REAL ESTATE COUNCIL OF ALBERTA

Financial Statements

September 30, 2023

REAL ESTATE COUNCIL OF ALBERTA
Index to Financial Statements
For the Year Ended September 30, 2023

Tel: 403 266 5608
Fax: 403 233 7833
www.bdo.ca

BDO Canada LLP
903 – 8th Avenue SW, Suite 620
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, 2023, 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, 2023, 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.

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.

Auditor's Responsibilities for the Audit of Financial Statements

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.

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

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 26, 2024

DRAFT

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

	Council Operating Fund	Assurance Fund	2023	2022
ASSETS				
Current				
Cash and cash equivalents	$ 30,956,367	$ 2,164,144	$ 33,120,511	$ 16,125,651
Short-term investments (note 4)	2,500,000	2,200,000	4,700,000	17,700,000
Accounts receivable and accrued interest receivable	393,326	8,031	401,357	90,546
Prepaid expenses	494,414	-	494,414	409,157
Due from/(to) funds	(100)	100	-	-
	34,344,007	**4,372,275**	**38,716,282**	34,325,354
Development costs (note 5)	356,352	-	356,352	273,492
Long-term prepaid expenses (note 6)	274,448	-	274,448	330,901
Lease inducements (note 7)	5,312	-	5,312	54,293
Capital assets (note 8)	20,711,024	-	20,711,024	21,264,936
	$ 55,691,143	**$ 4,372,275**	**$ 60,063,418**	$ 56,248,976
LIABILITIES AND NET ASSETS				
Current				
Accounts payable and accrued liabilities	$ 2,529,942		$ 2,529,942	$ 2,069,017
Current portion of long-term debt (note 10)	462,000		462,000	444,000
Deferred licensing revenue	9,434,975		9,434,975	8,773,900
	12,426,917	**-**	**12,426,917**	11,286,917
Long-term Debt (note 10)	12,486,162		12,486,162	12,944,562
Assurance Fund Reserves		370,198	370,198	751,000
	24,913,079	**370,198**	**25,283,277**	24,982,479
Commitments and contingencies (note 11)				
Net Assets				
Invested in capital assets (net of related debt)	7,762,862		7,762,862	7,876,374
Unrestricted Council Operating Fund	10,415,202		10,415,202	10,443,761
Internally restricted Council General Reserve (note 12)	12,600,000		12,600,000	9,484,500
Externally restricted as Assurance Fund (note 3)		4,002,077	4,002,077	3,461,862
	30,778,064	**4,002,077**	**34,780,141**	31,266,497
	$ 55,691,143	**$ 4,372,275**	**$ 60,063,418**	$ 56,248,976

Approved on behalf of the Real Estate Council of Alberta

DocuSigned by:
A82488104D664E6...

DocuSigned by:
Jai Parihar
45B943D980E34E1...

	Council Operating Fund	Assurance Fund	2023	2022
Restricted revenue and claims				
Assessments	$ -	$ 273,000	$ 273,000	$ 235,700
Assurance Fund Reserves, net change	-	268,000	268,000	101,063
	-	541,000	541,000	336,763
Revenue from operations				
Licence registration fees	10,311,185	-	10,311,185	9,436,750
Eligibility and other licensing fees	2,571,195	-	2,571,195	1,041,435
Education and Credentialing revenues	1,840,320	-	1,840,320	7,018,396
Investment income	1,106,095	171,756	1,277,851	257,386
Office building rental revenue	390,514	-	390,514	377,624
Sundry	-	-	-	15,184
	16,219,309	171,756	16,391,065	18,146,775
Expenses				
Salaries and benefits	6,777,566	-	6,777,566	7,888,428
Professional services	2,030,175	232	2,030,407	1,171,926
Amortization of capital assets	1,107,860	-	1,107,860	1,208,340
Information systems	905,799	-	905,799	640,074
Office building net operating costs	518,355	-	518,355	472,152
Long-term debt interest	507,390	-	507,390	521,505
Credit card fees	386,941	-	386,941	410,888
Board and Industry Councils	353,959	-	353,959	282,718
Hearings	351,985	-	351,985	349,711
Training and development	196,536	-	196,536	98,286
Subscriptions and memberships	131,066	-	131,066	129,864
Staff travel	107,322	-	107,322	61,923
Telephone	59,704	-	59,704	60,479
Supplies	47,275	-	47,275	45,811
Amortization of education course and examination development costs	39,043	-	39,043	1,082,367
Office equipment leases	19,393	-	19,393	19,696
Education and Credentialing costs	3,780	-	3,780	7,317
Postage and courier	2,679	-	2,679	4,152
	13,546,828	232	13,547,060	14,455,637
Excess of revenue over expenses before other items	2,672,481	712,524	3,385,005	4,027,901
Other items:				
Penalties, fines and enforcement recovery	132,492	-	132,492	246,050
Gain(Loss) on disposal of capital assets	(3,853)	-	(3,853)	400
Assurance fund administration (note 3)	172,309	(172,309)	-	-
	300,948	(172,309)	128,639	246,450
Excess of revenue over expenses	$ 2,973,429	$ 540,215	$ 3,513,644	$ 4,274,351

Fund Balances	**Invested in capital assets (net of related debt)**	**Unrestricted Council Operating Fund**	**Internally restricted Council General Reserve**	**Externally restricted as Assurance Fund**	**2023**	2022
Balance, beginning of year	**$ 7,876,374**	**$ 10,443,761**	**$ 9,484,500**	**$ 3,461,862**	**$ 31,266,497**	$ 26,992,146
Excess (deficiency) of revenue over expenses	**(1,107,860)**	**4,081,289**	**-**	**540,215**	**3,513,644**	4,274,351
Transfer from development costs	**326,192**	**(326,192)**	**-**	**-**	**-**	-
Transfer to Council General Reserve		**(3,115,500)**	**3,115,500**	**-**	**-**	-
Purchase of capital assets	**231,609**	**(231,609)**	**-**	**-**	**-**	-
Disposition of capital assets	**(3,853)**	**3,853**	**-**	**-**	**-**	-
Repayment of capital asset related debt, net of deferred financing costs	**440,400**	**(440,400)**	**-**	**-**	**-**	-
Balance, September 30, 2023	**$ 7,762,862**	**$ 10,415,202**	**$ 12,600,000**	**$ 4,002,077**	**$ 34,780,141**	$ 31,266,497

The accompanying notes are integral part of these financial statements

	Council Operating Fund	Assurance Fund	2023	2022
Cash provided by (used for):				
Operating activities				
Excess of revenue over expenses for the year	$ 2,973,429	$ 540,215	$ 3,513,644	$ 4,274,351
Add (deduct) for items not involving cash:				
Amortization of capital assets	1,107,860	-	1,107,860	1,208,340
Amortization of education course and examination development cost	39,043	-	39,043	1,082,367
Amortization of financing costs	3,600	-	3,600	3,600
Gain (loss) on disposal of capital assets	3,853	-	3,853	(400)
Lease inducement	48,981	-	48,981	45,253
Net change in provision for Assurance Fund Reserves		(268,000)	(268,000)	(101,063)
	4,176,766	272,215	4,448,981	6,512,448
Changes in non-cash working capital balances:				
Accounts receivable and accrued interest receivable	(303,469)	(7,342)	(310,811)	(42,374)
Prepaid expenses	(85,257)	-	(85,257)	(31,475)
Accounts payable and accrued liabilities	460,925	-	460,925	848,558
Deferred licensing revenue	661,075	-	661,075	1,056,225
Payments from Assurance Fund Reserves	-	(112,802)	(112,802)	(41,167)
Due from/(to) funds	267	(267)	-	-
Net change in long-term prepaid expenses	56,453	-	56,453	(212,989)
Cash provided by (used for) operating activities	4,966,760	151,804	5,118,564	8,089,226
Investing activities				
Redemption (purchase) of short-term investments (net)	13,500,000	(500,000)	13,000,000	(17,700,000)
Investment in education course and examination development	(152,359)	-	(152,359)	(143,042)
Investment in systems project development	(295,736)	-	(295,736)	(200,337)
Gain on sale of capital assets	-	-	-	400
Purchase of capital assets	(231,609)	-	(231,609)	(537,555)
Cash provided by (used for) investing activities	12,820,296	(500,000)	12,320,296	(18,580,534)
Financing activities				
Repayment of long-term debt	(444,000)	-	(444,000)	(428,000)
Increase (decrease) in cash and equivalents	17,343,056	(348,196)	16,994,860	(10,919,308)
Cash and equivalents, beginning of year	13,613,311	2,512,340	16,125,651	27,044,959
Cash and equivalents, end of year	$ 30,956,367	$ 2,164,144	$ 33,120,511	$ 16,125,651

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, 2023 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.

	2023	2022
Reserves, beginning of year	**$751,000**	$893,230
New reserves set	-	378,000
Payments on applications	**(112,802)**	(41,167)
Adjustments to applications	**-**	-
Release of reserves	**(268,000)**	(479,063)
Reserves, end of year	**$370,198**	$751,000

(d) Cash and cash equivalents

Cash and cash equivalents include all balances held at banks, held by the trustee of the investment funds, and $2,500,000 (2022 - $10,000,000) of short-term investment certificates with an original maturity of 90 days or less.

Council Operating Fund cash balance on September 30, 2023 includes the deferred licensing revenue collected for the 2023/24 licensing year of $9,434,975 (2022/23 - $8,773,900) 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, 2023 by a fund balance of $4,002,077 (2022 - $3,461,862). 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, 2023, the Council has determined the administrative expenses incurred on behalf of the Assurance Fund to be $172,309 (2022 - $36,791).

4. Short-term investments

On September 30, 2023, short-term investments of Canadian fixed income consisted of short-term and guaranteed investment certificates with interest rates ranging from 4.95% to 5.65% (2022 3.1% to 4.5%) and maturities ranging from October 2023 to September 2024.

5. Development costs

	2023		2022	
	Cost	**Accumulated Amortization**	Cost	Accumulated Amortization
System development	**$142,393**	**$ -**	$172,850	$ -
Education course and examination development	**273,441**	**59,482**	3,495,638	3,394,996
	$415,834	**$59,482**	$3,668,488	$3,394,996
Net Book Value		**$356,352**		$273,492

During 2023, there was $295,736 (2022 – $200,337) added to system development costs and $326,192 (2022 – $47,302) was transferred from development costs to capital assets upon commissioning. During 2023, there was $152,359 (2022 - $143,042) added to education course and examination development costs.

6. Long-term prepaid expenses

On September 30, 2023, the Council has twenty (2022 – twenty) 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 (2022 – four) 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 $274,448 (2022 - $330,901) 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, 2023, the lease inducements are $5,312.25 (2022 - $54,293).

8. Capital assets

	2023		2022	
	Cost	**Accumulated Amortization**	Cost	Accumulated Amortization
Computer hardware	**$1,812,334**	**$1,616,351**	$1,715,083	$1,486,352
System development	**4,899,244**	**4,408,675**	4,573,051	4,179,417
Office furnishings and equipment	**644,064**	**643,216**	644,064	592,811
Land	**2,996,778**	**-**	2,996,778	-
Building	**23,709,010**	**3,685,386**	20,591,712	2,997,172
	$34,061,430	**$10,353,628**	$30,520,688	$9,255,752
Net Book Value		**$20,711,024**		$21,264,936

During 2023, the Council transferred system development costs of $326,192 (2022 - $47,302) from development costs to capital assets upon commissioning and wrote off $13,837 (2022 - $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 $133,083 (2022 - $121,223). 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 Council 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 (2022 - $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, 2023, $nil (2022 - $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, 2023, the Council is compliant with all financial covenants, including the debt service coverage ratio.

The current portion of long-term debt of $462,000 (2022 - $444,000) is included in current liabilities. Anticipated requirements to meet the principal portion of long-term debt repayments are as follows:

Principal repayments in the next five years:

2024/25	480,000
2025/26	498,000
2026/27	518,000
2027/28	538,000
2028/29	558,000
Thereafter	9,984,162
Total	**$ 12,486,162**

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:

2024	$ 203,753
2025	61,300
2026	3,629
	$ 268,682

(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 2023, the Council's share of these costs was $20,266 (2022 - $15,500).

(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) 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. 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, 2023, the General Reserve balance is $12,600,000 (2022 - $9,484,500). On November 22, 2023, the Council's Board of Directors approved the transfer of $3,115,500 to the General Reserve Fund for the year ended September 30, 2023 (2022 - $3,000,000).

13. Comparative figures

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