



# FINANCIAL REPORT

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2017

## Independent Auditor's Report

To the Board of Directors of REALTORS® Association of Hamilton-Burlington

We have audited the accompanying financial statements of REALTORS® Association of Hamilton-Burlington, which comprise the balance sheet as at December 31, 2017, and the statements of revenue and expenses, changes in net assets and cash flows for the year ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of REALTORS® Association of Hamilton-Burlington as at December 31, 2017 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.



Chartered Professional Accountants  
Licensed Public Accountants  
March 7, 2018

# REALTORS<sup>®</sup> Association of Hamilton-Burlington

## Statement of revenue and expenses year ended December 31, 2017

	2017	2016
	\$	\$
<b>Revenue</b>		
Membership dues and fees	2,067,466	2,206,269
Monthly listing and computer flat fees	1,925,627	1,845,880
Access listings	92,105	60,305
Realty Shoppe	202,200	173,437
Investment income	23,793	30,551
Membership transfer fees	20,700	19,300
Education	104,187	70,118
Rental income	269,981	263,421
Sundry income	46,829	84,847
	<b>4,752,888</b>	<b>4,754,128</b>
<b>Expenses</b>		
Building operation, maintenance and rental (Schedule 1)	395,187	405,651
Listing services (Schedule 1)	1,781,411	1,897,919
	<b>2,176,598</b>	<b>2,303,570</b>
Administrative and office (Schedule 2)	2,466,635	2,206,217
	<b>4,643,233</b>	<b>4,509,787</b>
<b>Excess of revenue over expenses</b>	<b>109,655</b>	<b>244,341</b>

# REALTORS<sup>®</sup> Association of Hamilton-Burlington

## Statement of changes in net assets year ended December 31, 2017

					2017	2016
	Invested in capital assets	Operating fund	Karan Barker Scholarship Fund	Reserve fund	Total	Total
	\$	\$	\$	\$	\$	\$
<b>Balance, beginning of year</b>	3,260,891	1,401,787	203,402	1,598,000	6,464,080	6,219,739
Excess (deficiency) of revenue over expenses	(126,126)	232,559	3,222	-	109,655	244,341
Transfer to reserve fund - net	-	(202,000)	-	202,000	-	-
Acquisition of capital assets - net	16,247	(16,247)	-	-	-	-
<b>Balance, end of year</b>	<b>3,151,012</b>	<b>1,416,099</b>	<b>206,624</b>	<b>1,800,000</b>	<b>6,573,735</b>	<b>6,464,080</b>

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


# REALTORS<sup>®</sup> Association of Hamilton-Burlington

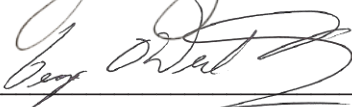
## Balance sheet

as at December 31, 2017

	2017	2016
	\$	\$
<b>Assets</b>		
Current assets		
Cash and cash equivalents	1,499,403	2,059,192
Short term investments	535,633	-
Accounts receivable	276,098	255,414
Inventory	50,066	59,629
Prepaid expenses	112,417	57,064
	<b>2,473,617</b>	<b>2,431,299</b>
Investments - reserve fund (Note 5)	1,800,000	1,598,000
Investments - Karan Barker Scholarship Fund	206,624	203,402
Long-term prepaid expense	198,805	231,736
Capital assets (Note 3)	3,151,012	3,260,891
	<b>7,830,058</b>	<b>7,725,328</b>
<b>Liabilities</b>		
Current liabilities		
Accounts payable and accrued liabilities	192,858	177,794
Government remittances payable	93,045	97,735
Association dues (Note 4)	305,766	296,559
Membership fees paid in advance	637,946	634,410
Deferred revenue	26,708	54,750
	<b>1,256,323</b>	<b>1,261,248</b>
<b>Net assets</b>		
Net assets invested in capital assets	3,151,012	3,260,891
Operating fund	1,416,099	1,401,787
Karan Barker Scholarship Fund	206,624	203,402
Reserve fund (Note 5)	1,800,000	1,598,000
	<b>6,573,735</b>	<b>6,464,080</b>
	<b>7,830,058</b>	<b>7,725,328</b>

Approved by the Board

  
\_\_\_\_\_  
Director

  
\_\_\_\_\_  
Director

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

# REALTORS<sup>®</sup> Association of Hamilton-Burlington

Statement of cash flows  
year ended December 31, 2017

	2017	2016
	\$	\$
<b>Operating activities</b>		
Excess of revenue over expenses	109,655	244,341
Items not affecting cash		
Amortization of capital assets	126,126	137,577
Amortization of deferred charges	20,270	20,270
Change in non-cash operating working capital items (Note 6)	(58,738)	(54,452)
	<b>197,313</b>	<b>347,736</b>
<b>Investing activities</b>		
Increase in short term investments	(535,633)	-
Net increase in investment - reserve fund	(202,000)	(50,000)
Increase in investment - Karan Barker Scholarship Fund	(3,222)	(4,543)
Acquisition of capital assets	(16,247)	(35,633)
	<b>(757,102)</b>	<b>(90,176)</b>
Net change in cash and cash equivalents	(559,789)	257,560
Cash and cash equivalents, beginning of year	2,059,192	1,801,632
<b>Cash and cash equivalents, end of year</b>	<b>1,499,403</b>	<b>2,059,192</b>

# REALTORS<sup>®</sup> Association of Hamilton-Burlington

Notes to the financial statements  
December 31, 2017

## 1. Description of business

The REALTORS<sup>®</sup> Association of Hamilton-Burlington (the "Association") is incorporated under the laws of the Province of Ontario and is primarily engaged in providing services to its members. The Association is a not-for-profit organization under the Income Tax Act.

## 2. Significant accounting policies

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations and reflect the following significant accounting policies.

### *Revenue recognition*

The Association recognizes revenue when persuasive evidence of an arrangement exists, delivery has occurred, the price to the buyer is fixed or determinable and collection is reasonably assured. Revenue is recorded when services are rendered or business forms for resale are sold. Membership fees are billed and recorded as revenue in the fiscal year to which they apply.

### *Cash and cash equivalents*

Cash and cash equivalents consist of cash on hand and balances in the bank.

## 2. Significant accounting policies (continued)

### *Financial instruments*

Financial assets and financial liabilities are initially recognized at fair value when the Association becomes a party to the contractual provisions of the financial instrument. Subsequently, all financial instruments are measured at amortized cost.

Interest earned on short term investments and guaranteed investment certificates are included in investment income in the statement of revenue and expenses.

### *Inventory*

Inventory is valued at the lower of cost or net realizable value with cost determined on a first-in, first-out basis. Adequate provision has been made for all slow-moving, obsolete or unsalable items.

### *Capital assets*

Capital assets are valued at their original cost. Gains or losses on the disposal of these assets are included in earnings and the cost and accumulated amortization related to these assets are removed from the accounts.

Amortization is provided on a diminishing-balance method, unless otherwise noted, at rates based upon their estimated useful lives as follows:

Building	5%
Office equipment	20%
Computer equipment	30%

Amortization is provided at one-half the above rates in the year of acquisition.

### *Computer software*

Computer software is expensed in the year of acquisition.

### *Deferred charges*

The deferred charges represent leasehold inducements paid to secure tenants. These amounts are to be amortized on a straight-line basis over ten years, the term of the lease.

### *Use of estimates*

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the 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 these estimates. Significant estimates include amortization expense.

## 3. Capital assets

			2017	2016
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Land	1,188,821	-	1,188,821	1,188,821
Building	4,757,870	2,894,011	1,863,859	1,948,291
Office equipment	817,393	743,844	73,549	91,937
Computer equipment	1,515,307	1,490,524	24,783	31,842
	<b>8,279,391</b>	<b>5,128,379</b>	<b>3,151,012</b>	<b>3,260,891</b>

#### 4. Association dues

During the year, the Association collected dues on behalf of its members for the Canadian Real Estate Association of \$930,793 (2016 - \$909,670), and the Ontario Real Estate Association of \$369,625 (2016 - \$372,981). Accordingly, these amounts have not been reflected in revenue or expenses.

#### 5. Reserve fund

During the year, the Association transferred \$202,000 (2016 - \$50,000) from the operating fund to the reserve funds.

The reserve fund is comprised of the following:

	2017	2016
	\$	\$
Building	400,000	250,400
Dues stabilization	400,000	459,000
Technology	100,000	28,600
Contingency	900,000	860,000
	<b>1,800,000</b>	<b>1,598,000</b>

#### 6. Supplemental cash flow information

*Changes in non-cash operating working capital items*

	2017	2016
	\$	\$
Accounts receivable	(20,684)	2,107
Inventory	9,563	(7,473)
Prepaid expenses	(42,692)	5,277
Accounts payable and accrued liabilities	15,064	(104,424)
Government remittances payable	(4,690)	(4,104)
Association dues	9,207	13,517
Membership fees paid in advance	3,536	25,898
Deferred revenue	(28,042)	14,750
	<b>(58,738)</b>	<b>(54,452)</b>

#### 7. Financial instruments

The Association is exposed to the following risks through its financial instruments:

##### *Credit risk*

Credit risk arises from the potential that a counterparty will fail to perform its obligations. The Association is exposed to credit risk from customers. However, the Association's business has a significant number of members, which reduces the concentration of credit risk.

##### *Interest rate risk*

The Association is exposed to interest rate risk on its fixed interest rate financial instruments, which subject the Association to a fair value risk. Investments held in the reserve fund include investments in fixed rate guaranteed investment certificates which have terms from 30 to 180 days.

#### 8. Comparative figures

Certain prior year balances have been reclassified to conform with the current year presentation.

# REALTORS<sup>®</sup> Association of Hamilton-Burlington

## Schedule of expenses - Schedule 1 year ended December 31, 2017

	2017	2016
	\$	\$
<b>Building operation, maintenance and rental</b>		
Repairs and maintenance	145,346	152,041
Municipal taxes	75,852	74,367
Utilities	43,090	44,598
Amortization	97,747	101,714
Amortization of deferred charges	20,270	20,270
Commission	12,882	12,661
	<b>395,187</b>	<b>405,651</b>
<b>Listing services</b>		
Listing costs	205,064	201,857
Realty Shoppe	155,580	142,413
Registry information	629,948	580,372
Notice sheets	1,383	2,783
Computer maintenance and software	14,067	10,082
Computer costs	756,506	936,155
Computer amortization	9,992	13,052
Dues and subscriptions	8,871	11,205
	<b>1,781,411</b>	<b>1,897,919</b>

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



# REALTORS<sup>®</sup> Association of Hamilton-Burlington

## Schedule of administrative and office expenses - Schedule 2 year ended December 31, 2017

	2017	2016
	\$	\$
Salaries	1,415,542	1,357,327
Employee benefits	185,725	185,560
Staff training	36,670	9,911
Office supplies	15,342	14,233
General membership insurance	1,620	19,451
Postage and delivery	5,556	7,778
Office equipment		
Rentals	3,206	3,151
Repairs and maintenance	4,681	5,902
Amortization	18,387	22,811
General insurance	24,753	23,916
Accounting and audit fees	21,000	21,000
Professional fees	103,817	46,338
Bank charges	114,991	87,009
Advertising and public relations	97,776	93,469
Flowers and memorial expense	1,147	400
Conventions	65,903	64,619
Meetings	129,099	86,138
Education expenses	78,548	80,232
Salesperson orientation expense	2,194	-
Bad debts	179	331
Strategic planning	3,260	17,390
Projects	97,681	17,150
Donations	39,558	42,101
	<b>2,466,635</b>	<b>2,206,217</b>

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



**REALTORS<sup>®</sup>**  
**ASSOCIATION**  
of Hamilton-Burlington

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