



ANNUAL REPORT

2023



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.

PROTECT
INFORM
ELEVATE

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WHO RECA REGULATES

10,519

Commerical Real Estate & Commerical Property Management Licensees

19,425
Licensees

5,143

Residential Property Management & Condo Management Licensees

15,049

Residential Real Estate Licensees

2,922

Mortgage Brokers

Licensees can be licensed in multiple sectors.



Message from the Board Chair

Elan MacDonald, ICD.D

This has been another busy year for the Real Estate Council of Alberta, the first of our 2022-2025 Strategic Plan, and my first as Board Chair. I would like to thank my fellow Board members, the Industry Council members, RECA administration, the Minister of Service Alberta and Red Tape Reduction, and the associations and individual licensee's I've engaged with since being appointed for the warm welcome. Your passion to ensure our industries thrive while Alberta consumers remain protected is apparent in all that you do. Over the past year, the board focused on regulatory excellence, red-tape reduction, engagement, transparency and measures to ensure a culture of education over enforcement, wherever possible.

BUSINESS AND FINANCIAL PLAN

One of the Board's key responsibilities is to approve a Business and Financial Plan and provide it to the Minister. This plan outlines RECA's key initiatives and goals for the coming year, and sets RECA's budget. This was the first full year of RECA operations after the divestment of licensing education in June 2022. The Board worked diligently along with RECA management, to absorb that change while maintaining a high standard for its core regulatory functions. Today, all industries have courses available for all licence classes, and most have multiple providers recognized by the Industry Councils, offering new licensees flexibility in how they obtain their licensing education.

COMPREHENSIVE RULES REVIEW

One of the key strategic initiatives under the Regulatory Excellence Strategic Priority for the 2022-2025 Strategic Plan is a comprehensive review of the *Real Estate Act* Rules. The Rules first came into force in 2006, and although there have been changes to the Rules such as the introduction of designated agency and transaction brokerage in 2008, mandatory written service agreements in 2013, and changes resulting from amendments to the *Real Estate Act* in 2020, they have never undergone a complete review. A lot has changed in the industry, in business and in society since 2006. This review is the perfect opportunity to modernize the Rules, to ensure consumer protection is the focus, and to reduce red tape where necessary.

A Rules Review Steering Committee was struck to oversee the review. The Committee is made up of licensee members from each Industry Council and sector, and a public Chair. The Board appointed Mr. Neil McCrank, a governance expert and former provincial Deputy Minister, to Chair the Committee.

Due to the size of the Rules, the Committee broke the review into three phases: an initial phase to hear all of the issues, concerns, and opportunities stakeholders see with the current Rules, a second phase, broken into three parts, where the Committee gathers feedback on proposed changes to the

Rules based on the Phase 1 feedback, and a third phase where fine-tuned proposed changes are given to stakeholders for final comment and feedback on any issues or unforeseen consequences the changes could bring.

The Committee began Phase 1 in Fiscal 2023 by seeking feedback from all related industry associations, all brokerages, and RECA staff. They received comprehensive feedback, and used it to propose changes to the Rules for Phase 2, which began in October 2023.

The Industry Councils retain final authority to set Rules for their sectors, and will receive recommendations from the Committee when all three phases are complete in Fiscal 2024.

PROTECTING VULNERABLE ALBERTANS

As part of RECA's Trust and Confidence Strategic Priority for 2023, RECA focused on increasing consumer awareness about the protections RECA offers to consumers within Alberta's more vulnerable populations. RECA has identified new Canadians and seniors as two groups often targeted by fraudsters in the industry. To spread awareness, RECA began a relationship with the Calgary Centre for Newcomers, presenting numerous workshops to newcomers (primarily from Ukraine), live translated into Ukrainian, educating on protecting themselves in the housing market, particularly the rental market. RECA also began monthly seminars with the Edmonton Public Library, educating consumers on RECA's role, rental scams, and title and mortgage fraud. RECA began advertising on newcomer-focused radio, with ads running in Punjabi, Mandarin, and Cantonese in both Calgary and Edmonton. Throughout March, RECA remained a key partner on the provincial Fraud Prevention Committee, participating in many events for Fraud Prevention Month.

I am extremely proud of RECA's focus on consumer protection in our most vulnerable populations. We have been made aware of many consumers who have avoided scams thanks to what they learned from RECA at our outreach events.

CONTINUED MEETINGS WITH GOVERNMENT

An important part of RECA building stakeholder trust and awareness is ensuring the Alberta Government is aware of RECA's role and initiatives, and that they trust RECA to effectively regulate our industries in the public interest.

I am happy to report that all applicable KPMG Governance Review and Operational Report recommendations (from 2019 and 2020) have been addressed, with the exception of the Regulatory Review which is currently being contemplated for fiscal 2024.

In Fiscal 2023, myself, RECA's CEO, and various Board and Industry Council members regularly met with the Minister of Service Alberta and Red Tape Reduction and the Minister's and Ministry's staff. The Board remains committed to regular, open, transparent communication with the Minister, and with all stakeholders. RECA and all our stakeholders are partners in protecting Alberta consumers.

ENDINGS, AND NEW BEGINNINGS

Self-regulation is a privilege that must be taken seriously by all stakeholders. Licensee stakeholders elect their representatives to the Industry Councils, and four of those licensee representatives are appointed to the Board, one from each Industry Council. The remaining Board and Industry Council members are public members appointed by the Minister of Service Alberta and Red Tape Reduction. Fiscal 2023 marked the final year of the first term for all Board and Industry Council members. The new term began on December 1, 2023. I would like to thank those Industry Council and Board members who have moved on for their service. It was an extremely busy three years to fully transition RECA to the new governance model, and none of it would have been possible without your dedication and hard work.

I would also like to welcome our new Board and Industry Council members. I look forward to working with you to ensure RECA continues to be a high-performing regulator in the public interest.



Message from the Chief Executive Officer

Fiscal 2023 was RECA's first full year of getting "back to normal" in our operations, with staff returning to the office post-pandemic in May 2022. Thank you to RECA staff and our Board and Industry Councils for their continuing commitment to RECA's mandate, and for adapting so seamlessly to a hybrid work environment. Thanks to this flexibility in how we work, RECA staff can remain productive, no matter the circumstances.

SHIFT IN ENFORCEMENT STRATEGY

This year, RECA continued to shift our approach to enforcement, to focus on education first. RECA understands many incidents that result in a breach of the Real Estate Act or Rules are one-time unintentional events and have less impact on consumers. Rather than immediately issuing discipline in these instances, RECA investigators, regulatory compliance advisors, and practice review officers work with the licensee and their broker, to educate them on the infraction, and what could be done differently to prevent it from re-occurring.

RECA has also worked to assist licensees and their broker to resolve issues with a complainant before an official complaint is made. For many issues, a good faith discussion between all

parties can lead to a satisfactory resolution without initiating a potentially costly and lengthy investigation. These efforts have resulted in a marked decrease in discipline issued by RECA across all industries. I encourage stakeholders to review the details of this enforcement shift on page 18 of the report.

GRADUATED LICENSING PROGRAM

Fiscal 2023 saw further change in how RECA regulates with the launch of a Graduated Licensing Program in the condominium management sector. Condominium management brokers had indicated a shortage of licensees in their sector, and noted the difficulty in attracting new licensees due to the length and cost of the education required to obtain a licence. Now individuals looking to become licensed in condominium management can enter the Graduated Licensing Program, and can work at a condominium management brokerage while they are taking their licensing education. They can perform prescribed tasks under a prescribed level of supervision that changes as they progress through their courses, until they become fully licensed upon completing all courses and exams. This allows new condominium managers to earn a living and learn the basics of the industry while they work their way through the courses.

This is a pilot program that could potentially carry over to other industries should it prove successful in condominium management, and should other Industry Councils decide it would be a benefit for their sectors.

OPERATIONAL EFFICIENCIES AT RECA

To meet our strategic priorities of Regulatory Excellence, Trust and Awareness, and Organizational Resilience, RECA began a comprehensive review of our regulatory and operational processes in Fiscal 2023, to find opportunities to reduce red tape and improve efficiency.

Included in this review was the development of a comprehensive digital strategy, linking all digital platforms and applications, internal and external. This new digital strategy will ensure a single source of truth, and promote multiple efficiencies between RECA's licensing systems and processes, our investigatory and disciplinary systems and processes, our external digital presence, and our internal systems. In the coming years, stakeholders will see the launch of a new website, a new myRECA application, a more streamlined licensing process, and a renewed focus on ensuring that all interactions with RECA result in a positive, transparent, and complete outcome.

One efficiency stakeholders may already have noticed, is the change to the *Real Estate Act* Rules (Rules) around the requirement for a Certified Criminal Record Check (CCRC) as part of the licensing process. The requirement for a CCRC from all licensing applicants was written directly in the Rules. CCRCs are fingerprint-based checks done by the RCMP, the results of which are physically mailed to RECA. Over the last several years, delays in receiving these checks from the RCMP have meant applicants sometimes wait weeks at this stage of the process before they can proceed with their application and become licensed. The Minister of Service Alberta and Red Tape Reduction approved a change to the Rule in question in August 2023, allowing for a criminal

record check in a form prescribed by RECA's Registrar. This allows the Registrar to accept other types of criminal record checks, to allow for a more flexible and efficient approach in reviewing applicant suitability for licensing, without sacrificing consumer protection.

REVIEWING THE RULES

Thank you to the stakeholders who have been active in providing feedback as part of the comprehensive review of the Rules. It is extremely encouraging that our industries remain so committed to the idea of self-regulation, and want their voices to be heard. During Fiscal 2023, RECA staff received detailed submissions from associations and brokerages outlining where they saw changes to the Rules that could improve consumer protection, reduce red tape, and modernize industry standards. The top issues identified included issues around the digital workplace, with the notification requirements for licensees and brokerages, with the misalignment of the licensing framework with RECA's Industry Councils, and with how licensee teams can be properly regulated.

Based on the amazing feedback, the Rules Review Steering Committee will complete the next phases of the review in Fiscal 2024, where they will propose ideas for changing the Rules to address these concerns and opportunities, and conduct a final consultation on potential issues with implementing the proposed changes. I look forward to hearing from all stakeholders on the Committee's proposals.

LOOKING AHEAD

I have now entered my third year as CEO of RECA, and in all my years working for provincial regulators and associations, I can honestly say I have never encountered a more passionate and involved industry than those RECA regulates. Thank you for working with us to ensure Alberta consumers have trust and confidence in this amazing industry. I look forward to continuing that work in the years to come.

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 setting enforcement 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, 2023

ELAN MACDONALD, ICD.D

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

VACANT

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



REGULATORY EXCELLENCE

- Rules review started. Phase 1 completed last fiscal, Phase 2 and 3 to be completed in fiscal 2024
- private Lending Rules Review Complete
- completed Education divestment by Nov 30 2022 deadline

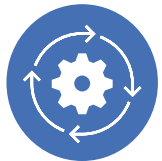


TRUST AND CONFIDENCE

- informed public of condo manager roles and responsibilities through digital campaigns, public newsletters, tradeshow
- increased consumer awareness of RECA and consumer protections to vulnerable consumers through partnerships and presentations with the Edmonton Public Library, the Centre for Newcomers, and radio ads on newcomer radio stations in Punjabi, Mandarin, and Cantonese
- published comprehensive consumer info on condo management on RECA's website and public newsletters
- increased unlicensed practice awareness through digital ad campaign
- developed a new stakeholder engagement process to strengthen transparency
- held regular meetings with government



STRATEGIC INITIATIVES



ORGANIZATIONAL RESILIENCE

- created and began implementing employee engagement plan
- conducted organizational efficiency review and implemented new policies and efficiencies to ensure a positive customer experience and reduce red tape (changed Certified Criminal Record Checks (CCRC) rule to just require a criminal check in a manner set by the Registrar, instead of a CCRC requirement, and changed new licensee registration application process to be a single application for all 3 application reviews (eligibility, suitability review, labour mobility, and begun plan to transfer document vetting to third-party service)

CONSUMER PROTECTION

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



REGISTRATION 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 withdraw a licence.

REFUSED

Real Estate: 1 associate

Condominium Management: 2 associate brokers

CANCELLED

Real Estate: 4 associate

Mortgage: 2 associates

SUSPENDED

Real Estate: 1 associate

CONDITIONS APPLIED

Real Estate: 72 brokerages, 10 brokers, 42 associate brokers, 371 associates

Mortgage: 47 brokerages, 8 brokers, 132 associates

Condominium Management: 14 brokerages, 11 brokers, 12 associate broker, 22 associates

LIFETIME WITHDRAWALS APPROVED

Real Estate: 2 associates

Mortgage: 1 associate

INVESTIGATIONS

Over the past year, RECA's investigations team have focused on taking an educational approach to minor issues raised against a licensee. This has effectively addressed issues in a timely manner at the complaint review stage by providing the licensee with education on the standard expected and seeking compliance. Investigations has also focused on ensuring that sanctions issued are addressing serious misconduct that impacts consumers. This means sanctions are no longer issued for minor breaches of the legislation where consumers have not been impacted, provided the licensee takes appropriate steps to address the issue. The educational approach resolved 27% of all file outcomes, where sanctions were issued in 3% of all file outcomes.

COMPLAINTS AND INVESTIGATION OUTCOMES

Where no issue existed or was found:

No Jurisdiction	225
Lack of Particulars	182
No Breach/Insufficient Evidence	412
Total	819

Educational Approach:

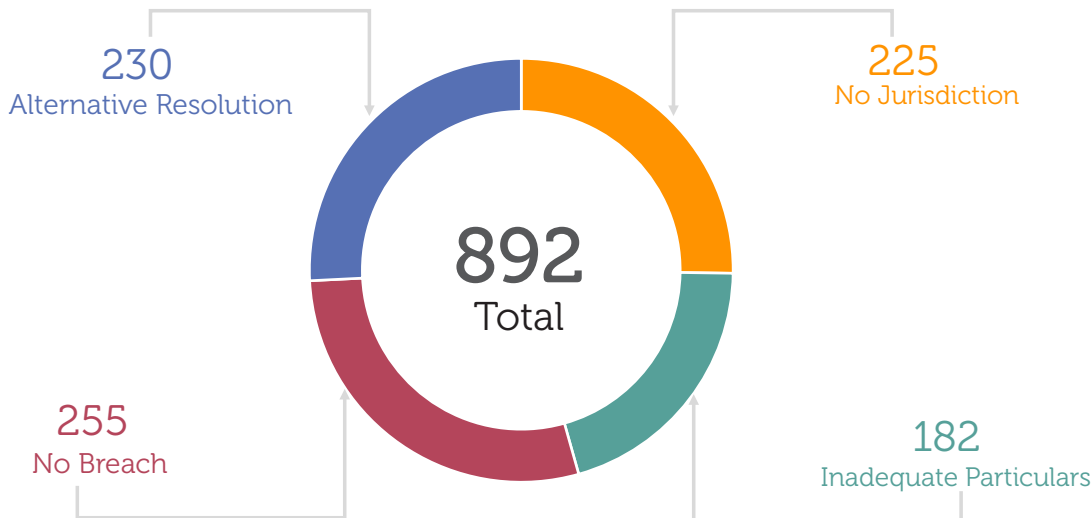
Alternative Complaint Resolution	247
Letter of Warning	11
Advisory Note	64
Total	322

Serious issue found:

Letter of Reprimand	17
Administrative Penalty	19
Conduct Proceedings (potential hearing panel)	15
Total	51

Total Complaints and Investigations 1182

REASON FOR COMPLAINT REFUSAL



TRUST ASSURANCE AND PRACTICE REVIEW

243

Regular Reviews

5

Special/Follow
Up Reviews

248

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 \$3,627,255.91. Compensation paid from REAF since RECA began administering it totals \$2,079,564.91. RECA paid \$112,802.00 in compensation from REAF in the 2022-2023 fiscal year. There are 4 potential future applications for compensation (open claim files) from REAF as of September 30, 2023, with total reserves of \$370,198.00 were set aside.

FILES OPENED AND RESERVES SET ASIDE

		\$
2022-2023	0	0
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

CLAIMS PAID

	\$
2022-2023	112,802
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



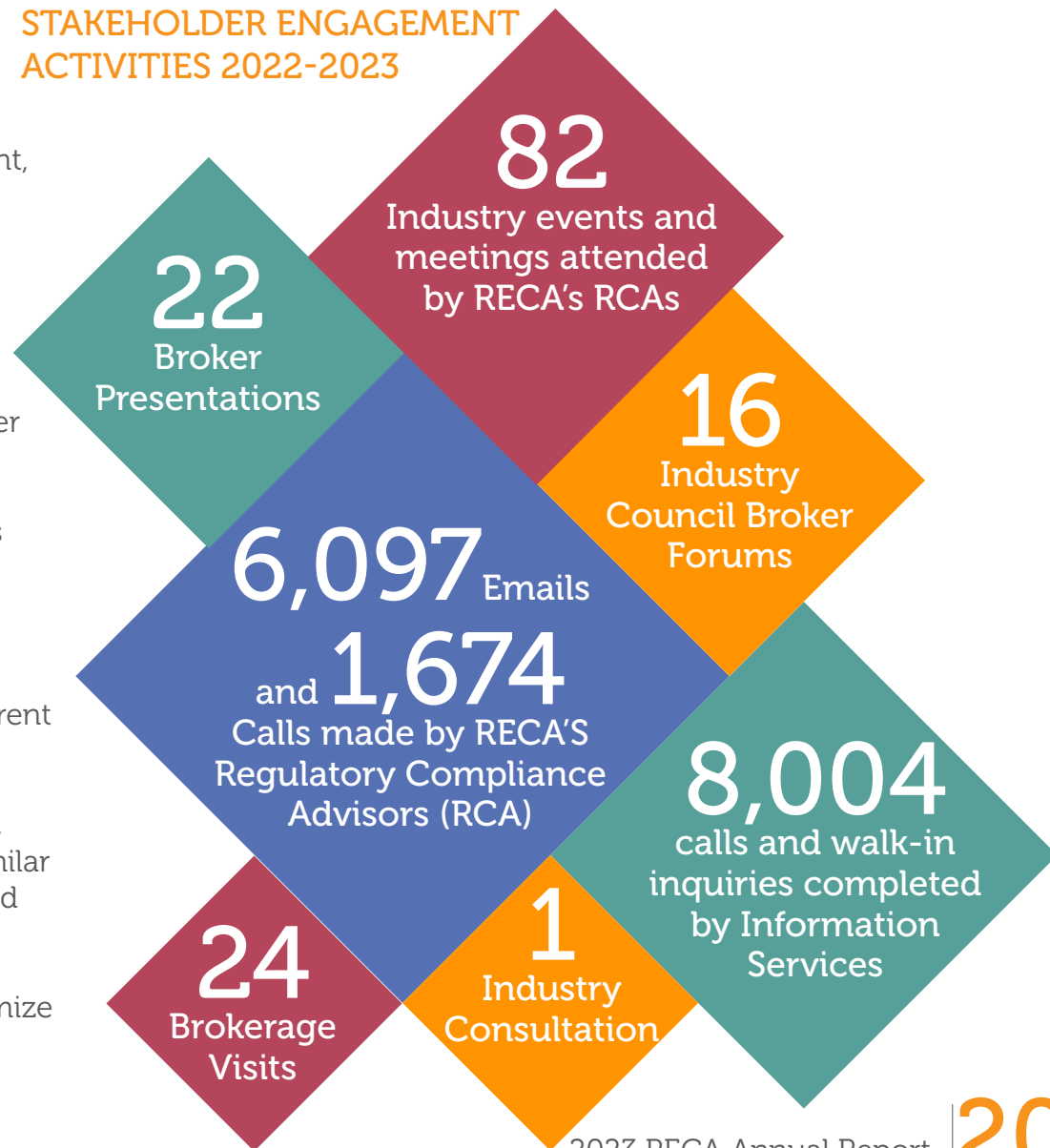
STAKEHOLDER ENGAGEMENT

STAKEHOLDER ENGAGEMENT ACTIVITIES 2022-2023

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.





COMPENSATION

2022-2023 Board of Directors*
\$140,500

2022-2023 Commercial Real Estate
Broker and Commercial Property
Manager Industry Council*
\$30,000

2022-2023 Mortgage Broker Industry
Council*
\$30,000

2022-2023 Residential Property Manager
Industry Council*
\$28,417

2022-2023 Residential Real Estate
Broker Industry Council*
\$30,000

**Compensation includes director and industry council member fees.*

Chief Executive Officer
\$269,118

Registrar
\$226,742

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

REAL ESTATE COUNCIL OF ALBERTA
Financial Statements
September 30, 2023

REAL ESTATE COUNCIL OF ALBERTA
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For the Year Ended September 30, 2023

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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

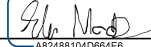
DRAFT

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	-	-
	<u>34,344,007</u>	<u>4,372,275</u>	<u>38,716,282</u>	<u>34,325,354</u>
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)	<u>20,711,024</u>	<u>-</u>	<u>20,711,024</u>	<u>21,264,936</u>
	<u>\$ 55,691,143</u>	<u>\$ 4,372,275</u>	<u>\$ 60,063,418</u>	<u>\$ 56,248,976</u>
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
	<u>12,426,917</u>	<u>-</u>	<u>12,426,917</u>	<u>11,286,917</u>
Long-term Debt (note 10)	12,486,162		12,486,162	12,944,562
Assurance Fund Reserves		370,198	370,198	751,000
	<u>24,913,079</u>	<u>370,198</u>	<u>25,283,277</u>	<u>24,982,479</u>
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
	<u>30,778,064</u>	<u>4,002,077</u>	<u>34,780,141</u>	<u>31,266,497</u>
	<u>\$ 55,691,143</u>	<u>\$ 4,372,275</u>	<u>\$ 60,063,418</u>	<u>\$ 56,248,976</u>

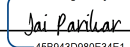
Approved on behalf of the Real Estate Council of Alberta

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

	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
	<u>-</u>	<u>541,000</u>	<u>541,000</u>	<u>336,763</u>
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
	<u>16,219,309</u>	<u>171,756</u>	<u>16,391,065</u>	<u>18,146,775</u>
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
	<u>13,546,828</u>	<u>232</u>	<u>13,547,060</u>	<u>14,455,637</u>
Excess of revenue over expenses before other items	<u>2,672,481</u>	<u>712,524</u>	<u>3,385,005</u>	<u>4,027,901</u>
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)	-	-
	<u>300,948</u>	<u>(172,309)</u>	<u>128,639</u>	<u>246,450</u>
Excess of revenue over expenses	\$ 2,973,429	\$ 540,215	\$ 3,513,644	\$ 4,274,351

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

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

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

	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)
	<u>4,176,766</u>	<u>272,215</u>	<u>4,448,981</u>	<u>6,512,448</u>
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	<u>4,966,760</u>	<u>151,804</u>	<u>5,118,564</u>	<u>8,089,226</u>
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	<u>12,820,296</u>	<u>(500,000)</u>	<u>12,320,296</u>	<u>(18,580,534)</u>
Financing activities				
Repayment of long-term debt	(444,000)	-	(444,000)	(428,000)
Increase (decrease) in cash and equivalents	<u>17,343,056</u>	<u>(348,196)</u>	<u>16,994,860</u>	<u>(10,919,308)</u>
Cash and equivalents, beginning of year	13,613,311	2,512,340	16,125,651	27,044,959
Cash and equivalents, end of year	<u>\$ 30,956,367</u>	<u>\$ 2,164,144</u>	<u>\$ 33,120,511</u>	<u>\$ 16,125,651</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, 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	<u>\$ 12,486,162</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:

2024	\$ 203,753
2025	61,300
2026	3,629
	<hr/>
	\$ 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.

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