



# Foundation for success

2017 ANNUAL REPORT



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This annual report provides AREA members and stakeholders with an overview of our November 1, 2016 – October 31, 2017 fiscal year, including highlights, accomplishments and copies of AREA's 2016 – 2017 audited financial statements.

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The Alberta Real Estate Association is a not-for-profit professional association representing the interests and concerns of more than 10,500 Alberta REALTORS® from 10 local real estate Boards/Associations. Our work focuses on three high-value areas for REALTORS® across the province.

## Mission

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

## Vision

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

## Resources

### 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 professional forms – to maintain legal integrity and consistency – along with cost-saving services, and convenient access to information.

# AREA by the numbers

These numbers are based on AREA's  
fiscal year of November 1, 2016 through  
October 31, 2017.

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## NUMBER OF MEMBERS

10,666

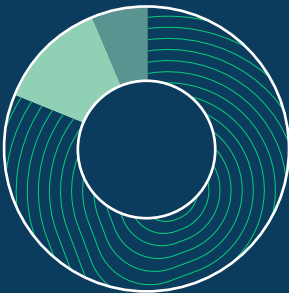
—  
LAST YEAR  
**10,341**

—  
YOY INCREASE  
**3%**

---

## ALBERTAREALTOR.CA VISITS/MONTH

5,400



81.3% | DESKTOP  
12.4% | MOBILE  
6.3% | TABLET

---

## WEEKLY ACTIVE USERS

1,500

—  
PAGES / SESSION  
**3.9**

---

## NUMBER OF BROKERAGES

668

—  
BROKERAGES ≥5  
**215**

AREA WIRELESS SUBSCRIBERS

1,525

YOY INCREASE  
64%

EST. SAVINGS  
FOR MEMBERS  
\$800,000

REPREE™ UNIQUE USER LOGINS

2,188

TRANSACTIONS  
15,571

SOCIAL MEDIA ENGAGEMENT



LIKES  
1,268



FOLLOWERS  
5,276 (+7% YOY)

DATA-COOP VISITS/WEEK

2,170

UNIQUE USERS  
700

YOY MONTHLY  
INCREASE  
19%

EMAIL OPEN RATE

47%

E-NEWSLETTER  
OPEN RATE  
44%

POST SECONDARY SCHOLARSHIPS AWARDED

\$5,000

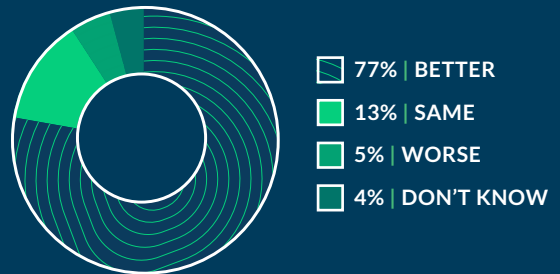
AMOUNT  
\$2,500 x 2

# Assessment of member needs and priorities

In October and November 2017, AREA commissioned third-party research to assess member needs and priorities. The AREA Board saw this research as an important component to its strategic planning process.

An online survey, opened to all members, was built based on member focus groups and telephone interviews with the president and executive officers of each of Alberta's 10 local Boards/Associations.

**77%** of respondents expect the health of the real estate market in their region to be better five years from now, than it is today.



of respondents are highly interested in an MLS system that links all 10 regions together. Overall, this was the #1 priority.



of respondents are optimistic about the future of real estate.



struggle to think of new ways to provide value to their clients.

# 96%

of respondents believe that technology will be important in shaping how real estate is bought and sold in the next five years.

# 80%

of respondents agree that technological change in the real estate sector is good for their business.

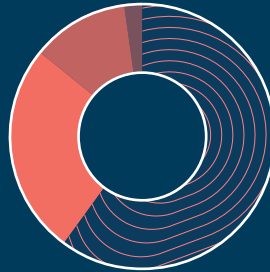
# 47%

are worried that certain technologies could disrupt the real estate industry.

# 55%

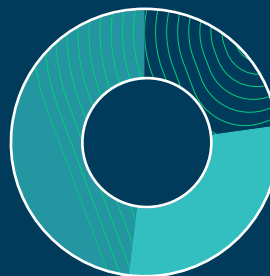
want a better understanding of how to use technology to support their business.

**60%** of respondents feel prepared for the change(s) that are coming to the real estate sector in their particular region.



- 60% | WELL PREPARED
- 26% | SOMEWHAT PREPARED
- 12% | NOT PREPARED
- 2% | DON'T KNOW

Nearly a quarter (**23%**) of respondents are so focused on the day-to-day needs of their business, that they are never able to focus on the future.



- 23% | CANNOT FOCUS ON THE FUTURE
- 29% | NEITHER AGREE OR DISAGREE
- 48% | DISAGREE

# Letter from the President

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**BOB JABLONSKI**  
AREA PRESIDENT

It has been an honour to serve as AREA's President in 2017 – AREA's 70th anniversary year. We have completed much of the transformative work outlined in our current strategic plan, and set the strategic direction for our provincial organization moving forward into 2018.

I can say with confidence that AREA is stronger and offering more value to members today than it was when I joined the AREA Board Executive in 2015. Since then, AREA has cut its annual operating expenses by 20 per cent through careful management of member dollars that has included renegotiating vendor contracts, moving into a smaller office space, and adjusting AREA staff skillsets to better meet current member needs. At the same time, we have reached unprecedented strength in our ability to advocate, have renewed focus on professionalism, and have expanded our member services.

AREA has continued to lead and facilitate a provincial discussion with all 10 local Alberta Boards/Associations on how we can better collaborate, for the benefit of all members. While we have taken steps in years past toward harmonizing MLS® data and rules, and opened up read-only data sharing through Data Coop, the AREA Board believes we – as an industry – can do better for members. Continuing into 2018, AREA is committed to work with the local Boards/Associations on solutions that harness AREA's collective buying power to improve the services on which REALTORS® rely.

When our Board and executive staff worked through the 2018 – 2021 strategic planning process this fall, it was with great optimism for the future. As REALTORS®, we are a strong collective and we can continue to effect positive change for real estate in Alberta, while raising the bar of professionalism in our industry. Our new plan builds on the strong foundation we have laid in recent years.

AREA would not be where it is today, without the leadership of CEO Ian Burns and his staff team. While we are sad to lose Ian to the financial industry, our Board knows our succession planning with our existing executive team and stellar AREA staff will allow us to execute our strategic vision.

Thank you to the AREA Board of Directors for their commitment and support, and to all the staff members at AREA. I am pleased to hand the AREA presidency to D'Arcy Donald, and look forward to the year ahead.







*As REALTORS®, we are a strong collective and we can continue to effect positive change for real estate in Alberta, while raising the bar of professionalism in our industry. Our new plan builds on the strong foundation we have laid in recent years.*

**BOB JABLONSKI** *President*



# Letter from the CEO

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**IAN BURNS**

CHIEF EXECUTIVE OFFICER

AREA has made great progress in accomplishing the transformative goals of our current strategic plan: to lay the foundation for future successes. As AREA transitions into its new plan for 2018 – 2021, I am confident in the steady, strategic vision of AREA's Board of Directors.

## Organizational Alignment

Like any organization, ours relies on the dedication of volunteers and hard work of staff. In 2017, we have continued to rework our team skillsets to include more technical and design capabilities in house. These staff changes enable us to increase the quality and timeliness of our services to members, while controlling operating expenses.

## Enhanced Communication

We reintroduced our monthly eNewsletter in a new digital format, which provides timely updates on key AREA projects and initiatives, and reminders about upcoming events, professional development courses and other general association announcements. We also used this opportunity to increase our use of video for conferencing, webinars and leadership updates. Using these new communication tools and tactics has made it easier for members to stay informed and connected with us.

## Fiscal Sustainability

AREA continues to be fiscally responsible, operating with a lean but talented team. Bold decisions, like migrating technology providers, enabled AREA to continue reducing operating expenses and maintain its balanced budget. AREA also launched a wholly-owned, taxable division in 2017, which now houses some of our member services. This division allows AREA to protect its not-for-profit status, while making decisions that benefit members and promote fiscal sustainability.

Thank you to all who have contributed to AREA's success this year, especially our Board of Directors and 2017 President Bob Jablonski. It was with mixed emotions, I announced I was leaving AREA in January 2018, after three-plus years of service. But I'm confident AREA has strong leadership in place to continue serving the REALTORS® of this province.



## Executive Staff



**Ian Burns**  
*Chief Executive Officer*  
Alberta Real  
Estate Association



**Brad Mitchell**  
*Managing Director*  
Advocacy and Finance



**Heather Coleman**  
*Managing Director*  
Strategy and  
Professional  
Development



**Tammy Williams**  
*Managing Director*  
Member Services



*As we reflect  
on the past year,  
I would like to thank  
the hard work of the  
staff and volunteers  
who make up AREA.  
Without your effort  
this organization would  
not be at the forefront  
of Canadian real  
estate. Thank you all.*

**TODD WALLACE** *Board Member*



*As the provincial association, we saw these investigations and their outcomes having wide-reaching and ambiguous consequences for our broader membership. Supporting these members was an easy decision for our Board to make and their resolution provides greater protection of AREA members' freedom of expression without fear of reprisal."*

JENNIFER MCKENZIE Past President,  
on AREA's member advocacy program

# Advocacy

AREA's advocacy efforts in 2017 have positively impacted Alberta's real estate industry. AREA is an active participant in the Government of Alberta's ongoing Condominium Property Act regulation amendments. Phase one amendments incorporated many of AREA's policy positions, including stricter rules for developers, increased disclosure of development contracts, third-party trust accounts to protect condo deposits, and hard possessions dates, so purchasers can rescind their offer if developers don't meet their dates. AREA will continue to participate in the government's 2018 consultations for subsequent amendments.

Specifically, AREA recommends government consider:

- Eliminating unfair fees for condo documents
- Improving access to property-related documents

AREA has actively advocated on real estate issues stemming from marijuana legalization, such as housing remediation. We also have effectively advocated for radon remediation, without mandatory testing of resale housing.

In July 2017, the Real Estate Council of Alberta adopted new openness and transparency policies that broadly reflect AREA's advocacy position on regulatory transparency, first requested in November 2015. AREA will continue to advocate for regulatory policies that mirror provincial government standards on openness and transparency.

## Advocacy Events

AREA's third annual Government Liaison Days welcomed speakers and special guests from across the political spectrum. Our 2017 event was attended by 32 MLAs and six Cabinet Ministers. AREA also jointly hosted the first Real Estate Stampede Mixer, with the Alberta Mortgage Brokers Association and the Appraisal Institute of Canada, attended by 14 elected officials, including Calgary Mayor Naheed Nenshi, with Service Alberta Minister Stephanie McLean bringing greetings from government.

## Member Advocacy Program

In 2017, AREA officially launched our member advocacy program, which can be called upon to support and protect members' rights in legal or regulatory processes that have provincial implications. Modelled on CREA's Legal Defense Program, the program was piloted in 2016 when AREA supported the defense of three members who were being investigated for professional misconduct after making comments about residential measurement standards on private websites. All three investigations were dropped.





*I am particularly proud of the efforts of the AREA team in putting in place a top notch FINTRAC course and achieving 100% completion by AREA members. With 99% of historical FINTRAC brokerage audits finding deficiencies in compliance, this was a much needed course and shows the commitment AREA has to the professionalism of our industry.*

JENNIFER GILBERT *Board Member*







*AREA works hard to make sure our members have the tools they need to be effective by providing the most up to date forms for transacting real estate. AREA Board members are all practicing REALTORS®. We know what a pain in the ass it is to have to learn yet another new form. But we also know that it is only through using the most up-to-date forms that our members are the most protected.*

**D'ARCY DONALD** *President Elect*



# Member Services

AREA member services provide benefits by leveraging our membership's expertise and size in meaningful ways, such as competitive affinity programs. Each offering is structured to maximize member benefit. Any revenue generated through service offerings is reinvested in the Alberta real estate industry. In 2017, member service offerings include Data Co-op, the Crown Lands listing program, and the following:

**AREA Advance** is a new service piloted by AREA in 2017 and launching Alberta wide in 2018. Through AREA Advance, we partner with member brokers to deliver a commission advance service for Alberta REALTORS®. This service offers REALTORS® quick, cost-effective access to funds. AREA offers this new service only at the request of individual brokers.

**AREA Wireless** has saved participating members an estimated \$800,000 in 2017. By growing its subscriber base, in 2017, AREA has also renegotiated better margins and subscriber value, now offering subscribers unlimited North America calling, international texting and automated tiered travel plan for the same low \$50 monthly fee. AREA will launch a device plan in early 2018.

**AREA Forms** manages and copyrights reliable REALTOR® forms ensuring legal integrity and easy use for both buyers and sellers. AREA then develops resources to assist REALTORS® in using these forms, through guides, tutorials and video.

In 2017, the AREA Forms and Practice Committee and staff team have focused their efforts on updating Agricultural and Commercial transaction forms. With legal and member consultations at each stage of development, the updated forms are expected to launch in Q1 of 2018.

# AREA Board of Directors



**Bob Jablonski**

*President*

**Calgary**

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.



**D'Arcy Donald**

*President Elect*

**Grande Prairie**



**Charlie Ponde**

*Vice President*

**Edmonton**



**Jennifer McKenzie**

*Past President*

**Medicine Hat**



**Derek Austin**

**Innisfail**



**Julio Florez**

**Fort McMurray**



**Jennifer Gilbert**

**Lloydminster**



**Kristie Kruger**

**Lethbridge**



**Janet Kuehn**

**Whitecourt**



**Corinne Lyall**

**Calgary**



**Doug Singleton**

**Edmonton**



**Todd Wallace**

**Hanna**



**Ian Burns**

*Chief Executive Officer*

*If you are interested in a volunteer position on one of our committees or have recommendations for AREA, please reach out to your local Board of Directors representative or AREA staff.*

# Regional boards

AREA's membership is comprised of all Alberta REALTORS®. Each Alberta REALTOR® must also be a member of at least one of the province's 10 regional real estate Boards/Associations, who are key stakeholders for AREA. Together, each regional Board/Association, AREA and the Canadian Real Estate Association (CREA) form a 3-way agreement.

## ● AWRA – Alberta West REALTORS® Association

### EXECUTIVE OFFICER

Sandy Atfield

### PRESIDENT

Karen Spencer-Miller

## ● CREB – Calgary Real Estate Board

### EXECUTIVE OFFICER

Alan Tennant

### PRESIDENT

David Brown

## ● CARA – Central Alberta REALTORS® Association

### EXECUTIVE OFFICER

Larry Westergard

### PRESIDENT

Danielle Davies

## ● FMR – Fort McMurray REALTORS®

### EXECUTIVE OFFICER

Olive Wooden

### PRESIDENT

Andrew Weir

## ● 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

Jason Shriner

## ● MHREB – Medicine Hat Real Estate Board

### EXECUTIVE OFFICER

Randeen Bray

### PRESIDENT

Brooklyn Kalista

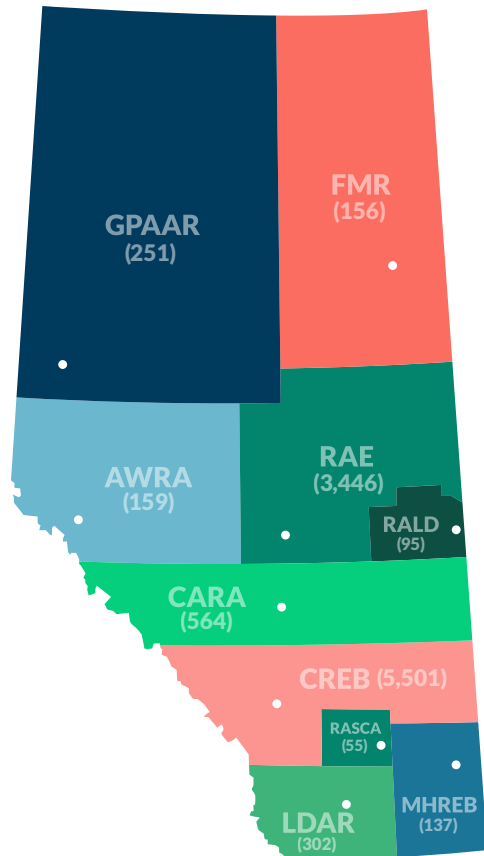
## ● RAE – REALTORS® Association of Edmonton

### EXECUTIVE OFFICER

Michael Thompson

### CHAIR

James Mabey



## ● RALD – REALTORS® Association of Lloydminster & District

### EXECUTIVE OFFICER

Eileen Rohs

### PRESIDENT

Ryan Topley

## ● RASCA – REALTORS® Association of South Central Alberta

### EXECUTIVE OFFICER

Carol Breakell

### PRESIDENT

Kate McLean

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

We have audited the accompanying financial statements of the Alberta Real Estate Association ("the Association") which comprise the statement of financial position as at October 31, 2017 and the statements of operations, changes in net assets and cash flow for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements to plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Association as at October 31, 2017 and its results of operations and its cash flow for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

*Seguro LLP*

### **Chartered Professional Accountants**

Calgary, Alberta  
December 22, 2017



ALBERTA REAL ESTATE ASSOCIATION  
STATEMENT OF FINANCIAL POSITION AS AT

	Oct 31, 2017	Oct 31, 2016
<b>Assets</b>		
<b>CURRENT</b>		
Cash	\$ 1,551,871	\$ 1,848,359
Short-term investments ( <i>at fair market value</i> ) - Note 3	7,999,412	6,481,949
Accounts receivable	280,370	260,197
Prepaid expenses	140,402	189,746
Government remittances	-	259,743
Inventory	-	1,842
	9,972,055	9,041,836
INVESTMENT IN SUBSIDIARY - NOTE 4	198,369	-
CAPITAL ASSETS - NOTE 5	121,475	359,554
VIRTUAL COLLEGE JOINT VENTURE - NOTE 6	-	80,887
<b>TOTAL ASSETS</b>	<b>\$ 10,291,899</b>	<b>\$ 9,482,277</b>
<b>Liabilities</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities - Note 7	\$ 174,708	\$ 259,835
Government remittances	12,139	-
Deferred revenue - Note 8	273,812	38,859
	460,659	298,694
COMMITMENTS - NOTE 9		
<b>Net Assets</b>		
INVESTED IN CAPITAL ASSETS	121,475	359,554
RESTRICTED - NOTE 10	5,956,388	6,044,301
UNRESTRICTED	3,753,377	2,779,728
	9,831,240	9,183,583
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 10,291,899</b>	<b>\$ 9,482,277</b>

Approved on behalf of the board:



Director



Director

## ALBERTA REAL ESTATE ASSOCIATION

## STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED

	Invested in Capital Assets	Restricted	Unrestricted	Total Oct 31, 2017	Total Oct 31, 2016
<b>BALANCE - Beginning of year</b>	\$ 359,554	\$ 6,044,301	\$ 2,779,728	\$ 9,183,583	\$ 8,483,108
<b>EXCESS OF REVENUE OVER EXPENDITURES FOR THE YEAR</b>	(320,957)	(87,913)	1,056,527	647,657	700,475
<b>INVESTMENT IN CAPITAL ASSETS</b>	111,283	-	(111,283)	-	-
<b>AMORTIZATION OF CAPITAL ASSETS</b>	(28,405)	-	28,405	-	-
<b>BALANCE - End of year</b>	<b>\$ 121,475</b>	<b>\$ 5,956,388</b>	<b>\$ 3,753,377</b>	<b>\$ 9,831,240</b>	\$ 9,183,583

ALBERTA REAL ESTATE ASSOCIATION  
STATEMENT OF OPERATIONS FOR THE YEAR ENDED

	Oct 31, 2017	Oct 31, 2016
<b>REVENUES</b>		
Membership fees	\$ 4,364,726	\$ 4,414,997
Conferences	38,018	61,985
Education	10,558	32,571
Other	26,238	31,167
	4,439,540	4,540,720
<b>EXPENSES</b>		
Salaries and benefits	2,133,198	2,063,046
Meetings and travel	397,724	388,499
Education	361,857	158,173
Consulting	313,275	388,430
General and administrative	299,331	316,832
Rent and operating costs	275,756	316,038
Conferences and events	240,091	182,553
Professional fees	221,002	34,265
	4,242,234	3,847,836
<b>EXCESS OF REVENUES OVER EXPENSES BEFORE INVESTMENT INCOME AND OTHER ITEMS</b>	197,306	692,884
<b>INVESTMENT INCOME</b>		
Unrealized gain (loss) on short-term investments	578,225	(84,460)
Investment income	244,693	217,167
Realized gain on sale of short term investments	40,336	398,344
Equity loss from subsidiary	(1,631)	-
	861,623	531,051
<b>OTHER ITEMS</b>		
Net GST re assessment recovery	38,500	216,645
Write-down of capital assets	(320,957)	-
Change in equity of Virtual College Joint Venture	(54,027)	(47,451)
Real Estate Act review	(44,076)	(179,277)
Amortization expense	(28,405)	(193,806)
Severance and restructuring expenses	(2,307)	(244,571)
Donations	-	(75,000)
	(411,272)	(523,460)
<b>EXCESS OF REVENUES OVER EXPENSES FOR THE YEAR</b>	<b>\$ 647,657</b>	<b>\$ 700,475</b>

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

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

	Oct 31, 2017	Oct 31, 2016
<b>CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES:</b>		
Excess of revenues over expenses for the year	\$ 647,657	\$ 700,475
Item not affecting cash		
Amortization	28,405	193,806
Unrealized (gain) loss on short-term investments	(578,225)	84,460
Change in equity of Virtual College Joint Venture	54,027	47,451
Write-down of capital assets	320,957	-
Equity loss from subsidiary	1,631	-
	474,452	1,026,192
<b>Net change in non-cash working capital balances</b>		
Interest receivable	(6,506)	15,112
Accounts receivable	(20,173)	(188,374)
Prepaid expenses	49,344	(27,887)
Inventory	1,842	5,169
Accounts payable and accrued liabilities	(85,127)	38,910
Government remittances	271,882	(246,753)
Deferred revenue	234,953	38,859
	920,667	661,228
<b>CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES:</b>		
Purchase of short-term investments	(700,000)	(323,801)
Redemption of short-term investments	593,496	1,600,000
Advances to subsidiary	(200,000)	-
Purchase of capital assets	(111,283)	(45,283)
Advances from Virtual College Joint Venture	26,860	-
	(390,927)	1,230,916
<b>INCREASE IN CASH</b>	529,740	1,892,144
<b>CASH - Beginning of year</b>	2,214,716	322,572
<b>CASH - End of year</b>	<b>\$ 2,744,456</b>	<b>\$ 2,214,716</b>
<b>CASH IS COMPRISED OF THE FOLLOWING:</b>		
Cash	\$ 1,551,871	\$ 1,848,359
Cash and cash equivalents included in short-term investments	1,192,585	366,357
	\$ 2,744,456	\$ 2,214,716



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

The Alberta Real Estate Association ("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 and Comparative Figures**

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

### **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, due from subsidiary and the Virtual College Joint Venture. Financial liabilities measured at amortized cost on a straight-line basis include the accounts payable and accrued liabilities.

#### **TRANSACTION COSTS**

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

#### **IMPAIRMENT**

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

#### **INVENTORY**

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

**NOTE 2   Significant Accounting Policies - continued**

**Investment in Subsidiary**

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

**Joint Venture**

The Association accounted for its interest in the Virtual College Joint Venture using the equity method.

**Capital Assets**

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

Information technology	5 years
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.

**Use of Estimates**

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

**Revenue Recognition**

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

**Foreign Currency Translation**

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

**NOTE 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:

	2017		2016	
	Cost	Fair Value	Cost	Fair Value
Cash and cash equivalents	\$ 1,192,585	\$ 1,192,585	\$ 366,357	\$ 366,357
Fixed Income				
Canadian	1,875,598	1,943,584	1,588,558	1,689,196
Foreign	132,840	137,346	132,840	142,110
U.S.	103,350	102,651	103,350	103,752
	2,111,788	2,183,581	1,824,748	1,935,058
Equity				
Canadian	1,566,591	2,655,300	1,566,592	2,300,387
U.S.	572,511	1,352,303	744,030	1,346,072
Foreign	462,840	615,643	472,856	534,075
	2,601,942	4,623,246	2,783,478	4,180,534
	<b>\$ 5,906,315</b>	<b>\$ 7,999,412</b>	<b>\$ 4,974,583</b>	<b>\$ 6,481,949</b>

**NOTE 4 Investment in Subsidiary**

During the year, the Board approved the establishment of a wholly-owned taxable entity for investment purposes. At October 31, 2017, the financial statements of the wholly-owned subsidiary consisted of:

Total assets	\$	199,869
Total liabilities	\$	201,490
Shareholder's deficit	\$	(1,621)
Revenue	\$	-
Expenses	\$	(1,631)

Other than the Association's initial investment in the wholly owned subsidiary, there were no significant cash flows from operating, financing and investing activities.

**NOTE 5 Capital Assets**

	2017		2016	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Information technology	\$ 70,906	\$ 6,920	\$ 63,986	\$ 287,223
Office furnishings	587,796	538,578	49,218	22,660
Office equipment	103,567	95,296	8,271	16,784
Leasehold improvements	-	-	-	32,887
	<b>\$ 762,269</b>	<b>\$ 640,794</b>	<b>\$ 121,475</b>	<b>\$ 359,554</b>

**NOTE 6 Virtual College Joint Venture**

The Association has a 29.9% interest in a joint venture with other real estate associations to establish a vehicle for delivery of online education courses through an agreement called the National Real Estate Virtual College Joint Venture. On December 31, 2016, the Board of the Joint Venture agreed to dissolve the joint venture, and accordingly, any remaining net assets were returned to the individual joint venture partners.

**NOTE 7 Corporate Credit Cards**

The Association has corporate Visa credit cards with a combined credit limit of \$102,000 (2016 - \$102,000). Included in accounts payable and accrued liabilities is the combined outstanding amounts on these credit cards of \$36,802 (2016 - \$67,100).

**NOTE 8 Deferred Revenue**

Deferred revenue consists of activation credits received from a cell phone provider in connection with a membership preferential pricing agreement.

**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:

2018	\$	226,510
2019	\$	226,510
2020	\$	226,510
2021	\$	226,510
2022 and beyond	\$	1,366,551

**NOTE 10 Restricted Net Assets**

At October 31, 2017, the Association has internally restricted net assets to be used for the purposes and amounts as follows:

**Member Services**

The Association allocated funds to host events and to provide access to education resources for its members. At October 31, 2017 the balance is \$148,818 (2016 - \$110,800).

**Business Continuity**

The Association has allocated funds to support its ongoing operations as a result of the loss of a major revenue stream and to address cash flow fluctuations throughout the year. At October 31, 2017, the balance was \$5,530,923 (2016 - \$5,612,778).

**Real Estate Act Review**

The Association allocated funds for legal fees associated with this initiative. At October 31, 2017 the balance was \$276,647 (2016 - \$320,723).

### **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.

## Notes



*AREA's successes in the past year have set the pace for an association that will continue to create a value that will be visible to all of its individual members in the cities, towns, villages, or counties throughout the whole province.*

**DEREK AUSTIN** *Board Member*



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