

STRONGER TOGETHER

CONTENTS

Our annual report provides AREA members and industry stakeholders an overview of our November 1, 2017 – October 31, 2018 fiscal year.

2

MEMBERSHIP
BENEFITS

4

AREA BY
THE NUMBERS

6

MESSAGE FROM
THE PRESIDENT

8

MESSAGE FROM
THE CEO

9

STRATEGIC PLAN
2018–2021

15

BOARD OF
DIRECTORS

16

REGIONAL
BOARDS

17


AREA
FINANCIALS

30

MANAGEMENT'S
DISCUSSION
& ANALYSIS

32

AREA REAL ESTATE
SERVICES CORP



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.

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.

Membership Benefits

How are your
\$31²⁵/month
member dollars
used to benefit you?

-  *The source for provincial forms*
-  *Member advocacy*
-  *Government advocacy*
-  *Professional development*
-  *Member services*

Unlocking greater access than ever before for our members.

As REALTORS®, AREA members are dedicated to serving clients. We know that the more information you have, the better you can inform your clients. In 2018, AREA successfully advocated for additional weekend hours for SPIN2 land titles spatial information system.



11 hrs of additional access
to land titles each weekend

2,170/M

2,170 Data Co-op visits per month.

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

We focus on providing benefits to you, our member, that equate to cash back in your pocket. At AREA, any revenue generated from your member benefits are reinvested directly into Alberta's real estate industry – continuing to enhance this industry for you, our members.

\$450/YR

Members using AREA Wireless
save on average \$450 annually.

\$498.5K

Loaned through AREA Advance in 2018,
a commission advance service for Alberta
REALTORS®.



In 2018, AREA members voted for AREA
to implement commission protection
insurance, paid within existing dues.

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 a year (covered within your dues). We offer courses and educational resources to ensure you're always up to date on the topics that are most relevant to you.

14,493

Online courses completed

1,362

In Your AREA podcast listens

AREA by the Numbers

Number of members

10,752

LAST YEAR
10,666

YOY INCREASE
0.8%

Number of brokerages

687

LAST YEAR
668

BROKERAGES ≥ 5
221

albertarealtor.ca visits/month



15,368

- 79.3% / DESKTOP
- 22.1% / MOBILE
- 6.6% / TABLET

Weekly active users

3,546

PAGES / SESSION
6

WEBForms® and Repree™

13,587

WEBFORMS® USERS

2,359

REPREE™ UNIQUE USERS

86,029

TRANSACTIONS
CREATED

26,873

TRANSACTIONS
CREATED

AREA Wireless subscribers

2,993

LAST YEAR
1,525

YOY INCREASE
196%

Crown Land sales

\$11.9M SALES

IN 2018, AREA FACILITATED
\$11,920,500 IN CROWN LAND SALES

OVER \$3M

ESTIMATED SAVINGS
FOR MEMBERS

Post secondary
scholarships awarded

\$5,000

AMOUNT
\$2,500 X 2

Social media



LIKES
1,568



FOLLOWERS
5,276

Message from the President

2018 has been a year of progress and evolution for Alberta REALTORS®. It takes courage to take a new path and I am proud of the work done by the leaders of our local Boards, AREA members, the AREA Board of Directors, and our staff to lead our industry toward a more sustainable and prosperous future for our members.

At our AGM in Grande Prairie in January 2018, we presented AREA's 2018 – 2021 strategic plan. This plan built on a strong 70-year foundation of success that is focused on ensuring career sustainability for REALTORS®. Even amidst turbulent economic times, Alberta REALTORS® remain leaders in industry best practices, professional development and client service.

Together we have made progress on innovative, game-changing projects this year. In October, AREA members voted for the creation of a commission protection insurance program that will benefit members for years to come. The local Boards/Associations have worked closely with AREA toward a provincial MLS system, which was identified as members' number one priority during our strategic planning. The AREA Governance Committee tackled a bylaw review that envisions a stronger governance structure to carry AREA into the future.

AREA Advance has partnered with several brokers to offer their associates commission advances. Our advocacy team has positioned us well heading into a provincial election year, and our education partnership with SALT will provide more opportunities for members to enhance their professionalism.

Thank you to the AREA Board of Directors and the AREA staff for their hard work, commitment and support. I feel blessed to have had the opportunity and the privilege of working with you.

I am pleased to pass the torch to Jennifer Gilbert. Jennifer's experience and vibrance will bring new energy to AREA and continued progress for our members in the year to come.

D'ARCY DONALD
AREA PRESIDENT



If you are interested in a volunteer position on one of our committees or have recommendations, please reach out to an AREA board member or AREA staff.



“

*To say we've taken strides
as an industry in 2018
is an understatement.
Innovative policies, programs,
and professionalism have
emerged as the key outcomes
from the smart work and
dedication all REALTORS®
commit to our practices.”*

D'ARCY DONALD *President*

Message from the CEO

When I transitioned to the CEO role in January 2018, I knew we were facing another transformative year at AREA. AREA's Board of Directors is unafraid of change and enthusiastic about putting member needs first.

Coming from my role as Managing Director, Advocacy and Finance, I was confident in AREA's ability to execute the Board's strategic vision. Building on the last several years, our 2018 advocacy wins on condo regulations and SPIN2 hours demonstrate AREA's transformation into an effective and trusted advocacy organization.

The operational rigour we have implemented in recent years put AREA in the position where we could offer commission protection insurance to our members without increasing annual member dues. Given the millions of dollars in commissions payments members have collectively lost in recent years, it was no surprise when members voted in favour of the insurance product. AREA and the Real Estate Insurance Exchange (REIX) are currently consulting with brokers to operationalize this new program in 2019.

AREA's Board of Directors also launched a significant bylaw review that looked critically at AREA's current governance structure and how it could be strengthened to serve members better in the future. AREA membership will vote on the recommended bylaw changes at its Annual General Meeting.

After evaluating the AREA member needs assessment conducted in fall 2017, the AREA Board of Directors voted in support of the number one priority voiced by members: an MLS® system that links all 10 Board/Association regions together. The Board decided to invest in facilitating discussions among the Boards/Associations which have continued through 2018.

Based on these initiatives, and all the other great work underway at AREA, I know we can look forward to another year of improving our services to members.

I want to thank D'Arcy Donald for his wisdom, grace and patience as president. And thank you to all who have contributed to AREA's success this year, including committee volunteers and the local Boards/Associations. We are fortunate to have a highly engaged membership. Your feedback and support, and your drive for professional excellence help ensure the sustainability of the real estate industry in Alberta.

BRAD MITCHELL
AREA CEO



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



ELEVATE

the professional
excellence of
REALTORS®

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 2018, AREA:

FORMS

- / Unveiled updated agricultural and commercial forms based on the work of the AREA Forms and Practice Committee with significant legal and member consultation.
- / Created new forms-related learning opportunities.
- / Began working through the implications of the Competition Bureau decision to allow virtual office website (VOW) data feeds. This work involves aligning the disclosure requirement agreements between REALTORS® and their clients with the new requirements.

PROFESSIONAL DEVELOPMENT

- / Cemented its Standards of Professional Excellence as the foundation for its professional development strategy going forward.
- / AREA members completed their mandatory training on *Enforceable Contracts* and, in May, AREA launched its 2018 mandatory training, *Everyday Ethics*.
- / Built a first-in-Alberta partnership with SAIT Polytechnic to expand the available learning opportunities for REALTORS® in Alberta, launching in 2019.
- / Expanded access to our informal learning offerings through launching a monthly *In Your AREA* podcast focused on practical topics of interest, such as navigating foreclosures, whether to incorporate, and working with title insurance.



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 2018:

- / Advocacy efforts have improved access, saved our clients cash, and ensured the viability of our industry.
- / AREA successfully advocated for 11 additional weekend hours of access to SPIN2. This expansion of service hours benefits REALTORS® while government continues the technological updates needed to provide 24/7 access.
- / AREA successfully campaigned MLAs and the bureaucracy to safeguard consumer protection measures by significantly limiting condo document fees in Phase Two of the Condominium Property Amendment Act regulations drafting.
- / The AREA Stampede Party and Government Liaison Days reception allowed AREA to host MLAs from all parties.
- / The consistent message from government is that AREA is a welcome partner who provides a productive and pragmatic perspective around the optimal environment for real estate in Alberta.
- / A record 82 politicians and senior staffers participated in AREA's Government Liaison Days reception.
- / AREA continues to build the profile of the industry through market research, monthly economic updates and positive messaging relating to member practice.
- / AREA's Member Advocacy continues to protect members' rights in legal or regulatory processes that have provincial implications.



SHAPE

the technological
transformation
of the real estate
industry in Alberta

AREA values the collective strength of its 10,500+ member voice. AREA will continue to push for improvements – as it has in the past with electronic form signatures and Data Co-op – where possible, while working in tandem with the local Boards/Associations.

In 2018:

- / AREA facilitated an initiative to bring Alberta's local MLS® systems together for seamless data-sharing and combined bargaining strength, with implementation beginning in 2019.
- / AREA employed video and streaming technology to increase member engagement, including:
 - / *Increasing attendance options for committee meetings*
 - / *Live streaming a town hall on commission protection insurance and answering questions from remote participants*
 - / *Preparing to live stream the 2019 AGM*
- / AREA Wireless has continued to offer members the benefit of pooled data and competitive pricing. In 2018, AREA Wireless launched a device plan to allow members access to the latest in mobile technology.

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.

SUPPORT

the continued
viability of organized
real estate



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 2018:

- / The AREA Governance Committee undertook a bylaw review process to ensure AREA's bylaws are in step with governance best practices.
- / AREA facilitated discussions with local Boards:
 - / *maintaining Alberta's harmonized rules*
 - / *coordinating the industry response to regulator consultations*
 - / *exploring best practices in administrative justice*

Moving forward, AREA will continue to promote cooperative solutions that can benefit all Alberta REALTORS®.



I believe we succeeded in identifying best practices for governance – gleaned from experts, our experience as a long-standing and successful association, and from other professional association models. I am excited about the next phase for our provincial association. The proposed changes provide us a strong governance framework to do more for our members."

KRISTIE KRUGER
Vice President and Governance Committee Chair

5

ENSURE

AREA's financial
sustainability

AREA values careful 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 revenue-positive affinity programs.

In 2018, AREA:

- / Generated revenue from high-quality voluntary member services programs.
- / Expanded broker partnerships through AREA's commission advance offering.
- / Was able to set aside \$500,000 annually to fund a commission protection insurance program for members.

Moving forward, AREA will maintain its focus on delivering high-caliber services, without raising member dues.

“

I am proud of our AREA Board of Directors and staff team for their courage to embrace cultural change and their integrity to stand by decisions that – while not always popular at the time – proved to be right for our members and the industry.”

D'ARCY DONALD *President*

President



D'Arcy Donald
President
Grande Prairie

Board of Directors & Executive Staff

The AREA Board of Directors includes volunteer REALTOR® representatives from each of the member boards. The Board of Directors sets AREA policy, and oversees and approves programs, budgets and strategic planning.

Board of Directors



Jennifer Gilbert
President-Elect
Lloydminster



Kristie Kruger
Vice President
Lethbridge



Bob Jablonski
Immediate Past President
Calgary



Brad Mitchell
Chief Executive Officer



Derek Austin
Innisfail



Devon Felesky
Medicine Hat



Janet Kuehn
Whitecourt



Heather Coleman
Managing Director



David Lowe
Appointed Aug 2018
Edmonton



Corinne Lyall
Calgary



Charlie Ponde
Retired July 2018
Edmonton



Tammy Williams
Managing Director



Doug Singleton
Edmonton



Todd Wallace
Hanna



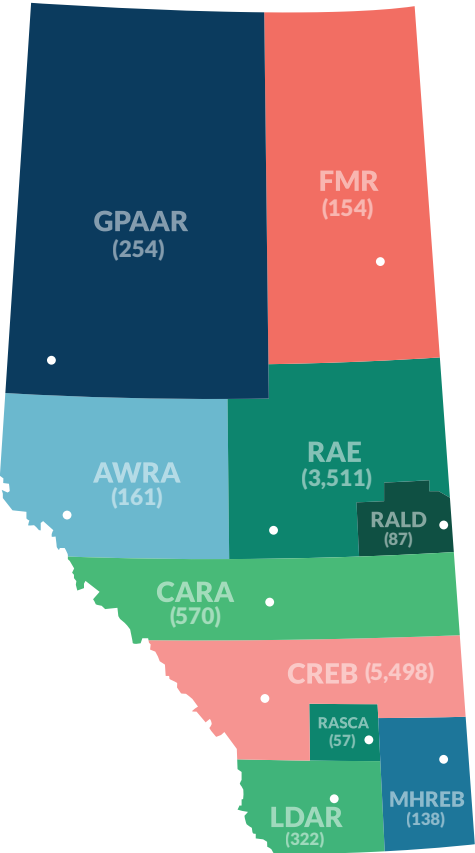
Greg Walsh
Fort McMurray



Kate Bailey
Director

Regional Boards

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



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

EXECUTIVE OFFICER
Sandy Atfield
PRESIDENT
Karen Spencer-Miller

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

EXECUTIVE OFFICER
Alan Tennant
PRESIDENT
Tom Westcott

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

EXECUTIVE OFFICER
Larry Westergard
PRESIDENT
Mike Snell

● **FMR / Fort McMurray REALTORS®**

EXECUTIVE OFFICER
Olive Wooden
PRESIDENT
Katie Ekroth

● **GPAAR / Grande Prairie & AREA Association of REALTORS®**

EXECUTIVE OFFICER
Karen Close-Bilodeau
PRESIDENT
Brent North

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

EXECUTIVE OFFICER
Cathy Maxwell
PRESIDENT
Cary Ronspies

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

EXECUTIVE OFFICER
Randeem Bray
PRESIDENT
Tim Seitz

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

EXECUTIVE OFFICER
Michael Thompson
CHAIR
Darcy Torhjelm

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

EXECUTIVE OFFICER
Eileen Rohs
PRESIDENT
Louis de Kock

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

EXECUTIVE OFFICER
Carol Breakell
PRESIDENT
Kate McLean

AREA Financials

2018

“

*I am proud of AREA's work:
managing your dues with
care; lowering costs while
continuing member services
in an efficient manner.”*

TODD WALLACE *Director*



To the Members of: Alberta Real Estate Association

Opinion

We have audited the financial statements of the Alberta Real Estate Association ("the Association") which comprise the statement of financial position as at October 31, 2018 and the statements of operations, changes in net assets and cash flow for the year then ended, and notes, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Association as at October 31, 2018 and the results of its operations and its cash flow for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

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

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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 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.

In preparing the financial statements, management is responsible for assessing the Association'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 Association or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our 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 our 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, we exercise professional judgment and maintain professional skepticism throughout the audit. We 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 our 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 Association'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 Association's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Association 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.

We 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 we identify during our audit.

Seguro LLP

Chartered Professional Accountants

Calgary, Alberta

December 31, 2018

ALBERTA REAL ESTATE ASSOCIATION
STATEMENT OF FINANCIAL POSITION AS AT

	Oct 31, 2018	Oct 31, 2017
Assets		
CURRENT		
Cash	\$ 2,099,392	\$ 1,551,871
Short-term investments <i>(at fair market value)</i> – Note 3	8,008,257	7,999,412
Accounts receivable	208,285	280,370
Prepaid expenses	508,410	140,402
Government remittances	14,031	-
Due from subsidiary – Note 4	-	200,000
	10,838,375	10,172,055
INVESTMENT IN SUBSIDIARY – NOTE 5	151,915	-
CAPITAL ASSETS – NOTE 6	180,448	121,475
TOTAL ASSETS	\$ 11,170,738	\$ 10,293,530
Liabilities		
CURRENT		
Accounts payable and accrued liabilities – Note 7	\$ 808,448	\$ 174,708
Due to subsidiary – Note 4	231,624	-
Deferred revenue – Note 8	-	273,812
Government remittances	-	12,139
	1,040,072	460,659
INVESTMENT IN SUBSIDIARY – NOTE 5	-	1,631
	1,040,072	462,290
COMMITMENTS – NOTE 9		
Net Assets		
INVESTED IN CAPITAL ASSETS	180,448	121,475
RESTRICTED – NOTE 10	6,353,470	5,956,388
UNRESTRICTED	3,596,748	3,753,377
	10,130,666	9,831,240
TOTAL LIABILITIES AND NET ASSETS	\$ 11,170,738	\$ 10,293,530

Approved on behalf of the board:



Director



CEO

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

	Invested in Capital Assets	Restricted	Unrestricted	Total Oct 31, 2018	Total Oct 31, 2017
BALANCE – Beginning of year	\$ 121,475	\$ 5,956,388	\$ 3,753,377	\$ 9,831,240	\$ 9,183,583
EXCESS OF REVENUE OVER EXPENDITURES FOR THE YEAR	-	(102,918)	402,344	299,426	647,657
INVESTMENT IN CAPITAL ASSETS	98,982	-	(98,982)	-	-
AMORTIZATION OF CAPITAL ASSETS	(40,009)	-	40,009	-	-
TRANSFERS	-	500,000	(500,000)	-	-
BALANCE – End of year	\$ 180,448	\$ 6,353,470	\$ 3,596,748	\$ 10,130,666	\$ 9,831,240

The accompanying notes are an integral part of these financial statements.

ALBERTA REAL ESTATE ASSOCIATION
STATEMENT OF OPERATIONS FOR THE YEAR ENDED

	Oct 31, 2018	Oct 31, 2017
REVENUES		
Membership fees	\$ 4,392,131	\$ 4,364,726
Conferences	75,825	38,018
Other	33,715	26,238
Education	4,224	10,558
	4,505,895	4,439,540
EXPENSES		
Salaries and benefits	1,947,376	2,141,356
Meetings and travel	390,261	397,724
General and administrative	383,278	291,172
Consulting	353,928	313,275
Professional fees	284,293	221,002
Conferences and events	277,482	240,091
Rent and operating costs	249,491	275,756
Education	61,683	361,858
Commission insurance	24,885	-
	3,972,677	4,242,234
EXCESS OF REVENUES OVER EXPENSES BEFORE INVESTMENT INCOME AND OTHER ITEMS	533, 218	197,306
INVESTMENT INCOME		
Realized gain on sale of short-term investments	289,622	40,336
Investment income	226,327	244,693
Equity income (loss) from subsidiary	151,536	(1,631)
Unrealized (loss) gain on short-term investments	(455,326)	578,225
	214,159	861,623
OTHER ITEMS		
1MLS®	(209,107)	-
Severance and restructuring	(113,102)	(2,307)
Governance and bylaw review	(85,733)	-
Amortization of capital assets	(40,009)	(28,405)
Net GST re-assessment recovery	-	38,500
Write-down of capital assets	-	(320,957)
Change in equity of Virtual College Joint Venture	-	(54,027)
Real Estate Act review	-	(44,076)
	(447,951)	(411,272)
EXCESS OF REVENUES OVER EXPENSES FOR THE YEAR	\$ 299,426	\$ 647,657

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

	Oct 31, 2018	Oct 31, 2017
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES:		
Excess of revenues over expenses for the year	\$ 299,426	\$ 647,657
Item not affecting cash		
Amortization	40,009	28,405
Unrealized loss (gain) on short-term investments	455,326	(578,225)
Realized gain on sale of short-term investments	(289,622)	(40,336)
Equity (income) loss from subsidiary	(153,536)	1,631
Change in equity of Virtual College Joint Venture	-	54,027
Write-down of capital assets	-	320,957
	351,603	434,116
Net change in non-cash working capital balances		
Interest receivable	(1,090)	(6,506)
Accounts receivable	72,085	(20,173)
Prepaid expenses	(368,008)	49,344
Inventory	-	1,842
Accounts payable and accrued liabilities	633,740	(85,127)
Government remittances	(26,170)	271,882
Deferred revenue	(273,812)	234,953
	388,348	880,331
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES:		
Increase in short-term investments	(155,137)	(66,168)
Advances from (to) subsidiary	431,614	(200,000)
Purchase of capital assets	(98,982)	(111,283)
Advances from Virtual College Joint Venture	-	26,860
	177,495	(350,591)
INCREASE IN CASH	565,843	529,740
CASH – Beginning of year	2,744,456	2,214,716
CASH – End of year	\$ 3,310,299	\$ 2,744,456
CASH IS COMPRISED OF THE FOLLOWING:		
Cash	\$ 2,099,392	\$ 1,551,871
Cash and cash equivalents included in short-term investments	1,210,907	1,192,585
	\$ 3,310,299	\$ 2,744,456

The accompanying notes are an integral part of these financial statements.

NOTE 1 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.

NOTE 2 Significant Accounting Policies

Basis of Presentation

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

Investment in Subsidiary

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

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, investment in subsidiary and due from subsidiary. Financial liabilities measured at amortized cost on a straight-line basis include accounts payable and accrued liabilities, investment in subsidiary and due to subsidiary.

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.

NOTE 2 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.

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
Office furnishings	5 years
Office equipment	3 years
Leasehold improvements	10 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.

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.

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 3 Short-term Investments

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

	2018		2017	
	Cost	Fair Value	Cost	Fair Value
Cash and cash equivalents	\$ 1,210,907	\$ 1,210,907	\$ 1,192,585	\$ 1,192,585
Fixed Income				
Canadian	2,553,913	2,546,372	1,875,598	1,943,584
Foreign	367,470	358,289	132,840	137,346
U.S.	103,350	98,959	103,350	102,651
	3,024,733	3,003,620	2,111,788	2,183,581
Equity				
Canadian	1,251,756	2,136,841	1,566,591	2,655,300
U.S.	527,618	1,252,667	572,511	1,352,303
Foreign	350,585	404,222	462,840	615,643
	2,129,959	3,793,730	2,601,942	4,623,246
	\$ 6,365,599	\$ 8,008,257	\$ 5,906,315	\$ 7,999,412

NOTE 4 Due to (from) Subsidiary

The amounts due to (from) the subsidiary bear no interest with no fixed terms of repayment are due on demand. Transactions with the subsidiary 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 5 Investment in Subsidiary

The Association has an investment in a wholly-owned taxable entity called the AREA Real Estate Services Corporation ("the Company"). The Company's purpose is to provide programs that are integral to members businesses at a cost savings to them while also generating non-dues revenue streams for the Association.

At October 31, 2018, the financial statements of the subsidiary company consisted of:

	2018	2017
Total assets	\$ 924,644	\$ 199,869
Total liabilities	\$ 772,729	\$ 201,490
Equity (deficit)	\$ 151,915	\$ (1,631)
Revenue	\$ 2,410,196	-
Expenses	\$ 2,256,660	\$ (1,631)

NOTE 6 Capital Assets

	2018		2017
	Cost	Accumulated Amortization	Net Book Value
Information technology	\$ 153,253	\$ 25,762	\$ 127,491
Office furnishings	591,166	551,786	39,380
Office equipment	116,832	103,255	13,577
	\$ 861,251	\$ 680,803	\$ 180,448

NOTE 7 Corporate Credit Cards

The Association has corporate Visa credit cards with a combined credit limit of \$102,000 (2017 – \$102,000). Included in accounts payable and accrued liabilities is the combined outstanding amounts on these credits cards of \$23,004 (2017 – \$36,802).

NOTE 8 Deferred Revenue

Deferred revenue consisted of vendor incentives received from a wireless service provider in connection with a preferential pricing agreement. During the year, this endeavour was transferred to the wholly-owned subsidiary as described in Note 5.

NOTE 9 Commitments

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

2019	\$	226,510
2020	\$	226,510
2021	\$	226,510
2022	\$	225,530
2023 and beyond	\$	1,141,021

NOTE 10 Restricted Net Assets

At October 31, 2018, 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. The balance available is \$148,818 (2017 – \$148,818).

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. The balance available is \$5,280,923 (2017 – \$5,530,923).

Real Estate Act Review

The Association allocated funds for legal fees associated with this initiative. The balance available is \$276,647 (2017 – \$276,647).

NOTE 10 Restricted Net Assets – continued

Member Advocacy Fund

During the year, the Association allocated funds for the work undertaken by the Member Advocacy Committee. The balance available is \$147,082 (2017 – \$Nil). Subsequent to year end, the Board approved an additional \$250,000 to be allocated into this fund from the unrestricted funds.

1MLS® Implementation Fund

During the year, the Association allocated funds for implementation of 1MLS®. The balance available is \$500,000 (2017 – \$Nil).

NOTE 11 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 12 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.

AUDITORS' CONSENT

To: Alberta Real Estate Association

We consent to the use of our auditors' report dated December 31, 2018 to the members of Alberta Real Estate Association ("the Association") on the financial statements of the Association comprising the statement of financial position of the Association as at October 31, 2018, 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, to be included in the annual report on December 31, 2018.

We have not performed any procedures subsequent to the date of this consent.

This consent is provided to the Association for use solely in connection with the above annual report accordingly, we do not consent to the use of our auditor's report for any other purpose.

Seguro LLP

Chartered Professional Accountants

Calgary, Alberta

January 3, 2019



Management’s Discussion and Analysis

The Alberta Real Estate Association has undergone significant change since 2015. In that time, management has applied corporate best practices to improve member value and services while reducing operational spending.

Alberta Economy

The Alberta economy continues to lag because of the oil price differential and a lack of market access for natural resources. The jobless rate has decreased (6.3% in November 2018) but remains higher than the national average, especially in Calgary.

In the real estate industry, the economic strain can be seen in the months of residential supply and the commercial vacancy rates. While there have been signs of improvement throughout the province, sales volume has not rebounded. The 2018 tightening of federal mortgage rules have further dampened real estate economic forecasts in Alberta.

Member Base

AREA is a member-centric, member-driven organization. Most of AREA's revenue comes from member dues. The stability of provincial membership numbers provides a predictable revenue base on which management can optimize the value provided to members. While some of AREA's value, such as AREA's provision of forms, is easy to demonstrate, advocacy efforts tend to be multi-year endeavours with variable results where the value can be difficult to quantify.

Political and Regulatory Landscape

AREA's members are governed under the *Real Estate Act* and regulated by the Real Estate Council of Alberta (RECA). AREA is the registered provincial organizational lobbyist on behalf of REALTORS®. Looking ahead there are several indications of possible shifts to the political and regulatory landscape.

Albertans will elect a new provincial government in 2019. This new administration, regardless of which party is in power, will have a fresh political mandate. The *Real Estate Act* is more than 20 years old and so the new administration may choose to open the Act for review. As one of the named stakeholders in the Act, AREA will be an active participant in any legislative review government launches.

Government informed AREA late in 2018 that it has opened a review of RECA's administration, operations and governance, under Section 76 of the *Real Estate Act*. The outcomes of this review are currently unknown, but the Service Alberta Minister has broad powers under Section 76 to direct administrative, operational or governance change within RECA. Because of the broad ministerial powers, changes may be made to RECA itself or to regulations.

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). Each of these three levels of organized real estate cooperate through a 3-way Agreement to provide comprehensive services that support REALTORS®.

AREA focuses in 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 and key stakeholders.

In 2018, a bylaw change at CREA's AGM weakened the 3-way Agreement provisions, allowing for direct membership in CREA under set circumstances. It is unknown how this bylaw change may affect the structure of organized real estate in the future.

Operational Spending

Over the past several years, AREA's management team has tightened controls on operational spending by exercising greater oversight on contracts and day-to-day operational costs, renegotiating and/or switching providers, and generally applying best business practices. With this work completed, management do not expect to see continued year-over-year decreases in operational spending moving forward. Management will, however, continue its due diligence to keep costs in line.

Taxable Entity

To preserve its not-for-profit status while developing member benefits that involve non-dues revenue, AREA launched a wholly-owned taxable entity in 2017. This entity's purpose is to provide member benefits and savings, so programs housed under the AREA Real Estate Services Corporation are structured to maximize the benefits rather than to maximize Services Corp profits. The Services Corp Board is responsible for working with management to direct taxable work and reports up to the AREA Board of Directors, as is demonstrated in the AREA financial statements.

The services provisioned under this entity are offered to members on a voluntary basis. There is inherent risk when expending capital to provide these services. There is no guarantee that AREA can maintain the current contracts with service providers. Further risks are detailed in the AREA Real Estate Services Corporation's financial statements.

AREA Real Estate Services Corp

2018

“

AREA Services Corp is dynamic. Beyond the basic premise of providing Alberta REALTORS® with necessary services which we already utilize; in a very short time span the corporation has already put \$3M into the pockets of our members, and the ideas keep coming. WOW!"

JENNIFER GILBERT
President-Elect and AREA Services Corporation Chair



To the Shareholder of: **AREA Real Estate Services Corporation**

Opinion

We have audited the financial statements of the AREA Real Estate Services Corporation ("the Company") which comprise the balance sheet as at October 31, 2018 and the statements of income, retained earnings and cash flow for the year then ended, and notes, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at October 31, 2018 and the results of its operations and its cash flow for the year then ended in accordance with Canadian accounting standards for private enterprises.

Basis for Opinion

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

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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 Canadian accounting standards for private enterprises, 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

Our 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 our 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, we exercise professional judgment and maintain professional skepticism throughout the audit. We 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 our 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 we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' 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.

We 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 we identify during our audit.

Other Matters

Without modifying our conclusion, we draw attention to Note 3 of the financial statements which describes that, during the year, the Company adopted Canadian accounting standards for private enterprises. We were not engaged to report on any of the comparative information, and as such, it has not been audited. Certain of the comparative figures have been reclassified to conform to the current year presentation.

Seguro LLP

Chartered Professional Accountants

Calgary, Alberta

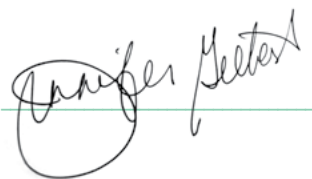
December 31, 2018



AREA REAL ESTATE SERVICES CORPORATION
BALANCE SHEET AS AT

	Oct 31, 2018	Oct 31, 2017
Assets		
CURRENT		
Cash	\$ 273,708	\$ 199,869
Accounts receivable	199,490	-
Accounts receivable – AREA Advance	35,334	-
Wireless device loans receivable – current	92,244	-
	600,776	199,869
WIRELESS DEVICE LOANS RECEIVABLE – NOTE 4	92,244	-
DUE FROM ALBERTA REAL ESTATE ASSOCIATION – NOTE 5	231,624	-
TOTAL ASSETS	\$ 924,644	\$ 199,869
Liabilities		
CURRENT		
Accounts payable and accrued liabilities	\$ 258,165	\$ 1,500
Government remittances	30,491	-
Income taxes	20,944	-
Deferred revenue – vendor incentives – Note 6	232,151	-
	541,751	1,500
DEFERRED REVENUE – VENDOR INCENTIVES – NOTE 6	230,978	-
DUE TO ALBERTA REAL ESTATE ASSOCIATION – NOTE 5	-	199,990
	772,729	201,490
Shareholder's Equity		
SHARE CAPITAL		
100 Class A common voting shares	10	10
RETAINED EARNINGS (DEFICIT)	151,905	(1,631)
	151,915	(1,621)
TOTAL LIABILITIES AND EQUITY	\$ 924,644	\$ 199,869

Approved on behalf of the board:



Director



CEO

AREA REAL ESTATE SERVICES CORPORATION
STATEMENT OF RETAINED EARNINGS FOR THE

	twelve months ended Oct 31, 2018	four months ended Oct 31, 2017
BALANCE - Beginning of year	\$ (1,631)	\$ -
NET EARNINGS (LOSS) FOR THE YEAR	153,536	(1,631)
BALANCE - End of year	\$ 151,905	\$ (1,631)

AREA REAL ESTATE SERVICES CORPORATION
STATEMENT OF EARNINGS FOR THE

	twelve months ended Oct 31, 2018	four months ended Oct 31, 2017
REVENUES		
AREA Wireless – plan rates and charges	\$ 2,073,388	\$ -
AREA Wireless – vendor incentives	331,393	-
AREA Advance – interest	5,416	-
	2,410,196	-
COST OF SALES		
AREA Wireless – plan fees	1,864,546	-
AREA Wireless – administration fees	150,580	-
AREA Wireless – commissions paid to partners	40,074	-
	2,055,200	-
GROSS PROFIT	354,996	-
EXPENSES		
Salaries and benefits	145,934	-
Consulting fees	13,813	-
Professional fees	8,771	1,500
Provision for uncollectible AREA Wireless accounts	7,113	-
Meetings and travel	1,939	-
Insurance	1,500	-
Advertising and promotion	1,037	-
General and administration	409	-
Interest and bank charges	-	131
	180,516	1,631
EARNINGS (LOSS) BEFORE INCOME TAXES	174,480	(1,631)
PROVISION FOR INCOME TAXES – NOTE 7	20,944	-
NET EARNINGS (LOSS) FOR THE YEAR	\$ 153,536	\$ (1,631)

The accompanying notes are an integral part of these financial statements.

AREA REAL ESTATE SERVICES CORPORATION
STATEMENT OF CASH FLOW FOR THE

	twelve months ended Oct 31, 2018	four months ended Oct 31, 2017
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES:		
Net income (loss) for the year	\$ 153,536	\$ (1,631)
Net change in non-cash working capital balances		
Accounts receivable	(234,824)	-
Wireless device loans receivable	(184,488)	-
Accounts payable and accrued liabilities	256,665	1,500
Government remittances	30,491	-
Income taxes	20,944	-
Deferred revenue – vendor incentives	463,129	-
	505,453	(131)
CASH FLOWS FROM (USED FOR) FINANCING ACTIVITIES:		
Advances (to) from Alberta Real Estate Association	(431,614)	199,990
Issued share capital	-	10
	(431,614)	200,000
INCREASE IN CASH	73,839	199,869
CASH – Beginning of year	199,869	-
CASH – End of year	\$ 273,708	\$ 199,869

NOTE 1 Nature and Purpose

The AREA Real Estate Services Corporation ("the Company") as incorporated on June 30, 2017 under the Business Corporations Act (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's purpose is to provide programs that are integral to members' businesses at a cost savings to them while also generating non dues revenue streams for the organization.

NOTE 2 Significant Accounting Policies

Basis of Accounting

These financial statements have been prepared in accordance with Canadian accounting standards for private enterprises.

Financial Instruments

INITIAL AND SUBSEQUENT MEASUREMENT

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 and accounts receivable. 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 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.

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.

NOTE 2 Significant Accounting Policies – continued

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 3 Adoption of Accounting Standards for Private Enterprises

During the year, the Company adopted the Canadian Accounting Standards for Private Enterprises ("ASPE"). These are the first financial statements prepared in accordance with ASPE.

These financial statements have been prepared in accordance with the ASPE transitional provisions of Section 1500 First-time Adoption. Section 1500 requires retrospective application of the accounting standards with certain elective exemptions and limited retrospective exceptions. The accounting policies set out in the significant accounting policy note, Note 2, have been applied in preparing the financial statements for the year ended October 31, 2018 and the comparative information for the year ended October 31, 2017. The balance sheet at the date of incorporation showed common shares subscriptions receivable of \$10 and common shares of \$10. The result of adopting ASPE retrospectively had no affect on management's previously reported financial statements.

NOTE 4 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.

	2018	2017
Opening balance	\$ -	\$ -
Wireless device loans approved in the year	254,753	-
Device costs recognized in expense	(70,265)	-
Portion of device costs to be recognized in the next year	(92,244)	-
Portion of device costs to be recognized in subsequent years	\$ 92,244	-

NOTE 5 Due from (to) Alberta Real Estate Association and Related Party Transactions

The amount due from (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 6 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.

	2018	2017
Opening balance	\$ -	\$ -
Activation credits received in the year	794,522	-
Activation credits recognized in revenue	(331,393)	-
Portion of activation credit to be recognized in the next year	(232,151)	-
Portion of activation credits to be recognized in subsequent years	\$ 230,978	-

NOTE 7 Income Tax

The provision for income taxes differs from the computed expected income tax expense which would result from applying the combined Federal and Provincial corporate income tax rates to the net income before income tax. The differences between the expected income tax expense and the reported provision for income taxes are summarized as follows:

	2018	2017
Expected income tax expense (recovery)	\$ 20,938	\$ (204)
Adjustments resulting from:		
Non-deductible items	202	-
Losses utilized from prior periods	(196)	-
Losses carried forward to future periods	-	204
Provision for income taxes	\$ 20,944	-

NOTE 8 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 or other price risks.

Risk Management

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:

AREA WIRELESS

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.

AREA ADVANCE

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.

AUDITORS' CONSENT

To: AREA Real Estate Services Corporation

We consent to the use of our auditor's report dated December 31, 2018 to the Shareholder of AREA Real Estate Services Corporation ("the Company") on the financial statements of the Company comprising the balance sheet of the Company as at October 31, 2018, and the statements of earnings, retained earnings and cash flow for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information, to be included in the annual report on December 31, 2018.

We have not performed any procedures subsequent to the date of this consent.

This consent is provided to the Company for use solely in connection with the above annual report accordingly, we do not consent to the use of our auditor's report for any other purpose.

Seguro LLP

Chartered Professional Accountants

Calgary, Alberta

January 3, 2019



Notes



The leadership that has developed over time within AREA and its Directorship has been developed through hard work, tough negotiations, thoughtful discussions and decisions, both by the Board of Directors and AREA staff.

My AREA board experience was a very interesting, challenging and rewarding journey. I am confident, going forward, that AREA will continue its great work for its Provincial members and have the best interests of its members in mind at all times."

BOB JABLONSKI *Past President*

Alberta Real Estate Association
Suite 217, 3332 20 Street SW
Calgary, Alberta T2T 6T9

1.800.661.0231
albertarealtor.ca

