

Financial Statements of

**THE CANADIAN REAL  
ESTATE ASSOCIATION**

Year ended December 31, 2017

# THE CANADIAN REAL ESTATE ASSOCIATION

Financial Statements

Year ended December 31, 2017

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## **INDEPENDENT AUDITORS' REPORT**

To the Members of the Canadian Real Estate Association

We have audited the accompanying financial statements of the Canadian Real Estate Association, which comprise the statement of financial position as at December 31, 2017, the statements of operations, changes in fund balances and cash flows for the year then ended, and notes and schedule, 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 audit. We conducted our audit 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 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, 2017, and its results of operations, changes in fund balances and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

*KPMG LLP*

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slanted style. Below the signature is a long, horizontal, slightly curved line that underlines the text.

Chartered Professional Accountants, Licensed Public Accountants

Ottawa, Canada

March 6, 2018

# THE CANADIAN REAL ESTATE ASSOCIATION

## Statement of Financial Position

December 31, 2017, with comparative information for 2016

	2017	2016
<b>Assets</b>		
Current assets:		
Cash	\$ 1,201,598	\$ 1,755,842
Accounts receivable	1,301,433	775,198
Membership dues receivable (note 11(c))	3,790,598	3,874,820
Prepaid expenses	98,962	195,199
	<u>6,392,591</u>	<u>6,601,059</u>
Investments (note 3)	24,912,615	20,724,651
Tangible capital and intangible assets (note 4)	10,610,040	10,722,065
	<u>\$ 41,915,246</u>	<u>\$ 38,047,775</u>

## Liabilities and Fund Balances

Current liabilities:		
Accounts payable and accrued liabilities (note 5)	\$ 2,819,632	\$ 2,498,026
Deferred revenue	10,453	3,458
	<u>2,830,085</u>	<u>2,501,484</u>
Fund balances:		
Operating Fund	14,355,517	12,255,121
Restricted Funds (note 6(b))	14,119,604	12,569,105
Capital Asset Fund	10,610,040	10,722,065
	<u>39,085,161</u>	<u>35,546,291</u>
Commitments (note 7)		
Contingencies (note 8)		
	<u>\$ 41,915,246</u>	<u>\$ 38,047,775</u>

See accompanying notes to financial statements.

On behalf of the Board:

\_\_\_\_\_ Director

\_\_\_\_\_ Director

# THE CANADIAN REAL ESTATE ASSOCIATION

## Statement of Operations

Year ended December 31, 2017, with comparative information for 2016

	Operating Fund	Restricted Funds (note 6(b))	Total 2017	Total 2016
<b>Revenues:</b>				
Membership dues	\$ 40,108,045	\$ –	\$ 40,108,045	\$ 38,382,764
Technology	450,098	–	450,098	407,117
Conferences	370,776	–	370,776	407,096
Building Reserve Fund (schedule)	–	794,561	794,561	584,708
Other	148,295	–	148,295	297,322
Sponsorship	49,100	–	49,100	78,750
Investment	512,955	–	512,955	552,460
	<u>41,639,269</u>	<u>794,561</u>	<u>42,433,830</u>	<u>40,710,217</u>
<b>Expenses:</b>				
Services to members	20,690,245	–	20,690,245	19,174,962
Governance and representation	2,695,804	–	2,695,804	2,121,980
Operating	1,821,541	–	1,821,541	2,054,730
Salaries and benefits	11,837,232	–	11,837,232	11,180,653
Legal Defence Support Program Fund	–	270,561	270,561	519,002
Building Reserve Fund (schedule)	–	848,691	848,691	740,827
	<u>37,044,822</u>	<u>1,119,252</u>	<u>38,164,074</u>	<u>35,792,154</u>
<b>Excess of revenues over expenses (expenses over revenues) before amortization of tangible capital and intangible assets</b>				
	4,594,447	(324,691)	4,269,756	4,918,063
<b>Amortization of tangible capital and intangible assets</b>				
	(647,209)	(83,677)	(730,886)	(1,034,703)
<b>Excess of revenues over expenses (expenses over revenues)</b>				
	\$ 3,947,238	\$ (408,368)	\$ 3,538,870	\$ 3,883,360

See accompanying notes to financial statements.

# THE CANADIAN REAL ESTATE ASSOCIATION

## Statement of Changes in Fund Balances

Year ended December 31, 2017, with comparative information for 2016

	Operating Fund	Restricted Funds (note 6(b))	Capital Asset Fund	2017 Total	2016 Total
Fund balances, beginning of year	\$ 12,255,121	\$ 12,569,105	\$ 10,722,065	\$ 35,546,291	\$ 31,662,931
Excess of revenues over expenses (expenses over revenue)	3,947,238	(408,368)	–	3,538,870	3,883,360
Transfer from Operating Fund	(2,300,000)	2,300,000	–	–	–
Net change in Capital Asset Fund:					
Tangible capital and intangible asset additions	(194,051)	(424,810)	618,861	–	–
Amortization of tangible capital and intangible assets	647,209	83,677	(730,886)	–	–
	453,158	(341,133)	(112,025)	–	–
Fund balances, end of year	\$ 14,355,517	\$ 14,119,604	\$ 10,610,040	\$ 39,085,161	\$ 35,546,291

See accompanying notes to financial statements.

# THE CANADIAN REAL ESTATE ASSOCIATION

## Statement of Cash Flows

Year ended December 31, 2017, with comparative information for 2016

	2017	2016
Cash provided by (used in):		
Operating activities:		
Excess of revenues over expenses	\$ 3,538,870	\$ 3,883,360
Items not involving cash:		
Amortization of tangible capital and intangible assets	730,886	1,034,703
Change in non-cash operating working capital	225,491	655,802
	<u>4,495,247</u>	<u>5,573,865</u>
Investing activities:		
Additions to investments	(6,000,000)	(8,052,460)
Tangible capital and intangible assets additions	(618,861)	(98,836)
	<u>(6,618,861)</u>	<u>(8,151,296)</u>
Financing activities:		
Repayment of long-term debt	–	(3,245,867)
Contribution to 200 Catherine Street	(700,000)	–
Withdrawals from investments	2,269,370	6,952,805
	<u>1,569,370</u>	<u>3,706,938</u>
Increase (decrease) in cash	(554,244)	1,129,507
Cash, beginning of year	1,755,842	626,335
Cash, end of year	<u>\$ 1,201,598</u>	<u>\$ 1,755,842</u>

See accompanying notes to financial statements.



# THE CANADIAN REAL ESTATE ASSOCIATION

Notes to Financial Statements

Year ended December 31, 2017

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## 1. Operations:

The Canadian Real Estate Association (the "Association") was incorporated without share capital on November 1, 1954 under the Canada Corporations Act. Effective December 11, 2013, the Association continued their articles of incorporation from the Canada Corporations Act to the Canada Not-for-profit Corporations Act. 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 (Canada).

The Association works on behalf of its REALTOR® members and the public. To do so, it:

- Represents the interest of its members to the federal government and its agencies on existing or proposed legislation that would affect those members, and/or impact homeownership;
- Assists REALTOR® members to better serve their clients by providing quality technology products including REALTOR.ca, WEBforms® and DDF®;
- Enhances member professionalism and ethics by providing national standards, including establishment of symbols of quality associated with using the Association brands and trademarks. Protects and promotes the two primary national Association trademarks, MLS® and REALTOR®;
- Produces accurate, up-to-date information and analysis on economic issues.

## 2. Significant accounting policies:

The financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the CPA Canada Handbook - Accounting 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 11.

### (b) Fund accounting:

The Operating 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 6(b).

# THE CANADIAN REAL ESTATE ASSOCIATION

Notes to Financial Statements (continued)

Year ended December 31, 2017

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## 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.

# THE CANADIAN REAL ESTATE ASSOCIATION

Notes to Financial Statements (continued)

Year ended December 31, 2017

## 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 (straight-line)	25 years
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%

The MLS Domain Name is not amortized as it has an indefinite life.

### (g) Defined contribution pension plan:

The Association recognizes an expense in the Operating 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. Significant areas requiring the use of management's estimates include the recognition of membership revenue for the fourth quarter. Actual results could differ from these estimates. Estimates are reviewed annually and as adjustments become necessary, they are recognized in the financial statements in the period in which they become known.

# THE CANADIAN REAL ESTATE ASSOCIATION

Notes to Financial Statements (continued)

Year ended December 31, 2017

## 3. Investments:

### (a) Investment balances:

Investments consist of the following:

December 31, 2017	Carrying value	Fair value
Cash and cash equivalents	\$ 32,835	\$ 32,835
Guaranteed investment certificates	22,951,961	22,951,961
Corporate bonds	47,628	47,628
Equities	1,880,191	1,880,191
	<u>\$ 24,912,615</u>	<u>\$ 24,912,615</u>

December 31, 2016	Carrying value	Fair value
Cash and cash equivalents	\$ 152,420	\$ 152,420
Guaranteed investment certificates	18,913,657	18,913,657
Corporate bonds	45,746	47,959
Equities	1,612,828	1,612,828
	<u>\$ 20,724,651</u>	<u>\$ 20,726,864</u>

Investments are held by the Association to fund the Operating Fund, Contingency Reserve Fund, Legal Defense Support Program Fund, Building Capital Reserve Fund and the MLS® Domain Fund.

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

### (b) Effective interest rates and maturities of investments:

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

December 31, 2017	Interest rate	Maturity date
Guaranteed investment certificates	0.80% to 3.28%	April 2018 to December 2021
Corporate bonds	10.75%	April 2019

# THE CANADIAN REAL ESTATE ASSOCIATION

Notes to Financial Statements (continued)

Year ended December 31, 2017

### 3. Investments (continued):

(b) Effective interest rates and maturities of investments (continued):

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

December 31, 2016	Interest rate	Maturity date
Guaranteed investment certificates	0.70% to 2.75%	February 2017 to November 2020
Corporate bonds	10.75%	April 2019

### 4. Tangible capital and intangible assets:

	Cost	Accumulated amortization	2017 Net book value	2016 Net book value
Tangible capital assets:				
Land	\$ 2,593,000	\$ –	\$ 2,593,000	\$ 2,593,000
Building	7,372,126	3,391,178	3,980,948	4,275,833
Office equipment	1,339,741	1,256,306	83,435	151,865
Computer equipment	1,006,134	867,632	138,502	67,604
Building improvements	1,508,857	558,473	950,384	671,717
Office improvements	1,638,297	1,075,573	562,724	609,250
Intangible assets:				
Computer software	1,584,602	1,543,965	40,637	64,297
Web-sites	7,080,845	6,763,255	317,590	345,679
MLS Domain Name	1,942,820	–	1,942,820	1,942,820
	\$ 26,066,422	\$ 15,456,382	\$ 10,610,040	\$ 10,722,065

Cost and accumulated amortization of tangible capital and intangible assets at December 31, 2016 amounted to \$25,499,196 and \$14,777,131, respectively.

In the year, the Association wrote-off assets with a cost and accumulated amortization of \$51,635 (2016 - \$146,159).

# THE CANADIAN REAL ESTATE ASSOCIATION

Notes to Financial Statements (continued)

Year ended December 31, 2017

## 5. Accounts payable and accrued liabilities:

At year end, the Association had no amounts payable for government remittances, such as harmonized sales tax and payroll taxes.

## 6. 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 6(b).

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, 2016.

### (b) Restricted funds:

Restricted funds consist of the following.

Fund	Fund balance, beginning of year	Excess of expenses over revenue	Appropriation from Operating Fund	Appropriation from Capital Asset Fund	Fund balance, end of year
Contingency Reserve Fund	\$ 7,090,447	\$ –	\$ –	\$ –	\$ 7,090,447
Legal Defence Support Program Fund	1,723,722	(270,561)	600,000	–	2,053,161
Building Reserve Fund	54,936	(137,807)	700,000	(341,133)	275,996
Building Capital Reserve Fund	3,500,000	–	–	–	3,500,000
MLS® Domain Fund	200,000	–	–	–	200,000
Technology Fund	–	–	1,000,000	–	1,000,000
	\$ 12,569,105	\$ (408,368)	\$ 2,300,000	\$ (341,133)	\$ 14,119,604

### (i) 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.

# THE CANADIAN REAL ESTATE ASSOCIATION

Notes to Financial Statements (continued)

Year ended December 31, 2017

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## 6. Fund balances (continued):

### (b) Restricted funds (continued):

#### (ii) 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 approximately \$2 million in the Legal Defense Support Program Fund.

#### (iii) 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.

#### (iv) Building Capital Reserve Fund:

This fund was established by the Board of Directors to cover any unanticipated costs related to tenant turnover such as leasehold improvements and free rent. The Association's objective is to maintain a minimum reserve of \$1.5 million for future unanticipated tenant costs.

#### (v) MLS® Domain Fund:

This fund was established by the Board of Directors to provide funds for potential upcoming and ongoing costs related to the application for the .mls and .realtor domain names.

#### (vi) Technology Fund:

This fund was established by the Board of Directors to provide research and development for products such as REALTOR.ca, WEBforms®, Innovation lab and business intelligence.

## 7. Commitments:

The Association is committed to the rental of office equipment and web-site maintenance costs. The minimum annual payments are \$28,457 in 2018.

## 8. Contingencies:

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.

# THE CANADIAN REAL ESTATE ASSOCIATION

Notes to Financial Statements (continued)

Year ended December 31, 2017

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## 9. Pension plan:

The Association is the sponsor and administrator of the Pension Plan for the Canadian Real Estate Association (the "Plan"), which is registered under the Pension Benefits Act (Ontario). The Plan is a defined contribution plan covering all the employees of the Association who meet eligibility requirements as specified in the Plan Agreement, and elect to join the Plan. The Association matches 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 \$514,335 (2016 - \$472,280) to the Plan, which is recorded in salaries and benefits expense.

## 10. Financial risks:

### (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 note 3.

### (c) Foreign currency risk:

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



# THE CANADIAN REAL ESTATE ASSOCIATION

Notes to Financial Statements (continued)

Year ended December 31, 2017

## 11. 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 effective August 29, 2013 continued their articles of incorporation under the Canada Not-for-profit Corporations Act. The Foundation 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.

On July 14, 2016, the Board of Directors of the Foundation approved the dissolution of the Foundation. Effective June 19, 2017, the Foundation voluntarily revoked its charity status as part of the windup, and is pending final approval from Innovation, Science and Economic Development Canada of the final dissolution of the Foundation.

The Foundation's assets, liabilities and net assets, revenues and expenses are as follows for the period ended June 19, 2017:

	June 19, 2017	December 31, 2016
<b>Assets</b>	<b>\$ 88,434</b>	<b>\$ 120,149</b>
Liabilities	\$ 2,816	\$ 17,235
Net assets	85,618	102,914
<b>Total liabilities and net assets</b>	<b>\$ 88,434</b>	<b>\$ 120,149</b>
Revenues:		
Contribution from the Association	\$ –	\$ 20,125
Donations	–	689,809
Sponsorship	–	5,000
Investment income	–	6,776
	–	721,710
Expenses:		
Contributions to other registered charities	5,000	697,809
Other	12,296	79,870
	17,296	777,679
<b>Deficiency of revenues over expenses</b>	<b>\$ (17,296)</b>	<b>\$ (55,969)</b>

# THE CANADIAN REAL ESTATE ASSOCIATION

Notes to Financial Statements (continued)

Year ended December 31, 2017

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## 11. Related party transactions (continued):

### (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.

## 12. Comparative information:

Certain 2016 comparative information has been reclassified to conform with the financial statement presentation adopted for 2017.

# THE CANADIAN REAL ESTATE ASSOCIATION

## Schedule of Revenues and Expenditures - Building Reserve Fund

Year ended December 31, 2017, with comparative information for 2016

	2017	2016
Revenues:		
Rental	\$ 559,069	\$ 255,154
Operating recoveries from tenants	149,406	243,772
Parking	86,023	84,887
Interest	63	895
	<u>794,561</u>	<u>584,708</u>
Expenses:		
Operating:		
Repairs and maintenance	315,975	216,042
Property taxes	284,460	284,096
Utilities	160,275	157,768
Management fee	50,009	55,949
Administrative	37,972	26,972
	<u>848,691</u>	<u>740,827</u>
Capital expenditures	424,810	—
	<u>1,273,501</u>	<u>740,827</u>
Excess of expenses over revenues	\$ (478,940)	\$ (156,119)

The Association capitalized \$424,810 (2016 - \$Nil) of the capital expenditures of the building.