

REAL ESTATE COUNCIL OF ALBERTA
Financial Statements
September 30, 2024

REAL ESTATE COUNCIL OF ALBERTA
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For the Year Ended September 30, 2024

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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, 2024, 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, 2024, 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 28, 2025

Real Estate Council of Alberta
Statement of Financial Position
As at September 30, 2024

	Council Operating Fund	Assurance Fund	2024	2023
ASSETS				
Current				
Cash and cash equivalents (note 2d, Note 4)	\$ 6,849,030	\$ 4,101,361	\$ 10,950,391	\$ 33,120,511
Short-term investments (note 4)				4,700,000
Accounts receivable and accrued interest receivable	255,411		255,411	401,357
Prepaid expenses	253,379		253,379	494,414
	<u>7,357,820</u>	<u>4,101,361</u>	<u>11,459,181</u>	<u>38,716,282</u>
Development costs (note 5)	998,585		998,585	356,352
Long-term prepaid expenses (note 6)	680,528		680,528	274,448
Lease inducements (note 7)	46,459		46,459	5,312
Long-term Investments (note 4)	14,049,368	569,631	14,618,999	-
Capital assets (note 8)	19,521,012		19,521,012	20,711,024
	<u>\$ 42,653,772</u>	<u>\$ 4,670,993</u>	<u>\$ 47,324,764</u>	<u>\$ 60,063,418</u>
LIABILITIES AND NET ASSETS				
Current				
Accounts payable and accrued liabilities	1,806,065	\$ 210	\$ 1,806,275	\$ 2,529,942
Current portion of long-term debt (note 10)				462,000
Deferred licensing revenue	5,262,300		5,262,300	9,434,975
	<u>7,068,365</u>	<u>210</u>	<u>7,068,575</u>	<u>12,426,917</u>
Long-term Debt				12,486,162
Assurance Fund Reserves		135,645	135,645	370,198
	<u>7,068,365</u>	<u>135,855</u>	<u>7,204,220</u>	<u>25,283,277</u>
Commitments and contingencies (note 11)				
Net Assets				
Invested in capital assets (net of related debt)	19,521,012		19,521,012	7,762,862
Unrestricted Council Operating Fund	3,464,395		3,464,395	10,415,202
Internally restricted Council General Reserve (note 12)	12,600,000		12,600,000	12,600,000
Externally restricted as Assurance Fund (note 3)		4,535,137	4,535,137	4,002,077
	<u>35,585,407</u>	<u>4,535,137</u>	<u>40,120,544</u>	<u>34,780,141</u>
	<u>\$ 42,653,772</u>	<u>\$ 4,670,992</u>	<u>\$ 47,324,764</u>	<u>\$ 60,063,418</u>

Real Estate Council of Alberta
Statement of Operations
For the year ended September 30, 2024

	Council Operating Fund	Assurance Fund	2024	2023
Restricted revenue and claims				
Assessments		\$ 281,100	\$ 281,100	\$ 273,000
Assurance Fund Reserves, net change (note 2(c))		180,252	180,252	268,000
	<u>-</u>	<u>461,352</u>	<u>461,352</u>	<u>541,000</u>
Revenue from operations				
Licence registration fees	11,056,068		11,056,068	10,311,185
Eligibility and other licensing fees	3,178,000		3,178,000	2,571,195
Education and Credentialing revenues	1,736,128		1,736,128	1,840,320
Unrealized gain/(loss) on investments	1,479,041	67,181	1,546,222	
Investment income	1,390,119	151,074	1,541,194	1,277,851
Office building rental revenue	340,883		340,883	390,514
	<u>19,180,239</u>	<u>218,255</u>	<u>19,398,495</u>	<u>16,391,065</u>
Expenses				
Salaries and benefits	7,427,042		7,427,042	6,777,566
Information systems	1,223,223		1,223,223	905,799
Professional services	1,226,233	1,538	1,227,771	2,030,407
Amortization of capital assets	1,035,033		1,035,033	1,107,860
Hearings	588,084		588,084	351,985
Office building net operating costs	493,943		493,943	518,355
Long-term debt interest	487,416		487,416	507,390
Credit card fees	433,769		433,769	386,941
Training and development	224,704		224,704	196,536
Board and Industry Councils	380,713		380,713	353,959
Subscriptions and memberships	141,144		141,144	131,066
Staff travel	102,635		102,635	107,322
Amortization of education course and examination development costs	88,874		88,874	39,043
Telephone	66,238		66,238	59,704
Supplies	81,321		81,321	47,275
Office equipment leases	22,625		22,625	19,393
Education and Credentialing costs	-		-	3,780
Postage and courier	2,908		2,908	2,679
	<u>14,025,905</u>	<u>1,538</u>	<u>14,027,443</u>	<u>13,547,060</u>
Excess of revenue over expenses before other items	5,154,334	678,069	5,832,404	3,385,005
Other items:				
Penalties, fines and enforcement recovery	91,729		91,729	132,492
Gain on disposal of capital assets	(1,341)		(1,341)	(3,853)
Assurance fund administration	145,009	(145,009)	-	
Impairment loss	(582,389)		(582,389)	
	<u>(346,991)</u>	<u>(145,009)</u>	<u>(492,001)</u>	<u>128,639</u>
Excess of revenue over expenses	<u>\$ 4,807,343</u>	<u>\$ 533,060</u>	<u>\$ 5,340,403</u>	<u>\$ 3,513,644</u>

Real Estate Council of Alberta
Statement of Changes in Net Assets
For the year ended September 30, 2024

Fund Balances	Invested in capital assets (net of related debt)	Unrestricted Council Operating Fund	Internally restricted Council General Reserve	Externally restricted as Assurance Fund	2024	2023
Balance, beginning of year	\$ 7,762,862	\$ 10,415,202	\$ 12,600,000	\$ 4,002,077	\$ 34,780,141	\$ 31,266,497
Excess (deficiency) of revenue over expenses	(1,618,763)	6,426,106		533,060	5,340,403	3,513,644
Purchase of capital assets	289,510	(289,510)			-	-
Transfer from development costs	139,241	(139,241)			-	-
Repayment of capital asset related debt, net of deferred financing costs	12,948,162	(12,948,162)			-	-
Balance, September 30, 2024	\$ 19,521,012	\$ 3,464,395	\$ 12,600,000	\$ 4,535,137	\$ 40,120,544	\$ 34,780,141

Real Estate Council of Alberta
Statement of Cash Flows
For the twelve months ended September 30, 2024

	Council Operating Fund	Assurance Fund	2024	2023
Cash provided by (used for):				
Operating activities				
Excess of revenue over expenses for the year	\$ 4,807,343	\$ 533,060	\$ 5,340,403	\$ 3,513,644
Add (deduct) for items not involving cash:				
Cash and cash equivalents (note 2d, Note 4)	1,035,033	-	1,035,033	1,107,860
Amortization of education course and examination development cost	88,874	-	88,874	39,043
Amortization of financing costs				3,600
unrealized gain/loss on investments	(1,479,041)	(67,181)	(1,546,222)	-
Gain/Loss on disposal of capital assets	1,341	-	1,341	3,853
Lease inducement	(41,147)	-	(41,147)	48,981
Impairment losses	582,389		582,389	
Net change in assurance fund reserves		(180,252)	(180,252)	(268,000)
	<u>4,994,792</u>	<u>285,627</u>	<u>5,280,419</u>	<u>4,448,981</u>
Changes in non-cash working capital balances:				
Accounts receivable and accrued interest receivable	137,915	8,031	145,946	(310,811)
Prepaid expenses	241,035		241,035	(85,257)
Accounts payable and accrued liabilities	(723,876)	210	(723,665)	460,925
Deferred licensing revenue	(4,172,675)		(4,172,675)	661,075
Payments from Assurance Fund Reserves	-	(54,301)	(54,301)	(112,802)
Due from/(to) funds	(100)	100		-
Net change in long-term prepaid expenses	(406,080)		(406,080)	56,453
Cash provided by (used for) operating activities	<u>71,011</u>	<u>239,667</u>	<u>310,679</u>	<u>5,118,564</u>
Investing activities				
Redemption (purchase) of short-term investments (net)	2,500,000	2,200,000	4,700,000	13,000,000
investment in systems project development	(656,042)		(656,042)	(295,736)
Investment in Exam and systems development	(214,307)		(214,307)	(152,359)
Redemption (purchase) of long-term investments	(12,570,328)	(502,450)	(13,072,778)	-
Purchase of capital assets	(289,510)		(289,510)	(231,609)
Cash provided by (used for) investing activities	<u>(11,230,187)</u>	<u>1,697,550</u>	<u>(9,532,637)</u>	<u>12,320,296</u>
Financing activities				
Repayment of long-term debt	(12,948,162)		(12,948,162)	(444,000)
Increase (decrease) in cash and equivalents	(24,107,337)	1,937,217	(22,170,119)	16,994,860
Cash and equivalents, beginning of year	30,956,367	2,164,144	33,120,511	16,125,651
Cash and equivalents, September 30, 2024	<u>\$ 6,849,030</u>	<u>\$ 4,101,361</u>	<u>\$ 10,950,391</u>	<u>\$ 33,120,511</u>

The accompanying notes are an integral part of these financial statements

1. Nature of operations 2024

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, 2024 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.

	2024	2023
Reserves, beginning of year	\$370,198	\$751,000
New reserves set	-	
Payments on applications	(54,301)	(112,802)
Adjustments to applications	-	-
Release of reserve	(180,252)	(268,000)
Reserves, end of year	\$135,645	\$370,198

(d) Cash and cash equivalents

Cash and cash equivalents include all balances held at banks, held by the trustee of the investment funds. Short-term investment certificates with an original maturity of 90 days or less were nil in 2024 (2023 - \$2,500,000).

Council Operating Fund cash balance on September 30, 2024 includes the deferred licensing revenue collected for the 2024/25 licensing year of \$5,262,300 (2024 - \$9,434,975) 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 completed by September 30, 2023. 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 terminated in August 2024, as Council paid off its mortgage liability.

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The Council is mainly exposed to interest rate risk and other price risk in connection with its investment in long-term equities and bonds pooled funds.

The Council's risk management strategy focuses on diversification and risk management, at end of 2024 the portfolio consists of:

Canadian Bonds Pooled Fund:	\$10,426,398	80% of portfolio
Global Equity Fund Series O:	\$2,466,382	20% of portfolio

The allocation aligns with Council's objectives of preserving capital value with investment and reduce exposure to market prices volatility.

(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.

2. Significant accounting policies - continued

(j) Financial asset impairment

The Council assesses impairment of its financial assets measured at cost or amortized cost. If conditions indicating impairment arise, the 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, 2024 by a fund balance of \$4,535,138 (2023 - \$4,002,077). 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, 2024, the Council has determined the administrative expenses incurred on behalf of the Assurance Fund to be \$145,009 (2023 - \$172,309).

4. Investments

On September 30, 2024 a \$700,000 one-year redeemable GICs at an interest rate of 5.65% was included in cash equivalents due to its maturity being within 90 days of year end. The total balance for 2024 is held within the assurance fund (2023 - \$2,200,000 assurance fund, \$2,500,000 operating fund)

In 2024 Council held long term investments which comprise of the following:

	2024	2023
Fixed income	\$11,865,620	-
Equities	\$2,753,379	-
	\$14,618,999	-

5. Development costs

	2024		2023	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
System development	\$658,604		\$142,393	\$ -
Education course and examination development	487,748	147,768	273,441	59,482
	1,146,352	147,768	\$415,834	\$59,482
Net Book Value		\$998,585		\$356,352

During 2024, there was \$655,452 (2023 - \$295,736) added to system development costs and \$139,241 (2023 - \$326,192) was transferred from development costs to capital assets upon commissioning. During 2024, there was \$214,307 (2023 - \$152,359) added to Education course and examination development costs. In 2024 any course or examination development with a net value of \$0 is not included.

6. Long-term prepaid expenses

On September 30, 2024, the Council has forty (2023 - 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 (2023 - 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 (2024-2025) \$680,528 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, 2024, the lease inducements are \$46,459 (2023 - \$5,312).

8. Capital assets

	Cost	2024 Accumulated Amortization	Cost	2023 Accumulated Amortization
Computer hardware	1,935,793	1,742,743	\$1,812,334	\$1,616,351
System development	5,038,485	4,610,340	4,774,396	4,283,828
Office furnishings and equipment	661,976	646,235	644,064	643,216
Land	2,996,778	-	2,996,778	-
Building	20,843,375	4,373,687	20,712,232	3,685,386
	<u>\$31,476,407</u>	<u>\$11,955,394</u>	<u>\$30,939,804</u>	<u>\$10,228,780</u>
Net Book Value		<u>\$19,521,013</u>		<u>\$20,711,024</u>

During the year, the Company recognized an impairment loss on a building due to a significant decline in its market value. The impairment loss was calculated as the difference between the building's carrying amount and its replacement value.

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 \$134,401 (2023 - \$133,083). REIX reimburses Council for the cost of these services. This reimbursement is charged against the respective expense category to which it applies in the Statement of Operations.

10. Long-term debt

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

In 2018, the Company paid financing fees to secure long-term debt in the amount of \$89,938, which was included in the cost of the debt. The financing fees are being amortized over the term of the loan. During the year, amortization of financing fees has been recorded in the amount of \$3,600 (2023 - \$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.

On August 12, 2024, the Council paid off the building mortgage in full and settled the associated interest rate swap agreement.

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, 2024, \$nil (2023 - \$nil) was drawn against this facility.

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:

2025	292,278
2026	128,976
	\$ 421,254

(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 2024, the Council's share of these costs was 21,443 (2023 - \$20,266).

(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 for 2024 were \$20,000 (2023- \$nil)

(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, 2024, the General Reserve balance is \$12,600,000 (2023 - \$12,600,000).

13. Comparative figures

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