



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

**FINANCIAL STATEMENTS**

**December 31, 2022**



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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, 2022, 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, 2022, 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.

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

CARR, RIGGS & INGRAM, LLC

Miramar Beach, Florida  
November 29, 2023

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

*December 31,*

**2022**

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**Assets**

Cash and cash equivalents	\$ 3,294,523
Accounts receivable, net	73,464
Investments	1,679,017
Operating lease right of use assets, net	56,815
Prepaid expenses	80,016
Property and equipment, net	1,939,074
Other assets	6,217

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Total assets	\$ 7,129,126
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**Liabilities**

Accounts payable	\$ 188,884
Accrued liabilities	108,821
Operating lease liability	56,815
Other liabilities	145,242
Performance obligation	1,096,854

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Total liabilities	1,596,616
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**Net assets**

Without donor restrictions	5,532,510
With donor restrictions	-

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Total net assets	5,532,510
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Total liabilities and net assets	\$ 7,129,126
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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, 2022</i>	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Support and revenue</b>			
Member dues	\$ 1,621,806	\$ -	\$ 1,621,806
Member service fees	2,151,670	-	2,151,670
Committees	187,253	-	187,253
Administrative fees	243,194	-	243,194
Other income	35,299	-	35,299
Information systems	63,729	-	63,729
Loss on investments	(183,318)	-	(183,318)
Interest	31,531	-	31,531
<b>Total support and revenue</b>	<b>4,151,164</b>	<b>-</b>	<b>4,151,164</b>
<b>Expenses</b>			
<i>Program Services</i>			
Membership	1,404,104	-	1,404,104
Member services	1,138,307	-	1,138,307
Professional development	417,718	-	417,718
<b>Total program services</b>	<b>2,960,129</b>	<b>-</b>	<b>2,960,129</b>
<i>Supporting Services</i>			
General and administrative	507,135	-	507,135
<b>Total expenses</b>	<b>3,467,264</b>	<b>-</b>	<b>3,467,264</b>
<b>Change in net assets</b>	<b>683,900</b>	<b>-</b>	<b>683,900</b>
Net assets - beginning of year	4,848,610	-	4,848,610
<b>Net assets - end of year</b>	<b>\$ 5,532,510</b>	<b>\$ -</b>	<b>\$ 5,532,510</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	2022 Total
	Membership	Member Services	Professional Development	General and Administrative	
Salaries, wages and related costs	\$ 544,162	\$ 366,993	\$ 151,859	\$ 202,479	\$ 1,265,493
Multiple listing service (MLS) expense	-	369,086	-	-	369,086
Credit card fees	49,480	49,481	-	-	98,961
Cost of merchandise sold	-	24,567	-	-	24,567
Committees	271,778	-	-	-	271,778
Utilities	27,656	17,410	7,208	12,589	64,863
Travel	119,330	-	-	22,852	142,182
Insurance	11,328	7,640	3,161	4,216	26,345
Information systems	116,930	185,792	5,999	8,000	316,721
Rent and property taxes	102,423	69,076	28,583	38,111	238,193
Repairs and maintenance	20,336	13,715	5,675	12,568	52,294
Office supplies and expense	11,116	7,342	3,187	68,858	90,503
Professional development	15,052	-	197,266	-	212,318
Professional fees	-	-	-	79,488	79,488
Realtor support	70,211	-	-	-	70,211
Other expenses	8,696	3,191	4,843	44,725	61,455
Depreciation	35,606	24,014	9,937	13,249	82,806
<b>Total</b>	<b>\$ 1,404,104</b>	<b>\$ 1,138,307</b>	<b>\$ 417,718</b>	<b>\$ 507,135</b>	<b>\$ 3,467,264</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>2022</b>
<b>Operating activities</b>	
Change in net assets	\$ 683,900
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Depreciation	82,806
Unrealized (gain) loss on investments	183,318
Change in operating assets and liabilities:	
Accounts receivable	(55,382)
Prepaid expenses	(52,126)
Other assets	-
Accounts payable	95,530
Accrued liabilities	41,365
Operating lease liability	15,958
Other liabilities	(3,351)
Performance obligation	120,396
<b>Net cash provided (used) by operating activities</b>	<b>1,112,414</b>
<b>Investing activities</b>	
Maturity (purchase) of investments	(113,952)
Purchase of property and equipment	(873,150)
<b>Net cash provided (used) by investing activities</b>	<b>(987,102)</b>
<b>Financing activities</b>	
Payments on capital lease	(15,958)
<b>Net cash provided (used) by financing activities</b>	<b>(15,958)</b>
Net increase in cash and cash equivalents	109,354
Cash and cash equivalents at beginning of year	3,185,169
<b>Cash and cash equivalents at end of year</b>	<b>\$ 3,294,523</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.

#### ***Program Services***

*Membership* - ECAR provides access to industry information, consultation, and costs savings programs.

*Member services* - ECAR provides access to Multiple Listing Service (MLS) and other related subscriber services.

*Professional development* - ECAR provides continuing education within the industry for its members and non-members through webinars, conferences, and self-study materials.

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

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

***Cash and Cash Equivalents***

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

***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, 2022, 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)**

***Leases***

ECAR leases certain equipment for operations. Management determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use (ROU) assets and operating lease liabilities in the balance sheet.

ROU assets represent the ECAR's right to use an underlying asset for the lease term and lease liabilities represent the ECAR's obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. As most of the leases do not provide an implicit rate, management uses the incremental borrowing rate based on the information available at the commencement date in determining the present value of lease payments. The operating lease ROU assets also include any lease payments made and excludes lease incentives. Our lease terms may include options to extend or terminate the lease when it is reasonably certain that the ECAR will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

Certain lease agreements include rental payments based on usage. Lease liabilities are not remeasured as a result of changes in usage; instead, changes in usage are treated as variable lease payments and are excluded from the measurement of the right-of-use asset and lease liability. These payments are recognized in the period in which the related obligation was incurred. There were no variable lease cost recognized and disclosed for in 2022.

The equipment lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Management has elected to apply the short-term lease exemption to the office lease which is extended on a short-term basis until ECAR moves into its newly constructed facilities in 2023. The short-term lease cost recognized and disclosed for this lease in 2022 is \$217,733.

In determining the discount rate used to measure the right-of-use asset and lease liability, the Company uses rates implicit in the lease, or if not readily available, ECAR uses the incremental borrowing rate. The incremental borrowing rate is based on an estimated secured rate comprised of a risk-free rate plus a credit spread as secured by the ECAR's assets. Determining a credit spread as secured by ECAR's assets may require significant judgment.

***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 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, 2022.

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, 2022. 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 performance obligation liabilities.

***Revenue Recognition***

Revenue from membership dues and program service fee 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.

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.

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

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

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 2022 totaled \$58,331. 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 de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. As of December 31, 2022, 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 2019.

**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, November 29, 2023 and determined there were no events that occurred that required disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

***Recent Accounting Pronouncements***

In February 2016, the Financial Accounting Standards Board (FASB) issued guidance (Accounting Standards Codification (ASC) 842, *Leases*) to increase transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the balance sheet. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

Effective January 1, 2022, ECAR adopted ASC 842 and recognized and measured leases existing at, or entered into after, January 1, 2022 (the beginning of the period of adoption) through a cumulative effect adjustment, with certain practical expedients available. Lease disclosures for the year ended December 31, 2021 are made under prior lease guidance in FASB ASC 840.

ECAR elected the available practical expedients to account for existing capital leases and operating leases as finance leases and operating leases, respectively, under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard, (b) whether classification of capital leases or operating leases would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

As a result of the adoption of the new lease accounting guidance, ECAR recognized on January 1, 2022 a lease liability of \$72,773, which represents the present value of the remaining operating lease payments of \$81,350, discounted using the incremental borrowing rate of 5.58%, and a right-of-use asset of \$72,773.

The standard had a material impact on the balance sheet, but did not have an impact on the statement of income or statement of cash flows. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases.

**Emerald Coast Association of Realtors, Inc.**  
**Notes to 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>2022</b>
Financial assets, at year-end *	\$ 5,047,004
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	\$ 5,047,004

\* Financial assets at year-end as noted in the above schedule exclude operating lease right of use assets, 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.

**NOTE 4: INVESTMENTS**

Investments consist of the following:

<i>December 31, 2022</i>	<i>Cost</i>	<i>Market Value</i>
Certificates of deposit	\$ 302,417	\$ 302,417
Common stocks	812,859	830,417
Corporate bonds	91,044	80,265
Mutual funds	275,807	242,653
U.S government and agency securities	244,181	223,265
Total investments	\$ 1,726,308	\$ 1,679,017

The certificates of deposit are measured at amortized cost plus accrued interest, which approximates fair value. Original terms for these certificates of deposit range from 12 to 60 months, maturing January 2023 through January 2024, with interest rates ranging from 2.20 – 2.80% .

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

**NOTE 4: INVESTMENTS (Continued)**

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>2022</b>
Land	N/A	\$ 882,928
Buildings	39	1,532,409
Furniture and equipment	2-6	1,084,397
Parking lot	14	9,222
Construction in progress	N/A	133,129
Signs	6-14	28,836
Total property and equipment		3,670,921
Less: accumulated depreciation		(1,731,847)
Property and equipment, net		\$ 1,939,074

Depreciation expense for the year ended December 31, 2022 was \$82,806.

**NOTE 6: OTHER LIABILITIES**

MLS security deposits are retained by the Association and reported in other liabilities. These deposits are refundable when a member becomes inactive and the member's receivable balance is zero. 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>2022</b>
State and national association dues	\$ 26,758
MLS security deposits	108,175
Miscellaneous liabilities	10,309
Total	\$ 145,242



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

**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.

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, 2022 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.

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

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

*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, 2022:

<i>December 31, 2022</i>	Amortized <i>Cost</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
Common stocks	\$ -	\$ 830,417	\$ -	\$ -	\$ 830,417
Corporate bonds	-	-	80,265	-	80,265
Mutual funds	-	242,653	-	-	242,653
U.S. Government and agencies	-	-	223,265	-	223,265
Certificates of deposit	302,417	-	-	-	302,417
<b>Total investments</b>	<b>\$ 302,417</b>	<b>\$ 1,073,070</b>	<b>\$ 303,530</b>	<b>\$ -</b>	<b>\$ 1,679,017</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, 2022, 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, 2022 that exceed the balance insured by the FDIC.

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

**NOTE 9: LEASES**

In March 2021, ECAR entered into a five-year lease agreement for six copy machines. As of December 31, 2022, assets recorded under operating leases totaled \$56,815.

In 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 on a short-term basis while the new office building is under construction.

The components of lease expense were as follows:

<i>For the year ended December 31,</i>	2022
Operating equipment lease cost- minimum lease payments	\$ 19,524
Operating equipment lease cost	\$ 19,524
Short-term office lease cost	\$ 217,733

Other information related to leases was as follows:

<i>For the year ended December 31,</i>	2022
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	
- minimum lease payments	\$ 19,524
	\$ 19,524

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

**NOTE 9: LEASES (Continued)**

<i>For the years ended December 31,</i>	<u>2022</u>
Right-of-use assets obtained in exchange for lease obligations	
Operating leases	\$ 56,815
Weighted average remaining lease term	
Operating leases	3.17 years
Weighted average discount rate	
Operating leases	5.58%

Future minimum lease payments under non-cancellable leases as of December 31, 2022, were as follows:

<i>For the years ending December 31,</i>	<u>Operating Leases</u>
2023	\$ 19,524
2024	19,524
2025	19,524
2026	3,254
<hr/>	
Total future minimum lease payments	61,826
Less imputed interest	(5,011)
<hr/>	
Present value of lease liabilities	<u>\$ 56,815</u>

Reported as of December 31, 2022

Operating lease liabilities, current	\$ 17,941
Operating lease liabilities, noncurrent	38,874
<hr/>	
Total	<u>\$ 56,815</u>

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

**NOTE 10: REVENUE**

ECAR is recognizing revenue over time for its member dues. As of December 31, 2022, there is \$1,096,854 of performance obligations to be satisfied, of which all will be recognized in revenue in 2023. These performance obligations are based upon services pending for prepaid membership dues received for the 2023 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>2022</b>
<b><i>Recognized over time</i></b>	
Member dues	\$ 1,621,806
Member services	2,151,670
Committees	187,253
Information systems	63,729
Other income	35,299
<b><i>Recognized at a point in time</i></b>	
Administrative fees	243,194
<b><i>Not subject to ASC Topic 606</i></b>	
Loss on investments	(183,318)
Interest	31,531
Total revenue	\$ 4,151,164

Approximately 98% 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 2% 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>2022</b>
<b>Contract liabilities</b>	
Performance obligation liabilities - beginning balance	\$ 976,458
Performance obligation liabilities - ending balance	1,096,854

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

**NOTE 11: 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 2022 and was renewed for an additional three years. Under the renewed contract, ECAR is required to pay \$6.60 per member per month if less than 4,000 members, \$6.20 per member per month if 4,000 but less than 5,000 members, and \$6.10 per member per month if 5,000 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. As of December 31, 2022, expenses incurred related to the contract totaled approximately \$133,000.

**NOTE 12: 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 2022 reflected in the accompanying Statement of Activities totaled \$50,609.

**NOTE 13: LITIGATION**

In December 2021, a former employee filed suit against ECAR alleging breach of contract. The former employee was seeking salary and benefit compensation from January 2022 through December 2023. In May 2023, ECAR reached a settlement with the former employee and the suit was dismissed.