

**your  
advocate,  
your  
voice.**

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**2019 ANNUAL REPORT**

ALBERTA REAL ESTATE  
ASSOCIATION



The switchover was painless, the billing is simple, support has been great (the few times I called them).

on behalf

members in A

This scholarship has significantly impacted me and allowed me to chase my dreams of becoming a Social Worker and advocate for social change. So, thank you from the bottom of my heart.

the ear

govern

podcasts  
in addition  
many tools  
and services  
provided by AREA.

If this year has proven anything it is that we as an industry are stronger together. Speaking with one in

AREA has  
made exceptional  
strides in Advocacy

of their 10,500+  
Alberta, they have  
of the provincial  
ment to show for it.

I encourage  
all Realtors to  
consider the AREA  
wireless program

# **your advocate, your voice.**

Great Job AREA - I hope  
every REALTOR® in Alberta  
is taking advantage  
of this great  
new resource.

er!  
e voice  
support of  
our members!

The course instructor  
for the new  
SAIT-AREA Leadership  
Certificate program  
was amazing.

I am increa  
proud of the wor  
AREA does to be the voice for  
our members on the issues that matter

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Our annual report provides AREA members and industry stakeholders an overview of our November 1, 2018 – October 31, 2019 fiscal year.

**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.

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## Mission

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

## Vision

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

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

### Advocacy

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

### Professional Development

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

### Member Services

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

# Membership Benefits

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How are your **\$31<sup>25</sup>/month** members dollars used to benefit you?



*Provincial forms*



*Member advocacy*



*Government advocacy*



*Professional development*



*Member services*

## 18+ yrs

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Unique-to-Alberta interactive housing statistics dashboard capturing 18+ years of aggregate housing data in customizable format

## Unlocking greater access than ever before for our members.

As REALTORS®, AREA members are dedicated to serving clients. We know that the safer you feel, the better you can serve your clients. In 2019, AREA provided all Alberta REALTORS® subscriptions to a safety application, so they could request immediate emergency response assistance.



Unlocking access to the Kinetic Global safety application within existing member dues

## \$500K

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Annual premiums AREA pays to implement a Commission Protection Program, covered within existing dues



In 2020, stay tuned for an optional health and dental coverage program

# \$450/yr

Members using AREA Wireless save on average \$450 annually

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

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

## Dedicated to strengthening the real estate profession.

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

# 10,779

Online courses completed

# 2,607

*In Your AREA* podcast listens

# AREA by the Numbers

# 10,537

Number of members

LAST YEAR: 10,752

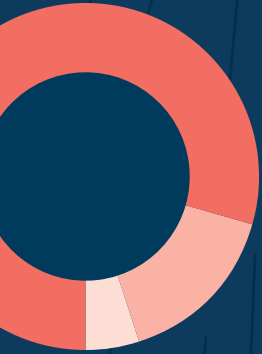
YOY: -2.0%

Number of brokerages

# 598

LAST YEAR: 687

BROKERAGES ≥ 5: 249



albertarealtor.ca visits/month

# 14,818

● DESKTOP: 79.4% ● MOBILE: 15.6% ● TABLET: 4.9%

Weekly active users

# 1,818

PAGES / SESSION: 5

Statistics Dashboard  
visits/month

# 1,154

SINCE ITS LAUNCH IN SEPTEMBER 2019

WEBForms® and Repree™

# 9,625

WEBFORMS® USERS

5,985 USERS WHO TRANSITIONED TO WEBFORMS® 2019

# 86,029

WEBFORMS® TRANSACTIONS CREATED

# 2,241

REPREE™ UNIQUE USERS

# 25,964

REPREE™ TRANSACTIONS CREATED



TD Insurance  
Meloche Monnex program policies **816**

over **\$5.2M** ESTIMATED SAVINGS FOR MEMBERS

AREA Wireless subscribers **3,678**

LAST YEAR: 2,993

YOY INCREASE: 22.9%

Active Crown Land Listings **\$28M**

IN 2019, AREA FACILITATED \$75,000 IN CROWN LAND SALES

*“This scholarship has significantly impacted me and allowed me to chase my dreams of becoming a Social Worker and advocate for social change. So, thank you from the bottom of my heart for your generosity.”*


MADISON KUEFLER,  
2019 Scholarship Recipient

**\$5,000**

Post secondary  
scholarships awarded

AMOUNT: \$2,500 X 2

 **5,298** FOLLOWERS

 **1,737** LIKES

Social media  **552** FOLLOWERS

INCREASED ENGAGEMENT : ● TWITTER 69.8% ● FACEBOOK 22.9% ● LINKEDIN 7.3%



# Letter from the Chair

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Twenty years ago, my father Brad Gilbert, stepped into his role as president of AREA. You could say my **passion for real estate** and for AREA's role in advocating for REALTORS® is hereditary. It has been a **great honour to represent you as AREA's Chair** this year.

---

Your AREA Board of Directors has continued to oversee the implementation of AREA's 2018-2021 strategic plan. We take pride in our efforts to make it easier for REALTORS® to build sustainable careers and to represent you, the members.

During the spring provincial election, we championed and helped craft the UCP position of building a made-in-Alberta solution for the federal mortgage stress test policy, which is part of the Finance Minister's mandate for this term. In the summer, AREA secured subscriptions to a safety application for all Alberta REALTORS®, giving you the ability to request immediate emergency response assistance. And we fulfilled our promise to implement a commission protection program, providing a safety net for the millions of dollars in commission payments members will earn in the years to come.

As your provincial advocate, AREA drew the new government's attention to the unnecessary red tape in RECA's implementation of advertising guidelines, as well as their proposed licensing fee increase. Service Alberta Minister Nate Glubish heard our concerns and halted both initiatives. AREA provides a unified voice on behalf of Alberta's REALTORS®, making a difference to

policies that affect you directly. We will continue to represent members' needs and concerns.

On behalf of the AREA Board of Directors, I'd like to acknowledge the hard work, commitment and support offered by CEO Brad Mitchell and all the AREA staff team.

I am excited to pass the Chair position to Kristie Kruger. Kristie's enthusiasm, leadership, and pragmatism accompanied by the entire Board's passion and dedication will serve AREA members well in 2020.

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**JENNIFER GILBERT**  
AREA CHAIR



*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.*



*“AREA provides a unified voice on behalf of Alberta’s REALTORS<sup>®</sup>, making a difference to policies that affect you directly. We will continue to represent members’ needs and concerns.”*

JENNIFER GILBERT,  
Chair

# Letter from the CEO

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Continued financial restraint and prudent management allowed **AREA to add to member service offerings at no additional cost.** Our operational spend remains **20% below 2014 levels** as we continue to do more with less, putting AREA in a place where we are implementing commission protection for our members in order to **protect their commissions payments.**

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The expansion of monthly housing market data into an interactive dashboard on our website broadens access to statistics you can use with your clients. The REALTOR® Safety App gives members, their friends, and family peace of mind when it comes to their well-being.

At the 2019 AREA Annual General Meeting, members voted to adopt bylaw changes that place the Board of Director's composition more directly in members' hands through direct application. Going forward, AREA's Board of Directors will be identified through a member-nomination process, with those qualified applying to a Nominating Committee. These changes also apply to the composition of the board, which will now consist of five regional directors, three directors-at-large, and one public member. Member engagement opportunities are also continuing to increase with the addition of the option to vote electronically at the AGM.

AREA Advocacy will remain a focus in 2020 as we work with the government on changes to the *Real Estate Act*, promote red tape reduction, and continue to push for a made-in-Alberta mortgage solution to the federal

stress test. Government action on fees and advertising standards reinforced AREA's ability to advocate on behalf of REALTORS® for a strong real estate environment.

I am proud to lead a team of high performing staff who are committed to serving our members. Their dedication, ingenuity and passion fuel the work we do. I want to thank Jennifer Gilbert for her knowledge, grace and patience as chair. Thank you to all those who have contributed to AREA's success this year. 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.

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**BRAD MITCHELL**  
AREA CEO



# Board of Directors & Executive Staff

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## Chair

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**Jennifer Gilbert**  
*Chair*  
Lloydminster

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

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**Kristie Kruger**  
*Chair-Elect*  
Lethbridge



**Mark Aubin**  
Red Deer



**David P. Brown**  
Calgary



**D'Arcy Donald**  
Grande Prairie



**Devon Felesky**  
Medicine Hat



**Janet Kuehn**  
Whitecourt



**Jolene Ledene  
Reimer**  
Bassano



**David Lowe**  
*Resigned June 2019*  
Edmonton



**Ellyn Mendham**  
Calgary



**Doug Singleton**  
Edmonton



**Greg Walsh**  
Fort McMurray

## Executive Staff

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**Brad Mitchell**  
*Chief Executive Officer*



**Heather Coleman**  
*Managing Director*



**Tammy Williams**  
*Managing Director*



**Kate Bailey**  
*Director*

# Letter from Services Corp

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The Services Corp Board of Directors' primary criteria for creating and maintaining programs is to **help AREA members create efficiencies and savings** as they operate their businesses, which is especially important in challenging economic times.

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The launch of this wholly-owned AREA subsidiary as a taxable entity in 2017 has provided the corporate structure to deliver on a new level of program savings that AREA, as a not-for-profit association, could not. The Services Corp Board remains vigilant in delivering high quality programs to members.

With AREA Wireless saving members over \$5 million to date and a partnership with brokers on AREA Advance that supports our broker community, the Services Corp Board receives member praises for their progressive work in program delivery. The close of Services Corp's second fiscal year has us on solid financial footing with no reliance on member dues for

the operations of programs. We are now exploring some new program offerings and remain excited to continue to innovate and work to support members.



A green ink signature of Tammy Williams.

**TAMMY WILLIAMS**  
SERVICES CORP CEO



A green ink signature of D'Arcy Donald.

**D'ARCY DONALD**  
SERVICES CORP CHAIR

## Board of Directors

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**Jennifer Gilbert**  
Director



**Janet Kuehn**  
Director



**Brad Mitchell**  
Director



**Darren Smits**  
Partner, Burnstall LLP  
Director



**Todd Wallace**  
Director

## 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

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## 2. Advocate

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## 3. Shape

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## 4. Support

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## 5. Ensure

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Elevate the  
professional  
excellence of  
REALTORS®

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# 1. Elevate

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

## In 2019, AREA:

### PROFESSIONAL DEVELOPMENT

- > Opened its 2019 mandatory training with three options. The option to complete Canadian Anti-Spam Legislation, Competition Law, or apply an outside third-party course equivalent allows members to take their learning into their own hands.
- > Launched a first-in-Alberta partnership with SAIT Polytechnic to expand learning opportunities in the areas of business skills and professionalism.
- > Released a monthly podcast, *In Your AREA*, providing members with informal learning around topics that matter to their day to day, including REALTOR® safety, FINTRAC, and home inspections.

- > Offered quarterly webinars including learning around appraisals, understanding FINTRAC, and how to find and retain clients. These resources are added to our website, expanding accessibility for members to access at their convenience.
- > Furthered its partnership with the Southern Alberta Institute of Technology (SAIT) by designing and developing an instructor-led pre-licensing program. This applied program will engage learners through practical online and in-class training, to better prepare future REALTORS® for the industry.

### FORMS

- > Licensed AREA's forms to DealSimple™ to provide members another platform option.
- > Transitioned AREA's forms onto the new CREA WEBForms® platform.
- > Reviewed disclosure terms in AREA's forms to ensure compliance with legislative requirements regarding disclosure of personal and confidential information.



## Advocate for a strong real estate environment

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# 2. Advocate

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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 2019, AREA:

#### PLATFORM ADOPTION

- > Successfully advocated REALTOR® issues to all political parties in advance of and during Alberta's 2019 general election. The result of this work was the adoption of REALTOR® issues by now-premier Jason Kenney and his party.

#### RECA POLICY

- > Worked with government to halt unnecessary red tape regulation by successfully advocating against RECA advertising guideline changes and licensing fee increases.
- > Influenced government's approach to modernizing real estate regulation through the *Real Estate Amendment Act*.

#### ECONOMICS EXPERTISE

- > Built on AREA's thought leader profile through market research, monthly economic updates, and improved economic reporting tools.

#### CONDO REGULATIONS

- > Campaigned government administrators and bureaucracy to maintain plans to limit condo document fees through the change in government administration.

#### PROFILE BUILDING

- > Hosted Stampede and government receptions, with more than 50 politicians and senior political staffers participating in AREA's annual Government Liaison Days reception.
- > Engaged with newly elected MLAs.
- > Shared positive messaging about REALTORS®.

#### MEMBER ADVOCATE

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

*“I have been part of AREA Wireless for several years and consistently pay only \$50 per month for voice, text, and a generous data plan.”*

**JEFF JACKSON,**  
*Founder & Vice President  
Enterprise Sale*

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

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## 3. Shape

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

### **In 2019, AREA:**

- > Facilitated creation and launch of Alberta One Realty Listing Services, a provincial MLS® system which will bring together nine of the local MLS® services in the second quarter of 2020.
- > Explored ways to increase member engagement through the introduction of remote voting participation technology, with its first implementation being at the 2020 AGM.
- > Launched a unique-to-Alberta interactive housing statistics dashboard, fully equipped with 18+ years of resale data.

- > Provided each member with a subscription to the Kinetic Global (formerly LifeLine Response) safety application, arming REALTORS® with the tools to contact emergency responders with the touch of a button.

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.

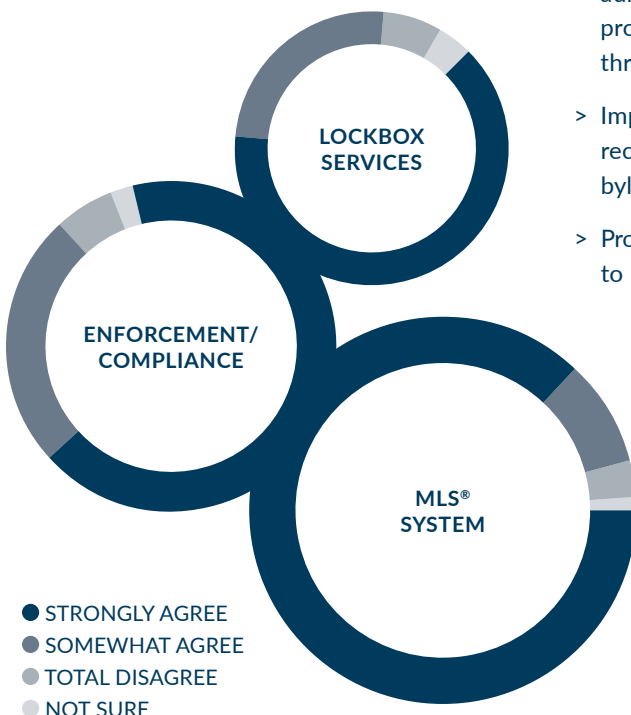
## Support the continued viability of organized real estate

# 4. Support

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 2019, AREA:

- > Facilitated discussion with local boards to establish a provincial ruleset to support the implementation of a provincial MLS® system.
- > Conducted member research on board structure, with responses prioritizing streamlined, consistent services.
- > Collaborated with local boards on an administrative justice initiative that will provide fair and consistent services throughout the province.
- > Implemented its new Board of Directors recruitment process based on the 2019 bylaw changes.
- > Provided interim executive officer services to RALD.



*How much do you agree or disagree that the services should be provided as consistent/ consolidated throughout the province?*

## Ensure AREA's financial sustainability

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# 5. Ensure

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

### In 2019, AREA:

- > Increased financial assets to offer additional services without increasing member dues.
- > Held expenses while increasing member service offerings and facilitating large scale provincial initiatives.
- > Funded the implementation of a commission assurance program.
- > Grew revenue for AREA and saved members money through voluntary member services programs.

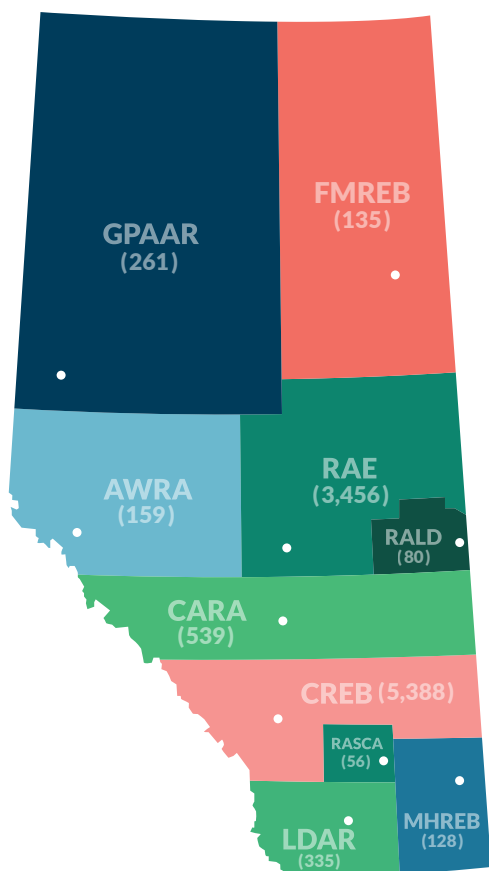
Moving forward, AREA will maintain its focus on delivering high-caliber services, without raising member dues.

*"I am incredibly proud of the work AREA does to be the voice for our members on the issues that matter, the issues that affect our ability to continue working seamlessly in our great careers as REALTORS®: advocacy, education, and fiscal responsibility to name a few."*

**KRISTIE KRUGER,**  
AREA 2019 Chair-Elect

# 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. Together, AREA, each regional board/association and the Canadian Real Estate Association (CREA) form the foundation for organized real estate and work in tandem to uphold the integrity of the real estate industry.



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

**EXECUTIVE OFFICER**

Sandy Atfield

**PRESIDENT**

Sharon Hawboldt

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

**EXECUTIVE OFFICER**

Alan Tennant

**CHAIR**

Sarah Johnston

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

**EXECUTIVE OFFICER**

Larry Westergard

**PRESIDENT**

Richard Pochylko

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

**EXECUTIVE OFFICER**

Olive Wooden

**PRESIDENT**

Danielle Schwitz

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

**EXECUTIVE OFFICER**

Karen Close-Bilodeau

**PRESIDENT**

Lesley Craig

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

**EXECUTIVE OFFICER**

Cathy Maxwell

**PRESIDENT**

Justin Myer

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

**EXECUTIVE OFFICER**

Randeen Bray

**PRESIDENT**

Norbert Klaiber

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

**EXECUTIVE OFFICER**

Michael Thompson

**CHAIR**

Michael C. Brodrick

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

**EXECUTIVE OFFICER**

Brad Mitchell

**PRESIDENT**

Louis de Kock

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

**EXECUTIVE OFFICER**

Carol Breakell

**PRESIDENT**

Kate McLean

## Management's Discussion and Analysis

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

### Alberta Economy

The Alberta economy struggled this year due to persistent weakness in the energy sector. Lack of pipeline development, changes to federal regulations, and production cuts weighed on investment activity and ultimately the employment market. The jobless rate has remained higher than the national average, at 7.2 per cent in November 2019 versus 5.9 per cent nationally.

With no notable change in the economic climate, housing demand has remained weak compared to historical standards. Despite the supply adjustments, most markets in the province continue to favour the buyer, weighing on prices. Provincial sales remain more than eight per cent below long-term averages. Heightened uncertainty along with persistently high unemployment rates and a shifting job market have prevented any significant change in resale housing demand.

### Member Base

AREA is a member-centric, member-driven organization. Most of AREA's revenue comes from member dues, which have remained steady despite the economic decline. The relative 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 to members can be difficult to quantify.

### Political and Regulatory Landscape

In the last five years there have been five ministers of Service Alberta, eight chiefs of staff, and four deputy ministers. Constant changes to senior staff on both the political and bureaucratic levels of government continue to make changing regulation and government policy challenging.

Service Alberta is responsible for several disparate industries, from issuing license plates to regulating real estate, funeral homes and government procurement processes. Bureaucrats have cursory knowledge of the industries that fall under Service Alberta's mandate, however, due to the breadth and depth of the mandate, they are often ill-equipped to deal with complex problems brought forward by industry.

Proposed regulatory changes take longer than they should, and government decisions are constantly revisited due to the high turnover and number of files Service Alberta handles. The condominium regulations, which were recently proclaimed, took 11 years to complete.

AREA has attempted to mitigate this risk by ensuring good relationships with both major political parties in Alberta, as well as working diligently with Service Alberta bureaucrats.

A government-commissioned KPMG review of RECA, published mid-2019, highlighted serious issues at the regulator. RECA, the body that governs professionals in several sectors related to real estate, is currently under the control of a government-appointed administrator. The government intends to make significant changes to the *Real Estate Act*.

AREA has prepared for a review for several years and has dedicated reserves set aside to fund the external support needed to be an effective stakeholder in the government process. The *Real Estate Act* legislative review represents both opportunity and risk to AREA and its members, as government considers items of regulatory accountability, governance structure, and regulatory purpose.

### **Structure of Organized Real Estate**

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

Alberta Boards/Associations have been hard at work on streamlining services for many years, with success on provincial forms and harmonized provincial rules, and shortly, the introduction of a provincial MLS® system with the combining of nine Boards/Associations' existing systems. AREA is a shareholder in this project, where risks are evaluated as minimal, given the long history of successful REALTOR®-run MLS® systems within the province.

### **Operational Spending**

AREA's management team continues to keep tight controls on operational cost and spending by exercising prudent oversight.

### **AREA Services Corporation**

In its second complete year of operations, AREA Real Estate Services Corporation has demonstrated the ability to fulfil its mandate as a wholly owned taxable entity. In 2019, Services Corp hired a full-time Business Development Officer, supporting the corporation's directive to provide self-sustaining members benefits, independent of member dues.

The Services Corp Board is responsible for working with management to direct taxable work and reports up to the AREA Board of Directors. 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. Through Services Corp, AREA provides a discounted wireless service to its members. There are currently 3,500+ subscribers to this service. The wireless service is contracted to a single national provider of wireless services. There is no guarantee AREA can maintain the current contract with service providers for this service. Services Corp also carries the default risk on behalf of members. The AREA board regards this risk as acceptable as the benefit to members is substantial. Since program inception, AREA members have saved over \$5.2 million in fees for wireless services.

# Alberta Real Estate Association & AREA Real Estate Services Corp

CONSOLIDATED FINANCIAL SNAPSHOT

	Oct 31, 2019
<b>REVENUES</b>	
Membership fees	\$ 4,472,404
Wireless revenue	3,127,916
Other revenue	295,122
	7,895,442
<b>COST OF SALES</b>	2,607,366
<b>GROSS PROFIT</b>	5,288,076
<b>EXPENSES</b>	
Salaries and wages	2,205,660
Office and administrative	880,874
Consulting and professional fees	645,701
Meetings and travel	572,974
Amortization	45,409
Bad debts	25,651
	4,376,269
<b>EXCESS OF REVENUES OVER EXPENSES FROM OPERATIONS</b>	911,807
<b>OTHER ITEMS</b>	
Unrealized gain (loss) on marketable securities	444,824
Investment revenue	263,538
Gain on sale of marketable securities	1,499
Pillar9	(26,530)
Severance and restructuring expense	(47,650)
Governance and bylaw review	(84,661)
Member advocacy	(93,873)
Real estate act review	(223,135)
	234,012
<b>EXCESS OF REVENUES OVER EXPENSES BEFORE INCOME TAXES</b>	1,145,819
<b>INCOME TAXES</b>	23,272
<b>EXCESS OF REVENUES OVER EXPENSES</b>	<b>\$ 1,122,547</b>



AREA Financials

2019



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*“For several years now, AREA has refocused its attention on finances to maximize member value, putting AREA on a strong financial footing for the future.”*

**DAVID P. BROWN, AREA Director**

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

### **Opinion**

I have audited the financial statements of Alberta Real Estate Association (the Organization), which comprise the statement of financial position as at October 31, 2019, and the statements of revenues and expenditures, changes in net assets and cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at October 31, 2019, 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**

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

### **Other Matter**

The financial statements for the year ended October 31, 2018 were audited by another auditor who expressed an unmodified opinion on those financial statements on December 31, 2018.

### **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 Organization's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.

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

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

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

ALBERTA REAL ESTATE ASSOCIATION  
INDEPENDENT AUDITORS' REPORT – CONTINUED

with Canadian generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

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

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



Diana Hanevelt, CPA, CA, CGA

DIANA HANEVELT PROFESSIONAL CORPORATION

Calgary, Alberta

December 23, 2019

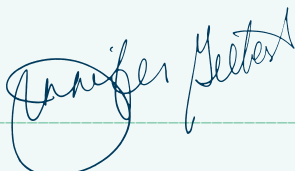


CZECHOWSKY, GRAHAM & HANEVELT  
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• AN ASSOCIATION OF PROFESSIONAL PRACTICES •

ALBERTA REAL ESTATE ASSOCIATION  
STATEMENT OF FINANCIAL POSITION – OCTOBER 31, 2019

	Oct 31, 2019	Oct 31, 2018
<b>Assets</b>		
<b>CURRENT</b>		
Cash	\$ 249,968	\$ 2,099,392
Short-term investments – Note 3	9,664,053	8,008,257
Accounts receivable	127,792	208,285
Government remittances	3,436	14,031
Prepaid expenses	214,132	508,410
Due from related parties – Note 4	24,987	-
Other current receivable	892,539	-
	11,176,907	10,838,375
<b>CAPITAL ASSETS – NOTE 7</b>	<b>131,427</b>	<b>180,448</b>
<b>INVESTMENT IN SUBSIDIARY – NOTE 5</b>	<b>331,031</b>	<b>151,915</b>
<b>INVESTMENT IN PILLAR9 – NOTE 6</b>	<b>433,600</b>	<b>-</b>
<b>TOTAL ASSETS</b>	<b>\$ 12,072,965</b>	<b>\$ 11,170,738</b>
<b>Liabilities</b>		
<b>CURRENT</b>		
Accounts payable – Note 8	\$ 792,525	\$ 808,447
Deferred income	2,917	-
Due to related parties – Note 4	23,600	231,624
	819,042	1,040,071
<b>Net Assets</b>		
<b>INVESTED IN CAPITAL ASSETS</b>	<b>131,427</b>	<b>180,448</b>
<b>RESTRICTED FUND – NOTE 10</b>	<b>6,286,462</b>	<b>6,353,470</b>
<b>UNRESTRICTED FUND</b>	<b>4,836,034</b>	<b>3,596,749</b>
	11,253,923	10,130,667
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 12,072,965</b>	<b>\$ 11,170,738</b>

Approved on behalf of the board:

  
\_\_\_\_\_

Director



CEO

## ALBERTA REAL ESTATE ASSOCIATION

## STATEMENT OF REVENUES AND EXPENDITURES FOR THE YEAR ENDED OCTOBER 31, 2019

	Oct 31, 2019	Oct 31, 2018
<b>REVENUES</b>		
Membership fees	\$ 4,472,405	\$ 4,392,131
Conferences	180,516	75,825
Other	13,396	4,224
Education	66,036	33,715
	4,732,353	4,505,895
<b>EXPENSES</b>		
Salaries and benefits	1,986,643	1,947,376
Consulting	401,214	353,928
General and administrative	395,661	383,278
Conferences and events	340,675	277,482
Rent and operating costs	260,995	249,491
Meetings and travel	223,562	390,261
Professional fees	206,016	284,293
Commission insurance	85,031	24,885
Education	77,019	61,683
	3,976,816	3,972,677
<b>EXCESS OF REVENUES OVER EXPENSES BEFORE INVESTMENT INCOME AND OTHER ITEMS</b>	<b>755,537</b>	<b>533,218</b>
<b>INVESTMENT INCOME</b>		
Realized gains on disposal of investments	1,499	289,622
Unrealized gains (losses) on short-term investments	444,824	(455,326)
Equity income from subsidiary	179,116	153,536
Investment income	263,538	226,328
	888,977	214,160
<b>OTHER ITEMS</b>		
Amortization of capital assets	45,409	40,009
Pillar9 general & administrative expenses – Note 6	26,530	209,107
Severance and restructuring	47,650	113,102
Member advocacy fund	93,873	-
Governance and bylaw review	84,661	85,733
Real Estate Act review	223,135	-
	521,258	447,951
<b>EXCESS OF REVENUES OVER EXPENSES FOR THE YEAR</b>	<b>\$ 1,123,256</b>	<b>\$ 299,427</b>

## ALBERTA REAL ESTATE ASSOCIATION

## STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED OCTOBER 31, 2019

	Invested in Capital Assets	Restricted Fund	Unrestricted Fund	Total Oct 31, 2019	Total Oct 31, 2018
<b>NET ASSETS - Beginning of year</b>	\$ 180,448	\$ 6,353,470	\$ 3,596,749	\$ 10,130,667	\$ 9,831,240
<b>EXCESS OF REVENUE OVER EXPENDITURES FOR THE YEAR</b>	-	(317,008)	1,440,264	1,123,256	299,427
<b>INVESTMENT IN CAPITAL ASSETS</b>	23,630	-	(23,630)	-	-
<b>WRITEDOWN OF CAPITAL ASSETS</b>	(27,242)	-	(27,242)	-	-
<b>AMORTIZATION OF CAPITAL ASSETS</b>	(45,409)	-	45,409	-	-
<b>TRANSFERS</b>	-	250,000	(250,000)	-	-
<b>NET ASSETS - End of year</b>	<b>\$ 131,427</b>	<b>\$ 6,286,462</b>	<b>\$ 4,836,034</b>	<b>\$ 11,253,923</b>	\$ 10,130,667

ALBERTA REAL ESTATE ASSOCIATION  
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED OCTOBER 31, 2019

	Oct 31, 2019	Oct 31, 2018
<b>OPERATING ACTIVITIES</b>		
Excess of revenues over other items	\$ 1,123,256	\$ 299,427
Item not affecting cash:		
Amortization of capital assets	45,409	40,009
Write-down of capital assets	27,242	-
Gain on disposal of investments	(1,499)	(289,622)
Unrealized (gains) losses on short-term investments	(444,824)	455,326
Equity income from subsidiary	(179,116)	(153,536)
	570,468	351,604
Changes in non-cash working capital:		
Accounts receivable	80,493	72,085
Interest receivable	(5,947)	(1,090)
Accounts payable	(15,925)	621,590
Deferred income	2,917	(273,812)
Prepaid expenses	294,278	(368,008)
Goods and services tax payable	10,595	(14,031)
Other receivables	(892,539)	-
	(526,128)	36,734
Cash flow from operating activities	44,340	388,338
<b>INVESTING ACTIVITIES</b>		
Purchase of capital assets	(23,630)	(98,982)
Increase in short-term investments	(1,201,689)	(155,137)
Advances from (to) subsidiary	(256,611)	431,624
Investment in Pillar9	(10,000)	-
Loan disbursed to Pillar9	(400,000)	-
Cash flow (used by) from investing activities	(1,891,930)	177,505
<b>(DECREASE) INCREASE IN CASH FLOW</b>	<b>(1,847,590)</b>	<b>565,843</b>
<b>CASH - Beginning of year</b>	<b>3,310,299</b>	<b>2,744,456</b>
<b>CASH - End of year</b>	<b>\$ 1,462,709</b>	<b>\$ 3,310,299</b>
<b>CASH CONSISTS OF:</b>		
Cash	\$ 249,968	\$ 2,099,392
Cash and cash equivalents included in short-term investments	1,212,741	1,210,907
	\$ 1,462,709	\$ 3,310,299

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

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

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

## **NOTE 2 Significant Accounting Policies**

### **Basis of Presentation**

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

### **Financial Instruments Policy**

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

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

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

For financial assets measured at cost or amortized cost, the 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.

### **Foreign Currency Translation**

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



## **NOTE 2 Significant Accounting Policies – continued**

### **Investment in Subsidiary**

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

### **Capital Assets**

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

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

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

### **Impairment of 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:

	2019		2018	
	Cost	Market Value	Cost	Market Value
Cash and cash equivalents	\$ 1,212,741	\$ 1,212,741	\$ 1,210,907	\$ 1,210,907
Fixed Income				
Canadian	3,794,487	3,855,727	2,553,913	2,546,372
Foreign	103,350	102,888	367,470	358,289
U.S.	407,718	423,609	103,350	98,959
	4,305,555	4,382,224	3,024,733	3,003,620
Equity				
Canadian	1,251,756	2,318,906	1,251,756	2,136,841
U.S.	488,679	1,338,957	527,618	1,252,667
Foreign	350,585	411,225	350,585	404,222
	2,091,020	4,069,088	2,129,959	3,793,730
	<b>\$ 7,609,316</b>	<b>\$ 9,664,053</b>	<b>\$ 6,365,599</b>	<b>\$ 8,008,257</b>

**NOTE 4 Due from (to) Related Parties**

	2019	2018
Due from (to) AREA Services Corporation (subsidiary)	\$ 24,987	\$ (231,624)
Due (to) from Pillar9	(23,600)	-
	\$ 1,387	\$ (231,624)

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

**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, 2019, the financial statements of the subsidiary company consisted of:

	2019	2018
Total assets	\$ 1,636,975	\$ 924,644
Total liabilities	1,305,945	772,729
Equity (deficit)	331,031	151,915
Revenue	3,163,090	2,410,196
Expenses	2,983,973	2,256,660

**NOTE 6 Investments in Pillar9**

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

	<b>2019</b>
10,000 Class A Common Shares	\$ 10,000
423,860 Class C Common Non-Voting Shares	423,600
	<b>\$ 433,600</b>

During the year, the Association incurred \$26,530 of expenditures relating to the development of this initiative.

**NOTE 7 Capital Assets**

	<b>2019</b>		<b>2018</b>	
	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>Net Book Value</b>	<b>Net Book Value</b>
Information technology	\$ 148,450	\$ 51,940	\$ 96,510	\$ 127,491
Office furnishings	74,514	49,657	24,857	39,380
Office equipment	27,334	17,274	10,060	13,577
	<b>\$ 250,298</b>	<b>\$ 118,871</b>	<b>\$ 131,427</b>	<b>\$ 180,448</b>

**NOTE 8 Corporate Credit Cards**

The Association has corporate Visa credit cards with a combined credit limit of \$102,000 (2018 – \$102,000). Included in accounts payable and accrued liabilities is the combined outstanding amounts on these credits cards of \$4,760 (2018 – \$23,004).

**NOTE 9 Lease Commitments**

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

2020	\$ 236,032	2023	\$ 259,724
2021	236,032	2024	259,724
2022	245,903	Thereafter	670,953

**NOTE 10 Restricted Net Assets**

At October 31, 2019, 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 (2018 – \$148,818).

**NOTE 10 Restricted Net Assets – continued****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 (2018 – \$5,280,923).

**Real Estate Act Review**

The Association allocated funds for legal fees associated with this initiative. The balance available is \$53,512 (2018 – \$276,647).

**Member Advocacy Fund**

During the year, the Association allocated funds for the work undertaken by the Member Advocacy Committee. The balance available is \$303,209 (2018 – \$147,082).

**1MLS® Implementation Fund**

During the year, the Association allocated funds for implementation of 1MLS®. The balance available is \$500,000 (2018 – \$500,000).

**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.

**(a) Market Risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The 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.

**(b) Currency Risk**

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The 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.

## To: Alberta Real Estate Association

I consent to the use of my auditor's report dated December 23, 2019 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, 2019, 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, 2019.

I 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, I do not consent to the use of my auditor's report for any other purpose.



Diana Hanevelt, CPA, CA, CGA

DIANA HANEVELT PROFESSIONAL CORPORATION

Calgary, Alberta

January 6, 2020



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



# AREA Real Estate Services Corp

# 2019

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*“I am proud to have been a part of the AREA Real Estate Services Corporation from its inception. The Services Corp. entity continues to grow and transform at an exciting pace. The exceptional successes of this corporation will allow us to implement new, optional member services to continue to save members money. \$4.9M in member savings so far - how exciting is that?!”*

**JENNIFER GILBERT, Chair**

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

### **Opinion**

I have audited the financial statements of AREA Real Estate Services Corporation (the Company), which comprise the balance sheet as at October 31, 2019, and the statements of income and cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at October 31, 2019, 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**

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

### **Other Matter**

The financial statements for the year ended October 31, 2018 were audited by another auditor who expressed an unmodified opinion on those financial statements on December 31, 2018.

### **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 relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

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

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

ALBERTA REAL ESTATE ASSOCIATION  
INDEPENDENT AUDITORS' REPORT – CONTINUED

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

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.

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



Diana Hanevelt, CPA, CA, CGA

DIANA HANEVELT PROFESSIONAL CORPORATION

Calgary, Alberta

December 23, 2019



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



AREA REAL ESTATE SERVICES CORPORATION  
BALANCE SHEET - OCTOBER 31, 2019

	Oct 31, 2019	Oct 31, 2018
<b>Assets</b>		
<b>CURRENT</b>		
Cash	\$ 1,013,280	\$ 273,708
Accounts receivable - Note 3	189,367	199,490
Accounts receivable - AREA Advance	215,573	35,334
Wireless device loans receivable - current - Note 4	109,190	92,244
Prepaid expenses	375	-
	1,527,785	600,776
<b>WIRELESS DEVICE LOANS RECEIVABLE - NOTE 4</b>	<b>109,190</b>	<b>92,244</b>
<b>DUE FROM ALBERTA REAL ESTATE ASSOCIATION - NOTE 5</b>	<b>-</b>	<b>231,624</b>
<b>TOTAL ASSETS</b>	<b>\$ 1,636,975</b>	<b>\$ 924,644</b>
<b>Liabilities</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities	\$ 241,826	\$ 258,165
Government remittances	903	30,491
Income taxes payable	19,806	20,944
Deferred revenue - vendor incentives - Note 6	425,793	232,151
	688,328	541,751
<b>DEFERRED REVENUE - VENDOR INCENTIVES - NOTE 6</b>	<b>593,338</b>	<b>230,978</b>
<b>DUE TO ALBERTA REAL ESTATE ASSOCIATION - NOTE 5</b>	<b>24,987</b>	<b>-</b>
	1,306,653	772,729
<b>Shareholder's Equity</b>		
SHARE CAPITAL - NOTE 8	10	10
RETAINED EARNINGS	330,312	151,905
	330,322	151,915
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 1,636,975</b>	<b>\$ 924,644</b>

Approved on behalf of the board:



Director



CEO

AREA REAL ESTATE SERVICES CORPORATION  
STATEMENT OF INCOME - OCTOBER 31, 2019

	Oct 31, 2019	Oct 31, 2018
<b>REVENUES</b>		
AREA Wireless – plan rates and charges	\$ 3,127,916	\$ 2,404,773
AREA Advance – interest	35,174	5,416
	3,163,090	2,410,189
<b>COST OF SALES</b>		
AREA Wireless	2,607,366	2,055,200
<b>GROSS PROFIT</b>	555,724	354,989
<b>EXPENSES</b>		
Salaries and benefits	219,017	145,934
Professional fees	27,096	8,771
Business development	25,960	-
Provision for uncollectible AREA Wireless accounts	25,651	7,113
Advertising and promotion	16,569	1,037
General and administration	11,687	411
Consulting fees	11,375	13,813
Meetings and travel	8,737	1,939
Interest and bank charges	6,828	-
Insurance	1,125	1,500
	354,045	180,518
<b>INCOME BEFORE INCOME TAXES</b>	201,679	174,471
<b>PROVISION FOR INCOME TAXES - NOTE 7</b>	23,272	20,944
<b>NET INCOME</b>	178,407	153,527
<b>RETAINED EARNINGS (DEFICIT) - BEGINNING OF YEAR</b>	151,905	(1,622)
<b>RETAINED EARNINGS - END OF YEAR</b>	<b>\$ 330,312</b>	<b>\$ 151,905</b>

AREA REAL ESTATE SERVICES CORPORATION  
STATEMENT OF CASH FLOWS – OCTOBER 31, 2019

	Oct 31, 2019	Oct 31, 2018
<b>OPERATING ACTIVITIES</b>		
Net income	\$ 178,407	\$ 153,527
Changes in non-cash working capital:		
Accounts receivable	(170,116)	(234,824)
Wireless device loans receivable	(33,892)	(184,488)
Accounts payable and accrued liabilities	(16,341)	256,673
Income taxes payable	(1,138)	20,944
Prepaid expenses	(375)	-
Goods and services tax payable	(29,588)	30,491
Deferred revenue – vendor incentives	556,004	463,130
	304,554	351,926
Cash flow from operating activities	482,961	505,453
<b>FINANCING ACTIVITY</b>		
Advances (to) from Alberta Real Estate Association	256,611	(431,614)
<b>INCREASE IN CASH</b>	739,572	73,839
<b>CASH – Beginning of year</b>	273,708	199,869
<b>CASH – End of year</b>	<b>\$ 1,013,280</b>	<b>\$ 273,708</b>

## **NOTE 1 Description of Operations**

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

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

The Company'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 Summary of Significant Accounting Policies**

### **Basis of presentation**

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

### **Cash and cash equivalents**

Cash includes cash and cash equivalents.

### **Financial instruments policy**

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

Financial assets measured at amortized cost on a straight-line basis include cash, accounts receivable, due from related parties, loans receivable, and long-term loan and notes receivable.

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

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

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

**NOTE 2 Summary of Significant Accounting Policies – continued****Revenue recognition**

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

**Income Taxes**

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

**Use of Estimates**

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

**NOTE 3 Accounts Receivable**

	<u>2019</u>	<u>2018</u>
Accounts Receivable	\$ 215,018	\$ 206,603
Allowance for Doubtful Accounts	(25,651)	(7,113)
	<u>\$ 189,367</u>	<u>\$ 199,490</u>

**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.

	<u>2019</u>	<u>2018</u>
Opening balance	\$ 184,488	-
Wireless device loans approved in the year	125,072	254,753
Device costs recognized in expense	(91,180)	(70,265)
	218,380	184,488
Portion of device costs to be recognized in the next year	(109,190)	(92,244)
Portion of device costs to be recognized in subsequent years	<u>\$ 109,190</u>	<u>\$ 92,244</u>

**NOTE 5 Due from Related Parties**

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.

	<u>2019</u>	<u>2018</u>
Opening balance	\$ 463,129	-
Activation credits received in the year	1,343,227	794,522
Activation credits recognized in revenue	787,225)	(331,393)
	<u>1,019,131</u>	<u>463,129</u>
Portion of activation credit to be recognized in the next year	(425,793)	(232,151)
Portion of activation credits to be recognized in subsequent years	<b>\$ 593,338</b>	<b>\$ 230,978</b>

**NOTE 7 Income Taxes**

The income tax provision recorded differs from the income tax obtained by applying the statutory income tax rate of 26.67% (2018 - 27.00%) to the income for the year and is reconciled as follows:

	<u>2019</u>	<u>2018</u>
Income before income taxes	\$ 201,679	\$ 174,471
Income tax expense at the combined basic federal and provincial tax rate	53,788	47,107
<b>INCREASE (DECREASE) RESULTING FROM:</b>		
Small business deduction	(32,285)	(26,169)
Non-deductible expenses	1,769	202
Loss utilized from prior period	-	(196)
Effective tax expense	<b>\$ 23,272</b>	<b>\$ 20,944</b>

**NOTE 8 Share Capital**

	2019	2018
<b>ISSUED:</b>		
1,000 Class A Common Voting Shares	<b>\$ 10</b>	<b>\$ 10</b>

**NOTE 9 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.

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.

**(a) 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.

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

## To: AREA Real Estate Services Corporation

I consent to the use of my auditor's report dated December 23, 2019 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, 2019, 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, 2019.

I 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, I do not consent to the use of my auditor's report for any other purpose.



Diana Hanevelt, CPA, CA, CGA

DIANA HANEVELT PROFESSIONAL CORPORATION

Calgary, Alberta

January 6, 2020



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







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*“I am incredibly proud of our Board and the AREA staff team for the accomplishments we have achieved together. If this year has proven anything it is that WE as an industry are stronger together! Speaking with one voice in support of our members! Working together as the creators of our own reality and in control of our own destiny.”*

**D'ARCY DONALD,**  
*Former AREA President and Retiring Director*

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