

ONTARIO REAL ESTATE ASSOCIATION

FINANCIAL REPORT- MANAGEMENT

DISCUSSION AND ANALYSIS

For the Year Ended December 31, 2018

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, 2018.

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 2018 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 the Leadership Team to focus on prudent use of funds.

OVERVIEW

OREA is Canada's largest provincial association representing more than 75,000 real estate professionals in 2018 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. In other words, we do not use the dues dollars to subsidize the College activities, nor do we use the course revenues to finance member services. The College will not offer courses beyond December 31, 2020.

The 2018 fiscal year ended with a surplus of \$1.3 million for Member Services activities due to prudent program spending and cost savings in administrative activities. With the growth of 4.6 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. We also achieved cost savings for governance costs and lower staffing costs due to unfilled vacancies. Significant results were achieved on advocacy priorities including stopping

the HER&D program (mandatory home energy audits), and driving the creation of the Housing Supply Action Plan, as well as [REBBA Reform](#). Also, after passing second reading, the Tax Fairness for Realtors Act, 2017 brings Ontario REALTORS® one step closer to being allowed to form personal real estate corporations, thanks to lobbying done by OREA. All these successes were achieved with our mandate to better respect members' dues and maintain savings in program costs. Several major member benefit initiatives were achieved in 2018 – [Keep The Dream Alive Election campaign](#), [Ontario REALTOR® Party Conference](#) and the [REALiTY Conference](#).



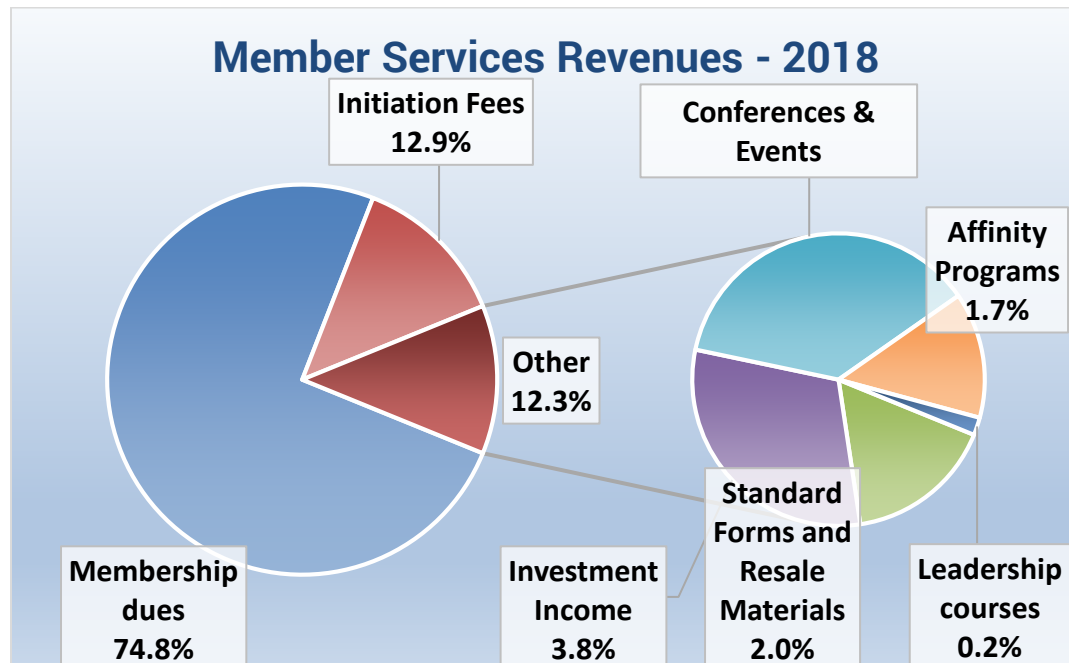
On the College side, there was a 5.7 per cent decrease in revenues from record peak levels in 2017. The College surplus was due to judicious decision-making and cost reductions at the College, and by not postponing the tough but necessary choices. There was a surplus of \$15.7 million for the College. As approved by the OREA Board of Directors, the College surplus was transferred to the College Contingency Reserve Fund to provide funds for the closing costs of the College.

Special projects totaling \$1.5 million were funded from the designated reserves, offset by \$678 thousand for investment income.

The total surplus for the association was \$16.2 million for 2018,

MEMBER SERVICES - Revenues

The revenues received in 2018 were from various activities as shown below:



Membership highlights for 2018:

- Increased membership with 4.6 per cent growth in dues revenues
- Increase of 26.7 per cent in numbers of new individual members joining Ontario boards.

OREA Membership Statistics						
	2018	2017	2016	2015	2014	2013
Members (January 1 st)	71,909	69,067	64,242	61,250	58,781	55,474
OREA Annual Dues	\$110	\$110	\$110	\$110	\$110	\$110
OREA Dues Revenue (\$000's)	\$8,366	\$7,994	\$7,584	\$7,125	\$6,862	\$6,605
<i>% Change</i>	4.6%	5.4%	6.4%	3.8%	3.9%	5.0%
New Members	7,233	5,787	7,522	6,387	5,744	6,000
New Member Initiation Fee	\$200	\$200	\$200	\$200	\$200	\$200
Initiation Fees Revenues(\$000's)	\$1,466	\$1,157	\$1,504	\$1,277	\$1,149	\$1,200
<i>% Change</i>	26.7%	-23.1%	17.7%	11.2%	-4.3%	4.0%

MEMBER SERVICES - Program Expenses

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

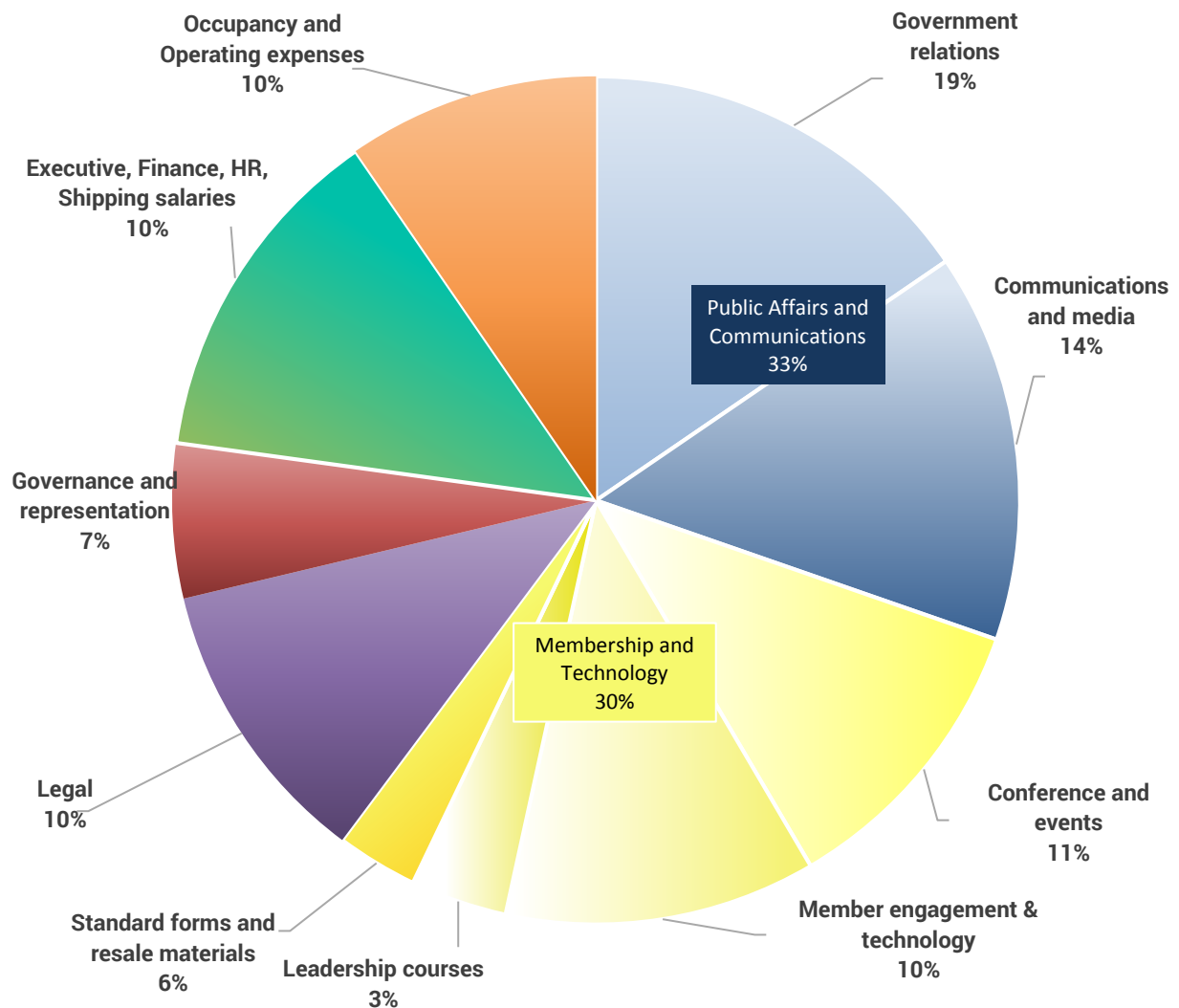


- Government relations successfully lobbied for the end of mandatory home energy audits, [the launch of the review of REBBA](#), and organized the largest Ontario REALTOR® Party Conference in the association's history.
- [2018 Ontario REALTOR® Party Conference](#) was the most successful political affairs conference OREA has ever hosted. It set milestones on several fronts:
 - A sold-out event with the most attendees ever – 415.
 - Almost 200 non-board, grassroots delegates;
 - The first time we've ever hosted a sitting Premier of Ontario
 - All four Party Leaders and strong reviews from their staff for our excellent organization;
 - Attendees from 37 out of 38 real estate boards;
 - 84 MPP meetings. Very good in the first year of a mandate;
 - Tremendous buzz and attention from social media and Queen's Park;
 - Attended by 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;
 - A very well produced, marketed and branded event – most of which was done in-house at OREA using our talented Marketing/Design staff;
 - The first time we've hosted a former Prime Minister; and,
 - We increased revenue for the event by 86% to \$72,000 (\$40,000 sponsorship & \$32,000 ticket sales) from \$10,000 in 2017.
- The Marketing & Communications departments launched a brand-new [Year in Review website](#), [a fully rebranded REALiTY Conference](#), trade shows, sponsorship programs and significantly increased engagement on OREA's social media platforms.
- [Emerge Regional Conferences](#) included six area events across the province, two of which were for commercial services. The Emerge conferences examine the latest tools and technologies in the real estate marketplace. A panel of industry experts presented their insights on a variety of technology related topics at each event. Sponsorship is up nearly 50% from 2017 and net costs were cut 82%



- Young Professionals Network services which included support for local member board YPN chapters, travel and meetings.
- Commercial services included promotion of commercial REALTOR® value, sponsorship of local board commercial events, travel and meetings.
- Leadership Events/Forums 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.

Resource Allocation for Member Services
Program Expenses 2018



- It is estimated that there are 1,500-2,000 volunteers serving the association. No other real estate association in North America offers the depth and breadth of OREA's volunteer leadership programs.

- In 2018, it included the Building Leadership Through Communication (BLTC) program which includes media training, presentation skills and conflict resolution.

- Peak Leadership Summit – This was the third year of combining three events - President/President-Elect meeting, EO Summit and Partnership Forum. It was held in January 2018 and had high attendance with 113 attendees, representing 34 Member Boards. Attendees included 38 Board Presidents, 33 Presidents-Elect, 34 Executive Officers and 5 senior staff of Member Boards.



- Legal Department Services include Legal Forum, the RECO Complaints Process Service and the OREA Arbitration Appeal Hearings and Arbitration Hearings. The Legal Department communicates with real estate board Executive Officers daily, fielding questions with respect to governance and legal matters to assist them in serving their respective members and boards of directors. Questions of a general nature are currently posted in the Legal FAQs for Board Executive Officers under the Legal Resource section on www.orea.com.



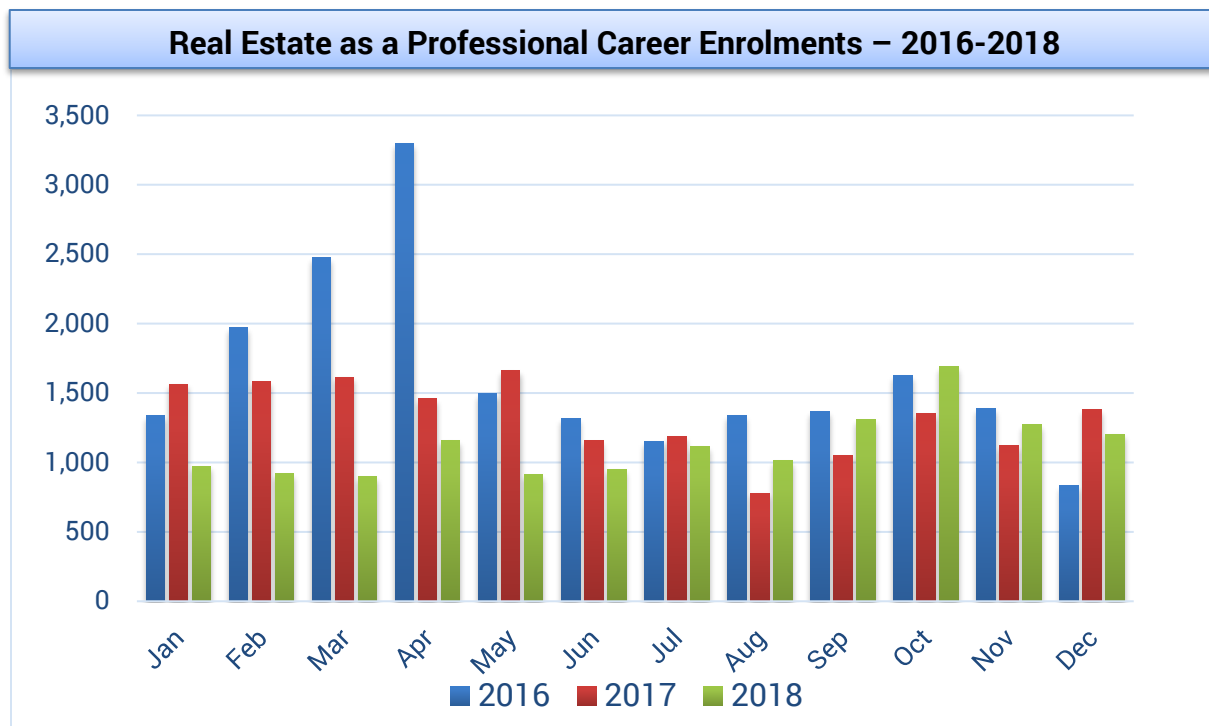
- The legal expenses incurred in 2018 were less than the previous year due to increased work done in-house and reduced spending on outside counsel. In 2018, the OREA Legal Department reviewed and negotiated numerous contracts, managed arbitration matters, assisted with various governance initiatives, tax matters and general compliance matters. External counsel was consulted as required depending on the specialty of law or complexity of agreements.

OREA REAL ESTATE COLLEGE

Revenues and Expenses - 2018

The OREA College posted a surplus of \$15.7 million in 2018 due to disciplined cost control as well as the strong enrolment activities for registration education courses during the year. The total activity was down only 8 per cent from the record high levels of 2017.

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:



Significant items in the OREA College revenues and expenses for 2018 included:

- Salesperson program enrolments were 69,826 (10 per cent down from 2017).
- Brokerage program enrolments were 4,537 (36 percent higher than 2017).
- Registration education courses material expenses were down from previous year due to lower enrolment activities and a lower percentage of classroom enrolments.
- Payments to RECO for registration education courses were \$3.0 million.
- Private Career Colleges Act (PCCA) related premium and financing costs for 2018 were \$210 thousand. This is higher than in 2017 due to higher provision for KPI Survey Fees related to higher number of graduates.

OREA STAFFING RESOURCES



SALARIES AND BENEFITS ANALYSIS						
	2018	2017	2016	2015	2014	2013
Total OREA Staff Salaries and Benefits (\$000's)	10,205	11,180	11,928	10,700	10,148	10,421
Salaries and Benefits as % of Total Expenses	28.2%	26.2%	27.8%	28.7%	30.3%	29.7%
Number of Staff at Year-end	87	98	109	107	111	105

- Staff numbers were lower than previous years due to on-going college wind down.
- Staff salaries include severance costs and the additional costs were offset by savings from delayed hiring for staff vacancies.

SPECIAL PROJECTS FUNDED BY DESIGNATED RESERVES

In 2018, the expenditures for special projects approved by the Board of Directors for funding from Designated Reserves totaled \$1.5 million. The investment income of \$678 thousand from Designated Reserves funds was used to fund these member benefits projects. The special projects included REBBA Review, Ontario REALTOR® Party, Building Space Planning Analysis, 2018 TREB Municipal Election Campaign, 2018 OREA Election Campaign, Third Party Political Advertising, Keep the Dream Alive Advertising Campaign, Home Ownership Matters (HOM)365, and Political Action Task Force Projects. The special projects costs were higher than normal because in the year 2018 we had both provincial and municipal elections.

BALANCE SHEET

The financial status of the association is healthy with net assets of \$62 million at December 31, 2018. The significant items included therein are:

- Designated reserves of \$53 million
- Investments in property and equipment of \$8 million
- Net unrestricted assets of \$850 thousand

Deferred revenue includes course fees of \$653 thousand received from students in advance for courses scheduled after December 31, 2018.



ONTARIO REALTORS CARE® FOUNDATION



OREA and the Ontario REALTORS Care® Foundation have common membership and the financial statements of the Ontario REALTORS Care® Foundation are provided separately. OREA contributed \$133 thousand to the Ontario REALTORS Care® Foundation for administrative expenses in 2018 (same as in 2017). In addition, OREA provided certain in-kind services to the Foundation.

FUTURE OUTLOOK



The 2019 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 (2019-2021) and plans for a financially stable, and revitalized OREA with a balanced budget in 2021, after seeing through the closure of the OREA College in 2020.

For 2019, membership dues projections reflect 4 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 2019. It is gearing towards closing its operations by December 31, 2020 due to the loss of the Education Services Agreement with the Real Estate Council of Ontario. College activities are budgeted to incur a deficit of \$2.8 million in 2019. The deficit will be funded from the College Contingency Reserve fund set up to meet the College closure costs.

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.