



2015 AAR AUDIT DASHBOARD

The Executive Committee has reviewed the 2015 audit conducted by the accounting firm of Walker & Armstrong.

Financial Highlights:

The total assets for all funds (General Operating, Fixed Assets, Operating Reserve, Capital Reserve, Strategic Initiative Reserve and Issues Mobilization) are \$24,552,229 with total net assets of \$22,025,454. This represents an increase of \$1,477,997 in total net assets from 2014 audited figures due mainly to an increase in membership dues revenue and decrease in expenses.

2015 activity closed with \$1,447,997 in income in excess of expenses. Depreciation for year 2015 was \$305,866. As a reminder, our Bylaws require that we recognize an amount annually in the Operating Budget for depreciation payable to the Capital Reserve. The Board of Directors set depreciation funding in the Capital Reserve at \$297,455 for 2015.

Net Assets and Accumulated Operating Surplus:

At the end of 2015 there is an accumulated operating surplus of \$1,482,487. The surplus is comprised of (a) current assets *[after excluding cash equivalents and investments that are committed as designated or restricted funds]* (b) less current liabilities.

The Capital Reserve balance as of December 31, 2015 is \$2,612,725.

The Special Operating Reserve balance as of December 31, 2015 is \$5,831,558.

The Strategic Initiative Reserve balance as of December 31, 2015 is \$1,680,247.

Issues Mobilization Fund's balance, as of December 31, 2015 is \$7,606,780 of which \$324,804 is reserved for local association local issues requests.

Auditor Recommendations:

The audit firm of Walker and Armstrong had no recommendations with respect to the Association's financial process.

There are no irregularities reported. Copies of the 2015 AAR Audit are available at the check-in desk.



Communication with Those Charged with Governance

www.wa-cpas.com

February 22, 2016

To the Board of Directors
Arizona Association of Realtors®, Inc.
Phoenix, Arizona

We have audited the financial statements of Arizona Association of Realtors® (the Association) for the year ended December 31, 2015, and have issued our report thereon dated February 22, 2016. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated January 11, 2016. Professional standards also require that we communicate to you the following information related to our audit.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Arizona Association of Realtors® are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2015. We noted no transactions entered into by the Association during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no sensitive accounting estimates affecting the financial statements of the Association.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The attached *Exhibit 1* summarizes the corrected misstatements. Management has corrected all such misstatements.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are shown in the attached *Exhibit 2*.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Association's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Association's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the board of directors and management of Arizona Association of Realtors® and is not intended to be, and should not be, used by anyone other than these specified parties.

Walker & Armstrong, LLP

Attachment

Prepared by _____

Arizona Association of Realtors

Journal Entries

Reviewed by _____

12-31-15

Exhibit 1

| Reference | Type | Date Account Number | Description | Debit | Credit | Net Income Effect | Workpaper |
|-----------|-----------|---------------------------|--|------------------|------------------|----------------------|-----------|
| AJE01 | Adjusting | 12/31/15 | | | | | |
| | | 0000-150 | Furniture & Equipment | | 79,413.49 | | |
| | | 0000-156 | Computer | 16,535.87 | | | |
| | | 0000-160 | Leasehold Improvemer | 79,463.83 | | | |
| | | 3100-631 | Computer Service and | | 16,586.21 | | |
| | | | | | | 16,586.21 | |
| | | | To reclassify leasehold improvements as such & capitalize computer costs./kmm | | | | 3235 |
| | | TOTAL | | <u>95,999.70</u> | <u>95,999.70</u> | <u>16,586.21</u> | |

Arizona Association Realtors[®], Inc.
255 East Osborn Road, Suite 200
Phoenix, Arizona 85012

February 22, 2016

Exhibit 2

Walker & Armstrong LLP
3838 North Central Avenue, Suite 1700
Phoenix, Arizona 85012

This representation letter is provided in connection with your audit of the financial statements of Arizona Association of Realtors[®], Inc. (the Association), which comprise the statements of financial position, as of December 31, 2015 and 2014, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements, for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of February 22, 2016, the following representations made to you during your audit.

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated January 11, 2016, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP.
2. The financial statements referred to above are fairly presented in conformity with U.S. GAAP.
3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
4. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
5. Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.

6. Related-party relationships and transactions have been appropriately accounted for and disclosed in accordance with U.S. GAAP.
7. All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
8. We are in agreement with the adjusting journal entries you have proposed, and they have been posted to the Association's accounts.
9. The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
10. Material concentrations have been appropriately disclosed in accordance with U.S. GAAP.
11. Guarantees, whether written or oral, under which the Association is contingently liable, have been properly recorded or disclosed in accordance with U.S. GAAP.

Information Provided

12. We have provided you with:
 - a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.
 - b) Additional information that you have requested from us for the purpose of the audit.
 - c) Unrestricted access to persons within the Association from whom you determined it necessary to obtain audit evidence.
 - d) Minutes of the meetings of the governing board or summaries of actions of recent meetings for which minutes have not yet been prepared.
13. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
14. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
15. We have no knowledge of any fraud or suspected fraud that affects the Association and involves:
 - a) Management
 - b) Employees who have significant roles in internal control, or
 - c) Others where the fraud could have a material effect on the financial statements.
16. We have no knowledge of any allegations of fraud or suspected fraud affecting the Association's financial statements communicated by employees, former employees, grantors, regulators, or others.

17. We have no knowledge of any instances of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements.
18. We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements in accordance with U.S. GAAP, and we have not consulted a lawyer concerning litigation, claims, or assessments.
19. We have disclosed to you the identity of the Association's related parties and all the related party relationships and transactions of which we are aware.
20. The Association has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
21. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us.
22. Arizona Association of Realtors[®], Inc. is an exempt organization under section 501(c)(6) of the Internal Revenue Code. Any activities of which we are aware that would jeopardize the Association's tax-exempt status, and all activities subject to tax on unrelated business income or excise or other tax, have been disclosed to you. All required filings with tax authorities are up-to-date.
23. We acknowledge our responsibility for presenting the Schedule of Other Revenue and Schedule of Accumulated Operating Surplus in accordance with U.S. GAAP, and we believe the Schedule of Other Revenue and Schedule of Accumulated Operating Surplus, including their form and content, is fairly presented in accordance with U.S. GAAP. The methods of measurement and presentation of the Schedule of Other Revenue and Schedule of Accumulated Operating Surplus have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.

K. Michelle Lind, Chief Executive Officer

Kristen Baxter, Controller