Georgia Association of REALTORS®, Inc.

FINANCIAL STATEMENTS

December 31, 2019

CARR RIGGS & INGRAM

CPAs and Advisors

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REPORT

CRI CARR RIGGS & INGRAM
CPAs and Advisors

Carr, Riggs & Ingram, LLC
4004 Summit Boulevard NE
Suite 800
Atlanta, GA 30319

770.394.8000
770.451.2873 (fax)
CRIcpa.com

INDEPENDENT AUDITORS' REPORT

Board of Directors
Georgia Association of REALTORS®, Inc.

We have audited the accompanying financial statements of Georgia Association of REALTORS®, Inc. (the Association), 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 auditors' 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 auditors consider internal control relevant to the Association'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 Association'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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Georgia 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.

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

CARR, RIGGS & INGRAM, LLC

Atlanta, Georgia
August 25, 2020

FINANCIAL STATEMENTS

Statement of Financial Position

December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Assets			
Current assets			
Cash and cash equivalents	$ 4,167,998	$ 20,177	$ 4,188,175
Marketable securities	3,423,728	-	3,423,728
Other current assets	194,319	-	194,319
Total current assets	7,786,045	20,177	7,806,222
Property and equipment, net	4,868,938	-	4,868,938
Total assets	$ 12,654,983	$ 20,177	$ 12,675,160
Liabilities and Net Assets			
Current liabilities			
Accounts payable and accrued liabilities	$ 190,689	$ -	$ 190,689
Deferred revenue	1,219,022	-	1,219,022
Total current liabilities	1,409,711	-	1,409,711
Net assets			
Without donor restrictions	11,245,272	-	11,245,272
With donor restrictions	-	20,177	20,177
Total net assets	11,245,272	20,177	11,265,449
Total liabilities and net assets	$ 12,654,983	$ 20,177	$ 12,675,160

The accompanying notes are an integral part of this financial statement.

For the year ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support			
Membership dues	$ 3,958,341	$ -	$ 3,958,341
Forms licenses	1,057,832	-	1,057,832
Publication of Georgia REALTOR® Magazine	23,020	-	23,020
Products, services and other	39,858	-	39,858
Education programs	363,380	-	363,380
Meeting registration and fees	321,242	-	321,242
Management fees	58,000	-	58,000
REALTOR® Issues Action Committee revenue	167,931	-	167,931
Insurance Trustees Fund revenue	7,438	-	7,438
Investment income, net	412,283	-	412,283
Rental income	176,007	-	176,007
Total revenue and support	6,585,332	-	6,585,332
Expenses			
Program services	4,022,930	-	4,022,930
General and administrative	1,442,244	-	1,442,244
Total expenses	5,465,174	-	5,465,174
Change in net assets	1,107,633	-	1,107,633
Net assets at beginning of year	10,137,639	20,177	10,157,816
Net assets at end of year	$ 11,245,272	$ 20,177	$ 11,265,449

The accompanying notes are an integral part of this financial statement.

Georgia Association of REALTORS ®, Inc.
Statement of Functional Expenses

For the year ended December 31, 2019

	Program Services	General and Administrative	Total
Compensation and benefits	$ 1,576,744	$ 675,747	$ 2,252,491
Membership service	1,578,511	-	1,578,511
Fund expenses	329,658	-	329,658
Depreciation	148,620	63,694	212,314
Contract services	183,224	-	183,224
Building expenses	74,977	32,133	107,110
Office expense	-	144,465	144,465
Professional services	-	110,528	110,528
Computer expense	-	110,182	110,182
Publications	103,149	-	103,149
Bank and credit card fees	-	89,302	89,302
Miscellaneous expense	-	66,714	66,714
Donations	-	60,070	60,070
Repairs and maintenance	28,047	12,020	40,067
Marketing and public relations	-	34,149	34,149
Sponsorships	-	27,250	27,250
Insurance	-	15,990	15,990
Total	$ 4,022,930	$ 1,442,244	$ 5,465,174

The accompanying notes are an integral part of this financial statement.

Georgia Association of REALTORS ®, Inc.
Statement of Cash Flows

For the year ended December 31, 2019

Operating activities	
Change in net assets	$ 1,107,633
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:	
Depreciation	212,314
Loss on sale of property and equipment	13,320
Unrealized and realized gain on investments and reinvested dividends, net of fees	(394,494)
Change in operating assets and liabilities	
Other current assets	(18,017)
Accounts payable and accrued liabilities	19,086
Deferred revenue	220,873
Net cash provided by (used in) operating activities	1,160,715
Investing activities	
Capital expenditures	(250,400)
Purchases of investments	(1,167,963)
Proceeds from sale of investments	196,498
Net cash provided by (used in) investing activities	(1,221,865)
Financing activities	
Principal payments on long term debt	(742,509)
Net cash provided by (used in) financing activities	(742,509)
Net change in cash and cash equivalents	(803,659)
Cash and cash equivalents at beginning of year	4,991,834
Cash and cash equivalents at end of year	$ 4,188,175
Reconciliation to Statement of Financial Position:	
Cash and cash equivalents	$ 4,167,998
Restricted cash	20,177
Cash, cash equivalents and restricted cash at end of year	$ 4,188,175
Supplemental cash flow information	
Cash paid for interest	$ 4,184

The accompanying notes are an integral part of this financial statement.

Note 1: DESCRIPTION OF THE ORGANIZATION

Georgia Association of REALTORS®, Inc. (the Association), a Georgia nonprofit corporation without capital stock, was incorporated for the purposes of being the leading advocate for the real estate industry committed to protecting private property rights and free enterprise, maintaining ethical and professional standards and enhancing the public's awareness and confidence in realtors.

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.

Cash and Cash Equivalents

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

Investments

The Association reports investments in marketable securities with readily determinable fair values 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.

Property and Equipment

All acquisitions of property and equipment in excess of $1,000 and all expenditures for maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Repairs and maintenance are expensed as incurred. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method. Estimated useful lives used in computing depreciation are as follows:

Land	Not depreciated
Building and improvements	15-30 Years
Furniture and equipment	3-7 Years

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets

The Association 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 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 the Association, the environment in which it operates, the purposes specified in it 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. The governing board has designated, from net assets without donor restrictions, net assets for various operating missions of the Association. (Note 6).

Net assets with donor restrictions are resources that are subject to donor-imposed restrictions. Some restrictions are temporary in nature, such as those that are restricted by a donor for use for a particular purpose or in a particular future period. Other restrictions may be perpetual in nature; such as those that are restricted by a donor that the resources be maintained in perpetuity.

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.

Revenue Recognition and Deferred Revenue

Membership revenue is recorded in the period consistent with the period of membership. Conference and meeting registration fees are recognized as revenue in the year the conference or meeting is held. Deferred revenue reported as a current liability represents dues and registration fees received related to future membership periods and conferences and meetings that are to be held in future periods. Other earned revenue is recorded at the time products are delivered or at the time services are performed.

Donor restricted contributions whose restrictions are met in the year of contribution are reported as restricted support and net assets released from restrictions.

Functional Allocation of Expenses

Directly identified expenses are charged to programs and supporting services. Expenses related to compensation and benefits are allocated based on actual percentages of times spent in each functional area. Expenses related to depreciation and building expenses are allocated on a square footage basis.

Income Taxes

Under section 501(c)(6) of the Internal Revenue Code, the Association is exempt from taxes on income other than unrelated business income. Unrelated business income results from rent.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes (continued)

The Association 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, the Association has no uncertain tax provisions that qualify for recognition or disclosure in the financial statements. The Association believes it is no longer subject to income tax examinations for years prior to 2016.

Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, August 25, 2020. See Note 14 for relevant disclosure.

Recent Accounting Pronouncements

In June 2018, the FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this ASU assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. This new guidance is effective for transactions in which the Association serves as a resource recipient for fiscal years beginning after December 15, 2018. Thus, on January 1, 2019, the Association applied the provisions of this ASU on a modified prospective basis. The change had no significant impact on the Association's financial statements.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows* (Topic 230): *Restricted Cash (a consensus of the FASB Emerging Issues Task Force*), which provides guidance on the presentation of restricted cash or restricted cash equivalents in the statement of cash flows. For nonpublic entities, this guidance is effective for fiscal years beginning after December 15, 2018. Thus, on January 1, 2019 the Association applied the provisions of this ASU in the statement of cash flows.

Accounting Guidance not yet Adopted

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. The provisions of ASU 2014-09 were originally to go into effect for annual reporting periods beginning after December 15, 2018, but for those organizations that had not issued their 2019 financial statements, the FASB issued ASU 2020-05 where those organizations could defer the effective date another year due to Covid-19 (Note 14).

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting Guidance not yet Adopted (continued)

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842). This ASU requires that a lease liability and related right-of-use-asset representing the lessee's right to use or control the asset be recorded on the statement of financial position upon the commencement of all leases except for short- term leases. Leases will be classified as either finance leases or operating leases, which are substantially similar to the classification criteria for distinguishing between capital leases and operating in existing lease accounting guidance. As a result, the effect of leases in the statement of activities and changes in net assets and the statement of cash flows will be substantially unchanged from the existing lease accounting guidance. The ASU is effective for fiscal years beginning after December 15, 2021. Early adoption is permitted. The Association is currently evaluating the full effect that the adoption of this standard will have on the financial statements.

Effective June 3, 2020, the FASB issued ASU 2020-05, *Revenue from Contracts with Customers* (Topic 606) and *Leases* (Topic 842) *Effective Dates for Certain Entities*, which defers the effective date of FASB ASC 606 and 842 for certain entities that had not yet issued their financial statements reflecting the adoption of the new standards. Those entities may elect to adopt FASB ASC 606 and 842 for annual reporting periods beginning after December 15, 2019 and December 15, 2021, respectively. The Association has elected to defer adopting the standards and is currently evaluating the full effect that the adoption of these standards will have on the financial statements.

Note 3: FINANCIAL ASSET AVAILABILITY

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

Financial assets at year end:	
Cash and cash equivalents	$ 4,188,175
Marketable securities	3,423,728
Total financial assets	7,611,903
Less amounts not available to be used within one year:	
Net assets with donor restrictions	20,177
Financial assets available to meet general expenditures over the next twelve months	$ 7,591,726

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

Note 4: INVESTMENTS

Investments in marketable securities consists of the following:

December 31, 2019	**Cost**	**Market Value**
Mutual funds	$ 2,783,334	$ 3,423,728

Note 5: PROPERTY AND EQUIPMENT

Property and equipment – net consist of the following:

December 31, 2019	
Land	$ 1,418,400
Building and improvements	3,865,906
Furniture and equipment	565,073
	5,849,379
Less accumulated depreciation	(980,441)
	$ 4,868,938

Note 6: BOARD DESIGNATED NET ASSETS

The Association's board has designated certain unrestricted net assets for the purpose of establishing funds that provide elements of the Association's mission. Following is a description of each of the funds.

Legal Defense Fund

The Legal Defense Fund was established in 1976 to provide financial assistance in legal efforts affecting the real estate industry. The Legal Defense Fund balance of $998,379 at December 31, 2019, is summarized as follows:

Beginning balance	$ 975,840
Interest income	22,539
Ending balance	$ 998,379

Note 6: BOARD APPROPRIATED NET ASSETS (Continued)

Insurance Trustees Fund

The Insurance Trustees administer and promote various insurance programs of the Association. The Insurance Trustees Fund balance of $504,533 at December 31, 2019, is summarized as follows:

Beginning balance	$ 490,853
Fees collected	7,438
Interest income	6,302
Expenditures	(60)
Ending balance	$ 504,533

Georgia REALTORS® Issues Action Committee Fund

Georgia REALTORS® Issues Action Committee (RIAC) was established in 1995 to receive contributions and formulate positions on issues affecting the real estate industry. The contributions received from members of the Association are voluntary and nondeductible for income tax purposes. The RIAC Fund balance of $202,629 at December 31, 2019, is summarized as follows:

Beginning balance	$ 310,481
Member contributions	167,931
Interest income	4,085
Expenditures	(279,868)
Ending balance	$ 202,629

GAR Reserve Fund

The GAR Reserve Fund was established to maintain an operational reserve to be used at the direction of the board of directors of Georgia Association of REALTORS®, Inc. The GAR Reserve Fund balance of $1,408,000 at December 31, 2019, is summarized as follows:

Beginning balance	$ 1,408,000
Ending balance	$ 1,408,000

Georgia Graduate REALTOR® Institute Reserve Fund

The Georgia Graduate REALTOR® Institute (GRI) Reserve Fund was instituted to provide an operational reserve for the Georgia Graduate REALTOR® Institute. The GRI Reserve Fund balance of $75,000 at December 31, 2019, is summarized as follows:

Beginning balance	$ 75,000
Ending balance	$ 75,000

Note 6: BOARD APPROPRIATED NET ASSETS (Continued)

Anniversary Fund

The Anniversary Fund was established in 2018 to help cover costs related to the Association's 100th Anniversary event. The Anniversary Fund balance of $321,685 at December 31, 2019, is summarized as follows:

Beginning balance	$	84,000
Current year allocations		291,000
Expenditures		(53,315)
Ending balance	$	321,685

Annual Forms Revenue Allocation

The Annual Forms Revenue Allocation is funded by allocating excess revenue attributable to Forms License sales in the previous year to dedicated funds and programs on a percentage basis. The Annual Forms Revenue Allocation balance of $0 at December 31, 2019, is summarized as follows:

Beginning balance	$	423,387
Current year allocations		787,521
Expenditures		(1,210,908)
Ending balance	$	-

Note 7: NET ASSETS

Net assets with donor restrictions are as follows for the year ended December 31, 2019:

Subject to the expenditure for specified purpose	$	20,177

Net assets without donor restrictions for the year ended December 31, 2019, are as follows:

Undesignated	$	7,735,046
Board designated		
Legal Defense Fund		998,379
Insurance Trustees Fund		504,533
Georgia REALTORS Issues Action Committee Fund		202,629
GAR Reserve Fund		1,408,000
Georgia Graduate REALTOR Institute Reserve Fund		75,000
Anniversary Fund		321,685
Undesignated	$	11,245,272

Note 8: 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.

Marketable securities are comprised of money market funds, certificates of deposit (CDs) and mutual funds.

Amounts provided for money market funds and certificates of deposit are valued at the actual cash balance held in the account as provided by the financial institution and are considered to be valued based on Level 1 inputs.

Mutual funds are valued at the daily closing price as reported by the fund. Mutual funds held by the Association are open-end mutual funds that are registered with the SEC. These funds are required to publish their daily NAV and to transact at that price. The mutual funds held by the Association are deemed to be actively traded.

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 the Association believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

December 31, 2019	Level 1	Level 2	Level 3	Total
Money market funds, mutual funds and certificates of deposit	$ 3,423,728	$ –	$ -	$ 3,423,728

Note 8: FAIR VALUE MEASUREMENTS (Continued)

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 assets. For the year ended December 31, 2019, there were no significant transfers in or out of Levels 1, 2 or 3.

Note 9: CONCENTRATIONS OF CREDIT RISK

The Association maintains cash with a financial institution in excess of the FDIC limit of $250,000 by $3,090,376 at December 31, 2019.

Note 10: PENSION PLAN

The Association maintains a defined contribution pension plan (the Plan). Employees are eligible to participate in the Plan after meeting certain age and length of service requirements. The Plan is funded through discretionary employee contributions and it allows the Association to make discretionary profit sharing contributions in addition to a required safe-harbor contribution. During the year ended December 31, 2019, the Association made required safe-harbor contributions of approximately $57,700. There were no discretionary profit sharing contributions during the year ended December 31, 2019.

Note 11: CONTINGENCIES

From time to time, the Association may have asserted and unasserted claims arising in the normal course of business. The Association does not expect losses, if any, arising from these asserted and unasserted claims to have a material effect on the financial statements.

Note 12: LEASE AGREEMENTS AS LESSOR

The Association leases office space to tenants under non-cancelable operating leases with terms ranging from five to ten years. The following schedule represents future minimum rentals, by years, under the leases at December 31, 2019:

For the year ending December 31,	
2020	$ 184,800
2021	190,700
2022	114,900
2023	118,700
2024	122,600
Thereafter	132,000
	$ 863,700

Total rental income recorded for the year ended December 31, 2019, was approximately $176,000.

Note 13: RELATED PARTIES

The Association charges management fees to Georgia Association of REALTORS® Political Action Committee (RPAC) and Georgia Association of REALTORS® Scholarship Foundation, Inc. (the Foundation) as both organizations are under the same management as the Association. Management fees paid by these organizations totaled $58,000 for the year ended December 31, 2019.

Note 14: SUBSEQUENT EVENTS

Management evaluated all events or transactions that occurred after December 31, 2019, through August 25, 2020, the date the Association's financial statements were available to be issued. The following occurred:

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 the Association. 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 addition, the extent to which these events will affect the amounts reported in future financial statements remains uncertain.

REQUIRED COMMUNICATIONS

CRI CARR RIGGS & INGRAM
CPAs and Advisors

Carr, Riggs & Ingram, LLC
4004 Summit Boulevard NE
Suite 800
Atlanta, GA 30319

770.394.8000
770.451.2873 (fax)
CRIcpa.com

August 25, 2020

Board of Directors
Georgia Association of REALTORS®, Inc.

Dear Board of Directors:

We are pleased to present the results of our audit of the 2019 financial statements of Georgia Association of REALTORS®, Inc. (the Association).

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

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

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

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

We appreciate this opportunity to work with you. If you have any questions or comments, please contact me at 770-394-8000 or mgunning@cricpa.com.

Very truly yours,

Matt Gunning, CPA
Partner

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

- Perform our audit in accordance with auditing standards generally accepted in the United States of America, in order to express an opinion on the Association's financial statements for the year ended December 31, 2019;

- Communicate directly with the Board of Directors and management regarding the results of our procedures;

- Address with the Board of Directors and management any accounting and financial reporting issues;

- Anticipate and respond to concerns of the Board of Directors and management; and

- Other audit-related projects as they arise and upon request.

Required Communications

We have audited the financial statements of the Association for the year ended December 31, 2019, and have issued our report thereon dated August 25, 2020. Professional standards require that we provide you with the following information related to our audit:

MATTER TO BE COMMUNICATED	AUDITORS' RESPONSE
Auditors' responsibility under Generally Accepted Auditing Standards	As stated in our engagement letter dated January 17, 2020, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America (GAAP). Our audit of the financial statements does not relieve you or management of your responsibilities. As part of our audit, we considered the internal control of the Association. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.
Client's responsibility	Management, with oversight from those charged with governance, is responsible for establishing and maintaining internal controls, including monitoring ongoing activities; for the selection and application of accounting principles; and for the fair presentation in the financial statements of financial position, results of operations, and cash flows in conformity with the applicable framework. Management is responsible for the design and implementation of programs and controls to prevent and detect fraud.
Planned scope and timing of the audit	Our initial audit plan was not significantly altered during our fieldwork.
Management judgments and accounting estimates *The process used by management in forming particularly sensitive accounting estimates and the basis for the auditors' conclusion regarding the reasonableness of those estimates.*	Please see the following section titled "Accounting Policies, Judgments and Sensitive Estimates & CRI Comments on Quality."
Potential effect on the financial statements of any significant risks and exposures *Major risks and exposures facing the Association and how they are disclosed.*	No such risks or exposures were noted.

MATTER TO BE COMMUNICATED	AUDITORS' RESPONSE
Significant accounting policies, including critical accounting policies and alternative treatments within generally accepted accounting principles and the auditors' judgment about the quality of accounting principles • *The initial selection of and changes in significant accounting policies or their application; methods used to account for significant unusual transactions; and effect of significant policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.* • *The auditor should also discuss the auditors' judgment about the quality, not just the acceptability, of the Association's accounting policies as applied in its financial reporting. The discussion should include such matters as consistency of accounting policies and their application, and clarity and completeness of the financial statements, including disclosures. Critical accounting policies and practices applied by the Association in its financial statements and our assessment of management's disclosures regarding such policies and practices (including any significant modifications to such disclosures proposed by us but rejected by management), the reasons why certain policies and practices are or are not considered critical, and how current and anticipated future events impact those determinations;* • *Alternative treatments within GAAP for accounting policies and practices related to material items, including recognition, measurement, presentation and disclosure alternatives, that have been discussed with client management during the current audit period, the ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the auditor; Furthermore, if the accounting policy selected by management is not the policy preferred by us, discuss the reasons why management selected that policy, the policy preferred by us, and the reason we preferred the other policy.*	Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Association are described in Note 2 to the financial statements. In 2014, the FASB issued ASU 2014-19, *Revenue from Contracts with Customers* (Topic 606) (ASC 606) that superseded existing *Revenue Recognition* guidance. Under this ASU and subsequently issued amendments, revenue is recognized at the time a good or service is transferred to a customer for the amount of consideration received. Due to Covid-19 pandemic, the adoption of this accounting policy was deferred for 2019, to be effective January 1, 2020. In 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (Topic 958). The amendments in this ASU assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. The Association adopted this guidance which had no effect on the financial statements. In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows* (Topic 230): *Restricted Cash (a consensus of the FASB Emerging Issues Task Force)*, which provides guidance on the presentation of restricted cash or restricted cash equivalents in the statement of cash flows. The Association has adjusted the presentation of these statements accordingly. No other new accounting policies were adopted by the Association for the year ended December 31, 2019. We noted no transactions entered into by the Association during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

MATTER TO BE COMMUNICATED	AUDITORS' RESPONSE
Significant difficulties encountered in the audit *Any significant difficulties, for example, unreasonable logistical constraints or lack of cooperation by management.*	None.
Disagreements with management *Disagreements, whether or not subsequently resolved, about matters significant to the financial statements or auditors' report. This does not include those that came about based on incomplete facts or preliminary information.*	None.
Other findings or issues *Matters significant to oversight of the financial reporting practices by those charged with governance. For example, an entity's failure to obtain the necessary type of audit, such as one under Government Auditing Standards, in addition to GAAS.*	The Association has requested assistance in preparing GAAP basis financial statements. This includes the proper accounting for expenditures made out of reserve funds as well as certain reclassification entries. Further, CRI assisted with the calculation of depreciation and maintained the fixed asset records. As reflected during the audit, there were several entries that were recorded as a result of these matters; however, it has been determined that management has the proper skills, knowledge and expertise to oversee this process.
Matters arising from the audit that were discussed with, or the subject of correspondence with, management *Business conditions that might affect risk or discussions regarding accounting practices or application of auditing standards.*	None.
Corrected and uncorrected misstatements *All significant audit adjustments arising from the audit, whether or not recorded by the Association, that could individually or in the aggregate have a significant effect on the financial statements. We should also inform the Board about uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented, that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole. Any internal control deficiencies that could have prevented the misstatements.*	Please see the following section titled "Summary of Audit Adjustments."
Major issues discussed with management prior to retention *Any major accounting, auditing or reporting issues discussed with management in connection with our initial or recurring retention.*	None.
Consultations with other accountants *When management has consulted with other accountants about significant accounting or auditing matters.*	None of which we are aware.

MATTER TO BE COMMUNICATED	AUDITORS' RESPONSE
Written representations *A description of the written representations the auditor requested (or a copy of the representation letter).*	See "Management Representation Letter" section.
Fraud and illegal acts *Fraud involving senior management or those responsible for internal controls, or causing a material misstatement of the financial statements, where the auditor determines there is evidence that such fraud may exist. Any illegal acts coming to the auditors' attention involving senior management and any other illegal acts, unless clearly inconsequential.*	We are unaware of any fraud or illegal acts involving management or causing material misstatement of the financial statements.
Other information in documents containing audited financial statements *The external auditors' responsibility for information in a document containing audited financial statements, as well as any procedures performed and the results.*	Our responsibility related to documents containing the financial statements is to read the other information to consider whether: • Such information is materially inconsistent with the financial statements; and • We believe such information represents a material misstatement of fact. We have not been provided any such items to date and are unaware of any other documents that contain the audited financial statements.

Accounting Policies, Judgments and Sensitive Estimates & CRI Comments on Quality

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

AREA	ACCOUNTING POLICY	CRITICAL POLICY?	JUDGMENTS & SENSITIVE ESTIMATE	COMMENTS ON QUALITY OF ACCOUNTING POLICY & APPLICATION
Management's estimate of investments fair value	The Association states investments at fair value.	X	The Association determines the valuation by reviewing the investment statements in comparison to published fair values.	The Association's policies are in accordance with all applicable accounting guidelines.
Management's estimate of depreciable lives of property and equipment	The Association states property and equipment at cost and depreciation is provided in amounts sufficient to relate the cost of depreciable assets to operations over their estimated useful lives using the straight-line method.	X	The lives are developed based on management's estimate of the expected length of time benefits will be recognized from these assets.	The Association's policies are in accordance with all applicable accounting guidelines.
Management's allocation of functional expense	Expenses that can be identified with a specific program or support service are charged directly to that program or support service.	X	Costs common to multiple functions are allocated among the various functions benefited.	The Association's policies are in accordance with all applicable accounting guidelines.

During the course of our audit, we accumulate differences between amounts recorded by the Association and amounts that we believe are required to be recorded under GAAP. Those adjustments are either recorded (corrected) by the Association or passed (uncorrected).

We have provided all audit adjustments to management and we have been informed that management has corrected all such misstatements. A listing of proposed audit adjustments that were not recorded on the basis that they were individually and collectively immaterial to the Association's financial statements (the passed adjustments) is below.

Georgia Association of REALTORS®, Inc.
Schedule of Passed Adjustments
December 31, 2019

	dr (cr) Assets	dr (cr) Liabilities	dr (cr) Equity	dr (cr) P&L
To reverse effect of previous year passed adjustments	$ -	$ -	$ (5,271)	$ 5,271
Investments	29,474	-	-	-
Investment income	-	-	-	10,224
Miscellaneous	-	-	-	(39,698)
To adjust for investment income				
Subtotals	29,474	-	(5,271)	(24,203)
Current year P&L effect	-	-	(24,203)	-
Net affect by financial statement class	$ 29,474	$ -	$ (29,474)	$ (24,203)
Iron curtain method	$ 29,474	$ -	$ -	$ (29,474)

QUALITATIVE MATERIALITY CONSIDERATIONS

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

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

Management Representation Letter

Carr, Riggs & Ingram, LLC
4004 Summit Boulevard, NE
Suite 800
Atlanta, Georgia 30319

This representation letter is provided in connection with your audit of the financial statements of the Georgia Association of REALTORS®, Inc. (the Association), 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, for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles general accepted in the United States (U.S GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, the following representations made to you during your audit.

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated January 17, 2020, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S GAAP.

2. The financial statements referred to above are fairly presented in conformity with U.S. GAAP.

3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

4. We acknowledge our responsibility for the design, implementation and maintenance of internal controls to prevent and detect fraud.

5. Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.

6. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with U.S. GAAP.

7. All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.

8. The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole. A list of the uncorrected misstatements is attached to the representation letter.

9. The effects of all known actual, unasserted, or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.

10. We have no knowledge of concentrations existing at the date of the financial statements that make the Association vulnerable to the risk of a near-term severe impact that have not been properly disclosed in the financial statements. We understand that concentrations include individual or group concentrations of members, grantors, suppliers, lenders, products, services, sources of labor or materials, licenses or other rights, or operating areas or markets. We further understand that *severe impact* means a significantly disruptive effect on the normal functioning of an organization.

11. Guarantees, whether written or oral, under which the Association is contingently liable, have been properly recorded or disclosed in accordance with U.S. GAAP.

12. The following have been properly recorded or disclosed in the financial statements:

    a. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances, a line-of-credit or similar arrangements.

    b. Agreements to repurchase assets previously sold.

    c. Derivative financial instruments owned by the Association.

13. We are responsible for compliance with laws, regulations, and provisions of contracts and grant agreements applicable to us; and we have identified and disclosed to you all laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts.

14. There are no such estimates that may be subject to material change in the near term that have not been properly disclosed in the consolidated financial statements. We understand that *near term* means the period within one year of the date of the consolidated financial statements.

Information Provided

15. We have provided you with:

    a. Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.

    b. Additional information that you have requested from us for the purpose of the audit.

    c. Financial records and related data and all audit or relevant monitoring reports, if any, received from funding sources.

    d. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

    e. Minutes of the meetings of directors and committees of directors, or summaries of actions of recent meetings for which minutes have not yet been prepared.

16. All material transactions that have been properly recorded in the accounting records and are reflected in the financial statements.

17. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

18. There have been no:

    a. Fraudulent financial reporting or misappropriation of assets involving management or employees who have significant roles in internal control.

    b. Fraudulent financial reporting or misappropriation of assets involving other employees that could have a material effect on the financial statements.

    c. Communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.

19. We have no knowledge of any allegations of fraud or suspected fraud affecting the Association received in communications from employees, former employees, grantors, regulators or others.

20. We have no knowledge of any instances of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements.

21. We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements in accordance with U.S. GAAP, and we have not consulted a lawyer concerning litigation, claims, or assessments.

22. We have disclosed to you the identity of the Association's related parties and all the related party relationships and transactions of which we are aware.

23. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us.

24. The Association is an exempt organization under §501(c)(6) of the Internal Revenue Code. Any activities of which we are aware that would jeopardize the Association's tax-exempt status, and all activities subject to tax on unrelated business income or excise or other tax, have been disclosed to you. All required filings with tax authorities are up to date.

25. We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.

26. There are no:

    a. Violations or possible violations of laws or regulations whose effect should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.

    b. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 450, *Contingencies*.

c. Transfers or designations of net assets that were not properly authorized and approved or that have not been properly reflected in the financial statements.

d. Designations of net assets disclosed in the financial statements that were not properly authorized and approved, or reclassifications of net assets that have not been properly reflected in the financial statements.

27. Receivables recorded in the financial statements represent valid claims against debtors for sales or other charges arising on or before the balance sheet date and have been reduced to their estimated net realizable value.

28. We have reviewed long-lived assets to be held and used for impairment whenever events or changes in circumstances have indicated that the carrying amount of its assets might not be recoverable and have appropriately recorded the adjustment.

29. The Association has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged, except as made known to you and disclosed in the notes to the financial statements.

30. In regard to the assistance we provided with financial statement preparation and depreciation calculation, as well as tax return preparation, we have-

    a. Assumed all management responsibilities.

    b. Designated Jennifer Lundy, CFO who has suitable skill, knowledge, or experience to oversee the services.

    c. Evaluated the adequacy and results of the services performed.

    d. Accepted responsibility for the results of the services.

31. We have reviewed the draft of the audited financial statements prepared by Carr, Riggs & Ingram, LLC, and acknowledge our approval of, and responsibility for, those statements to be issued as drafted.

DocuSigned by:
Deb S. Junkin
D5684784ED5443D...
Deb Junkin, CEO

8/26/2020 | 10:55 AM PDT
Date

DocuSigned by:
Jennifer Lundy
4ADDFAAE85DC4AC...
Jennifer Lundy, CFO

8/26/2020 | 10:11 AM PDT
Date