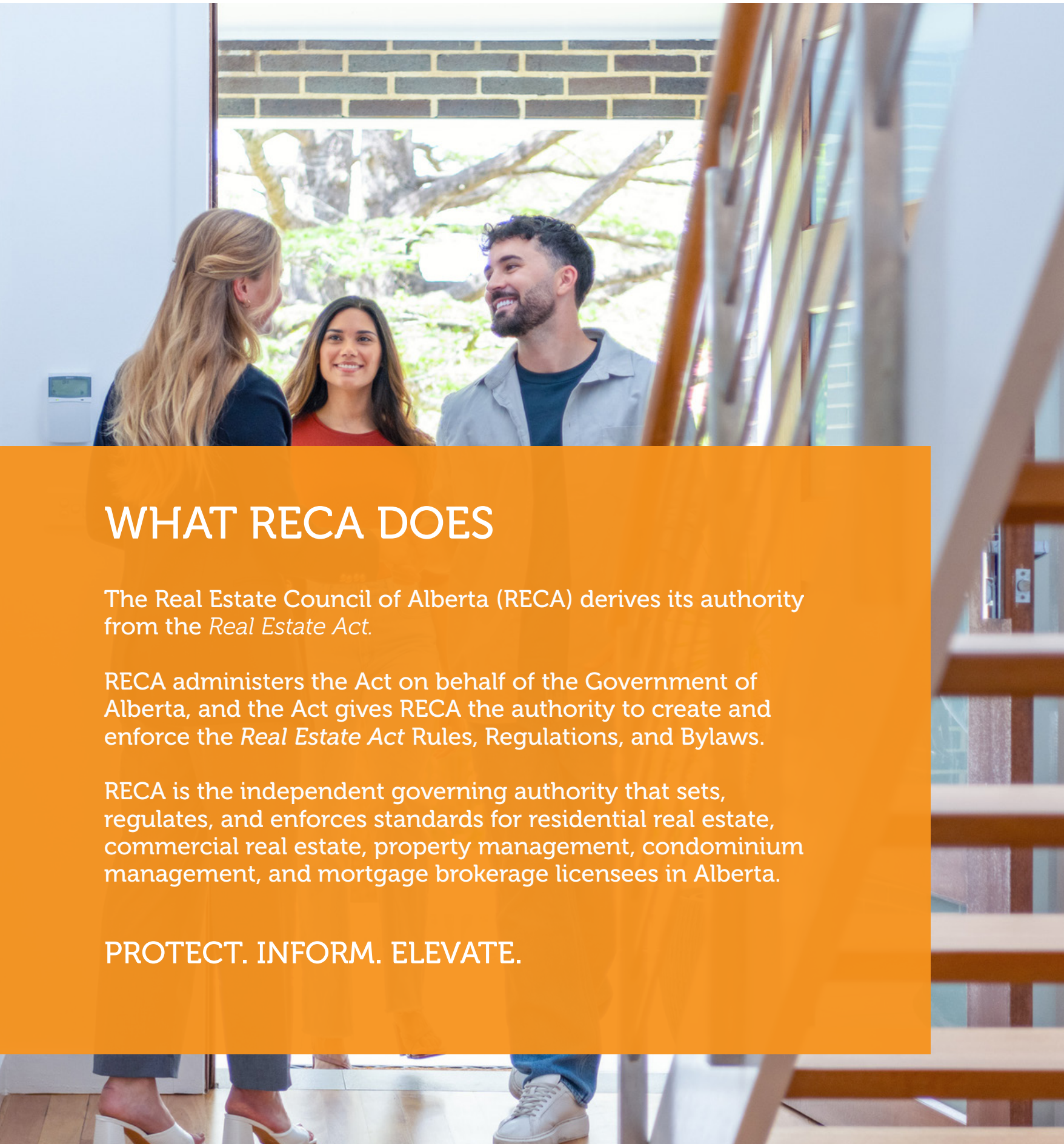


# 2024

ANNUAL

REPORT





## WHAT RECA DOES

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

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

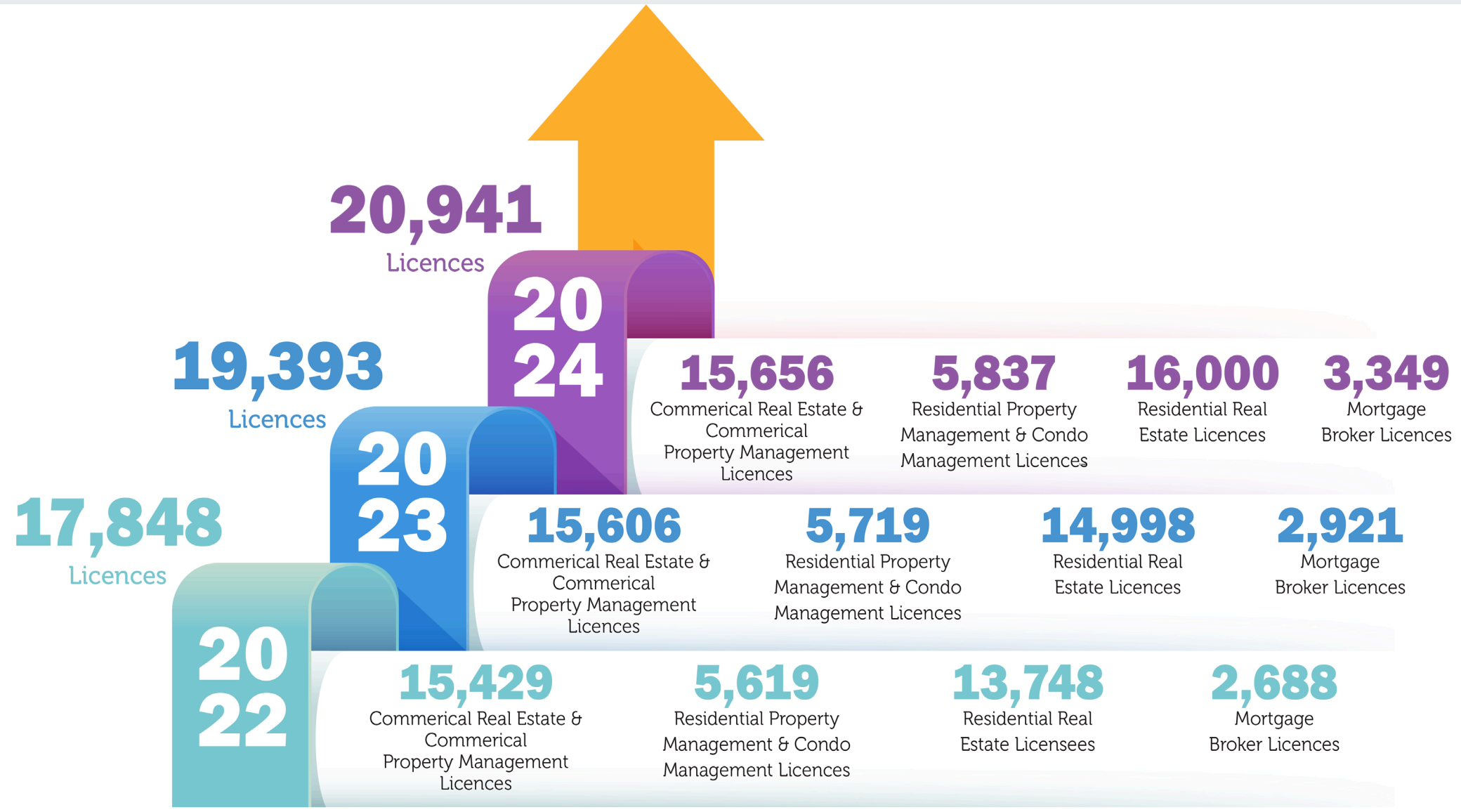
RECA is the independent governing authority that sets, regulates, and enforces standards for residential real estate, commercial real estate, property management, condominium management, and mortgage brokerage licensees in Alberta.

**PROTECT. INFORM. ELEVATE.**

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# INDUSTRY GROWTH



*Licenses can hold licenses in multiple sectors.*

# BOARD CHAIR MESSAGE



ELAN MACDONALD

I'm proud to reflect on a year marked by progress, collaboration, and commitment to excellence in Alberta's real estate industry. This year, RECA made significant strides in several key areas, strengthening its foundation and paving the way for continued success.

## FINANCIAL STEWARDSHIP

A major milestone this year has been RECA's continued focus on financial stewardship, highlighted by our decision to pay down the mortgage on our Calgary office building. The investment in the building provides revenue to RECA, and by paying off the mortgage, we have reduced expenses. This will help us maintain reasonable fees, better forecast revenue, and redirect resources toward consumer protection and

enhancements to the way we work. This strong financial position ensures we can continue to fulfill our mandate while remaining ready for future growth and challenges.

## REGULATORY REVIEW

RECA's Regulatory Review was completed in 2024. After operating for five years under our new governance structure, the Board engaged respected regulatory leaders The Regulator's Practice

(including internationally renowned expert Harry Cayton) to conduct an independent review of RECA's progress and performance against global standards. This marked a significant milestone, as it was our first review under this new framework.

To meet the high standards that consumers expect, it was important to benchmark RECA's operating processes against global best practices. The review found that of the 18 international best-

practice standards, RECA met five fully and partially met twelve, with one standard not met.

## LOOKING AHEAD

RECA's Board of Directors is committed to building on this year's achievements. Our focus will remain on fostering innovation, collaborating with industry partners, and ensuring that RECA continues to be a trusted and effective

regulator. We also look forward to welcoming a new voice to our Residential Real Estate Broker Industry Council through our upcoming by-election, continuing our tradition of strong leadership.

Thank you to the entire RECA community—our licensees, industry stakeholders, and the public—for your ongoing support and engagement.

Together, we are shaping a vibrant, ethical, and thriving real estate landscape in Alberta.



RECA continues to be a trusted and effective regulator.

# ACTING CEO'S MESSAGE



STACY PAQUIN



## The highest real estate licence renewal rate in Alberta's history.

As we close the chapter on the 2023/2024 fiscal-year, I'm filled with pride when I look back at the resilience, dedication, and innovative focus RECA has shown over the past year. The milestones demonstrate our commitment to continual improvement. We remain focused on upholding the highest standards of consumer protection while evolving to meet the current needs of our industries.

### RULES REVIEW

One of the most substantial achievements was the launch of our rules review. This comprehensive consultation will greatly strengthen the rules and regulations the real estate industries we regulate need to follow, aligning our practices with the most up-to-date industry best practices.

Our sincere appreciation goes out to the Rules Review Steering Committee (Committee) for their excellent work managing this process. The Committee was made up of industry licensee representatives from each RECA Industry Council, and a non-

industry public member as Committee Chair. Thank you to the Committee for your commitment and passion to ensure our enforcement standards are appropriate and the right touch.

As an industry, it's important that the rules governing professional standards are current and relevant. For consumers, it's important that the rules protect them in their property transactions, which are often the most substantial investments they may make. As the regulator, we have supported the rules review discussions and will ultimately enforce what the Industry Councils endorse.

Thank you to everyone from our industries and the public who have participated in the phases of the rules review so far. We appreciate the ongoing feedback you have provided to ensure we get it right. We look forward to sharing the results of the rules review and any corresponding changes in 2025.

### RECORD RENEWAL RATES

Another significant highlight of the fiscal year was reaching the highest real estate licence renewal rate in Alberta's history. RECA currently licences over 20,000 individuals

across the real estate, mortgage, property management and condominium management sectors. This growth in licensees is a testament to the strength, vitality and attractiveness of these industries in our province. The growth in licensees also reinforces the importance of an effective regulatory framework to ensure consumers remain protected and our industries continue to thrive.

### ADVANCING OUR REGULATORY REVIEW

As planned, RECA engaged The Regulator's Practice to perform a regulatory review in 2024. We initiated this review to evaluate our operational processes,

benchmark our progress and find ways to continuously improve. The report indicated we're on the right path to meeting our mandate. The report also recommended four areas for further improvements, and we agree with all of them.

We look forward to rolling out the Action Plan to address the report recommendations in 2025. We'll continue to engage with industry stakeholders to refine our practices, increase our effectiveness and ensure consumer protection remains at the core of our work.

As we look ahead, our priorities remain clear: maintaining the highest consumer protection standards, fostering stakeholder

trust, and advancing efficiency. In 2025, our focus will be on the implementing the Action Plan from the regulatory review, and completing the rules review, both of which will ensure our rules, regulations and internal practices are fair, strong, and effective.

I am confident we will continue to meet the challenges and opportunities that come our way.

Thank you for your continued trust and support. We look forward to continuing to work with our industry partners and our licensees to provide the protection Alberta consumers deserve. Here's to a future filled with progress, growth, and shared success.



# 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 and enforcing industry standards and rules
- » administering the Consumer Protection Fund
- » providing information to consumers about real estate, mortgage, and property management services, and the business of licensees



# RED TAPE REDUCTION

This past year saw us take significant steps to improve the efficiency of our internal processes. By leveraging technology and simplifying the way we work, our goal is to create an even more responsive and effective organization. This focus on operational excellence is already paying off by reducing administrative burdens and helping us devote more time and resources to enhance our consumer protection measures. In 2025, we'll continue this initiative, further optimizing our systems to ensure we remain agile, innovative, and equipped to meet the demands required to ensure our dynamic industries remain safe and prosperous.



## Conduct a Regulatory Review

We recently conducted a Regulatory Review to identify areas for improvement in our framework, with the goal of reducing inefficiencies and eliminating red tape.

The review aimed to enhance transparency, streamline processes, and address any shortfalls. An Action Plan was created to implement key recommendations, ensuring a more efficient and effective regulatory system moving forward.



## Create a Digital Strategy

Our Digital Strategy focuses on integrating regulatory systems, ensuring brand consistency, and creating a single source of truth across RECA platforms.

Year one of our Action Plan includes implementing a Matter Management System to streamline complaints and enforcement, along with a new complaint interface to improve tracking.



## Corporate Process Improvements

A new accounting system is being implemented to better manage RECA's fiscal resources.

Disciplinary Decisions will also be moved to Decisia to improve posting and searchability for stakeholders.



## Streamline Complaints

We're modifying investigatory resourcing to handle complaints about breaches without real consumer harm more efficiently, prioritizing an education-first approach. This reallocation allows more resources to focus on serious breaches, reducing overall investigation timelines.

# STAKEHOLDER ENGAGEMENT

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

## PRINCIPLES OF STAKEHOLDER ENGAGEMENT

- **Purposeful:** engagement activities will be meaningful and effective with clear objectives
- **Inclusive:** stakeholders will be treated equally and engaged in substantially similar ways
- **Respectful:** we acknowledge and respect the expertise, perspective and needs of stakeholders and the shared ownership and interest in a self-regulated industry
- **Meaningful:** RECA will engage in stakeholder activities that are meaningful and responsive to their needs and will strive to build consensus with affected stakeholders whenever possible
- **Accountable:** we understand stakeholders will often have diverse and conflicting interests and concerns and will seek consensus where possible, however, protecting the public interest will always be the purpose/intent/principle/objective/goal in decision making
- **Effective:** stakeholder participation will influence decision-making, and RECA will communicate the results to demonstrate how input has been incorporated or explain why it was not



## STAKEHOLDER ENGAGEMENT ACTIVITIES 2023-2024

64%

of Complaints Resolved  
at First Point of Contact  
by RECA's Information  
Officers

8

Industry  
Council Broker  
Forums

63

Industry events  
and meetings  
attended by RECA's  
RCAs

2,195

calls  
received by Information  
Officers regarding  
complaints

779

were  
transferred to  
Investigations

28

Brokerage  
Visits

6,165

Emails  
and 1,336  
Calls made by  
RECA'S Regulatory  
Compliance Advisors  
(RCA)

26

Broker  
Presentations

7,719

calls and walk-in  
inquiries completed  
by Information  
Services



# INVESTIGATIONS

Investigations continued its focus on taking an educational approach for minor issues raised against a licensee. This effectively addresses the issue in a timely manner at the complaint review stage by providing the licensee with education on the standard expected and seeking compliance. Investigations also focused on ensuring that sanctions issued were addressing serious misconduct that impacted a consumer. This means sanctions are no longer issued for minor breaches of the legislation where consumers were not impacted, provided the licensee takes appropriate steps to address the issue. In the past year, the educational approach quickly resolved 28% of all file outcomes, where sanctions were issued in 2% of all file outcomes.

## BENEFITS OF THE EDUCATIONAL APPROACH

### CONSUMER:

- concerns heard and possibly investigation
- participation in process, with an acceptable resolution
- quicker resolution

### BROKER:

- improves relationship with complainant
- enhances brokerage policies
- opportunity to mentor the licensee
- prevents negative public statements

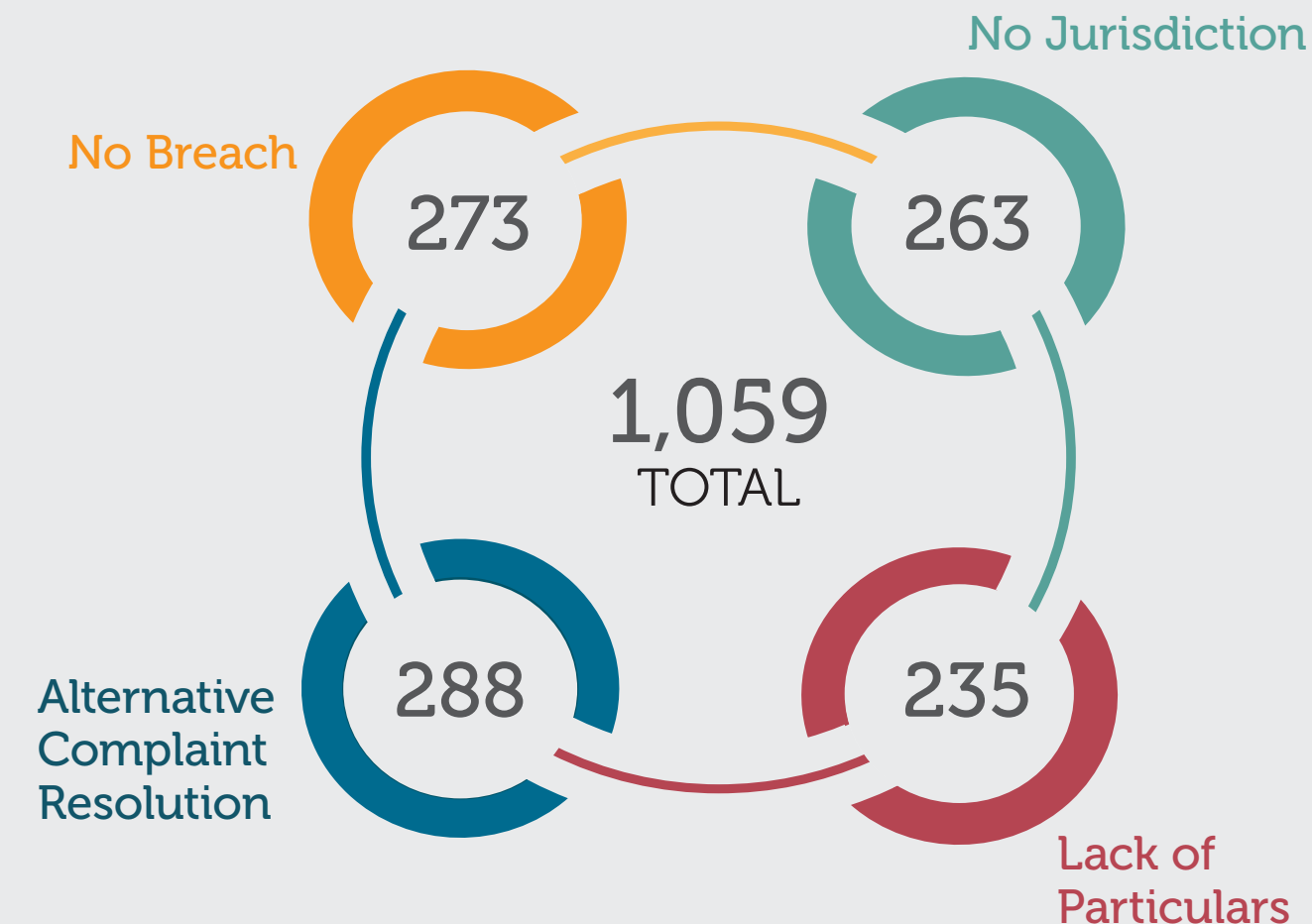
### LICENSEE:

- less time spent on resolution vs. investigation
- potentially restores relationship with complainant, and may avoid negative reviews that impact reputation
- improves practices to prevent future issues
- faster issue resolution

### RECA:

- complainant's concerns addressed
- licensee identifies areas for improvement
- licensee has the opportunity to resolve issues constructively
- resources focused on more serious matters to protect consumers and licensees

## REASON FOR COMPLAINT REFUSAL



## COMPLAINTS AND INVESTIGATION OUTCOMES

Where no issue existed or was found:

No Jurisdiction	263
Lack of Particulars	235
No Breach/Insufficient Evidence	376
<b>TOTAL</b>	<b>874</b>

Educational Approach:

Alternative Complaint Resolution	288
Letter of Warning	5
Advisory Note	69
<b>TOTAL</b>	<b>362</b>

Serious issue found:

Letter of Reprimand	12
Administrative Penalty	18
Conduct Proceedings (potential hearing panel)	15
<b>TOTAL</b>	<b>45</b>

**TOTAL COMPLAINTS AND INVESTIGATIONS 1,281**

# REGISTRATION SERVICES

## REFUSED

Mortgage: 1 associate

## CANCELLED

Mortgage: 2 associates

## SUSPENDED

Real Estate: 1 brokerage, 1 associate,  
1 associate broker  
Mortgage: 1 associate

## CONDITIONS APPLIED

Real Estate: 81 brokerages, 1 broker,  
37 associate brokers, 347 associates  
Mortgage: 57 brokerages, 7 brokers,  
172 associates  
Condominium Management: 12 brokerages,  
96 brokers, 10 associate broker, 97 associate

RECA, as the regulatory body for the real estate industry, issues licenses under specific classes. It has the authority to cancel, suspend, or impose conditions on a licence, deny a licence application, and accept requests for permanent licence withdrawal.



# TRUST ASSURANCE AND PRACTICE REVIEW

166

Regular Reviews

0

Special Reviews/  
Follow ups

35

New  
Brokerages

201

Total



# REAL ESTATE ASSURANCE FUND

Compensation paid from REAF since its inception in 1985 totals \$3,681,556.91. Compensation paid from REAF since RECA began administering it totals \$2,133,865.91. RECA paid \$54,301 in compensation from REAF in the 2023-2024 fiscal year.



CLAIMS PAID	\$
2023-2024	54,301
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

## FINES AND PENALTIES

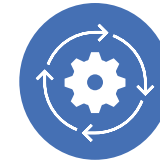
Fines Ordered	\$74,500
Fines Received	\$53,259
Administrative Penalties Ordered	\$91,000
Administrative Penalties Received	\$34,470

# STRATEGIC PLAN 2022-2025



## TRUST AND CONFIDENCE

- year 1 of RECA's consumer awareness campaign kicked off with various consumer outreach including:
  - the translated Buyer and Seller Guides were launched on May 15, 2024, to provide consumers with access to essential information in multiple languages
  - consumer radio ads were aired on multiple radio stations across Alberta in various languages, including:
    - RED FM
    - Fairchild
    - Corus Radio
  - consumer presentations at the Edmonton Public Library, and the Centre for Newcomers
- RECA began a website redesign project and partnered with Strut Creative to design and build the new site. The website is set to launch in Q1 of fiscal 2025
- RECA increased industry engagement by completing 26 brokerage presentations and 6 brokerage visits



## ORGANIZATIONAL RESILIENCE

- engaged TalentMap to assist with the Employee Engagement Survey and completed the second round of the survey
- shared the 2024 Employee Engagement results with staff; action planning has begun and will continue into fiscal 2025
- completed the resource library and held a successful team building day



## REGULATORY EXCELLENCE

- phase 2 of the *Real Estate Act* Rules review was completed, and Phase 3 to be completed in fiscal 2025
- a third-party regulatory review was conducted and completed
  - the action plan approved by the Board will be released in fiscal 2025
- a competency review for all current examinations was completed by March 31, 2024

# 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 Red Tape Reduction, 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

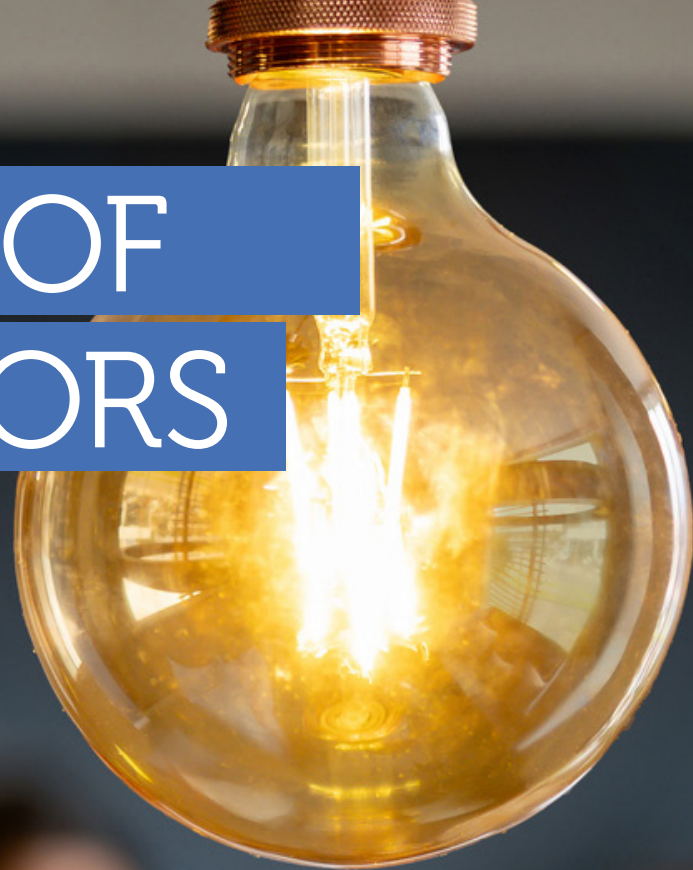
Each Industry Council is comprised of two members of the public appointed by the Minister of Service Alberta and Red Tape Reduction, and three licensees from that particular sector, elected by other licensees from that sector.

## EFFECTIVE 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



## Elan MacDonald, ICD.D

Appointed by the Minister of Service Alberta and Red Tape Reduction from the public

## Jai Parihar, MBA, CFA, ICD.D

Appointed by the Minister of Service Alberta and Red Tape Reduction from the public

## Gregory Walter, LLB

Appointed by the Minister of Service Alberta and Red Tape Reduction 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

## Elena Russell

Appointed by the Mortgage Broker Industry Council



# INDUSTRY COUNCILS

## Residential Real Estate Broker Industry Council

### Bill Briggs (Board Member)

Elected by residential real estate licensees

### Brad Hamdon

Appointed by the Minister of Service Alberta and Red Tape Reduction from the public

### Erika Ringseis

Appointed by the Minister of Service Alberta and Red Tape Reduction from the public

### George Bamber (Chair)

Elected by residential real estate licensees

### Jason Bamlett (Vice Chair)

Elected by residential real estate licensees

## Residential Property Manager Industry Council

### Carrie Plett (Board Member)

Elected by property management and condominium management licensees

### Don Brown (Vice Chair)

Elected by property management and condominium management licensees

### Don Newell (Chair)

Appointed by the Minister of Service Alberta and Red Tape Reduction from the public

### Keith McMullen

Elected by property management and condominium management licensees

### Jacquie Lesperance

Appointed by the Minister of Service Alberta and Red Tape Reduction from the public

## Commercial Real Estate Broker and Commercial Property Manager Industry Council

### Terry Engen (Chair)

Appointed by the Minister of Service Alberta and Red Tape Reduction from the public

### Cheri Long (Vice Chair)

Elected by commercial licensees

### Brittane Laverdure

Appointed by the Minister of Service Alberta and Red Tape Reduction from the public

### Laura Sharen (Board Member)

Elected by commercial licensees

### Ben Van Dyk

Elected by commercial licensees

## Mortgage Broker Industry Council

### Clarence Lee (Chair)

Elected by mortgage broker licensees

### Elena Russell (Board Member)

Elected by mortgage broker licensees

### Guy Ouellette

Appointed by the Minister of Service Alberta and Red Tape Reduction from the public

### Jared Morrison

Elected by mortgage broker licensees

### Nkem Onyegbula

Appointed by the Minister of Service Alberta and Red Tape Reduction from the public



# COMPENSATION

2023-2024 Board of Directors\*  
\$176,500

2023-2024 Commercial Real Estate  
Broker and Commercial Property  
Manager Industry Council\*  
\$30,000

2023-2024 Mortgage Broker  
Industry Council\*  
\$30,000

2023-2024 Residential Property  
Manager Industry Council\*  
\$28,414

2023-2024 Residential Real  
Estate Broker Industry Council\*  
\$25,833

*\*Compensation includes fees for Directors and Industry Council members. The amount for the Board also includes outstanding fees from previous fiscal periods.*

Chief Executive Officer  
\$293,925

Registrar  
\$243,702

**REAL ESTATE COUNCIL OF ALBERTA**  
**Financial Statements**  
**September 30, 2024**

**REAL ESTATE COUNCIL OF ALBERTA**  
**Index to Financial Statements**  
**For the Year Ended September 30, 2024**

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903 - 8<sup>th</sup> Avenue SW, Suite 620  
Calgary AB T2P 0P7  
Canada

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## INDEPENDENT AUDITOR'S REPORT

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### 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
<b>ASSETS</b>				
<b>Current</b>				
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>
<b>LIABILITIES AND NET ASSETS</b>				
<b>Current</b>				
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)				
<b>Net Assets</b>				
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
<b>Restricted revenue and claims</b>				
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>
<b>Revenue from operations</b>				
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>
<b>Expenses</b>				
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
<b>Other items:</b>				
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>
<b>Excess of revenue over expenses</b>	<b>\$ 4,807,343</b>	<b>\$ 533,060</b>	<b>\$ 5,340,403</b>	<b>\$ 3,513,644</b>

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	<u>\$ 19,521,012</u>	<u>\$ 3,464,395</u>	<u>\$ 12,600,000</u>	<u>\$ 4,535,137</u>	<u>\$ 40,120,544</u>	<u>\$ 34,780,141</u>



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 30<sup>th</sup> 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.

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#### 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.

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#### 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).

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#### 13. Comparative figures

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

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