Financial Statements of

THE CANADIAN REAL ESTATE ASSOCIATION

Years ended December 31, 2012 and 2011

THE CANADIAN REAL ESTATE ASSOCIATION

Financial Statements

Years ended December 31, 2012 and 2011

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INDEPENDENT AUDITORS' REPORT

To the Members of The Canadian Real Estate Association

Report on the Financial Statements

We have audited the accompanying financial statements of The Canadian Real Estate Association, which comprise the statements of financial position as at December 31, 2012, December 31, 2011 and January 1, 2011, the statements of operations, changes in fund balances and cash flows for the years ended December 31, 2012 and December 31, 2011, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of The Canadian Real Estate Association as at December 31, 2012, December 31, 2011 and January 1, 2011 and its results of operations, changes in fund balances and cash flows for the years ended December 31, 2012 and December 31, 2011 in accordance with Canadian accounting standards for not-for-profit organizations.

Report on Other Legal Requirements

As required by the Canada Corporations Act, we report that, in our opinion, the accounting principles in Canadian accounting standards for not-for-profit organizations have been applied on a consistent basis.

KPMG LLP

Chartered Accountants, Licensed Public Accountants

February 20, 2013

Ottawa, Canada

THE CANADIAN REAL ESTATE ASSOCIATION

Statements of Financial Position

December 31, 2012, December 31, 2011 and January 1, 2011

	December 31, 2012	December 31, 2011	January 1, 2011
Assets			
Current assets:			
Cash	$ 2,296,027	$ 3,170,200	$ 181,807
Accounts receivable	850,680	1,033,658	1,344,881
Membership dues receivable (note 13(c))	3,077,157	2,473,772	1,909,402
Prepaid expenses	1,018,919	777,591	1,072,694
	7,242,783	7,455,221	4,508,784
Investments (note 4)	12,332,801	10,092,200	9,966,771
Tangible capital and intangible assets (note 5)	11,725,656	12,429,968	11,815,027
	$ 31,301,240	$ 29,977,389	$ 26,290,582
Liabilities and Fund Balances			
Current liabilities:			
Accounts payable and accrued liabilities (note 6)	$ 2,162,342	$ 2,823,397	$ 1,831,107
Deferred revenue	13,000	7,125	12,500
Current portion of long-term debt (note 7)	474,064	453,405	5,598,221
	2,649,406	3,283,927	7,441,828
Long-term debt (note 7)	4,259,754	4,733,818	–
Fund balances:			
Members' General fund	4,615,040	4,191,737	4,225,286
Restricted funds (note 8(b))	12,785,202	10,525,162	8,406,662
Capital asset fund	6,991,838	7,242,745	6,216,806
	24,392,080	21,959,644	18,848,754
Commitments (note 9)			
Contingencies (note 10)			
	$ 31,301,240	$ 29,977,389	$ 26,290,582

See accompanying notes to financial statements.

On behalf of the Board:

____________________ Director

____________________ Director

THE CANADIAN REAL ESTATE ASSOCIATION

Statements of Operations

Years ended December 31, 2012 and 2011

	Members' General Fund	Restricted Funds (note 8(b))	Total 2012	Total 2011
Revenues:				
Membership dues	$ 26,369,065	$ –	$ 26,369,065	$ 25,254,759
MLS® & Technology Council	–	5,952,360	5,952,360	5,116,726
Association Executives Council (AEC)	–	226,627	226,627	225,416
Canadian Commercial Council (CCC)	–	327,408	327,408	264,500
Legal Defense Support Program Fund	–	–	–	1,293,663
Building Reserve Fund (schedule)	–	946,415	946,415	895,849
Other	85,480	–	85,480	154,457
Sponsorship	–	–	–	38,800
Investment	307,414	–	307,414	114,525
	26,761,959	7,452,810	34,214,769	33,358,695
Expenses:				
Services to members	8,639,469	–	8,639,469	10,879,067
Governance and representation	2,076,687	–	2,076,687	2,820,743
Operating	1,637,009	–	1,637,009	1,290,499
Salaries and benefits	8,926,913	–	8,926,913	8,146,145
MLS® & Technology Council	–	5,180,101	5,180,101	4,150,834
Association Executives' Council	–	293,758	293,758	229,779
Canadian Commercial Council	–	266,644	266,644	264,641
Legal Defence Support Program Fund	–	1,540,891	1,540,891	154,244
Futures Fund	–	898,379	898,379	–
Building Reserve Fund (schedule)	–	865,955	865,955	857,853
	21,280,078	9,045,728	30,325,806	28,793,805
Excess of revenues over expenses before amortization of tangible capital and intangible assets	5,481,881	(1,592,918)	3,888,963	4,564,890
Amortization of tangible capital and intangible assets	(966,944)	(489,583)	(1,456,527)	(1,454,000)
Excess of revenues over expenses	$ 4,514,937	$ (2,082,501)	$ 2,432,436	$ 3,110,890

See accompanying notes to financial statements.

THE CANADIAN REAL ESTATE ASSOCIATION

Statements of Changes in Fund Balances

Years ended December 31, 2012 and 2011

December 31, 2012	Members' General Fund	Restricted Funds	Capital Asset Fund	Total
		(note 8(b))		
Fund balances, beginning of year	$ 4,191,737	$ 10,525,162	$ 7,242,745	$ 21,959,644
Excess of revenues over expenses	4,514,937	(2,082,501)	–	2,432,436
Transfer from Members' General Fund	(4,200,000)	4,200,000	–	–
Net change in Capital Asset Fund:				
Tangible capital and intangible asset additions	(405,173)	(347,042)	752,215	–
Repayment of long-term debt	(453,405)	–	453,405	–
Amortization of tangible capital and intangible assets	966,944	489,583	(1,456,527)	–
	108,366	142,541	(250,907)	–
Fund balances, end of year	$ 4,615,040	$ 12,785,202	$ 6,991,838	$ 24,392,080

THE CANADIAN REAL ESTATE ASSOCIATION

Statements of Changes in Fund Balances

Years ended December 31, 2012 and 2011

December 31, 2011	Members' General Fund	Restricted Funds	Capital Asset Fund	Total
		(note 8(b))		
Fund balances, beginning of year	$ 4,225,286	$ 8,406,662	$ 6,216,806	$ 18,848,754
Excess of revenues over expenses	1,580,539	1,530,351	–	3,110,890
Transfer from Members' General Fund	(1,000,000)	1,000,000	–	–
Net change in Capital Asset Fund:				
Tangible capital and intangible asset additions	(1,048,638)	(1,020,303)	2,068,941	–
Repayment of long-term debt	(410,998)	–	410,998	–
Amortization of tangible capital and intangible assets	845,548	608,452	(1,454,000)	–
	(614,088)	(411,851)	1,025,939	–
Fund balances, end of year	$ 4,191,737	$ 10,525,162	$ 7,242,745	$ 21,959,644

See accompanying notes to financial statements.

THE CANADIAN REAL ESTATE ASSOCIATION

Statements of Cash Flows

Years ended December 31, 2012 and 2011

	2012	2011
Cash provided by (used in):		
Operating activities:		
Excess of revenues over expenses	$ 2,432,436	$ 3,110,890
Items not involving cash:		
Amortization of tangible capital and intangible assets	1,456,527	1,454,000
Amortization of premium (discount) on investments	249	(24,788)
Change in non-cash operating working capital	(1,316,915)	1,028,871
	2,572,297	5,568,973
Investing activities:		
Additions to investments	(2,551,104)	(1,704,893)
Tangible capital and intangible assets additions	(752,215)	(2,068,941)
	(3,303,319)	(3,773,834)
Financing activities:		
Repayment of long-term debt	(453,405)	(410,998)
Withdrawals from investments	310,254	1,604,252
	(143,151)	1,193,254
Increase (decrease) in cash	(874,173)	2,988,393
Cash, beginning of year	3,170,200	181,807
Cash, end of year	$ 2,296,027	$ 3,170,200

See accompanying notes to financial statements.

1. Operations:

The Canadian Real Estate Association (the “Association”) was incorporated without share capital on November 1, 1954 under the Canada Corporations Act. The Association coordinates activities between individual real estate boards and provincial real estate associations. In addition, the Association at the federal level represents members' interests in all aspects of the real estate industry. The Association is a not-for-profit organization and as such is not subject to income tax under paragraph 149(1)(l) of the Income Tax Act.

On January 1, 2012, the Association adopted Canadian accounting standards for not-for-profit organizations in Part III of the CICA Handbook. These are the first financial statements prepared in accordance with Canadian accounting standards for not-for-profit organizations.

In accordance with the transitional provisions in Canadian accounting standards for not-for-profit organizations, the Association has adopted the changes retrospectively, subject to certain exemptions allowed under these standards. The transition date is January 1, 2011 and all comparative information has been presented by applying Canadian accounting standards for not-for-profit organizations.

A summary of transitional adjustments recorded to net assets and excess of revenues over expenses is provided in note 3.

2. Significant accounting policies:

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the CICA Handbook and include the following significant accounting policies:

(a) Basis of presentation:

The Association follows the deferral method of accounting for contributions for not-for-profit organizations, and uses fund accounting.

These financial statements reflect the operations of the Canadian Real Estate Association. The financial statements do not include the revenues, expenses, assets and liabilities of the Association’s related entities: The Canadian REALTORS Care® Foundation, Realtor Canada Inc. and its Member Boards and Provincial Associations. These organizations are disclosed in note 13.

(b) Fund accounting:

The Members’ General Fund reports the revenues, expenses, assets, liabilities and fund balances of the Association’s general operations and services to members.

The Capital Asset Fund reports the Association’s investment in tangible capital and intangible assets.

Restricted Funds are described in note 8(b).

2. Significant accounting policies (continued):

(c) Revenue recognition:

Revenues from membership dues and technology assessments are based on membership information provided by the individual Boards enrolled in the Association. Dues received in advance of the year to which they apply are deferred and recognized as revenue in the appropriate future year. Revenues from membership initiation dues are recognized on a cash basis.

Sponsorship, building, legal defense support, and other revenues are recognized in the period to which they relate.

(d) Expenses:

The Association presents its expenses by function with the exception of salaries and benefits, and amortization of tangible capital and intangible assets, which are presented separately.

Expenses are recognized in the year incurred and are recorded in the function to which they are directly related.

The Association does not allocate expenses between functions after initial recognition.

(e) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently measured at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Association has not elected to carry any such financial instruments at fair value.

Sales and purchases of investments are recorded on the trade date. Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs. These costs are amortized using the straight line method.

Financial assets are assessed for indicators of impairment on an annual basis at the end of the fiscal year. Where an indicator of impairment is present, the Association determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Association expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial impairment charge.

2. Significant accounting policies (continued):

(f) Tangible capital and intangible assets:

Tangible capital and intangible assets are stated at cost. Betterments which extend the estimated life of an asset are capitalized. When a capital asset no longer contributes to the Association's ability to provide services, its carrying amount is written down to its residual value.

Amortization is provided on the straight-line basis or declining balance method using the following annual rates:

Asset	Rate
Tangible capital assets:	
Building	4%
Office equipment	10% to 20%
Computer equipment	30%
Building improvements (straight-line)	15 years
Office improvements (straight-line)	15 years
Intangible assets:	
Computer software	30%
Web-sites	30%

(g) Defined contribution pension plan:

The Association recognizes an expense in the Members' General Fund for the contribution required to be made by the Association to the defined contribution pension plan based on employee services rendered in the year.

(h) Use of estimates:

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. These estimates are reviewed annually and as adjustments become necessary, they are recognized in the financial statements in the period they become known.

3. Transition adjustments:

(a) Net assets:

The following table summarizes the impact of the transition to Canadian accounting standards for not-for-profit organizations on the Association's net assets as of January 1, 2011:

Net assets:	
As previously reported under Canadian generally accepted accounting principles, December 31, 2010	$ 18,970,269
Adjustment to record investments, previously recorded at fair value, at amortized cost	(121,515)
Restated, January 1, 2011	$ 18,848,754

(b) Excess of revenue over expenses:

As a result of the retrospective application of Canadian accounting standards for not-for-profit organizations, the Association recorded the following adjustment to excess of revenue over expenses for the year ended December 31, 2011:

Excess of revenue over expenses:	
As previously reported under Canadian generally accepted accounting principles for the year ended December 31, 2011	$ 3,213,099
Decrease in investment income due to amortization of premiums on investments recorded at amortized cost	(102,209)
Restated for the year ended December 31, 2011	$ 3,110,890

4. Investments:

Investments consist of the following:

December 31, 2012	Carrying value	Fair value
Guaranteed investment certificates	$ 12,157,395	$ 12,352,757
Government bonds	113,442	113,438
Corporate bonds	38,252	41,933
Equities	23,712	23,712
	$ 12,332,801	$ 12,531,840

December 31, 2011	Carrying value	Fair value
Guaranteed investment certificates	$ 9,475,952	$ 9,206,527
Government bonds	296,983	820,917
Corporate bonds	319,265	341,590
	$ 10,092,200	$ 10,369,034

January 1, 2011	Carrying value	Fair value
Guaranteed investment certificates	$ 7,650,567	$ 8,063,581
Government bonds	1,157,595	1,168,573
Corporate bonds	1,158,609	856,132
	$ 9,966,771	$ 10,088,286

Investments are held by the Association to fund the Members' General Fund, the Contingency Reserve Fund, the Legal Defense Support Program Fund and the Futures Fund.

Investments are managed by investment managers in accordance with an investment policy approved by the Board of Directors.

4. Investments (continued):

The Association's effective interest rate and maturity date ranges are as follows:

December 31, 2012	Interest rate	Maturity date
Guaranteed investment certificates	1.15% to 4.6%	April 2013 to November 2016
Government bonds	1.25%	September 2014 to June 2017
Corporate bonds	10.75%	April 2019

December 31, 2011	Interest rate	Maturity date
Guaranteed investment certificates	1.10% to 4.56%	May 2012 to December 2013
Government bonds	2.07% to 2.47%	October 2012 to September 2014
Corporate bonds	2.00% to 10.75%	October 2012 to April 2019

January 1, 2011	Interest rate	Maturity date
Guaranteed investment certificates	0.95% to 4.6%	June 2011 to December 2013
Government bonds	2.89% to 3.24%	December 2012 to August 2013
Corporate bonds	5.25% to 10.75%	June 2011 to April 2019

5. Tangible capital and intangible assets:

December 31, 2012	Cost	Accumulated amortization	Net book value
Tangible capital assets:			
Land	$ 2,593,000	$ –	$ 2,593,000
Building	7,372,126	1,916,753	5,455,373
Office equipment	1,482,599	956,816	525,783
Computer equipment	791,312	672,346	118,966
Building improvements	883,550	235,623	647,927
Office improvements	1,557,758	523,406	1,034,352
Intangible assets:			
Computer software	1,237,089	805,289	431,800
Web-sites	7,444,080	6,525,625	918,455
	$ 23,361,514	$11,635,858	$11,725,656

December 31, 2011	Cost	Accumulated amortization	Net book value
Tangible capital assets:			
Land	$ 2,593,000	$ –	$ 2,593,000
Building	7,372,126	1,621,868	5,750,258
Office equipment	1,476,058	855,177	620,881
Computer equipment	740,164	529,638	210,526
Building improvements	649,326	187,778	461,548
Office improvements	1,517,958	420,882	1,097,076
Intangible assets:			
Computer software	929,405	527,663	401,742
Web-sites	7,331,262	6,036,325	1,294,937
	$ 22,609,299	$10,179,331	$12,429,968

January 1, 2011	Cost	Accumulated amortization	Net book value
Tangible capital assets:			
Land	$ 2,593,000	$ –	$ 2,593,000
Building	7,372,126	1,326,983	6,045,143
Office equipment	1,141,180	768,865	372,315
Computer equipment	648,192	392,098	256,094
Building improvements	649,326	143,236	506,090
Office improvements	1,254,276	328,474	925,802
Intangible assets:			
Computer software	571,299	338,085	233,214
Web-sites	6,310,959	5,427,590	883,369
	$ 20,540,358	$ 8,725,331	$11,815,027

6. Accounts payable and accrued liabilities:

At year end, the Association had no amounts payable for government remittances.

7. Long-term debt:

The Association has a long-term debt agreement relating to its purchase of the land and building.

	December 31, 2012	December 31, 2011	January 1, 2011
Term loan bearing interest of prime plus 1.00%, repayable in equal monthly instalments of principal and interest of $56,308, maturing May 31, 2016	$ 4,733,818	$ 5,187,223	$ 5,598,221
Current portion of long-term debt	474,064	453,405	5,598,221
	$ 4,259,754	$ 4,733,818	$ –

The loan is secured by the land and building.

Payments of the principal portion are as follows:

	Principal
2013	$ 474,064
2014	495,656
2015	518,232
2016	3,245,866
	$ 4,733,818

8. Fund balances:

(a) Capital management:

The Association considers its capital to consist of its fund balances. The Association's overall objective with regards to its fund balances is to fund tangible capital and intangible assets, future projects and ongoing operations. The Association manages its net assets by establishing restricted funds and appropriating amounts to the restricted funds for anticipated future projects, contingencies and other capital requirements. These allocations are disclosed in note 8(b).

8. Fund balances (continued):

(a) Capital management (continued):

The Association is not subject to externally imposed capital requirements and its overall strategy with respect to net assets remains unchanged from the year ended December 31, 2011.

(b) Restricted funds:

Restricted funds consist of the following.

Fund December 31, 2012	Fund balance, beginning of year	Excess (deficiency) of revenues over expenses	Appropriation from (to) Members' General Fund	Appropriation from (to) Capital Asset Fund	Fund balance, end of year
MLS® & Technology Council	$ 3,785,012	$ 282,676	$ –	$ 376,765	$ 4,444,453
Association Executives' Council (AEC)	151,754	(67,131)	–	–	84,623
Canadian Commercial Council (CCC)	195,956	60,764	–	–	256,720
Contingency Reserve Fund	3,390,447	–	2,200,000	–	5,590,447
Legal Defence Support Program Fund	1,590,134	(1,540,891)	2,000,000	–	2,049,243
Building Reserve Fund	411,859	80,460	–	(234,224)	258,095
Futures Fund	1,000,000	(898,379)	–	–	101,621
	$10,525,162	$(2,082,501)	$ 4,200,000	$ 142,541	$12,785,202

Fund December 31, 2011	Fund balance, beginning of year	Excess (deficiency) of revenues over expenses	Appropriation from (to) Members' General Fund	Appropriation from (to) Capital Asset Fund	Fund balance, end of year
MLS® & Technology Council	$ 3,839,423	$ 357,440	$ –	$ (411,851)	$ 3,785,012
Association Executives' Council (AEC)	156,117	(4,363)	–	–	151,754
Canadian Commercial Council (CCC)	196,097	(141)	–	–	195,956
Contingency Reserve Fund	3,390,447	–	–	–	3,390,447
Legal Defence Support Program Fund	450,715	1,139,419	–	–	1,590,134
Building Reserve Fund	373,863	37,996	–	–	411,859
Futures Fund	–	–	1,000,000	–	1,000,000
	$ 8,406,662	$ 1,530,351	$ 1,000,000	$ (411,851)	$10,525,162

8. Fund balances (continued):

(b) Restricted funds (continued):

(i) MLS® & Technology Fund:

The objective of the Council is to develop strategies, determine priorities for, and implementation of the provision of national technological services by the Association for REALTOR.ca™, Information Exchange Network, National Authentication Facility and REALTOR Link™.

(ii) Association Executives' Council:

The fund reflects the equity of the Association Executives' Council. The members of this Council are the executives of the national, provincial and local real estate boards. The Council fosters discussions between its members on business issues and administrative practices. The Council has a membership of approximately 130.

(iii) Canadian Commercial Council:

The fund reflects the equity of the Canadian Commercial Council. The members of this Council are Association members who specialize in commercial real estate or have earned appropriate designations. The objectives of the Council are to foster professional expertise in commercial real estate and to maintain high standards for designation. The Council has a membership of approximately 6,300.

(iv) Contingency Reserve Fund:

This fund was established by the Board of Directors to improve the Association's financial position. The Association's objective is to maintain a balance equivalent to four months of operating expenses, approximately $7 million, in the contingency reserve fund.

(v) Legal Defense Support Program Fund:

The Legal Defense Support Program Fund was established by the Board of Directors to support boards and associations which find themselves facing litigation as a result of their adherence to, or enforcement of, national policies of the Canadian Real Estate Association. The Association's objective is to maintain a balance of $2 million in the Legal Defense Support Program Fund.

(vi) Building Reserve Fund:

This fund was established by the Board of Directors to reflect the cumulative excess of revenues over expenses from the operation of the building.

8. Fund balances (continued):

(b) Restricted funds (continued):

(vii) Futures Fund:

This fund was established by the Board of Directors to support and fund CREA, Boards and Associations in implementing organized real estate's collaborative strategy and plan.

9. Commitments:

The Association is committed to the rental of office equipment and web-site maintenance costs. The minimum annual payments are as follows:

2013	$	49,668
2014		49,668
2015		49,314
2016		40,248
2017		40,248
	$	229,146

10. Contingencies:

During 2011 and 2012, the Association incurred expenses with respect to certain legal claims and proceedings. Management believes that a portion of these expenses will be reimbursed under their insurance policy. However, no determination has yet been made as to the ultimate settlement that will be received by the Association.

The Association is involved with pending litigation and claims which arise in the normal course of operations. In the opinion of management, an estimate of the potential liability from these claims cannot be made, but any liability that may arise from such contingencies would not have a significant adverse effect on the financial statements of the Association. Losses, if any, arising from these matters will be accounted for in the year in which they are resolved.

11. Pension plan:

The pension plan (the "Plan") for employees of the Association is a defined contribution plan covering all the employees of the Association who meet eligibility requirements as specified in the Plan Agreement. The Association will match a percentage of gross earnings for all members of the Plan based on the employees' years of experience at the Association. In the year, the Association contributed $328,709 (2011 - $257,354) to the Plan, which is recorded in salaries and benefits expense.

12. Financial risks (continued):

(a) Credit risk:

The Association is exposed to credit-related losses in the event of non-performance by counterparties to financial instruments. Credit exposure is minimized by dealing mostly with creditworthy counterparties such as Canadian real estate boards, governments and public companies.

The Association assesses, on a continuous basis, accounts and membership dues receivables and provides for any amounts that are not collectible in an allowance for doubtful accounts. At year end, there were no amounts allowed for in accounts and membership dues receivable.

(b) Interest rate risk:

The Association is exposed to interest rate risk with respect to its interest-bearing investments and long-term debt as disclosed in notes 4 and 7.

(c) Currency risk:

The Association believes that it is not exposed to significant currency risk arising from its financial instruments.

13. Related party transactions:

The Association is related to the Canadian REALTORS Care® Foundation, Realtor Canada Inc. and its Member Boards and Provincial Associations:

(a) Canadian REALTORS Care® Foundation:

The Association is related to the Canadian REALTORS Care® Foundation by virtue of its financial and operational support. The Foundation was incorporated without share capital under Part II of the Canada Corporations Act on October 5, 2006 and is a registered charity under the Income Tax Act (Canada). The Foundation is a promotional and public relations vehicle for charitable efforts for REALTORS® and provides administrative service to Boards and Associations regarding the collection and disbursement of funds and provision of charitable tax receipts.

13. Related party transactions (continued):

(a) Canadian REALTORS Care® Foundation (continued):

The Foundation's assets, liabilities and net assets, revenues and expenses are as follows for the years ended December 31:

	2012	2011
Assets	$ 143,982	$ 119,316
Liabilities	$ 24,005	$ 17,658
Net assets	119,977	101,658
Total liabilities and net assets	$ 143,982	$ 119,316
Revenues:		
Contribution from the Association	$ 70,500	$ 70,500
Donations	1,040	18,070
	71,540	88,570
Expenses	53,221	48,781
Excess of revenues over expenses	$ 18,319	$ 39,789

(b) REALTOR® Canada Inc.:

The Association is related to REALTOR® Canada Inc. by virtue of its 50% ownership of the shares in REALTOR® Canada Inc., which is a for-profit entity. The objective of REALTOR® Canada Inc. is to hold the trademark registration for the term REALTOR® in Canada. REALTOR® Canada Inc. has no assets or liabilities and had no financial transactions during the year.

(c) Member Boards and Provincial Associations:

The Association is related to its member real estate boards and provincial associations by virtue of its governance structure. The Association and the member boards and provincial associations provide services to their members in an integrated manner.

The Association collects membership dues from individual members through the member boards. National fees are collected by the member boards and then forwarded to the Association. All other transactions between the Association and the member boards and provincial associations occur in the normal course of operations for the Association.

THE CANADIAN REAL ESTATE ASSOCIATION

Schedule of Revenues and Expenditures – Building Reserve Fund

Years ended December 31, 2012 and 2011

	2012	2011
Revenues:		
Rental	$ 672,554	$ 662,575
Operating recoveries from tenants	179,882	142,223
Parking	88,250	85,080
Interest	5,729	5,971
	946,415	895,849
Expenditures:		
Operating:		
Utilities	306,424	295,432
Property taxes	283,089	272,118
Repairs and maintenance	202,643	219,565
Management fee	54,173	53,904
Administrative	19,626	16,834
	865,955	857,853
Capital	234,224	–
	1,100,179	857,853
Excess (deficiency) of revenues over expenditures	$ (153,764)	$ 37,996

The Association capitalized $234,224 (2011 - $ Nil) of the capital expenditures incurred for the building.