

Audited Combined Financial Statements

AMERICAN SOCIETY OF APPRAISERS and AFFILIATES

Herndon, Virginia

June 30, 2025 and 2024

American Society of Appraisers and Affiliates

TABLE OF CONTENTS

AUDITED COMBINED FINANCIAL STATEMENTS

Independent Auditor's Report	1-2
Combined Statements of Financial Position	3
Combined Statements of Activities and Changes in Net Assets	4-5
Combined Statements of Functional Expenses	6-7
Combined Statements of Cash Flows	8
Notes to Combined Financial Statements	9-20

INDEPENDENT AUDITOR'S REPORT

**To the Board of Governors
American Society of Appraisers and Affiliates
Herndon, Virginia**

Opinion

We have audited the accompanying combined financial statements of American Society of Appraisers and Affiliates (the Society), which comprise the combined statements of financial position as of June 30, 2025 and 2024, and the related combined statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the combined financial statements.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of the Society as of June 30, 2025 and 2024, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the combined financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the combined 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 combined 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 combined 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 the Society'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 combined financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Society'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.

CST GROUP, CPAs, PC

December 10, 2025

American Society of Appraisers and Affiliates

COMBINED STATEMENTS OF FINANCIAL POSITION as of June 30

	2025	2024
CURRENT ASSETS		
Cash and cash equivalents	\$ 3,991,103	\$ 3,831,343
Investments	2,942,314	2,674,073
Accounts receivable, net	40,169	107,568
Inventory	12,275	9,603
Prepaid expenses	231,431	288,662
	7,217,292	6,911,249
PROPERTY AND EQUIPMENT		
Furniture and equipment	78,454	11,409
Accumulated depreciation	(16,921)	(8,121)
	61,533	3,288
OTHER ASSETS		
Deposits	33,957	33,957
Right-of-use assets, operating, net	1,565,456	1,735,433
	1,599,413	1,769,390
	\$ 8,878,238	\$ 8,683,927
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 215,614	\$ 410,333
Due to related parties	142,213	109,421
Deferred dues	1,508,986	1,480,061
Other deferred revenue	250,720	202,178
Lease liability, operating, current	179,489	170,677
	2,297,022	2,372,670
LONG-TERM LIABILITIES		
Lease liability, operating, long-term	1,640,624	1,820,113
	1,640,624	1,820,113
NET ASSETS		
Without donor restrictions	4,940,592	4,491,144
	\$ 8,878,238	\$ 8,683,927

See independent auditor's report and notes to combined financial statements.

American Society of Appraisers and Affiliates

COMBINED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS for Year Ended June 30, 2025

	American Society of Appraisers (ASA)	ASA - Education Foundation	ASA - Political Action Committee (PAC)	NAIFA Trust	Total
OPERATING ACTIVITIES					
REVENUES					
Membership dues and fees	\$ 3,042,725	\$ 0	\$ 0	\$ 0	\$ 3,042,725
Education and training	1,815,817	0	0	400	1,816,217
Conferences	550,538	3,598	0	0	554,136
Journal	82,826	0	0	0	82,826
Publications and advertising	29,904	15,240	0	0	45,144
Other	21,977	6,690	0	2,550	31,217
TOTAL REVENUE	5,543,787	25,528	0	2,950	5,572,265
EXPENSES					
Program services:					
Government relations	137,576	0	0	0	137,576
Membership	703,755	0	0	0	703,755
Education	1,086,357	0	0	0	1,086,357
Marketing	471,102	0	0	0	471,102
Conferences	494,310	0	0	0	494,310
TOTAL PROGRAM SERVICES	2,893,100	0	0	0	2,893,100
Supporting services:					
General and administration	1,399,149	31,279	0	0	1,430,428
Governance	1,168,104	0	0	0	1,168,104
TOTAL SUPPORTING SERVICES	2,567,253	31,279	0	0	2,598,532
TOTAL EXPENSES	5,460,353	31,279	0	0	5,491,632
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS	83,434	(5,751)	0	2,950	80,633
NON-OPERATING ACTIVITIES					
Investment Income, net	300,339	2,200	0	66,276	368,815
TOTAL NON-OPERATING ACTIVITIES	300,339	2,200	0	66,276	368,815
INCREASE (DECREASE) IN NET ASSETS	383,773	(3,551)	0	69,226	449,448
NET ASSETS, beginning of year	3,578,314	275,505	10,513	626,812	4,491,144
NET ASSETS, END OF YEAR	\$ 3,962,087	\$ 271,954	\$ 10,513	\$ 696,038	\$ 4,940,592

See independent auditor's report and notes to combined financial statements.

American Society of Appraisers and Affiliates

COMBINED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS for Year Ended June 30, 2024

	American Society of Appraisers (ASA)	ASA - Education Foundation	ASA - Political Action Committee (PAC)	NAIFA Trust	Total
OPERATING ACTIVITIES					
REVENUES					
Membership dues and fees	\$ 3,076,175	\$ 0	\$ 0	\$ 0	\$ 3,076,175
Education and training	2,025,044	0	0	370	2,025,414
Conferences	575,318	0	0	0	575,318
Journal	93,715	0	0	0	93,715
Publications and advertising	30,924	37,660	0	0	68,584
Other	<u>15,886</u>	<u>6,671</u>	<u>0</u>	<u>1,850</u>	<u>24,407</u>
TOTAL REVENUE	5,817,062	44,331	0	2,220	5,863,613
EXPENSES					
Program services:					
Government relations	218,619	0	0	0	218,619
Membership	707,870	0	0	0	707,870
Education	969,657	0	0	0	969,657
Marketing	522,324	0	0	0	522,324
Conferences	<u>437,637</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>437,637</u>
TOTAL PROGRAM SERVICES	2,856,107	0	0	0	2,856,107
Supporting services:					
General and administration	1,610,218	47,641	0	0	1,657,859
Governance	<u>1,068,078</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,068,078</u>
TOTAL SUPPORTING SERVICES	2,678,296	47,641	0	0	2,725,937
TOTAL EXPENSES	<u>5,534,403</u>	<u>47,641</u>	<u>0</u>	<u>0</u>	<u>5,582,044</u>
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS	282,659	(3,310)	0	2,220	281,569
NON-OPERATING ACTIVITIES					
Investment Income, net	331,819	4,669	0	59,132	395,620
Loss on disposal of assets	<u>(610)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(610)</u>
TOTAL NON-OPERATING ACTIVITIES	<u>331,209</u>	<u>4,669</u>	<u>0</u>	<u>59,132</u>	<u>395,010</u>
INCREASE IN NET ASSETS	613,868	1,359	0	61,352	676,579
NET ASSETS, beginning of year	<u>2,964,446</u>	<u>274,146</u>	<u>10,513</u>	<u>565,460</u>	<u>3,814,565</u>
NET ASSETS, END OF YEAR	<u>\$ 3,578,314</u>	<u>\$ 275,505</u>	<u>\$ 10,513</u>	<u>\$ 626,812</u>	<u>\$ 4,491,144</u>

See independent auditor's report and notes to combined financial statements.

American Society of Appraisers and Affiliates

COMBINED STATEMENT OF FUNCTIONAL EXPENSES for Year Ended June 30, 2025

	Program Services					Supporting Services		Total
	Government relations	Membership	Education	Marketing	Conferences	General and administration	Governance	
Advertising	\$ 0	\$ 0	\$ 0	\$ 184,283	\$ 156	\$ 0	\$ 2,293	\$ 186,732
Annual conference	0	4,148	0	1,914	480,426	13,108	3,770	503,366
Bank and merchant fees	0	0	0	0	13,104	177,898	0	191,002
Computer and web support	0	85,224	25,270	1,176	0	151,248	0	262,918
Depreciation	0	0	0	0	0	8,800	0	8,800
Discipline committees and affiliates	0	0	0	15,948	0	23,335	40,597	79,880
Education courses	0	0	496,023	0	0	0	0	496,023
Employee benefits	14,233	103,605	112,487	36,998	0	75,717	93,139	436,179
Government relations	2,231	0	0	0	0	0	0	2,231
Insurance	0	0	0	0	0	39,667	0	39,667
Legal and accounting fees	0	0	0	0	0	141,776	0	141,776
Membership and program	0	24,593	0	0	0	0	0	24,593
Office expense	0	0	0	0	0	28,273	1,739	30,012
Officer, board and committee	0	4,600	0	17,500	624	0	259,026	281,750
Postage and delivery	32	1,572	358	72	0	9,743	122	11,899
Publications	0	0	0	3,317	0	8,291	0	11,608
Rent	0	0	0	0	0	214,733	0	214,733
Salaries	120,505	477,469	449,533	208,732	0	381,600	755,039	2,392,878
Supplies and maintenance	0	1,083	286	148	0	9,654	3,181	14,352
Taxes and licenses	0	0	0	0	0	1,043	0	1,043
Telephone	575	600	2,400	225	0	20,312	1,493	25,605
Temporary personnel	0	0	0	0	0	76,199	0	76,199
Training	0	861	0	789	0	49,031	7,705	58,386
	<u>\$ 137,576</u>	<u>\$ 703,755</u>	<u>\$1,086,357</u>	<u>\$ 471,102</u>	<u>\$ 494,310</u>	<u>\$1,430,428</u>	<u>\$1,168,104</u>	<u>\$5,491,632</u>

See independent auditor's report and notes to combined financial statements.

American Society of Appraisers and Affiliates

COMBINED STATEMENT OF FUNCTIONAL EXPENSES for Year Ended June 30, 2024

	Program Services					Supporting Services		Total
	Government relations	Membership	Education	Marketing	Conferences	General and administration	Governance	
Advertising	\$ 0	\$ 3,463	\$ 24	\$ 138,497	\$ 0	\$ 0	\$ 2,033	\$ 144,017
Annual conference	1,060	5,047	2,923	1,763	424,489	2,445	1,271	438,998
Bank and merchant fees	0	0	0	0	12,084	170,337	0	182,421
Computer and web support	891	107,975	29,861	8,388	0	206,391	1,111	354,617
Depreciation	0	0	0	0	0	3,012	0	3,012
Discipline committees and affiliates	0	0	0	32,250	1,064	16,100	52,802	102,216
Education courses	0	0	440,928	0	0	0	0	440,928
Employee benefits	31,417	87,596	76,271	52,000	0	90,476	97,647	435,407
Government relations	12,912	0	0	0	0	0	0	12,912
Insurance	0	0	0	0	0	44,286	0	44,286
Legal and accounting fees	0	0	0	0	0	153,655	0	153,655
Membership and program	0	16,100	0	0	0	0	0	16,100
Office expense	0	0	0	0	0	8,006	127,200	135,206
Officer, board and committee	0	0	0	0	0	0	238,836	238,836
Postage and delivery	0	3,482	426	0	0	11,399	86	15,393
Publications	0	0	0	4,715	0	31,191	0	35,906
Rent	0	0	0	0	0	213,714	0	213,714
Salaries	171,289	477,580	415,834	283,507	0	493,282	532,378	2,373,870
Supplies and maintenance	0	2,463	169	0	0	8,285	2,374	13,291
Taxes and licenses	0	0	0	0	0	4,108	0	4,108
Telephone	1,050	600	2,213	900	0	20,053	3,150	27,966
Temporary personnel	0	0	0	0	0	125,565	0	125,565
Training	0	3,564	1,008	304	0	55,554	9,190	69,620
	<u>\$ 218,619</u>	<u>\$ 707,870</u>	<u>\$ 969,657</u>	<u>\$ 522,324</u>	<u>\$ 437,637</u>	<u>\$ 1,657,859</u>	<u>\$ 1,068,078</u>	<u>\$ 5,582,044</u>

See independent auditor's report and notes to combined financial statements.

American Society of Appraisers and Affiliates

COMBINED STATEMENTS OF CASH FLOWS for Years Ended June 30

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 449,448	\$ 676,579
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	8,800	3,012
Realized gain on investments	(99,381)	(11,750)
Unrealized gain on investments	(111,638)	(214,143)
Loss on disposal of assets	0	610
(Increase) decrease in assets:		
Accounts receivable	67,399	83,603
Prepaid expenses and other assets	57,231	(48,369)
Inventory	(2,672)	15,724
Right-of-use assets, operating, net	169,977	189,568
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(194,719)	155,859
Due to related parties	32,792	(10,633)
Deferred dues	28,925	(9,865)
Other deferred revenue	48,542	(74,308)
Lease liabilities, operating	(170,677)	(183,709)
NET CASH PROVIDED BY OPERATING ACTIVITIES	284,027	572,178
CASH FLOWS FROM INVESTING ACTIVITIES		
Sales of investments	185,194	71,225
Purchases of investments	(242,416)	(115,679)
Purchases of property and equipment	(67,045)	(1,415)
NET CASH USED BY INVESTING ACTIVITIES	(124,267)	(45,869)
NET INCREASE IN CASH AND CASH EQUIVALENTS	159,760	526,309
CASH AND CASH EQUIVALENTS, beginning of year	3,831,343	3,305,034
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 3,991,103	\$ 3,831,343

See independent auditor's report and notes to combined financial statements.

American Society of Appraisers and Affiliates

NOTES TO COMBINED FINANCIAL STATEMENTS for Years Ended June 30, 2025 and 2024

NOTE A – ORGANIZATION AND NATURE OF ACTIVITIES

The American Society of Appraisers and Affiliates (the Society) is an international professional society originally founded in 1936 and incorporated in July 1952 as a not-for-profit, non-stock corporation in the State of Delaware. The Society's mission is to promote the exchange of ideas and experiences among its members and to cultivate professional excellence in its membership through education, accreditation, publication and other related services. The Society's headquarters are located in the Washington, D.C. metropolitan area. The Society has several discipline committees that represent the interest of certain specialties within the appraisal and valuation profession.

Affiliates

In July 1967, the Society established the American Society of Appraisers and Affiliates Educational Foundation (the Foundation) as a tax-exempt not-for-profit 501(c)(3) organization to conduct the educational, research, and charitable activities of the Society. The Foundation provides scholarships and grants for the Society's various educational courses and programs designed to advance the profession of appraisal and valuation.

The Society has also established a political action committee (ASA-PAC) to further the political and legislative interest of the appraisal profession.

On July 1, 2018, the Society acquired the National Associations of Independent Fee Appraisers (NAIFA). NAIFA is an association of professional real estate appraisers. NAIFA's activities were subsequently combined with the American Society of Appraisers unconsolidated activities.

In the acquisition, the Society also acquired the NAIFA Educational Trust (the NAIFA Trust). The Trust is a tax-exempt not-for-profit 501(c)(3) organization to conduct the educational, research, and charitable activities. The financial statements contained herein include the financial information of the Foundation, the ASA-PAC, and the NAIFA Trust. All the affiliates are under common control of the ASA Board of Governors.

The accompanying combined financial statements include the accounts of the Society and its affiliates with all significant inter-company accounts and transactions eliminated.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The combined financial statements of the Society have been prepared in accordance with accounting principles generally accepted in the United States, which involves the application of accrual accounting; accordingly, revenues and expenses are recognized when earned or incurred.

Basis of Presentation

The Society 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 Society, the environment in which it operates, the purposes specified in

American Society of Appraisers and Affiliates

NOTES TO COMBINED FINANCIAL STATEMENTS for Years Ended June 30, 2025 and 2024

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation (continued)

its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

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 combined financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions. There were no donor restricted net assets at June 30, 2025 and 2024.

Use of Estimates

The preparation of combined financial statements in conformity with accounting principles generally accepted in the United States requires the use of management's estimates that affect the reported amounts and disclosures in the financial statements. Actual amounts could differ from those estimates.

Revenue and Revenue Recognition

Revenue is recognized when the Society satisfies a performance obligation by transferring a promised good to or performing a service for, a customer. The amount of revenue recognized reflects the consideration the Society expects to receive in exchange for satisfying distinct performance obligations. If a performance obligation does not meet the criteria to be considered distinct, the Society combines it with other performance obligations until a distinct bundle of goods or services exists. Fees or amounts received in advance of satisfying contractual performance obligations are reflected as deferred revenue in the combined statements of financial position. Revenue is recognized either over time or at the point in time that contractual obligations are met.

The Society records revenue from exchange transactions as increases in net assets without donor restrictions to the extent that the earnings process is complete. Resources received in exchange transactions are recognized as deferred revenue to the extent the earnings process has not yet been completed. These transactions include the following:

Member dues and fees, and publication and journal subscriptions are recognized ratably over the term which is generally one year. Advertising revenue is recognized at a point in time when the advertisement is published.

Sales of materials is revenue from the sale of professional and consumer books and other publications and is recognized at a point in time when shipped by the Society or its vendors.

Program service fees results from registration fees paid for professional events and from booth and other space rentals at our professional events. These include education, training, and conferences. Revenue for such activities is recognized at a point in time when the related event occurs.

American Society of Appraisers and Affiliates

NOTES TO COMBINED FINANCIAL STATEMENTS for Years Ended June 30, 2025 and 2024

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue and Revenue Recognition (continued)

The beginning and ending balances for accounts receivable and contract liabilities were as follows:

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Accounts receivable, net	\$ 40,169	\$ 107,568	\$ 191,171
Deferred dues	1,508,986	1,480,061	1,489,926
Other deferred revenue	250,720	202,178	276,486

Cash and Cash Equivalents

The Society considers deposits that may be redeemed on demand and investments that have original maturities of less than three months to be cash equivalents.

Investments

Investments are recorded at fair value in the accompanying financial statements. Fair value is determined based on quoted market prices, if available, or estimated using other observable inputs. Changes in fair value are recognized as investment return in the accompanying statement of activities.

Investment income, including interest, dividends, and realized and unrealized gains and losses, is included in investment return and is reported in the period earned. Purchases and sales of investments are recorded on a trade-date basis.

Accounts Receivable

The Society's accounts receivable balance includes amounts due from the sale of its membership dues, education course offerings and conference sponsorships. The Society uses the allowance method for recording bad debt. The allowance for credit losses totaled \$0 and \$65,579 for the years ended June 30, 2025 and 2024, respectively. There was bad debt expense of \$0 and \$4,658 for the years ended June 30, 2025 and 2024.

Inventory

Inventory consists of publications and educational materials that are valued at average cost basis.

Prepaid Expenses

Prepaid expenses consist primarily of amounts prepaid by the Society for future conferences, maintenance agreements and liability insurance.

Property and Equipment

Property and equipment are recorded at cost. Additions and improvements to existing property and equipment in excess of \$1,000 are capitalized; general maintenance and repairs are charged to expense. The cost and accumulated depreciation of assets sold or retired are removed from the property and equipment accounts, and any gain or loss upon disposition is recognized at that time. Depreciation and amortization on furniture, equipment, and software are computed using the straight-line method based on estimated useful lives ranging from three to seven years. Leasehold improvements are amortized over the shorter of the useful life or the lease term. Depreciation expense was \$8,800 and \$3,012 for the years ended June 30, 2025 and 2024, respectively.

American Society of Appraisers and Affiliates

NOTES TO COMBINED FINANCIAL STATEMENTS for Years Ended June 30, 2025 and 2024

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases

The Society leases certain office space and office 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.

Operating leases are included in operating lease right-of-use ("ROU") assets and operating lease liabilities in the Society's combined statements of financial position.

ROU assets represent the Society's right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments. ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. The Society uses the implicit rate when it is readily determinable. Since most of the Society's leases do not provide an implicit rate, to determine the present value of lease payments, management has elected to use a risk-free discount rate, determined using a period comparable with that of the lease term. 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 Society's lease terms may include options to extend or terminate the lease when it is reasonably certain that the Society will exercise the option.

Deposits

Deposits consist of rental deposits placed on office leases.

Accrued Expenses

Accrued expenses consist primarily of the estimated liability for accrued leave, wages, and payroll tax related costs.

Deferred Revenue

Deferred revenue consists of membership dues, education courses, conference registrations, and journal subscriptions received in advance of the applicable membership period or event. Membership dues and journal subscriptions are recognized ratably over the respective members' dues/subscription period. Conference and course registration income are recognized at the time the event occurs.

Contributions and Donations

The Society follows the provisions of FASB ASC Topic 958, Not-for-Profit Entities, in accounting for contributions and net assets. Contributions are recorded as with or without donor restrictions, depending on the existence and/or nature of any donor restrictions.

Restricted donor support is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction.

American Society of Appraisers and Affiliates

NOTES TO COMBINED FINANCIAL STATEMENTS for Years Ended June 30, 2025 and 2024

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Conditional contributions are recognized as revenue when the underlying conditions are substantially met. Amounts received in advance of the satisfaction of conditions are reported as refundable advances until the conditions have been fulfilled.

Functional Expenses

Costs of providing various programs have been summarized on a functional basis in the Combined Statement of Activities. The Combined Statement of Functional Expenses presents the natural classification of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated include costs for activities have been directly identified and charged to the programs based on management's measured and estimated usage of these costs by function. Indirect costs that are not directly charged to programs are accumulated in general and administration expenses and have not been allocated in these combined financial statements.

Advertising Costs

Advertising costs are expensed as incurred and totaled \$186,732 and \$144,017 for the years ended June 30, 2025 and 2024, respectively.

Income Taxes

The American Society of Appraisers is exempt from Federal income tax under Section 501(c)(6) of the U.S. Internal Revenue Code. The Educational Foundation and NAIFA Educational Trust are exempt from the federal income taxes under IRC Section 501(c)(3). Income from certain activities not directly related to the Society's tax-exempt purpose is subject to taxation as unrelated business income.

Under the provisions of Statement of Financial Accounting Standards ASC Topic 740, *Income Taxes* (ASC 740), the Society is required to disclose deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the financial statement carrying amounts and the tax basis of assets and liabilities. The Society has recurring unrelated business taxable income losses that give rise to net operating loss carryforwards. A deferred tax asset has been calculated for these NOLs; however, the balance is not material and there is substantial uncertainty as to whether the NOL can be utilized, therefore the deferred tax asset is \$0 and not reflected on the statement of financial position as June 30, 2025 and 2024. Uncertain tax positions are recognized when it is more likely than not that a tax position would not be sustained upon examination by a taxing authority. There were no material uncertain tax positions as of June 30, 2025 and 2024 that require disclosure or recognition.

The Society's tax returns remain open and subject to examination for three years from the filing date.

Upcoming Accounting Pronouncement

In December 2023, the FASB issued ASU 2023-09, *Income Taxes* (Topic 740). Under the new guidance, U.S. entities are subject to new tax disclosure rules, which require them to provide more detailed information on their tax rates and payments. For entities other than public business entities, the amendments in this Update require qualitative disclosure about specific categories of reconciling items and individual jurisdictions that result in a significant difference between the statutory tax rate and the effective tax rate.

American Society of Appraisers and Affiliates

NOTES TO COMBINED FINANCIAL STATEMENTS for Years Ended June 30, 2025 and 2024

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Society is exempt from federal income taxes under 501(c)(3) and 501(c)(6); however, it does generate unrelated business taxable income, which is subject to federal and state income tax under ASC 740. As a result, the Society expects that adoption of ASU 2023-09 may require additional disclosures regarding income taxes paid by jurisdiction and the nature and impact of reconciling items affecting income tax expense. ASU 2023-09 is effective for the Society for annual periods beginning after December 15, 2025 (i.e., the year ending June 30, 2027), with early adoption permitted.

Management is currently evaluating the impact of this ASU on the Society's financial statement disclosures and expects the amendments to result in expanded qualitative and quantitative income tax disclosures in periods in which unrelated business activities give rise to material tax expense.

Reclassification

Certain amounts reported in the 2024 combined financial statements have been reclassified to conform to the 2025 presentation. Such reclassifications had no effect on 2024 net income.

NOTE C - AVAILABILITY AND LIQUIDITY

The following represents the Society's financial assets at June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Cash and cash equivalents	\$ 3,991,103	\$ 3,831,343
Investments	2,942,314	2,674,073
Accounts receivable, net	<u>40,169</u>	<u>107,568</u>
	6,973,586	6,612,984
Less amounts not available to be used within one year due:		
Cash, educational foundation and NAIFA trust	(276,449)	(287,577)
Investments - designated reserves	<u>(2,942,314)</u>	<u>(2,674,073)</u>
	<u>(3,218,763)</u>	<u>(2,961,650)</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 3,754,823</u>	<u>\$ 3,651,334</u>

The Society's goal is generally to maintain financial assets to meet 90 days of operating expenses. As part of its liquidity plan, excess cash is invested in short-term investments, including money market funds and mutual funds.

American Society of Appraisers and Affiliates

NOTES TO COMBINED FINANCIAL STATEMENTS for Years Ended June 30, 2025 and 2024

NOTE D - DUE TO RELATED PARTIES

The Society works closely with approximately 65 local and regional chapters located throughout North and South America, Europe, and the Pacific Rim. Such chapters are independently chartered and locally governed and are not included in the Society's combined financial statements. The Society collects chapter dues and assessments from members on behalf of the chapters in addition to the Society's annual membership dues. Total amounts due to chapters at June 30, 2025 and 2024 were \$142,213 and \$109,421, respectively. Amounts due to chapters are remitted semi-annually.

NOTE E - INVESTMENTS

Investments are summarized as follows for the years ended June 30, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Equity securities	\$ 1,548,768	\$ 1,518,367
Fixed income securities	<u>1,393,546</u>	<u>1,155,706</u>
Total investments	<u>\$ 2,942,314</u>	<u>\$ 2,674,073</u>

Investment returns are summarized as follows for the years ended June 30, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Interest and dividends	176,539	\$ 186,815
Net realized gain	99,381	11,750
Net unrealized gain	111,638	214,143
Investment management fees	<u>(18,743)</u>	<u>(17,088)</u>
Total	<u>\$ 368,815</u>	<u>\$ 395,620</u>

Investment returns are reported net of related investment expenses in the combined statements of activities. The amount of expenses netted with revenues was \$18,743 and \$17,088 for the years ended June 30, 2025 and 2024, respectively.

NOTE F - FAIR VALUE OF FINANCIAL INSTRUMENTS

The framework for measuring fair value 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). The three levels of the fair value hierarchy are described below:

American Society of Appraisers and Affiliates

NOTES TO COMBINED FINANCIAL STATEMENTS for Years Ended June 30, 2025 and 2024

NOTE F - FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

- Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Society has the ability to access.
- Level 2: Inputs to the valuation methodology include (a) quoted prices for similar assets or liabilities in active markets; (b) quoted prices for identical or similar assets or liabilities in inactive markets; (c) inputs other than quoted prices that are observable for the asset or liability; and (d) 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 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.

Equity Securities

These funds are valued at the closing price reported on the active market on which individual securities are traded.

Fixed Income Securities

These funds are valued at the closing price reported on the active market on which individual securities are traded.

In determining the appropriate levels, the Society performs a detailed analysis of the assets and liabilities that are subject to this reporting requirement. The recorded values of financial instruments, including cash and cash equivalents, accounts receivable, other current assets, accounts payable, accrued expenses and deferred revenue, approximate their fair values as of June 30, 2025 and 2024 because of the relatively short maturity of these instruments.

The availability of market data is monitored to assess the appropriate classification of investments within the fair value hierarchy. Changes in economic conditions or valuation techniques may require the transfer of investments from one fair value level to another. In such instances, the transfer is reported at the end of the reporting period. The Society evaluates the significance of transfers between levels based upon the nature of the investment and size of the transfer relative to total net assets available for benefits.

For the years ended June 30, 2025 and 2024, there were no significant transfers into or out of Levels 1, 2 or 3.

American Society of Appraisers and Affiliates

NOTES TO COMBINED FINANCIAL STATEMENTS for Years Ended June 30, 2025 and 2024

NOTE F - FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

The following tables summarize the Society's investments by level within the fair value hierarchy as of June 30, 2025.

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equity securities	\$ 1,548,768	\$ 1,548,768	\$ 0	\$ 0
Fixed income securities	1,393,546	1,393,546	0	0
Investments at fair value	<u>\$ 2,942,314</u>	<u>\$ 2,942,314</u>	<u>\$ 0</u>	<u>\$ 0</u>

The following tables summarize the Society's investments by level within the fair value hierarchy as of June 30, 2024.

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equity securities	\$ 1,518,367	\$ 1,518,367	\$ 0	\$ 0
Fixed income securities	1,155,706	1,155,706	0	0
Investments at fair value	<u>\$ 2,674,073</u>	<u>\$ 2,674,073</u>	<u>\$ 0</u>	<u>\$ 0</u>

NOTE G - LEASE OBLIGATIONS

The Society leases office space in Herndon, Virginia under a non-cancelable operating lease agreement that commenced on December 1, 2021 and expires on January 1, 2034. The lease includes annual rent escalations over the lease term. The Society is responsible for its proportionate share of building costs and real estate taxes.

The Society leases office equipment under operating leases, which expire in May 2026.

American Society of Appraisers and Affiliates

NOTES TO COMBINED FINANCIAL STATEMENTS for Years Ended June 30, 2025 and 2024

NOTE G - LEASE OBLIGATIONS (continued)

The following summarizes the line items in the combined statements of financial position which include amounts for operating leases as of June 30, 2025 and 2024:

	2025	2024
Operating:		
Operating lease right-of-use asset	\$ 1,565,456	\$ 1,735,433
Operating lease liability, current	179,489	170,677
Operating lease liability, non-current	1,640,624	1,820,113
Total operating lease liabilities	\$ 1,820,113	\$ 1,990,790

The following summarizes the weighted average remaining lease term and discount rate as of June 30, 2025 and 2024:

	2025	2024
Weighted average remaining lease term (years):		
Operating leases	8.46	9.41
Weighted average discount rate:		
Operating leases	2.96%	2.97%

The following summarizes the line items in the combined statements of activities which include the components of lease expense for the years ended June 30, 2025 and 2024:

	2025	2024
Operating lease expense included in operating expenses	\$ 214,733	\$ 213,714

The following summarizes cash flow information related to leases for the year ended June 30, 2025 and 2024:

	2025	2024
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 226,867	\$ 250,880

American Society of Appraisers and Affiliates

NOTES TO COMBINED FINANCIAL STATEMENTS for Years Ended June 30, 2025 and 2024

NOTE G - LEASE OBLIGATIONS (continued)

Maturities of lease liabilities under noncancelable operating leases as of June 30, 2025 are as follows:

For the Year Ending June 30:		
2026	\$	230,344
2027		223,561
2028		229,688
2029		235,981
2030		242,462
Thereafter		<u>901,738</u>
		2,063,774
Less: Interest		<u>(243,661)</u>
Total lease liabilities	\$	<u>1,820,113</u>

NOTE H - COMMITMENTS AND CONTINGENCIES

The Society holds meetings in various hotels in the United States and contracts for such events in advance. In the event the Society is required to cancel a meeting, it may be liable for cancellation fees, which vary considerably based on the date of cancellation and the proximity of the event date. At June 30, 2025, the Society's maximum commitments for possible liquidated damages totaled approximately \$501,894 for events planned through the report date. Currently, the Society has no plans to cancel any conventions or meetings that would result in liquidated damages. In addition, the Society carries meetings cancellation insurance covering costs associated with event cancellation up to a certain deductible limit.

The Society has entered into contracts with course developers. These contracts pay a development fee upon completion of development. The contracts are cancellable by either party.

The Society is involved in litigation arising in the ordinary course of business. While the ultimate outcome of these matters is not presently determinable, it is the opinion of management that the resolution of outstanding claims will not have a material adverse effect on the financial position or results of operations of the Society.

NOTE I - CONCENTRATION OF CREDIT RISK

As of June 30, 2025, the Society's cash and cash equivalents was held in several institutions. Bank account balances, at times, may exceed federally insured limits. The Society has not experienced any losses in these accounts, and management believes that the Society is not exposed to significant credit risk on cash and cash equivalent balances.

American Society of Appraisers and Affiliates

NOTES TO COMBINED FINANCIAL STATEMENTS for Years Ended June 30, 2025 and 2024

NOTE J - RETIREMENT PLAN

The Society maintains a defined contribution 401(k) retirement plan for employees who meet certain age and length of service requirements. Employees may contribute a portion of their salaries on a tax-deferred basis up to statutory limits. For the year ended June 30, 2025, the Society made discretionary matching contributions to the plan based upon each participant's contribution up to 5% of the participant's compensation. The Society contributed \$88,208 and \$106,276 to the plan during the fiscal years ended June 30, 2025 and 2024, respectively.

NOTE K - CASH FLOW INFORMATION

The Society had asset dispositions of \$0 and \$16,221 for the years ended June 30, 2025 and 2024, respectively.

NOTE L - SUBSEQUENT EVENTS

The Society's management has evaluated subsequent events and transactions for potential recognition or disclosure through December 10, 2025, which is the date the combined financial statements were available to be issued.