INDIANA ASSOCIATION OF REALTORS®, INC.

CONSOLIDATED FINANCIAL STATEMENTS

AND

SUPPLEMENTARY INFORMATION

DECEMBER 31, 2016 AND 2015

CPAs / ADVISORS

blue

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REPORT OF INDEPENDENT AUDITORS

Board of Directors
Indiana Association of REALTORS®, Inc.
Indianapolis, Indiana

We have audited the accompanying consolidated financial statements of Indiana Association of REALTORS®, Inc. and its subsidiaries (the Organization), which comprise the consolidated statements of financial position as of December 31, 2016 and 2015, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated 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. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

REPORT OF INDEPENDENT AUDITORS
(Continued)

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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2016 and 2015, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Consolidating Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information in the consolidating statements of financial position and the consolidating statements of activities on pages 24 through 27 is presented for purposes of additional analysis rather than to present the financial position and changes in net assets of the individual organizations, and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Blue & Co., LLC

Carmel, Indiana
April 6, 2017

INDIANA ASSOCIATION OF REALTORS®, INC.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2016 AND 2015

ASSETS

	2016	2015
Cash and cash equivalents	$ 1,505,092	$ 1,519,178
Accounts receivable, net	58,859	114,540
Prepaid expenses and other assets	271,687	202,125
Property and equipment, net	3,421,039	2,985,828
Investments		
Operating	4,126,639	3,602,104
Restricted	207,342	166,895
	$ 9,590,658	$ 8,590,670

LIABILITIES AND NET ASSETS

	2016	2015
Liabilities		
Accounts payable	$ 521,462	$ 294,744
Deferred revenue	767,766	602,941
Other liabilities	29,065	-0-
Funds held for the benefit of others	207,342	166,895
Post-retirement benefits, other than pensions	114,161	100,907
Total liabilities	1,639,796	1,165,487
Net assets		
Unrestricted		
Undesignated	6,370,491	6,035,024
Board designated	1,580,371	1,390,159
Total net assets	7,950,862	7,425,183
	$ 9,590,658	$ 8,590,670

See accompanying notes to consolidated financial statements.

INDIANA ASSOCIATION OF REALTORS®, INC.

CONSOLIDATED STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
Change in unrestricted net assets		
Revenue		
Membership assessments	$ 3,842,357	$ 3,731,840
Event registration and educational programs	1,382,621	1,372,920
Rental income	163,617	67,500
Royalties	16,004	5,224
Net assets released from restrictions	-0-	78,345
Total revenue	5,404,599	5,255,829
Expenses		
Program		
Legal affairs	541,197	597,467
Government affairs	546,407	518,844
RPAC support	24,472	18,182
REALTORS® defense fund	241,940	257,887
Community and industry development	644,973	609,836
Communications	172,249	171,819
Leadership	723,372	643,566
Education	1,432,861	1,393,772
Total program expenses	4,327,471	4,211,373
Management and general	697,258	554,946
Total expenses	5,024,729	4,766,319
Change in unrestricted net assets before other income	379,870	489,510
Other income		
Investment return, net	126,191	22,113
Miscellaneous	19,618	57,930
Total other income	145,809	80,043
Change in unrestricted net assets	525,679	569,553
Change in temporarily restricted net assets		
Grants	-0-	78,345
Net assets released from restrictions	-0-	(78,345)
Change in temporarily restricted net assets	-0-	-0-
Change in net assets	525,679	569,553
Net assets, beginning of year	7,425,183	6,855,630
Net assets, end of year	$ 7,950,862	$ 7,425,183

See accompanying notes to consolidated financial statements.

INDIANA ASSOCIATION OF REALTORS®, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
Operating activities		
Change in net assets	$ 525,679	$ 569,553
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation and amortization	89,162	49,512
Realized and unrealized losses (gains) on investments, net	(48,717)	76,519
Changes in assets and liabilities:		
Accounts receivable	55,681	(75,554)
Prepaid expenses and other assets	(70,384)	(65,935)
Accounts payable	20,293	(34,890)
Deferred revenue	164,825	2,424
Other liabilities	29,065	(8,397)
Post retirement benefit, other than pensions	13,254	(9,364)
Net cash flows from operating activities	778,858	503,868
Investing activities		
Purchases of property and equipment	(317,126)	(2,982,853)
Purchases of investments	(1,806,409)	(1,426,965)
Proceeds from sales and maturities of investments	1,330,591	2,334,745
Net cash flows from investing activities	(792,944)	(2,075,073)
Net change in cash and cash equivalents	(14,086)	(1,571,205)
Cash and cash equivalents, beginning of year	1,519,178	3,090,383
Cash and cash equivalents, end of year	$ 1,505,092	$ 1,519,178
Supplemental disclosure of cash flows information		
Change in accounts payable related to purchases of property and equipment	$ 206,425	$ -0-

See accompanying notes to consolidated financial statements.

1. PRINCIPLES OF CONSOLIDATION AND NATURE OF ACTIVITIES

Principles of Consolidation

The accompanying consolidated financial statements include Indiana Association of REALTORS®, Inc. (the Association), Indiana REALTORS® Education Foundation, Inc. (the Foundation), Indiana School of Real Estate, LLC (the School), and One Forty Three, LLC (One Forty Three). Collectively, the four entities will be referred to as the Organization. The Association, Foundation, School, and One Forty Three are all legally separate entities. The Association and Foundation are consolidated because the Association appoints a majority of the Foundation board of trustees and has an economic interest in the Foundation's activities. The Association and School are consolidated because the Association is the sole member of the School, which is a single member limited liability company. The Association and One Forty Three are consolidated because the Association is the sole member of One Forty Three, which is a single member limited liability company.

All significant intercompany balances and transactions have been eliminated in consolidation.

Nature of Activities

The Association is a non-profit association of Indiana REALTORS®. The mission of the Association is to advocate on behalf of the real estate industry, promote ethical and professional standards among its members, and enhance consumer confidence in using a REALTOR®. The Association represents approximately 60% of consolidated total assets at December 31, 2016 and 2015, and approximately 72% and 73% of consolidated unrestricted revenue for the years ended December 31, 2016 and 2015, respectively.

The Foundation was formed primarily to provide scholarships to individuals who are pursuing a career in real estate. The Foundation represents approximately 2% of consolidated total assets at December 31, 2016 and 2015, and 0% of consolidated unrestricted revenue for both of the years ended December 31, 2016 and 2015.

The School provides a real estate training program. The School represents approximately 2% and 4% of consolidated total assets at December 31, 2016 and 2015, respectively, and approximately 25% of consolidated unrestricted revenue for both the years ended December 31, 2016 and 2015.

In 2015, One Forty Three was formed primarily to further the tax-exempt purposes of the Association, specifically including the purpose of investing in, holding and managing real estate. One Forty Three acquired a building in August 2015 that will serve as the Organization's headquarters, as well as providing significant space that is expected to be leased to third parties. One Forty Three represents approximately 36% and 35% of consolidated total assets at December 31, 2016 and 2015, respectively, and approximately 3% and 1% of consolidated unrestricted revenue for the years ended December 31, 2016 and 2015, respectively.

Following is a summary of the major programs administered by the Organization:

- *Legal Affairs* – Legal Affairs expenditures support the Association attorneys and staff in educating members on the laws governing the REALTOR® profession and real estate transactions. Specifically, these expenditures produce and maintain an electronic library of legal forms available to all members to guide their clients through every type of real estate transaction and administer the Legal Hotline, a toll-free telephone and e-mail address by which managing brokers may seek free legal guidance. Said expenditures also promote and enforce the national REALTOR® Code of Ethics through the Shared Professional Standards enforcement program, and provide Equal Opportunity and Housing, and Risk Reduction training at Association events. Association attorneys also help with courses and materials for RECP. As of January 1, 2016, Legal Affairs will administer a new program called the Legal Action Program to help alleviate litigation costs for members and/or local associations involved in litigation. The purpose of the Legal Action Program is to provide financial assistance to support litigation of significance to the Association, including matters relevant to the practice of real estate, the operation of real estate associations, ownership and use of real estate, and private property rights. Legal Action funds are to be used exclusively to pay the legal fees, costs, and expenses incurred in connection with the litigation for which assistance is requested and provided.

- *Government Affairs* – Government Affairs expenditures support Association staff in promoting legislation at both the local, state and federal levels that enhance the freedom and ability of REALTORS® to conduct business successfully with integrity and competency. Said expenditures also provide defense against legislation harmful to REALTORS® and the individual right to own real property. Specific expenditures include, but are not limited to research, lobbying, REALTORS® Political Action Committee solicitation, and general office supplies.

- *RPAC Support* – These funds support the Indiana REALTORS® Political Action Committee (RPAC) including office space and staffing (Note 10).

- *REALTORS® Defense Fund* – The REALTORS® Defense Fund is an ongoing coordinated set of political programs to educate members, the public, elected officials, and media. It includes candidate campaign assistance, grassroots and Broker involvement programs, and issue advocacy. By utilizing visible, active advocacy on value of homeownership and the challenges of the commercial market, and by leveraging the unique strength of our industry-grassroots capacity, the Defense Fund will provide regular, high profile communication of positive solutions to real estate industry problems.

- *Community and Industry Development* – Expenses support the Indiana Business Research Center at Indiana University and the Indiana Economic Digest, a web-based compilation of top economic news from around the state and country that members and the public can freely search by topic, region or county. Monies in this fund also support state, regional, and local economic and community development efforts in partnership with state and regional agencies and academic institutions. Monies also support the Indiana Real Estate

Markets Report and comprehensive statewide data warehouse of Multiple Listing Service (MLS) and Broker Listing Cooperative (BLC) information. In addition, monies fund the statewide Realist Product, which provides tax and other public records data to the MLSs and BLCs across the state.

- *Communications* – These monies support all Organization activities through the wide variety of communications channels used to recruit for, promote, and improve them. Channels include, but are not limited to, email, text club, indianarealtors.com, social media, advertising, meetings, and graphic design.

- *Leadership* – Monies in this fund facilitate member leadership and governance. Specific expenses include, but are not limited to professional memberships, travel to and participation in national association events, REALTOR® of the Year banquet, president's inaugural ball, Fall and Winter Legislative Conferences, leadership summits, state Board of Directors and Executive Committee meetings, local board outreach programs, strategic planning and the Indiana REALTOR® Leadership Academy, a program to foster future leader development.

- *Education* – The School's purpose is to provide the highest quality pre-license and continuing education training to REALTORS®, real estate licensees, home inspection professionals, and those preparing to enter the real estate industry, thereby raising and maintaining the highest level of professionalism of those working in the industry.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The consolidated financial statements report net assets and changes in net assets in classes that are based upon the existence or absence of restrictions on use that are placed by the Organization's donors as follows:

Unrestricted net assets – Unrestricted net assets are resources available to support operations. The only limits on the use of unrestricted net assets are the broad limits resulting from the nature of the Organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

A portion of the unrestricted net assets has been designated by the Board of Directors (Note 6).

Temporarily restricted net assets – Temporarily restricted net assets are resources that are restricted by a donor for use for a particular purpose or in a particular future period. The Organization's unspent contributions are classified in this class if the donor limited their use.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the consolidated financial statements by reclassifying the net assets from temporarily restricted to unrestricted net assets.

Use of Estimates

Management uses estimates and assumptions in preparing consolidated financial statements in accordance with accounting principles generally accepted in the United States of America. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with original maturities of three months or less when purchased to be cash equivalents, but excludes cash equivalents held by investment managers and included in investments. There were no cash equivalents at December 31, 2016 and 2015.

Accounts Receivable

Accounts receivable consist of amounts billed or billable for membership dues or services provided, net of an allowance for doubtful accounts. The Organization's policy for determining when receivables are past due is on a case by case basis. Management estimates an allowance for uncollectible accounts based upon an evaluation of historical losses, specific circumstances and general economic conditions. No late fees or finance charges are assessed. Amounts are considered uncollectible at the time management believes all collections efforts have been exhausted. At December 31, 2016 and 2015, management determined that an allowance for doubtful accounts was not necessary.

Prepaid Expenses and Other Assets

Prepaid expenses and other assets include direct lease costs in the amount of $68,233, net of amortization of $822 at December 31, 2016. These costs are amortized over the life of the related lease agreements. Amortization of direct lease costs is anticipated to be $9,864 in 2017 and moving forward. The remaining balance is comprised of prepaid curriculum expenses, insurance policy premiums, and other prepaid expenses.

Property and Equipment

Property and equipment are recorded at cost. All investments in land and buildings are capitalized. Building improvements, furniture and office equipment in excess of $1,000 are capitalized if they have a useful life when acquired of more than one year. Repairs and maintenance that do not significantly increase the useful life of the asset are expensed as incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The Organization depreciates its furniture and office equipment over lives ranging from 3 to 10 years. The Organization depreciates buildings and improvements over lives ranging from 5 to 39 years.

Investments and Investment Return

Certificates of deposit are carried at cost, which approximates fair value. The Organization holds investments in certificates of deposit issued under the Certificate of Deposit Account Registry Service (CDARS). Under the CDARS program, the Organization's funds are invested in certificates of deposit in different banks within the CDARS network in increments such that all deposits are provided full Federal Deposit Insurance Corporation (FDIC) coverage. The Organization also holds investments in a certificate of deposit with an outside bank. At December 31, 2016, certificates of deposit bear interest at rates ranging from .30% to 1.15% and have maturity dates ranging from February 2017 to March 2017.

Investments in debt and equity securities having a readily determinable market value are reported at fair value. Assets held in investment limited partnerships (alternative investments) are recorded based on estimated fair values provided by the limited partnership. Because such investments are not readily marketable and may be subject to withdrawal restrictions, their estimated values are subject to uncertainty (including the use of valuation assumptions) and therefore, may differ from the value that would have been used had a ready market for such investments existed. Such differences could be material.

Changes in unrealized appreciation or depreciation of investments are reflected in the consolidated statement of activities in the period the changes occur. Realized gains and losses are recorded based on the cost of the specific securities sold. Interest and dividend income is recorded when earned.

Revenue Recognition

Membership assessments are recognized as revenue in the applicable membership period. Event registration and educational program fees are recognized at the completion of the event or program. Deferred revenue results from advance payment of assessments or fees.

All other revenues are recognized when earned.

Functional Allocation of Expenses

The costs of providing the programs and services of the Organization have been summarized on a functional basis in the consolidated statement of activities. Accordingly, certain costs have been allocated among the programs and supporting activities benefited based on the actual direct expenditures and cost allocations of indirect expenses based on time and usage by personnel. Although the methods used were appropriate, other methods could produce different results.

Income Taxes

The Association is organized as a not-for-profit corporation under Section 501(c)(6) of the United States Internal Revenue Code and corresponding state tax law. The Foundation is organized as a not-for-profit corporation under Section 501(c)(3) of the United States Internal Revenue Code and corresponding state tax law.

The activities of the School and One Forty Three are exempt as programs under the Association's not-for-profit exemption. The exemption is on all revenue except unrelated business income.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Organization and recognize a tax liability if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by various federal and state taxing authorities. Management has analyzed the tax positions taken by the Organization and has concluded that as of December 31, 2016 and 2015, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the accompanying consolidated financial statements. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

Recently Issued Accounting Standard

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The core principle of this new guidance is that "an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services." On August 12, 2015, the FASB further amended this guidance and issued ASU 2015-14, *Revenue from Contracts with Customers (Topic 606)*, which deferred the effective date for all entities by one year. These new standards, which the Organization is not required to adopt until its year ending December 31, 2019, deal with the timing of reporting revenues from contracts with customers, and disclosures related thereto.

In May 2015, the FASB issued ASU No. 2015-07, *Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*. Under the new guidance, which the Organization is not required to adopt until its year ending December 31, 2017, investments measured at net asset value, as a practical expedient for fair value, are excluded from the fair value hierarchy, and certain other disclosures are no longer required.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. This new standard, which the Organization is not required to adopt until its year ending December 31, 2020, is intended to improve financial reporting about leasing transactions by requiring entities that lease assets to recognize on their statement of financial position the assets and liabilities for the rights and obligations created by those leases, and to provide additional disclosures regarding the leases. Leases with terms (as defined in the ASU) of twelve months or less are not required to be reflected on an entity's statement of financial position.

In August 2016, the FASB issued ASU No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities (Topic 958)* that amends how a not-for-profit organization classifies its net assets, as well as the information it presents in financial statements and notes about its liquidity, financial performance, and cash flows. This new standard, which the Organization is not required to adopt until its year ending December 31, 2018, requires improved presentation and disclosures to help not-for-profits provide more relevant information about their resources (and the changes in those resources) to donors, grantors, creditors, and other users. This ASU completes the first phase of a two phase project to amend not-for-profit financial reporting requirements.

The Organization is presently evaluating the effects that these ASUs will have on its future financial statements, including related disclosures.

Subsequent Events

The Organization evaluates events occurring subsequent to the date of the consolidated financial statements in determining the accounting for and disclosure of transactions and events that affect the consolidated financial statements. Subsequent events have been evaluated through April 6, 2017, which is the date the consolidated financial statements were available to be issued.

3. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	2016	2015
Land	$ 500,000	$ 500,000
Buildings and improvements	2,560,324	2,429,217
Furniture and office equipment	410,647	393,083
Construction in process	355,334	-0-
	3,826,305	3,322,300
Accumulated depreciation	(405,266)	(336,472)
	$ 3,421,039	$ 2,985,828

Construction in process includes costs associated with building improvements not completed as of the end of the year. At December 31, 2016, $206,425 of the costs related to this construction in process was included in accounts payable. At December 31, 2016, the Organization had contracts in place with various vendors of $1,989,209 to complete these improvements. The improvements are anticipated to be completed in 2017.

4. INVESTMENTS

Investments consist of the following at December 31:

	2016	2015
Money market mutual funds	$ 381,006	$ 177,834
Certificates of deposit	518,968	265,837
Mutual funds		
Fixed income	1,577,616	1,489,761
International equity	494,983	428,567
Domestic equity	452,210	678,480
Government obligations	518,090	626,872
Multi strategy	86,862	7,177
Commodities	206,067	-0-
Alternative (private equity)	98,179	94,471
	$ 4,333,981	$ 3,768,999

Investments are reported on the consolidated statements of financial position as follows at December 31:

	2016	2015
Operating	$ 4,126,639	$ 3,602,104
Restricted	207,342	166,895
	$ 4,333,981	$ 3,768,999

The following schedule summarizes the investment return, including return on cash and cash equivalents, for the years ended December 31:

	2016	2015
Interest and dividend income	$ 94,516	$ 115,490
Realized and unrealized gains (losses), net	48,717	(76,519)
Investment service fees	(17,042)	(16,858)
	$ 126,191	$ 22,113

5. FAIR VALUE

The framework for measuring fair value 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) and the lowest priority to unobservable inputs (Level 3).

The standard defines the levels within the hierarchy of inputs as follows:

- Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization 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; 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 valuations methodology are unobservable and significant to the fair value measurement.

The asset 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 relevant observable inputs and minimize the use of unobservable inputs.

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.

Money market mutual funds: Generally transact subscription and redemption activity at a $1 stable net asset value (NAV); however, on a daily basis the funds are valued at their daily NAV calculated using the amortized cost of the securities held in the fund.

Mutual funds: Valued at the daily closing price as reported by the fund. Mutual funds are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily NAV; and to transact at that price. The mutual funds held by the Organization are deemed to be actively traded.

Alternatives: The Organization holds one investment in a private equity limited partnership. The private equity investment is valued at the NAV of units held by the Organization. The NAV is based on the fair value of the underlying investments held by the limited partnership less its liabilities. Due to the nature of the investments held by the limited partnership, changes in market conditions and the economic environment may significantly impact the NAV of the limited partnership and, consequently, the fair value of the Organization's interest in the limited partnership. Although a secondary market exists for this investment, it is not active and individual transactions are typically not observable. When transactions do occur in this limited secondary market, they may occur at discounts to the reported NAV. It is therefore reasonably possible that if the Organization were to sell this investment in the secondary market, a buyer may require a discount to the reported NAV, and the discount could be significant.

The private equity investment strategy is to operate as a venture fund by investing in equities, debt securities with equity participation, secured short-term and long-term loans, and as participants with other funds. There are no unfunded capital commitments. Withdrawals from this limited partnership are available only when specified by the general partner as liquidity permits.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in different fair value measurements at the reporting date.

The following tables set forth by level, within the fair value hierarchy, the Organization's investments measured at fair value on a recurring basis as of December 31:

	2016			
	Carrying Amount	Level 1	Level 2	Level 3
Operating investments				
Money market mutual funds	$ 381,006	$ -0-	$ 381,006	$ -0-
Mutual funds				
Fixed income				
International bonds	110,370	110,370	-0-	-0-
Inflation protected bonds	278,206	278,206	-0-	-0-
Intermediate-term bonds	688,911	688,911	-0-	-0-
Short-term bonds	372,841	372,841	-0-	-0-
Long-term bonds	73,384	73,384	-0-	-0-
International equity				
Foreign large blend	477,841	477,841	-0-	-0-
Domestic equity				
Large cap	259,739	259,739	-0-	-0-
Real estate	56,175	56,175	-0-	-0-
Government obligations				
Short-term	518,090	518,090	-0-	-0-
Multi-strategy	86,862	86,862	-0-	-0-
Commodities	206,067	206,067	-0-	-0-
Alternative (private equity)	98,179	-0-	-0-	98,179
Total investments at fair value	3,607,671	$ 3,128,486	$ 381,006	$ 98,179
Certificates of deposit	518,968			
Total operating investments	$ 4,126,639			
Restricted investments				
Mutual funds				
Fixed income				
International bonds	$ 2,701	$ 2,701	$ -0-	$ -0-
High yield bonds	9,766	9,766	-0-	-0-
Intermediate-term bonds	26,700	26,700	-0-	-0-
Total return bonds	14,737	14,737	-0-	-0-
International equity	17,142	17,142	-0-	-0-
Domestic equity				
Large cap	57,031	57,031	-0-	-0-
Mid cap	41,377	41,377	-0-	-0-
Small cap	37,888	37,888	-0-	-0-
Total restricted investments	$ 207,342	$ 207,342	$ -0-	$ -0-

	2015			
	Carrying Amount	Level 1	Level 2	Level 3
Operating investments				
Money market mutual funds	$ 177,834	$ -0-	$ 177,834	$ -0-
Mutual funds				
Fixed income				
International bonds	169,601	169,601	-0-	-0-
Inflation protected bonds	235,483	235,483	-0-	-0-
Intermediate-term bonds	899,299	899,299	-0-	-0-
Long-term bonds	141,922	141,922	-0-	-0-
International equity				
Foreign large blend	413,269	413,269	-0-	-0-
Domestic equity				
Large cap	395,226	395,226	-0-	-0-
Real estate	175,113	175,113	-0-	-0-
Government obligations				
Short-term	626,872	626,872	-0-	-0-
Multi-strategy	7,177	7,177	-0-	-0-
Alternative (private equity)	94,471	-0-	-0-	94,471
Total investments at fair value	3,336,267	$ 3,063,962	$ 177,834	$ 94,471
Certificates of deposit	265,837			
Total operating investments	$ 3,602,104			
Restricted investments				
Mutual funds				
Fixed income				
International bonds	$ 2,561	$ 2,561	$ -0-	$ -0-
High yield bonds	7,432	7,432	-0-	-0-
Intermediate-term bonds	21,362	21,362	-0-	-0-
Total return bonds	12,101	12,101	-0-	-0-
International equity	15,298	15,298	-0-	-0-
Domestic equity				
Large cap	48,522	48,522	-0-	-0-
Mid cap	32,686	32,686	-0-	-0-
Small cap	26,933	26,933	-0-	-0-
Total restricted investments	$ 166,895	$ 166,895	$ -0-	$ -0-

The Organization's policy is to recognize transfers between levels as of the end of the reporting period. There were no transfers between levels at December 31, 2016 and 2015.

The change in investments with significant unobservable (Level 3) inputs is as follows for the years ended December 31:

	2016	2015
Balance, beginning of year	$ 94,471	$ 94,458
Unrealized gain/loss	3,708	13
Balance, end of year	$ 98,179	$ 94,471

The Organization holds investments which are exposed to various risks such as interest rate, market, and credit. Due to the level of risk associated with these securities and the level of uncertainty related to changes in the value, it is at least reasonably possible that changes in the various risk factors will occur in the near term that could materially affect the amounts reported in the accompanying consolidated financial statements.

6. NET ASSETS

Board Designated

Board designated net assets of $1,580,371 and $1,390,159 at December 31, 2016 and 2015, respectively, are unrestricted net assets that are designated by the Board of Directors to be used for the REALTORS® Defense Fund.

Net Assets Released From Restrictions

Net assets of $78,345 were released from restrictions during the year ended December 31, 2015 related to the National Association of Realtors® grant (Note 10). There were no temporarily restricted net assets at December 31, 2016 or 2015.

7. LEASES

As Lessee

The Organization leases various office spaces in downtown Indianapolis, Indiana and in Bloomington, Indiana under non-cancelable operating leases. One Indianapolis operating lease was executed in October 2014 and has a maturity date of September 2017. The Organization has the option to renew the lease for an additional three-year term. One Bloomington lease expired in October 2016 and was renewed; this lease matures in October 2017. The Organization has the option to renew the lease for two one-year terms.

The Organization also entered into an operating lease for an additional classroom facility in downtown Indianapolis. This lease began in March 2015 and has a maturity date of April 2018. Under this lease, the Organization is required to pay insurance, property taxes, maintenance and repairs on the facility. The Organization has the option to renew the lease for an additional two-year term.

Total rent expense charged to the Organization totaled $204,764 and $184,057 for the years ended December 31, 2016 and 2015, respectively.

Future minimum lease payments required under the non-cancelable operating leases at December 31, 2016 are as follows:

Year Ending December 31,	
2017	$ 173,675
2018	11,756
	$ 185,431

As Lessor

In 2015, the Organization became lessor under a lease agreement for 29% of the square footage of its new headquarters building that was purchased in August 2015. This lease expired on November 30, 2016 and the tenant renegotiated a new lease for less space. In 2016, a second tenant also signed a lease for space in the same building. These new leases began in December 2016 and expire in November 2023. Together they lease 21.3% (10.7% and 10.6%, respectively) of the square footage of the entire building. Occupancy expenses related to the tenants are included in management and general expenses. Total rental income under operating leases was $163,617 and $67,500 for the years ended December 31, 2016 and 2015, respectively. Future minimum rental payments due under these lease agreements at December 31, 2016 (subject to the cancellation clauses noted below) are as follows:

Year Ending December 31,	
2017	$ 164,418
2018	164,418
2019	164,418
2020	164,418
2021	164,418
Thereafter	315,134
	$ 1,137,224

The leases described above both include two different cancellation clauses. Either tenant can terminate their lease agreement if they provide 120 days' written notice to the Organization. If this cancellation option is exercised, the tenants will reimburse the Organization for tenant improvements and real estate commissions up to specified limits. Additionally, should either tenant receive written notice from the State Budget Agency notifying them that funds are not appropriated or available to support their lease payments, the leases shall be cancelled.

8. RETIREMENT PLANS

The Organization has a 401(k) deferred compensation plan covering substantially all employees. Under the plan, eligible employees may defer a portion of their compensation into a qualified trust maintained through the Organization. The Organization matches individual contributions on a two to one basis up to the first 2.5% of the employee's compensation for a maximum match of 5%. The Organization may also make discretionary contributions to the plan. The Organization's contributions to the plan were $75,254 and $66,427 for the years ended December 31, 2016 and 2015, respectively.

The Organization has a 457(b) non-qualified deferred compensation plan covering certain employees. Under the plan, employees may defer a portion of their compensation into a trust maintained through the Organization. The assets remain assets of the Organization but are not available for general operations of the Organization. Therefore, the assets are reported as restricted investments with an offsetting liability in the consolidated statement of financial position. The balance in the plan is $207,342 and $166,895 at December 31, 2016 and 2015, respectively.

9. POSTRETIREMENT BENEFITS OTHER THAN PENSIONS

The Organization provides health insurance coverage for a former employee and a former employee's spouse, as approved by the Board of Directors. The Plan is non-contributory and is not funded.

The following sets forth the Plan's status at December 31:

	2016	2015
Benefit obligation	$ 114,161	$ 100,907
Fair value of plan assets	-0-	-0-
Unfunded status	$ 114,161	$ 100,907

The following set forth the amounts recognized in the financial statements as of and for the years ended December 31:

	2016	2015
Benefit obligation	$ 114,161	$ 100,907
Employer contribution	$ 21,547	$ 20,857
Benefits paid	$ 21,547	$ 20,857
Measurement date	12/31/2016	12/31/2015

Estimated future benefit payments are as follows at December 31, 2016:

Year Ending December 31,	
2017	$ 23,163
2018	24,900
2019	26,768
2020	28,775
2021	14,558
2022	7,874
	$ 126,038

Assumptions used:

Discount rate	5%
Rate of increase in insurance premiums	7.5%

For measurement purposes, a 7.5% increase in the cost of health care benefits was assumed for 2016 and 2015. Thereafter, the rate was assumed to remain constant at 7.5%.

Assumed health care cost trend rates significantly impact reported amounts. The effect of a one-percentage-point change in assumed rates would alter the amounts of the benefit obligation of postretirement benefit expense as follows:

	2016	
	Increase	Decrease
Effect on the postretirement benefit obligation	$ 3,201	$ 3,121
Effect on the sum of the service cost and interest cost components	$ 459	$ (446)

	2015	
	Increase	Decrease
Effect on the postretirement benefit obligation	$ 2,705	$ (2,640)
Effect on the sum of the service cost and interest cost components	$ 374	$ (362)

Expected employer contributions for 2017 are approximately $23,163, given consistent assumptions. A liability of $114,161 and $100,907 is recorded in the consolidated statement of financial position at December 31, 2016 and 2015, respectively, to approximate the amount of discounted estimated future contributions.

10. RELATED PARTY TRANSACTIONS

The Association is related through the existence of common members of the Board of Trustees and management with the Indiana REALTORS® Political Action Committee (RPAC). The Association provides RPAC office space and staffing. For the years ended December 31, 2016 and 2015, the Association paid additional administrative expenses incurred by RPAC of $24,472 and $18,182, respectively. In addition, the Association collects and remits dues on behalf of RPAC and held cash of $12,565 and $88,855 on RPAC's behalf (with a corresponding payable to RPAC included in accounts payable) at December 31, 2016 and 2015, respectively.

The Association periodically enters into transactions with outside organizations where members of the Association's Board of Directors or management may be involved in a Board or management role. Under the Association's conflict of interest policy, these transactions are disclosed on an annual basis. For both the years ended December 31, 2016 and 2015, the Association paid $10,500 for dues or contributions to not-for-profit organizations for which a member of the Association's management serves as a Board member.

During 2016 and 2015, the Association paid current board of director members' instruction fees totaling $14,641 and $15,415, respectively. Additionally, the President of the Board of Directors was paid a stipend of $18,000 in both 2016 and 2015.

The Association is a state affiliate of the National Association of Realtors® (NAR). During the year ended December 31, 2015, the Association received a $78,345 grant from NAR to be used to help the Association meet Core Standard requirements, have a discussion on shared services or mergers, and develop a new collaboration between organizations. All related expenses were incurred prior to grant approval.

11. CONCENTRATIONS

The Organization maintains its cash in bank deposit, savings, and investment accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts.

At December 31, 2016 and 2015, one investment management firm held 81% and 86%, respectively, of total investments.

At December 31, 2016 and 2015, the Association was invested in three mutual funds that comprised 47% and 51%, respectively, of total investments.

12. COMMITMENT

During 2016, the Organization entered into an agreement with a vendor to develop the School's website. As of December 31, 2016, the Organization placed a 50% deposit totaling $13,510. At December 31, 2016, the Organization is committed to paying this vendor the remaining 50% ($13,510) upon completion of this project.

SUPPLEMENTARY INFORMATION

INDIANA ASSOCIATION OF REALTORS®, INC.

CONSOLIDATING STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2016

ASSETS	Indiana Association of REALTORS®	Indiana REALTORS® Education Foundation	Indiana School of Real Estate	One Forty Three	Eliminations	Consolidated
Cash and cash equivalents	$ 1,449,037	$ -0-	$ 25,118	$ 30,937	$ -0-	$ 1,505,092
Accounts receivable, net	3,765,744	-0-	9,739	13,701	(3,730,325)	58,859
Prepaid expenses and other assets	47,804	-0-	147,652	76,231	-0-	271,687
Property and equipment, net	38,241	-0-	54,643	3,328,155	-0-	3,421,039
Investments						
Operating	3,975,309	151,330	-0-	-0-	-0-	4,126,639
Restricted	207,342	-0-	-0-	-0-	-0-	207,342
Investment in Indiana School of Real Estate	(213,960)	-0-	-0-	-0-	213,960	-0-
	$ 9,269,517	$ 151,330	$ 237,152	$ 3,449,024	$ (3,516,365)	$ 9,590,658
LIABILITIES AND NET ASSETS						
Liabilities						
Accounts payable	$ 196,887	$ -0-	$ 28,349	$ 3,629,883	$ (3,333,657)	$ 521,462
Deferred revenue	741,671	-0-	26,095	-0-	-0-	767,766
Other liabilities	-0-	-0-	396,668	29,065	(396,668)	29,065
Funds held for the benefit of others	207,342	-0-	-0-	-0-	-0-	207,342
Post-retirement benefits, other than pensions	114,161	-0-	-0-	-0-	-0-	114,161
Total liabilities	1,260,061	-0-	451,112	3,658,948	(3,730,325)	1,639,796
Unrestricted net assets	8,009,456	151,330	(213,960)	(209,924)	213,960	7,950,862
	$ 9,269,517	$ 151,330	$ 237,152	$ 3,449,024	$ (3,516,365)	$ 9,590,658

See report of independent auditors on pages 1 and 2.

INDIANA ASSOCIATION OF REALTORS®, INC.

CONSOLIDATING STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2015

ASSETS	Indiana Association of REALTORS®	Indiana REALTORS® Education Foundation	Indiana School of Real Estate	One Forty Three	Eliminations	Consolidated
Cash and cash equivalents	$ 1,362,324	$ -0-	$ 137,207	$ 19,647	$ -0-	$ 1,519,178
Accounts receivable, net	3,578,248	-0-	16,131	67,500	(3,547,339)	114,540
Prepaid expenses and other assets	66,231	-0-	131,370	4,524	-0-	202,125
Property and equipment, net	43,482	-0-	36,487	2,905,859	-0-	2,985,828
Investments						
Operating	3,456,880	145,224	-0-	-0-	-0-	3,602,104
Restricted	166,895	-0-	-0-	-0-	-0-	166,895
Investment in Indiana School of Real Estate	(225,733)	-0-	-0-	-0-	225,733	-0-
	$ 8,448,327	$ 145,224	$ 321,195	$ 2,997,530	$ (3,321,606)	$ 8,590,670
LIABILITIES AND NET ASSETS						
Liabilities						
Accounts payable	$ 263,157	$ -0-	$ 14,112	$ 3,052,713	$ (3,035,238)	$ 294,744
Deferred revenue	582,226	-0-	20,715	-0-	-0-	602,941
Other liabilities	-0-	-0-	512,101	-0-	(512,101)	-0-
Funds held for the benefit of others	166,895	-0-	-0-	-0-	-0-	166,895
Post-retirement benefits, other than pensions	100,907	-0-	-0-	-0-	-0-	100,907
Total liabilities	1,113,185	-0-	546,928	3,052,713	(3,547,339)	1,165,487
Unrestricted net assets	7,335,142	145,224	(225,733)	(55,183)	225,733	7,425,183
	$ 8,448,327	$ 145,224	$ 321,195	$ 2,997,530	$ (3,321,606)	$ 8,590,670

See report of independent auditors on pages 1 and 2.

INDIANA ASSOCIATION OF REALTORS®, INC.

CONSOLIDATING STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2016

	Indiana Association of REALTORS®	Indiana REALTORS® Education Foundation	Indiana School of Real Estate	One Forty Three	Eliminations	Consolidated
Revenue						
Membership assessments	$ 3,842,357	$ -0-	$ -0-	$ -0-	$ -0-	$ 3,842,357
Event registration and educational programs	30,025	-0-	1,352,596	-0-	-0-	1,382,621
Rental income	-0-	-0-	-0-	163,617	-0-	163,617
Royalties	16,004	-0-	-0-	-0-	-0-	16,004
Total revenue	3,888,386	-0-	1,352,596	163,617	-0-	5,404,599
Expenses						
Program						
Legal affairs	541,197	-0-	-0-	-0-	-0-	541,197
Government affairs	546,407	-0-	-0-	-0-	-0-	546,407
RPAC support	24,472	-0-	-0-	-0-	-0-	24,472
REALTORS® defense fund	241,940	-0-	-0-	-0-	-0-	241,940
Community and industry development	644,973	-0-	-0-	-0-	-0-	644,973
Communications	172,249	-0-	-0-	-0-	-0-	172,249
Leadership	723,372	-0-	-0-	-0-	-0-	723,372
Education	232,765	-0-	1,344,204	-0-	(144,108)	1,432,861
Total program expenses	3,127,375	-0-	1,344,204	-0-	(144,108)	4,327,471
Management and general	319,856	-0-	-0-	318,494	58,908	697,258
Total expenses	3,447,231	-0-	1,344,204	318,494	(85,200)	5,024,729
Change in net assets before other income	441,155	-0-	8,392	(154,877)	85,200	379,870
Other income						
Investment return, net	120,085	6,106	-0-	-0-	-0-	126,191
Gain on investment in Indiana School of Real Estate	11,773	-0-	-0-	-0-	(11,773)	-0-
Miscellaneous	101,301	-0-	3,381	136	(85,200)	19,618
Total other income	233,159	6,106	3,381	136	(96,973)	145,809
Change in net assets	674,314	6,106	11,773	(154,741)	(11,773)	525,679
Net assets, beginning of year	7,335,142	145,224	(225,733)	(55,183)	225,733	7,425,183
Net assets, end of year	$ 8,009,456	$ 151,330	$ (213,960)	$ (209,924)	$ 213,960	$ 7,950,862

See report of independent auditors on pages 1 and 2.

INDIANA ASSOCIATION OF REALTORS®, INC.

CONSOLIDATING STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2015

	Indiana Association of REALTORS®	Indiana REALTORS® Education Foundation	Indiana School of Real Estate	One Forty Three	Eliminations	Consolidated
Change in unrestricted net assets						
Revenue						
Membership assessments	$ 3,731,840	$ -0-	$ -0-	$ -0-	$ -0-	$ 3,731,840
Event registration and educational programs	32,797	-0-	1,340,123	-0-	-0-	1,372,920
Rental income	-0-	-0-	-0-	67,500	-0-	67,500
Royalties	5,224	-0-	-0-	-0-	-0-	5,224
Net assets released from restrictions	78,345	-0-	-0-	-0-	-0-	78,345
Total revenue	3,848,206	-0-	1,340,123	67,500	-0-	5,255,829
Expenses						
Program						
Legal affairs	597,467	-0-	-0-	-0-	-0-	597,467
Government affairs	518,844	-0-	-0-	-0-	-0-	518,844
RPAC support	18,182	-0-	-0-	-0-	-0-	18,182
REALTORS® defense fund	257,887	-0-	-0-	-0-	-0-	257,887
Community and industry development	609,836	-0-	-0-	-0-	-0-	609,836
Communications	171,819	-0-	-0-	-0-	-0-	171,819
Leadership	643,566	-0-	-0-	-0-	-0-	643,566
Education	205,554	-0-	1,316,798	-0-	(128,580)	1,393,772
Total program expenses	3,023,155	-0-	1,316,798	-0-	(128,580)	4,211,373
Management and general	388,883	-0-	-0-	122,683	43,380	554,946
Total expenses	3,412,038	-0-	1,316,798	122,683	(85,200)	4,766,319
Change in unrestricted net assets before other income	436,168	-0-	23,325	(55,183)	85,200	489,510
Other income						
Investment return, net	21,864	249	-0-	-0-	-0-	22,113
Gain on investment in Indiana School of Real Estate	35,072	-0-	-0-	-0-	(35,072)	-0-
Miscellaneous	131,383	-0-	11,747	-0-	(85,200)	57,930
Total other income	188,319	249	11,747	-0-	(120,272)	80,043
Change in unrestricted net assets	624,487	249	35,072	(55,183)	(35,072)	569,553
Change in temporarily restricted net assets						
Grants	78,345	-0-	-0-	-0-	-0-	78,345
Net assets released from restrictions	(78,345)	-0-	-0-	-0-	-0-	(78,345)
Change in temporarily restricted net assets	-0-	-0-	-0-	-0-	-0-	-0-
Change in net assets	624,487	249	35,072	(55,183)	(35,072)	569,553
Net assets, beginning of year	6,710,655	144,975	(260,805)	-0-	260,805	6,855,630
Net assets, end of year	$ 7,335,142	$ 145,224	$ (225,733)	$ (55,183)	$ 225,733	$ 7,425,183