



Arizona Association of REALTORS®

Presentation to the Finance Committee

Year Ended December 31, 2022

Walker & Armstrong
CERTIFIED PUBLIC ACCOUNTANTS AND ADVISORS

Summary of Audit Results

- 1) Unmodified “clean” opinion on the financial statements.
- 2) Audit and Accounting Highlights:
 - Decrease in member dues revenues and service fees.
- 3) Key Financial Performance Measures:
 - Primary Realtor membership at 58,588 as of December 31, 2022, a 7.1% increase from the prior year.
 - Member dues rate decreased from \$190 in 2021 to \$175 in 2022.
 - Current ratio – 1.79 to 1.00 (2022), a slight increase from prior year of 1.58 to 1.00 (2021).
 - Return on assets – 4.5% (2022) versus 12.0 % (2021).
 - Cash flows from operations – Net cash provided by operations was \$2.8 million in 2022 compared to a net cash provided by operations of \$4.5 million in 2021.
- 4) Internal control matters – No material weakness or significant deficiencies.
- 5) Required communications to the governing board.

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Trend Analysis - Financial Position					
	<u>2022</u>	<u>Change</u>	<u>2021</u>	<u>Change</u>	<u>2020</u>
Cash and investments	\$ 7,269,105	\$ (432,846)	\$ 7,701,951	\$ 108,390	\$ 7,593,561
Other current assets	146,435	23,487	122,948	19,757	103,191
Designated & restricted cash and investments	33,160,199	1,519,382	31,640,817	4,577,011	27,063,806
Property & equipment	<u>1,999,182</u>	<u>(84,704)</u>	<u>2,083,886</u>	<u>(119,501)</u>	<u>2,203,387</u>
Total assets	42,574,921	1,025,319	41,549,602	4,585,657	36,963,945
Current liabilities	4,135,469	(829,902)	4,965,371	(203,269)	5,168,640
Long-term liabilities	<u>84,793</u>	<u>(31,514)</u>	<u>116,307</u>	<u>76,159</u>	<u>40,148</u>
Total liabilities	<u>4,220,262</u>	<u>(861,416)</u>	<u>5,081,678</u>	<u>(127,110)</u>	<u>5,208,788</u>
Net assets	<u>\$38,354,659</u>	<u>\$ 1,886,735</u>	<u>\$36,467,924</u>	<u>\$ 4,712,767</u>	<u>\$31,755,157</u>

- **Cash and investments** – Decreased due to a combination of revenues exceeding expenses and using cash to invest thus increasing the Association’s designated assets.
- **Designated & restricted cash and investments** – Increase is due the board increasing designations.
- **Current liabilities** – The 2023 dues amount is consistent with 2022, however 5,064 fewer members paid prior to December 31, 2022, contributing to the decrease in deferred member dues of \$890K.

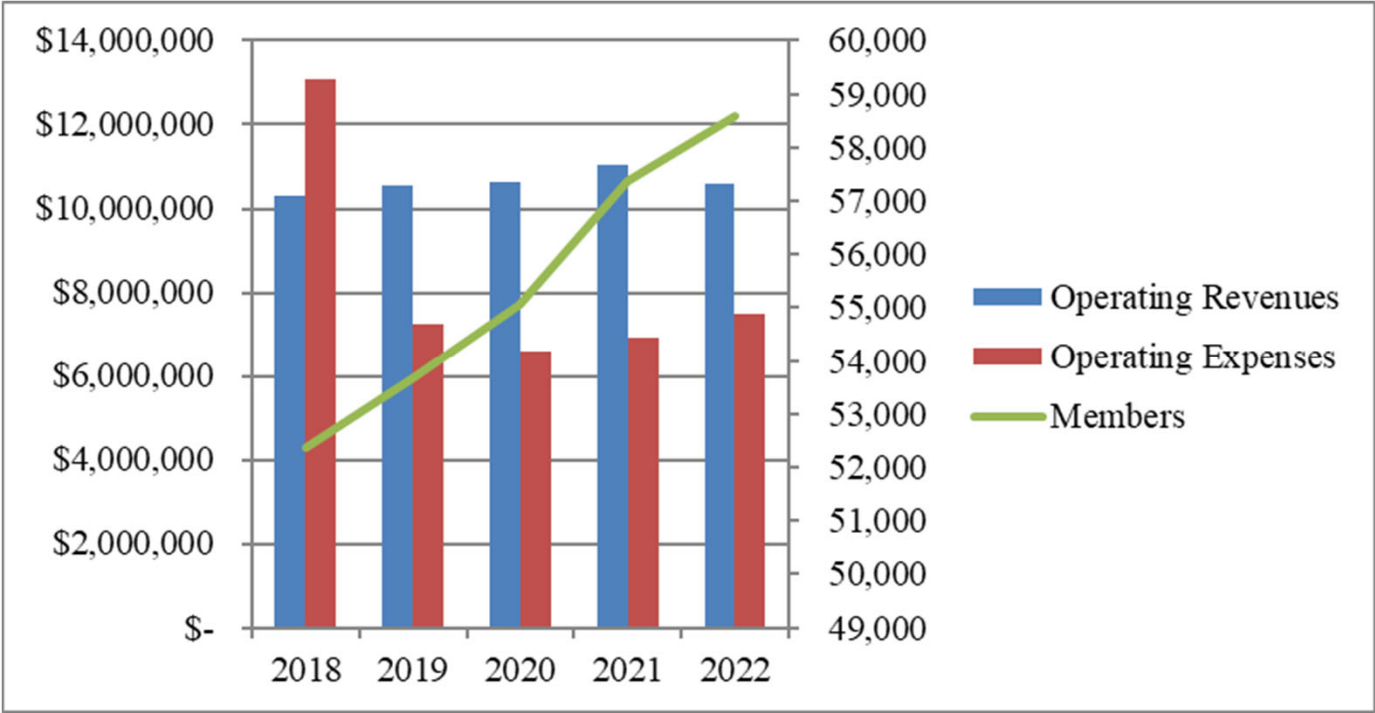
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Trend Analysis - Revenues and Expenses					
	<u>2022</u>	<u>Change</u>	<u>2021</u>	<u>Change</u>	<u>2020</u>
Revenue	\$10,587,273	\$ (469,112)	\$11,056,385	\$ 408,600	\$10,647,785
Investment income	(1,198,317)	(1,762,633)	564,316	(421,316)	985,632
Expenses	<u>7,502,221</u>	<u>594,287</u>	<u>6,907,934</u>	<u>329,377</u>	<u>6,578,557</u>
Change in net assets	<u>\$ 1,886,735</u>	<u>\$(2,826,032)</u>	<u>\$ 4,712,767</u>	<u>\$ (342,093)</u>	<u>\$ 5,054,860</u>
Return on average investments	-6.49%		3.36%		7.30%

- **Revenues** – Operating revenues **decreased** by \$469,112. Overall revenues decreased by 4% due to a 6% decrease in membership revenues for the decrease in dues offset by an increase in rent revenues and other program revenues.
- **Investment income** – Decreased \$1.8M due to market conditions during 2022.
- **Expenses** – Expenses increased due to:
 - Salaries and related expenses increased \$186K or 6%.
 - Catering and hotel expenses increased \$241K or 92%.
 - Issues mobilization expenses increased \$197K or 9,850% .
 - Operating reserves increased \$140K or 67%.
 - Dues and commitments decreased \$105K or 29%.

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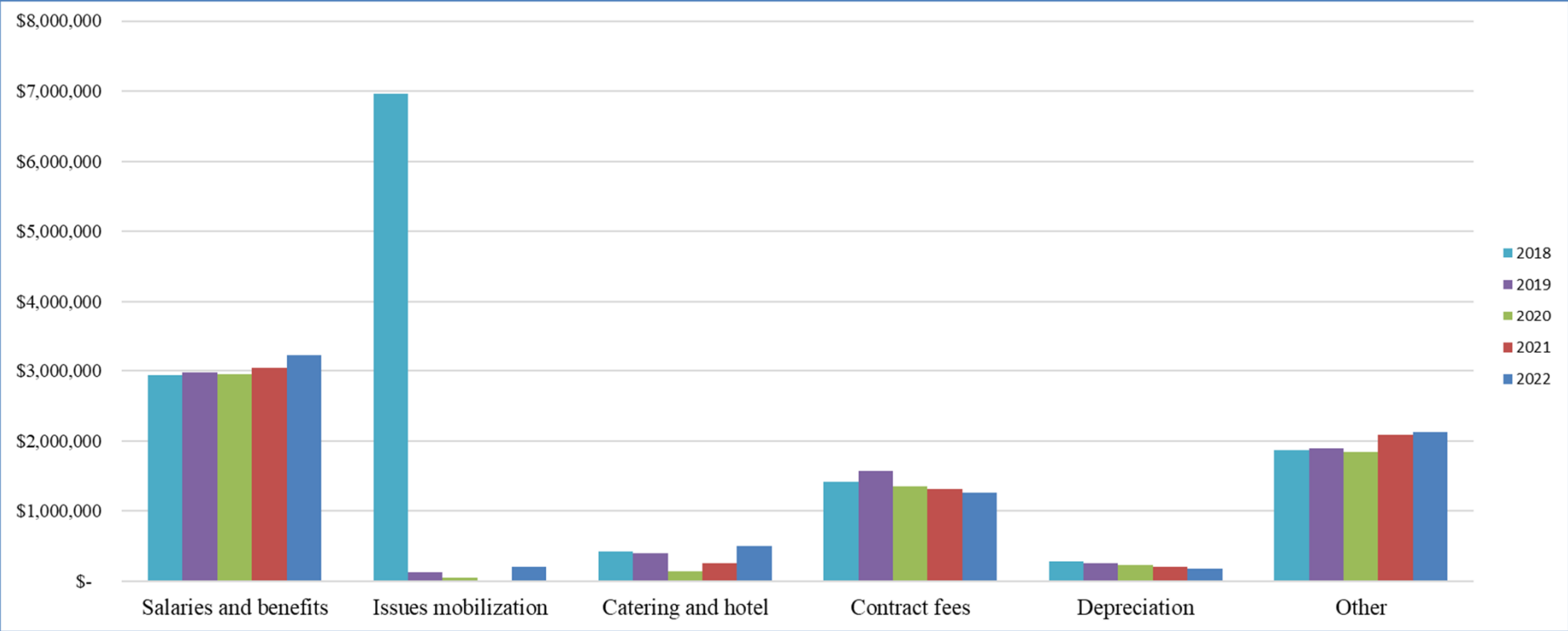
Operating Revenues and Expenses



	2018		2019		2020		2021		2022	
Revenues per member	\$	197	\$	197	\$	193	\$	193	\$	181
Expenses per member	\$	250	\$	135	\$	119	\$	120	\$	128

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Expenses by Type



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	Restricted and Designated Net Assets				
	<u>2022</u>	<u>Change</u>	<u>2021</u>	<u>Change</u>	<u>2020</u>
Restricted:					
Issues Mobilization	\$ 858,388	\$ 57,569	\$ 800,819	\$ 66,813	\$ 734,006
Designated:					
Special Operating	11,234,247	426,694	10,807,553	950,887	9,856,666
Capital Purchases	6,789,864	375,576	6,414,288	807,608	5,606,680
Issues Mobilization	10,209,755	(310,042)	10,519,797	2,174,859	8,344,938
Strategic Initiative	3,665,453	667,563	2,997,890	576,967	2,420,923
Arizona Homeownership Alliance	402,492	302,022	100,470	(123)	100,593

Required Communications to the Governing Board

1. **Accounting policies** - See Note 1 to the financial statements.
2. **Difficulties encountered in performing the audit** - No difficulties in performing and completing the FY 2022 audit.
3. **Corrected and uncorrected misstatements** – No audit adjustments or passed adjustments.
4. **Management representations** - We will request certain representations from management that are included in the management representation letter.
5. **Management's consultation with other accountants** - We are not aware that other accountants were consulted regarding matters involving external financial reporting.

**THANK YOU MANAGEMENT AND
THE FINANCE COMMITTEE**
