

Real
Estate
Council
Alberta

reca.ca



2021—2022 Annual Report

WHAT RECA DOES



The Real Estate Council of Alberta (RECA) derives its authority from the *Real Estate Act*.

RECA administers the Act on behalf of the Government of Alberta, and the Act gives RECA the authority to create and enforce the *Real Estate Act* Rules, Regulations, and Bylaws.

RECA is the independent governing authority that sets, regulates, and enforces standards for residential real estate, commercial real estate, property management, condominium management, and mortgage brokerage licensees in Alberta.

OUR MISSION

Serving the public interest by ensuring high standards of RECA's licensees' competence and conduct while supporting an informed real estate market.

OUR MANDATE

To:

- protect consumers
- protect against, investigate, detect, and suppress fraud as it relates to the business of licensees
- set and enforce standards of conduct for licensees and the business of licensees to promote the integrity of, and confidence in, the industry
- provide, or support the provision of, services that promote regulatory compliance by licensees



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WHO RECA REGULATES

17,848
Licensees

 10,343

Commerical Real Estate
& Commerical Property
Management Licensees

 2,692

Mortgage Brokers

 5,635

Residential Property
Management & Condo
Management Licensees

 13,779

Residential Real
Estate Licensees

Licensees can be licensed in multiple sectors.



MESSAGES



Message from the Board Chair

Elan MacDonald, ICD.D

The 2021-2022 fiscal year was a very busy and exciting period of significant evolution for RECA.

While I was not appointed to the position of Board Chair until after the close of the 2021/2022 fiscal year, I spent the first months of the new fiscal year becoming familiar with the key performance metrics of RECA's Board, Industry Councils and staff. The Board and I would like to sincerely thank Deputy Minister David James for his admirable work serving as Interim Board Chair over the spring and summer of 2022, particularly as RECA approved its [Business and Financial Plan](#) and its [Strategic Plan](#) during his tenure. Thank you also to Patricia McLeod, RECA's first Board Chair, who deftly readied our organization for the plans you are seeing unfold today.

STRATEGIC PLAN

In 2021-2022, the Board, Industry Councils and RECA Staff worked tirelessly to equip the organization for the new regulatory and fiscal reality created with the amendments to the *Real Estate Act* in December 2020.

RECA's multi-year [Strategic Plan](#) was developed over many months and countless stakeholder engagements in 2021-2022, and approved in July 2022. Based on that Strategic Plan, the 2022/2023 [Business and Financial Plan](#) was approved and submitted to the Minister of Service Alberta in August 2022.

RECA sought and received comprehensive stakeholder input when creating the strategic priorities of the Strategic Plan. Thank you to all stakeholders who took part in the multiple consultations and meetings that went into setting RECA's strategic direction. As a self-regulated industry, it is not only vital, but truly the crux of the entire idea of self-regulation, that stakeholders take an active role.

The strategic priorities will guide RECA over the next three years, when RECA will begin a new strategic planning process. During that time, RECA will remain committed to meaningful stakeholder engagement and timely and transparent communication.

STRATEGIC PLAN IN ACTION

RECA's Strategic Plan calls for Regulatory Excellence, building Trust and Confidence with stakeholders, and Organizational Resilience.

As a part of Regulatory Excellence, RECA has begun a process to complete a comprehensive review of the *Real Estate Act* Rules. This will be a nearly two-year process involving extensive consultation with all stakeholders over several phases. The Rules first came into force in October 2006, and a lot has changed in the industry in the ensuing decade and a half. RECA is re-focused on its core regulatory functions, and the Rules should reflect that by protecting consumers, removing unnecessary red tape, and ensuring the industry can thrive in the public interest. I encourage all stakeholders to participate in this review, and to be on the lookout for consultation opportunities.

Engaging stakeholders builds trust and confidence in the regulator and RECA will be increasing and diversifying new stakeholder engagement opportunities moving forward.

EDUCATION DIVESTITURE COMPLETE

Divesting from the delivery of licensing education was one of the primary tasks for RECA since December 2020. As of the legislated divestment date of December 1, 2022, the RECA Industry Councils recognized 11 third-party course providers, currently providing 11 pre-licensing courses.

The coming year will be the first full year RECA operates without revenue from licensing education, which accounted for 35% of RECA's revenue on average. Moving forward, future licensees will have the ability to choose their course provider for their licensing education from a variety of third-party providers, while RECA will remain responsible for setting the core competencies required to become licensed and administer the exams that demonstrate individuals have met those competencies.

Much has changed at RECA over the last fiscal year, yet our mission and mandate remain clear. RECA exists to ensure the integrity and accountability of the industries we regulate, which in-turn ensures members of the public are protected. Consumer protection is at the center of everything we do.

Over the course of 2022/2023, the Board and I remain committed to the priorities of RECA's Strategic Plan, with a focus on a full review of the *Real Estate Act* Rules, in partnership with industry associations, our licensees, RECA staff, and consumers. My short time as Board Chair has shown me that when these groups work together, no task is insurmountable. I embrace the beginning of a new regulatory era for our industries, and I look forward to working with all stakeholders toward the continued strengthening of each of our industries in the public interest.



Message from the Chief Executive Officer

Russ Morrow

The 2021-2022 fiscal year marked my first full year as RECA's Chief Executive Officer. It was an extremely busy year filled with countless stakeholder meetings and engagements, and I have no doubt that the coming fiscal year will continue that trend.

I want to thank RECA's staff for their leadership, hard work, and resilience as we continued to develop a modernized regulator under the new governance model, and within a new financial reality. I remain impressed by our team's willingness to share their ideas for improvement and their ability to persevere and pivot when necessary. No progress can be achieved without a few bumps in the road, and RECA's staff have done an extraordinary job navigating the ever-changing landscape of the past several years. Our hard work has brought us to where we are today—an evolved organization with a renewed vision, ready to embark on the next chapter of real estate regulation in Alberta.

SHIFTING SENIOR LEADERSHIP

RECA's senior leadership has evolved as well. The 2021-2022 fiscal year saw the departure of long-time RECA director, Joseph Fernandez, who was the last of RECA's

original employees from its founding in 1996. Over the years, Joseph held many director portfolios, including Director of Audits of Investigations, Registrar, and Director of Education Programs. This year also saw the departure of RECA's Registrar, Charles Stevenson, who had been at RECA as a Director in various capacities for more than a decade.

I would like to take this opportunity to sincerely thank Joseph and Charles. Their immeasurable contributions to RECA over their years of service helped shape the journey we now embark upon under the modernized regulatory framework.

RECA's senior leadership structure was evaluated upon the departure of Joseph and Charles, and with Janice Harrington joining RECA as the Director of Stakeholder Engagement. In an effort to streamline RECA's operations, Warren Martinson (previously Corporate Services Director) was appointed as Registrar, and RECA's corporate services and stakeholder engagement departments were combined under Janice's leadership as the Chief Operating Officer (COO).

Both Warren and Janice have worked tirelessly over the past six months to engage in their new responsibilities, and to work with myself, the Industry Councils, and the Board in stewarding RECA into 2022-2023 and beyond.

OPERATIONAL HIGHLIGHTS

On December 1, 2021, RECA welcomed approximately 600 new condominium management licensees into our regulatory fold. These new licensees contributed to another record-breaking year for licensee registrations. In fact, the 2022-2023 licensing year saw the highest number of RECA licensees ever.

Onboarding condominium management licensees has been no small task. In a very short period of time, the Residential Property Manager Industry Council, industry stakeholders, and RECA staff worked together on the onboarding of the newly regulated industry. There have been bumps along the way and I want to sincerely thank all those who offered their thoughtful feedback throughout the process. Most conditional condominium management licensees have completed or enrolled in courses required for their conditional licenses, and we will continue to work with all stakeholders to bring this transition to a successful conclusion.

RECA fully divested from delivering pre-licensing courses this past year. To achieve this without leaving a gap in public protection, RECA was required to oversee this process with careful consideration. RECA is pleased that in such a short period of time, several third-party providers are now offering the pre-licensing education required for each sector, allowing learners the benefits of choice in the marketplace.

CONSUMER PROTECTION FOCUSED ENFORCEMENT STRATEGY

RECA's new strategic direction refocused our efforts on our core regulatory functions of consumer protection, licensing, and enforcement, and ensuring everything RECA does is for a public interest reason.

To this end, we've realigned our enforcement on consumer protection, meaning that moving forward, breaches of the *Real Estate Act* Rules will be viewed primarily through the lens of public harm, with breaches that are deemed not to be harmful to the public no longer necessarily receiving discipline. This shift in strategy will mean more collaborative enforcement with industry, where RECA will reach out to individuals who have made minor breaches that do not harm the public in order to educate and work with them to improve competency and compliance. This will carry over to the publication of discipline as well, with RECA only publishing disciplinary information of breaches where it makes sense to do so in the interest of consumer protection.

I'm confident that RECA's future is bright, guided by our new strategic framework and commitment to strengthening the industries we regulate. Our team is a passionate group of individuals with a strong commitment to protecting the public and providing valuable services to licensees in all sectors.

I'd like to close by again saying thank you to my team at RECA, the Board of Directors, the Industry Councils, industry association representatives, and the licensees I've had the pleasure of working with this past year. As we've referenced time and time again, self-regulation is truly a privilege that only works when all stakeholders are engaged, and I am so pleased to be a part of such an active community, committed to progress.



GOVERNANCE

RECA GOVERNANCE

RECA BOARD OF DIRECTORS

RECA's Board of Directors sets the strategic direction and ensures the effective operation of RECA in fulfilling its mandate under the *Real Estate Act*. The Board is composed of three members of the public appointed by the Minister of Service Alberta, and four licensees, one appointed from each of the four Industry Councils from among their members.

RECA INDUSTRY COUNCILS

There are four Industry Councils, that set and enforce standards of conduct for licensees and the business of licensees in each of the specific sectors within the industry:

- Residential Real Estate Broker Industry Council
- Commercial Real Estate Broker and Commercial Property Manager Industry Council (includes rural/agri-business)
- Residential Property Manager Industry Council (includes condominium management)
- Mortgage Broker Industry Council

Each Industry Council is comprised of two members of the public appointed by the Minister of Service Alberta, and three licensees from that particular sector, elected by other licensees from that sector.



SELF-REGULATION IN ACTION

The industry presence on RECA Industry Councils and the Board is the mechanism through which self-regulation occurs. The Industry Councils are the standards-setting bodies, and are responsible for governing and regulating the industry, and enforcing the standards. The Industry Councils and the Board take the responsibility of self-regulation seriously, and consider it a privilege. RECA's regulation of the industry is fair, open, and transparent, and ensures its consumer protection mandate is front and centre.

BOARD OF DIRECTORS

BOARD MEMBERS AS OF SEPTEMBER 30, 2022

DAVID JAMES,
INTERIM BOARD CHAIR

appointed by the
Minister of Service
Alberta from the public

JAI PARIHAR, MBA, CFA,
ICD.D

appointed by the
Minister of Service
Alberta from the public

GREGORY WALTER, LLB

appointed by the
Minister of Service
Alberta from the public

BILL BRIGGS

appointed by the
Residential Real Estate
Broker Industry Council

LAURA SHAREN

appointed by the
Commercial Real Estate
Broker and Commercial
Property Manager
Industry Council

CARRIE PLETT

appointed by the
Residential Property
Manager Industry
Council

PAUL BOJAKLI

appointed by the
Mortgage Broker
Industry Council

COMMERCIAL REAL ESTATE BROKER AND COMMERCIAL PROPERTY MANAGER INDUSTRY COUNCIL

COUNCIL MEMBERS

TERRY ENGEN
CHAIR

appointed by the Minister
of Service Alberta from the
public

BRITTANEE
LAVERDURE
VICE CHAIR

appointed by the Minister

CHERI LONG

elected by commercial
licensees

LAURA SHAREN
BOARD MEMBER

elected by commercial
licensees

BEN VAN DYK

elected by commercial
licensees

MORTGAGE BROKER INDUSTRY COUNCIL

COUNCIL MEMBERS

CLARENCE LEE
CHAIR

elected by mortgage broker licensees

PAUL BOJAKLI
VICE CHAIR & BOARD MEMBER

elected by mortgage broker licensees

GORD APPEL

elected by mortgage broker licensees of Service Alberta from the public

NKEM ONYEBULA

appointed by the Minister of Service Alberta from the public

GUY OUELLETTE

appointed by the Minister of Service Alberta from the public

RESIDENTIAL PROPERTY MANAGER INDUSTRY COUNCIL

COUNCIL MEMBERS

DON NEWELL
CHAIR

appointed by the Minister
of Service Alberta from the
public

DON BROWN
VICE CHAIR

elected by property
management and
condominium
management licensees

KEITH MCMULLEN

elected by property
management and
condominium management

CARRIE PLETT
BOARD MEMBER

elected by property
management and
condominium
management licensees

CYRIL PRATT

appointed by the Minister
of Service Alberta from the
public

RESIDENTIAL REAL ESTATE BROKER INDUSTRY COUNCIL

COUNCIL MEMBERS

SANO STANTE
CHAIR

elected by residential real estate licensees

BRAD KOPP
VICE CHAIR

elected by residential real estate licensees

BILL BRIGGS
BOARD MEMBER

elected by residential real estate licensees

BRAD HAMDON

appointed by the Minister of Service Alberta from the public

ERIKA RINGSEIS

appointed by the Minister of Service Alberta from the public

SENIOR LEADERSHIP TEAM

RUSS MORROW

CHIEF EXECUTIVE
OFFICER

JANICE HARRINGTON

CHIEF OPERATING
OFFICER

WARREN MARTISON

REGISTRAR

STACY PAQUIN

GENERAL COUNSEL
& CORPORATE
SECRETARY

A background image showing a group of people in a meeting, with their hands and arms visible as they interact with documents and a laptop. The entire image is overlaid with a semi-transparent blue filter. The text 'STRATEGIC PLAN' is centered in white, bold, sans-serif font.

STRATEGIC PLAN

2022–2025 STRATEGIC PLAN

As a provincial regulator, RECA monitors and supervises the compliance of condominium, mortgage, property management, and real estate licensees. RECA's regulatory work affects consumers, businesses, and the Alberta economy.

Over the next three years we are strengthening our focus on:



REGULATORY EXCELLENCE



TRUST AND CONFIDENCE



ORGANIZATIONAL RESILIENCE

The commitments set out in this strategy, support these three areas of focus, building on changes RECA has made since the *Real Estate Amendment Act 2020*.

RECA will continue to review this Strategy to ensure we're responding to Alberta's dynamic real estate landscape in order to ensure we continue to meet our mandate to protect Alberta consumers and support the industries we regulate.



REGULATORY EXCELLENCE

Comprehensive Rules Review
Examine the current rules to ensure effective consumer protection

Governance
Provide clear and consistent reporting to all stakeholders on the achievement of our mandate

Licensing Framework
Assess and, where necessary, adapt the licensing framework to reflect the current *Real Estate Act*

Education
Facilitate greater choice in education while maintaining quality and high standards

Compliance
Thorough and timely investigations to detect fraud, and where merited, prescribe education or administer discipline to reduce harm to consumers and promote licensee integrity



TRUST & CONFIDENCE

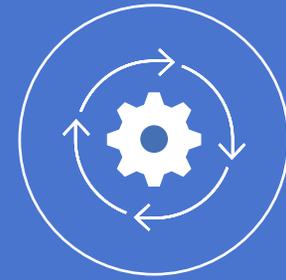
Protection
Protect the public from harm

Outreach
Ensure the public is well-informed by providing ease-of-access to essential real estate regulatory information

Collaboration
Promote collaboration amongst regulators, licensees, government, and associations to deter deceptive or fraudulent conduct, and promote consumer disclosure

Engagement
Involve stakeholders in a timely, transparent, and consistent manner to ensure meaningful, and effective participation

Government Engagement
Be a trusted agent and advisor to government regarding policy, and independent regulatory oversight of the real estate sector



ORGANIZATIONAL RESILIENCE

Culture
Create a resilient culture grounded in professionalism, and consumer protection

Financial
Ensure financial soundness with a multi-year integrated plan

Resourcing
Establish appropriate staffing, and succession planning to meet RECA's mandate

A family consisting of a man, a woman, and a young boy are shown in a bright, modern interior. The man is smiling and looking down at a small, fluffy dog sitting on top of a cardboard box. The woman is smiling and looking towards the man. The boy is reaching out to touch the dog. The scene is overlaid with a semi-transparent blue filter. The text "CONSUMER PROTECTION" is centered in white, bold, sans-serif capital letters.

CONSUMER PROTECTION

WHAT RECA DOES FOR CONSUMERS



COMMITMENT TO CONSUMER PROTECTION

RECA protects consumers through:

- » Establishing education standards for entry into the real estate, mortgage brokerage, property management, and condominium management industries
- » Ensuring the suitability and character of individuals who wish to enter these industries
- » Requiring mandatory participation in an errors and omissions insurance program
- » Setting standards of business conduct that promote the integrity of the industries
- » Investigating complaints
- » Administering the Consumer Protection Fund
- » Providing information to consumers about real estate, mortgage, and property management services, and the business of licensees

LICENSING SERVICES

As the licensing body for the real estate industry RECA issues licences under certain licence classes and has the authority to cancel, suspend or add conditions to a licence, refuse to issue a licence, and to accept applications to permanently withdrawal a licence.

Refused

Real Estate: 1 associate broker, 2 associates
Mortgage: 1 associates
Condominium Management: 1 associate broker

Cancelled

Real Estate: 1 associate

Suspended

Real Estate: 1 brokerage, 5 associates
Mortgage: 1 brokerage, 4 associates
Condominium Management: 1 associate broker

Conditions Applied

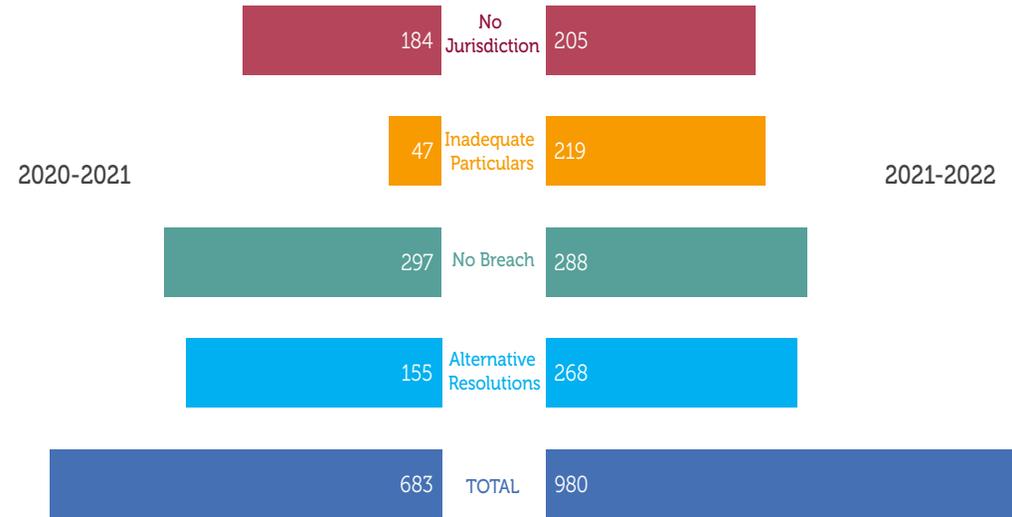
Real Estate: 82 brokerages, 5 brokers, 65 associate brokers, 318 associates
Mortgage: 36 brokerages, 65 associates
Condominium Management: 64 brokerages, 259 brokers, 503 associate broker, 439 associates

Lifetime Withdrawals Approved

Real Estate: 1 associate broker
Mortgage: 1 associate

PROFESSIONAL CONDUCT REVIEW

REASON FOR COMPLAINT REFUSAL



COMPLAINTS AND INVESTIGATION OUTCOMES

	2020-2021	2021-2022
Refused	683	980
Alternative Resolution Post-Investigation	2	12
Discontinued	79	66
Insufficient Evidence Found	127	113
Letter of Warning (Unauthorized Practice)	39	12
Advisory Note Issued	100	107
Letter of Reprimand Issued	88	56
Administrative Penalty Issued	107	51
Sent to Conduct Proceedings	13	26
Total	1,238	1,423



185

Regular Reviews

0

Special/Follow
Up Reviews

185

Total

REAL ESTATE ASSURANCE FUND

The Real Estate Assurance Fund (REAF) compensates consumers who suffer a financial loss as a result of fraud or breach of trust in a trade in real estate or a deal in mortgages. This includes a real estate or mortgage brokerage's failure to disburse or account for money held in trust. REAF is funded entirely by a levy on new real estate and mortgage brokerage professionals.

Compensation paid from REAF since its inception in 1985 totals \$3,514,454. Compensation paid from REAF since RECA began administering it totals \$1,966,763. RECA paid \$41,167 in compensation from REAF in the 2021-2022 fiscal year. There are 9 potential future applications for compensation (open claim files) from REAF as of September 30, 2022, with total reserves of \$751,000 set aside.

FILES OPENED AND RESERVES SET ASIDE

		\$
2021-2022	1	378,000
2020-2021	5	147,812
2019-2020	3	428,000
2018-2019	4	133,000
2017-2018	6	581,446
2016-2017	3	219,063
2015-2016	0	0
2014-2015	7	738,000
2013-2014	4	314,600
2012-2013	2	25,000

CLAIMS PAID

	\$
2021-2022	41,167
2020-2021	234,645
2019-2020	101,358
2018-2019	145,062
2017-2018	695,542
2016-2017	244,631
2015-2016	0
2014-2015	9,833
2013-2014	0
2012-2013	0



STAKEHOLDER ENGAGEMENT

STAKEHOLDER ENGAGEMENT



RECA defines stakeholder engagement as meaningful, transparent, comprehensive, consistent dialogue with individuals, firms, and organizations affected by RECA's actions as it carries out its regulatory mandate.

PRINCIPLES OF STAKEHOLDER ENGAGEMENT

- **Timely:** RECA is committed to timely and ongoing stakeholder engagement activities.
- **Meaningful:** RECA will use stakeholder engagement activities that are meaningful and responsive to the needs of its stakeholders. RECA will endeavour to build consensus with affected stakeholders where possible.
- **Transparent:** RECA's stakeholder engagement will be transparent with all stakeholders.
- **Consistent and Equal:** RECA, its Board and Industry Councils, will treat stakeholders equally and engage in substantially similar ways with all. Meetings will be transparent, agenda driven, and focus on regulatory issues.
- **Effective:** RECA's stakeholder engagement activity is to maximize engagement and minimize costs using traditional and new media or inperson and virtual engagement activities.

FINANCIAL STATEMENTS



REAL ESTATE COUNCIL OF ALBERTA

Financial Statements

September 30, 2022

REAL ESTATE COUNCIL OF ALBERTA
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For the Year Ended September 30, 2022

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Calgary AB T2P 0P7
Canada

INDEPENDENT AUDITOR'S REPORT

To the Board of Real Estate Council of Alberta

Opinion

We have audited the financial statements of Real Estate Council of Alberta (the "Council"), which comprise the statement of financial position as at September 30, 2022, and the statement 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Council as at September 30, 2022, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

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

Other Matters

The financial statements for the year ended September 30, 2021 were audited by another auditor who expressed an unmodified opinion on those financial statements on January 21, 2022.

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

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



Independent Auditor's Report to the Boards of Real Estate Council of Alberta (*continued*)

Auditor's Responsibilities for the Audit of Financial Statements

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

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

BDO Canada LLP

Chartered Professional Accountants

Calgary, Alberta
January 27, 2023

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

	Council Operating Fund	Assurance Fund	2022	2021
ASSETS				
Current				
Cash and cash equivalents	\$ 13,613,311	\$ 2,512,340	\$ 16,125,651	\$ 27,044,959
Short-term investments (note 4)	16,000,000	1,700,000	17,700,000	-
Accounts receivable and accrued interest receivable	89,857	689	90,546	48,172
Prepaid expenses	409,157	-	409,157	377,682
Due from/(to) funds	167	(167)	-	-
	<u>30,112,492</u>	<u>4,212,862</u>	<u>34,325,354</u>	<u>27,470,813</u>
Development costs (note 5)	273,492	-	273,492	1,059,782
Long-term prepaid expenses (note 6)	330,901	-	330,901	117,912
Lease inducements (note 7)	54,293	-	54,293	99,546
Capital assets (note 8)	<u>21,264,936</u>	<u>-</u>	<u>21,264,936</u>	<u>21,888,419</u>
	<u>\$ 52,036,114</u>	<u>\$ 4,212,862</u>	<u>\$ 56,248,976</u>	<u>\$ 50,636,472</u>
LIABILITIES AND NET ASSETS				
Current				
Accounts payable and accrued liabilities	\$ 2,069,017	\$ -	\$ 2,069,017	\$ 1,220,459
Current portion of long-term debt	444,000	-	444,000	428,000
Deferred licensing revenue	8,773,900	-	8,773,900	7,717,675
	<u>11,286,917</u>	<u>-</u>	<u>11,286,917</u>	<u>9,366,134</u>
Long-term Debt (note 10)	12,944,562	-	12,944,562	13,384,962
Assurance Fund Reserves	-	751,000	751,000	893,230
	<u>24,231,479</u>	<u>751,000</u>	<u>24,982,479</u>	<u>23,644,326</u>
Commitments and contingencies				
Net Assets				
Invested in capital assets (net of related debt)	7,876,374	-	7,876,374	8,075,457
Unrestricted Council Operating Fund	10,443,761	-	10,443,761	9,307,090
Internally restricted Council General Reserve (note 13)	9,484,500	-	9,484,500	6,484,500
Externally restricted as Assurance Fund	-	3,461,862	3,461,862	3,125,099
	<u>27,804,635</u>	<u>3,461,862</u>	<u>31,266,497</u>	<u>26,992,146</u>
	<u>\$ 52,036,114</u>	<u>\$ 4,212,862</u>	<u>\$ 56,248,976</u>	<u>\$ 50,636,472</u>

Commitments (note 11)

Approved on behalf of the Real Estate Council of Alberta:

DocuSigned by:

Jai Parihar

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DocuSigned by:

Elan MacDonald

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

	Council Operating Fund	Assurance Fund	2022	2021
Restricted revenue and claims				
Assessments	\$ -	\$ 235,700	\$ 235,700	\$ 180,800
Assurance Fund Reserves, net change	-	101,063	101,063	144,288
	-	336,763	336,763	325,088
Revenue from operations				
Licence registration fees	9,436,750	-	9,436,750	8,310,125
Eligibility and other licensing fees	1,041,435	-	1,041,435	804,225
Education and Credentialing revenues	7,018,396	-	7,018,396	7,557,115
Office building rental revenue	377,624	-	377,624	383,073
Investment income	220,364	37,022	257,386	56,298
Sundry	15,184	-	15,184	37,886
	18,109,753	37,022	18,146,775	17,148,722
Expenses				
Salaries and benefits	7,888,428	-	7,888,428	7,004,842
Amortization of capital assets	1,208,340	-	1,208,340	1,219,798
Professional services	1,111,366	220	1,111,586	937,828
Amortization of education course and examination development costs	1,082,367	-	1,082,367	683,334
Information systems	607,117	-	607,117	473,367
Long-term debt interest	521,505	-	521,505	539,964
Office building net operating costs	447,841	-	447,841	451,011
Credit card fees	410,888	-	410,888	392,852
Hearings	349,711	-	349,711	200,567
Board and Industry Councils	282,718	-	282,718	300,591
Goods and Services Tax	139,611	11	139,622	78,926
Subscriptions and memberships	123,177	-	123,177	119,874
Training and development	93,225	-	93,225	50,370
Staff travel	58,735	-	58,735	10,297
Telephone	57,365	-	57,365	51,891
Supplies	43,452	-	43,452	29,951
Office equipment leases	18,682	-	18,682	20,105
Education and Credentialing costs	6,940	-	6,940	44,140
Postage and courier	3,938	-	3,938	2,528
	14,455,406	231	14,455,637	12,612,236
Excess of revenue over expenses before other items	3,654,347	373,554	4,027,901	4,861,574
Other items:				
Penalties, fines and enforcement recovery	246,050	-	246,050	211,629
Realized loss on investments	-	-	-	(1,703)
Gain on disposal of capital assets	400	-	400	-
Assurance fund administration	36,791	(36,791)	-	-
	283,241	(36,791)	246,450	209,926
Excess of revenue over expenses	\$ 3,937,588	\$ 336,763	\$ 4,274,351	\$ 5,071,500

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

Fund Balances	Invested in capital assets (net of related debt)	Unrestricted Council Operating Fund	Internally restricted Council General Reserve	Externally restricted as Assurance Fund	2022	2021
Balance, beginning of year	\$ 8,075,457	\$ 9,307,090	\$ 6,484,500	\$ 3,125,099	\$ 26,992,146	\$ 21,920,646
Excess (deficiency) of revenue over expenses	(1,208,340)	5,145,928	-	336,763	4,274,351	5,071,500
Transfer from development costs	47,302	(47,302)	-	-	-	-
Transfer to Council General Reserve	-	(3,000,000)	3,000,000	-	-	-
Purchase of capital assets	537,555	(537,555)	-	-	-	-
Repayment of capital asset related debt, net of deferred financing costs	424,400	(424,400)	-	-	-	-
Balance, end of year	\$ 7,876,374	\$ 10,443,761	\$ 9,484,500	\$ 3,461,862	\$ 31,266,497	\$ 26,992,146

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

	Council Operating Fund	Assurance Fund	2022	2021
Cash provided by (used for):				
Operating activities				
Excess of revenue over expenses for the year	\$ 3,937,588	\$ 336,763	\$ 4,274,351	\$ 5,071,500
Add (deduct) for items not involving cash:				
Amortization of capital assets	1,208,340	-	1,208,340	1,219,798
Amortization of education course development costs	1,082,367	-	1,082,367	683,334
Amortization of financing costs	3,600	-	3,600	3,600
Realized or unrealized loss on investments	-	-	-	1,703
Gain on disposal of capital assets	(400)	-	(400)	-
Lease inducement	45,253	-	45,253	30,656
Net change in provision for Assurance Fund Reserves	-	(101,063)	(101,063)	(144,288)
	<u>6,276,748</u>	<u>235,700</u>	<u>6,512,448</u>	<u>6,866,303</u>
Changes in non-cash working capital balances:				
Accounts receivable and accrued interest receivable	(41,685)	(689)	(42,374)	3,479
Prepaid expenses	(31,475)	-	(31,475)	(16,839)
Accounts payable and accrued liabilities	848,558	-	848,558	(291,579)
Deferred licensing revenue	1,056,225	-	1,056,225	506,900
Payments from Assurance Fund Reserves	-	(41,167)	(41,167)	(234,645)
Due from/(to) funds	(295)	295	-	-
Net change in long-term prepaid expenses	(212,989)	-	(212,989)	(21,742)
Cash provided by (used for) operating activities	<u>7,895,087</u>	<u>194,139</u>	<u>8,089,226</u>	<u>6,811,877</u>
Investing activities				
Redemption (purchase) of short-term investments (net)	(16,000,000)	(1,700,000)	(17,700,000)	10,718,852
Investment in education course and examination development	(143,042)	-	(143,042)	(368,890)
Investment in systems project development	(200,337)	-	(200,337)	(27,741)
Proceeds on sale of capital assets	400	-	400	-
Purchase of capital assets	(537,555)	-	(537,555)	(79,047)
Cash provided by (used for) investing activities	<u>(16,880,534)</u>	<u>(1,700,000)</u>	<u>(18,580,534)</u>	<u>10,243,174</u>
Financing activities				
Repayment of long-term debt	(428,000)	-	(428,000)	(345,000)
Increase (decrease) in cash and equivalents	(9,413,447)	(1,505,861)	(10,919,308)	16,710,051
Cash and equivalents, beginning of year	23,026,758	4,018,201	27,044,959	10,334,908
Cash and equivalents, end of year	<u>\$ 13,613,311</u>	<u>\$ 2,512,340</u>	<u>\$ 16,125,651</u>	<u>\$ 27,044,959</u>

1. Nature of operations

The Real Estate Council of Alberta (RECA) is a not-for profit organization established as a corporation under the *Real Estate Act* (the "Act"). The purposes of the RECA, its Board, and its Industry Councils, as defined by the *Real Estate Act* as of September 30, 2022 are:

- (a) To set and enforce standards of conduct for real estate brokers, mortgage brokers, property managers and condominium managers, and the business of licensees in Alberta, in order to promote the integrity of the industry and to protect consumers. (Industry Councils)
- (b) to protect against, investigate, detect and suppress fraud as it relates to the business of licensees and to protect consumers; (Board)
- (c) to provide, or support the provision of, services and other things that facilitate the business of licensees, as provided for in the regulations; (Board)
- (d) to administer this Act as provided in this Act, the regulations, the bylaws and the rules. (Board)
- (e) To administer the Real Estate Assurance Fund (the "Assurance Fund"), the purpose of which is to pay any unsatisfied judgments obtained against a licensed brokerage, a broker, an associate broker or an agent of a licensed 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. (Board)

The *Real Estate Act* was heavily amended by the *Real Estate Amendment Act, 2020*, which was proclaimed on December 1, 2020 and altered the governance structure of RECA. The amendments included the creation of a Board of Directors that sets the strategic direction for the Council, and four, sector-specific Industry Councils that set the licensing and education standards, and the standards of practice for their respective sectors.

The original Act was proclaimed on July 1, 1996, at which time RECA 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 amendments made on December 1, 2020 removed real estate appraisers from the Act, and added condominium managers as a licensed activity.

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 condominium management 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.

(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 and credentialing services

Education and credentialing services include pre-licensing courses, examination fees and course material licensing fees. Revenue is recognized upon a candidate's enrolment in a course program or an exam in the accounting period to which it applies. Course material licensing fees are recognized as revenue when materials are available to the candidates by the course provider.

iii. Penalties, fines, and enforcement recoveries

Recoveries from third parties for penalties, fines, and enforcement costs are recorded when amounts can be reasonably estimated, and collectability is reasonably assured. Otherwise, the recovery is recorded when received. Starting in 2021, the Council includes these amounts in other items rather than in operating revenues to reflect their incidental nature more accurately.

iv. Investment income

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

v. Office building rental income

Office building rental income is recorded as revenue in the period in which it is earned as per the lease agreements, generally paid in equal monthly instalments in advance of the first day of each month.

2. Significant accounting policies - continued

(c) Assurance Fund reserves

Assurance Fund reserves under s. 44(3) of the Real Estate Act Bylaws (Reserves) are set based on 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
- 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 and are subject to measurement uncertainty, any estimate changes could affect the results of the financial statements in future periods.

	2022	2021
Reserves, beginning of year	\$893,230	\$1,272,163
New reserves set	378,000	147,812
Payments on applications	(41,167)	(234,645)
Adjustments to applications	-	-
Release of reserves	(479,063)	(292,100)
Reserves, end of year	\$751,000	\$893,230

(d) Cash and cash equivalents

Cash and cash equivalents include all balances held at banks, held by the trustee of the investment funds, and \$10,000,000 (2021 - \$nil) of short-term investment certificates with an original maturity of 90 days or less.

Council Operating Fund cash balance on September 30, 2022 includes the deferred licensing revenue collected for the 2022/23 licensing year of \$8,773,900 (2021 - \$7,717,675) to provide much of the Council's working capital for the next fiscal year.

(e) Development costs

Development costs include costs incurred for the development of education and credentialing programs and system development projects in progress. Development costs for licensing programs have been amortized on a straight-line basis over three years, commencing in the year the program is fully developed and offered to participants. With changes to the Council's education mandate introduced by the *Real Estate Amendment Act, 2020*, amortization of licensing programs has been adjusted to complete by September 30, 2022. 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.

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	Over lease term
Building shell	2.5% straight line
Building service systems	4% straight line
Building finishes	5% straight line
Building design and professional fees	2.5% straight line

Capital assets not available for use during the year are not amortized.

(g) Long-lived assets held for use

Long-lived assets held for use, consisting of buildings and equipment, are measured, and amortized as described in the above accounting policy. When the Council determines that a long-lived asset no longer has any long-term service potential to the organization, the excess of its net carrying amount over any residual value is recognized as an expense in the statement of operations. Write-downs are not reversed.

(h) Financial instruments

The Council recognizes its financial instruments when the Council becomes party to the contractual provisions of the financial instrument. All financial instruments are initially recorded at their fair value.

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 Council subsequently measures investments in equity instruments quoted in an active market and all derivative instruments at amortized cost, except those designated in a qualifying hedging relationship. 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. All other financial assets and liabilities are subsequently measured at amortized cost.

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 associated with cash, short-term investments, and accounts receivable arises from the possibility a counterparty to a contract fails to perform according to the terms and conditions of the contract. The maximum exposure to credit risk is the carrying value of cash, short-term investments and accounts receivable on the Statement of Financial Position. Accounts receivables are non-interest bearing and are generally due in 30 to 45 days. Cash and short-term investments are deposited with one federally regulated financial institution.

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 has been exposed to interest rate risk through its short-term investments. The primary objective of the Council with respect to its short-term investments is to ensure security of principal amounts invested and provide a high degree of liquidity.

2. Significant accounting policies - continued

The Council entered into an interest swap agreement with a Canadian chartered bank effective January 31, 2018. The Council designates the interest rate swap as a hedge of the interest rate risk in the 25-year floating rate debt issue. The swap matures on the maturity date of the debt and requires Council to pay 3.81%. The floating rate side of the swap exactly matches the interest payments on the debt. The original interest rate on the debt was CDOR plus 1% per annum. The net effect of the swap is to convert the exposure to floating rate to fixed rate debt to allow the Council to predict cash outflows with greater reliability. The agreement terminates on January 31, 2043.

(i) Derivative financial instruments

Derivative financial instruments are financial contracts whose value changes in response to a change in an underlying variable, such as specified interest rate, financial instrument, or commodity price, or foreign exchange rate. The Council enters derivative contracts to manage its exposure to interest rate risks associated with its long-term debt. Derivative financial instruments may be designated as hedges, provided that certain criteria are met. Derivative financial instruments may be designated for hedge accounting, provided that the Council formally documents the hedging relationship at its inception by outlining the risks being hedged along with the details of both the hedged and hedging item. The documentation identifies the specific asset, liability, or anticipated transaction being hedged, the hedging item, the risk that is being hedged, and the intended term of the hedging relationship. The Council must formally assess at inception and over the term of the hedging relationship, whether the critical terms of the hedging and hedged item match. When the hedged item is an anticipated transaction, the Council must also assess whether it is probable that the transaction will occur at the time and amount designated. If it is determined that the critical terms of the hedged and hedging item cease to match, the hedge or hedging item cease to exist, it becomes probable that an interest bearing-asset or liability hedged with an interest rate or cross-currency interest rate swap will be prepaid, or the hedged anticipated transaction is no longer probable to occur in the amount designated or within 30 days of the maturity date of the hedging item, the Council will discontinue the application of hedge accounting.

In 2018, the Council entered an interest rate swap to reduce the impact of fluctuating interest rates on its long-term debt. This swap agreement requires periodic exchange of the notional principal amount. Interest expense on the debt is adjusted to include the payments made or received under the interest rate swap.

Interest on the hedged item is recognized using the effective interest method. Net amounts receivable on the hedging item adjusts the interest on the hedged item in the period accrued.

(j) 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 licensees to pay compensation in respect of claims. During the year, levies for renewing real estate licensees and mortgage broker licensees 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 on September 30, 2022 by a fund balance of \$3,461,862 (2021 - \$3,125,099). 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, 2022, the Council has determined the administrative expenses incurred on behalf of the Assurance Fund to be \$36,791 (2021 - \$1,102).

4. Short-term investments

On September 30, 2022, short-term investments of Canadian fixed income consisted of short-term and guaranteed investment certificates with interest rates ranging from 3.1% to 4.5% and maturities ranging from January 2023 to September 2023.

At the end of the prior year, Council held no short-term investments.

5. Development costs

	2022		2021	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
System development	\$172,850	\$ -	\$19,815	\$ -
Education course and examination development	3,495,638	3,394,996	3,352,596	2,312,629
	<u>\$3,668,488</u>	<u>\$3,394,996</u>	<u>\$3,372,411</u>	<u>\$2,312,629</u>
Net Book Value		\$273,492		\$1,059,782

During 2022, there was \$200,337 (2021 - \$27,741) added to system development costs and \$47,302 (2021 - \$27,603) was transferred from development costs to capital assets upon commissioning. During 2022, there was \$143,042 (2021 - \$368,890) added to Education course and examination development costs.

6. Long-term prepaid expenses

On September 30, 2022, the Council has twenty (2021 - thirteen) multi-year prepaid service and maintenance agreements with information systems and other service providers. The Council also paid brokerage and legal fees associated with four (2021 - two) tenant lease agreements, which it is amortizing to operating expense over the life of the leases. The portion attributable to the period beyond the next fiscal year of \$330,901 (2021 - \$117,912) is shown as a long-term prepaid expense.

7. Lease inducements

The Council entered into lease agreements with third parties to rent space in the Council's building. The agreements include rent-free periods and stepped lease rates that increase over the life of the leases. The Council is recognizing the rental income by using an average monthly amount calculated by dividing the total rental income by the total lease term. The differences between the average monthly income and the actual lease amounts paid by the tenants are recorded as the lease inducement. The lease inducement is expected to increase during the first part of the lease terms and will then be drawn down as lease rates increase. On September 30, 2022, the lease inducements are \$54,293 (2021 - \$99,546).

8. Capital assets

	2022		2021	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Computer hardware	\$1,715,083	\$1,486,352	\$1,544,054	\$1,369,020
System development	4,573,051	4,179,417	4,525,749	3,955,144
Office furnishings and equipment	644,064	592,811	644,064	475,115
Land	2,996,778	-	2,996,778	-
Building	20,591,712	2,997,172	20,289,878	2,312,825
	<u>\$30,520,688</u>	<u>\$9,255,752</u>	<u>\$30,000,523</u>	<u>\$8,112,104</u>
Net Book Value		<u>\$21,264,936</u>		<u>\$21,888,419</u>

During 2022, the Council transferred system development costs of \$47,302 (2021 - \$27,603) from development costs to capital assets upon commissioning and wrote off \$64,692 of fully amortized computer hardware assets no longer in service.

9. 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 \$121,223 (2021 - \$115,534). 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.

10. Long-term debt

To fund the purchase of its office building, the Council entered into a fixed rate term credit facility on January 31, 2018 with a Canadian chartered bank in the amount of \$15,050,000, utilizing an interest rate swap. The loan is repayable by consecutive monthly blended payments based on a 300-month amortization. All outstanding principal and interest are payable in full at the end of the term. No amount is eligible for prepayment.

In 2018, the Company paid financing fees to secure long-term debt in the amount of \$89,938, which was included in the cost of the debt. The financing fees are being amortized over the term of the loan. During the year, amortization of financing fees has been recorded in the amount of \$3,600 (2021 - \$3,600).

The Council designates the interest rate swap as a hedge of the interest rate risk in the 25-year floating rate debt issue. The swap matures on the maturity date of the debt and requires Council to pay 3.81%. The floating rate side of the swap exactly matches the interest payments on the debt. The original interest rate on the debt was CDOR plus 1% per annum. The net effect of the swap is to convert the exposure to floating rate to fixed rate debt to allow the Council to predict cash outflows with greater reliability.

When hedging interest rate risk, interest on the debt is recorded at the stated interest rate plus or minus amortization of transaction costs and financing fees. Net amounts receivable or payable on the interest rate swap are recognized as an adjustment to the interest expense on the debt in the period during which they accrue.

As part of the financing arrangement, the Council has access to an operating demand loan via overdraft protection, with a facility limit of \$250,000, bearing interest at the lender's prime rate plus 0.25%. On September 30, 2022, \$nil (2021 - \$nil) was drawn against this facility.

The term loan and the operating demand loan via overdraft protection are secured by a collateral mortgage in the amount of \$21,500,000 over the building (*note 8*) and a general security agreement. On September 30, 2022, the Council is compliant with all financial covenants, including the debt service coverage ratio.

The current portion of long-term debt of \$444,000 (2021 - \$428,000) is included in current liabilities. Anticipated requirements to meet the principal portion of long-term debt repayments are as follows:

2023	\$	444,000
2024		462,000
2025		480,000
2026		498,000
2027		518,000
Total		<u>\$ 2,402,000</u>

11. Commitments and contingencies

(a) Service and Equipment Commitments

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

2023	\$ 753,693
2024	156,958
2025	45,086
2026	3,078

\$ 958,815

(b) 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 2022, the Council's share of these costs was \$15,500 (2021 - \$17,200).

(c) 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 expected to be \$20,000.

(d) Educational and Credentialing Program

The Council entered into an agreement for examination development services with estimated remaining payment of \$40,300 in 2023.

(e) Stakeholder Engagement and Communications

In August 2022, the Council signed an agreement with a public relations consulting firm to provide strategic counsel services with expected remaining fees of \$6,800 in 2023. After year-end, the Council signed an agreement with a communications firm to provide strategic brand consulting services with expected fees of \$17,500 in 2023.

(f) 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.

12. Significant event

In early March 2020, the World Health Organization declared Coronavirus (COVID-19) a pandemic. COVID-19 has had significant impact on businesses through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. The extent of the impact of COVID-19 on the financial results of RECA will depend on future developments, including the duration or resurgence of the pandemic and related government responses, which remain uncertain.

13. Internally restricted funds

The Council has established a General Reserve for future operations and significant capital replacement items. The General Reserve balance has been transferred from the Council Operating Fund. As of September 30, 2022, the General Reserve balance is \$9,484,500 (2021 - \$6,484,500). On November 24, 2022, the Council's Board of Directors approved the transfer of \$3,000,000 to the General Reserve Fund for the year ended September 30, 2022 (2021 - \$6,000,000).

14. Comparative figures

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

COMPENSATION

2021 -2022 Board of Directors*	\$94,542
2021-2022 Commercial Real Estate Broker and Commercial Property Manager Industry Council*	\$35,000
2021-2022 Mortgage Broker Industry Council*	\$35,000
2021-2022 Residential Property Manager Industry Council*	\$35,000
2021-2022 Residential Real Estate Broker Industry Council*	\$35,000
<i>*Compensation includes director's fees.</i>	
Chief Executive Officer	\$252,045
Registrar	\$207,562

**As required by legislation disclosure includes compensation only for the Registrar and the Chief Executive Officer. Other senior leadership staff are not included.*

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