



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

**FINANCIAL STATEMENTS**

**December 31, 2021**



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## **INDEPENDENT AUDITORS' REPORT**

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

### **Opinion**

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, 2021, and the related Statements of Activities, Functional Expenses, and Cash Flows for the year then ended, and the related notes to the financial statements.

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, 2021, 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.

### **Basis for Opinion**

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

### **Responsibilities of Management for the Financial Statements**

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raises substantial doubt about Emerald Coast Association of Realtors, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and

therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risk of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risk. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Emerald Coast Association of Realtors, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Emerald Coast Association of Realtors, Inc.'s ability to continue as a going concern for a reasonable period of time.

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

#### **Report on Summarized Comparative Information**

We have previously audited Emerald Coast Association of Realtors, Inc.'s 2020 financial statements, in our report dated December 13, 2021 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, 2020 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  
February 13, 2023

**Emerald Coast Association of Realtors, Inc.**  
**Statement of Financial Position**

<i>December 31,</i>	<b>2021</b>	<b>2020</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 3,185,169	\$ 2,048,726
Accounts receivable, net	18,082	78,827
Investments	1,748,383	1,860,909
Prepaid expenses	27,890	2,050
Property and equipment, net	1,148,730	1,125,592
Other assets	6,217	7,017
<hr/>		
Total assets	\$ 6,134,471	\$ 5,123,121
<hr/>		
<b>Liabilities</b>		
Accounts payable	\$ 93,354	\$ 84,846
Accrued liabilities	67,456	71,124
Capital lease obligation	-	1,967
Other liabilities	148,593	169,040
Performance obligation	976,458	796,252
<hr/>		
Total liabilities	1,285,861	1,123,229
<hr/>		
<b>Net assets</b>		
Without donor restrictions	4,848,610	3,999,892
With donor restrictions	-	-
<hr/>		
Total net assets	4,848,610	3,999,892
<hr/>		
Total liabilities and net assets	\$ 6,134,471	\$ 5,123,121
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*The accompanying notes are an integral part of these financial statements.*

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

<i>For the year ended December 31, 2021</i>	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>	2020 Summarized Total
<b>Support and revenue</b>				
Member dues, less rebate	\$ 1,511,784	\$ -	\$ <b>1,511,784</b>	\$ 1,285,308
Member service fees	1,943,660	-	<b>1,943,660</b>	1,755,474
Committees	173,182	-	<b>173,182</b>	52,166
Administrative fees	211,700	-	<b>211,700</b>	227,235
Other income	30,593	-	<b>30,593</b>	200,059
Information systems	47,578	-	<b>47,578</b>	39,146
Gain on investments	89,149	-	<b>89,149</b>	80,793
Interest	33,338	-	<b>33,338</b>	44,497
Net assets released from restrictions	-	-	-	-
<b>Total support and revenue</b>	<b>4,040,984</b>	<b>-</b>	<b>4,040,984</b>	<b>3,684,678</b>
<b>Expenses</b>				
<i>Program Services</i>				
Membership	1,198,829	-	<b>1,198,829</b>	617,226
Member services	991,480	-	<b>991,480</b>	822,221
Professional development	299,620	-	<b>299,620</b>	224,454
<b>Total program services</b>	<b>2,489,929</b>	<b>-</b>	<b>2,489,929</b>	<b>1,663,901</b>
<i>Supporting Services</i>				
General and administrative	702,337	-	<b>702,337</b>	1,294,784
<b>Total expenses</b>	<b>3,192,266</b>	<b>-</b>	<b>3,192,266</b>	<b>2,958,685</b>
<b>Change in net assets</b>	<b>848,718</b>	<b>-</b>	<b>848,718</b>	<b>725,993</b>
Net assets - beginning of year	3,999,892	-	<b>3,999,892</b>	3,273,899
<b>Net assets - end of year</b>	<b>\$ 4,848,610</b>	<b>\$ -</b>	<b>\$ 4,848,610</b>	<b>\$ 3,999,892</b>

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

**Emerald Coast Association of Realtors, Inc.**  
**Statement of Functional Expenses**

<i>For the years ended December 31,</i>	Program Services			Supporting Services	<b>2021 Total</b>	2020 Summarized Total
	Membership	Member Services	Professional Development	General and Administrative		
Salaries, wages and related costs	\$ 586,397	\$ 320,068	\$ 120,845	\$ 283,372	<b>\$ 1,310,682</b>	\$ 1,165,126
Multiple listing service (MLS) expense	-	355,260	-	-	<b>355,260</b>	317,135
Credit card fees	-	45,184	-	45,184	<b>90,368</b>	72,377
Cost of merchandise sold	-	20,119	-	-	<b>20,119</b>	20,223
Committees	216,800	-	-	-	<b>216,800</b>	144,648
Utilities	26,257	14,737	8,040	15,550	<b>64,584</b>	63,783
Travel	61,319	-	-	18,590	<b>79,909</b>	57,739
Insurance	7,982	4,357	1,645	3,857	<b>17,841</b>	14,989
Information systems	78,429	132,809	16,162	37,899	<b>265,299</b>	263,489
Rent and property taxes	96,864	52,871	19,961	46,808	<b>216,504</b>	207,075
Repairs and maintenance	19,584	10,689	4,036	9,463	<b>43,772</b>	55,032
Office supplies and expense	10,668	5,698	2,198	87,486	<b>106,050</b>	112,386
Professional development	6,078	-	115,643	-	<b>121,721</b>	119,593
Professional fees	6,600	-	-	61,423	<b>68,023</b>	117,274
Realtor support	27,180	-	-	-	<b>27,180</b>	30,729
Other expenses	9,899	5,251	1,863	71,070	<b>88,083</b>	65,562
Depreciation	44,772	24,437	9,227	21,635	<b>100,071</b>	131,525
<b>Total</b>	<b>\$ 1,198,829</b>	<b>\$ 991,480</b>	<b>\$ 299,620</b>	<b>\$ 702,337</b>	<b>\$ 3,192,266</b>	<b>\$ 2,958,685</b>

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

**Emerald Coast Association of Realtors, Inc.**  
**Statement of Cash Flows**

<i>For the years ended December 31,</i>	<b>2021</b>	<b>2020</b>
<b>Operating activities</b>		
Change in net assets	\$ 848,718	\$ 725,993
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Bad debt recovery	(13,214)	-
Depreciation	100,071	131,525
(Gain) loss on investments	(89,149)	(80,793)
Change in operating assets and liabilities:		
Accounts receivable	73,959	(50,523)
Prepaid expenses	(25,840)	7,173
Other assets	800	(1,050)
Accounts payable	8,508	(49,182)
Accrued liabilities	(3,668)	25,037
Other liabilities	(20,447)	1,209
Prepaid MLS fees	-	(111,125)
Performance obligation	180,206	67,984
<b>Net cash provided (used) by operating activities</b>	<b>1,059,944</b>	<b>666,248</b>
<b>Investing activities</b>		
Maturity (purchase) of investments	201,675	(260,974)
Purchase of property and equipment	(123,209)	-
<b>Net cash provided (used) by investing activities</b>	<b>78,466</b>	<b>(260,974)</b>
<b>Financing activities</b>		
Payments on capital lease	(1,967)	(5,813)
<b>Net cash provided (used) by financing activities</b>	<b>(1,967)</b>	<b>(5,813)</b>
Net increase in cash and cash equivalents	1,136,443	399,461
Cash and cash equivalents at beginning of year	2,048,726	1,649,265
<b>Cash and cash equivalents at end of year</b>	<b>\$ 3,185,169</b>	<b>\$ 2,048,726</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, 2020, 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 shown 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, 2021, the allowance for doubtful accounts totaled \$5,000.

***Investments***

ECAR 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. These assets are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. If such events or circumstances indicate the cost of any long-lived asset may be impaired, an evaluation of recoverability would be performed. Depreciation is computed using the straight-line method.

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

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

***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.

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 no net assets with donor restrictions as of December 31, 2021.

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, 2021. 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.

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

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

***Revenue Recognition***

Member dues are primarily billed in advance during the 4<sup>th</sup> quarter each year for the subsequent 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.

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 Key box 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, rent, information technology, depreciation, 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 2021 totaled \$72,409. 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.

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

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

***Income Taxes***

It also provides guidance for de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. As of December 31, 2021, 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 2018.

***Subsequent Events***

Management has evaluated subsequent events through the date that the financial statements were available to be issued, February 13, 2023. See Note 12 for relevant disclosures. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

**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.

<i>December 31,</i>	<b>2021</b>
Financial assets, at year-end *	\$ 4,951,634
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	-
Financial assets available to meet cash needs for general expenditures within one year	\$ 4,951,634

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

ECAR is principally supported by its dues and fees charged for the services it provides to its members.

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

**NOTE 4: INVESTMENTS**

Investments consist of the following:

<i>December 31,</i>	<b>2021</b>
Annuity contract	\$ 91,765
Certificates of deposit	161,285
Common stocks	746,062
Corporate bonds	180,230
Mutual funds	278,745
U.S government and agency securities	290,296
<b>Total investments</b>	<b>\$ 1,748,383</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, 2021, the annuity contract had an amortized cost value of \$91,765. 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 plus accrued interest, which approximates fair value. Terms for these certificates of deposit range from 12 to 60 months, maturing January 2022 through January 2023, with interest rates ranging from 2.20 – 2.80% .

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 7 for additional fair value disclosures.

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

Property and equipment is summarized as follows:

<i>December 31,</i>	Estimated Useful Lives (in years)	<b>2021</b>
Land	N/A	\$ 157,928
Buildings	39	1,532,409
Furniture and equipment	2-6	1,069,377
Parking lot	14	9,222
Signs	6-14	28,836
<b>Total property and equipment</b>		<b>2,797,772</b>
<b>Less: accumulated depreciation</b>		<b>(1,649,042)</b>
<b>Property and equipment, net</b>		<b>\$ 1,148,730</b>

Depreciation expense for the year ended December 31, 2021 was \$100,071.

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

**NOTE 6: OTHER LIABILITIES**

MLS security deposits are retained by the Association and reported in 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. Other liabilities consists of the following:

<i>December 31,</i>	<b>2021</b>
State and national association dues	\$ 22,946
Security deposits	98,885
Miscellaneous liabilities	26,762
<b>Total</b>	<b>\$ 148,593</b>

**NOTE 7: 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.

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

**NOTE 7: FAIR VALUE MEASUREMENTS (Continued)**

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, 2021 from prior years.

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

*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, 2021:

<i>December 31, 2021</i>	Amortized <i>Cost</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
Common stocks	\$ -	\$ 746,062	\$ -	\$ -	\$ 746,062
Corporate bonds	-	-	180,230	-	180,230
Mutual funds	-	278,745	-	-	278,745
U.S. Government and agencies	-	-	290,296	-	290,296
Contract annuity	91,765	-	-	-	91,765
Certificates of deposit	161,285	-	-	-	161,285
<b>Total investments</b>	<b>\$ 253,050</b>	<b>\$ 1,024,807</b>	<b>\$ 470,526</b>	<b>\$ -</b>	<b>\$ 1,748,383</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.



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

**NOTE 7: FAIR VALUE MEASUREMENTS (Continued)**

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, 2021, there were no significant transfers in or out of Levels 1, 2 or 3.

**NOTE 8: 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, 2021 that exceed the balance insured by the FDIC.

**NOTE 9: REVENUE**

ECAR is recognizing revenue over time for its member dues. As of December 31, 2021, there is \$976,458 of performance obligations to be satisfied, of which all will be recognized in revenue in 2022. These performance obligations are based upon services pending for prepaid membership dues received for the 2022 calendar year.

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

***Disaggregated Revenue***

For the year ended December 31,	<b>2021</b>
<b><i>Recognized over time</i></b>	
Member dues	\$ 1,511,784
Member services	1,943,660
Committees	173,182
Information systems	47,578
Other income	30,593
<b><i>Recognized at a point in time</i></b>	
Administrative fees	211,700
<b><i>Not subject to ASC Topic 606</i></b>	
Gain on investments	89,149
Interest	33,338
Total revenue	\$ 4,040,984

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

**NOTE 9: REVENUE (Continued)**

Approximately 92% of the revenue earned was over time consisting of member application fees, member service fees, merchandise sales, committee revenues, information system revenues, and other income. The remaining 10% of Association revenue was recognized at a point in time.

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

***Contract Balances***

December 31,	<b>2021</b>
Contract liabilities	
Performance obligation liabilities - beginning balance	\$ 796,252
Performance obligation liabilities - ending balance	976,458

**NOTE 10: COMMITMENTS**

***Operating Leases***

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 lease has been further modified on multiple occasions since 2017 and extended through October 2023. Base rent is \$10,369 per month through April 2022, \$11,449 per month from May 2022 through April 2023, and \$12,849 per month from May 2023 through October 2023. 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.

Minimum base future lease payments are as follows:

<i>For the year ending December 31,</i>	
2022	\$ 127,852
2023	122,893
Total	
	\$ 250,745

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

**NOTE 10: COMMITMENTS (Continued)**

In March 2021, ECAR entered into a five-year operating lease agreement for six copy machines. At December 31, 2021, the future minimum lease obligations of those payments are as follows:

*For the year ending December 31,*

2022	\$	19,524
2023		19,524
2024		19,524
2025		19,524
2026		3,254
<hr/>		
Total	\$	81,350

***Contract 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 October 8, 2021, ECAR entered into a construction contract with a contractor to build a new 6,000 sq. ft. office complex in Santa Rosa Beach, Florida in the amount of \$2,225,000.

**NOTE 11: 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 4% of the participant's annual compensation. Matching contributions to the plan during 2021 reflected in the accompanying Statement of Activities totaled \$49,189.

**NOTE 12: SUBSEQUENT EVENTS**

In January 2022, ECAR acquired land in Santa Rosa Beach, FL for \$725,000.

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

**NOTE 12: SUBSEQUENT EVENTS (Continued)**

In February 2022, ECAR deposited \$775,000 in an escrow account for construction of the new office building in Santa Rosa Beach, FL and obtained a construction interest only loan with Beach Bank for \$1,450,000 plus closing costs of \$31,000. The non-revolving construction loan has a stated interest rate of 2.2% above SOFR rate. ECAR purchased an interest rate swap with a 4% interest rate. The construction loan matures in May 2023, requires monthly interest payments, and will convert to a term loan with principal and interest payments starting June 2023 and maturing February 2037. The loan is collateralized with the real estate and the new office building under construction. In January 2023, construction commenced for the new office complex.

**NOTE 13: LITIGATION**

In December 2021, a former employee filed suit against ECAR alleging breach of contract. The former employee is seeking salary and benefit compensation from January 2022 through December 2023. Written discovery has commenced, and the Plaintiff's deposition is scheduled for February 17, 2023. ECAR is confident about the merits of its defense to the Plaintiff's claim and intends to defend the claim vigorously.