



[FINANCIAL REPORT]

2019



Management Discussion And Analysis

For the Year Ended December 31, 2019

Management discussion and analysis of the financial results of operations of the Ontario Real Estate Association (OREA) should be read in conjunction with the audited financial statements for the year ended December 31, 2019.

The Auditors have examined the books, records and financial systems in place and provided OREA with a clean audit report. The audited OREA financial statements for 2019 have been approved by the OREA Board of Directors.



The excellent work done by the Finance / Audit Committee this past year should be noted.

This year's Finance / Audit Committee's oversight helped the Board of Directors and Leadership Team to focus on prudent use of funds and strong forward-looking financial planning.

Overview

OREA is Canada's largest provincial Association representing more than 79,000 real estate professionals in 2019 working through its Member Boards in Ontario.

OREA has two main streams of activities - Member Services and OREA Real Estate College. The operating philosophy has been to manage separately the finances of the two main units. The College is scheduled to close on December 31, 2020.

The 2019 fiscal year ended with a surplus of \$721,363 for Member Services activities due to prudent program spending and cost savings in staffing costs and administrative activities. With the growth of 4.7 per cent in dues revenues, it could have been easy to increase spending for programs and operating costs. However, we maintained fiscal constraint and disciplined focus with prudent use of funds for program costs. Significant results were achieved on advocacy priorities including the introduction of the Trust in Real Estate Services Act (TRESA) which will modernize Ontario's outdated real estate rules and allow for Personal Real Estate Corporations. These successes were achieved with our mandate to better respect Members' dues and maintain savings in program costs.

On the College side, there was 12.6 per cent increase in College revenues as compared to 2018 due to sharp increase in Course 1 enrolments prior to the last date of April 30, 2019. This resulted in a College surplus of \$21,956,714 due to the unanticipated increase in Course 1 enrolments and maintenance of strong discipline over cost control. There was judicious decision-making and cost savings at the College. As approved by the OREA Board of Directors, the 2019 College surplus was transferred to the College Contingency Reserve Fund.

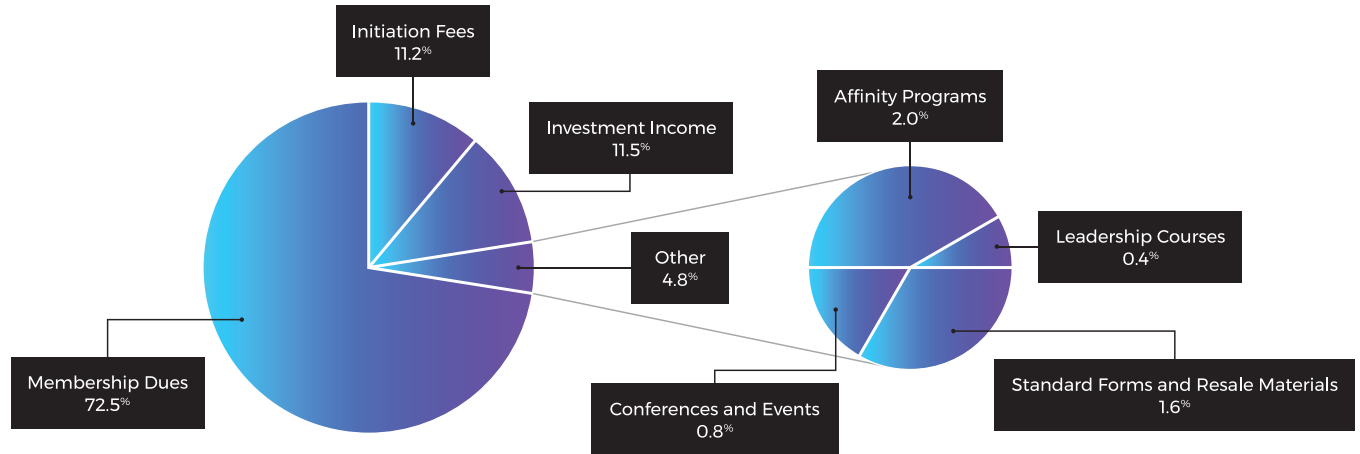
Special projects totaling \$384,642 were funded from the designated reserves, largely offset by \$301,277 from investment income.

The total surplus for the Association was \$22,594,712 million for 2019.

Member Services

Revenues

The revenues received in 2019 were from various activities as shown below:



Membership highlights for 2019:

- Increased membership with 4.7 per cent growth in dues revenues
- Growth rate of 9.0 per cent for new individual Members joining Ontario boards

OREA Membership Statistics	2019	2018	2017	2016	2015	2014
Members (January 1 st)	75,529	71,909	69,067	64,242	61,250	58,781
OREA Annual Dues	\$110	\$110	\$110	\$110	\$110	\$110
OREA Dues Revenue (\$000's)	\$8,763	\$8,366	\$7,994	\$7,584	\$7,125	\$6,682
% Change	4.7%	4.7%	5.4%	6.4%	3.8%	3.9%
New Members	6,783	7,233	5,787	7,522	6,387	5,744
New Member Initiation Fee	\$200	\$200	\$200	\$200	\$200	\$200
Initiation Fees Revenues (\$000's)	\$1,357	\$1,466	\$1,157	\$1,504	\$1,277	\$1,149
% Growth Rate	9.0%	10.1%	8.4%	11.7%	10.4%	9.8%

Member Services

Program Expenses

Membership dues and initiation fees revenues were used to support the following significant Member services and programs:



Government relations successfully lobbied for REBBA Reform and the introduction of the Trust in Real Estate Services Act (TRESA) and organized the largest Ontario REALTOR® Party Conference in the Association's history.

TRESA has five primary goals:

- Enable regulatory changes that would improve consumer protection and choice
- Improve professionalism among real estate professionals and brokerages through enhanced ethical requirements
- Update the powers available to RECO to address poor conduct and improve efficiency
- Create a stronger business environment
- Bring legislation and regulations up-to-date and reduce regulatory burden



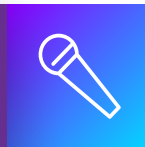
2019 Ontario REALTOR® Party Conference was the most successful political affairs conference OREA has ever hosted.

It set milestones on several fronts:

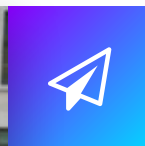
- A sold-out event
- Almost 200 non-board, grassroots delegates;
- Attendees from 37 out of 38 real estate boards;
- 84 MPP meetings;
- Attended by all four Party Leaders and senior decision makers on OREA's most pressing policy files including the Minister of Government & Consumer Services, his staff and senior bureaucrats leading the REBBA Review;
- The first time a former US President has been a speaker;
- We nearly quadrupled revenue for the event to \$285,000 (\$229,000 sponsorship & \$56,000 ticket sales) from \$73,000 in 2018.



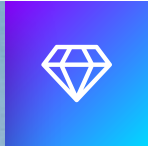
The Marketing & Communications departments launched a fully rebranded REALITY Conference, trade shows, sponsorship programs and significantly increased engagement on OREA's social media platforms.



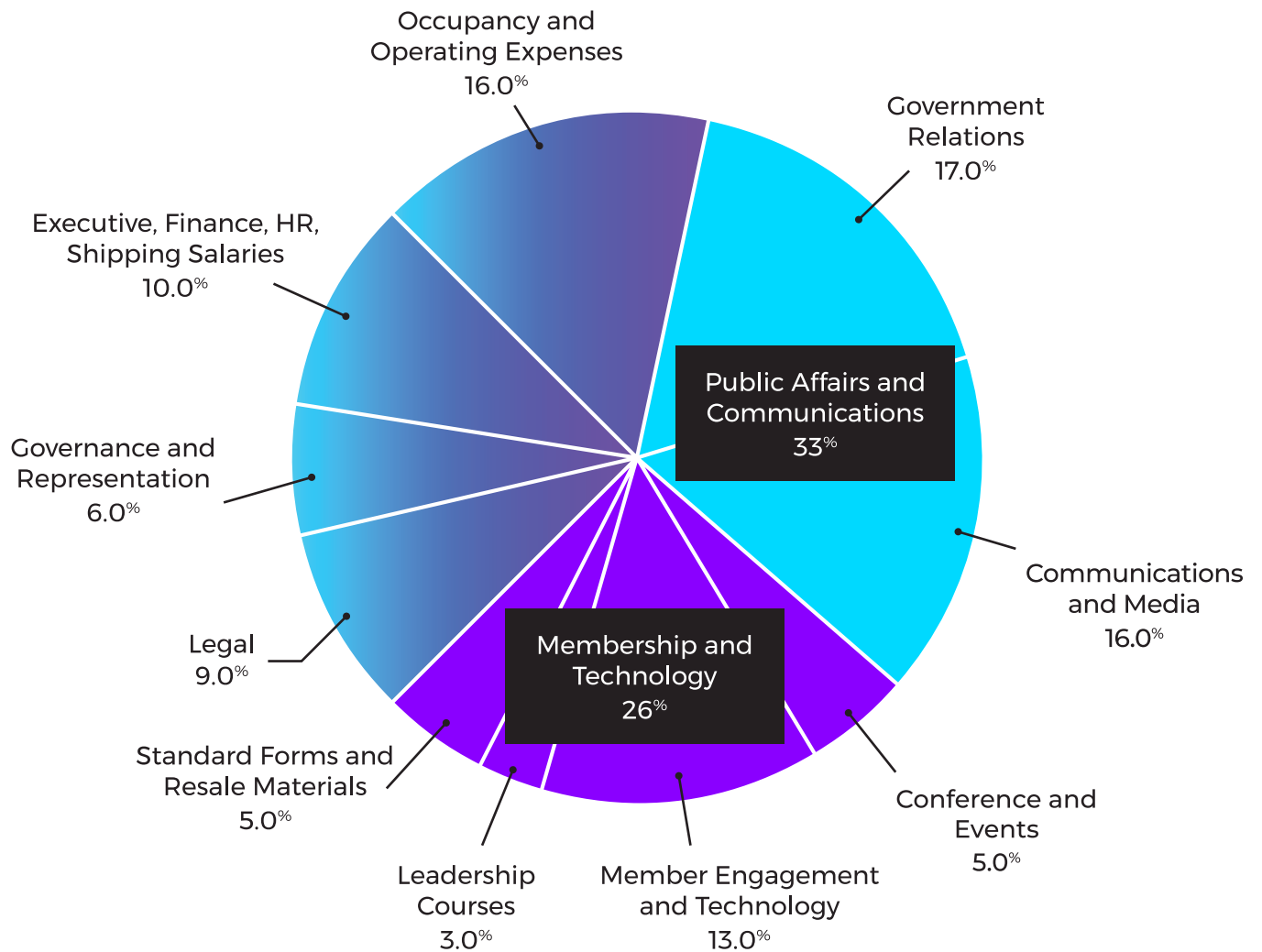
Young Professionals Network services which included support for local member board YPN chapters, YPN Boost and travel and meetings.



Commercial services included promotion of commercial REALTOR® value, sponsorship of local board commercial events, travel and meetings.



Leadership Events/Forums which covered a wide range of services offered to Real Estate boards, Executive Officers, Presidents, President-Elects and other volunteer leaders from Directors to Committee Members.



It is estimated that there are **1,500-2,000 volunteers** serving Member Boards in the province.

No other real estate association in North America offers the depth and breadth of OREA's volunteer leadership programs.

L E A D E R S H I P 4 0 0

THE HOT SEAT

The newly branded course, The Hot Seat, which includes media training, presentation skills and conflict resolution. Real estate board presidents-elect learn to chair meetings, make speeches and handle media interviews in this 3-day bootcamp.

Peak Leadership Summit – This was the fourth year of combining three events - President/President-Elect meeting, EO Summit and Partnership Forum. This was the first year that the Summit was opened to local board Directors which nearly doubled the attendance: 214 attendees, representing 32 Member Boards. Attendees included 35 Board Presidents, 33 Presidents-Elect, 115 Directors, 33 Executive Officers, and 4 senior staff of Member Boards.



Legal Department Services include Legal Forum, the RECO Complaints Process Service and OREA Arbitration Hearings and Appeal Hearings. The Legal Department communicates with real estate board Executive Officers daily, fielding questions with respect to governance and general matters of a legal nature in an effort to assist them in serving their respective Members and Boards of Directors.

The legal expenses incurred in 2019 were higher than the previous year (still under budget) due to reduced staff resources and increased activity related to Agreements, Arbitration Appeals and Arbitrations, Governance Matters, Human Resources Matters, Legislation, Tax Matters, Litigation Matters, the OREA Real Estate College wind-down, Government Relations and Member Services Initiatives.

In 2019, the OREA Legal Department reviewed and negotiated numerous contracts, managed arbitration matters, assisted with various governance initiatives, tax matters and general compliance matters. External counsel was consulted as required depending on the specialty of law or complexity of the issues.

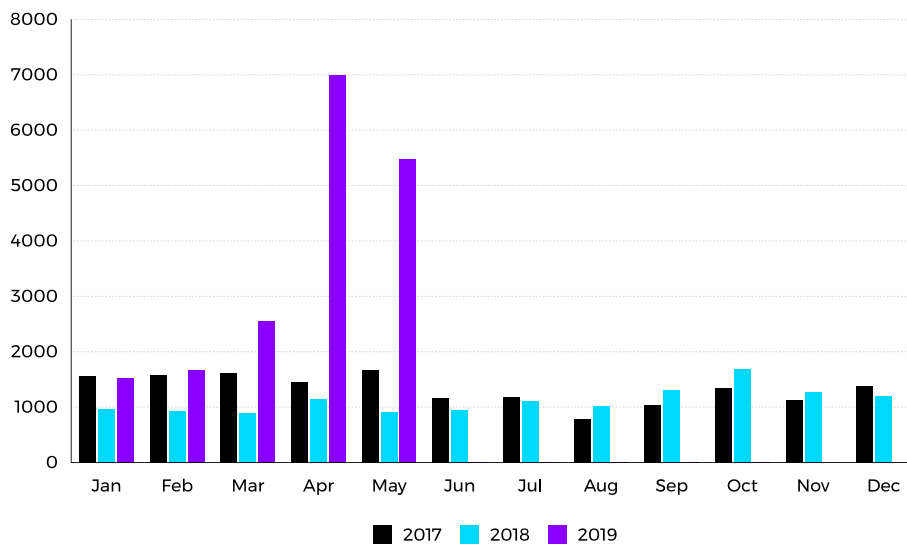
OREA Real Estate College

Revenues and Expenses - 2019

The OREA Real Estate College will cease to operate on December 31, 2020. The admission to the Salesperson Registration Education Program closed on April 30, 2019. The admission deadline for the Broker Registration Education program has been extended to May 31, 2020.

The OREA Real Estate College posted a surplus of \$21,956,714 in 2019 due to the strong enrolment activities for registration education courses and disciplined cost control during the year.

The course enrolment trend at the OREA College for Real Estate as a Professional Career, the first course in the Registration Education program, for the past three years is shown below:



The sharp peak in April 2019 is for the last month that applications were accepted for admission into the Salesperson Registration Education program. Significant items in the OREA College revenues and expenses for 2019 included:

- Salesperson program enrolments were 73,168 (4.9 percent higher than 2018).
- Brokerage program enrolments were 6,552 (43 percent higher than 2018).
- Registration education courses material expenses were well down from previous year due to a much lower percentage of classroom enrolments.
- Payments to RECO for registration education courses were \$3.3 million.
- Private Career Colleges Act (PCCA) related premium and financing costs for 2019 were \$243 thousand. This is higher than in 2018 due to higher provision for KPI Survey Fees related to higher number of graduates.

OREA Staffing Resources

2019



Salaries And Benefits Analysis	2019	2018	2017	2016	2015	2014
Total OREA Staff Salaries and Benefits (\$000's)	14,479	10,205	11,180	11,928	10,700	10,148
Salaries and Benefits as % of Total Expenses	39.5%	28.2%	26.2%	27.8%	28.7%	30.3%
Number of Staff at Year-end	82	87	98	109	107	111

- Staff numbers were lower than previous years due to on-going college wind down.
- 2019 Staff salaries include severance costs related to closure of the college (over two years)

Special Projects Funded by Designated Reserves

In 2019, the expenditures for special projects approved by the Board of Directors for funding from Designated Reserves totaled \$384,642. The investment income of \$301,277 from Designated Reserves funds was used to fund much of the cost of these Member benefits projects up to June 30, 2019. Thereafter, the investment income from designated reserves was used for operations.

The special projects included Technology and Innovation Project, Standard Forms AI Project, Ontario REALTOR® Party projects, Transitional Assistance to Member Boards, Building Space Planning Analysis, and Muskoka Victims Service/Minden Food Bank donations.

The special projects costs were down from 2018 because in the year 2018 we had invested in government relations activities for both provincial and municipal elections.

Balance Sheet

2019

The financial status of the association is healthy with net assets of \$84.5M at December 31, 2019. The significant items included therein are:

Designated reserves of \$67.1M

Investments in property and equipment of \$7.5M

Net unrestricted assets of \$9.9M

Deferred revenue includes course fees of \$388 thousand received from students in advance for courses scheduled after December 31, 2019 and \$268 thousand for registration, exhibitors' fees and sponsorships for 2020 Member Services events.

Appointment Of Auditor

For 2020

The OREA Assembly approves the appointment of the OREA Auditor for 2020 as per OREA's By-Law.

OREA had issued a Request for Proposal for audit services in 2016 as good business practice. The Auditor, PricewaterhouseCoopers LLP was approved as OREA's Auditor for 2017 and in the years up to 2019. The Auditor has provided good services for a reasonable fee.

**The Board of Directors recommends:
that PricewaterhouseCoopers LLP be
appointed as OREA auditors for 2020.**

Proposed Dues Reduction

For 2021

For 2021, it is proposed that a temporary dues reduction of \$10 per Member per year be applied and that proposed OREA annual dues be reduced from \$110 to \$100. The shortfall in revenues is proposed to be funded from the Dues Stabilization Reserve in order to maintain the annual spending on Member programs and services at appropriate levels.

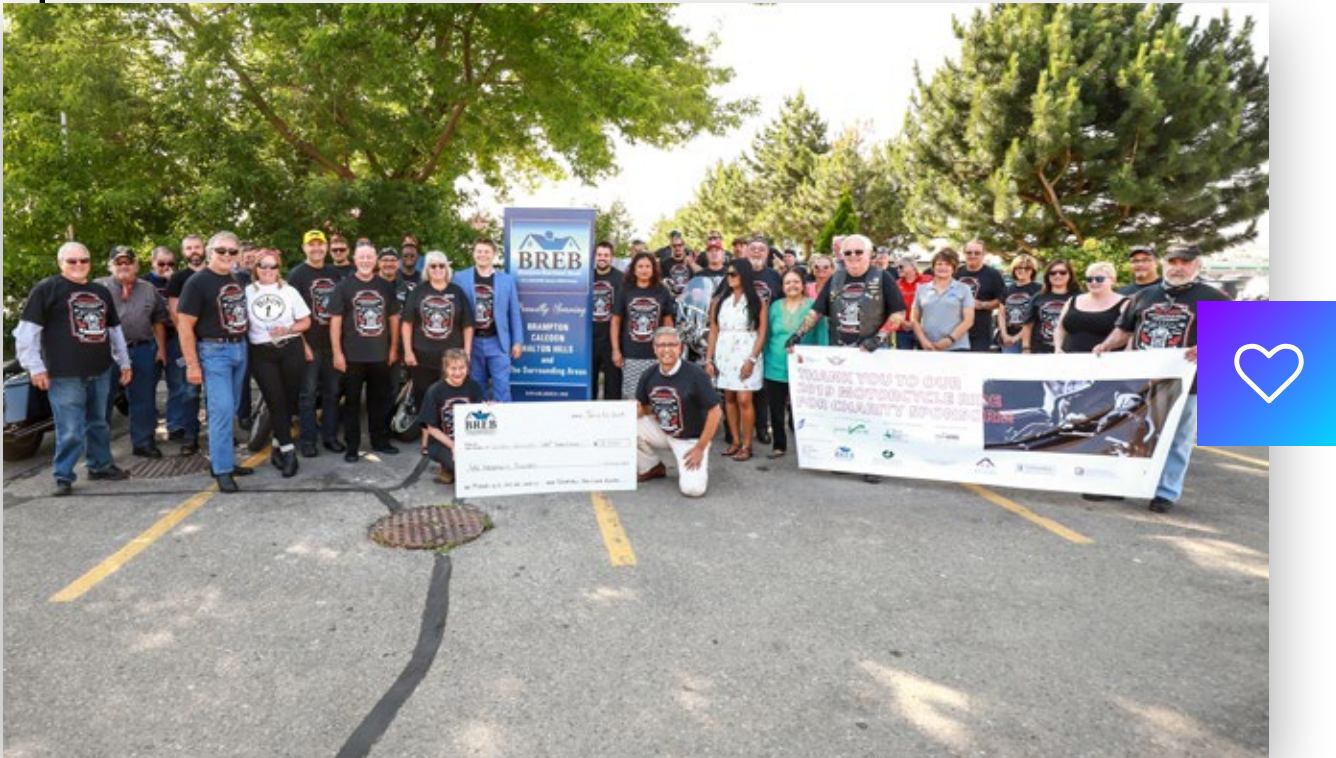
In making this decision, the Board's due diligence was not solely limited to financial capacity. As a tax-exempt not-for-profit corporation, OREA is prohibited from making its income available for the personal benefit of its Members. Any reduction in Members' dues (and indeed, all the other ways in which OREA uses its income) must be constrained so that it does not result in any of OREA's income being made available as a personal benefit to its Members and risk to OREA's tax-exempt not-for-profit status.

In light of the above and OREA very much wanting to ensure value for its Members, in addition to all of the potential new products and services that will arise out of the extensive OREA Member consultation in 2020, OREA felt that a \$10 OREA dues reduction in 2021 would be both prudent and justifiable.

The Board of Directors recommends:

That the OREA assembly approves a one-time OREA dues reduction in the amount of ten dollars (\$10) for the year 2021 only with the dues reduction to be offset from the "dues stabilization reserve fund", in accordance with section 16.02 Of article 16 of the OREA by-law.

Ontario REALTORS Care® Foundation



OREA and the Ontario REALTORS Care® Foundation (Foundation) have common membership and the financial statements of the Ontario REALTORS Care® Foundation are provided separately. OREA Board approved a grant of \$ 5 million for the Foundation. It contributed \$133 thousand to the Foundation for administrative expenses in 2019 (same as in 2018). In addition, OREA provided certain in-kind services to the Foundation.

Future Outlook



The 2020 OREA Budget is based on the strategic initiatives of OREA Board of Directors and reflects economic changes and the current business climate. The association has made bold decisions to prepare three-years' financial projections (2020-2022) and plans for a financially stable, and revitalized OREA with balanced budgets in each year from 2021-2022, being the two years after seeing through the closure of the OREA College in 2020.

For 2020, membership dues projections reflect 5 per cent growth in membership based on input from real estate boards in Ontario and CREA, College enrolment activities and economic outlook. Member Services activities have been budgeted on a break-even basis.

OREA College Budget reflects reduced enrolment activities based on the economic outlook in 2020. It is gearing towards closing its operations by Decem-

ber 31, 2020 due to the loss of the Education Services Agreement with the Real Estate Council of Ontario. College activities are budgeted to generate a surplus of \$4.5 million in 2020. The surplus is to be transferred to the College Contingency Reserve fund set up to meet the College closure costs.

The association continues to focus on optimizing its activities and maintaining discipline over cost control. It has successfully reduced costs for travel and hospitality, governance, information technology platform maintenance costs and streamlined events that were underperforming and diverted resources to member services that show better results.

The OREA Board of Directors is fully committed to streamlining the association's activities to make them more cost effective while keeping them relevant to member needs.



Ontario Real Estate Association
Financial Report- Management Discussion And Analysis
For The Year Ended December 31, 2019