

ANNUAL REPORT 2016



Alberta
Real Estate
ASSOCIATION





1	OBJECTIVE OF THE REPORT
2	PROFILE OF AREA
4	AREA IN NUMBERS
6	LETTER FROM THE PRESIDENT
8	LETTER FROM THE CEO
9	STRATEGIC PLAN ASSESSMENT
10	ADVOCACY
12	PROFESSIONAL DEVELOPMENT
14	MEMBER SERVICES
17	BOARD OF DIRECTORS
18	BOARDS AND ASSOCIATIONS
19	AREA FINANCIAL STATEMENTS 2015-16

OBJECTIVE OF THE REPORT

AREA's Annual Report provides our members and stakeholders in the industry a look at what we accomplished in the November 1, 2015 – October 31, 2016 fiscal year. Activities are considered and executed in the context of AREA's strategic plan. We have included copies of AREA's 2015-16 audited financial statements within this report.

MISSION

To provide strategic leadership and advance the Alberta real estate profession through member-centric services, advocacy, and professional development.

VISION

Providing world-class leadership that positively shapes the Alberta real estate profession, enhances member professionalism, and reinforces the critical value REALTORS® deliver to both buyers and sellers.

PROFILE OF AREA

AREA is a not-for-profit professional association representing the interests and concerns of more than 10,300 Alberta REALTORS® and 10 regional real estate Boards/Associations. Our work focuses on three high-value areas for REALTORS® across the province:

ADVOCACY

AREA is an influential provincial voice bringing frontline REALTOR® input and REALTOR® client needs to industry discussions with the provincial government and other key stakeholders.



PROFESSIONAL DEVELOPMENT

AREA provides professional development for Alberta REALTORS® to raise the standard of practice across the province. This ensures that REALTORS® have opportunity to enhance their careers and level of service.



MEMBER SERVICES

AREA offers standard real estate forms to Alberta REALTORS®, along with other services to assist members in their business through potential cost-saving opportunities and valuable information about the real estate industry.



AREA IN NUMBERS

All numbers as at October 31, 2016

 **10,341** MEMBERS

77%

of members satisfied with AREA's forms work

60%

of members satisfied with AREA's advocacy work

60%

of members satisfied with AREA's professional development work

609



1,262

MEMBERS AT BOARD/ ASSOCIATION PURCHASE CONTRACT INFO SESSIONS

600+

MEMBERS AT BROKERAGE INFO SESSIONS

\$75,000

AREA DONATION TO FORT MCMURRAY REAL ESTATE BOARD IN RESPONSE TO WILDFIRE

\$325,152

REDUCTION IN OPERATING EXPENSES (EXCLUDING ONE-TIME EXPENSES)

22%

IMPROVEMENT IN RETURN ON INVESTMENT

100+

MEETINGS WITH MLAs AND GOVERNMENT REPRESENTATIVES



123,369

VISITS TO AREAHub.CA



20,313

VISITS TO THE DATA CO-OP



4,927

TWITTER FOLLOWERS @AREAHub

48%

AVERAGE OPEN RATE FOR AREA ADVISORIES - ASSOCIATION AVERAGE = 36%

550+

AREA WIRELESS USERS

21

INDUSTRY-SPECIFIC COURSES IN AREA PD ROSTER

2 x \$2,500

POST-SECONDARY SCHOLARSHIPS AWARDED

56 MLAs **+ 6**

CABINET MINISTERS

ATTENDED AREA'S GOVERNMENT LIAISON DAYS RECEPTION, A 50% INCREASE FROM 2015

LETTER FROM THE PRESIDENT

JENNIFER MCKENZIE

2016 PRESIDENT OF AREA



It has been an exciting year to serve as AREA President, implementing our strategic plan. As you may have witnessed, and will read in this report, we have already made great strides toward meeting our objective of AREA transformation.

2016 was not an easy year for many of us. I think of our members in Fort McMurray who were devastated by the wildfires. We can take pride, as an industry, in the ways we offered support, from those who joined our social media efforts to provide temporary shelter to evacuees, to those whose contributions are included in the \$650,000 REALTORS® raised nationwide for relief efforts. The AREA Board was honoured to make a \$75,000 contribution to the Fort McMurray Real Estate Board on behalf of members.

Nearly seven per cent of our members were also impacted by the sudden closure of two large brokerages this year, with many commissions lost in the process. The At-Risk Commissions Working Group, chaired by AREA CEO Ian Burns and comprised of representatives from various industry organizations, was formed in response to evaluate ways to mitigate this risk in the future. That group has settled on two avenues: legislative changes and insurance products. The Working Group has asked RECA to address the former, while research continues for insurance options. As an industry, we are in a strong position to find solutions that will better protect members in 2017.

“OUR FINANCES ARE SOUND, HAVING MOVED FROM A \$1.5 MILLION OPERATING DEFICIT IN 2015 TO A BALANCED BUDGET IN 2016, AND WE HAVE FURTHER REDUCED OUR OPERATING EXPENSES BY 8 PER CENT.”

- IAN BURNS, AREA CEO

We are also proud to be working on a project, with funding support from the Alberta Real Estate Foundation, that is drawing insights from Alberta consumers and industry members that will allow us to define professional excellence in tangible, measurable ways. We will be sharing these insights in the first quarter of 2017, along with strategies of how you can apply these learnings to your daily real estate practice.

In 2016, we have completed a lot of foundational work you will see come to fruition in 2017. These include some technology infrastructure updates that will improve our communications with members and online access to professional development and member services.

One update we’ve made to our strategic plan is to expand the key pillar of “forms” to “member services.” Member services encompasses forms, but also includes many benefits of AREA membership. One of our new services in 2016 was AREA Wireless, in which members get the benefit of corporate-level mobile rates, data and support. We look forward to unveiling more member services – currently under development – in 2017.

I would like to thank the AREA Board of Directors for their commitment to the Association and their leadership as we undertook the first full year of an ambitious strategic plan. It was an honour to have served as President in 2016. Thank you also to Ian Burns and the AREA staff team.

I am pleased to be handing the AREA presidency to Bob Jablonski. I know our Board will continue to do its best to meet and exceed member expectations in the years to come. Please reach out to a Board member or AREA staff if you are interested in a volunteer position on one of our committees or have recommendations.

LETTER FROM THE CEO

IAN BURNS

CHIEF EXECUTIVE OFFICER



Through the work of the Board of Directors and our association staff, AREA finds itself in a strong position moving forward.

Our finances are sound, having moved from a \$1.5 million operating deficit in 2015 to a balanced budget in 2016, and we have further reduced our operating expenses by 8 per cent. An unexpected profit for fiscal 2016, the result of better-than-expected investment performance, will be invested back into member services.

As we work to implement our strategic plan, I am pleased to report back on improvements in several of our plan's identified measurements of success.

OPERATIONAL ALIGNMENT It was a difficult year of transition for AREA staff as we adjusted our team size to reflect the shift of all pre-licencing education to the Real Estate Council of Alberta. It wasn't enough to downsize the team; we have also carefully reviewed staff skills and responsibilities to make simple changes that better utilize staff skills and further stretch member dollars. As part of this alignment project, AREA has added some new skills to the team, including an economist who we will be introducing in the new year. We have been able to make these changes within our existing staffing budget.

FISCAL SUSTAINABILITY AREA is now operating within budget, and we are continuing to find ways to reduce our expenses, so that we can offer more services to members. As part of this initiative, AREA will be moving

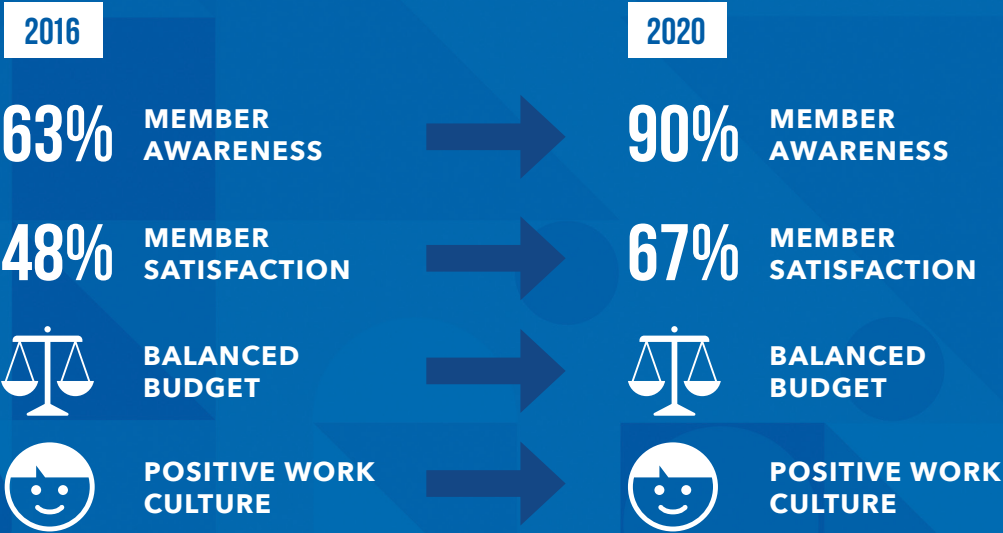
in 2017. This move takes advantage of the current commercial lease market to move into a smaller office space where we will save \$100,000 annually in rent. We will invest some of those savings in video-conferencing equipment that will provide our Board with cost savings by reducing the provincial and inter-provincial travel needed.

GOVERNANCE REVIEW The Board has approved changes to AREA governance policies that include the addition of a whistleblower policy and updates to our emergency response planning.

ENHANCED COMMUNICATION AREA is continuing to work on this initiative, but one example of 2016 success is the many opportunities provided for members to learn about AREA's updated Purchase Contract from the staff who serve the Forms and Practice Committee, through meetings at their local Boards and Associations or their brokerages. Nearly 20 per cent of our members took advantage of one of these sessions and many more turned to the online resources we provided.

Thank you to all who have contributed to AREA's success this year, including our local Boards and Associations, and REALTOR® volunteers acting as Directors and Committee members. I am excited for what 2017 will bring for our association.

STRATEGIC PLAN ASSESSMENT



MEASUREMENTS OF SUCCESS



ADVOCACY

STANDING UP FOR OUR PROFESSION AND PROGRESS

35%

INCREASE IN
DELEGATES AT
GOVERNMENT
LIAISON DAYS

50%

INCREASE IN
ELECTED OFFICIAL
ATTENDANCE AT
GOVERNMENT
LIAISON DAYS



AREA's Government Liaison Days is extremely well-attended by MLAs, and the 2016 event was a resounding success for the many REALTOR® volunteers, local Board and Association representatives, and AREA Advocacy staff who participated. Our government reception was attended by 71% of MLAs – including six Cabinet ministers – and many senior staff, a very high turnout demonstrating the strength of AREA's voice on behalf of the real estate industry. During our speaker sessions, Service Alberta reaffirmed its support for self regulation in our industry, which was echoed by the Service Alberta Minister in her remarks.

AREA has been an effective opponent of land transfer taxes and in 2016 the Service Alberta Minister sent us a written confirmation that this administration has no plans to implement a land transfer tax – a clear win for the real estate industry and for all Alberta consumers.

The provincial government has also given AREA a seat at the table in discussions on the new *Condominium Property Act* regulations. At AREA's request, government removed proposed clauses that would allow developers to use the availability of labour and materials as legitimate excuses for final occupancy delays, leaving little recourse for purchasers. AREA will continue to participate in this consultation process in 2017.

AREA's *Real Estate Act* Review Committee continues to work on recommendations for changes to the existing legislation in our province which would enhance the real estate industry for professionals and consumers alike. Given the government has not yet opened a full review of the Act, the committee's work is focused on items that can change without amendments to the Act, including changes to the *Real Estate Act* Rules.

PROFESSIONAL DEVELOPMENT

BUILDING SKILLS, RELATIONSHIPS AND RESULTS

2016 marked the first full year of AREA's plan to rebuild our professional development offerings for members. It also marked a significant staffing change resulting from the regulator's assumption of all pre-licencing education.

AREA offered FINTRAC as its 2016 mandatory course. The course was built by CREA with input from the federal government and FINTRAC officials, and designed to address REALTOR®-specific requirements of compliance. Media attention on brokerages' FINTRAC audit results increased in 2016, and that coverage highlighted the industry's need to improve compliance.

Moving forward, the professional development team is focusing on blended learning opportunities, which means that, in addition to the online learnings most members are requesting, we will be offering classroom and workshop options. We will also be introducing less formal professional development opportunities, such as webinars and short videos.

AREA professional development offerings will focus on two streams:

- **BUSINESS SKILLS** – practical training or tools that are focused on the business requirements of the real estate industry
- **PROFESSIONAL EXCELLENCE** – elevating the profession through training or tools focused on improving client service

The professional excellence offerings will be based on a strong foundation of research. Beginning in the last quarter of 2016, AREA is engaging in a comprehensive research project that is seeking out insights from Alberta consumers and industry members to define professional excellence in measurable and tangible ways. This project received funding support from the Alberta Real Estate Foundation. We plan to share results from the research in the first quarter of 2017.

The 2017 mandatory course, which will be unveiled in February, is called Enforceable Contracts.

AREA MARKET REPORT

Since November 2015, AREA has produced a monthly industry market report for REALTORS® and other interested groups, based on data compiled by the Canadian Real Estate Association (CREA) from MLS® sales data from each of Alberta's Boards and Associations. With local and national real estate market information and trends typically distributed through the Boards and CREA, AREA identified a gap in reporting on the overall provincial market.

AREA is continuing to add to our capacity with the addition of an economist. In 2017, our market analysis offerings will deepen because of this expertise, with a focus on providing REALTORS® with additional tools to use in seeking and retaining clients.



WHEN ASKED HOW MEMBERS PREFER TO LEARN OR IMPROVE SKILLS, TACTICAL AND ONLINE LEARNING RATED HIGHEST:

88%

MEMBERS ONLINE LEARNING;

90%

MEMBERS TACTICAL LEARNING



10,341
AREA MEMBERS



MEMBER SERVICES

In addition to forms, AREA offers services to assist members in their business, through potential cost-saving opportunities and through valuable information about the provincial real estate industry. A full list of services is offered on the AREA website.

AREA WIRELESS

The AREA Wireless program, powered by the Rogers network, launched to members and their families in mid-2016. Understanding that mobility costs can be significant for REALTORS® who are always on the go, AREA put in place a program to reduce the cost of doing business.

A 'bring-your-own-device' program, AREA Wireless offers REALTORS® a \$50 per month cost for their mobility needs, with no contract. Included in that \$50 is unlimited Canada-wide calling and texting, and virtually unlimited data use. All members of the plan receive 3 GB of data per month, with any unused data pooled for the heavier users.

550+
AREA WIRELESS
USERS

FORMS

RELIABLE AND CLEAR REALTOR® FORMS AND RESOURCES

Much of AREA's forms work in 2016 revolved around the launch of new AREA Purchase Contracts and supporting forms. New content was guided by several key principles:

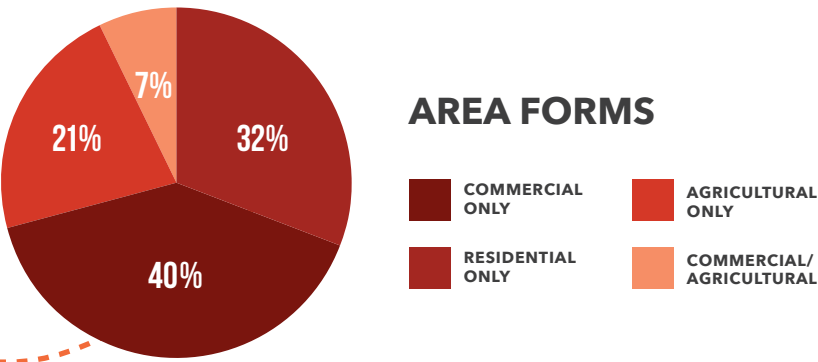
- Ensuring the legal integrity of AREA forms
- Creating balance between the seller and the buyer
- Clarifying the forms content through clearer language

The completed forms represent significant research, legal advice, and feedback from AREA members, local Boards and Associations, lawyers specializing in conveyancing, litigation and drafting, and other key stakeholders, such as mortgage brokers, property inspectors, and government.

AREA worked to ensure a smooth transition to the new forms, providing members with key resources: educational versions of the forms, explanatory forms, backgrounders and video. Alberta lawyers also received copies of these resources as another key user of AREA Forms.

AREA staff travelled the province, speaking to more than 1,200 members at presentations hosted by Boards and Associations and assisting them with questions related to the new forms. AREA support continues post- launch: the educational resources are still available, and AREA staff engaged another 600 members in visits to Boards and Brokerages.

In 2017, the Forms and Practice Committee is turning its attention to the commercial and agricultural forms.

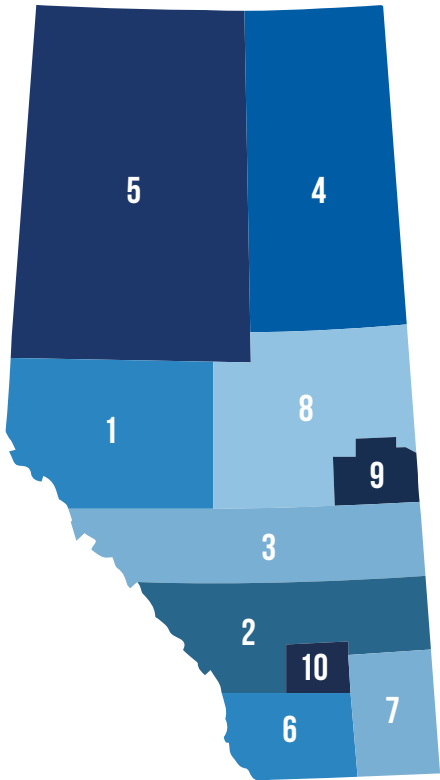


BOARD OF DIRECTORS

2016

JENNIFER MCKENZIE - PRESIDENT Medicine Hat Real Estate Board	JENNIFER GILBERT REALTORS® Association of Lloydminster & District
BOB JABLONSKI - PRESIDENT-ELECT Calgary Real Estate Board	BILL KIRK Calgary Real Estate Board
D'ARCY DONALD - VICE PRESIDENT Grande Prairie & Area Association of REALTORS®	JANET KUEHN Alberta West REALTORS® Association
ED JENSEN - IMMEDIATE PAST PRESIDENT Calgary Real Estate Board	CHARLIE PONDE REALTORS® Association of Edmonton
DEREK AUSTIN Central Alberta REALTORS® Association	DOUG SINGLETON REALTORS® Association of Edmonton
BRAD COOK Lethbridge & District Association of REALTORS®	TODD WALLACE REALTORS® Association of South Central Alberta
JULIO FLOREZ Fort McMurray REALTORS®	IAN BURNS - CHIEF EXECUTIVE OFFICER Alberta Real Estate Association

REGIONAL REAL ESTATE BOARDS AND ASSOCIATIONS



1 ALBERTA WEST REALTORS® ASSOCIATION

President: Darrell Lloyd
Executive Officer: Sandy Atfield
Members: 160

2 CALGARY REAL ESTATE BOARD

President: Cliff Stevenson
Executive Officer: Alan Tennant
Members: 5,300

3 CENTRAL ALBERTA REALTORS® ASSOCIATION

President: Sandi Gouchie
Executive Officer: Larry Westergard
Members: 530

4 FORT MCMURRAY REALTORS®

President: Lynn Edwards
Executive Officer: Olive Wooden
Members: 181

5 GRANDE PRAIRIE & AREA ASSOCIATION OF REALTORS®

President: Derek Hall
Executive Officer: Karen Bilodeau
Members: 250

6 LETHBRIDGE AND DISTRICT ASSOCIATION OF REALTORS®

President: Kristie Kruger
Executive Officer: Cathy Maxwell
Members: 288

7 MEDICINE HAT REAL ESTATE BOARD

President: Tim Seitz
Executive Officer: Randeem Bray
Members: 133

8 REALTORS® ASSOCIATION OF EDMONTON

Chair: Steve Sedgwick
Executive Officer: Michael Thompson
Members: 3,357

9 REALTORS® ASSOCIATION OF LLOYDMINSTER & DISTRICT

President: Michael Dewing
Executive Officer: Eileen Rohs
Members: 88

10 REALTORS® ASSOCIATION OF SOUTH CENTRAL ALBERTA

President: Karen Bertamini
Executive Officer: Carol Breakell
Members: 54

INDEPENDENT AUDITORS’ REPORT



To the Members of:

ALBERTA REAL ESTATE ASSOCIATION

We have audited the accompanying financial statements of the **Alberta Real Estate Association** (“the Association”) which comprise the statement of financial position as at October 31, 2016 and the statements of operations, changes in net assets and cash flow for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

MANAGEMENT’S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITORS’ RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements to 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 the auditors’ judgment, including the assessment of the risk of material misstatement of the 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 financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audit 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 Association as at October 31, 2016 and its results of operations and its cash flow for the year then ended in accordance with Canadian accounting standards for not for profit organizations.

CHARTERED PROFESSIONAL ACCOUNTANTS

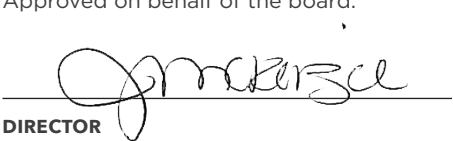
Seguro LLP

Calgary, Alberta
January 9, 2017

ALBERTA REAL ESTATE ASSOCIATION
STATEMENT OF FINANCIAL POSITION AS AT

	OCTOBER 31, 2016	OCTOBER 31, 2015
ASSETS		
CURRENT		
Cash	\$ 1,848,359	\$ 216,067
Short-term investments (at fair market value) - Note 2	6,481,949	7,597,868
Accounts receivable	260,197	71,823
Government remittances - Note 3	259,743	12,990
Prepaid expenses	189,746	161,859
Inventory	1,842	7,011
	9,041,836	8,067,618
Virtual College Joint Venture - Note 4	80,887	128,338
Capital Assets - Note 5	359,554	508,077
TOTAL ASSETS	\$ 9,482,277	\$ 8,704,033
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities - Note 6	\$ 259,835	\$ 220,925
Deferred revenue - Note 7	38,859	-
	298,694	220,925
COMMITMENTS - Note 8		
NET ASSETS		
Invested in Capital Assets	\$ 359,554	\$ 508,077
Restricted - Note 9	6,044,301	6,433,013
Unrestricted	2,779,728	1,542,018
	9,183,583	8,483,108
TOTAL LIABILITIES AND NET ASSETS	\$ 9,482,277	\$ 8,704,033

Approved on behalf of the board:


DIRECTOR


DIRECTOR

ALBERTA REAL ESTATE ASSOCIATION
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED

	INVESTED IN CAPITAL ASSETS	RESTRICTED	UNRESTRICTED	TOTAL OCTOBER 31, 2016	TOTAL OCTOBER 31, 2015
BALANCE - Beginning of year	\$ 508,077	\$ 6,433,013	\$ 1,542,018	\$ 8,483,108	\$ 10,438,576
EXCESS (deficiency) of revenue over expenditures for the year	-	(385,212)	1,085,687	700,475	(1,955,468)
INVESTMENT IN CAPITAL ASSETS	45,283	(3,500)	(41,783)	-	-
AMORTIZATION OF CAPITAL ASSETS	(193,806)	-	193,806	-	-
BALANCE - END OF YEAR	\$ 359,554	\$ 6,044,301	\$ 2,779,728	\$ 9,183,583	\$ 8,483,108

ALBERTA REAL ESTATE ASSOCIATION
STATEMENT OF OPERATIONS FOR THE YEAR ENDED

	OCTOBER 31, 2016	OCTOBER 31, 2015
REVENUES		
Membership fees	\$ 4,414,997	\$ 1,909,803
Conferences	61,985	-
Education	32,571	721,814
Other	31,167	8,592
	4,540,720	2,640,209
EXPENSES		
Salaries and benefits	2,063,046	2,318,661
General and administrative	316,832	296,685
Meetings and travel	388,499	340,805
Consulting	388,430	579,480
Rent and operating costs	316,038	353,921
Conferences and events	182,553	60,603
Education	158,173	188,197
Professional fees	34,265	34,636
	3,847,836	4,172,988
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES BEFORE INVESTMENT INCOME AND OTHER ITEMS	692,884	(1,532,779)
INVESTMENT INCOME		
Realized gain on sale of short term investments	398,344	146,128
Investment income	217,167	284,669
Unrealized (loss) gain on short term investments	(84,460)	58,446
	531,051	489,243
OTHER ITEMS		
Net GST re assessment recovery	216,645	-
Severance and restructuring expenses	(244,571)	-
Amortization expense	(193,806)	(192,443)
Real Estate Act review	(179,277)	-
Emergency donation to Ft. McMurray Real Estate Board	(75,000)	-
Change in equity of Virtual College Joint Venture	(47,451)	(16,407)
Write down of capital assets	-	(703,082)
	(523,460)	(911,932)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES FOR THE YEAR	\$ 700,475	\$ (1,955,468)

ALBERTA REAL ESTATE ASSOCIATION
STATEMENT OF CASH FLOW FOR THE YEAR ENDED

	OCTOBER 31, 2016	OCTOBER 31, 2015
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES:		
EXCESS OF REVENUES OVER EXPENSES FOR THE YEAR	\$ 700,475	\$ (1,955,468)
ITEM NOT AFFECTING CASH		
Amortization	193,806	192,443
Unrealized loss (gain) on short term investments	84,460	(58,446)
Change in equity of Virtual College Joint Venture	47,451	16,407
Write down of capital assets	-	703,082
	1,026,192	(1,101,982)
NET CHANGE IN NON-CASH WORKING CAPITAL BALANCES		
Interest receivable	15,112	5,138
Accounts receivable	(188,374)	(12,586)
Government remittances	(246,753)	(384,872)
Prepaid expenses	(27,887)	45,244
Inventory	5,169	7,817
Accounts payable and accrued liabilities	38,910	(132,689)
Deferred revenue	38,859	-
	661,228	(1,573,930)
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES:		
Purchase of short-term investments	(323,801)	(906,314)
Redemption of short-term investments	1,600,000	1,900,000
Purchase of capital assets	(45,283)	(46,804)
	1,230,916	946,882
INCREASE (DECREASE) IN CASH	1,892,144	(627,048)
CASH - Beginning of year	322,572	949,620
CASH - END OF YEAR	\$ 2,214,716	\$ 322,572
CASH IS COMPRISED OF THE FOLLOWING:		
Cash	\$ 1,848,359	\$ 216,067
Cash and cash equivalents included in short-term investments	366,357	106,505
	\$ 2,214,716	\$ 322,572

NOTE 1 **SIGNIFICANT ACCOUNTING POLICIES**

INCORPORATION AND PURPOSE OF THE ASSOCIATION

The Alberta Real Estate Association (“the Association”) is a not for profit organization, incorporated under the Societies Act of Alberta. The Association is exempt from income taxes in accordance with Section 149 of the Income Tax Act.

The Association’s members are Alberta REALTORS® and real estate boards. The Association’s purpose is to represent the real estate interest of its members, enhance their professionalism, competency and profitability and to advocate regulatory and governmental policies that support and protect the real estate profession and the public that its members serve.

BASIS OF ACCOUNTING AND COMPARATIVE FIGURES

These financial statements have been prepared in accordance with Canadian Accounting Standards for Not for Profit Organizations.

The comparative figures shown on the Statement of Operations have been reclassified to conform to the current year presentation. The current year presentation has not resulted in any change to the previous year’s deficiency of revenues over expenses.

FINANCIAL INSTRUMENTS

INITIAL AND SUBSEQUENT MEASUREMENT

The Association initially measures its financial assets and liabilities at fair value, except when applicable, for certain related party transactions that are measured at the carrying amount or exchange amount. The Association subsequently measures all its financial assets and liabilities at cost or amortized cost, except for investments in marketable securities, which are measured at fair value. Changes in the fair value of these financial instruments are recognized in income in the period incurred.

Financial assets measured at amortized cost on a straight line basis include cash, accounts receivable and the Virtual College Joint Venture. Financial liabilities measured at amortized cost on a straight line basis include the accounts payable and accrued liabilities.

TRANSACTION COSTS

Transaction costs related to financial instruments that will be subsequently measured at fair value are recognized in income in the period incurred. Transaction costs related to financial instruments subsequently measured at amortized cost are included in the original cost of the asset or liability and recognized in income over the life of the instrument using the straight line method.

IMPAIRMENT

For financial assets measured at cost or amortized cost, the Association determines whether there are indications of possible impairment. When there is an indication of impairment, and the Association determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows, a write down is recognized in income. A previously recognized impairment loss may be reversed. The carrying amount of the financial asset may not

be greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in income.

INVENTORY

Inventory is valued at the lower of cost and net realizable value. Cost is determined on a first in, first out basis. Inventory consists primarily of educational materials and books used in the delivery of professional development courses. There are no amounts for raw materials or work in progress included in inventory.

JOINT VENTURE

The Association accounts for its interest in the joint venture using the equity method.

CAPITAL ASSETS

Capital assets are recorded at cost and amortization is recorded on the straight line basis over their estimated useful lives, as follows:

Information technology	5 years
Leasehold improvements	10 years
Office furnishings	5 years
Office equipment	3 years

LONG-LIVED ASSETS

Long lived assets consist of capital assets. The Association performs impairment testing on long lived assets held for use whenever events or circumstances indicate that the carrying value of an asset may not be recoverable. Impairment losses are recognized when undiscounted cash flows from its use and disposal are less than its carrying value. Impairment is measured as the amount by which the carrying value exceeds its fair value and is included in the statement of operations for the period. Management was not aware of any impairment to its long lived assets that would have a material effect on the financial statements.

USE OF ESTIMATES

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates are reviewed periodically, and, as adjustments become necessary, they are recorded in the statement of operations in the period in which they become known. The valuation of the allowance for doubtful accounts and the estimated useful life of the capital assets are the most significant financial statement items that involve the use of estimates.

REVENUE RECOGNITION

The Association follows the deferral method of accounting for revenues. Externally restricted funds received are deferred and recorded in the statement of operations in the period which the related expenses are incurred. All other revenue is unrestricted and recognized in the period received.

NOTE 1 **SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

FOREIGN CURRENCY TRANSLATION

The Association holds assets denominated in foreign currencies that are translated at the prevailing rates of exchange at the balance sheet date with realized and unrealized exchange gains and losses included in revenues over expenditures. The Association does not use derivative financial instruments to mitigate its exposure to foreign currency risk.

NOTE 2 **SHORT-TERM INVESTMENTS**

Short term investments consist of cash and cash equivalents, fixed income funds, Canadian, U.S. and foreign equity securities as follows:

	2016		2015	
	COST	FAIR VALUE	COST	FAIR VALUE
CASH AND CASH EQUIVALENTS	\$ 366,357	\$ 366,357	\$ 106,505	\$ 106,505
FIXED INCOME				
Canadian	1,588,558	1,689,196	1,873,575	1,965,656
Foreign	132,840	142,110	-	-
U.S.	103,350	103,752	779,725	829,969
	1,824,748	1,935,058	2,653,300	2,795,625
EQUITY				
Canadian	1,566,592	2,300,387	1,698,258	2,253,114
U.S.	744,030	1,346,072	1,041,971	1,875,251
Foreign	472,856	534,075	489,897	567,373
	2,783,478	4,180,534	3,230,126	4,695,738
	\$ 4,974,583	\$ 6,481,949	\$ 5,989,931	\$ 7,597,868

NOTE 3 **GST AUDIT AND RE ASSESSMENT**

An audit completed in 2014 resulted in a determination that the Association was exempt from the Goods and Services Tax (“GST”), and consequently, was not eligible to claim certain input tax credits. At that time, re assessments were raised by the Canada Revenue Agency (“CRA”) in the amount \$389,202. Management elected to pay the amounts and subsequently filed a Notice of Objection under the Excise Tax Act. After an extensive legal appeal through the Tax Court of Canada, the Association was awarded a settlement on May 6, 2016 in the amount of \$248,043 plus interest and penalties. As at October 31, 2016, the Association had not yet received the funds. The Statement of Operations for the year ended October 31, 2016 includes the amount granted by the Court, but refundable interest and penalties estimated to be \$29,851 will not be recorded until the amount is received.

NOTE 4 **VIRTUAL COLLEGE JOINT VENTURE**

The Association has 29.9% interest in a joint venture with other real estate associations to establish a vehicle for delivery of online education courses through an agreement called the National Real Estate Virtual College Joint Venture.

On September 27, 2016, the Board of Directors of the Joint Venture agreed to approve ending the Joint Venture effective December 31, 2016. Until then, the Joint Venture will continue to operate as it realizes its assets and discharges its liabilities in the normal course of operations.

At year end October 31, 2016, the Association’s approximate share of the joint venture is as follows:

	2016	2015
TOTAL ASSETS	\$ 99,590	\$ 143,213
TOTAL LIABILITIES	18,703	14,875
TOTAL NET ASSETS	\$ 80,887	\$ 128,338

Included in education expense on the Statement of Operations is \$126,873 (2015 - \$100,860) paid to the Joint Venture during the year as contributions to support annual operating expenditures. There are no significant differences in accounting policies from those followed by the Association.

NOTE 5 **CAPITAL ASSETS**

The Association has corporate Visa credit cards with a combined credit limit of \$102,000 (2014 - \$87,000). Included in accounts payable and accrued liabilities is the combined outstanding amounts on these credits cards of \$12,576 (2014 - \$20,514).

	2016			2015
	COST	ACCUMULATED AMORTIZATION	NET BOOK VALUE	NET BOOK VALUE
INFORMATION TECHNOLOGY	710,965	423,742	287,223	389,391
LEASEHOLD IMPROVEMENTS	376,608	343,721	32,887	74,343
OFFICE FURNISHINGS	579,727	557,067	22,660	30,959
OFFICE EQUIPMENT	102,566	85,782	16,784	13,384
	\$ 1,769,866	\$ 1,410,312	\$ 359,554	\$ 508,077

NOTE 6 CORPORATE CREDIT AND CHARGE CARDS

The Association has corporate Visa credit cards with a combined credit limit of \$102,000 (2015 - \$102,000). Included in accounts payable and accrued liabilities is the combined outstanding amounts on these credits cards of \$67,100 (2015 - \$6,766).

NOTE 7 DEFERRED REVENUE

The Association has entered into an agreement with a cell phone services provider to give the Association’s members access to preferential pricing. The agreement provides for a commission to be paid to the Association when a member joins the plan. The commission is fully earned once the member has remained in the plan for at least 3 years. The amount in deferred revenue represents the amount of commission that has not been fully earned.

NOTE 8 COMMITMENTS

The Association has committed to a lease for office space expiring May 2017. The minimum annual rent payments, including estimated operating costs, are as follows:

2017 \$ 175,000

The Association also has commitments under various operating leases for office equipment and service agreements for technology support, expiring between December 2015 and September 2019 as follows:

2017 \$ 63,800
2018 \$ 49,800
2019 \$ 20,300

Subsequent to October 31, 2016, the Association signed a lease commitment for new office space for 10 years starting June 2017. The estimated future commitments of this new lease is an annual base rent of \$135,000 and annual operating expenses of \$84,250 for a total estimated annual commitment of \$219,250.

NOTE 9 RESTRICTED NET ASSETS

At October 31, 2016, the Association has internally restricted net assets to be used for the purposes and amounts as follows:

MEMBER SERVICES

The Association allocated funds to host events and to provide access to education resources for its members. At October 31, 2016 the balance was \$110,800 (2015 - \$231,800).

BUSINESS CONTINUITY

The Association has allocated funds to support its ongoing operations as a result of the loss of a major revenue stream and to address cash flow fluctuations throughout the year. At October 31, 2016, the balance was \$5,612,778 (2015 - \$5,701,213).

REAL ESTATE ACT REVIEW

The Association allocated funds for legal fees associated with this initiative. At October 31, 2016 the balance was \$320,723 (2015 - \$500,000).

NOTE 10 FINANCIAL INSTRUMENTS

The Association has a comprehensive risk management framework to monitor, evaluate and manage the principal risks assumed with financial instruments. The risks that arise from transacting financial instruments include credit, currency, interest rate, liquidity, market and other price risks.

RISK MANAGEMENT

The Association manages its exposure to the risks associated with financial instruments that have potential to affect its operating and financial performance. Management does not believe that the Association is exposed to any significant credit, interest rate, liquidity, or other price risk.

MARKET RISK

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Association’s investments in publicly traded securities expose them to market risk as such investments are subject to price changes in the open market. The Association does not use derivative financial instruments to mitigate its exposure to market risk.

CURRENCY RISK

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Association enters into foreign currency purchase and sale transactions and has assets that are denominated in foreign currencies and thus is exposed to the financial risk of earnings fluctuations arising from changes in foreign exchange rates and the degree of volatility of these rates. The Association does not use derivative financial instruments to mitigate its exposure to currency risk.

NOTE 11 CAPITAL MANAGEMENT

The Association’s goal in managing capital is to safeguard its ability to continue as a going concern so that it can continue to provide services to its members. To accomplish this goal, protocols have been established to preserve the financial condition of the Association and protect its assets by annual development and approval of zero based capital and operating budgets and by setting limits on the investment of funds. During the year, the Board meets with Management regularly to review the Association’s financial position.

NOTES

NOTES

AREA'S VISION STATEMENT





ALBERTA REAL ESTATE ASSOCIATION

WestMount Corporate Campus
300, 4954 Richard Road SW
Calgary, AB T3E 6L1



PHONE

1.800.661.0231 (Toll-Free)

1.403.228.6845 (In Calgary)

FAX

1.403.228.4360

OFFICE HOURS

MON-FRI 8:30 AM - 4:30 PM (MST)

WWW.AREAHUB.CA