

**FARGO-MOORHEAD AREA ASSOCIATION OF
REALTORS AND SUBSIDIARY
FARGO, NORTH DAKOTA**

REVIEWED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors of
Fargo-Moorhead Area Association of Realtors and Subsidiary
Fargo, North Dakota

We have reviewed the accompanying consolidated financial statements of Fargo-Moorhead Area Association of Realtors (a not-for-profit organization) and Subsidiary, which comprise the consolidated statements of financial position as of December 31, 2023 and 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Fargo-Moorhead Area Association of Realtors and Subsidiary's management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the consolidated financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Consolidated Financial Statements

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

Accountant's Responsibility

Our responsibility is to conduct the review engagements in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the consolidated financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

We are required to be independent of Fargo-Moorhead Area Association of Realtors and Subsidiary and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

Basis for Qualified Conclusions

As disclosed in Note 2 to the financial statements, FASB ASC 842 requires lessees to recognize lease assets and lease liabilities for all long-term leases on the entity's consolidated statements of financial position. Management has informed us that they have elected not to adopt this guidance, which would have been effective for the year ended December 31, 2022 and will continue to account for and disclose all leases under the previous standard, FASB ASC 840. The effects of this departure from accounting principles generally accepted in the United States of America on the consolidated statements of financial position, consolidated statements of activities, functional expenses, and cash flows as of and for the years ended December 31, 2023 and 2022 have not been determined.

Qualified Conclusions

Based on our reviews, except for the effect of the matter described in the Basis for Qualified Conclusions paragraph, we are not aware of any material modifications that should be made to the accompanying consolidated financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.



BRADY, MARTZ & ASSOCIATES, P.C.
FARGO, NORTH DAKOTA

March 15, 2024

FARGO-MOORHEAD AREA ASSOCIATION OF REALTORS AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2023 AND 2022

ASSETS

	2023	2022
Current assets:		
Cash and cash equivalents	\$ 1,550,103	\$ 1,447,232
Accounts receivable	17,923	26,949
Restricted cash	369,351	407,269
Investments	575,662	500,986
Total current assets	2,513,039	2,382,436
Property and equipment, net	1,681,904	1,512,984
Deferred tax asset	-	2,000
Total assets	\$ 4,194,943	\$ 3,897,420

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable	\$ 17,975	\$ 540
Security deposits	113,668	112,668
NDAR dues payable	10,518	-
Other accruals	35,189	55,628
Deferred income	1,327,204	1,260,635
Current portion of long-term debt	83,706	80,237
Total current liabilities	1,588,260	1,509,708
Long-term debt, net of current portion above	376,771	460,310
Total liabilities	1,965,031	1,970,018
Net assets:		
Without donor restrictions:		
Undesignated	1,899,229	1,557,801
Board designated	330,683	369,601
Total net assets	2,229,912	1,927,402
Total liabilities and net assets	\$ 4,194,943	\$ 3,897,420

See independent accountant's review report and notes to
the consolidated financial statements

FARGO-MOORHEAD AREA ASSOCIATION OF REALTORS AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
Revenues and other support:		
Program revenue	\$ 1,326,257	\$ 1,337,001
Rental income	119,309	126,369
Investment income (loss), net	62,676	(89,444)
Miscellaneous	41,523	26,423
Interest	6,700	586
Total revenues and other support	1,556,465	1,400,935
Expenses:		
Program	924,249	958,101
Management and general	329,706	390,996
Total expenses	1,253,955	1,349,097
Change in net assets	302,510	51,838
Net assets, beginning of year	1,927,402	1,875,564
Net assets, end of year	\$ 2,229,912	\$ 1,927,402

See independent accountant's review report and notes to
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FARGO-MOORHEAD AREA ASSOCIATION OF REALTORS AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2023

	<u>Program</u>	<u>Management and general</u>	<u>Total</u>
Board of directors	\$ -	\$ 21,555	\$ 21,555
Building insurance	1,589	3,371	4,960
Computer	245,924	-	245,924
Copier rental and maintenance	7,813	1,272	9,085
Credit losses	150	-	150
Depreciation	21,405	42,015	63,420
Education committee	2,500	-	2,500
Income tax (benefit) expense	-	39,445	39,445
Interest	6,367	13,511	19,878
Meetings and outings	13,015	-	13,015
Miscellaneous	35,246	-	35,246
Office supplies and paper	3,360	547	3,907
Payroll taxes and employee benefits	27,907	13,399	41,306
Postage	116	19	135
Professional fees	-	31,891	31,891
Property management	2,907	6,168	9,075
Public relations	53,184	-	53,184
Real estate taxes	6,345	13,465	19,810
Salaries	268,392	128,912	397,304
Supplies and maintenance	5,597	11,879	17,476
Supra fees	161,097	-	161,097
Telephone	6,158	1,003	7,161
Travel and conventions	47,476	-	47,476
Utilities	7,701	1,254	8,955
Total expenses	<u>\$ 924,249</u>	<u>\$ 329,706</u>	<u>\$ 1,253,955</u>

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FARGO-MOORHEAD AREA ASSOCIATION OF REALTORS AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022

	Program	Management and general	Total
Board of directors	\$ -	\$ 12,690	\$ 12,690
Building insurance	1,301	2,803	4,104
Computer	204,311	-	204,311
Copier rental and maintenance	6,740	1,163	7,903
Credit losses	338	-	338
Depreciation	19,740	42,506	62,246
Education committee	5,736	-	5,736
Income tax (benefit) expense	-	34,980	34,980
Interest	8,375	18,033	26,408
Leadership expense	-	25,000	25,000
Lease commissions	6,861	14,773	21,634
Meetings and outings	29,489	-	29,489
Miscellaneous	50,001	-	50,001
National and state dues	23,403	-	23,403
Office supplies and paper	4,226	729	4,955
Payroll taxes and employee benefits	29,202	16,995	46,197
Postage	449	77	526
Professional fees	-	24,117	24,117
Property management	3,401	7,324	10,725
Public relations	60,482	-	60,482
Real estate taxes	6,592	14,196	20,788
Salaries	281,934	164,076	446,010
Supplies and maintenance	4,246	9,144	13,390
Supra fees	156,908	-	156,908
Telephone	5,097	879	5,976
Travel and conventions	40,508	-	40,508
Utilities	8,761	1,511	10,272
Total expenses	<u>\$ 958,101</u>	<u>\$ 390,996</u>	<u>\$ 1,349,097</u>

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the consolidated financial statements

FARGO-MOORHEAD AREA ASSOCIATION OF REALTORS AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
Cash flows from operating activities:		
Change in net assets	\$ 302,510	\$ 51,838
Adjustments to reconcile net assets to net cash provided (used) by operating activities:		
Depreciation	63,420	62,246
Investment income, net	(62,676)	89,444
Net effects on operating cash flows due to changes in:		
Accounts receivable	9,026	(25,866)
Deferred tax asset	2,000	2,000
Accounts payable	17,435	(42,840)
Security deposits	1,000	11
NDAR Dues Payable	10,518	-
Other accruals	(20,439)	(452,952)
Deferred income	66,569	880,344
Net cash flows provided (used) by operating activities	389,363	564,225
Cash flows from investing activities:		
Purchases of investments	(12,000)	(12,000)
Purchases of property and equipment	(232,340)	(105,771)
Net cash flows provided (used) by investing activities	(244,340)	(117,771)
Cash flows from financing activities:		
Principal payments on long-term debt	(80,070)	(188,037)
Net cash flows provided (used) by financing activities	(80,070)	(188,037)
Change in cash, cash equivalents, and restricted cash	64,953	258,417
Cash, cash equivalents and restricted cash, beginning of year	1,854,501	1,596,084
Cash, cash equivalents and restricted cash, end of year	\$ 1,919,454	\$ 1,854,501
Cash and cash equivalents	\$ 1,550,103	\$ 1,447,232
Restricted cash	369,351	407,269
Total cash, cash equivalents, and restricted cash	\$ 1,919,454	\$ 1,854,501
Supplemental disclosure of cash flow information:		
Income taxes paid during the year	\$ (31,720)	\$ (22,490)
Interest paid during the year	(19,878)	(26,408)

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the consolidated financial statements

FARGO-MOORHEAD AREA ASSOCIATION OF REALTORS AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 1 NATURE OF OPERATIONS

Nature of operations

The Fargo-Moorhead Area Association of Realtors (FMAAR) is a trade association for realtors in the Fargo-Moorhead area. FMAAR provides a variety of services to its members including education, professional standards, and legislative affairs. The Realtor Multiple Listing Service, Inc. (RMLS) provides multiple listing services for area realtors.

Principles of consolidation

The accompanying consolidated financial statements of FMAAR and its 100% owned subsidiary, RMLS, (collectively, the Association), have been consolidated for this financial statement presentation. All intercompany transactions have been eliminated.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The consolidated financial statements of the Association have been prepared on the accrual basis.

Basis of presentation

The accompanying consolidated financial statements are presented in accordance with accounting principles generally accepted in the United States of America (GAAP) as codified by the Financial Accounting Standards Board (FASB). Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions – Net assets available for use in general operations and not subject to donor restrictions.

Net assets with donor restrictions – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Association and/or the passage of time. Some donor-imposed restrictions will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. There are no net assets with donor restrictions at December 31, 2023 and 2022.

Estimates

The preparation of consolidated financial statements in conformity with GAAP 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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FARGO-MOORHEAD AREA ASSOCIATION OF REALTORS AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2023 AND 2022

Cash and cash equivalents

The Association is including its unrestricted checking and savings accounts as cash and cash equivalents in these consolidated financial statements. There are no other highly liquid investments which are considered cash and cash equivalents.

Restricted cash

Restricted cash consists of reserves for future operations, building maintenance, MLS member security deposits, key deposits and certificates of deposit which are valued at cost plus accrued interest.

Trade receivables and allowance for credit losses

Trade receivables are derived from sales to customers and are recorded at the invoice amount, less an allowance for credit losses, which represents the amount expected to be collected as of the consolidated statement of financial position date. Trade credit is extended on a short-term basis; thus trade receivables do not bear interest, although a finance charge may be applied to such receivables that are more than 30 days past due.

The allowance for credit losses is based on management's expectation of the credit losses expected to arise over the life of the asset as of the consolidated statement of financial position date (including consideration of prepayments), and is updated to reflect any changes in credit risk as of each subsequent reporting date. The Association estimates its allowance for credit losses starting with an evaluation of historical credit loss write-offs, applied to an analysis of outstanding aged receivables, and updated for current economic conditions, and reasonable and supportable forecasted economic conditions. No significant adjustments to the allowance calculations for current or forecasted economic conditions were made during the current year. Receivables with unusual credit risk characteristics are evaluated individually. All other receivables are considered similar and are evaluated as one portfolio segment. Management's estimate of the allowance for credit losses, as well as the separate amounts of write-offs and recoveries were immaterial with respect to the consolidated financial statements as a whole as of December 31, 2023 and 2022.

Receivables are written off as a reduction in the allowance for credit losses when deemed uncollectible. Recoveries of accounts previously written off (if any) will be recognized in income.

Investments

The Association accounts for investments in accordance with GAAP. In accordance with GAAP, the Association accounts for investments in marketable securities with readily determinable fair values, and investments in debt securities considered available-for-sale, at fair value in the consolidated statements of financial position. Investment income and gains are reported as increases in net assets without donor restrictions in the reporting period in which the income and gains are recognized.

Property and equipment

Property and equipment are stated at historical cost. The Association capitalizes all expenditures for renewals and improvements that significantly add to the productive capacity or

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FARGO-MOORHEAD AREA ASSOCIATION OF REALTORS AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2023 AND 2022

extend the useful life of an asset with a cost greater than \$1,000. Other expenditures for maintenance and repairs are charged to expense as incurred. When equipment is retired or sold, the cost and related accumulated depreciation are eliminated from the accounts and the resultant gain or loss is reflected in income. Depreciation of property and equipment is computed on the straight-line and accelerated methods over the estimated useful lives of the assets, which are as follows:

Description	Lives
Building	39 years
Building improvements	5-15 years
Office equipment	5-10 years

Disaggregation of revenue and performance obligations

FMAAR recognizes revenue on fees and dues collected from local realtors monthly as they provide the products and services that enhance the realtor’s value in the real estate transaction. FMAAR protects the rights of individual real estate ownership and the real estate industry. There are no unique payment terms for local realtor fees. These balances are billed in advance of the quarter to which they relate. The Association’s primary performance obligation is providing realtors with resources for each year they sign up as a member of the local realtor association.

FMAAR recognizes revenue from events and outings as they occur. There are no unique payment terms for events and outings. Events and outings are billed in advance to attendees and the balance is recorded as deferred income until the FMAAR fulfills its performance obligation, which is holding the events and outings as described.

RMLS records revenue from its Multiple Listing Service (MLS) access service over time. Invoices are sent to members at the beginning of each quarter for three months of MLS access, which is a suite of services that real estate brokers use to establish contractual offers of compensation and accumulate and disseminate information to enable appraisals. There are no unique payment terms on information access fees. The main performance obligation is providing electronic access to the MLS database.

RMLS records revenue from its Supra keyholders over time as members pay for access to the Supra lockboxes. These key boxes bring efficiency to real estate professionals and peace of mind to home sellers as they make it simple for showing agents to access properties and for listing agents to track activity at client properties. There are no unique payment terms on Supra keyholder income. The primary performance obligation is providing realtors access to the key boxes.

When the Association has a single performance obligation, the entire transaction price is attributed to that performance obligation. When a contract has more than one performance obligation, the transaction price is allocated to each performance obligation based on estimated relative standalone selling prices of the goods or services at the inception of the contract, which typically is determined using observable standalone sales.

FARGO-MOORHEAD AREA ASSOCIATION OF REALTORS AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2023 AND 2022

Contract costs

The Association has elected the practical expedient to not capitalize the incremental costs incurred to obtain a contract as the life of the contract is expected to be one year or less.

Deferred income

Deferred income consists of payments for services that are yet to be provided to members. These balances are primarily prepaid membership dues and are recognized as the Association provides services to the customer. Deferred income is considered a contract liability under Accounting Standards Codification (ASC) 606 as the Association has an obligation to transfer services to the customer at the earlier of 1) when the customer prepays consideration or 2) the time the customer's consideration is due for services the Association will yet provide.

Income tax

FMAAR is exempt from income tax under Section 501(c)(6) of the Internal Revenue Code. Any net income generated from unrelated source, as defined by the regulations, is taxable as unrelated business income. RMLS is a for-profit corporation. The Association's policy is to evaluate the likelihood that its uncertain tax positions will prevail based upon examination based on the extent to which those positions have substantial support within the Internal Revenue Code and Regulations, Revenue Rulings, court decisions, and other evidence.

Income taxes are provided for the tax effects of transactions plus deferred taxes resulting primarily from net operating losses on unrelated business losses. The deferred tax asset represents the future tax return consequences of those differences, which will be deductible up to certain limitations when the asset is recovered. The net income generated by RMLS, a C-Corporation, is subject to taxation. The income tax expense reflected in these consolidated financial statements are the taxes currently paid on that income.

Advertising costs

Advertising costs of the Association are charged to expense as incurred.

Fundraising

Expenses incurred that are directly related to activities which promote the raising of funds for the Association are classified as fundraising expenses and included on the consolidated statements of activities. There were no significant fundraising expenses during the years ended December 31, 2023 and 2022.

Fair value measurements

GAAP establishes a framework for measuring fair value. That framework provides a fair value hierarchy 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 the authoritative guidance are described below:

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2023 AND 2022

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Association has ability to access.

Level 2 – Inputs to the valuation methodology include:

- 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 for the asset or liability.
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

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's 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 used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value on a recurring basis. There have been no changes in the methodologies used at December 31, 2023.

Money market funds – Money market funds are valued at fair value based on actual cash balances as of year-end.

Exchange-traded funds – Valued at fair value based on the net asset value (NAV) of the underlying assets held by the Association at year-end.

Mutual funds – Valued at fair value based on the NAV of shares held by the Association at year-end.

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

Functional allocation of expenses

The costs of program and supporting services activities have been summarized on a functional basis in the consolidated statements of activities. The consolidated statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

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FARGO-MOORHEAD AREA ASSOCIATION OF REALTORS AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED
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The consolidated financial statements report certain categories of expenses that are attributed to either program or management and general expenses. Such expenses require a reasonable allocation which is consistently applied. Salaries, payroll taxes, and employee benefits are allocated based on time of employees. Depreciation, interest, supplies, maintenance, real estate taxes, property management, insurance, commissions, rent, copier, utilities, telephone, office supplies, and postage are allocated based on square footage of the building.

Adoption of New Accounting Standard

The Association adopted FASB ASC 326, *Financial Instruments - Credit Losses*, effective January 1, 2023. The impact of the adoption was not considered material to the consolidated financial statements, and no adjustment to beginning net assets was recorded. The new standard primarily resulted in enhanced disclosures only.

Known departure from accounting principals generally accepted in the United States of America

As noted in our report, the Association has elected not to adopt FASB ASC 842 and will continue to report and disclose leases under the previous FASB ASC 840 guidance. As such, no lease right of use assets or lease liabilities will be recorded for long-term leases that are determined to be operating leases. The Association will instead provide a summary of the lease obligations, the required five year minimum lease payments, and the rent expense for all periods presented as required under the previous guidance.

NOTE 3 REVENUE RECOGNITION

The following is an analysis of revenue and other support by the timing of such revenue and other support recognized during the years ended December 31:

	2023	2022
Timing of revenue recognition:		
Goods and services transferred over time	\$ 1,286,857	\$ 1,302,128
Goods and services transferred at a point-in-time	83,893	61,305
Total revenue from contracts with customers	1,370,750	1,363,433
Total non-exchange transactions	185,715	37,502
Total revenue and other support	\$ 1,556,465	\$ 1,400,935

Accounts receivable and deferred income totaled \$1,083 and \$380,292 at January 1, 2022, respectively.

NOTE 4 LIQUIDITY AND AVAILABILITY

The Association regularly monitors liquidity to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Association has various sources of liquidity at its disposal, including cash and cash equivalents, accounts receivable, investments, and certificates of deposit.

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FARGO-MOORHEAD AREA ASSOCIATION OF REALTORS AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED
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For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Association considers all expenditures related to its ongoing activities of a trade association and the conduct of services undertaken to support those activities to be general expenditures.

In addition to financial assets available to meet general expenditures over the next 12 months, the Association operates with a balanced budget and anticipates collecting enough revenue to cover expenditures through a multitude of sources, including dues assessments and information access fees. Refer to the consolidated statements of cash flows which identifies the sources and uses of the Association’s cash and shows cash flows generated by operations during the years ended December 31, 2023 and 2022, respectively.

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the consolidated statement of financial position date, comprise the following for the years ended December 31:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 1,550,103	\$ 1,447,232
Accounts receivable	17,923	26,949
Restricted cash	255,683	294,601
Investments	<u>575,662</u>	<u>500,986</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,399,371</u>	<u>\$ 2,269,768</u>

The Association has restricted cash accounts which are designated for MLS member security and key deposits which are not considered available for general use and thus not included in financial assets available for general expenditures within one year.

The Association’s investment portfolio consists of highly liquid investments including money market, exchange-traded funds, and mutual funds which are all available for general expenditures on the consolidated statements of financial position.

NOTE 5 RESTRICTED CASH

Restricted cash consists of the following components which are held in separate accounts on December 31:

	<u>2023</u>	<u>2022</u>
Future reserve CD	\$ 64,606	\$ 113,289
MLS member security deposits	113,668	112,668
Building maintenance CD	116,615	106,312
Leadership CD	74,462	75,000
Total restricted cash	<u>\$ 369,351</u>	<u>\$ 407,269</u>

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NOTE 6 INVESTMENTS

Costs and fair market values of investments classified as available-for-sale as of December 31 are as follows:

<u>2023</u>	<u>Cost</u>	<u>Fair value</u>
Money market	\$ 1,059	\$ 1,059
Exchange-traded funds	98,157	251,751
Mutual funds	306,595	322,852
Totals	<u>\$ 405,811</u>	<u>\$ 575,662</u>

<u>2022</u>	<u>Cost</u>	<u>Fair value</u>
Money market	\$ 111	\$ 111
Exchange-traded funds	210,934	224,897
Mutual funds	288,145	275,978
Totals	<u>\$ 499,190</u>	<u>\$ 500,986</u>

Included in the investment income (loss) on the consolidated statements of activities is unrealized gain of \$70,025 and unrealized losses of \$91,371 for the years ended December 31, 2023 and 2022, respectively.

NOTE 7 PROPERTY AND EQUIPMENT

Property and equipment totaled the following on December 31:

	<u>2023</u>	<u>2022</u>
Land	\$ 356,211	\$ 356,211
Buildings and improvements	1,598,943	1,370,526
Office equipment	148,627	209,034
Total property and equipment	2,103,781	1,935,771
Less: accumulated depreciation	(421,877)	(422,787)
Property and equipment, net	<u>\$ 1,681,904</u>	<u>\$ 1,512,984</u>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED
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NOTE 8 FAIR VALUE MEASUREMENTS

The following table presents by level, within the fair value hierarchy, the Association’s assets at fair value as of December 31:

	2023			Total
	Level 1	Level 2	Level 3	
Money market	\$ 1,059	\$ -	\$ -	\$ 1,059
Exchange-traded funds	251,751	-	-	251,751
Mutual funds	322,852	-	-	322,852
Total	\$ 575,662	\$ -	\$ -	\$ 575,662

	2022			Total
	Level 1	Level 2	Level 3	
Money market	\$ 111	\$ -	\$ -	\$ 111
Exchange-traded funds	224,897	-	-	224,897
Mutual funds	275,978	-	-	275,978
Total	\$ 500,986	\$ -	\$ -	\$ 500,986

NOTE 9 RENTAL INCOME

The Association leases part of its office building to unrelated tenants. The building that is being leased, and accumulated depreciation, are included in the consolidated statements of financial position. The cost basis of the building totaled \$1,436,523 and \$1,370,526 for the years ended December 31, 2023 and 2022, respectively, and accumulated depreciation totaled \$291,638 and \$246,816 for the years ended December 31, 2023 and 2022, respectively. Future minimum lease payments due to the Association under these leases for the years ending December 31 are as follows:

2024	\$ 116,853
2025	117,853
2026	82,167
2027	74,654
2028	2,792

NOTE 10 COMMITMENTS AND CONCENTRATIONS

The Association maintains its cash and cash equivalents in bank deposit accounts which, at times, may exceed the federally insured limits as guaranteed by the Federal Deposit Insurance Corporation. The Association has not experienced any losses in such accounts, nor does it believe it is exposed to any significant credit risk on cash and cash equivalents.

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The Association leases a copier under an operating lease which expires in February 2025. Lease and ancillary expenses totaled \$9,085 and \$7,903 during the years ended December 31, 2023 and 2022, respectively, and are included in copier rental and maintenance on the consolidated statements of functional expenses. Future minimum lease payments due under this lease for the years ending December 31 are as follows:

2024	\$	6,956
2025		1,159

The Association has a lease agreement for Supra lockboxes. This agreement requires quarterly payments based on the number of devices in use by the Association. Supra expenses totaled \$161,097 and \$156,908 for the years ended December 31, 2023 and 2022, respectively, and is included in Supra fees on the consolidated statements of functional expenses. The number of devices in use varies on an ongoing basis and future payments are subject to change.

NOTE 11 LONG-TERM DEBT

	<u>Collateral</u>	<u>Rate</u>	<u>Maturity</u>	<u>Payments (A)</u>	<u>2023</u>	<u>2022</u>
Bell Bank	Building	4.24%	Dec-29	\$ 8,836	\$ 460,477	\$ 540,547
Less: current portion					(83,706)	(80,237)
Long-term debt, net					<u>\$ 376,771</u>	<u>\$ 460,310</u>

(A) Monthly payments include interest.

The following schedule shows the future principal payments required on the above long-term debt for the years ending December 31:

2024	\$	83,706
2025		87,324
2026		91,099
2027		95,038
2028		103,310
Total		<u>\$ 460,477</u>

The mortgage with Bell Bank carries various covenant requirements. As of December 31, 2023, management is not aware of any violations for all such requirements.

NOTE 12 NET ASSETS

Board designated net assets represents amounts set aside to use for future internally designated spending. Board designated assets consisted of the following on December 31:

	<u>2023</u>	<u>2022</u>
Building and equipment maintenance and reserve	\$ 255,683	\$ 294,601
Leadership fund	75,000	75,000
Total board designated net assets	<u>\$ 330,683</u>	<u>\$ 369,601</u>

See independent accountant's review report

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NOTE 13 INCOME TAXES

The components giving rise to the net deferred tax asset (liability) described in Note 1 have been included in the consolidated statements of financial position as of December 31 as follows:

	<u>2023</u>	<u>2022</u>
Deferred tax assets:		
Federal NOL carryforward	\$ -	\$ 2,000

Deferred taxes result from net operating loss carryforwards because of unrelated activity of FMAAR. Management has determined that no valuation allowance related to the deferred income tax asset is necessary at December 31, 2023 and 2022.

The state net operating loss carryover includes losses incurred in years after the 2018 tax year can be carried forward indefinitely. As of December 31, 2023, the net operating losses that can be carried forward indefinitely are as follows:

North Dakota	\$ 451
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It is the opinion of management that the Association has no significant uncertain tax positions that would be subject to change upon examination. The income tax returns of the Association are subject to the examination by the Internal Revenue Service and state tax authorities, generally for three years after they were filed. All filings are current.

NOTE 14 ADVERTISING

Advertising costs totaled \$51,610 and \$50,584 for the years ended December 31, 2023 and 2022, respectively, and is included in public relations on the consolidated statements of functional expenses.

NOTE 15 RETIREMENT PLAN

The Association has a Simple Individual Retirement Arrangement (IRA) plan covering its employees. It provides employees an optional Simple IRA through Edward Jones and offers matching funds up to 3%. The Association contributed \$9,853 and \$11,307 to the plan during the years ended December 31, 2023 and 2022, respectively, and is included in payroll taxes and employee benefits on the consolidated statements of functional expenses.

NOTE 16 SUBSEQUENT EVENTS

No significant events occurred subsequent to year end. The Association has evaluated subsequent events through March 15, 2024, which is the date the consolidated financial statements were available to be issued.