

Lancaster County Association of Realtors

**Financial Statements and
Supplementary Information**

(Reviewed)

December 31, 2016 and 2015



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Lancaster County Association of Realtors

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December 31, 2016 and 2015

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Independent Accountant's Review Report

To the Board of Directors
Lancaster County Association of Realtors
Lancaster, Pennsylvania

We have reviewed the accompanying financial statements of Lancaster County Association of Realtors, which comprise the balance sheet as of December 31, 2016 and 2015, and the related statements of income and comprehensive income, changes in members' equity, and cash flows for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Accountant's Responsibility

Our responsibility is to conduct the review engagements in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Other Matter

The supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information is the representation of management. We have reviewed the information and based on our reviews we are not aware of any material modifications that should be made to the information in order for it to be in accordance with accounting principles generally accepted in the United States of America. We have not audited the information and, accordingly, do not express an opinion on such information.

RKL LLP

June 26, 2017
Lancaster, Pennsylvania

Lancaster County Association of Realtors

Balance Sheet

See Independent Accountant's Review Report

	December 31,	
	2016	2015
Assets		
Current Assets		
Cash and cash equivalents	\$ 738,819	\$ 590,491
Investments	554,965	543,298
Due from members	246,014	199,870
Inventory	828	828
Prepaid corporate taxes	210	203
Total Current Assets	1,540,836	1,334,690
Investment in Affiliated Company	47,341	46,897
Property and Equipment		
Land	302,905	302,905
Building and improvements	1,280,609	1,280,609
Furniture and fixtures	93,586	93,586
Computer equipment and software	259,439	259,439
	1,936,539	1,936,539
Accumulated depreciation	(1,371,416)	(1,318,103)
Net Property and Equipment	565,123	618,436
Total Assets	\$ 2,153,300	\$ 2,000,023
Liabilities and Members' Equity		
Current Liabilities		
Accounts payable	\$ 11,624	\$ 11,868
Accrued expenses	5,000	-
Funds held for other organizations	68,829	80,675
Deferred revenue	780,263	691,453
Current portion of long-term debt	21,767	20,588
Total Current Liabilities	887,483	804,584
Long-Term Debt, Net of Current Portion	66,500	88,267
Members' Equity	1,199,317	1,107,172
Total Liabilities and Members' Equity	\$ 2,153,300	\$ 2,000,023

See accompanying notes.

Lancaster County Association of Realtors

Statement of Income and Comprehensive Income

See Independent Accountant's Review Report

	Years Ended December 31,	
	2016	2015
Revenue		
Association membership dues	\$ 827,409	\$ 774,989
Multiple Listing Service	385,123	369,441
Real estate education group	151,712	100,633
Association programs	20,440	12,795
Miscellaneous - primarily retail sales	30,001	40,168
Total Revenue	1,414,685	1,298,026
Operating Expenses		
Association	1,191,635	1,158,891
Multiple Listing Service	2,031	5,228
Real estate education group	62,893	61,403
Association programs	41,760	48,701
Miscellaneous	38,158	19,120
Total Operating Expenses	1,336,477	1,293,343
Operating Income	78,208	4,683
Other Income (Expense)		
Interest income	362	321
Interest expense	(5,586)	(6,667)
Realized gain on sale of investments	6,332	28,063
Equity in net income of Keystone MLS Network	444	694
Total Other Income	1,552	22,411
Income Before Income Taxes	79,760	27,094
Provision for (Recovery of) Income Taxes	(4,409)	12,968
Net Income	84,169	14,126
Other Comprehensive Income (Loss)		
Unrealized gains on investments (net of tax effect of \$4,409 and \$12,968 at December 31, 2016 and 2015, respectively)	14,308	(3,218)
Reclassification adjustment for gains included in net income	(6,332)	(28,063)
Total Other Comprehensive Income (Loss)	7,976	(31,281)
Comprehensive Income (Loss)	\$ 92,145	\$ (17,155)

See accompanying notes.

Lancaster County Association of Realtors

Statement of Changes in Members' Equity

See Independent Accountant's Review Report

	Years Ended December 31, 2016 and 2015		
	Members' Equity	Accumulated Other Comprehensive Income (Loss)	Total
Balance at January 1, 2015	\$ 1,056,344	\$ 67,983	\$ 1,124,327
Net income	14,126	-	14,126
Unrealized losses on investments, net of tax effect	-	(3,218)	(3,218)
Reclassification adjustment for gains included in net income	-	(28,063)	(28,063)
Balance at December 31, 2015	1,070,470	36,702	1,107,172
Net income	84,169	-	84,169
Unrealized gains on investments, net of tax effect	-	14,308	14,308
Reclassification adjustment for gains included in net income	-	(6,332)	(6,332)
Balance at December 31, 2016	\$ 1,154,639	\$ 44,678	\$ 1,199,317

Lancaster County Association of Realtors

Statement of Cash Flows

See Independent Accountant's Review Report

	Years Ended December 31,	
	2016	2015
Cash Flows from Operating Activities		
Net income	\$ 84,169	\$ 14,126
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	53,313	59,927
Equity income in affiliated company	(444)	(694)
Changes in assets and liabilities		
(Increase) decrease in assets		
Due from members	(46,144)	(13,050)
Prepaid corporate taxes	(7)	117
Increase (decrease) in liabilities		
Accounts payable	(244)	5,693
Funds held for other organizations	(11,846)	14,819
Deferred revenue	88,810	30,550
Accrued expenses	5,000	(31)
Net Cash Provided by Operating Activities	172,607	111,457
Cash Flows from Investing Activities		
Capital expenditures	-	(21,050)
Proceeds on sale of investments	199,113	195,290
Purchase of investments	(202,804)	(247,032)
Net Cash Used in Investing Activities	(3,691)	(72,792)
Cash Flows Used in Financing Activities		
Principal payments on long-term debt	(20,588)	(19,475)
Net Increase in Cash and Cash Equivalents	148,328	19,190
Cash and Cash Equivalents at Beginning of Year	590,491	571,301
Cash and Cash Equivalents at End of Year	\$ 738,819	\$ 590,491
Supplementary Cash Flows Information		
Cash paid for interest	\$ 5,586	\$ 6,667

Lancaster County Association of Realtors

Notes to Financial Statements

December 31, 2016 and 2015

See Independent Accountant's Review Report

Note 1 - Nature of Activities

Lancaster County Association of Realtors (the Association), formed in 1917, provides various member services, which include a Professional Standards program; computerized Multiple Listing Services through Keystone MLS Network, a related party; and the promotion and development of industry professionalism within Lancaster County.

Note 2 - Summary of Significant Accounting Policies

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statement follows.

Recognition of Revenue

The Association recognizes revenue from dues, Multiple Listing Service management fees, and assessments on the accrual basis. The membership period corresponds to the business year of the Association. Investment income is recorded on the accrual basis.

Concentrations of Cash and Credit Risk

Certain financial instruments potentially subject the Association to concentrations of credit risk. These financial instruments consist primarily of amounts due from members. Concentrations of credit risk with respect to amounts due from members are limited due to a large member base.

The Association places its temporary cash investments with certain financial institutions. The balances are insured by the Federal Deposit Insurance Corporation. Balances may exceed insured limits at certain times throughout the year.

Property and Equipment

Property and equipment is carried at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets as follows:

Building and improvements	39 years
Furniture and fixtures	7 years
Computer equipment	5 years
Computer software	3 years

Expenditures for additions, major replacements, and betterments are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred. When property and equipment are retired or sold, the cost and applicable accumulated depreciation are removed from the respective accounts and the related gain or loss is recognized.

Long-Lived Assets

Long-lived assets, other than those held for sale, are reviewed for impairment whenever events or circumstances indicate that the carrying amount of the assets may not be recoverable. An asset is considered to be impaired when the undiscounted estimated net cash flows to be generated by the asset are less than the carrying amount. The impairment recognized is the amount by which the carrying amount exceeds the fair value of the impaired asset. Management has concluded that no impairment reserves are required as of December 31, 2016 and 2015.

Lancaster County Association of Realtors

Notes to Financial Statements

December 31, 2016 and 2015

See Independent Accountant's Review Report

Note 2 - Summary of Significant Accounting Policies (continued)

Advertising and Public Relations Costs

Advertising and public relations costs are charged to expense as incurred. Advertising expenses were \$15,670 and \$16,650 for the years ended December 31, 2016 and 2015, respectively.

Inventory

Inventory is valued at the lower of cost (first-in, first-out method) or market. Inventory consists of lockboxes.

Funds Held for Other Organizations

Funds held for other organizations consist of various organizations that have appointed, in their bylaws, for the Association to be the custodian of their funds. The Association assumes the role of Treasurer for the organizations and handles the billing and collection of annual dues. These amounts are included in current assets and current liabilities on the balance sheet.

Deferred Revenue

Deferred revenue consists of annual association membership dues that were billed in advance.

Income Taxes

The Association is subject to federal income taxes as determined by the Internal Revenue Service because the Multiple Listing Service provided to members is a business of a kind normally operated for profit.

The Association is also subject to state income taxes.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Association, including whether the entity is exempt from income taxes. Management evaluated the tax positions taken and concluded that the Association had taken no uncertain tax positions that require recognition or disclosure in the financial statements. Therefore, no provision or liability for income taxes has been included in the financial statements. With few exceptions, the Association is no longer subject to income tax examinations by the U.S. Federal, state, or local tax authorities for the years before 2013.

Deferred Income Taxes

Deferred tax assets and liabilities are determined based on the difference between the financial statement and tax basis of assets and liabilities, using enacted tax rates in effect for the year in which the differences are expected to reverse.

Deferred income taxes occur as a result of temporary differences in recording depreciation for financial statement and income tax purposes, unrealized investment gains and losses, contributions carryover, and net operating loss carryforwards.

Lancaster County Association of Realtors

Notes to Financial Statements

December 31, 2016 and 2015

See Independent Accountant's Review Report

Note 2 - Summary of Significant Accounting Policies (continued)

Use of Estimates

The process of preparing financial statements in accordance with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Amounts Due from Members

Amounts due from members is carried at the original invoice, less an allowance for doubtful accounts if necessary. Management reviews outstanding balances on a monthly basis. At December 31, 2016 and 2015, management has determined that amounts due from members are fully collectible. Amounts are written off when deemed uncollectible. Amounts collected on accounts that were previously written off are recorded as income in the year received.

Cash and Cash Equivalents

The Association considers all money market funds and short-term highly liquid debt instruments with a maturity of three months or less when purchased to be cash equivalents.

Investment in Affiliated Company

The Association is accounting for its investment in Keystone MLS Network, a 50% owned affiliate, by the equity method of accounting under which the Association's share of the net income of the affiliate is recognized as income in the Association's statement of income and comprehensive income and added to the investment account, and dividends from the affiliate are treated as a reduction of the investment account.

The fiscal year of the affiliate ends on June 30, and the Association consistently follows the practice of recognizing the net income of the affiliate on that basis. Therefore, the net income of the affiliate which is reported on the Association's statement of income and comprehensive income is for the affiliate's year which ended on the previous June 30.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in accounting principles generally accepted in the United States of America when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. The updated standard will be effective starting in 2019. The Company has not yet selected a transition method and is currently evaluating the effect that the updated standard will have on the financial statements.

Lancaster County Association of Realtors

Notes to Financial Statements

December 31, 2016 and 2015

See Independent Accountant's Review Report

Note 2 - Summary of Significant Accounting Policies (continued)

Recent Accounting Pronouncements (continued)

In July 2015, the FASB issued ASU 2015-11, *Inventory (Topic 330): Simplifying the Measurement of Inventory*. The amendments in the ASU require entities that measure inventory using the first-in, first-out or average cost methods to measure inventory at the lower of cost and net realizable value. Net realizable value is defined as estimated selling price in the ordinary course of business less reasonably predictable costs of completion, disposal, and transportation. This ASU will be effective for fiscal years beginning after December 15, 2016. The Association does not expect the adoption of ASU 2015-11 to have a material effect on the financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which sets out the principles for the recognition, measurement, presentation, and disclosure of leases for both parties to a contract (i.e. lessees and lessors). The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease, respectively. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases today. The new standard requires lessors to account for leases using an approach that is substantially equivalent to existing guidance for sales-type leases, direct financing leases, and operating leases. The standard is effective on January 1, 2020, with early adoption permitted. The Association is in the process of evaluating the impact of this new guidance on the financial statements.

Investments

The Association accounts for its investments under FASB Accounting Standards Codification (ASC) 320, *Investments in Debt and Equity Securities*. Accordingly, available-for-sale securities are recorded at their fair value on the balance sheet. Under this guidance, the unrealized gain on available-for-sale securities, net of deferred taxes, must be reported as a separate component of members' equity until realized. Deferred taxes of \$24,380 and \$19,754 are netted against the unrealized gain at December 31, 2016 and 2015, respectively. The unrealized holding gain was \$69,058 and \$56,456 at December 31, 2016 and 2015, respectively. Investment expenses amounted to \$5,612 and \$5,525 for the years ended December 31, 2016 and 2015, respectively, and are included in components of operating expenses under cash management fees.

Cost and fair value of marketable securities available for sale are as follows as of December 31:

	2016		
	Cost	Unrealized Gains (Losses)	Fair Value
Fixed income funds	\$ 171,941	\$ (167)	\$ 171,774
Equity securities	268,044	68,017	336,061
Alternative investments	45,922	1,208	47,130
	<u>\$ 485,907</u>	<u>\$ 69,058</u>	<u>\$ 554,965</u>

Lancaster County Association of Realtors

Notes to Financial Statements

December 31, 2016 and 2015

See Independent Accountant's Review Report

Note 2 - Summary of Significant Accounting Policies (continued)

Investments (continued)

	2015		
	Cost	Unrealized Gains (Losses)	Fair Value
Fixed income funds	\$ 165,619	\$ (1,408)	\$ 164,211
Equity securities	270,607	59,300	329,907
Alternative investments	50,616	(1,436)	49,180
	<u>\$ 486,842</u>	<u>\$ 56,456</u>	<u>\$ 543,298</u>

Investments held as of December 31, 2016 and 2015 are comprised of investments in mutual funds, alternative investments, and common stocks. The Association has recorded unrealized holding losses on 21 and 32 of these investments as of December 31, 2016 and 2015, respectively. Management believes that holding losses recorded on these investments are not a permanent impairment, but rather a temporary market decline. The following tables show investments gross unrealized losses and fair value, aggregated by investment category and length of time that the individual mutual funds have been in a continuous unrealized loss position as of December 31:

	2016					
	Less than 12 Months		12 Months or More		Total	
	Market Value	Unrealized Loss	Market Value	Unrealized Loss	Market Value	Unrealized Loss
Mutual funds - fixed income, temporarily impaired	\$ 4,527	\$ (109)	\$ 122,435	\$ (2,870)	\$ 126,962	\$ (2,979)
Equity securities, temporarily impaired	16,050	(1,256)	23,767	(2,080)	39,817	(3,336)
Alternative investments, temporarily impaired	2,174	(219)	-	-	2,174	(219)
	<u>\$ 22,751</u>	<u>\$ (1,584)</u>	<u>\$ 146,202</u>	<u>\$ (4,950)</u>	<u>\$ 168,953</u>	<u>\$ (6,534)</u>

	2015					
	Market Value	Unrealized Loss	Market Value	Unrealized Loss	Market Value	Unrealized Loss
Mutual funds - fixed income, temporarily impaired	\$ 39,268	\$ (917)	\$ 81,039	\$ (2,909)	\$ 120,307	\$ (3,826)
Equity securities, temporarily impaired	49,403	(3,090)	9,768	(3,112)	59,171	(6,202)
Alternative investments, Temporarily impaired	49,180	(1,436)	-	-	49,180	(1,436)
	<u>\$ 137,851</u>	<u>\$ (5,443)</u>	<u>\$ 90,807</u>	<u>\$ (6,021)</u>	<u>\$ 228,658</u>	<u>\$ (11,464)</u>

Lancaster County Association of Realtors

Notes to Financial Statements

December 31, 2016 and 2015

See Independent Accountant's Review Report

Note 3 - Rent Expense

The Association entered into an operating lease for an automobile during 2014, expiring in 2017. Total rental expense amounted to \$4,549 for 2016 and 2015. Future minimum lease payments for the automobile are \$3,033 for the year ended December 31, 2017.

Note 4 - Retirement Plan

The Association has a 401(k) retirement plan that covers substantially all employees. The Association will match 100% of the first 5% of salary deferral. The Association may make additional contributions at the discretion of the Board of Directors. Contributions made by the Association to the plan in 2016 and 2015 totaled \$16,572 and \$16,553, respectively.

Note 5 - Income Taxes

Provision for income taxes is summarized as follows as of December 31:

	<u>2016</u>	<u>2015</u>
Deferred		
Federal	\$ (3,150)	\$ 8,547
State	<u>(1,259)</u>	<u>4,421</u>
	<u>\$ (4,409)</u>	<u>\$ 12,968</u>

The deferred income taxes recorded on the balance sheet result primarily from the Association's unrealized gains and losses on investments and federal and state net operating loss carryforwards. At December 31, 2016 and 2015, the Association had \$420,271 and \$539,973, respectively, in federal net operating losses available to carry forward to offset future federal taxable income. At December 31, 2016 and 2015, the Association had \$535,581 and \$633,293, respectively, in state net operating losses available to carry forward to offset future state taxable income. These carry forwards will expire from 2028 through 2033.

The income tax provision differs from the amount of income tax determined by applying the U.S. Federal income tax rate to pretax income for the years ended December 31, 2016 and 2015, due to differences between estimated and actual tax calculations and the effects of temporary timing differences on current year tax calculations.

The gross amounts of deferred tax assets and liabilities are as follows as of December 31:

	<u>2016</u>	<u>2015</u>
Deferred tax liability	\$ (24,163)	\$ (19,754)
Deferred tax asset	170,638	200,984
Valuation allowance	<u>(146,475)</u>	<u>(181,230)</u>
Net Deferred Tax Assets	<u>\$ -</u>	<u>\$ -</u>

Lancaster County Association of Realtors

Notes to Financial Statements

December 31, 2016 and 2015

See Independent Accountant's Review Report

Note 6 - Long-Term Debt

Long-term debt consists of the following as of December 31:

	<u>2016</u>	<u>2015</u>
Note payable to bank; monthly installments of \$2,178, including interest at 5.50%; secured by certain real estate; matures September 2020	\$ 88,267	\$ 108,855
Current portion	<u>(21,767)</u>	<u>(20,588)</u>
	<u>\$ 66,500</u>	<u>\$ 88,267</u>

Future maturities of long-term debt is as follows for the next four years ending December 31:

2017	\$ 21,767
2018	23,013
2019	24,330
2020	19,157

Note 7 - Related Party Transactions

The Association provides multiple listing services to its members through a contract with Keystone MLS Network (Keystone). The Association has a 50% ownership interest in Keystone. Keystone bills the Association's members directly for the multiple listing services. The Association receives management and member assessment fees from Keystone. Management and member assessment revenue received from Keystone during 2016 and 2015 totaled \$354,123 and \$341,441, respectively. Accounts receivable from Keystone at December 31, 2016 and 2015 was \$22,873 and \$21,904, respectively, and is included in due from members on the balance sheet.

Note 8 - Investment in Affiliated Company

Condensed financial information of Keystone MLS Network is as follows as of June 30:

	<u>2016</u>	<u>2015</u>
Assets		
Cash	\$ 177,806	\$ 168,204
Accounts receivable	6,691	7,399
Prepaid taxes	-	115
	<u>\$ 184,497</u>	<u>\$ 175,718</u>

Lancaster County Association of Realtors

Notes to Financial Statements

December 31, 2016 and 2015

See Independent Accountant's Review Report

Note 8 - Investment in Affiliated Company (continued)

	<u>2016</u>	<u>2015</u>
Liabilities		
Accounts payable	\$ 954	\$
Related affiliate payable	88,881	81,923
Capital		
Retained earnings	<u>94,662</u>	<u>93,795</u>
Total Liabilities and Capital	<u>\$ 184,497</u>	<u>\$ 175,718</u>

Note 9 - Fair Value Measurements

FASB ASC 820, *Fair Value Measurements and Disclosures*, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Association has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Lancaster County Association of Realtors

Notes to Financial Statements

December 31, 2016 and 2015

See Independent Accountant's Review Report

Note 9 - Fair Value Measurements (continued)

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2016 and 2015.

Mutual funds are valued at the daily closing price as reported by the fund. Mutual funds held by the Association are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Association are deemed to be actively traded.

Common stocks, corporate bonds, and U.S. Government securities are valued at the closing price reported on the active market on which the individual securities are traded.

Alternative investments are valued at the closing price reported on the active market on which the securities are traded.

Changes in Fair Value Levels

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period.

We evaluated the significance of transfers between levels based upon the nature of the financial instrument and size of the transfer relative to total net assets available for benefits. For the years ended December 31, 2016 and 2015, there were no significant transfers in or out of Level 3.

The following table summarizes the fair value of the Association's recurring financial instruments at December 31:

	<u>2016</u>	<u>2015</u>
Assets		
Fixed income funds	\$ 171,774	\$ 164,211
Equity securities	336,061	329,907
Alternative investments	<u>47,130</u>	<u>49,180</u>
	<u>\$ 554,965</u>	<u>\$ 543,298</u>

All fair value measurements are using the Level 1 category. The carrying amounts of cash and cash equivalents, due from members, accounts payable, and deferred revenue included in the balance sheet approximate fair value given the short-term nature of these financial instruments.

Note 10 - Subsequent Events

The Association has evaluated subsequent events through June 26, 2017, which is the date the financial statements were available to be issued. No material events subsequent to December 31, 2016 were noted.

Lancaster County Association of Realtors

Components of Operating Expenses

See Independent Accountant's Review Report

	Years Ended December 31,	
	2016	2015
Association Expenses		
Salaries	\$ 394,865	\$ 386,921
Payroll taxes	30,966	30,415
Employee fringe benefits	90,981	78,852
Dues to national and state boards	399,673	377,474
Equipment lease and service contracts	14,395	15,713
Insurance	7,971	7,686
Office supplies, postage, and maintenance	64,991	64,382
Utilities	9,548	10,820
Telephone	11,198	8,376
Advertising and public relations	15,670	16,650
Newsletter and education	20,934	26,587
A/M system	18,363	16,211
Conventions and seminars	12,207	13,190
Professional fees	31,871	31,520
Real estate taxes	14,689	14,167
Depreciation	53,313	59,927
Total Association Expenses	\$ 1,191,635	\$ 1,158,891
Multiple Listing Service Expenses		
Operations	\$ 2,031	\$ 5,228
Real Estate Education Group Expenses		
Books and materials	\$ 7,107	\$ 5,660
Commissions	42,945	42,854
Telephone and utilities	4,707	4,660
Miscellaneous	8,134	8,229
Total Real Estate Education Group Expenses	\$ 62,893	\$ 61,403
Association Programs Expenses		
Luncheons and banquet	\$ 28,604	\$ 29,381
Outings	15,504	12,894
Community program	(2,348)	6,426
Total Association Programs Expenses	\$ 41,760	\$ 48,701
Miscellaneous Expenses		
Charitable contributions	\$ 2,400	\$ 2,272
Supplies for resale	5,283	(2,667)
Cash management fees	23,428	19,104
Miscellaneous	7,054	280
Sales/use tax	-	14
Pennsylvania capital stock tax	(7)	117
Total Miscellaneous Expenses	\$ 38,158	\$ 19,120