



2020

Financial Report

Management
Discussion and
Analysis

For the Year Ended
December 31, 2020

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, 2020.

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 2020 have been approved by the OREA Board of Directors.

The Finance / Audit Committee has done excellent work during this past year. The Finance / Audit Committee's oversight has helped the Board of Directors and Leadership Team to focus on prudent use of funds during the uncertain times of COVID-19. It has helped to advance the Association as a leader vested in providing relevant Member benefits and COVID-19 relief programs. The Association can proudly say to its Members – We Have Your Back.

During the COVID-19 pandemic, the Association transformed its finance activities to be digital and achieved great efficiencies in operations. Like most other organizations in Ontario, staff were required to work from home during most of the year and were equipped with the IT tools and resources to achieve increased overall productivity.

The Finance / Audit Committee has paid detailed attention to planning of reserves on the basis of extensive member research and advice of experts and professionals. It has prepared a multi-year, phased-in plan for use of reserves during the years 2020-2025 and has demonstrated sound financial management.



OREA is Canada's largest provincial Association representing more than 81,000 real estate professionals in 2020 working through its Member Boards in Ontario.

OREA has two main streams of activities - Member Services and the OREA Real Estate College. The operating philosophy has been to manage separately the finances of the two main units. The College is now scheduled to close on July 16th, 2021, after seeking a few extensions of the education services agreement to accommodate students whose studies were delayed by the shutdowns related to the COVID-19 pandemic.

The 2020 fiscal year ended with a surplus of \$1,360,295 for Member Services activities mainly due to cost savings/deferrals in program spending, governance costs due to reduced travel and cancellation of in-person events, savings in salaries and operating expenses, all largely due to the COVID-19 pandemic and increased investment income.

On the College side, there was a 49 per cent decrease in College program revenues as compared to 2019 as College operations wound down. However, reductions in expenses due to cancellation of classroom sessions and in-person exams because of the COVID-19 pandemic contributed to the College surplus of \$12,225,948. As approved by the OREA Board of Directors, the 2020 College surplus was transferred to the College Contingency Reserve Fund.

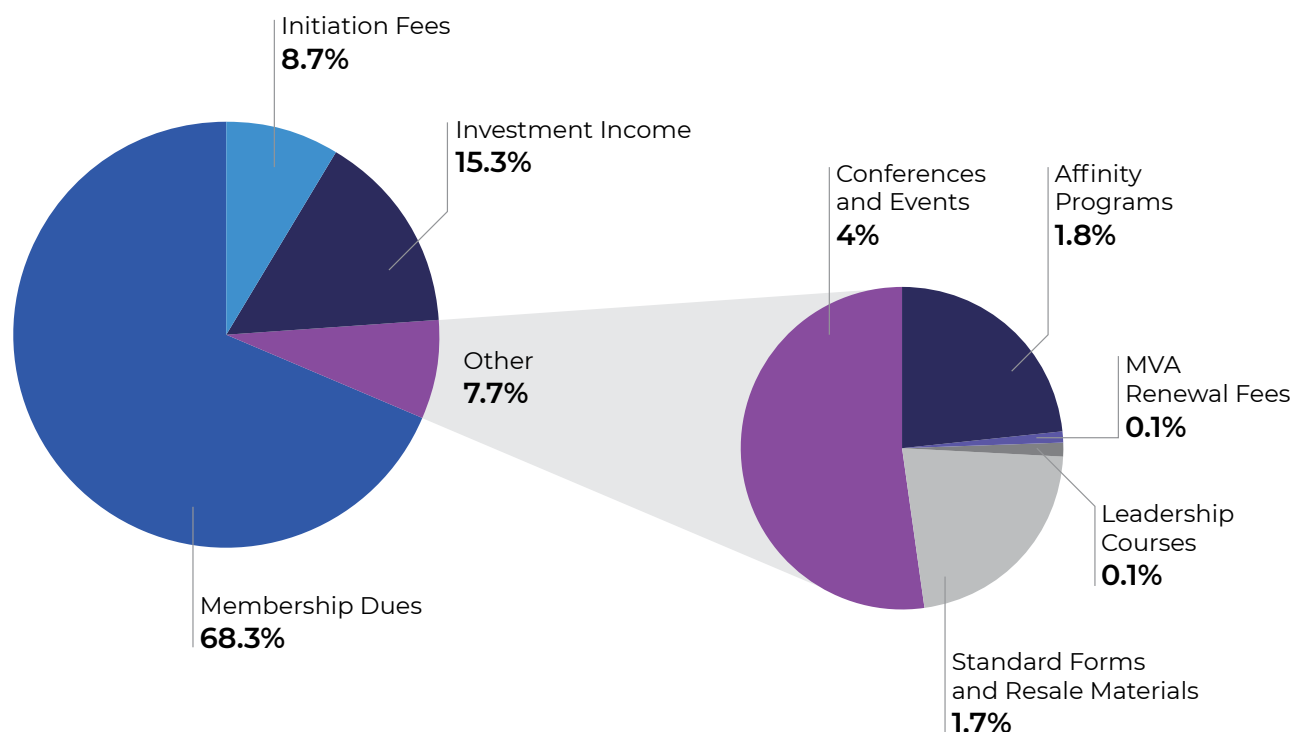
Special projects totaling \$3,147,822 were funded from the designated reserves. Many of these projects were related to the COVID-19 pandemic such as COVID relief grant to the Ontario REALTORS Care® Foundation, Lifeworks for REALTORS®, COVID-19 advocacy and research, and CareerJoy for Member Boards. Other special projects included Member engagement programs, Real Heart program and additional Standard Forms resources.

The total surplus for the association was \$10,438,421 for 2020.

Member Services

Revenues

The revenues received in 2020 were from various activities



Membership highlights for 2020:

- Increased membership with 3.6 per cent growth in dues revenues
- Decline of 14.3 per cent for new individual Members joining Ontario Boards

OREA Membership Statistics	2020	2019	2018	2017	2016	2015
Members January 1st	79,119	75,529	71,909	69,067	64,242	61,250
OREA Annual Dues	\$110	\$110	\$110	\$110	\$110	\$110
OREA Dues Revenue (\$000's)	\$9,083	\$8,763	\$8,366	\$7,994	\$7,584	\$7,125
% Change	3.6%	4.7%	4.7%	5.4%	6.4%	3.8%
New Members	5,814	6,783	7,233	5,787	7,522	6,387
New Members Initiation Fee	\$200	\$200	\$200	\$200	\$200	\$200
Initiation Fees Revenues (\$000's)	\$1,163	\$1,357	\$1,466	\$1,157	\$1,504	\$1,277
Growth Rate	-14.3%	9.0%	10.1%	8.4%	11.7%	10.4%

Member Services

Program Expenses

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

This was a very successful year for the Ontario Real Estate Association (OREA) and the Government Relations Committee (GRC). The OREA GRC won historic victories on two key REALTOR® issues in 2020 – including the Trust in Real Estate Services Act, 2020 (TRESA) and Personal Real Estate Corporations (PREC)s.



In the fall, OREA continued to connect its' Members with the best and the brightest minds in politics with our first-ever virtual Ontario REALTOR® Party Speaker Series. The Speaker Series had 5,000 viewers (live) over the course of the four speaker sessions. OREA hosted Canada's 18th Prime Minister, Brian Mulroney, along with Premier Doug Ford, former White House Press Secretary Dana Perino, and U.S. Political Strategist, Donna Brazile.

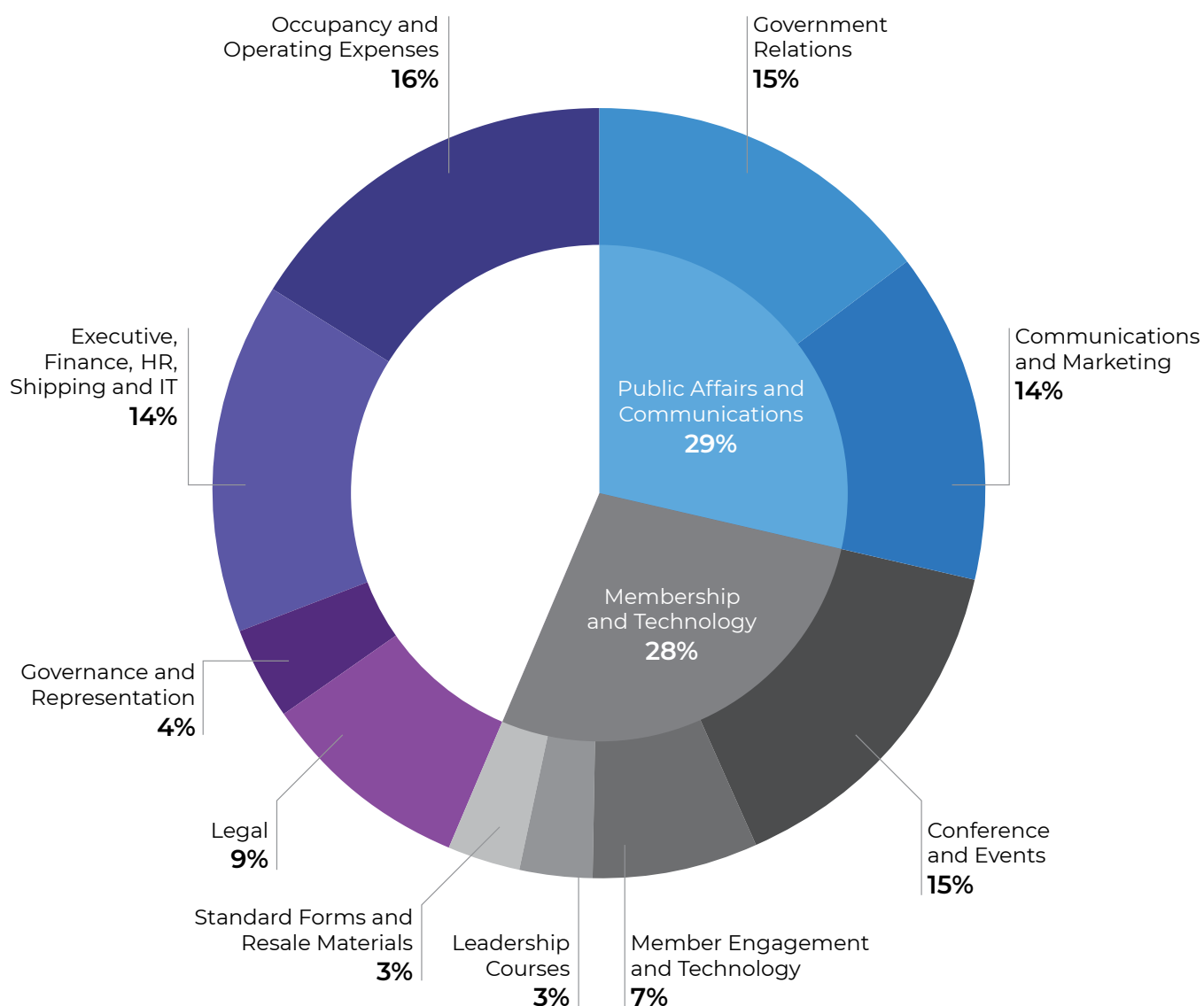
The Marketing & Communications departments launched a REALITY Conference in Niagara Falls and significantly increased engagement on OREA's social media platforms.

Young Professionals Network services included support for local member board YPNs and YPN Boost.

Commercial services included promotion of commercial REALTOR® value, activities on commercial Forms and commercial-related advocacy.

There are estimated to be 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.

Resource Allocation for Member Services | Program Expenses 2020



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

Peak Leadership Summit 2020 – This was the fifth year of combining three events – President/President-Elect meeting, EO Summit and

Partnership Forum. This was the second year that the Summit was opened to local Board Directors which increases the attendance: 277 attendees, representing 31 Member Boards. Attendees included 31 Board Presidents, 31 Presidents-Elect, 145 Directors, 32 Executive Officers, 20 senior staff of Member Boards, 12 Members and 4 Out of Province.



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 in an effort 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 in 2020 related to increased activity due to COVID-19 initiatives, including the transition to virtual Arbitrations, Copyright Registration and translation, General Matters, Litigation Matters, and a virtual Special General Meeting. In 2020, the OREA Legal Department reviewed and negotiated numerous contracts. External counsel was consulted as required depending on the specialty of law or complexity of agreements. Other matters that required the assistance of external counsel included litigation matters and issues relating to and arising from the COVID-19 pandemic.

OREA Real Estate College

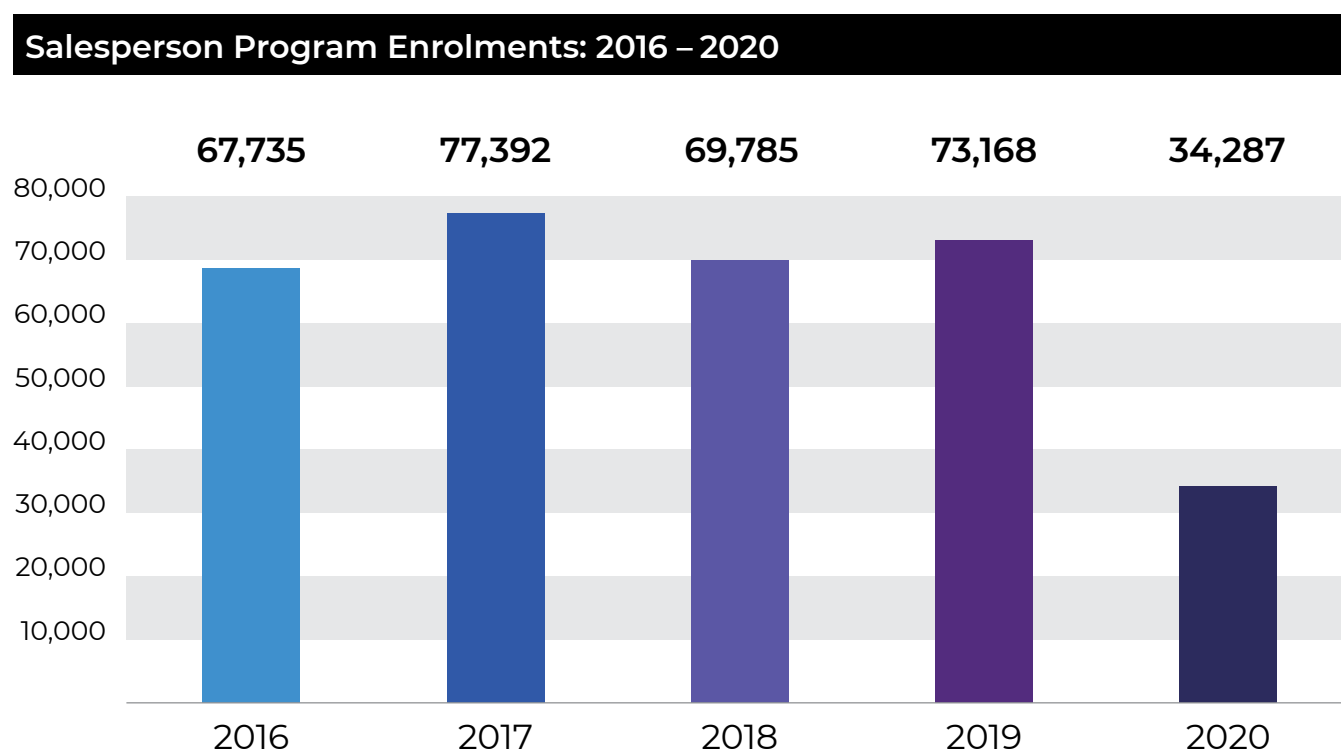
Revenues and Expenses - 2020

The OREA Real Estate College is scheduled to cease operations on July 16, 2021 to accommodate students whose studies were delayed by the shut-downs related to the COVID-19 pandemic.

The OREA Real Estate College posted a surplus of \$12,225,948 in 2020 due to strong enrolment

activities for registration education courses and cost savings related to closing classroom instruction and in-person exams due to the COVID-19 pandemic.

The course enrolment trend at the OREA College for the Salesperson program is shown below:



Significant items in the OREA College revenues and expenses for 2020

- Salesperson program enrolments were 34,287 (53 percent lower than 2019).
- Brokerage program enrolments were 7,905 (20 percent higher than 2019).
- 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 \$1.8 million.
- Private Career Colleges Act (PCCA) related premium and financing costs for 2020 were \$275 thousand. This is higher than in 2019 due to higher provision for KPI Survey Fees related to higher number of graduates.

OREA Staffing Resources

2020



Salaries & Benefits Analysis	2020	2019	2018	2017	2016	2015
Total OREA Staff Salaries and Benefits (\$000's)	10,615	14,479	10,205	11,180	11,928	10,700
Salaries and Benefits as % of Total Expenses	43.7%	39.5%	28.2%	26.2%	27.8%	28.7%
Number of Staff at Year-End	70	82	87	98	109	107

• Staff numbers were lower than previous years due to on-going College wind down.

• 2020 and 2019 Staff salaries include the severance costs payable to College staff due to the closing of the College.

Special projects funded by designated reserves

In 2020, the expenditures for special projects approved by the Board of Directors for funding from Designated Reserves totaled \$3,147,822.

The largest project spending in 2020 was for:

- Foundation COVID-19 Relief (\$480k)
- LifeWorks for REALTORS®/Member Boards (\$428k)
- Member Engagement Programs (\$379k)
- COVID-19 Advocacy/Research (\$202k)
- COVID-19 Building Expenditures (\$197k)



Balance Sheet 2020

The financial status of the Association is healthy with **net assets of \$95 million** at December 31, 2020. The significant items included therein are:

- Designated reserves of \$79 million
- Investments in property and equipment of \$7 million
- Net unrestricted assets of \$9 million

Deferred revenue includes course fees of \$419 thousand received from students in advance for courses scheduled after December 31, 2020 and \$99 thousand for registration, exhibitors' fees, and sponsorships for 2021 Member Services events.

Appointment of the Auditor for 2021

The OREA Assembly approves the appointment of the OREA Auditor for 2021 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 the OREA's Auditor for 2017 and in the years up to 2020. The Auditor has provided good services for a reasonable fee.

The Board of Directors recommends:

That PRICEWATERHOUSECOOPERS LLP be appointed as OREA auditors for 2021.



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.

In 2019, the OREA Board of Directors approved a grant of \$5,000,000 for the Foundation.

The first portion of this grant, in the amount of \$480,000, was paid in 2020 to fund the Foundations' COVID-19 relief program. OREA also contributed \$133,000 to the Foundation for administrative expenses in 2020 (same as in earlier years) and additional funds for strategic planning. In addition, OREA provided certain in-kind services to the Foundation.



Future Outlook

The 2021 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 (2021-2023) and plans for a financially stable, and revitalized OREA. It is expected to be 2026 before a balanced budget can be restored for OREA.

For 2021, membership dues projections reflect 1% growth in membership dues based on input from real estate Boards in Ontario and CREA, College enrolment activities and economic outlook. Member Services activities are budgeted at a deficit of \$1.5 million.

OREA College Budget reflects reduced enrolment activities as the College winds down. It is scheduled to close its operations by July 16, 2021 due to the loss of the Education Services Agreement with the Real Estate Council of Ontario.

The Association continues to focus on optimizing its activities and maintaining discipline over cost control. It has done extensive and detailed planning for management of reserves with advice of professionals. It has successfully reduced costs for travel and hospitality, governance, and streamlined events that were under-performing and diverted resources to Member services that show better results. It has successfully transformed its financial operations to become digital and launched several events on the virtual platform. The Association remains undeterred in its focus to be cost effective in providing relevant Member needs.



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