COLORADO ASSOCIATION OF REALTORS®, INC. AND SUBSIDIARY

(A Colorado Non-Profit Corporation)

Consolidated Financial Statements

December 31, 2023 and 2022

colorado association of
REALTORS®

CONTENTS

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Colorado Association of Realtors, Inc. and Subsidiary

Qualified Opinion

We have audited the accompanying consolidated financial statements of Colorado Association of Realtors, Inc. and Subsidiary (a Colorado non-profit organization), which comprise the consolidated statement of financial position as of December 31, 2023 and 2022, and the related consolidated statements of activities, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Colorado Association of Realtors, Inc as of December 31, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified Opinion

As more fully discussed in Note 6 to the consolidated financial statements, the Organization has not consolidated a related entity, Colorado Association of Realtors, Inc. and Subsidiary Political Action Committee ("CARPAC") that, in our opinion, should be consolidated to conform with accounting principles generally accepted in the United States of America. Quantification of the effects of this departure from U.S. GAAP on the financial position, statement of activities, and cash flows of CARPAC is disclosed in Note 6.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the consolidated financial statements section of our report. We are required to be independent of Colorado Association of Realtors, Inc. and Subsidiary and to meet our other 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 qualified audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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, including omissions, 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 consolidated financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated 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 Colorado Association of Realtors, Inc. and Subsidiary'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Colorado Association of Realtors, Inc. and Subsidiary'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 other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Bivins & Bunyak CPAs PLLC

Bivins & Bunyak, CPAs, PLLC
Arvada, Colorado
March 25, 2024

COLORADO ASSOCIATION OF REALTORS® AND SUBSIDIARY
(A Colorado Non-Profit Corporation)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
December 31, 2023 and 2022
(See Independent Auditors' Report)

ASSETS

	2023	2022
CURRENT ASSETS		
Cash	$ 2,715,667	$ 3,662,820
Accounts Receivable	53,628	152,102
Prepaid Expenses	126,859	124,303
Designated Cash	719,716	616,963
Designated Investments	4,597,043	4,198,889
Total Current Assets	8,212,913	8,755,077
PROPERTY AND EQUIPMENT - AT COST		
Building and Improvements	2,203,690	2,180,319
Computer Equipment	191,975	152,458
Property and Equipment	510,875	518,491
	2,906,540	2,851,268
Less: Accumulated Depreciation	(2,060,638)	(2,004,899)
Property and Equipment - Net	845,902	846,369
NON-CURRENT ASSETS		
Right-of-Use Assets, Operating Leases	58,786	332,074
Less: Accumulated Amortization - Right-of-Use Assets	(2,327)	(258,601)
Right of Use Assets, Operating Leases - Net	56,459	73,473
TOTAL ASSETS	$ 9,115,274	$ 9,674,919

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

COLORADO ASSOCIATION OF REALTORS® AND SUBSIDIARY
(A Colorado Non-Profit Corporation)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
December 31, 2023 and 2022
(See Independent Auditors' Report)

LIABILITIES AND NET ASSETS

	2023	2022
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	$ 243,947	$ 202,488
Deferred Revenue	3,189,596	3,754,181
Operating Lease Liability - Due Within One Year	10,065	71,058
Total Current Liabilities	3,443,608	4,027,727
LONG-TERM LIABILITIES		
Operating Lease Liability - Due After One Year	46,335	-
Total Liabilities	3,489,943	4,027,727
NET ASSETS		
Unrestricted, General	308,572	831,340
Board-Designated	5,316,759	4,815,852
Total Net Assets	5,625,331	5,647,192
TOTAL LIABILITIES AND NET ASSETS	$ 9,115,274	$ 9,674,919

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

COLORADO ASSOCIATION OF REALTORS® AND SUBSIDIARY
(A Colorado Non-Profit Corporation)
CONSOLIDATED STATEMENTS OF ACTIVITIES
December 31, 2023 and 2022
(See Independent Auditors' Report)

	2023	2022
SUPPORT, REVENUES, AND GAINS		
Membership Dues	$ 4,389,422	$ 4,551,959
Issues Mobilization	883,310	590,930
Events	321,599	216,162
CAR Business Services	123,217	130,536
Management Fees	255,569	129,114
Member Services	97,101	72,143
Unrealized Gain (Loss) on Investments	250,673	(687,188)
Interest and Dividends, Net of Fees	160,592	106,559
Total Support, Revenues, and Gains	6,481,483	5,110,215
FUNCTIONAL EXPENSES		
Program Expenses		
Meetings and Events	1,034,225	883,850
Member Services	519,378	593,944
Government Affairs	1,018,513	816,369
Issues Mobilization	793,835	499,824
Legal and Risk	1,313,962	1,096,075
Technology	300,355	266,227
Professional Development	268,586	204,131
CAR Business Services	4,101	2,719
Total Program Expenses	5,252,955	4,363,139
Adminstrative Expenses	1,250,389	1,074,957
Total Functional and Administrative Expenses	6,503,344	5,438,096
CHANGE IN NET ASSETS	(21,861)	(327,881)
NET ASSETS - BEGINNING OF YEAR	5,647,192	5,975,073
NET ASSETS - END OF YEAR	$ 5,625,331	$ 5,647,192

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

COLORADO ASSOCIATION OF REALTORS® AND SUBSIDIARY
(A Colorado Non-Profit Corporation)
CONSOLIDATED STATEMENTS OF CASH FLOWS
December 31, 2023 and 2022
(See Independent Auditors' Report)

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ (21,861)	$ (327,881)
Non-Cash Items Included in Change in Unrestricted Net Assets:		
Depreciation	63,356	82,807
Amortization of Right-of-Use, Operating Lease	75,800	258,601
Change in Unrealized (Gain) Loss on Investment	(250,673)	687,188
Realized Loss on Investment	1,938	17,119
(Increase) Decrease in Assets		
Accounts Receivable	98,474	(73,320)
Prepaid Expenses and Taxes	(2,556)	(6,856)
Right-of-Use Assets, Operating Leases	(58,786)	(332,074)
Deposits	-	54,842
Increase (Decrease) in Liabilities		
Accounts Payable and Accrued Expenses	41,459	37,342
Deferred Revenue	(518,250)	(229,321)
Operating Lease Liability	(60,993)	71,058
Net Cash (Used in) Provided by Operating Activities	(632,092)	239,505
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sale of Designated Investments	-	266,206
(Purchase of) Designated Investments - Net	(149,419)	(388,110)
(Purchase of) Property and Equipment	(62,889)	(81,191)
Change in Designated Cash	(102,753)	(96,335)
Net Cash (Used In) Investing Activities	(315,061)	(299,430)
NET (DECREASE) IN CASH	(947,153)	(59,925)
CASH - BEGINNING OF YEAR	3,662,820	3,722,745
CASH - END OF YEAR	$ 2,715,667	$ 3,662,820

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

1 History and Summary of Significant Accounting Policies.

Nature of Operations. Colorado Association of Realtors®, Inc. ("Colo AOR") is a Colorado tax-exempt nonprofit corporation established in 1930 to provide member services to various realtor associations and individual members throughout the state of Colorado. In 2011, Colo AOR created a wholly-owned subsidiary, CAR Business Services, Inc. ("CARBS"), a Colorado corporation. CARBS was organized to provide Colo AOR members access to vendors, contractors, insurance providers and other professionals in order to further promote the growth of the Colorado real estate industry. In August 2023, the CARBS Boad of Directors made the decision to dissolve CARBS.

The mission statement is "To be the collective voice for real estate and consumer property rights, and to advance Colorado REALTORS as industry leaders in knowledge, ethics, and professionalism".

Principles of Consolidation. These consolidated financial statements include the accounts of Colo AOR and its wholly-owned subsidiary, CARBS. Collectively, all entities consolidated herein will be referred to as CAR. All significant inter-organization accounts and transactions have been eliminated in these consolidated financial statements.

Method of Accounting. The consolidated financial statements have been prepared using the accrual basis of accounting whereby income is recorded when earned and expenses as incurred.

Restricted and Unrestricted Revenue. Contributions received are recorded as increases in unrestricted, temporarily restricted, or permanently restricted net assets, depending on the existence and/or nature of any donor restrictions. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Concentration of Credit Risk. Occasionally CAR's cash balances exceed the insured limits of the Federal Deposit Insurance Corporation. Management has not experienced, and does not anticipate, any losses related to these balances.

Cash Equivalents. For purposes of the Consolidated Statement of Cash Flows, CAR considers all highly liquid debt instruments with a maturity of three months or less to be cash equivalents.

Designated cash consists of unexpended dues designated by Colo AOR's Board of Directors for Issues Mobilization.

Accounts Receivable. Receivables are recorded when invoices are issued, resulting from services provided to other organizations. Receivables are written off when they are determined to be uncollectible. CAR utilizes the allowance method of recognizing uncollectible amounts, whereby an allowance for possible future non-collectability of accounts receivable is established when collectability becomes doubtful. Management believes all receivables to be collectible, thus there is no allowance for doubtful accounts at December 31, 2023 and 2022.

1 History and Summary of Significant Accounting Policies. (Cont'd.)

Property and Equipment. Purchases of property and equipment are recorded at cost. Donated items are recorded at fair value when received. Depreciation and amortization on both purchased and donated items are recorded using the straight-line method over the shorter of the estimated useful life of the related asset or the term of the lease for leasehold improvements as follows:

Building and Improvements	10-39 years
Computer Equipment	3-7 years
Furniture and Fixtures	3-7 years

Normal repairs and maintenance are expensed as incurred, whereas significant charges that materially increase values or extend useful lives are capitalized and depreciated over the estimated useful lives of the related assets.

Impairment of Long-Lived Assets. Management reviews each asset or asset group for impairment whenever events or circumstances indicate that the carrying value of an asset or asset group may not be recoverable, but at least annually. No impairment provision was recorded by CAR during the year.

Investments. Investments are recorded in accordance with FASB ASC 958-320-50. Investments in equity and debt securities that have readily determinable fair values are recorded at quoted market prices. Investments in certificates of deposit are valued at cost plus accrued interest.

Designated Investments. Colo AOR's Board of Directors has limited the use of investments for Issues Mobilization. Earnings on these investments are also considered designated. These funds cannot be released unless approved by a vote of 75 percent of board members attending a meeting.

Investments are monitored by Colo AOR's Board of Directors' investment oversight committee and are stated at fair value. Unrealized gains and losses are recognized aggregately. Realized gains and losses are recognized immediately and are computed using the specific identification method.

In-Kind Support and Revenue. A large number of people have contributed significant amounts of time to the activities of the Organization. However, these consolidated financial statements do not reflect the value of these contributed services because they do not meet the recognition criteria of Topic 958 of the ASC.

Revenue Recognition. The Organization has analyzed and adopted the provision of FASB's ASC Topic 606, *Revenue from Contracts with Customers*. Revenue consists primarily of membership dues. Memberships run on a calendar year basis and are recognized evenly throughout the membership period. Membership dues paid in advance for future membership years are deferred and recognized as revenue in the applicable period.

Deferred Revenues. Deferred revenue represents annual membership dues billed and collected in advance of the applicable membership period. The contract liability, "Deferred Revenue" represents these annual membership dues billed and collected in advance.

1 History and Summary of Significant Accounting Policies. (Cont'd.)

Fair Value Measurement. The Organization has adopted FASB ASC 820-10, which provides entities the option to measure many financial instruments and certain other items at fair value. Entities that choose the fair value option will recognize unrealized gains and losses on items for which the fair value option was elected in earnings at each subsequent reporting date.

The fair value of financial instruments including cash and cash equivalents, accounts receivable, accounts payable, and accrued expenses approximate the carrying values, principally because of the short maturity of those items.

The Organization reports its fair value measures for investment securities using a fair value hierarchy defined by Generally Accepted Accounting Principles (GAAP) that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under GAAP are:

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2 – Quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability;

Level 3 – Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (that is, inputs supported by little or no market activity).

Use of Estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes. Colo AOR is a nonprofit business league organized under the laws of Colorado and, as such, is exempt from federal and state income taxes under Section 501(c)(6) of the Internal Revenue Code ("IRC") and corresponding state provisions. Colo AOR is subject to unrelated business income taxes ("UBIT") from its activities involving royalty and advertising income. No UBIT was generated during the years ended December 31, 2023 and 2022.

CARBS is a for-profit corporation that is required to file a corporate income tax return for its operations. CARBS, see Note 11 for the provision for income taxes.

The federal income tax and informational returns of Colo AOR and CARBS for tax years 2020 and subsequent remain open to examination by the Internal Revenue Service. The returns for Colorado, the only state tax jurisdiction, remain open to examination by the Colorado Department of Revenue for tax years 2019 and subsequent.

1 History and Summary of Significant Accounting Policies. (Cont'd.)

Leases. In February 2016 the FASB issued ASU No. 2016-02, *Leases* (Topic 842), a new standard issued to increase transparency and comparability among organizations related to their leasing activities. This standard established a right-of-use model that requires all lessees to recognize right-of-use assets and lease liabilities on their balance sheet that arise from leases as well as provide disclosures with respect to certain qualitative and quantitative information related to a company's leasing arrangements to meet the objective of allowing users of financial statements to assess the amount, timing and uncertainty of cash flows arising from leases.

CAR adopted the new leasing standard using the modified retrospective approach with January 1, 2022 as the date of initial adoption. CAR also elected the package of practical expedients permitted under the transition guidance within the new standard, which allowed CAR to carry forward prior conclusions related to whether any expired or existing contracts are or contain leases, the lease classification for any expired or existing leases and initial direct costs for existing leases. CAR also made an accounting policy election to not recognize leases with an initial term of 12 months or less within the consolidated statements of financial position and to recognize those lease payments on a straight-line basis in the consolidated statements of activities over the lease term.

Subsequent Events. CAR has evaluated events subsequent to December 31, 2023, to assess the need for potential recognition or disclosure in the consolidated financial statements. Such events were evaluated through March 25, 2024, the date the consolidated financial statements were available to be issued. It was determined no subsequent events occurred that require recognition or additional disclosure in the consolidated financial statements.

2 Property and Equipment.

A summary of the investment in property and equipment as of December 31, 2023 and 2022, net of accumulated depreciation, is as follows:

	2023	2022
Building and Improvements	$ 484,015	$ 504,616
Equipment	44,261	24,127
Land	317,626	317,626
	$ 845,902	$ 846,369

Depreciation expense for the years ended December 31, 2023 and 2022, was $63,356 and $82,807, respectively.

3 Investments.

Generally accepted accounting principles provide the definition of fair value for financial reporting, establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value, and require disclosure about the use of fair value measurements. The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 1 inputs consist of unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

The Organization's investment securities are held for an indefinite period and are classified as available for sale. Unrealized and realized gains and (losses), dividends, capital gain distributions and interest, net of fees, on the sale of investment securities totaled $411,265 and ($580,629) and are included in the accompanying consolidated statements of activities for the years ended December 31, 2023 and 2022, respectively.

Included in the $411,265 and ($580,629)of net investment income (loss) for the years ended December 31, 2023 and 2022, respectively, is as follows:

	2023	2022
Dividends and Interest	$ 173,148	$ 132,946
Realized Gain (Loss), Net	(1,938)	(17,119)
Change in Unrealized Gain (Loss)	250,673	(687,188)
Management Fees and Expenses	(10,618)	(9,268)
	$ 411,265	($ 580,629)

The cost, fair value, and accumulated unrealized losses of the investments are summarized in the following schedules.

At December 31, 2023 and 2022, investments consist of the following:

	2023 Fair Value (Level 1)	2022 Fair Value (Level 1)
Bonds	$ 1,372,982	$ 1,302,952
Money Market	1,083,916	1,032,089
Equities	1,852,345	1,592,632
Mutual Funds	287,800	271,216
Total Investments	$ 4,597,043	$ 4,198,889
Unrealized Loss	510,184	760,857
Cost Basis in Investments	$ 5,107,227	$ 4,959,746

4 Line-of-Credit.

Colo AOR entered into a $300,000 line-of-credit with a bank that carried an interest rate of the Wall Street Prime Index plus 1.00%, was secured by Colo AOR's cash, and matured May 28, 2022. The line was then paid in full and the account was closed. There was no balance outstanding under this line of credit as of the years ending December 31, 2022.

5 Related Party Transactions.

During the years ended December 31, 2023 and 2022, Colo AOR provided management services to the Colorado Association of REALTORS® Foundation ("CRF") for which Colo AOR was paid $152,525 and $116,042, respectively. Fees to be collected from CRF included in accounts receivable at December 31, 2023 and 2022, was $42,726 and $56,589, respectively.

Colo AOR provided management services to CARBS under a business management agreement. For the year ended December 31, 2023, the management fee agreement provided $9,820 per month. The agreement was modified so that Colo AOR received management fees only for January through July of 2023, as a CARBS board of directors voted to dissolve CARBS, as such they only charged $68,740 for the year ended December 31, 2023. During the year ended December 31, 2022, the agreement was modified so that Colo AOR received management fees only for May through December, as the position for CARBS Director had yet to be filled, as such they only charged $78,560 for the year ended December 31, 2022. As of December 31, 2023 and 2022, $44,217 and $19,769 were in accounts receivable, respectively. CARBS markets and promotes its products and services using the likeness and image of Colo AOR and also uses its membership list to distribute its marketing materials. These fees have been eliminated in consolidation.

Colo AOR is the temporary custodian of a fund from time to time. This fund is used to promote events in the custodian state as well as the National Association of REALTORS® annual meeting. There was no balance in this fund for either years ending December 31, 2023 and 2022.

6 Related Party and Basis for Qualified Opinion.

Colo AOR collects dues for the Colorado Association of REALTORS® Political Action Committee ("CARPAC") and provides certain services. Colo AOR has not consolidated CARPAC within the accompanying consolidated financial statements as of December 31, 2023 and 2022. At December 31, 2023 and 2022, CARPAC had net assets of $4,338,439 and $3,753,229 and revenues of $1,014,187 and $1,046,537, respectively. Of the membership dues collected for the years ended December 31, 2023 and 2022, Colo AOR collected $145,828 and $147,732, respectively, on behalf of CARPAC.

7 Leases.

CAR leases certain buildings and equipment. The determination of whether an arrangement is a lease is made at the lease's inception. Under ASC 842, a contract is (or contains) a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is defined under the standard as having both the right to obtain substantially all of the economic benefits from use of the asset and the right to direct the use of the asset. Management only reassesses its determination if the terms and conditions of the contract are changed.

7 Leases. (Cont'd.)

Operating leases are included in operating lease right-of-use ("ROU") assets, other current liabilities, and operating lease liabilities in the consolidated statement of financial position.

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

CAR has lease agreements with lease and non-lease components, which are generally accounted for separately with amounts allocated to the lease and non-lease components based on stand-alone prices. For certain equipment leases, like copiers, the Organization accounts for the lease and non-lease components as a single lease. Additionally, for certain equipment leases, we apply a portfolio approach to account for the operating lease ROU assets and liabilities.

CAR's building lease agreement, which expired and was not renewed in November 2023, included provisions for variable rent payments, which are adjusted periodically for inflation. None of our lease agreements contain any material residual value guarantees.

CAR leases copier under operating leases with 5 year initial terms. The lease include renewal options which can extend the lease. The exercise of these renewal options is at the sole discretion of CAR, and only lease options that CAR believes are reasonably certain to exercise are included in the measurement of the lease assets and liabilities.

The following summarizes the line items in the statements of financial position which include amounts for operating leases as of December 31, 2023 and 2022, respectively:

	2023	2022
Right-of-Use Assets, Operating Leases - Net	$ 56,459	$ 73,473
Operating Lease Liabilities		
Operating Lease Liabilities – Current	$ 10,065	$ 71,058
Operating Lease Liabilities – Long-Term	46,335	-
Total Operating Lease Liabilities	$ 56,400	$ 71,058

7 Leases. (Cont'd.)

The components of operating lease expenses that are included in "Functional Expenses" in the Consolidated Statements of Activities for the year ended December 31, 2023 and 2022, respectively, were as follows:

	2023	2022
Operating Lease Cost	$ 68,599	$ 75,140

The following summarizes the cash flow information related to operating leases for the year ended December 31, 2023 and 2022, respectively:

	2023	2022
Cash Paid for Amounts Included in the Measurement of Lease Liabilities:		
Operating Cash Flows for Operating Leases	$ 89,142	$ 77,556
Lease Assets Obtained in Exchange for Lease Liabilities:		
Operating Leases	($ 43,979)	($ 2,415)

Weighted average lease term and discount rate as of December 31, 2023 were as follows:

Weighted Average Remaining Lease Term	4.75 years
Weighted Average Discount Rate	8.5%

The maturities of operating lease liabilities as of December 31, 2023, were as follows:

2024	$ 14,371
2025	14,371
2026	14,371
2027	14,371
2028	10,779
	68,263
Less: Interest	(11,863)
Present Value of Lease Liability	$ 56,400

8 Retirement Plan.

Colo AOR has a defined contribution benefit plan (the "Plan"), which covers all of its full-time employees that have completed six months of service and have attained age 21. Colo AOR matches employees' contributions 100% up to the first 3% of employees' compensation and 50% on employees' contributions from 3% to 5% of compensation. Employer contributions to the Plan are between 3% and 7% of eligible employees' salaries, as authorized each year by the Board of Directors. During the years ended December 31, 2023 and 2022, there were no discretionary contributions, and the employer match was $77,928 and $68,785, respectively.

9 Availability of Financial Assets.

The Organization considers its financial assets available at year end to be the total financial assets, less those restricted by contractual or donor imposed restrictions and board designation.

Included in the $2,527,499 and $3,612,434 of available financial assets for the years ended December 2023 and 2022, respectively, is as follows:

	2023	2022
Financial Assets – End of Year	$ 7,844,258	$ 8,428,286
Less: Unavailable for General Expenditures Within One Year Due To:		
Contractual or Donor-Imposed Restrictions:		
Restrictions by Donor with Time or Purpose	-	-
Board Designations:		
Amounts Set Aside for Liquidity Reserve	(4,597,043)	(4,198,889)
Amounts Set Aside for Issues Mobilization	(719,716)	(616,963)
Financial Assets Available to Meet Cash Needs for General Expenditure Within One Year	$ 2,527,499	3,612,434

10 Reclassifications.

Certain amounts from the prior year financial statements have been reclassified to conform to current year financial statement presentation.

11 Provision for Income Taxes.

The provision for income taxes as of December 31, 2023 and 2022, consisted of the following and is included in CAR business services functional expense on the consolidated statements of activities:

	2023	2021
Current Income Tax Provision	$ 13,168	$ 2,909

BIVINS & BUNYAK CPAS, PLLC CERTIFIED
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March 25, 2024

Colorado Association of REALTORS® Inc, and Subsidiary
309 Inverness Way
Englewood, CO 80112

To the Board and Finance Committee of Colorado Association of REALTORS® Inc., and Subsidiary,

We have audited the financial statements of Colorado Association of REALTORS® Inc, and Subsidiary ("the Association") for the year ended December 31, 2023, and we will issue our report thereon dated March 25, 2024. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards , as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated November 13, 2023 Professional standards also require that we communicate to you the following information related to our audit.

<u>Significant Audit Matters</u>

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Colorado Association of REALTORS® Inc, and Subsidiary are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2023. We noted no transactions entered into by the Organization 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.

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

> Allocation of functional expenses – we reviewed the allocation of functional expenses among program service categories used to understand the methodology in determining that the allocation was reasonable in relation to the consolidated financial statements as a whole

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

> Note 6, Related Party Transactions – Management has elected to not consolidate the accounts of Colorado Association of REALTORS® Political Action Committee ("CARPAC"). This resulted in a qualified opinion, as US GAAP requires consolidation of a related party in instances of control and economic interest. Quantification of the effects of the departure from US GAAP on the consolidated financial position and consolidated statement of activities is disclosed in Footnote 6.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a disagreement on a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 25, 2024.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

See separate letter for audit findings and issues

<u>Other Matters</u>

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of board of directors and management of Colorado Association of REALTORS® Inc, and Subsidiary and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Bivins & Bunyak CPAs PLLC

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Auditors Communication of Internal Control Related Matters Identified in the Audit.

March 25, 2024

To the Board and Finance Committee of Colorado Association of REALTORS® Inc., and Subsidiary,

In planning and performing our audit of the financial statements of Colorado Association of REALTORS® Inc., and Subsidiary as of and for the year ended December 31, 2023, in accordance with auditing standards generally accepted in the United States of America, we considered Colorado Association of REALTORS® Inc., and Subsidiary's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

Significant Deficiencies in Internal Controls

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies in Colorado Association of REALTORS® Inc., and Subsidiary's internal control to be significant deficiencies:

Monitoring Bank Insurance Limits

The Association routinely maintains cash balances in excess of the FDIC insured limits. Creditworthiness of the selected financial institutions must be monitored on a routine basis.

This communication is intended solely for the information and use of management, the board of directors, and others within the organization, and is not intended to be, and should not be, used by anyone other than these specified parties.

Bivins & Bunyak CPAs PLLC

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