

Real Estate Council of Alberta

Financial Statements

September 30, 2017

Management's Responsibility

To the Council Members 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 accounting standards for not-for-profit organizations 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 the Finance and Audit Committee are composed primarily of Council Members 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 the external auditor. The Council is also responsible for recommending appointment of the Council's external auditor.

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

January 24, 2018

Original signed by Bob Myroniuk

B. Myroniuk, Executive Director

Original signed by Dale Cawsey

D.R. Cawsey, Director of Corporate Services

Independent Auditors' Report

To the Council Members 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, 2017, and the statements of operations, changes in net assets 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 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.

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, 2017 and the results of its operations, changes in net assets and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Calgary, Alberta

January 24, 2018

MNP LLP

Chartered Professional Accountants

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

	Council Operating Fund	Assurance Fund	2017	2016
ASSETS				
Current				
Cash and cash equivalents (Note 2(d))	\$ 11,377,489	\$ 178,091	\$ 11,555,580	\$ 8,157,580
Short-term investments (Note 2(g) and Schedule)	13,009,750	4,492,583	17,502,333	17,424,067
Accounts receivable and accrued interest receivable	72,860	-	72,860	154,005
Prepaid expenses	300,264	-	300,264	251,925
Due from/(to) funds	(36)	36	-	-
	<u>24,760,327</u>	<u>4,670,710</u>	<u>29,431,037</u>	<u>25,987,577</u>
Development costs (Notes 2(e) and 4)	514,349	-	514,349	536,436
Long-term deposits (Note 5)	-	-	-	225,842
Long-term prepaid expenses (Note 6)	77,079	-	77,079	
Capital assets (Notes 2(f) and 7)	<u>2,242,747</u>	<u>-</u>	<u>2,242,747</u>	<u>1,979,789</u>
	<u>\$ 27,594,502</u>	<u>\$ 4,670,710</u>	<u>\$ 32,265,212</u>	<u>\$ 28,729,644</u>
LIABILITIES AND NET ASSETS				
Current				
Accounts payable and accrued liabilities	\$ 2,319,711	\$ 3,345	\$ 2,323,056	\$ 1,133,050
Deferred licensing revenue (Note 2(b))	<u>7,341,725</u>	<u>-</u>	<u>7,341,725</u>	<u>7,326,675</u>
	9,661,436	3,345	9,664,781	8,459,725
Assurance Fund Reserves (Note 2(c))	<u>-</u>	<u>1,341,060</u>	<u>1,341,060</u>	<u>1,555,100</u>
	<u>9,661,436</u>	<u>1,344,405</u>	<u>11,005,841</u>	<u>10,014,825</u>
Commitments and contingencies (Note 9)				
Net Assets				
Invested in capital assets	2,242,747	-	2,242,747	1,979,789
Unrestricted Council Operating Fund	7,105,819	-	7,105,819	5,451,257
Internally restricted Council General Reserve	8,584,500	-	8,584,500	8,100,000
Externally restricted as Assurance Fund	<u>-</u>	<u>3,326,305</u>	<u>3,326,305</u>	<u>3,183,773</u>
	<u>17,933,066</u>	<u>3,326,305</u>	<u>21,259,371</u>	<u>18,714,819</u>
	<u>\$ 27,594,502</u>	<u>\$ 4,670,710</u>	<u>\$ 32,265,212</u>	<u>\$ 28,729,644</u>

Approved on behalf of the Real Estate Council of Alberta:

Original Signed by Brian Klingspon

Brian Klingspon, Chair

Original Signed by Bonny Clarke

Bonny Clarke, Chair-Elect

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

	Council Operating Fund	Assurance Fund	2017	2016
Restricted revenue and claims (Note 2(a))				
Assessments (Note 3)	\$ -	\$ 143,600	\$ 143,600	\$ 123,700
Assurance Fund Reserves, net (Note 2(c))	-	(30,591)	(30,591)	30,000
	<u>-</u>	<u>113,009</u>	<u>113,009</u>	<u>153,700</u>
Revenue from operations (Note 2(b))				
Licence fees	8,533,322	-	8,533,322	8,392,780
Education courses	4,933,355	-	4,933,355	4,931,510
Penalties, fines and enforcement recovery	338,076	-	338,076	135,128
Investment income	86,096	19,142	105,238	93,335
Sundry	-	25,000	25,000	-
	<u>13,890,849</u>	<u>44,142</u>	<u>13,934,991</u>	<u>13,552,753</u>
Expenses (Note 2(a))				
Salaries and benefits	6,367,713	-	6,367,713	6,095,823
Education courses	809,293	-	809,293	586,290
Amortization of capital assets	788,400	-	788,400	815,323
Rent	725,061	-	725,061	657,120
Professional services	616,827	15,970	632,797	629,609
Council	390,366	-	390,366	314,535
Information systems	376,825	-	376,825	303,787
Credit card fees	305,487	-	305,487	253,483
Amortization of education course development costs	207,527	-	207,527	247,220
Training and development	170,545	-	170,545	179,416
Hearings	167,897	-	167,897	100,301
GST	151,084	799	151,883	132,978
Subscriptions and memberships	119,586	-	119,586	118,591
Staff travel	112,109	-	112,109	128,538
Postage and courier	93,668	-	93,668	83,531
Supplies	53,808	-	53,808	51,229
Telephone	43,445	-	43,445	49,836
	<u>11,499,641</u>	<u>16,769</u>	<u>11,516,410</u>	<u>10,747,610</u>
Excess of revenue over expenses before other items	2,391,208	140,382	2,531,590	2,958,843
Other items:				
Unrealized gain (loss) on investments (Note 2(g))	8,439	4,523	12,962	3,791
Assurance fund administration (Note 3)	2,373	(2,373)	-	-
	<u>10,812</u>	<u>2,150</u>	<u>12,962</u>	<u>3,791</u>
Excess of revenue over expenses	\$ 2,402,020	\$ 142,532	\$ 2,544,552	\$ 2,962,634

Real Estate Council of Alberta
Statement of Changes in Net Assets
For the year ended September 30, 2017

Fund Balances	Invested in capital assets	Unrestricted Council Operating Fund	Internally restricted Council General Reserve	Externally restricted as Assurance Fund	2017	2016
Balance, beginning of year	\$ 1,979,789	\$ 5,451,257	\$ 8,100,000	\$ 3,183,773	\$ 18,714,819	\$ 15,752,185
Excess (deficiency) of revenue over expenses	(788,400)	3,190,420	-	142,532	2,544,552	2,962,634
Transfer from development costs	124,926	(124,926)	-	-	-	-
Transfer to General Reserve	-	(484,500)	484,500	-	-	-
Purchase of capital assets	926,432	(926,432)	-	-	-	-
Balance, end of year	\$ 2,242,747	\$ 7,105,819	\$ 8,584,500	\$ 3,326,305	\$ 21,259,371	\$ 18,714,819

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

	Council Operating Fund	Assurance Fund	2017	2016
Cash provided by (used for):				
Operating activities				
Excess of revenue over expenses for the year	\$ 2,402,020	\$ 142,532	\$ 2,544,552	\$ 2,962,634
Add (deduct) for items not involving cash:				
Amortization of capital assets	788,400	-	788,400	815,323
Amortization of education course development costs	207,527	-	207,527	247,220
Unrealized loss (gain) on investments	(8,439)	(4,523)	(12,962)	(3,792)
Net change in provision for Assurance Fund Reserves	-	30,591	30,591	(30,000)
	<u>3,389,508</u>	<u>168,600</u>	<u>3,558,108</u>	<u>3,991,385</u>
Changes in non-cash working capital balances:				
Accounts receivable and accrued interest receivable	44,309	36,836	81,145	(141,074)
Prepaid expenses	(48,339)	-	(48,339)	(9,745)
Accounts payable and accrued liabilities	1,193,244	(3,238)	1,190,006	(2,672,764)
Deferred licensing revenue	15,050	-	15,050	73,375
Payments from Assurance Fund Reserves	-	(244,631)	(244,631)	-
Due from/(to) funds	37,324	(37,324)	-	-
Cash provided by operating activities	<u>4,631,096</u>	<u>(79,757)</u>	<u>4,551,339</u>	<u>1,241,177</u>
Investing and financing activities				
Purchase of short-term investments (net)	(29,358)	(35,946)	(65,304)	(21,527)
Investment in education course development	(107,483)	-	(107,483)	(333,979)
Investment in systems project development	(77,957)	-	(77,957)	-
Payment of long-term deposits	-	-	-	(225,842)
Payment of long-term prepaid expenses	(77,079)	-	(77,079)	-
Purchase of capital assets	(825,516)	-	(825,516)	(217,578)
	<u>(1,117,393)</u>	<u>(35,946)</u>	<u>(1,153,339)</u>	<u>(798,926)</u>
Increase (decrease) in cash and equivalents	3,513,703	(115,703)	3,398,000	442,251
Cash and equivalents, beginning of year	7,863,786	293,794	8,157,580	7,715,329
Cash and equivalents, end of year	<u>\$ 11,377,489</u>	<u>\$ 178,091</u>	<u>\$ 11,555,580</u>	<u>\$ 8,157,580</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, 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. For deals in mortgages, the maximum claim is \$25,000 per applicant and \$100,000 in aggregate per industry member.

The Council is governed by twelve volunteer council members. Ten council members represent all aspects of the real estate, mortgage broker and real estate appraisal industries in Alberta and two council members 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 council members. 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 public body performing a function of government in Canada for the purposes of paragraph 149(1)(c) of the *Income Tax Act* (Canada), and under section 149(1) of the *Income Tax Act of Canada*, is exempt from the payment of income taxes.

2. Significant Accounting Policies

Management prepares the financial statements of the Council in accordance with accounting standards for not-for-profit organizations in Canada. The preparation of the financial statements in conformity with accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from 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 method of accounting.

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, 2017, the General Reserve balance is \$8,584,500 (2016 - \$8,100,000). The General Reserve balance has been transferred from the Council Operating Fund. During the year, the Council approved the transfer of \$484,500 to the General Reserve Fund (2016 - \$3,782,000).

(b) Revenue Recognition

i. *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.

ii. *Education courses*

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

iii. *Penalties, fines and enforcement recoveries*

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

iv. *Investment income*

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

(c) Assurance Fund Reserves

Assurance Fund reserves under s. 44(3) of the Real Estate Act Bylaws (Reserves) are set on the basis of the following:

- Receipt of a notice of the commencement of a court action in fraud or breach of trust against an industry member;
- Notification of a brokerage's failure to account for or disburse money held in trust;
- Receipt of a potentially qualifying judgment;
- Review of facts and law; and,
- Other considerations

Reserves are reviewed and adjusted as required. When a Reserve is initially set, an expense is recorded in the Statement of Operations. If a Reserve is subsequently adjusted, it is recognized in the Statement of Operations. Any applications paid are adjusted against the Reserves, and any amount over or under the Reserve is adjusted in the Statement of Operations. By their nature, Reserves are estimates, are subject to measurement uncertainty, and estimate changes could affect the results of the financial statements in future periods.

	2017	2016
Reserves, beginning of year	\$1,555,100	\$1,585,100
New reserves set	219,063	-
Payments on applications	(244,631)	-
Adjustments to applications	-	-
Release of reserves	(188,472)	(30,000)
Reserves, end of year	\$1,341,060	\$1,555,100

2. Significant Accounting Policies - continued

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

(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
Buildings	2.5% straight line
Building development	not amortized until in use

(g) Financial Instruments

Financial instruments are recognized when the Council becomes party to the contractual provisions of the financial instrument. All financial instruments are initially recorded at their fair value and subsequently at amortized cost, with gains and losses recognized in the statement of operations in the period in which the gain or loss occurs. Changes in fair value of short-term investments are recorded in the statement of operations.

Fair Value of Financial Instruments

At initial recognition, the Council may irrevocably elect to subsequently measure any financial instrument at fair value. The Council has not made such an election during the year.

The fair value of a financial instrument is the estimated amount the Council would receive or pay to settle a financial asset or financial liability.

The fair values of amounts receivable and accrued interest receivable, and accounts payable and accrued liabilities approximate their carrying values due to their nature or capacity for prompt liquidation.

The fair values of short-term investments are determined by reference to published third-party bid price quotations in an active market at year-end.

Transaction costs and financing fees directly attributable to the origination, acquisition, issuance or assumption of financial instruments subsequently measured at fair value are immediately recognized in excess of revenue over expenses. Conversely, transaction costs and financing fees are added to the carrying amount for those financial instruments subsequently measured at amortized cost or cost.

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. The risk is mitigated through the use of an investment manager who is guided by the Investment Policies for the Operating Fund and Assurance Fund for short-term and long-term investments. 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.

2. Significant Accounting Policies - continued

(g) Financial Instruments - continued

Interest Rate Risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in market interest rates. The Council is exposed to interest rate risk through its short-term investments. The primary objective of the Council with respect to its investments in short-term investments is to ensure security of principal amounts invested and provide a high degree of liquidity.

(h) Financial Asset Impairment

The Council assesses impairment of its financial assets measured at cost or amortized cost. An impairment of financial assets carried at cost or amortized cost is recognized in excess of revenue over expenses when the asset's carrying value exceeds the present value of estimated future cash flows discounted at the current market rate of return for similar assets.

The Council reverses impairment losses on financial assets when there is a decrease in impairment and the decrease can be objectively related to an event occurring after the impairment loss was recognized. Where an impairment charge is subsequently reversed, the carrying amount of the financial asset is increased to the revised recoverable amount to the extent that it does not exceed the carrying amount that would have been determined had no impairment charge been recognized in previous periods. The amount of the reversal is recognized in excess of revenue over expenses in the year the reversal occurs.

3. Assurance Fund

Council is allowed to levy assessments on industry professionals to pay compensation in respect of 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 to be maintained to pay claims under the Act is \$2,000,000, which was met at September 30, 2017 by a fund balance of \$3,326,305 (2016 - \$3,183,773). 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.

The Act allows the Council to pay administrative costs associated with the Assurance Fund from the investment income earned on the funds in the Assurance Fund. For the year ended September 30, 2017, the Council has determined the administrative expenses incurred on behalf of the Assurance Fund to be \$2,373 (2016 - \$38,100).

4. Development Costs

	2017		2016	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
System development	\$77,957	\$ -	\$ -	\$ -
Education course development	1,446,126	1,009,734	1,338,643	802,207
	\$1,524,083	\$1,009,734	\$1,338,643	\$802,207
Net Book Value		\$514,349		\$536,436

During 2017, there was \$202,883 (2016 - \$129,314) added to system development costs and \$124,926 (2016 - \$129,314) was transferred from development costs to capital assets upon commissioning.

5. Long-Term Deposits

During 2016, Council paid a \$225,842 deposit for the first month, last month and additional rent for the new office site. On October 25, 2016, Council exercised its option to purchase the new office site, subject to the condition of securing acceptable mortgage financing on or before February 20, 2018. The deposit will be credited against the purchase price payable for the purchased property on the closing date of April 1, 2018. At September 30, 2017, Council is including the deposit in capital assets as part of building development costs.

6. Long-Term Prepaid Expenses

During 2017, the Council entered into three 5-year prepaid service and maintenance agreements with one of its information systems service providers, which it is amortizing to operating expense on a monthly basis. The portion attributable to the period beyond the next fiscal year of \$77,079 is shown as a long-term prepaid expense.

7. Capital Assets

	2017		2016	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Computer hardware	\$936,746	\$610,267	\$626,075	\$508,051
System development	3,525,855	2,283,202	3,571,908	1,854,998
Office furnishings and equipment	741,061	736,180	741,061	720,150
Leasehold improvements	841,537	841,537	841,537	778,065
Building development	668,734	-	60,472	
	\$6,713,933	\$4,471,186	\$5,841,053	\$3,861,264
Net Book Value		\$2,242,747		\$1,979,789

During 2017, system development costs of \$124,926 (2016 - \$129,314) were transferred from development costs to capital assets upon commissioning.

Building development in 2017 includes rent deposits of \$225,842 transferred from long-term deposits (2016 - \$nil), wall systems, furniture, and audio-visual equipment deposits of \$297,488 (2016 - \$nil), and new office design and consulting services of \$145,404 (2016 - \$60,472).

8. Service Contracts

The Council has a service arrangement with the Real Estate Insurance Exchange ("REIX") to provide maintenance and updates to the real estate database, as well as ongoing and annual premium billing and collection. This contract is renewable on an annual basis.

For the current year, these services amounted to \$136,245 (2016 - \$122,010). 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, 2017 and 2016, all amounts are classified as current receivables.

9. 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, 2018. Aggregate minimum annual payments to the expiry of the leases are \$336,076.

In addition to the base rent, the Council is responsible for paying their portion of operating costs and property taxes. In 2017, operating costs, direct utilities and property taxes were \$283,117 (2016 - \$278,464).

The Council entered into a lease agreement on the new office site. The lease agreement is subject to satisfaction of conditions precedent by the landlord. Annual base rental and parking is as follows, and subject to the final determination of the rentable area of the new office site:

April 1, 2018 to March 31, 2021	\$975,500
April 1, 2021 to March 31, 2024	\$1,016,800
April 1, 2024 to March 31, 2028	\$1,044,300

The Council is responsible for paying annual operating costs and property taxes of \$439,000.

(b) Option to Purchase

The Council exercised its Option to Purchase the new office site on October 25, 2016, conditional on securing mortgage financing on terms acceptable to the Council, on or before February 20, 2018. The purchase price is equal to the aggregate of the basic rent payable by the Council and other tenants in the new office site during the year starting April 1, 2018, plus all other rent received in respect of the new office site including parking and signage rent divided by the predetermined capitalization rate. The Council has set aside a general reserve of \$8,100,000 to contribute towards the down payment and closing costs estimated to be \$6,500,000 and \$1,600,000 respectively.

(c) Building Development Commitments

In 2017 and subsequent to year-end, the Council entered into contractual commitments for its building development. Less any deposits and other amounts paid before September 30, 2017, the following amounts remain outstanding in 2018:

Wall systems and furniture	\$ 860,550
Audio-visual equipment	\$ 149,744
Design and project management	\$ 76,026
Transition of information technology systems	\$ 40,334
Moving and relocation	<u>\$ 9,718</u>
	<u>\$1,136,372</u>

(d) Service and Equipment Commitments

The Council has entered into contractual agreements for internet, telecommunications, information technology equipment and services, and an operating lease for office equipment. The future estimated payments are:

2018	357,907
2019	84,437
2020	23,484
2021	<u>5,640</u>
	<u>\$471,468</u>

(e) Mortgage Broker Regulators' Council of Canada (MBRCC)

The Council shares, based on an agreed-upon cost-sharing formula, the costs incurred for the maintenance of the MBRCC Secretariat in the development of harmonizing standards and practices across jurisdictions and modernizing regulatory frameworks governing mortgage brokers across Canada. In 2017, the Council's share of these costs was \$24,800 (2016 - \$48,400).

9. Commitments and Contingencies - continued

(f) Real Estate Regulators of Canada (RERC)

The Council signed an agreement with a third party to fund the administrative and operational support services for RERC. The annual costs are \$20,000.

(g) Educational Course and System Development

In 2016, the Council signed an agreement with an educational institution to develop materials for the Practice of Commercial Real Estate course. At September 30, 2017, \$210,000 (GST additional) remains outstanding on this contract. During 2017, the Council entered into contracts for education course and system development work with estimated payments of \$100,700 (GST additional) in 2018.

(h) Board Communication and Leadership Collaboration Tool

Subsequent to year-end, the Council entered into an initial 24-month service agreement with a third party for a board communication and leadership collaboration tool for one-time implementation fees of \$2,500 and annual subscription fees of \$10,500. Council expects to implement this tool in 2018.

(i) Human Capital Management System

In September 2017, the Council entered into a 36-month service agreement with a third party for a human capital management system with estimated one-time fees of \$9,400 and annual subscription fees of \$23,000. Council expects to implement this system in 2018.

(j) 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.

(k) New Office Building Financing

To fund the purchase of the new office building, the Council has access to a fixed rate term credit facility in the amount of \$15,050,000, utilizing an interest rate SWAP. The loan is repayable by consecutive monthly blended payments, to be determined at drawdown, including interest, based on a 300-month amortization. First payment is due 30 days from drawdown. All outstanding principal and interest is payable in full at the end of the term. The interest rate is to be determined at the time of borrowing. There is no amount eligible for repayment. The term loan is secured by a collateral mortgage in the amount of \$21,500,000 over the building noted above.

10. Comparative Figures

Certain comparative figures have been reclassified to conform with current year presentation.

Real Estate Council of Alberta
Schedule of Investments (Unaudited)
As at September 30

September 30, 2017	Effective Interest Rates	Maturity Dates	Operating Fund Market Value	Assurance Fund Market Value	Total Market Value
Canadian Treasury Bill	0.94% - 1.13%	October 2017 - November 2017	\$13,009,746	\$4,492,583	\$17,502,328
Total Investments			\$13,009,746	\$4,492,583	\$17,502,328

September 30, 2016	Effective Interest Rates	Maturity Dates	Operating Fund Market Value	Assurance Fund Market Value	Total Market Value
Canadian Treasury Bill	0.46% - 0.50%	November 2016 - December 2016	\$12,971,954	\$4,452,113	\$17,424,067
Total Investments			\$12,971,954	\$4,452,113	\$17,424,067