

Real Estate Council of Alberta
Financial Statements
September 30, 2011

Management's Responsibility

To the Councilors of the Real Estate Council of Alberta:

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian generally accepted accounting principles and ensuring that all information in the annual report is consistent with the statements. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial reports are properly maintained to provide reliable information for the preparation of financial statements.

The Council and Audit Committee are composed primarily of Councilors who are neither management nor employees of the Council. The Council is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Council fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Council is also responsible for recommending appointment of the Council's external auditor.

MNP LLP, an independent firm of Chartered Accountants, is appointed by the Councilors to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Council and management to discuss their audit findings.

"Original signed by B. Myroniuk"
Executive Director

"Original signed by D.R. Cawsey"
Director of Corporate Services

To the Councilors of Real Estate Council of Alberta:

We have audited the accompanying financial statements of Real Estate Council of Alberta, which comprise the statement of financial position as at September 30, 2011 and the statements of operations, changes in fund balances and cash flows for the year then ended, and 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 generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and 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 risks 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 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 Real Estate Council of Alberta as at September 30, 2011 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

Calgary, Alberta

January 9, 2012

MNP LLP
Chartered Accountants

Real Estate Council of Alberta
Statement of Financial Position
As at September 30

	Council Operating Fund	Assurance Fund	2011	2010
ASSETS				
Current				
Cash and cash equivalents (Note 2(d))	\$ 1,128,267	\$ 385,111	\$ 1,513,378	\$ 5,681,483
Short-term investments (Note 2(g) and Schedule)	8,140,501	1,239,046	9,379,547	4,756,987
Accounts receivable and accrued interest receivable	56,627	41,957	98,584	70,752
Prepaid expenses	255,235	-	255,235	187,414
Due from/(to) funds	8,070	(8,070)	-	-
	<u>9,588,700</u>	<u>1,658,044</u>	<u>11,246,744</u>	<u>10,696,636</u>
Development costs (Note 2(e))	638,611	-	638,611	415,391
Long-term investments (Note 2(g) and Schedule)	1,563,288	3,032,081	4,595,369	4,875,668
Capital assets (Notes 2(f) and 4)	<u>826,577</u>	<u>-</u>	<u>826,577</u>	<u>614,343</u>
	<u>\$ 12,617,176</u>	<u>\$ 4,690,125</u>	<u>\$ 17,307,301</u>	<u>\$ 16,602,038</u>
LIABILITIES AND FUND BALANCES				
Current				
Accounts payable and accrued liabilities	\$ 1,201,298	\$ -	\$ 1,201,298	\$ 1,721,692
Deferred licensing revenue (Note 2(b))	6,589,950	-	6,589,950	6,144,425
	<u>7,791,248</u>	<u>-</u>	<u>7,791,248</u>	<u>7,866,117</u>
Provisions for future claims (Note 2(c))	-	789,608	789,608	849,608
	<u>7,791,248</u>	<u>789,608</u>	<u>8,580,856</u>	<u>8,715,725</u>
Commitments and contingencies (Note 6)				
Subsequent events (Note 9)				
Fund balances				
Invested in capital assets	826,577	-	826,577	614,343
Unrestricted Council Operating Fund	2,299,351	-	2,299,351	1,940,137
Internally restricted Council General Reserve	1,700,000	-	1,700,000	1,475,000
Externally restricted as Assurance Fund	-	3,900,517	3,900,517	3,856,833
	<u>4,825,928</u>	<u>3,900,517</u>	<u>8,726,445</u>	<u>7,886,313</u>
	<u>\$ 12,617,176</u>	<u>\$ 4,690,125</u>	<u>\$ 17,307,301</u>	<u>\$ 16,602,038</u>

Approved on behalf of the Real Estate Council of Alberta:

"Original signed by Wayne McAlister"
Chair

"Original signed by William Buterman"
Chair-Elect

Real Estate Council of Alberta
Statement of Operations
For the year ended September 30

	Council Operating Fund	Assurance Fund	2011	2010
Restricted revenue and claims (Note 2(a))				
Assessments (Note 3)	-	\$ 116,500	\$ 116,500	\$ 268,800
Claims and provision for future claims (Note 2(c))	-	25,000	25,000	(268,140)
	<u>-</u>	<u>141,500</u>	<u>141,500</u>	<u>660</u>
Revenue from operations (Note 2(b))				
License fees	7,180,519	-	7,180,519	7,310,525
Education courses	461,891	-	461,891	253,090
Penalties, fines and enforcement recovery	346,576	-	346,576	278,472
Investment income	88,425	94,843	183,268	118,035
Assurance Fund administration (Note 3)	77,466	-	77,466	48,310
Sundry	8,450	-	8,450	12,286
Unrealized gain (loss) on investments	3,937	2,183	6,120	(4)
	<u>8,167,264</u>	<u>97,026</u>	<u>8,264,290</u>	<u>8,020,714</u>
Expenses (Note 2(a))				
Salaries and benefits	4,819,075	-	4,819,075	4,136,832
Professional services	562,395	16,549	578,944	503,187
Rent	433,001	-	433,001	430,912
Information systems	345,421	-	345,421	372,449
Amortization	251,223	-	251,223	213,387
Council	193,364	-	193,364	229,804
Financing charges	193,341	-	193,341	179,981
Staff travel	128,443	-	128,443	124,014
Training and development	127,480	-	127,480	98,345
Hearings	99,557	-	99,557	108,370
GST	84,536	827	85,363	88,699
Administrative services contracts (Notes 3 and 5)	-	77,466	77,466	48,310
Supplies	74,070	-	74,070	66,923
Project costs (Notes 2(e) and 3)	-	-	-	53,550
Telephone	58,073	-	58,073	52,135
Subscriptions and memberships	46,568	-	46,568	38,924
Education course development	34,392	-	34,392	160,459
Postage and courier	18,012	-	18,012	14,563
Industry professional services	-	-	-	11,019
Conference hosting	1,865	-	1,865	634
	<u>7,470,816</u>	<u>94,842</u>	<u>7,565,658</u>	<u>6,932,497</u>
Excess of revenue over expenses	696,448	143,684	840,132	1,088,877

Real Estate Council of Alberta
Statement of Changes in Fund Balances
For the year ended September 30, 2011

Fund Balances	Invested in capital assets	Unrestricted Council Operating Fund	Internally restricted Council General Reserve	Externally restricted as Assurance Fund	2011	2010
Balance, beginning of year	\$ 614,343	\$ 1,940,137	\$ 1,475,000	\$ 3,856,833	\$ 7,886,313	\$ 6,797,436
Excess (deficiency) of revenue over expenses	(251,223)	947,671	-	143,684	840,132	1,088,877
Transfer from Development costs	101,966	(101,966)	-	-	-	-
Transfer to General Reserve	-	(225,000)	225,000	-	-	-
Transfer from Assurance Fund	-	100,000	-	(100,000)	-	-
Purchase of capital assets, net	361,491	(361,491)	-	-	-	-
Balance, end of year	\$ 826,577	\$ 2,299,351	\$ 1,700,000	\$ 3,900,517	\$ 8,726,445	\$ 7,886,313

Real Estate Council of Alberta
Statement of Cash Flows
For the year ended September 30

	Council Operating Fund	Assurance Fund	2011	2010
Cash provided by (used for):				
Operating activities				
Excess of revenue over expenses for the year	\$ 696,448	\$ 143,684	\$ 840,132	\$ 1,088,877
Add (deduct) for items not involving cash:				
Amortization	251,223	-	251,223	213,387
Amortization of bond premium	26,729	53,569	80,298	54,453
Amortization of development costs	17,936	-	17,936	-
Unrealized loss (gain) on investments	(3,937)	(2,183)	(6,120)	124
Net change in provision for future claims	-	(25,000)	(25,000)	162,486
	<u>988,399</u>	<u>170,070</u>	<u>1,158,469</u>	<u>1,519,327</u>
Changes in non-cash working capital balances:				
Accounts receivable and accrued interest receivable	(27,830)	(2)	(27,832)	(12,470)
Prepaid expenses	(67,821)	-	(67,821)	143,677
Accounts payable and accrued liabilities	(515,922)	(4,472)	(520,394)	739,665
Deferred licensing revenue	445,525	-	445,525	(291,750)
Provisions for future claims	-	(35,000)	(35,000)	-
Due from (to) funds	78,042	(78,042)	-	-
Cash provided by operating activities	<u>900,393</u>	<u>52,554</u>	<u>952,947</u>	<u>2,098,449</u>
Investing and financing activities				
Redemption (purchase) of short-term investments (net)	(4,052,716)	(563,725)	(4,616,441)	1,794,459
Redemption (purchase) of long-term investments	200,000	-	200,000	(2,272,000)
Investment in education and systems project development	(343,120)	-	(343,120)	(276,468)
Purchase of capital assets	(361,491)	-	(361,491)	(46,319)
Transfer of reserve fund for capital asset purchase	100,000	(100,000)	-	-
	<u>(4,457,327)</u>	<u>(663,725)</u>	<u>(5,121,052)</u>	<u>(800,328)</u>
Increase (decrease) in cash and equivalents	(3,556,934)	(611,171)	(4,168,105)	1,298,121
Cash and equivalents, beginning of year	<u>4,685,201</u>	<u>996,282</u>	<u>5,681,483</u>	<u>4,383,362</u>
Cash and equivalents, end of year	<u>\$ 1,128,267</u>	<u>\$ 385,111</u>	<u>\$ 1,513,378</u>	<u>\$ 5,681,483</u>

1. Nature of Operations

The Real Estate Council of Alberta (the "Council") is a not-for profit organization established as a corporation under the *Real Estate Act* (the "Act"). The purposes of the Council are:

- (a) To set and enforce standards of conduct for real estate brokers, mortgage brokers and real estate appraisers and the business of industry members in Alberta, in order to promote the integrity of the industry and to protect consumers.
- (b) To provide services to enhance and improve the real estate, mortgage broker and real estate appraisal industries and the business of industry members.
- (c) To administer the rules and regulations per the Act.
- (d) To administer the Real Estate Assurance Fund (the "Assurance Fund"), the purpose of which is to pay any unsatisfied judgments obtained against a licenced brokerage, a broker, an associate broker or an agent of a licenced brokerage based on a finding of fraud or breach of trust in respect to a trade in real estate or a dealing in mortgages. For real estate transactions the maximum claim is \$35,000 per applicant and \$350,000 in aggregate per industry member. Mortgage brokers have been included in the Assurance Fund as of October 1, 1998 with a maximum claim of \$25,000 per applicant and \$100,000 in aggregate per industry member.

The Council is governed by twelve volunteer councilors. Ten councilors represent all aspects of the real estate, mortgage broker and real estate appraisal industries in Alberta and two councilors represent the general public.

Part 1 (excluding section 10) and Section 84(1) of the Act were proclaimed on November 1, 1995, which allowed for the appointment of the councilors. The remainder of the Act was proclaimed on July 1, 1996, at which time the Council became fully operational and responsible for the regulation of the real estate and mortgage broker industries in Alberta. At that time, responsibility for the functions, and the assets, liabilities and surplus of the Real Estate Licensing Committee of the Alberta Real Estate Association ("AREA") and the Assurance Fund were acquired. On October 1, 2004 amendments to the Act were proclaimed in order to include real estate appraisers to the licensing and regulatory responsibilities of the Council.

The Council is a not-for-profit organization, and under section 149(1) of the *Income Tax Act of Canada*, is exempt from the payment of income taxes.

2. Significant Accounting Policies

The financial statements of the Council have been prepared by management in accordance with generally accepted accounting principles in Canada. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. The financial statements have, in management's opinion, been properly prepared using careful judgment with reasonable limits of materiality and within the framework of the significant accounting policies summarized below.

(a) Fund Accounting

The Council's financial statements are prepared on a restricted fund accounting basis.

The Council Operating Fund reports the assets, liabilities, revenues and expenses related to the setting and enforcement of standards of conduct for the real estate, mortgage broker and real estate appraisal industries, and the administration of the rules and regulations per the Act.

The Assurance Fund reports the assets, liabilities, revenues and expenses related to the operations of the Assurance Fund. The Council is the trustee for the assets, liabilities, revenues and expenses held within the Assurance Fund.

2. Significant Accounting Policies - continued

(a) Fund Accounting - continued

The Council has established a General Reserve for future operations and significant capital replacement items. As of September 30, 2011 the General Reserve balance is \$1,700,000 (2010 - \$1,475,000). The General Reserve balance has been transferred from the Council Operating Fund.

(b) Revenue Recognition

Licence fees and Assurance Fund assessments

Licence fees and Assurance Fund assessments are recognized as revenue in the period that relates to the term of the application. The term of an application expires on September 30th of each year. Licence fees and Assurance Fund assessments received in advance of the term of an application are recorded as deferred licensing revenue.

Education courses

Education course fees are recognized as revenue when the course participant pays the course fees and the enrollment is accepted.

Penalties, fines and enforcement recoveries

Recoveries from third parties for penalties, fines and enforcement costs are recorded as revenue when they can be reasonable estimated and collectability is reasonably assured. Otherwise, the recovery is recorded as revenue when received.

Investment income

Investment income is recorded as revenue when earned and recognized in the fund in which the investments are maintained.

(c) Claims and Provision for Future Claims

Future claims against the Assurance Fund are provided for upon notification of a claim. The provision for future claims is reviewed and adjusted monthly. When a provision for a future claim is initially established, an expense item is recorded in the Statement of Operations. If a provision for a future claim is subsequently adjusted upon monthly review, it is recognized in the Statement of Operations. For the year ended September 30, 2011 there were \$165,000 in claims released; comprised of \$70,000 as the plaintiffs had discontinued their claims against the defendants; \$35,000 as the Courts had dismissed the claims; and \$60,000 as the claims were denied by the Council. For the year ended September 30, 2010 there were no adjustments as described. Claims paid are adjusted against the appropriate provision for future claims and any over or under provision is adjusted in the Claims and Provision for Future Claims in the Statement of Operations. By their nature, these estimates are subject to measurement uncertainty and changes in these estimates could affect the results of the financial statements in future periods.

(d) Cash and Cash Equivalents

Cash and cash equivalents include all balances held at banks, held by the trustee of the investment funds, cash on hand, and all financial instruments purchased with an original maturity of 90 days or less.

(e) Development Costs

Development costs include costs incurred for the development of education programs and system development projects that are in progress. Re-licensing education program costs are amortized in the year that the program is a requirement for industry members to be re-licensed. Development costs for licensing programs are amortized straight line over three years commencing in the year that the program has been fully developed and is being offered to participants. When a significant system development project is being developed, costs are recorded in development costs. Once a system development project is commissioned, the development costs are transferred to capital assets and amortized on a 20% straight line basis.

2. Significant Accounting Policies - continued

(f) Capital Assets

Capital assets are stated at cost less accumulated amortization. Amortization is recorded using rates and methods designed to amortize the cost of capital assets over their estimated useful lives as follows:

Computer hardware	33% straight line
System development	20% straight line
Office furnishings and equipment	20% straight line
Leasehold improvements	10% straight line or the remaining life of the lease

(g) Financial Instruments

The Council's financial assets and liabilities are classified and measured as follows:

Held for trading:

Council has classified the following financial assets as held for trading: cash and cash equivalents and short-term investments. These financial assets are initially recognized at their fair value determined by published price quotations in an active open market. Transactions to purchase or sell these items are recorded on the trade date, and transaction costs are immediately recognized in the statement of operations.

Held for trading financial instruments are subsequently measured at their fair value, without any deduction for transaction costs incurred on sale or other disposal. Gains and losses arising from changes in fair value are immediately recognized in the statement of operations.

Loans and receivables:

Council has classified the following financial assets as loans and receivables: accounts receivable and due from/(to) funds. These financial assets are recorded at amortized cost using the effective interest rate method with gains and losses recognized in statement of operations when the asset is derecognized.

Held to maturity:

Council has classified long-term investments as held to maturity. These financial assets have a fixed interest payment and a fixed maturity date and Council has the positive intention and ability to hold to maturity. These financial assets are recorded at amortized cost using the effective interest rate method with gains and losses recognized in the statement of operations when the asset is derecognized. Transactions to purchase or sell these items are recorded on the trade date, and transaction costs are immediately recognized in the statement of operations.

Other financial liabilities:

Council has classified accounts payable and accrued liabilities as other financial liabilities. These liabilities are initially recognized at their fair value which is approximated by the instrument's initial cost in a transaction between unrelated parties. Transactions to purchase or sell these items are recorded on the trade date, and transaction costs are immediately recognized in the Statement of Operations. Total interest expense calculated using the effective interest rate method, is recognized in the Statement of Operations.

Other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. Gains and losses arising from changes in fair value are recognized in the Statement of Operations upon derecognition or impairment.

Financial asset impairment:

Council assesses impairment of all its financial assets, except those classified as held for trading. Impairment is measured as the difference between the asset's carrying value and its fair value. Any impairment, which is not considered temporary, is recognized in the current year in the Statement of Operations.

2. Significant Accounting Policies - continued

(h) Recent Accounting Pronouncement:

In October 2010, the Accounting Standards Board (AcSB) approved the accounting standards for private sector not-for-profit organizations (NFPOs) to be included in Part III of the CICA Handbook-Accounting ("Handbook"). Effective for fiscal years beginning on or after January 1, 2012, private sector NFPOs will have the option to adopt either Part III of the Handbook or International Reporting Standards (IFRS); the Council has elected to adopt Part III of the Handbook for its year ended September 30, 2012.

The Council has not yet determined the impact of the adoption on its financial statements.

3. Assurance Fund

Council is allowed to levy assessments on industry professionals to pay claims. During the year, levies for renewing real estate industry professionals and mortgage broker industry professionals were waived. New real estate registrants and mortgage broker registrants were still required to pay levy assessments for the year. The minimum fund balance that must be maintained to pay claims under the Act is prescribed to be \$2,000,000, which was met at September 30, 2011 by a fund balance of \$3,900,517. The excess of the fund balance over the prescribed amount is restricted and may be expended only for purposes authorized in the regulations and with the prior written approval of the Minister of Service Alberta.

In September 2007 the Council received Ministerial approval to spend up to \$340,000 over a three-year period to develop professional development education courses for industry members, a best practice manual for industry members and to fund software development for electronic brokerage trust reporting. Costs incurred for the software development for electronic brokerage trust reporting project in 2011 were \$5,160 (2010 costs \$45,682). At September 30, 2011 the electronic brokerage trust reporting project was commissioned and \$100,000 in costs were transferred from the Assurance Fund to the Operating Fund. Total project costs to develop a professional education course for industry members are \$70,000 and have been recorded as Project Costs in the Statement of Operations of the Assurance Fund in 2008. Total project costs to develop a Continuing Professional Development course for mortgage brokers are \$53,550 and have been recorded as Project Costs in the Statement of Operations of the Assurance Fund in 2010.

In September 2008 the Council received Ministerial approval to spend \$457,850 to implement a Case Management System to more effectively manage and automate complaint, investigation and disciplinary processes. Total costs incurred for this project are \$337,702 and are recorded as development costs in the Statement of Financial Position of the Council Operating Fund. In 2011 cost incurred on this project were \$138,349 (2010 costs \$171,171).

The Act allows the Council to pay administrative costs associated with the Assurance Fund from the income earned from the investment of the money in the Assurance Fund or the excess of the fund balance over the prescribed amount. For the year ended September 30, 2011, the Council has determined the administrative expenses incurred on behalf of the Assurance Fund to be \$77,466 (2010 - \$48,310).

4. Capital Assets

	2011		2010	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Computer hardware	\$582,406	\$430,639	\$457,687	\$405,722
System development	650,225	383,506	383,506	383,506
Office furnishings and equipment	575,499	525,838	555,610	414,914
Leasehold improvements	657,418	298,988	657,418	235,736
	\$2,465,548	\$1,638,971	\$2,054,221	\$1,439,878
Net Book Value		\$826,577		\$614,343

5. Service Contracts

Since 1997, the Council has had a service arrangement with the Real Estate Insurance Exchange ("REIX"). This contract is renewable on an annual basis.

Under the terms of this service agreement, Council provides maintenance and updating of the subscriber database as well as ongoing and annual premium billing and collection for REIX. For the current year these services amounted to \$100,000 (2010 - \$96,372). REIX reimburses Council for the cost of these services. This reimbursement is charged against the respective expense category to which it applies in the Statement of Operations.

As of September 30, 2011 and 2010, all amounts are current.

6. Commitments and Contingencies

(a) Lease Commitment

The Council is committed to monthly lease payments for property under leases having various terms up to May 31, 2017. Aggregate minimum annual payments to the expiry of the leases are as follows:

2012	\$335,769
2013	\$351,928
2014	\$355,353
2015	\$356,038
2016	\$359,463
2017	\$231,132

In addition to the base rent, the Council is responsible for paying their portion of operating costs and property taxes. In 2011 the portion of operating costs and property taxes was \$177,372 (2010 - \$174,330).

Alberta Real Estate Association will reimburse the Council for their approximate proportionate share of annual base rental costs for shared space to the expiry of the leases as follows:

2012	\$20,815
2013 - 2016	\$21,542
2017	\$13,634

Alberta Real Estate Association will reimburse the Council for their approximate proportionate share of operating costs and property taxes.

(b) Internet Services

The Council has entered into a contractual agreement with a supplier to provide internet access services. The agreement is effective to June 2014 with a monthly charge of \$1,040.

The Council has also entered into a contractual agreement with a supplier to provide hosting services for its on-line licensing system and its education system. The agreement is effective to July 2013 with a monthly charge of \$5,791.

(c) Office Equipment

The Council has entered into an operating lease agreement for office equipment. The agreement is effective to November 2015 with a quarterly charge of \$7,325.

(d) Claims and Legal Proceedings

The Council may from time to time be subject to claims and legal proceedings brought against it in the normal course of business. Such matters are subject to many uncertainties. Management believes that adequate provisions have been made in the financial statements where required and the ultimate resolution of such contingencies will not have a material adverse effect on the financial position of the Council.

7. Financial Instruments

As disclosed in Note 2(g), the Council holds various forms of financial instruments. The nature of these instruments and its operations expose the Council to fair value risk and credit risk.

Fair value risk

The fair value risk of the Council's financial assets and liabilities, except as noted below, approximates their recorded values at September 30, 2011 and September 30, 2010 due to their short-term nature.

The fair value of the Council's long term investments is estimated to be \$1,574,500 at September 30, 2011 (2010 - \$1,813,667) in the Council Operating Fund and \$3,069,891 at September 30, 2011 (2010 - \$3,144,414) in the Assurance Fund due to changes in interest rates since the acquisition dates of the individual investments. The fair value of the long term investments has been estimated based on the current market rates for investments with similar terms and conditions. These estimates are subjective in nature and cannot be determined with precision. Changes in assumptions could significantly affect estimates.

Credit risk

Credit risk is the possibility that other parties may default on their financial obligations. In compliance with the Investment Policies for the Operating Fund and Assurance Fund, fixed income investments are in the financial obligations of governments and major financial institutions with investment grade ratings. Substantially all of the Council's cash is held at one financial institution and as such the Council is subject to the risks associated with that financial institution.

Liquidity risk

Liquidity risk is the risk that the Council will not be able to fund its obligations as they come due, including being unable to liquidate assets in a timely manner at a reasonable price. The Council monitors forecast of cash flows from operations and investments and holds investments that can readily be converted into cash. Investment income is not a primary source of revenue for the Council and all long-term securities are publicly listed.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in interest rates. In seeking to minimize the risks from interest rate fluctuations, the Council manages exposure through its normal operating and financing activities. The Council is exposed to interest rate risk primarily through its marketable securities.

Currency risk

The Council does not hold any investments denominated in foreign currency; therefore, it is not exposed to any currency risk.

8. Capital Management

The capital structure of the Council consists of net assets invested in capital assets, unrestricted Council Operating Fund, internally restricted Council General Reserve Fund, and the externally restricted Assurance Fund (note 3).

The Council's objective when managing capital is to safeguard its ability to continue to meet its purposes as determined by the Act; therefore, it strives to hold sufficient unrestricted net assets to enable it to withstand unexpected financial events.

The Council sets the amount of capital in proportion to risk and manages the capital structure and makes adjustments to it in light of changes to economic conditions and the risk characteristics of the underlying assets. The Council is not subject to externally imposed capital requirements other than the minimum balance required in the Assurance Fund discussed in Note 3.

9. Subsequent Events

The Council has entered into an agreement with a contractor to renovate certain property under lease. The total value of the renovation agreement is \$82,384. The Council also entered into an agreement for the supply and installation of furniture in certain property under lease. The total value of the agreement is \$132,654. Council has entered into several contracts to design, implement and provide hardware for a new telephone system. The total value of these contracts is \$87,466. All of these agreements will be completed in 2012.

**Real Estate Council of Alberta
Schedule of Investments (Unaudited)**

As at September 30

September 30, 2011	Operating Fund Amortized Cost	Assurance Fund Amortized Cost	Total Amortized Cost	Market Yield	Maturity Dates	Operating Fund Market Value	Assurance Fund Market Value	Total Market Value
Short term				0.81%	October - December 2011	\$ 8,140,501	\$ 1,239,046	\$ 9,379,547

Effective Interest
Rate

Fixed income federal	\$ 1,261,426	\$ 1,814,464	\$ 3,075,890	1.62% - 4.80%	December 2011 - June 2014	1,257,412	1,840,311	3,097,723
Fixed income provincial	99,402	812,405	911,807	1.93% - 5.16%	December 2011 - December 2013	107,822	807,124	914,946
Fixed income corporate	202,460	405,212	607,672	3.25% - 5.51%	November 2012 - November 2013	209,266	422,456	631,722
	1,563,288	3,032,081	4,595,369			1,574,500	3,069,891	4,644,391
Total Investments	\$ 1,563,288	\$ 3,032,081	\$ 4,595,369			\$ 9,715,001	\$ 4,308,937	\$ 14,023,938

September 30, 2010	Operating Fund Amortized Cost	Assurance Fund Amortized Cost	Total Amortized Cost	Market Yield	Maturity Dates	Operating Fund Market Value	Assurance Fund Market Value	Total Market Value
Short term				0.85% - 0.87%	October - December 2010	\$ 4,083,849	\$ 673,138	\$ 4,756,987

Effective Interest
Rate

Fixed income federal	\$ 1,283,928	\$ 1,840,163	\$ 3,124,091	1.62% - 4.80%	December 2011 - June 2014	1,287,663	1,880,124	3,167,787
Fixed income provincial	99,184	836,859	936,043	1.93% - 5.16%	December 2011 - December 2013	108,867	835,040	943,907
Fixed income corporate	406,906	408,628	815,534	2.80% - 5.51%	February 2011 - November 2013	417,137	429,250	846,387
	1,790,018	3,085,650	4,875,668			1,813,667	3,144,414	4,958,081
Total Investments	\$ 1,790,018	\$ 3,085,650	\$ 4,875,668			\$ 5,897,516	\$ 3,817,552	\$ 9,715,068