2018 AUDIT DASHBOARD

The Executive Committee has reviewed the 2018 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, Issues Mobilization and Homeownership Alliance) are $24,731,818 with total net assets of $21,138,596. This represents a decrease of $3,471,609 in total net assets from 2017 audited figures due mainly to increases in Issues Mobilization expenses.

2018 activity closed with $3,471,609 in expenses in excess of income. Depreciation for the year 2018 was $276,760. 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 $303,622 for 2018.

Net Assets and Accumulated Operating Surplus:
At the end of 2018 there is an accumulated operating surplus of $1,736,226. 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 Purchases Reserve balance as of December 31, 2018 is $4,161,653.

The Special Operating Reserve balance as of December 31, 2018 is $8,135,796.

The Strategic Initiative Reserve balance as of December 31, 2018 is $2,092,238.

The Arizona Homeownership Alliance balance as of December 31, 2018 is $100,284.

The Issues Mobilization Fund's balance, a of December 31, 2018 is $2,514,073 of which $709,685 is restricted for local association local issues requests.

Auditor Recommendations:
The audit firm of Walker and Armstrong had no internal control findings with respect to the Association's financial process.

There are no irregularities reported. Copies of the 2018 AAR Audit are available at the check-in desk.

Walker & Armstrong

CERTIFIED PUBLIC ACCOUNTANTS AND ADVISORS

Communication with Those Charged with Governance

February 27, 2019

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

We have audited the financial statements of Arizona Association of Realtors®, Inc. (the Association) for the year ended December 31, 2018, and have issued our report thereon dated February 27, 2019. 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 21, 2019. 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®, Inc. 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 2018. 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 - 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 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. There were no identified misstatements noted as part of our audit.

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 1*.

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®, Inc. and is not intended to be, and should not be, used by anyone other than these specified parties.

Walker & Armstrong, LLP

Attachment

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

Exhibit 1

Walker & Armstrong LLP
3838 North Central Avenue, Suite 1700
Phoenix, Arizona 85012-1994

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, 2018 and 2017, 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 the date listed below, 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 21, 2019, 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. The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
9. Material concentrations have been appropriately disclosed in accordance with U.S. GAAP.
10. Guarantees, whether written or oral, under which the Association is contingently liable, have been properly recorded or disclosed in accordance with U.S. GAAP.
11. We have reviewed the accuracy of the fixed assets/depreciation schedule of the Association for the year ended December 31, 2018, which was prepared by you based on information provided by us and is attached as *Exhibit 1*. We understand and agree that we are responsible for the completeness and accuracy of the information, classification of assets, methods of depreciation, and asset lives as reported on the schedule. In addition, we represent to you that the schedule includes all fixed assets of the Association and the schedule is accurate as to the classification of assets, methods of depreciation and asset lives.
12. In regard to the tax preparation and financial statement preparation services performed by you, we have:
    - Assumed all management responsibilities.
    - Designated individuals within senior management who have suitable skill, knowledge, or experience to oversee the services.
    - Evaluated the adequacy and results of the services performed.
    - Accepted responsibility for the results of the services.

Information Provided

13. 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.

14. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
15. 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.
16. 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.
17. 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.
18. 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.
19. 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.
20. 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.
21. 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.
22. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us.
23. 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.
24. 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, are 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

Kristen Baxter, Controller

2-27-19

Date