



2019 AAR AUDIT DASHBOARD

The Executive Committee has reviewed the 2019 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 \$31,123,316 with total net assets of \$26,700,297. This represents an increase of \$5,561,701 in total net assets from 2018 audited figures due mainly to increases in member dues, a return of Issues Mobilization amounts, and a decrease in Issues Mobilization spending.

2019 activity closed with \$5,561,701 in income in excess of expenses. Depreciation for the year 2019 was \$259,128. 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 \$300,912 for 2019.

Net Assets and Accumulated Operating Surplus:

At the end of 2019, there is an accumulated operating surplus of \$2,031,776. 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, 2019 is \$4,788,905.

The Special Operating Reserve balance as of December 31, 2019 is \$8,956,145.

The Strategic Initiative Reserve balance as of December 31, 2019 is \$2,230,789.

The Arizona Homeownership Alliance as of December 31, 2019 is \$100,671.

Issues Mobilization Fund's balance, as of December 31, 2019 is \$6,345,486 of which \$698,163 is restricted for local association local issues requests.

Auditor Recommendations:

The audit firm of Walker and Armstrong had no reported material weaknesses or significant deficiencies with respect to the Association's financial process.

There are no irregularities reported. Copies of the 2019 AAR Audit are available at the check-in desk.



Communication with Those Charged with Governance During Planning

January 20, 2020

Board of Directors
Arizona Association of Realtors®
255 East Osborn Road, Suite 200
Phoenix, Arizona 85012

Dear Board Members:

We are engaged to audit the financial statements of Arizona Association of Realtors® (the Association) for the year ended December 31, 2019. Professional standards require that we provide you with the following information related to our audit. We would also appreciate the opportunity to meet with you to discuss this information further since a two-way dialogue can provide valuable information for the audit process.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our 2019 engagement letter, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Our responsibility for the schedules of other revenue and accumulated operating surplus accompanying the financial statements, as described by professional standards, is to evaluate the presentation of the supplementary information in relation to the financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

- 1) Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement.
- 2) As part of our audit, we will consider the internal control of Arizona Association of Realtors®. Such considerations will be solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.
- 3) We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.
- 4) We are also responsible for communicating matters required by law, regulation, agreement, or other requirements applicable to the engagement.

We gave significant consideration to nonattest services expected to be provided including preparation of the Association's financial statements and related notes, fixed asset schedules, and tax return which may reasonably be thought to bear on independence, in reaching the conclusion that independence has not been impaired.

Planned Scope, Timing of the Audit, and Other

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested.

Our audit will include obtaining an understanding of the Association and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Material misstatements may result from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the Association or to acts by management or employees acting on behalf of the Association. We will generally communicate our significant findings at the conclusion of the audit. However, some matters could be communicated sooner, particularly if significant difficulties are encountered during the audit where assistance is needed to overcome the difficulties or if the difficulties may lead to a modified opinion. We will also communicate any internal control related matters that are required to be communicated under professional standards.

Jay Z. Parke is the engagement partner who will supervise the engagement and Steven L. Tait will provide the technical review and oversight and is responsible for signing the report or authorizing another individual to sign it. We expect to begin our audit the week of January 27, 2020, and to complete the audit engagement in accordance with our mutually agreed upon timeline.

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.

Very truly yours,

Handwritten signature in black ink that reads "Walker & Armstrong, LLP". The signature is written in a cursive, flowing style.