

ONTARIO REAL ESTATE ASSOCIATION
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

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Independent auditor's report

To the Members of Ontario Real Estate Association

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Ontario Real Estate Association (the Association) as at December 31, 2018 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.

What we have audited

The Association's financial statements comprise:

- the balance sheet as at December 31, 2018;
- the statement of operations for the year then ended;
- the statement of changes in net assets for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Association in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the 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.

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In preparing the financial statements, management is responsible for assessing the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Association or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Association's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the 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 a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. 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.
- 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 Association's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Association's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Association to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

(Signed) “PricewaterhouseCoopers LLP”

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
February 11, 2019

ONTARIO REAL ESTATE ASSOCIATION

BALANCE SHEET

AS AT DECEMBER 31, 2018

	Operating Fund	Designated Reserves	Total	
			2018	2017
ASSETS				
Current assets				
Bank treasury accounts	\$ 1,320,873	\$ 330,691	\$ 1,651,564	\$ 4,445,279
Short term investments (notes 2 and 8(b))	6,872,384	9,865,531	16,737,915	10,433,976
Accounts receivable and prepaid expenses	1,981,700	393,333	2,375,033	1,766,979
Inventories	1,107,359	-	1,107,359	1,783,900
	11,282,316	10,589,555	21,871,871	18,430,134
Long term assets				
Deferred course development costs	891,017	-	891,017	83,763
Investments (notes 2 and 8(b))	7,321,107	28,124,390	35,445,497	24,848,398
Property and equipment (note 4)	7,989,568	-	7,989,568	8,397,007
	16,201,692	28,124,390	44,326,082	33,329,168
	27,484,008	38,713,945	66,197,953	51,759,302
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities	3,591,594	-	3,591,594	2,521,181
Interfund transfers	14,402,464	(14,402,464)	-	-
Deferred revenue	653,460	-	653,460	3,500,567
	18,647,518	(14,402,464)	4,245,054	6,021,748
NET ASSETS				
Designated reserves (note 5)	-	53,116,409	53,116,409	27,779,365
Investment in property and equipment	7,989,568	-	7,989,568	8,397,007
Net unrestricted assets	846,922	-	846,922	9,561,182
	8,836,490	53,116,409	61,952,899	45,737,554
	\$27,484,008	\$38,713,945	\$66,197,953	\$51,759,302

* The accompanying notes are an integral part of these financial statements

Approved on behalf of the Board:


_____, Director


_____, Director

ONTARIO REAL ESTATE ASSOCIATION

STATEMENT OF OPERATIONS

YEAR ENDED DECEMBER 31, 2018

	Operating Fund			Designated Reserves	Total	
	Member Services	OREA R.E. College (Note 3)	Sub-total		Dec 2018	Dec 2017 (Note 3)
Revenues						
Membership dues	\$ 8,366,199	\$ -	\$ 8,366,199	\$ -	\$ 8,366,199	\$ 7,994,354
Initiation fees	1,446,600	-	1,446,600	-	1,446,600	1,157,400
Conference and events	508,096	-	508,096	-	508,096	161,805
Leadership courses	27,118	-	27,118	-	27,118	45,550
Affinity program fees	192,929	-	192,929	-	192,929	196,259
Standard forms and resale materials	227,511	-	227,511	-	227,511	234,361
Investment income	423,022	-	423,022	678,414	1,101,436	694,660
Education revenues	-	41,982,857	41,982,857	-	41,982,857	44,537,276
MVA and Non-RE Programs	-	12,675	12,675	-	12,675	13,800
	11,191,475	41,995,532	53,187,007	678,414	53,865,421	55,035,465
Expenses						
Government relations	1,370,912	-	1,370,912	-	1,370,912	672,592
Communications and media	531,959	-	531,959	-	531,959	444,299
Conference and events	758,606	-	758,606	-	758,606	619,808
Leadership courses	65,739	-	65,739	-	65,739	75,807
Member engagement	184,500	-	184,500	-	184,500	68,484
Standard forms and resale materials	143,418	-	143,418	-	143,418	143,295
Legal	267,967	148,221	416,188	-	416,188	587,304
Education expenses	-	18,148,182	18,148,182	-	18,148,182	24,893,690
Salaries and benefits	4,555,243	5,649,744	10,204,987	-	10,204,987	11,180,473
Governance and representation	659,940	67,990	727,930	-	727,930	829,033
Credit card fees on dues collections	183,002	-	183,002	-	183,002	163,499
Operating expenses						
Occupancy	421,055	982,585	1,403,640	-	1,403,640	1,363,418
Administrative	459,437	1,052,766	1,512,203	-	1,512,203	1,483,300
Equipment depreciation	107,221	250,219	357,440	-	357,440	532,755
Designated reserves projects	-	-	-	1,508,370	1,508,370	403,672
Ontario REALTORS Care Foundation (note 7)						
Contribution to administration costs	-	-	-	-	-	29,000
Affinity fees	133,000	-	133,000	-	133,000	104,000
	9,841,999	26,299,707	36,141,706	1,508,370	37,650,076	43,594,429
Excess of revenue over expenses	1,349,476	15,695,825	17,045,301	(829,956)	16,215,345	11,441,036
Transfer to College Contingency Reserve Fund (note 5)	-	(15,695,000)	(15,695,000)	-	(15,695,000)	(10,449,000)
Net Excess of revenue over expenses	\$ 1,349,476	\$ 825	\$ 1,350,301	(\$829,956)	\$ 520,345	\$ 992,036

* The accompanying notes are an integral part of these financial statements

ONTARIO REAL ESTATE ASSOCIATION

STATEMENT OF CHANGES IN NET ASSETS

YEAR ENDED DECEMBER 31, 2018

	Operating Fund			Designated Reserves	Total	
	Invested in Property and Equipment	Net Unrestricted Assets	Sub-total		2018	2017
Balance - at beginning of year	\$ 8,397,007	\$ 9,561,182	\$17,958,189	\$27,779,365	\$45,737,554	\$34,296,518
Excess of revenue over expenses for the year	-	17,045,301	17,045,301	(829,956)	16,215,345	11,441,036
	8,397,007	26,606,483	35,003,490	26,949,409	61,952,899	45,737,554
Interfund transfers:						
Contingency & Special Projects Reserve Fund	-	-	-	-	-	-
Course Development Reserve Fund	-	-	-	-	-	-
Technology Reserve Fund	-	-	-	-	-	-
Dues Stabilization Reserve Fund	-	(17,160,000)	(17,160,000)	17,160,000	-	-
Building Reserve Fund	-	(22,000)	(22,000)	22,000	-	-
Political Action Reserve Fund	-	(1,290,000)	(1,290,000)	1,290,000	-	-
College Contingency Reserve Fund, net (note 5)	-	(7,695,000)	(7,695,000)	7,695,000	-	-
Interfund transfers representing:						
Depreciation	(907,860)	907,860	-	-	-	-
Purchase of property and equipment, net	500,421	(500,421)	-	-	-	-
Balance - at end of the year	\$ 7,989,568	\$ 846,922	\$ 8,836,490	\$53,116,409	\$61,952,899	\$45,737,554

* The accompanying notes are an integral part of these financial statements

ONTARIO REAL ESTATE ASSOCIATION

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2018

			Total	
	Operating Fund	Designated Reserves	2018	2017
Cash flows from operating activities				
Cash received from dues and initiation fees	\$ 9,876,891	\$ -	\$ 9,876,891	\$ 9,130,926
Cash received from education activities	38,560,591	-	38,560,591	44,585,358
Cash received from other activities	964,557	-	964,557	616,754
Interest income	423,022	678,414	1,101,436	694,660
Cash paid to suppliers and employees	(32,876,360)	(1,237,338)	(34,113,698)	(41,505,374)
	16,948,701	(558,924)	16,389,777	13,522,324
Cash flows from financing activities:				
Interfund transfers	(10,472,000)	10,472,000	-	-
Cash flows from investing activities:				
Purchase of investments, net	(2,649,213)	(7,947,886)	(10,597,099)	(6,064,230)
Purchase of property and equipment, net	(500,421)	-	(500,421)	(569,382)
Course development costs incurred	(1,748,076)	-	(1,748,076)	(322,389)
Leadership development costs incurred	(33,957)	-	(33,957)	(68,964)
	(4,931,667)	(7,947,886)	(12,879,553)	(7,024,965)
	(15,403,667)	2,524,114	(12,879,553)	(7,024,965)
Change in cash and cash equivalents	1,545,034	1,965,190	3,510,224	6,497,359
Cash and cash equivalents - at beginning of year	6,648,223	8,231,032	14,879,255	8,381,896
Cash and cash equivalents - at end of year	\$ 8,193,257	\$ 10,196,222	\$ 18,389,479	\$ 14,879,255
Cash and cash equivalents is represented by:				
Bank treasury account	\$ 1,320,873	\$ 330,691	\$ 1,651,564	\$ 4,445,279
Short term investments	6,872,384	9,865,531	16,737,915	10,433,976
	\$ 8,193,257	\$ 10,196,222	\$ 18,389,479	\$ 14,879,255

* The accompanying notes are an integral part of these financial statements

ONTARIO REAL ESTATE ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

The mission of the Ontario Real Estate Association (the "Association") is to help Ontario REALTORS®, brokerages and associations succeed. The Association is a not-for-profit organization, incorporated without share capital under the laws of Ontario and, as such, is generally exempt from income tax.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared using Canadian accounting standards for not-for profit organizations and include the following significant accounting policies:

Basis of Presentation

Comparative Figures

Certain of the comparative figures in the balance sheet are reclassified to conform with the financial statement presentation adopted for the current year.

Operating Fund

The operating fund reflects the day-to-day activities of the Association, segregated between member services and OREA Real Estate College.

Designated Reserve Funds

The Association's Board of Directors has internally restricted net assets that are to be used for specific purposes approved by the Board.

Financial Assets and Liabilities

The Association initially measures its financial assets and liabilities at cost. The Association subsequently measures all its financial assets and financial liabilities at amortized cost.

Financial assets and liabilities measured at amortized cost include cash at bank and brokers, short term and long term investments, accounts receivable and accounts payable and accrued liabilities.

Short and Long Term Investments

Short and long term investments are comprised of guaranteed investment certificates and government and corporate bonds. The Association's investment practice is to hold debt type instruments to maturity. These investments are recorded at amortized cost in the financial statements.

Inventories

Inventories are recorded at the lower of cost, determined on a first-in, first-out basis, and net realizable value. Cost includes direct materials only. Net realizable value is determined by reference to selling price less cost to sell.

Deferred Course Development Costs

Course development costs are recorded at cost less accumulated amortization. Amortization is provided on a straight line basis at rates of 50% to 100% per annum. If there is an indication that these costs may be impaired, an impairment test is performed that compares carrying amount to net recoverable amount. There were no impairment indicators in 2018.

ONTARIO REAL ESTATE ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

Property and Equipment

Property and equipment are recorded at cost and depreciated over their estimated useful lives on a straight line basis at the following annual rates:

Building	-	2.5%
Building improvements	-	10%
Parking lot	-	20%
Office furniture and equipment	-	10% to 50%
Computer software and programming	-	50%

The above rates are reviewed annually to ensure they are appropriate. Any changes are adjusted for on a prospective basis. If there is an indication that the assets may be impaired, an impairment test is performed that compares carrying amount to net recoverable amount. There were no impairment indicators in 2018.

Revenue Recognition

Membership Dues

Revenue from membership dues recorded in the financial statements is based on membership information provided by the member boards and is recognized as revenue in the fiscal year in which it is due.

Initiation Fees

Initiation fees are recognized as revenue in the year the individual becomes a member of the Association.

Education

Revenue is recognized when courses are presented. Fees received in the current year, applicable to a subsequent year are deferred and will be recognized as revenue in the year to which they pertain.

Resale Materials

Revenue is recognized when the items are shipped.

Investment Income

Investment income is comprised of interest and realized gains and losses from investment transactions. Interest income is recorded when earned. Realized gains and losses are recognized when the transactions occur.

Other Revenues

All other revenues are recognized as revenue when the event takes place or as earned.

Allocation of Expenses

Expenses are allocated directly to Member Services and OREA Real Estate College activities wherever possible. Salaries and benefits are allocated based on time spent by staff members on different departmental activities. Other shared operating costs are allocated 30% (25% in 2017) to Member Services and 70% (75% in 2017) to OREA Real Estate College activities.

ONTARIO REAL ESTATE ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates

The preparation of the Association's financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year.

Key areas of estimation where management has made difficult, complex or subjective judgements, often as a result of matters that are uncertain, include, among others, inventory obsolescence, useful lives for depreciation and amortization of property and equipment and course development costs and other assets and liabilities valuation. Actual results could differ from these and other estimates, the impact of which would be recorded in future periods.

2. INVESTMENTS

Details of investments are as follows:

	2018		2017	
	Amortized Cost	Effective Yield (%)	Amortized Cost	Effective Yield (%)
Short-term				
Guaranteed investment certificates and corporate bonds with maturity of less than 1 year	\$ 16,737,915	2.50	\$ 10,433,976	1.67
Long-term				
Guaranteed investment certificates and corporate bonds 1 - 5 years	35,445,497	3.00	24,848,398	2.26
	\$ 52,183,412		\$ 35,282,374	

Investment Risk Management

Risk management relates to the understanding and active management of risks associated with all areas of the Association's activities and operations. Investments are primarily exposed to interest rate and price risks. The Association has formal policies and procedures for investment transactions. Investments are generally limited to corporate bonds, treasury bills, deposit notes and guaranteed investment certificates and investments are made on the advice of portfolio managers.

Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rate will affect the value of fixed income securities held by the Association. The value of fixed income investments will generally rise if interest rates fall and decrease if interest rates rise. The Association is exposed to interest rate risk on its fixed rate investments.

Price Risk

The Association is exposed to price risk, which is the potential loss that the Association may incur with respect to the changes in the fair value of investments. The fair value of investments will fluctuate because of changes in market price whether those changes are caused by factors specific to the individual investments, or its issuers or factors affecting all investments traded in the market.

ONTARIO REAL ESTATE ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

3. EDUCATION SERVICES AGREEMENT

The Association is a nominee appointed by Real Estate Council of Ontario ("RECO") to provide educational programs required for registration under the Real Estate and Business Broker's Act. The contract will expire on December 31, 2020.

The Association is committed for the following payments:

- (a) \$42 per enrolment, minus reimbursements, for student contracts for vocational programs signed in respect of the current program, to be paid quarterly; and
- (b) \$32 per enrolment, minus reimbursements, for student contracts for vocational programs signed in respect of the legacy program, to be paid quarterly.

During the year ended December 31, 2018, the Association finalized a plan for the wind-down of the OREA Real Estate College. As a result, the OREA Real Estate College has now been classified as a discontinued operation.

The results from the discontinued College operation for the years ended December 31, 2018 and December 31, 2017 are as follows:

	2018	2017
Revenues	\$ 41,995,532	\$ 44,551,076
Course delivery expenses	18,007,413	24,371,899
Salaries and benefits	5,649,744	6,177,925
Governance and representation	67,990	333,182
Operating expenses	2,574,560	3,218,727
	26,299,707	34,101,733
Excess of revenue over expenses	\$ 15,695,825	\$ 10,449,343

4. PROPERTY AND EQUIPMENT

Details of property and equipment are as follows:

			Net Book Value	
			2018	2017
	Cost	Accumulated Depreciation		
Land	\$ 435,250	\$ -	\$ 435,250	\$ 435,250
Parking lot	466,312	407,066	59,246	111,189
Building	9,242,351	3,207,943	6,034,408	6,243,057
Building improvements	1,833,460	961,826	871,634	990,733
Office furniture	922,575	682,194	240,381	247,241
Equipment	1,574,934	1,252,130	322,804	319,081
Computer software and programming costs	398,720	372,875	25,845	50,456
	\$ 14,873,602	\$ 6,884,034	\$ 7,989,568	\$ 8,397,007

The statement of operations includes depreciation expense of \$907,860 (\$1,085,245 in 2017) and amortization of course development costs of \$974,780 (\$2,911,035 in 2017).

ONTARIO REAL ESTATE ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

5. DESIGNATED RESERVE FUNDS

Designated reserves are net assets internally restricted by the Board of Directors to be used for specific purposes. The details of these reserves are as follows:

	2018	2017
Building Reserve Fund	\$ 459,049	\$ 458,894
Contingency and Special Projects Reserve Fund	3,704,498	3,597,551
Course Development Reserve Fund	1,025,308	1,005,279
Dues Stabilization Reserve Fund	19,073,705	1,841,936
Technology Reserve Fund	1,577,289	1,538,269
Political Action Reserve Fund	2,870,853	2,991,976
Legal Defence Reserve Fund	516,875	508,505
College Contingency Reserve Fund	23,888,832	15,836,955
	\$ 53,116,409	\$ 27,779,365

Building Reserve Fund

The Building Reserve Fund is a Board-designated fund that was established in June 2003 for the specific purpose of maintenance of the property owned by the Association at 99 Duncan Mill Road in Don Mills. Contributions are transferred from the unrestricted net assets of the Association to the Building Reserve Fund.

Contingency and Special Projects Reserve Fund

The Contingency and Special Projects Reserve Fund is a Board-designated fund that was established in 1984 for the specific purpose of meeting unanticipated needs of the Association. It is to be used for unexpected emergencies and to fund special, non-recurring, one-time projects. Contributions are transferred from the unrestricted net assets of the Association to the Contingency and Special Project Reserve Fund.

Course Development Reserve Fund

The Course Development Reserve Fund is a Board-designated fund established in September 2002 for the specific purpose of investments in course development. Contributions are transferred from the unrestricted net assets of the Association to the Course Development Reserve Fund.

Dues Stabilization Reserve Fund

The Dues Stabilization Reserve Fund is a Board-designated fund that was established in December 2002 for the specific purpose of stabilizing dues revenues. Contributions are transferred from the unrestricted net assets of the Association to the Dues Stabilization Reserve Fund. During 2018, the OREA Board of Directors approved the transfer of funds from net unrestricted assets to the Dues Stabilization Reserve Fund to increase the Dues Stabilization Reserve Fund to represent two years of annual dues revenues.

Technology Reserve Fund

The Technology Reserve Fund is a Board-designated fund that was established in September 2002 for the specific purpose of investments in technology. Contributions are transferred from the unrestricted net assets of the Association to the Technology Reserve Fund.

ONTARIO REAL ESTATE ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

5. DESIGNATED RESERVE FUNDS (continued)

Political Action Reserve Fund

The Political Action Reserve Fund is a Board-designated fund that was established in March 2016 for the specific purposes outlined as follows:

- To support a regulatory and legislative environment in Ontario that is favourable to REALTORS® and to real estate;
- To promote REALTORS® as professional, engaged and valued stakeholders among key decision makers; and
- To respond to provincial and/or municipal issues which impact the affordability of property and/or the business of real estate.

Contributions are transferred from the unrestricted net assets of the Association to the Political Action Reserve Fund.

Legal Defence Reserve Fund

The Legal Defence Reserve Fund is a Board-designated fund that was established in December 2016 for the specific purposes outlined as follows:

- To fund applications made by member boards under the 'OREA legal assistance plan';
- To fund any litigation matters for which OREA must defend against or initiate; and
- To fund significant special projects of a legal nature.

Contributions are transferred from the unrestricted net assets of the Association to the Legal Defence Reserve Fund.

College Contingency Reserve Fund

The College Contingency Reserve Fund is a Board-designated fund that was established in December 2016 for the specific purpose of meeting the costs and obligations related to college activities. The Board of Directors has approved that the College surplus for the years 2016, 2017 and 2018 be transferred to the College Contingency Reserve Fund. During 2018, the OREA Board of Directors approved the transfer of \$8,000,000 from the College Contingency Reserve Fund to the net unrestricted assets.

6. PENSION PLAN

Certain employees of the Association are members of the Association's pension plan which is a defined contribution (money purchase) plan. Pension expense for the year 2018 amounted to \$276,044 (\$449,248 in 2017).

ONTARIO REAL ESTATE ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

7. RELATED PARTY TRANSACTIONS

The Association is related to the Ontario REALTORS Care® Foundation (the "Foundation") in that the voting members of both organizations are the same. The following summarizes the related party transactions with the Foundation:

	2018	2017
Statement of Operations		
Administration services fee received from the Foundation	\$ 10,000	\$ 10,000
Contribution made towards administrative expenses of the Foundation	133,000	133,000
Balance Sheet		
Due to the Foundation	882	7,935

In addition to the above contribution, the Association provides use of certain office space and facilities, staff and operating expenses at no further cost to the Foundation. The amount due to the Foundation is non-interest bearing and has no stated terms of repayment.

8. CREDIT FACILITIES

The Association has the following credit facilities:

(a) Line of Credit

The Association has an unsecured overdraft loan facility to a maximum of \$100,000. Any advances on this facility bear interest at bank prime rate plus one half percent and the interest is payable monthly. There were no advances at December 31, 2018 (\$NIL at December 31, 2017).

(b) Irrevocable Letter of Credit

The Association has issued an irrevocable letter of credit to an aggregate amount of up to \$889,000 covering the security pursuant to the Private Career College's Act and regulations made under the Act. Any advances on this letter of credit bear interest at bank prime rate plus 0.75% and the interest is payable monthly. There were no advances at December 31, 2018 (\$NIL at December 31, 2017).

The letter of credit is secured by a Collateral Agency Agreement constituting a first ranking security interest in the Association's contingency fund investment account with BMO Nesbitt Burns. Cash and investments at market value in this account at December 31, 2018 amounted to \$3,457,247 (December 31, 2017 - \$3,564,733). The letter of credit has an automatic annual extension with 60 days notice.

9. FINANCIAL INSTRUMENTS AND RISK EXPOSURE

The Association is exposed to various risks through its financial instruments. The following analysis provides a measure of the Association's risk exposure at the balance sheet date.

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Association's main credit risks relate to accounts receivable. The Association mitigates credit risk by performing credit checks and imposing credit limits. Management has included adequate provision for doubtful accounts receivable in these financial statements.

ONTARIO REAL ESTATE ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

9. FINANCIAL INSTRUMENTS AND RISK EXPOSURE (continued)

Liquidity Risk

Liquidity risk is the risk that the Association will encounter difficulty in meeting obligations associated with financial liabilities. The Association is exposed to this risk mainly in respect of its accounts payable and accrued liabilities and lease commitments. The Association expects to meet these obligations as they come due by generating sufficient cash flow from operations.

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and price risk. The Association is not exposed to currency risk. Interest rate and price risks are disclosed in note 2.

10. GUARANTEES

The Association has indemnified its past, present and future directors, officers and volunteers against expenses (including legal expenses), judgments and any amounts actually or reasonably incurred by them in connection with any action, suit or proceeding, subject to certain restrictions, in which they are sued as a result of their involvement with the Association, if they acted honestly and in good faith with a best interest of the Association. The nature of the indemnity prevents the Association from reasonably estimating the maximum exposure. The Association has purchased directors' and officers' liability insurance to mitigate the cost of any potential future suits and actions.

In the normal course of business, the Association has entered into agreements that include indemnities in favour of third parties, either express or implied, such as in-service contracts, leasing agreements, sales and purchase contracts, etc. In these agreements, the Association agrees to indemnify the counterparties in certain circumstances against losses or liabilities arising from the acts or omissions of the Association. The terms of these indemnities are not explicitly defined and the maximum amount of any potential reimbursement cannot be reasonably estimated.

11. LITIGATION

The Association is party to legal proceedings which arise from normal operating activities. Actual liabilities with respect to these actions and proceedings can not be determined, but management believes that any potential liability will not materially affect the Association's financial position.