



# embracing change

2020 ANNUAL REPORT



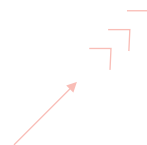
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Our annual report provides AREA members and industry stakeholders an overview of our November 1, 2019 – October 31, 2020 fiscal year.

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***The Alberta Real Estate Association (AREA)** is a not-for-profit professional association that represents the interests and concerns of more than **10,500 Alberta REALTORS®** from 10 local real estate Boards/Associations.*

## Mission

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

## Vision

Lead the real estate industry to help REALTORS® build sustainable careers and prosperity for Albertans.

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## Our work focuses on three high-value areas for REALTORS® across the province:

### Advocacy

AREA brings a strong, collective voice to provincial discussions with the Government of Alberta and key stakeholders on issues of importance to REALTORS® and their ability to serve clients effectively.

### Professional Development

AREA is dedicated to fostering professional excellence and supporting our members in upholding the highest standards of practice, through educational means.

### Member Services

AREA provides members with an array of programs, services and professional forms. These services maintain the legal integrity and consistency of practice, save AREA members dollars and time, and allow convenient access to information.

# covid-19 response

>>>>>

The COVID-19 pandemic caused major disruption to the economy and normal business practices. AREA stepped up to support members by:

25% reduction in annual dues  
equalling a collective savings of  
**\$1.2 million+** for members

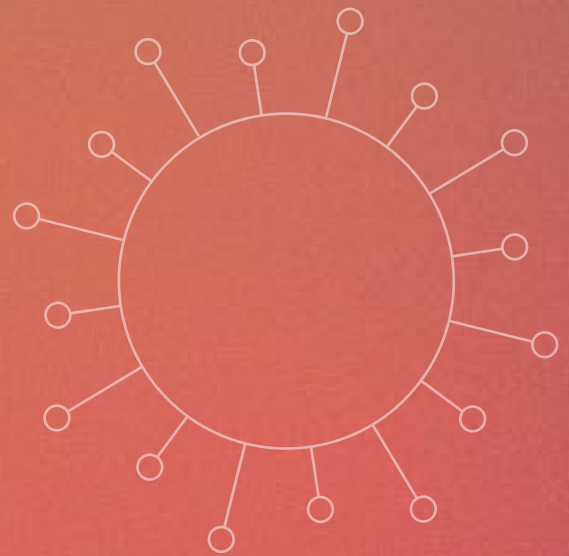
Deferred payment deadlines  
until August 1

## Protecting REALTORS® essential service status

- > In lockdown, AREA banned open houses
- > Published an essential service provider ID letter to protect members from bylaw tickets
- > Coordinated Board/Association relaxation of showing MLS® rules
- > Published open house guidelines in phased reopening to align with the Government of Alberta strategy

# 7,000+

Views on explanatory open house video



## Tailoring member supports



Hold Harmless Agreement drafted with input from 22 REALTORS®, 5 staff, 5 lawyers and REIX

7

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Special Edition podcasts including COVID-19 and *The Impact on Real Estate Transactions in Alberta* and *Dealing with Anxiety in Real Estate During COVID-19*



Showing tips and best practice protocols updated as new information released

4

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Special Edition webinars with 600 attendees



Government funding programs access assistance via website, email and phone

**\$1.6M+** lent out

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313 interest-free commission advances through AREA Advance



# membership benefits

How are your **\$23<sup>44</sup>/month** members dollars used to benefit you?



Provincial forms



Member advocacy



Government advocacy



Professional development



Member services



2020 dues of \$375 were reduced by 25% due to COVID-19.

## Unlocking greater services for our members.

As REALTORS®, AREA members are dedicated to supporting their clients. While the coronavirus pandemic swept through the year, providing support to others meant also supporting our own wellbeing. In 2020, AREA provided all Alberta REALTORS® and their families access to a free, confidential and anonymous program which offers short-term counselling and support related to a wide variety of issues, so that they can go back to doing what they love most.

Launched the REALTOR® & Family Assistance program within existing member dues

Supported the launch of the Pillar 9™ in partnership with nine of the local Boards/Associations to provide a streamlined MLS® experience for Alberta REALTORS®

## \$224K

Paid out to members through the Commission Protection Program, restoring lost commissions

## Looking to save time and money? We can help with that.

AREA's voluntary member services programs are structured to be self-sustaining, while saving you time and/or money.



In 2021, stay tuned for an optional health and dental coverage program



In 2021, stay tuned for savings at the pump

**\$2.6M+**

Loaned through AREA Advance in 2020, a commission advance service for Alberta REALTORS®

**\$450**

Members using AREA Wireless save on average \$450 annually

## Dedicated to strengthening the real estate profession.

AREA Professional Development provides educational tools to help members develop technical skills and achieve professional excellence. As a member of AREA, you are required to complete one formal course per year, covered within your dues. We offer courses, monthly podcasts, webinars, and other educational resources to ensure you're always up to date on the topics that are most relevant to you.

### Courses

**12,760**

Online courses completed

**7**

Total number of courses offered

### Webinars

**19**

Webinars

**1,825**

Participants and viewers

### In Your AREA Podcast

**7,868**

Listens

**19**

Episodes

#### Most popular episodes:

*Figuring out FINTRAC*

*The Ins and Outs of Condo Living*

*The REALTOR® Guide to Statistics*

**116**

Alberta communities





# AREA by the numbers

# 10,492

Number of members

Last year: **10,537**  
YOY: **-0.43%**

# 21,558

albertarealtor.ca  
visits/month

Desktop: **66.1%**  
Mobile: **29.9%**  
Tablet: **3.4%**

# 600

Number of brokerages

Last year: **598**  
Brokerages ≥5: **238**

# 2,650

Weekly active users

Pages/Session: **3**

"This scholarship took a lot of financial pressure off of me and allowed me to focus my time and energy on my schoolwork. This helped me complete my first year of my program immensely."

**Talon Reardon,**  
2020 Scholarship Recipient



816

TD Insurance Meloche Monnex  
program policies

1,948

REALTOR® Safety App  
Registered Users

4,308

AREA Wireless  
subscribers

Last year: **3,678**  
YOY: **17.13%**

\$25M

Active Crown Land  
Listings

\$2,735,000 sales – in  
2020, AREA facilitated  
in Crown Land sales.

\$5,000

Post secondary  
scholarships awarded

Amount: **\$2500 x 2**

9,625

WEBForms®  
Users

Users transitioned to WEBForms®  
in 2020: **5,985**  
WEBForms® Transactions: **86,029**

2,170

NexOne (Formerly  
Repree™) Unique  
Users

Repree™ Transactions  
Created: **28,093**

Social media  
followers

**f** 1,886

**t** 5,357

**in** 722

# letter from the chair



Change became the theme of 2020 worldwide. COVID-19 brought new challenges and Alberta's REALTOR® community was not immune. It has taken courage, adaptability, and agility to protect our clients from the impacts of the virus and maintain the REALTOR® reputation in Alberta.

I have been proud of the efforts our community has taken to go virtual. Using online meeting tools and electronic documents, as well as photo and video services, REALTORS® have been able to continue to hold virtual tours and assist their clients in exploring the market. Through these means, we've been able to establish new best practices, some that will continue past the pandemic.

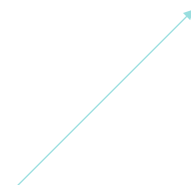
As your provincial advocate, AREA participated in the Government of Alberta's transition and implementation planning for the updated *Real Estate Act*, which went into effect on December 1, 2020. The progress we have made will be felt for decades to come. I'd like to thank the dedicated group of volunteers from across the Boards/Associations involved in moving forward and improving the real estate industry for the better.

I am also particularly proud of AREA's focus on member wellness during this difficult year. We were able to respond nimbly to implement the REALTOR® & Family Assistance Program, providing mental health support during a time of crisis. We shared resources via expert podcasts and webinars and offered support to REALTORS® looking to access government assistance programs.

On behalf of the AREA Board of Directors, I'd like to acknowledge the hard work, commitment and support offered by CEO Brad Mitchell and the rest of the AREA team. I'd further like to congratulate them on their well-deserved recognition as a Best Workplaces in Alberta recipient.

I am eager to continue my role as the Chair in 2021 and am optimistic about what the year has in store for us. AREA members have proven their ability to get through the unexpected, and accompanied by the Board's passion and dedication, I am assured that easier times are around the corner.

**Kristie Kruger**  
AREA Chair





# letter from the CEO



AREA's careful stewardship of finances over past years allowed the AREA Board to reduce and defer member dues without reducing services in response to the financial hardships caused by the pandemic lockdown. Instead, we continued to increase our service offerings to assist members in getting through 2020 and beyond.

Our AREA staff culture continues to revolve around the question of how we can best serve members. While we miss the in-person engagement opportunities, we have increased online member engagement.

Work on REALTOR® issues continued at a brisk pace through 2020 as AREA participated as a major stakeholder in the provincial government's development and implementation of a new *Real Estate Act*.

We also introduced the provincial administrative justice program, made possible by bylaw changes passed unanimously at the January AGM. This change meets the members' desire to have a consistent process regardless of geography.

In 2021, AREA will be expanding its practice advice services in response to the government refocusing the regulator's mandate on regulation and away from service offerings. This increase in services will be completed without increasing dues.

I am extremely grateful and proud to lead a team of award-winning staff who have worked tirelessly to serve our members during an unparalleled year. I want to thank Kristie Kruger for her leadership and passion as Chair, which I know she will carry through 2021.

Thank you to all those who have contributed to AREA's successes this year. Our members are highly engaged and your passion fuels our efforts. Your feedback, support, and adaptability this year has helped ensure the sustainability of the real estate industry in Alberta.

**Brad Mitchell**  
AREA CEO



# board of directors and executive staff

## Chair

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**Kristie Kruger**  
*Chair*  
Director at Large



## Board of Directors

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**David P. Brown**  
*Chair-Elect*  
Capital Region



**Marc Aubin**  
Central Region



**Devon Felesky**  
Southern Region



**Jennifer Gilbert**  
Director at Large



**Jolene Ledene Reimer**  
Director at Large



**Ellyn Mendham**  
Foothills Region



**Tash Taylor**  
Public Member



**Greg Walsh**  
Northern Region

## Executive Staff

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**Brad Mitchell**  
*Chief Executive Officer*



**Heather Coleman**  
*Managing Director*



**Tammy Williams**  
*Managing Director*



**Kate Bailey**  
*Director*



# letter from services corp



## AREA continues to deliver valued member services through a wholly owned taxable subsidiary: AREA Real Estate Services Corporation (Services Corp).

Under its own Board – accountable to the AREA Board of Directors – Services Corp develops and maintains optional programs that create efficiencies and savings for members' businesses. By focusing on maximizing member benefits while remaining financially self-sustaining, Services Corp is structured for longevity.

In its third year of operations, Services Corp has started applying knowledge gained from its existing member programs to grow offerings outside of Alberta and compete with non-industry organizations. Offerings outside of Alberta leverage the existing program infrastructure and have been scaled to serve non-member markets in order to use any profits generated to benefit AREA members.

Because of COVID-19, we have held back in 2020 on marketing programs and have concentrated on providing excellent service to members through program adjustments where needed.

In 2020, we have also been working on a new offering that will provide AREA members with significant at-the-pump savings through prominent gas stations. Stay tuned for a 2021 rollout.



**Jennifer Gilbert**  
Services Corp Chair



**Tammy Williams**  
Services Corp CEO





# services corp board of directors

## Board of Directors

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**Marc Aubin**  
*Director*



**Doug Koop**  
*Director*



**Kristie Kruger**  
*Director*



**Brad Mitchell**  
*Director*



**Darren Smits**  
*Director*  
*Deceased May 2020*

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**Darren Smits**  
January 15, 1975 - May 20, 2020

The AREA team lost a valued ally and friend with Darren's sudden passing this year.

Darren Smits, a partner at Burstall LLP, was instrumental to Services Corp. He worked closely with staff on the structure and incorporation for Services Corp, which allows AREA to offer optional money and time-saving programs.

As a board director, Darren brought a strategic, thoughtful perspective to the table. As a lawyer, he advised AREA on setting up the AREA Advance and AREA Wireless services.

Our thoughts are with the many who loved Darren, most especially his children Aliyah and Kristian, his family, and his girlfriend Chelsey.

We will miss Darren's warmth and integrity inside and outside the boardroom and are grateful for the time we had with him.



We continue to work with Rogers – our mobile provider – and other telecommunications companies to bring you the most competitive offers that meet the phone and data usage needs of members without a contract.

In 2020, AREA Wireless:

- > launched a device buyback option
- > added smartwatch device to the plan
- > expanded options on the device purchasing plan
- > upgraded the member user interface
- > negotiated new contract available early 2021
  - to include unlimited data and no data overage charges

Looking ahead, AREA Wireless will continue to leverage its combined buying power into significant savings.

## AREA Advance

AREA's broker-partnered commission advance service works with AREA member brokers to provide commission advance services to their associates while sharing profits with the broker. Currently, there are 65 broker partners representing a total of 2,808 registered in the program. In 2020, amid the pandemic, Services Corp responded to assist members, by advancing more than \$1.6 million interest-free loans between April and October.

In 2021, AREA Advance will continue to onboard AREA broker members interested in enrolling their brokerage in the program.





# Alberta statistics

Following the launch of Pillar 9™, AREA reconfigured its resale housing statistics reporting to offer better insight into housing market trends.

Instead of reporting based on arbitrary real estate Board/Association boundaries, reporting by AREA economist Ann-Marie Lurie has been aligned to census divisions and municipal boundaries.

By aligning with the provincial government and Statistics Canada, data can be linked and analyzed in the context of population growth, employment figures, and other demographic measurements.

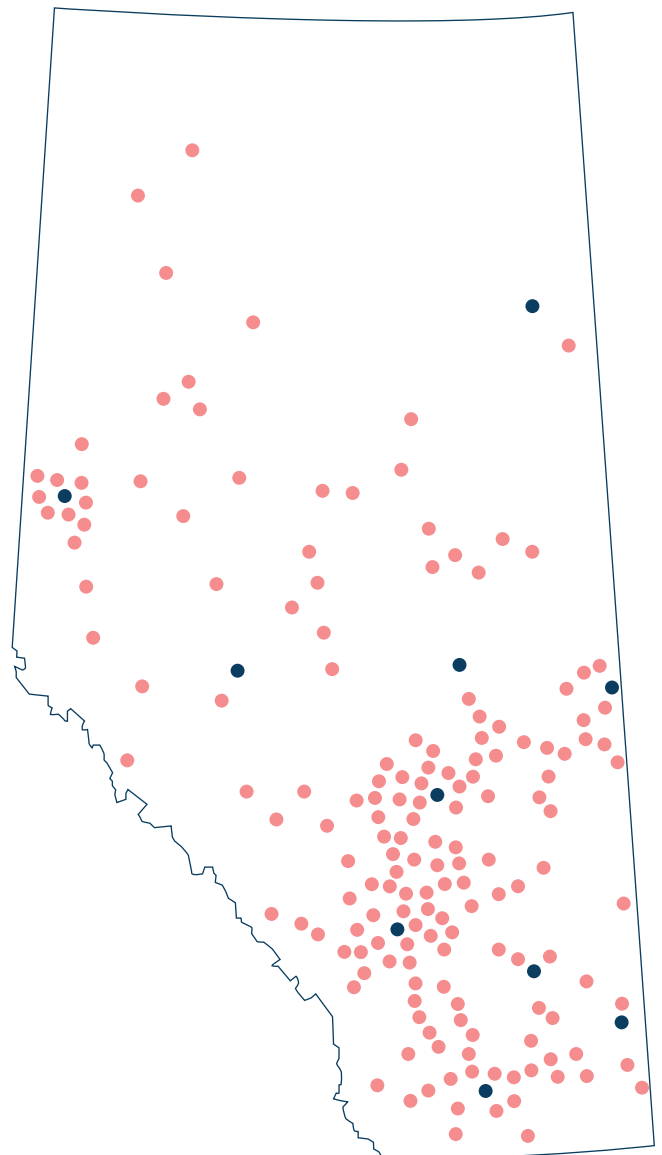
The transition to consistent property types that follow standard reporting conventions used by other agencies like CMHC allow for improved comparability with new and resale home statistics and across jurisdictional boundaries.

In the future: We will be moving toward an interactive dashboard and mapping system.

## ● 175 Reporting Regions

- > Quick summary content and detailed 10-year history
- > Custom data pulls

Pre-2020: **10 Reporting Regions**



# *strategic plan* *2018-2021*



The AREA Board of Directors is proud of the work AREA does on behalf of Alberta REALTORS®. For more than 70 years, AREA has served as the provincial voice for REALTORS®, driving professionalism and advancing real estate as an industry. This 2018-2021 strategic plan is a continuation of AREA's vision, updated for the challenges and opportunities AREA members face today.



- 1. Elevate*
- 2. Advocate*
- 3. Shape*
- 4. Support*
- 5. Ensure*



# 1. Elevate

## the professional excellence of REALTORS®

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AREA values the reputation of REALTORS®. Forms and professional development remain core to AREA services. AREA believes tools and formal or informal learning opportunities can assist REALTORS® in better serving their clients.

### In 2020, AREA:

#### Professional Development

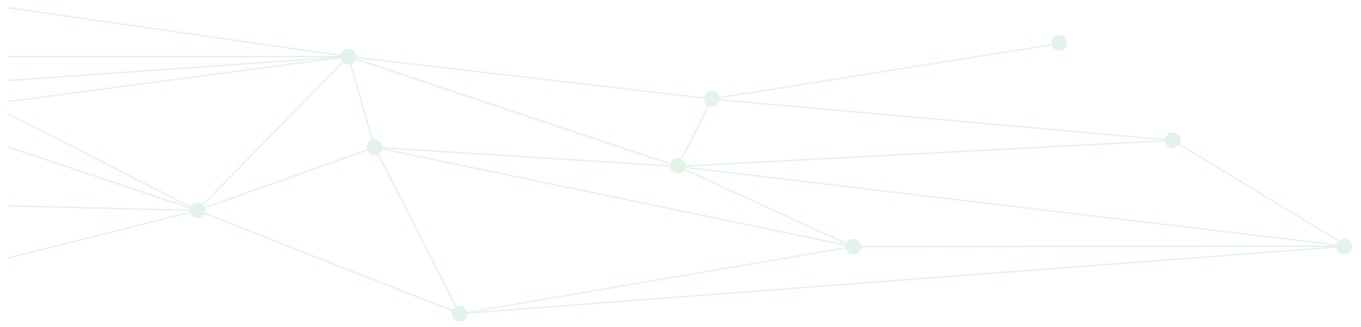
- > Launched its 2020 mandatory Professionalism in Real Estate course, building on the foundational standards by which a REALTOR® can establish themselves as a professional, demonstrating respect towards their clients and their peers.
- > Released monthly episodes of the In Your AREA podcast, providing members with bite-size episodes on topics that will elevate professional excellence in real estate, including the Do Not Call List, condo living, and chattels.
- > Held monthly webinars featuring subject matter experts that dived into topics like becoming a better negotiator, managing conflict, and social media marketing. Webinars were recorded and shared on our website, helping members revisit the content as many times as needed.
- > Diversified AREA's course offerings by building the course catalogue to include courses, such as the Rise Sustainable Real Estate Professional, which provides REALTORS® a

competitive advantage by being able to identify and communicate the benefits of sustainable homes in the market.

- > Piloted the real estate pre-licensing AREA-SAIT partnership program in preparation for transition away from the regulator offering pre-licensing education.

#### Forms

- > Provided COVID-19 Hold Harmless Agreements as optional tools for members to use when showing homes during the pandemic, following consultation with lawyers, brokers, and REIX, and developed related best practice protocols.
- > Joined CREA's WEBForms® Working Group, established July 2020, whose mandate is to provide feedback and guidance on functionality and policy decisions impacting WEBForms® users.



## 2. Advocate

### for a strong real estate environment

AREA values the importance of real estate to Alberta's economy. AREA advocacy is REALTOR®-centric and member driven, focused on influencing provincial public policy and regulation in ways that protect and promote the real estate industry, REALTORS®, and the clients they serve.

#### In 2020, AREA:

##### Real Estate Act

- > Advocated on behalf of REALTORS® for three main asks, all of which were achieved in the passing of the *Real Estate Amendment Act* in the summer, and went into effect on December 1, 2020:
  - **Increased industry voice.** Industry Councils, with three industry-specific members and two public members each, will set all rules for their respective industries, increasing industry-specific representation to 60%.
  - **Renewed focused on regulating.** RECA is prohibited from providing extra-regulatory services, including education.
  - **Enhanced accountability measures.** RECA must provide greater reporting and accountability to licensees and to the Minister.
- > Worked with government and fellow stakeholders on Act transition items, representing the interests of members for an effective, fair regulator.

- > Supported the reduction of power of the RECA Executive Director and the return of rule making abilities to licensees through their respective Industry Councils.

##### Land Transfer

- > Continued to successfully lobby against a land transfer tax. While the tax exists in other provinces, AREA has successfully demonstrated the detrimental impacts to the economy. Given the expected government deficit, we will need to continue this work in 2021.

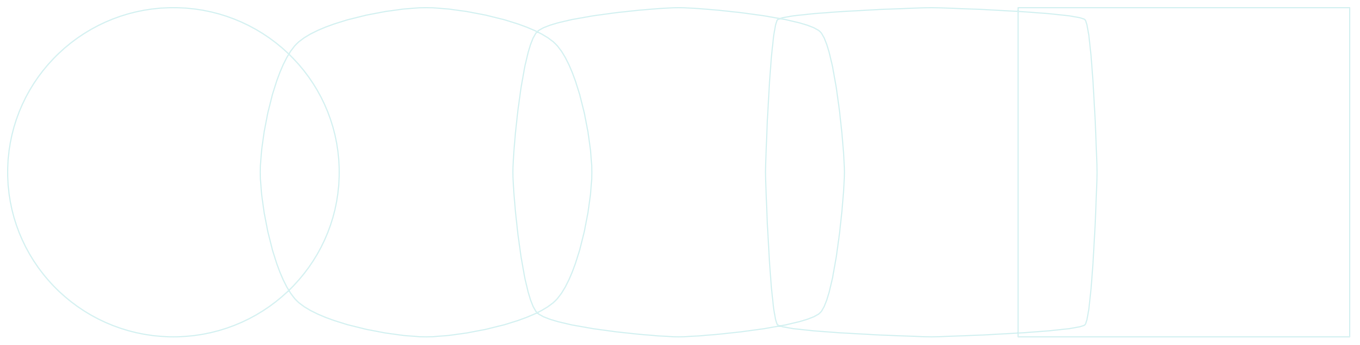
##### Condo Regulation

- > Supported AREA members facing snags in Alberta's implementation of new condo regulations. Issues have included non-compliant fee schedules, delivery turnaround time, and delivery premiums amongst other things.
- > Remained an active participant in government and industry consultations around condominium regulation, education, dispute resolution, and more.

##### Member Advocate

- > Used our Member Advocacy Committee to protect member's rights in legal or regulatory processes that have provincial implications.





## 3. *Shape*

### **the technological transformation of the real estate industry in Alberta**

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AREA values the collective strength of its 10,500+ member voice. AREA will continue to push for improvements where possible, while respecting the integrity and responsibilities of the local Boards.

#### **In 2020, AREA:**

- > Proudly participated as a shareholder in the launch of Pillar 9™ (Alberta One Realty Listing Services Inc.), a provincial MLS® system that united nine of the local Boards/Associations under one system.
- > Aligned housing statistics reporting regions to the census divisions used by Statistics Canada, allowing for better analysis of housing sales data.
- > Launched the REALTOR® and Family Assistance Program, offering free, confidential and anonymous short-term counselling and support related to a wide variety of issues, available at no cost to REALTORS® and their family members.
- > Positioned AREA Wireless users to take advantage of 5G network with more data for the same cost.
- > Promoted and modeled best practice of moving services to virtual spaces in response to pandemic.
- > Transitioned to Demio, a hassle-free webinar platform, providing more interactive and user-friendly learning experiences for REALTORS®.

Moving forward, AREA will evaluate more innovative technological solutions that benefit REALTORS® provincially, through cost or time saved, and will use the strength of its collective voice to negotiate favourable solutions for members.



# 4. *Support*

## **the continued viability of organized real estate**

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AREA values the fabric of organized real estate. AREA defines its role as uniquely provincial in scope – in harmony with local Boards and the national association. In this role, AREA facilitates cooperation among Alberta's local Boards, while being the voice of Alberta REALTORS® with provincial stakeholders and providing provincial services.

### **In 2020, AREA:**

- > Launched the administrative justice program in collaboration with local Boards/Associations, providing fair and consistent services throughout the province regardless of geography.
- > Facilitated harmonization of MLS® system listing statuses to support the implementation of a provincial MLS® system and member reporting practices.
- > Worked with the local Boards/Associations to coordinate provincial positions on COVID-19 related policies around open houses and rules relaxation for showings.
- > Launched the Commission Protection Program, protecting the commissions earned by members in the event that they are not rightfully paid by their brokerage.
- > Contracted executive officer and administrative services to the Lloydminster and South Central Alberta Boards.
- > Hosted governance training for local Boards/Associations leadership.



# 5. *Ensure*

## **AREA's financial sustainability**

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AREA values fiscal prudence. AREA maximizes its value to members through strict attention to operational spending, having cut its annual operating budget by 20 per cent as part of its previous three-year strategic plan, investing dollars and resources where most impactful, and improving affinity programs.

### **In 2020, AREA:**

- > Increased financial assets to offer additional services without increasing member dues.
- > Held expenses while increasing member service offerings and facilitating large scale provincial initiatives.
- > Funded the implementation of a Commission Protection Program.
- > Grew revenue for AREA and saved members money through voluntary member services programs.
- > Moving forward, AREA will maintain its focus on delivering high-caliber services, without raising member dues.

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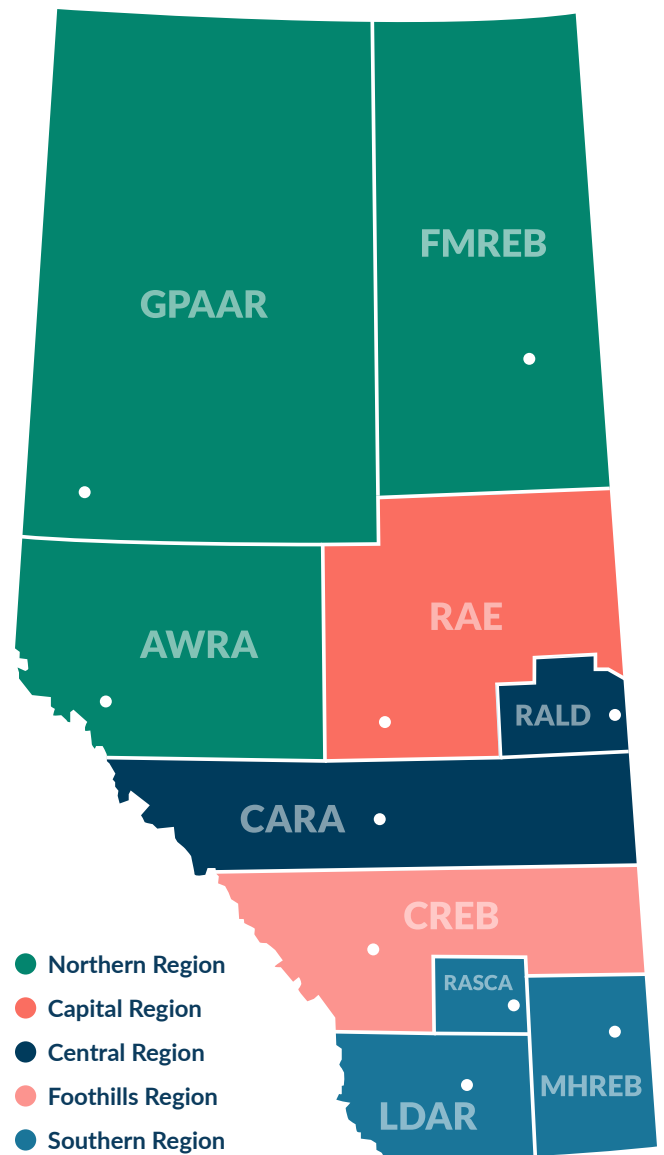
“I am so proud of AREA's response to COVID-19 with dues reduction and introducing REALTOR® & Family Assistance for our members.”

**Jolene Ledene Reimer, AREA Director**

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# regional representation

2020 marked the first year the AREA Board of Directors followed the new governance model. In this model, AREA members are served by three directors-at-large, one public director, and five regional directors: Northern, Capital, Central, Foothills and Southern. An arm's length Nominating Committee vetts candidates via an interview and selection process and proposes a slate for ratification by AREA members at the Annual General Meeting. More information on how to get involved is available on the AREA website.





# regional boards

AREA's membership is comprised of all Alberta REALTORS®, who are also members of at least one of Alberta's 10 local real estate Boards/Associations. These Boards/Associations are key stakeholders for AREA. Together AREA, each regional Board/Association and the Canadian Real Estate Association (CREA) form the foundation for organized real estate and work in tandem to uphold the integrity of the real estate industry.

## ● **AWRA / Alberta West REALTORS® Association**

155 Members

**Executive Officer**

Sandy Atfield

**President**

Sharon Hawboldt

## ● **CREB® / Calgary Real Estate Board**

5,371 Members

**Executive Officer**

Alan Tennant

**Chair**

Sarah Johnston

## ● **CARA / Central Alberta REALTORS® Association**

529 Members

**Executive Officer**

Larry Westergard

**President**

Allan Melbourne

## ● **FMREB/ Fort McMurray Real Estate Board**

118 Members

**Executive Officer**

Olive Wooden

**President**

Katie Ekroth

## ● **GPAAR / Grande Prairie & Area Association of REALTORS®**

246 Members

**Executive Officer**

Karen Close

**President**

Chris Cline

## ● **LDAR / Lethbridge and District Association of REALTORS®**

348 Members

**Executive Officer**

Cathy Maxwell

**President**

Mary Gordon

## ● **MHREB /Medicine Hat Real Estate Board**

130 Members

**Executive Officer**

Randeen Bray

**President**

Dione Todd

## ● **RAE / REALTORS® Association of Edmonton**

3,469 Members

**Executive Officer**

Michael Thompson

**Chair**

Jennifer Lucas

## ● **RALD / REALTORS® Association of Lloydminster & District**

74 Members

**Executive Officer**

Brad Mitchell

**President**

Chris Hassall

## ● **RASCA /REALTORS® Association of South Central Alberta**

52 Members

**Executive Officer**

Brad Mitchell

**President**

Todd Wallace



# management's discussion and analysis



The Alberta Real Estate Association has continued to apply corporate best practices to improve member value and services.

## **Alberta Economy**

Alberta's economy suffered as the pandemic and depressed oil prices and demand hit together, which changed any underlying positive movements within the economy. The jobless rate has remained higher than the national average, at 11.1 per cent in November 2020, versus 8.5 per cent nationally.

COVID-19 dominated the economic environment in 2020, as job losses mounted and unemployment rates rose to record highs. The initial impact on the housing market was significant as shutdowns resulted in a dramatic pullback in sales and new listings across the province.

As the economy started to open through the summer months, the housing market improved. Much of the demand from the spring shifted into the following quarters, yet listings did not match the sales growth resulting in tightening supply and modest improvements in prices. Activity varied depending on price range, product type and location, with gains in many markets being driven by detached home sales. The strength in the market in the middle of the year was not enough to offset earlier pullbacks across most areas of the province.

Alberta now has a significant structural deficit that may need to be rectified through additional revenues. This may mean new taxes or fees. Any additional taxes involving real estate transactions will affect the housing market and, in turn, business for AREA members.

## **COVID-19**

AREA's primary source of revenue is member dues. AREA's healthy financial reserves allowed the Board of Directors to reduce 2020 dues by 25 per cent, resulting in an approximately \$1.2 million reduction in revenue. If the pandemic continues, AREA's ability to provide relief to members is at risk.

AREA membership numbers remained relatively stable – decreasing 0.4 per cent – despite the financial strains of the pandemic and the regulator freezing new entry to the industry because examination centres were closed.

AREA provided liquidity to members in the form of interest-free commission advance loans totaling over \$1.6 million. Backed by sales contracts and short term, these loans remain low risk.

AREA reduced its operational expenses and utilized government COVID-19 relief programs to partially offset the reduction in member dues.

AREA's financial position remains strong however a prolonged pandemic could weaken this position. Loss of membership, reduced ability for members to generate income, and business failures remain significant pandemic risks into 2021.



## Member Advocacy Program

AREA maintains a member advocacy program that assists members when they are treated unfairly by governing authorities. The costs of the program are managed within AREA's budget and identified on AREA's financial statements. Predicting the future costs of the program is difficult as costs depend on the number of requests that meet the criteria for assistance and the complexity of the cases. The AREA board manages the costs based on AREA's financials. If the number and complexity of files increase beyond AREA's financial capacity there is no guarantee that this program can continue.

## Political and Regulatory Landscape

In 2020, years of advocacy work were realized in the passage of significant changes to the *Real Estate Act*. The Act, which was proclaimed on December 1, 2020, reaffirms self-regulation and allows licensees to have significant input. Under its new structure, there will be an opportunity to advocate with RECA through 2021-2022 on improvements to the rules that govern members' day-to-day practice. The focus of AREA's advocacy will be for the regulator to reduce red tape and focus on its tightened mandate. The risk remains that RECA will continue to overreach and ignore its stakeholders.

Two years into a four-year term, and facing significant deficits, the provincial government will be looking to increase its revenue streams. While politicians have been saying they do not intend to raise taxes, it is possible they will raise fees, which is a de facto tax increase. In our industry, the risk lies around land transfer taxes and fees. AREA will continue to advocate for no changes to the current structure as any increase affects housing market access and pricing.

## Structure of Organized Real Estate

In Alberta, REALTORS® are represented locally by their Board/Association, provincially by AREA and federally by the Canadian Real Estate Association (CREA). AREA focuses on matters of provincial scope or relevance, such as professional development, member services and standardized real estate forms. Because real estate is under

provincial jurisdiction, AREA also focuses on advocacy work with the provincial government, the provincial regulator, and key stakeholders.

AREA also provides executive and administrative services to the REALTORS® Association of Lloydminster & District (RALD) and the REALTORS® Association of South Central Alberta (RASCA) on termed contracts. Under management by AREA staff, the two Boards have been able to decrease their operational costs while maintaining their CREA minimum Board standards. Other Boards/Associations may begin examining their structures now that listings are handled externally through Pillar 9™, leading to further changes within Alberta.

## Shareholder

AREA remains a 10 per cent owner in Pillar 9™, a jointly owned provincial MLS® system provider, which migrated nine Boards/Associations' data into one database in 2020. In addition to its voting rights, AREA holds 35 per cent of equity shares on behalf of its members. Risks are evaluated as minimal given the long history of successful MLS® system provision within the province.

## AREA Services Corporation

In its third complete year of operations, AREA Real Estate Services Corporation has demonstrated the ability to fulfil its mandate as a wholly-owned taxable entity.

The Services Corp Board is responsible for providing voluntary services to members and the real estate community. The services delivered include AREA wireless and commission advance. Services Corp is looking to expand its service offerings to include more programs from which members can derive a direct benefit. There is an inherent risk when expending capital to provide these services. There is no guarantee AREA can maintain the current contracts with service providers. Further risks are detailed in the AREA Real Estate Services Corporation's financial statements.





## 2020 financials

>>>>>

"I enjoy being at the forefront of change, being well informed and being able to be an addition to the process. I am passionate about the volunteer work and positive change that I have been fortunate enough to be able to be a part of during my time on the AREA Board.

**Jennifer Gilbert, AREA Director**

ALBERTA REAL ESTATE ASSOCIATION & AREA REAL ESTATE SERVICES CORP  
CONSOLIDATED FINANCIALS – UNAUDITED

	Operating Fund 2020	Assurance Fund 2020	Total 2020	Total 2019
<b>Assets</b>				
<b>CURRENT</b>				
Cash	\$ 994,568	-	\$ 994,568	\$ 1,263,248
Marketable securities	7,572,310	1,241,032	8,813,342	9,664,053
Accounts receivable	661,203	-	661,203	317,160
ARTC receivable	350,870	-	350,870	215,573
Loans receivable	54,985	-	54,985	109,190
Government remittances	-	-	-	2,533
Prepaid expenses	202,941	-	202,941	214,507
Due from related parties	-	-	-	24,987
Other receivables	892,539	-	892,539	892,539
	10,729,416	1,241,032	11,970,448	12,703,790
<b>PROPERTY AND EQUIPMENT</b> <i>(Net of accumulated amortization)</i>	90,132	-	90,132	131,426
<b>LOANS AND NOTES RECEIVABLE</b>	134,890	-	134,890	109,190
<b>INVESTMENT IN PILLAR9</b>	433,865	-	433,865	433,600
<b>TOTAL ASSETS</b>	<b>\$ 11,388,303</b>	<b>\$ 1,241,032</b>	<b>\$ 12,629,335</b>	<b>\$ 13,378,006</b>
<b>Liabilities</b>				
<b>CURRENT</b>				
Accounts payable	\$ 937,860	-	\$ 937,860	\$ 1,034,342
Income taxes payable	11,775	-	11,775	19,806
Government remittances	23,982	-	23,982	-
Deferred income	656,805	-	656,805	428,710
Due to related parties	-	-	-	48,587
	1,630,422	-	1,630,422	1,531,445
<b>DEFERRED INCOME</b>	392,755	-	392,755	593,338
	2,023,177	-	2,023,177	2,124,783
<b>Net Assets</b>				
<b>INVESTED IN CAPITAL ASSETS</b>	90,132	-	90,132	131,427
<b>ASSURANCE FUND</b>	-	1,241,032	1,241,032	(80,000)
<b>RESTRICTED FUND</b>	7,235,003	-	7,235,003	6,286,462
<b>UNRESTRICTED FUND</b>	2,039,991	-	2,039,991	4,915,334
	9,365,126	1,241,032	10,606,158	11,253,223
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 11,388,303</b>	<b>\$ 1,241,032</b>	<b>\$ 12,629,335</b>	<b>\$ 13,378,006</b>



ALBERTA REAL ESTATE ASSOCIATION & AREA REAL ESTATE SERVICES CORP  
CONSOLIDATED FINANCIALS – UNAUDITED – CONTINUED

	Operating Fund 2020	Assurance Fund 2020	Total 2020	Total 2019
<b>REVENUES</b>				
Membership	\$ 3,286,212	-	\$ 3,286,212	\$ 4,472,404
Wireless revenue	3,244,909	-	3,244,909	3,127,916
Other revenue	214,274	-	214,274	295,122
	6,745,395	-	6,745,395	7,895,442
<b>COST OF SALES</b>	2,711,725	-	2,711,725	2,607,366
<b>GROSS PROFIT</b>	4,033,670	-	4,033,670	5,288,076
<b>EXPENSES</b>				
Salaries and wages	2,178,249	-	2,178,249	2,205,660
Office and administrative	842,961	-	842,961	795,843
Consulting and professional fees	714,127	38,723	752,850	650,732
Meetings and travel	293,697	-	293,697	572,974
Amortization	45,640	-	45,640	45,409
Bad debts	1,122	-	1,122	25,651
	4,075,796	38,723	4,114,519	4,296,269
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES FROM OPERATIONS</b>	(42,126)	(38,723)	(80,849)	991,807
<b>OTHER INCOME</b>				
Investment revenue	224,740	-	224,740	263,538
Gain on sale of marketable securities	9,080	-	9,080	1,499
Pillar9	-	-	-	(26,530)
Severance and restructuring expense	-	-	-	(47,650)
Governance and bylaw review	-	-	-	(84,661)
Commission assurance fund	-	(140,245)	(140,245)	(80,000)
Member advocacy fund	(69,756)	-	(69,756)	(93,873)
Real Estate Act review	(247,838)	-	(247,838)	(223,135)
Unrealized gain (loss) on marketable securities	(310,993)	-	(310,993)	444,824
	(394,767)	(140,245)	(535,012)	154,012
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES BEFORE INCOME TAXES</b>	(436,893)	(178,968)	(615,861)	1,145,819
<b>INCOME TAXES</b>	31,202	-	31,202	23,272
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES</b>	<b>\$ (468,095)</b>	<b>\$ (178,968)</b>	<b>\$ (647,063)</b>	<b>\$ 1,122,547</b>

ALBERTA REAL ESTATE ASSOCIATION & AREA REAL ESTATE SERVICES CORP  
CONSOLIDATED FINANCIALS – UNAUDITED – CONTINUED

	Invested in Capital Assets 2020	Assurance Fund 2020	Restricted Fund 2020	Unrestricted Fund 2020	Total 2020	Total 2019
<b>NET ASSETS – Beginning of year</b>	\$ 131,427	\$ (80,000)	\$ 6,286,462	\$ 4,915,334	\$ 11,253,223	\$ 10,130,676
<b>DEFICIENCY OF REVENUES OVER EXPENSES</b>	-	(178,968)	(397,594)	(70,501)	(647,063)	1,122,547
<b>INVESTMENT IN CAPITAL ASSETS</b>	4,345	-	-	(4,345)	-	-
<b>AMORTIZATION OF CAPITAL ASSETS</b>	(45,640)	-	-	45,640	-	-
<b>TRANSFERS</b>	-	1,500,000	1,346,135	(2,846,135)	-	-
<b>NET ASSETS – End of year</b>	<b>\$ 90,132</b>	<b>\$ 1,241,032</b>	<b>\$ 7,235,003</b>	<b>\$ 2,039,993</b>	<b>\$ 10,606,160</b>	<b>\$ 11,253,223</b>

## To the Members of: **Alberta Real Estate Association**

### **Opinion**

I have audited the financial statements of Alberta Real Estate Association (the Company), which comprise the statement of financial position as at October 31, 2020, and the statements of revenues and expenditures, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at October 31, 2020, and the results of its operations and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO).

### **Basis for Opinion**

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the Company in accordance with ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with ASNPO, 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.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- > Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- > Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- > Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- > Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- > Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.



Diana Hanevelt, CPA, CA, CGA

DIANA HANEVELT PROFESSIONAL CORPORATION  
CHARTERED PROFESSIONAL ACCOUNTANT

Calgary, Alberta • December 23, 2020

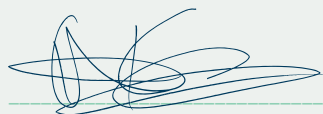


CZECHOWSKY, GRAHAM & HANEVELT  
CHARTERED PROFESSIONAL ACCOUNTANTS  
• AN ASSOCIATION OF PROFESSIONAL PRACTICES •

ALBERTA REAL ESTATE ASSOCIATION  
STATEMENT OF FINANCIAL POSITION – OCTOBER 31, 2020

	Operating Fund 2020	Assurance Fund 2020	Total 2020	Total 2019
<b>Assets</b>				
<b>CURRENT</b>				
Cash	\$ 317,842	-	\$ 317,842	\$ 249,968
Short-term investments – Note 5	7,572,310	1,241,032	8,813,342	9,664,053
Accounts receivable	327,969	-	327,969	127,792
Prepaid expenses	202,528	-	202,528	214,132
Due from related parties – Note 6	19,799	-	19,799	24,987
Other current receivable	892,539	-	892,539	892,539
Government remittances	-	-	-	3,436
	9,332,987	1,241,032	10,574,019	11,176,907
<b>PROPERTY AND EQUIPMENT</b> <i>(Net of accumulated amortization) – NOTE 9</i>	90,132	-	90,132	131,426
<b>INVESTMENT IN SUBSIDIARY – NOTE 7</b>	559,736	-	559,736	331,031
<b>INVESTMENT IN PILLAR9 – NOTE 8</b>	433,865	-	433,865	433,600
<b>TOTAL ASSETS</b>	<b>\$ 10,416,720</b>	<b>\$ 1,241,032</b>	<b>\$ 11,657,752</b>	<b>\$ 12,072,964</b>
<b>Liabilities</b>				
<b>CURRENT</b>				
Accounts payable – Note 10	\$ 916,411	-	\$ 916,411	\$ 792,525
Goods and services tax payable	59,797	-	59,797	-
Deferred income	97,838	-	97,838	2,917
Due to related parties – Note 6	-	-	-	23,600
	1,074,046	-	1,074,046	819,042
<b>Net Assets</b>				
INVESTED IN CAPITAL ASSETS	90,132	-	90,132	131,427
ASSURANCE FUND	-	1,241,032	1,241,032	(80,000)
RESTRICTED FUND – NOTE 12	7,235,003	-	7,235,003	6,286,462
UNRESTRICTED FUND	2,017,539	-	2,017,539	4,916,033
	9,342,674	1,241,032	10,583,706	11,253,922
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 10,416,720</b>	<b>\$ 1,241,032</b>	<b>\$ 11,657,752</b>	<b>\$ 12,072,964</b>

Approved on behalf of the board:



Director



CEO



ALBERTA REAL ESTATE ASSOCIATION  
STATEMENT OF REVENUES AND EXPENDITURES FOR THE YEAR ENDED OCTOBER 31, 2020

	Operating Fund 2020	Assurance Fund 2020	Total 2020	Total 2019
<b>REVENUES</b>				
Membership fees	\$ 3,286,212	-	\$ 3,286,212	\$ 4,472,404
Other revenue	121,166	-	121,166	66,036
Education	11,978	-	11,978	13,396
Conferences	-	-	-	180,516
	3,419,356	-	3,419,356	4,732,352
<b>EXPENSES</b>				
Salaries and benefits	1,920,640	-	1,920,640	1,986,643
Consulting	445,147	-	445,147	406,245
Rent and operating costs	306,809	-	306,809	260,995
General and administrative	282,280	-	282,280	395,661
Professional fees	238,754	38,723	277,477	206,016
Conferences and events	179,187	-	179,187	340,675
Education	118,974	-	118,974	77,019
Meetings and travel	112,044	-	112,044	223,562
Provincial administration justice program	79,995	-	79,995	-
Employee and family assistance program	15,075	-	15,075	-
	3,698,905	38,723	3,737,628	3,896,816
<b>(DEFICIENCY) EXCESS OF REVENUES OVER EXPENSES BEFORE INVESTMENT INCOME AND OTHER ITEMS</b>	<b>(279,549)</b>	<b>(38,723)</b>	<b>(318,272)</b>	<b>835,536</b>

	Operating Fund 2020	Assurance Fund 2020	Total 2020	Total 2019
<b>INVESTMENT INCOME</b>				
Equity income from subsidiary	\$ 228,705	-	\$ 228,705	\$ 179,116
Investment income	224,740	-	224,740	263,538
Realized gains on disposal of investments	9,080	-	9,080	1,499
Unrealized (losses) gains on short-term investments	(310,993)	-	(310,993)	444,824
	151,532	-	151,532	888,977
<b>OTHER ITEMS</b>				
Real Estate Act review	247,835	-	247,835	223,134
Commission assurance fund	-	140,245	140,245	80,000
Member advocacy fund	69,756	-	69,756	93,873
Amortization of capital assets	45,640	-	45,640	45,409
Governance and bylaw review	-	-	-	84,661
Severance and restructuring	-	-	-	47,650
Pillar9 general & administrative expenses – Note 8	-	-	-	26,530
	363,231	140,245	503,476	601,257
<b>(DEFICIENCY) EXCESS OF REVENUES OVER EXPENSES FOR THE YEAR</b>	<b>\$ (491,248)</b>	<b>\$ (178,968)</b>	<b>\$ (670,216)</b>	<b>\$ 1,123,256</b>

ALBERTA REAL ESTATE ASSOCIATION  
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED OCTOBER 31, 2020

	Invested in Capital Assets	Assurance Fund	Restricted Fund	Unrestricted Fund	Total 2020	Total 2019
<b>NET ASSETS – Beginning of year</b>	\$ 131,427	\$ (80,000)	\$ 6,286,462	\$ 4,916,033	\$ 11,253,922	\$ 10,130,666
<b>DEFICIENCY OF REVENUES OVER EXPENSES</b>	-	(178,968)	(397,594)	(93,654)	(670,216)	1,123,256
<b>INVESTMENT IN CAPITAL ASSETS</b>	4,345	-	-	(4,345)	-	-
<b>AMORTIZATION OF CAPITAL ASSETS</b>	(45,640)	-	-	45,640	-	-
<b>TRANSFERS</b>	-	1,500,000	1,346,135	(2,846,135)	-	-
<b>NET ASSETS – End of year</b>	<b>\$ 90,132</b>	<b>\$ 1,241,032</b>	<b>\$ 7,235,003</b>	<b>\$ 2,017,539</b>	<b>\$ 10,583,706</b>	<b>\$ 11,253,922</b>

ALBERTA REAL ESTATE ASSOCIATION  
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED OCTOBER 31, 2020

	2020	2019
<b>OPERATING ACTIVITIES</b>		
(Deficiency) excess of revenues over expenses	\$ (670,216)	\$ 1,123,256
Item not affecting cash:		
Amortization of capital assets	45,640	45,409
Gain on disposal of investments	(9,080)	(1,499)
Unrealized (losses) gains on short-term investments	310,993	(444,824)
Equity income from subsidiary	(228,705)	(179,116)
Write-down of capital assets	-	27,242
	(551,368)	570,468
Changes in non-cash working capital:		
Accounts receivable	(200,177)	80,493
Interest receivable	3,128	(5,947)
Prepaid expenses	11,604	294,278
Accounts payable	123,885	(15,924)
Government remittances	63,233	10,595
Deferred income	94,921	2,917
Other current receivable	-	(892,539)
	96,594	(526,127)
Cash flow (used by) from operating activities	(454,774)	44,341
<b>INVESTING ACTIVITIES</b>		
Purchase of capital assets	(4,345)	(23,630)
Decrease (increase) in short-term investments	266,623	(1,201,689)
Advances to (from) subsidiary	5,188	(256,611)
Investment in Pillar9	(423,865)	(10,000)
Loan repayment from Pillar9	400,000	(400,000)
Cash flow from (used by) investing activities	243,601	(1,891,930)
<b>DECREASE IN CASH FLOW</b>	(211,173)	(1,847,589)
<b>CASH - Beginning of year</b>	1,462,709	3,310,299
<b>CASH - End of year</b>	<b>\$ 1,251,536</b>	<b>\$ 1,462,710</b>
<b>CASH CONSISTS OF:</b>		
Cash	\$ 317,842	\$ 249,968
Cash and cash equivalents included in short-term investments	933,695	1,212,741
	<b>\$ 1,251,537</b>	<b>\$ 1,462,709</b>

**NOTE 1 Incorporation and Purpose of the Association**

Alberta Real Estate Association (the "Association") is a not-for-profit organization incorporated provincially 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.

**NOTE 2 Basis of Presentation**

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNFPPO).

**NOTE 3 Change in Accounting Policies**

During the year, the Association changed their policies to follow fund accounting within the deferral method. The changes resulted in the Assurance Fund activity included in a separate column from the other operations.

The prior year paid out \$80,000 on claims from the Assurance Fund. Therefore, the statement of operations would have a deficiency of \$80,000 in the Assurance Fund, and an excess of revenues over expenses in the Operating Fund of \$1,203,256, with a total excess of revenues over expenses of \$1,123,256. The ending Net Assets for the Assurance Fund would be -\$80,000, and the Unrestricted Fund would be \$4,916,033.

**NOTE 4 Summary of Significant Accounting Policies****Fund Accounting**

Alberta Real Estate Association follows the deferral method of accounting for contributions, and fund accounting.

The Assurance Fund reports the assets, liabilities, revenue and expenses related to the operations of the Assurance Fund. AREA maintains a commission assurance fund to assist members when their commissions are unpaid by their broker.

The Operating Fund reports the assets, liabilities, revenue and expenses for all other areas, including the internally restricted funds as disclosed in note 12.

**Cash and Cash Equivalents**

Cash includes cash and cash equivalents.



**NOTE 4   Summary of Significant Accounting Policies – continued**

**Financial Instruments Policy**

The organization 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 organization 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, short term investments, accounts receivable, other current receivables, and due from related parties.

Financial liabilities measured at amortized cost on a straight-line basis include accounts payable and accrued liabilities, and due to related parties.

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.

For financial assets measured at cost or amortized cost, the organization determines whether there are indications of possible impairment. When there is an indication of impairment, and the organization 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.

**Foreign Currency Translation**

The organization 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 organization does not use derivative financial instruments to mitigate its exposure to foreign currency risk.

**Investment in Subsidiary**

The organization accounts for its wholly owned subsidiary AREA Real Estate Services Corporation using the equity method.

**Capital Assets**

Capital assets are stated at cost or deemed cost less accumulated amortization and are amortized over their estimated useful lives on a straight-line basis at the following rates and methods:

Information technology	5 years straight-line method
Office furnishings	5 years straight-line method
Office equipment	3 years straight-line method

Capital assets acquired during the year but not placed into use are not amortized until they are placed into use.

**NOTE 4 Summary of Significant Accounting Policies – continued****Impairment of Long Lived Assets**

Long-lived assets consist of capital assets. The organization 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.

**Revenue Recognition**

The organization 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.

**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.

**NOTE 5 Short-Term Investments**

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

	2020		2019	
	Cost	Market Value	Cost	Market Value
Cash and cash equivalents	\$ 933,694	\$ 933,694	\$ 1,212,741	\$ 1,212,741
	933,694	933,694	1,212,741	1,212,741
Fixed Income				
Canadian	2,788,193	2,914,884	3,794,487	3,855,727
U.S.	715,938	759,858	407,718	423,609
Foreign	155,150	157,441	103,350	102,888
	3,659,281	3,832,183	4,305,555	4,382,224
Equity				
Canadian	1,584,288	2,347,879	1,251,756	2,318,906
U.S.	572,574	1,291,412	488,679	1,338,957
Foreign	319,758	408,174	350,585	411,225
	2,476,620	4,047,465	2,091,020	4,069,088
	<b>\$ 7,069,595</b>	<b>\$ 8,813,342</b>	<b>\$ 7,609,316</b>	<b>\$ 9,664,053</b>

**NOTE 6 Due from Related Parties**

	2020	2019
Due from AREA Services Corporation (subsidiary)	\$ 19,799	\$ 24,987
Due from Pillar9	-	(23,600)
	<b>\$ 19,799</b>	<b>\$ 1,387</b>

Advances from a related company are non-interest bearing and have no set repayment terms.

**NOTE 7 Investment in Subsidiary**

The organization has an investment in a wholly-owned taxable entity called the AREA Real Estate Services Corporation ("the Company"). The Company was set up as a taxable entity in order to be able to provide programs that are integral to members' businesses at a cost savings to them and not risk AREA's not-for-profit status.

At October 31, 2020, the financial statements of the subsidiary company consisted of:

	2020	2019
Total assets	\$ 1,586,933	\$ 1,636,975
Total liabilities	1,004,753	1,305,945
Equity	582,180	330,322
Revenue	3,326,038	3,163,090
Expenses	3,074,180	2,984,683

**NOTE 8 Investments in Pillar9**

The organization has invested in Alberta One Realty Listing Services Inc. (operating as Pillar9), an entity established to operate a single Multiple Listing Service to serve the REALTOR® members of the ten foundation real estate boards/association in the province of Alberta. The investment consists of 10,000 Class A Common Shares.

	2020
10,000 Class A Common Shares	\$ 10,000
423,860 Class C Common Non-Voting Shares	423,865
	<u>\$ 433,865</u>

During the year, the organization incurred \$nil (2019 – \$26,530) of expenditures relating to the development of this initiative.

**NOTE 9 Capital Assets**

	2020		2019
	Cost	Accumulated Amortization	Net Book Value
Equipment	\$ 31,679	\$ 23,569	\$ 8,110
Information technology	148,450	81,630	66,820
Office furnishings	74,514	59,312	15,202
	<u>\$ 254,643</u>	<u>\$ 164,511</u>	<u>\$ 90,132</u>
			<u>\$ 131,427</u>

**NOTE 10 Corporate Credit Cards**

The organization has corporate Visa credit cards with a combined credit limit of \$102,000 (2019 – \$102,000). Included in accounts payable and accrued liabilities is the combined outstanding amounts on these credit cards of \$16,842 (2019 – \$4,760).

**NOTE 11 Lease Commitments**

The organization has commitments under various operating leases for office space and office equipment, expiring between April 2022 and May 2027 as follows:

2021	\$ 236,032	2024	\$ 259,724
2022	245,903	2025	259,724
2023	259,724	Thereafter	411,229

**NOTE 12 Restricted Net Assets**

At October 31, 2020, the organization has internally restricted net assets to be used for the purposes and amounts as follows:

**Member Services**

The organization allocated funds to host events and to provide access to education resources for its members. The balance available is \$148,818 (2019 – \$148,818).

**NOTE 12 Restricted Net Assets – continued****Business Continuity**

The organization 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. The balance available is \$6,780,923 (2019 – \$5,280,923).

**Real Estate Act Review**

The organization used funds for fees associated with this initiative. The balance available is \$5,674 (2019 – \$53,512).

**Member Advocacy Fund**

The organization maintains funds for the work undertaken by the Member Advocacy Committee. The balance available is \$233,453 (2019 – \$303,209).

**PILLAR9 Fund**

During the year, the organization used funds for implementation of PILLAR9. The balance available is \$66,135 (2019 – \$500,000).

**NOTE 13 Financial Instruments**

The company 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 organization 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 organization is exposed to any significant credit, interest rate, liquidity, or other price risk.

**(a) 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 organization's investments in publicly traded securities expose them to market risk as such investments are subject to price changes in the open market. The organization does not use derivative financial instruments to mitigate its exposure to market risk.

**(b) 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 organization 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 organization does not use derivative financial instruments to mitigate its exposure to currency risk.

Unless otherwise noted, it is management's opinion that the company is not exposed to significant other price risks arising from these financial instruments.



**NOTE 14 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.

**NOTE 15 Significant Events**

On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic. As a result, there has been a downturn in many economic factors that may have a negative effect on the financial instruments and cash flow of the organization. The impact of COVID-19 on the global economy and financial markets are evolving and the potential impact on the organization is uncertain and cannot be quantified at this time. It is management's expectation that the impacts of the virus will not affect the organization's ability to operate as a going concern.



## 2020 financials

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"I believe 2021 may bring with it many of the same challenges as 2020 and more; however, I am confident that the AREA Board will continue to handle these challenges quickly and effectively to benefit our fellow REALTORS®."

**Marc Aubin, AREA Director**

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## To the Shareholders of: **AREA Real Estate Services Corporation**

### **Opinion**

I have audited the financial statements of AREA Real Estate Services Corporation (the Company), which comprise the balance sheet as at October 31, 2020, and the statements of income and cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at October 31, 2020, and the results of its operations and cash flow for the year then ended in accordance with Canadian accounting standards for private enterprises (ASPE).

### **Basis for Opinion**

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the Company in accordance with ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with ASPE, 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.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- > Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- > Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- > Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- > Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- > Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.



Diana Hanevelt, CPA, CA, CGA

DIANA HANEVELT PROFESSIONAL CORPORATION  
CHARTERED PROFESSIONAL ACCOUNTANT

Calgary, Alberta • December 23, 2020



CZECHOWSKY, GRAHAM & HANEVELT  
CHARTERED PROFESSIONAL ACCOUNTANTS  
• AN ASSOCIATION OF PROFESSIONAL PRACTICES •

AREA REAL ESTATE SERVICES CORPORATION  
BALANCE SHEET – OCTOBER 31, 2020

	2020	2019
<b>Assets</b>		
<b>CURRENT</b>		
Cash	\$ 676,726	\$ 1,013,280
Accounts receivable - Note 4	333,234	189,367
AREA Advance loan receivable	350,870	215,573
Wireless device loans receivable – current - Notes 4, 5	54,985	109,190
Government remittances	35,815	-
Prepaid expenses	413	375
	1,452,043	1,527,785
<b>WIRELESS DEVICE LOANS RECEIVABLE – NOTE 5</b>	134,890	109,190
<b>TOTAL ASSETS</b>	<b>\$ 1,586,933</b>	<b>\$ 1,636,975</b>
<b>Liabilities</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities	\$ 21,457	\$ 241,826
Income taxes payable	11,775	19,806
Deferred revenue – vendor incentives	558,967	425,793
Government remittances	-	903
	592,199	688,328
<b>DEFERRED REVENUE – VENDOR INCENTIVES – NOTE 7</b>	392,755	593,338
<b>DUE TO ALBERTA REAL ESTATE ASSOCIATION – NOTE 6</b>	19,799	24,987
	1,004,753	1,306,653
<b>Shareholder's Equity</b>		
<b>SHARE CAPITAL - NOTE 9</b>	10	10
<b>RETAINED EARNINGS</b>	582,170	330,312
	582,180	330,322
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 1,586,933</b>	<b>\$ 1,636,975</b>

Approved on behalf of the board:



Director



CEO



AREA REAL ESTATE SERVICES CORPORATION  
STATEMENT OF INCOME – OCTOBER 31, 2020

	2020	2019
<b>REVENUES</b>		
AREA Wireless – plan rates and charges	\$ 3,244,909	\$ 3,127,916
PST recoverable	53,472	-
AREA Advance – interest	27,657	35,174
	3,326,038	3,163,090
<b>COST OF SALES</b>		
AREA Wireless	2,691,546	2,594,283
AREA Advance - administration fees	20,179	13,082
	2,711,725	2,607,365
<b>GROSS PROFIT</b>	614,313	555,725
<b>EXPENSES</b>		
Salaries and benefits	257,609	230,392
Professional fees	30,227	27,096
General and administration	19,996	11,687
Business development	9,448	25,960
Advertising and promotion	7,356	16,570
Meetings and travel	2,466	8,737
Insurance	1,613	1,125
Interest and bank charges	1,416	6,828
Provision for uncollectible AREA Wireless accounts	1,122	25,651
	331,253	354,046
<b>INCOME BEFORE INCOME TAXES</b>	283,060	201,679
<b>INCOME TAXES - NOTE 8</b>	31,202	23,272
<b>NET INCOME</b>	251,858	178,407
<b>RETAINED EARNINGS - BEGINNING OF YEAR</b>	330,312	151,905
<b>RETAINED EARNINGS - END OF YEAR</b>	<b>\$ 582,170</b>	<b>\$ 330,312</b>

AREA REAL ESTATE SERVICES CORPORATION  
STATEMENT OF CASH FLOWS – OCTOBER 31, 2020

	2020	2019
<b>OPERATING ACTIVITIES</b>		
Net income	\$ 251,858	\$ 178,407
Changes in non-cash working capital:		
Accounts receivable	(279,164)	(170,116)
Wireless device loans receivable	28,505	(33,892)
Prepaid expenses	(38)	(375)
Accounts payable and accrued liabilities	(220,368)	(16,341)
Income taxes payable	(8,031)	(1,138)
Government remittances	(36,718)	(29,588)
Deferred revenue – vendor incentives	(67,410)	556,004
	(583,224)	304,554
Cash flow (used by) from operating activities	(331,366)	482,961
<b>FINANCING ACTIVITY</b>		
Advances (to) from related parties	(5,188)	256,611
<b>(DECREASE) INCREASE IN CASH FLOW</b>	(336,554)	739,572
<b>CASH – Beginning of year</b>	1,013,280	273,708
<b>CASH – End of year</b>	<b>\$ 676,726</b>	<b>\$ 1,013,280</b>

### **NOTE 1 Description of Operations**

AREA Real Estate Services Corporation (the "Company") is incorporated provincially under the Business Corporations Act of Alberta.

The Company is a wholly-owned subsidiary of the Alberta Real Estate Association, which is a not-for-profit organization, incorporated under the Societies Act of Alberta.

The Company was set up as a taxable entity in order to be able to provide programs that are integral to members' businesses at a cost savings to them and not risk AREA's not-for-profit status.

### **NOTE 2 Basis of Presentation**

The financial statements were prepared in accordance with Canadian accounting standards for private enterprises (ASPE).

### **NOTE 3 Summary of Significant Accounting Policies**

#### **Cash and cash equivalents**

Cash includes cash and cash equivalents.

#### **Financial instruments policy**

The Company 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 Company subsequently measures all its financial assets and liabilities at cost or amortized cost. 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, due from related parties, loans receivable, and long-term loan and notes receivable.

Financial liabilities measured at amortized cost on a straight-line basis include accounts payable, accrued liabilities, and due to related parties.

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.

For financial assets measured at cost or amortized cost, the Company determines whether there are indications of possible impairment. When there is an indication of impairment, and the Company 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.

**NOTE 3 Summary of Significant Accounting Policies – continued****Revenue recognition**

Wireless revenue is recognized in the period that the service was provided. Interest on advances are recognized when the contract is complete. Vendor incentives are recognized into revenue over a three year period. All other revenue is recognized when received.

**Income Taxes**

The Company uses the taxes payable method of accounting for income taxes. Under the taxes payable method, the Company includes only the cost, or benefit, of current income taxes in earnings for the period, as determined in accordance with the rules established by relevant tax authorities.

**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 earnings in the period in which they become known. The valuation of the allowance for doubtful accounts is the most significant financial statement item that involves the use of estimates.

**NOTE 4 Accounts Receivable**

	2020	2019
Accounts Receivable	\$ 333,234	\$ 215,018
Allowance for Doubtful Accounts	-	(25,651)
	<b>\$ 333,234</b>	<b>\$ 189,367</b>

**NOTE 5 Wireless Device Loans**

The Company offers device loans as a retention and growth strategy for the AREA Wireless Plan. The loan allows the member to acquire a new wireless device and the value of the loan is then amortized into wireless expense over the twenty-four month term of the wireless device loan contract.

	2020	2019
Opening balance	\$ 218,380	\$ 184,488
Wireless device loans approved in the year	282,351	125,072
Device loans collected	(310,856)	(91,180)
	189,875	218,380
Portion of device loans to be collected in the next year	(54,985)	(109,190)
Portion of device loans to be collected in subsequent years	<b>\$ 134,890</b>	<b>\$ 109,190</b>

**NOTE 6 Due to Related Parties**

The amount due to Alberta Real Estate Association does not bear interest, has no fixed terms of repayment and is due on demand. Transactions with the Alberta Real Estate Association were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration negotiated and agreed to by the parties.

**NOTE 7 Vendor Incentives**

The Company receives incentives from the AREA Wireless service provider according to the contract terms. The credits are then amortized into revenue over a three year period.

	2020	2019
Opening balance	\$ 1,019,131	\$ 463,129
Activation credits received in the year	399,523	1,343,227
Activation credits recognized in revenue	(466,932)	(787,225)
	951,722	1,019,131
Portion of activation credit to be recognized in the next year	(558,967)	(425,793)
Portion of activation credits to be recognized in subsequent years	<b>\$ 392,755</b>	<b>\$ 593,338</b>

**NOTE 8 Income Taxes**

The income tax provision recorded differs from the income tax obtained by applying the statutory income tax rate of 37.49% (2019 26.67%) to the income for the year and is reconciled as follows:

	2020	2019
Income before income taxes	\$ 283,060	\$ 201,679
Income tax expense at the combined basic federal and provincial tax rate	106,119	53,788
(DECREASE) INCREASE RESULTING FROM:		
Small business deduction	(68,353)	(32,285)
Non-deductible expenses	352	1,769
Effective tax expense	<b>\$ 38,118</b>	<b>\$ 23,272</b>

**NOTE 9 Share Capital**

	2020	2019
<b>ISSUED:</b>		
1,000 Class A Common Voting Shares	<b>\$ 10</b>	<b>\$ 10</b>

**NOTE 10 Financial Instruments**

The Company is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the Company's risk exposure and concentration as of October 31, 2020.

The Company 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 Company is exposed to any significant interest rate, currency, market, liquidity or other price risk.

**Credit Risk**

The Company is exposed to credit risk with respect to its accounts receivable through the following programs:

Credit risk for the AREA Wireless program arises when the Company pays the wireless account for its members and awaits the members to pay their wireless bill. In order to reduce this credit risk, the Company has policies in place, such as the requirement to have credit cards on file to automate bill payment and collection policies on unpaid accounts to mitigate risk. In addition, the Company maintains provisions for potential credit losses. Any losses incurred to date have been within management's expectations.

Credit risk for the AREA Advance program is the risk of default on loans made to AREA members when advancing commissions on transactions. Risk is mitigated by management policies that obligate multiple parties to repay the loan, limiting the maximum amount of the loans, and the maximum amount that the Company can have outstanding. To date there have been no default on any loans.

Unless otherwise noted, it is management's opinion that the Company is not exposed to significant other price risks arising from these financial instruments.

**NOTE 11 Significant Events**

On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic. As a result, there has been a downturn in many economic factors that may have a negative effect on the financial instruments and cash flow of the Company. The impact of COVID-19 on the global economy and financial markets are evolving and the potential impact on the organization is uncertain and cannot be quantified at this time. It is management's expectation that the impacts of the virus will not affect the Company's ability to operate as a going concern.



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