>	<b>\$ -</b>	<b>\$ 1,519,142</b>

**Changes in Fair Value Levels**

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period.

Management evaluated the significance of transfer between levels based upon the nature of the financial instrument and size of the transfer relative to total net assets available for benefits. For the year ended December 31, 2019, there were no significant transfers in or out of Levels 1, 2 or 3.

**Emerald Coast Association of Realtors, Inc.**  
**Notes to Financial Statements**

**NOTE 10: CONCENTRATION OF CASH CREDIT RISK**

ECAR maintains its cash accounts at federally insured financial institutions. Cash balances are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000 per financial institution. ECAR has cash balances on deposit at December 31, 2019 that exceed the balance insured by the FDIC.

**NOTE 11: REVENUE**

ECAR is recognizing revenue over time for its member dues. As of December 31, 2019, there is \$728,268 of performance obligations to be satisfied, of which all will be recognized in revenue in 2020. These performance obligations are based upon services pending for prepaid membership dues received for the 2020 calendar year.

The ECAR's method of recognizing revenues is the input method for performance obligations to be utilized over time.

For the year ended December 31,	<b>2019</b>
<b>Recognized over time</b>	
Member dues	\$ 1,223,698
Member services	1,523,617
Committees	112,271
Information systems	53,962
Other income	48,880
<b>Recognized at a point in time</b>	
Administrative fees	137,291
<b>Not subject to ASC Topic 606</b>	
Gain on investments	93,781
Interest	44,824
Total revenue	\$ 3,238,324

Approximately 71% of the revenue earned was at a point in time consisting of member application fees, member service fees, merchandise sales, committee revenues, information system revenues, and investment income. The remaining 29% was recognized over time and consisted of membership dues.

ECAR's membership primarily consists of local realtors located in the Okaloosa and Walton counties in Florida.

**Emerald Coast Association of Realtors, Inc.**  
**Notes to Financial Statements**

**NOTE 11: REVENUE (Continued)**

**Contract Balances**

December 31,	2019
Contract liabilities	
Prepaid dues - beginning balance	\$ -
Prepaid MLS fees - ending balance	111,125
Performance obligation liabilities - beginning balance	638,962
Performance obligation liabilities - ending balance	728,268

**NOTE 12: COMMITMENTS**

ECAR is under contract with a company to provide an internet-accessible MLS program which allows members to enter, search and retrieve data related to real estate sales listings. The contract expired in March 2017 and was renewed for additional five years. Under the renewed contract, ECAR is required to pay \$6.60 per member per month if less than 4,000 members and \$6.20 per member per month if 4,000 or more members.

On February 2016, ECAR entered into a commercial office lease agreement. The 60-month lease began on April 1, 2016 and provides for the lease of 2,690 square feet of space in Santa Rosa Beach, Florida. Base rent is \$5,380 per month. In March 2017, the parties amended the contract to expand the leased space to include an additional 2,394 square feet, for a total square footage of 5,083. The new lease term was effective from May 1, 2017 through April 30, 2022. The new base rent is \$10,369 per month. Total base rent payable over the lease period is \$647,574. ECAR is also assessed \$7.00 per square foot per year for common area maintenance and utilities. At the end of the lease term, ECAR has the option to extend the term of the lease for an additional five year period.

Minimum base future lease payments are as follows:

For the year ending December 31,	
2020	\$ 131,192
2021	133,819
2022	44,900
Total	\$ 309,911

**Emerald Coast Association of Realtors, Inc.**  
**Notes to Financial Statements**

**NOTE 13: DEFINED CONTRIBUTION PLAN**

ECAR established a 401(k) defined contribution plan that covers all employees of ECAR during 2018. The plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA). Participants may contribute a percentage of their annual compensation to the plan not to exceed the limits allowable by the Internal Revenue Service. ECAR makes contributions to the plan on behalf of the participant equal to 100% of the participant's contribution, limited to 3% of the participant's annual compensation. Matching contributions to the plan during 2019 reflected in the accompanying Statement of Activities totaled \$31,194.

**NOTE 14: SUBSEQUENT EVENTS**

In March 2020, the World Health Organization made the assessment that the outbreak of a novel coronavirus (COVID-19) can be characterized as a pandemic. As a result, uncertainties have arisen that may have a significant negative impact on the operating activities and results of ECAR and its investments. The occurrence and extent of such an impact will depend on future developments, including (i) the duration and spread of the virus, (ii) government quarantine measures, (iii) voluntary and precautionary restrictions on travel or meetings, (iv) the effects on the financial markets, and (v) the effects on the economy overall, all of which are uncertain.

In response to reduced operations as noted above, management has applied for and been approved for a SBA Paycheck Protection Program loan in the amount of \$191,764 on May 5, 2020. The note is payable in monthly principal and interest installments starting December 5, 2020, bears interest at 1.0%, and matures May 5, 2022.