

Financial Statements of

ALBERTA REAL ESTATE FOUNDATION

Year ended October 31, 2006

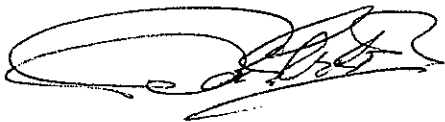
AUDITORS' REPORT

To the Governors of the Alberta Real Estate Foundation

I have audited the statement of financial position of the Alberta Real Estate Foundation as at October 31, 2006 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the association, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Foundation as at October 31, 2006 and the results of its operations and the changes in its net assets and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. The comparative numbers were audited by another chartered accountant.



Daniel C. MacGregor, CA

Calgary, Canada

January 3, 2007

ALBERTA REAL ESTATE FOUNDATION

Statement of Financial Position

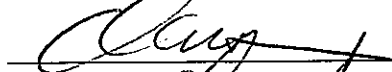
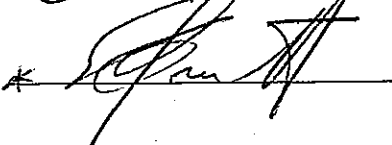
October 31, 2006, with comparative figures for 2005

	2006	2005
Assets		
Current assets:		
Cash	\$ 479,634	\$ 46,794
Short-term investments	1,300,000	357
Accounts receivable	—	—
Interest receivable on real estate brokers' trust accounts	605,243	141,501
Prepaid expenses and deposits	4,401	1,512
	<u>2,389,278</u>	<u>190,164</u>
Long-term investments (Market value – 2006 - \$5,262,407; 2005 - \$4,633,180)	4,093,519	3,896,652
Capital assets (note 3)	44,804	10,997
	<u>\$ 6,527,601</u>	<u>\$ 4,097,813</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 18,219	\$ 14,405
Due to the Alberta Real Estate Association	1,556	—
	<u>19,775</u>	<u>14,405</u>
Net Assets		
Invested in capital assets	44,804	10,997
Distributable income – committed (note 6)	838,336	893,397
Distributable income – uncommitted	5,624,686	3,179,014
	<u>6,494,826</u>	<u>4,083,408</u>
	<u>\$ 6,527,601</u>	<u>\$ 4,097,813</u>

Commitments (note 7)

See accompanying notes to the financial statements.

On behalf of the Board:

 Governor
 Governor

ALBERTA REAL ESTATE FOUNDATION

Statement of Operations

Year ended October 31, 2006, with comparative figures for 2005

	2006	2005
Revenue:		
Interest earned on real estate brokers' pooled trust accounts	\$ 3,580,073	\$ 1,009,151
Less associated bank charges	(125,904)	(88,326)
	3,454,169	920,825
Investment income	194,651	183,136
	3,648,820	1,103,961
Operating expenditures		
Amortization	11,398	11,611
Communications	32,022	27,922
Contract administrative services	44,239	43,860
Governors' honoraria	2,400	2,400
Office	84,596	48,655
Professional fees	13,217	5,265
Rent	10,480	—
Salaries and benefits	188,453	187,541
Travel	64,342	50,960
	451,147	378,214
Excess of revenues over expenditures	\$ 3,197,673	\$ 725,747

See accompanying notes to the financial statements.

ALBERTA REAL ESTATE FOUNDATION

Statement of Changes in Net Assets

Year ended October 31, 2006, with comparative figures for 2005

	Invested in capital assets	Distributable Income - Committed (note 3)	Distributable Income - Uncommitted	2006 Total	2005 Total
Balance, beginning of year	\$ 10,997	\$ 893,397	\$ 3,179,014	\$ 4,083,408	\$ 4,055,271
Excess (deficiency) of revenue over expenses	(11,398)	-	3,209,071	3,197,673	725,747
Investment in capital assets	45,205		(45,205)	-	-
Transfer to committed		811,190	(811,190)	-	-
Grants expended		(773,255)		(773,255)	(697,610)
Prior year grants returned		(92,996)	92,996	-	-
Balance, end of year	\$ 44,804	\$ 838,336	\$ 5,624,686	\$ 6,507,826	\$ 4,083,408

See accompanying notes to the financial statements.

ALBERTA REAL ESTATE FOUNDATION

Statement of Cash Flows

Year ended October 31, 2006, with comparative figures for 2005

	2006	2005
Cash provided by (used in):		
Operations:		
Excess of revenues over expenditures	\$ 3,197,673	\$ 725,747
Items not involving cash:		
Gains on disposal of investments (note 4)	—	(23,539)
Depreciation	11,398	11,611
Cash flow from operations	3,209,071	713,819
Changes in non-cash operating working capital		
Decrease/(increase) in accounts receivable	—	2,159
Decrease/(increase) in interest receivable	(463,742)	(70,641)
Decrease/(increase) in prepaid expenses	(2,889)	(1,512)
Increase/(decrease) in accounts payable and accruals	3,814	(2,964)
Increase/(decrease) in due to Alberta Real Estate Assoc.	1,556	(187)
	(461,261)	(73,145)
Cash received from/(used in) investing activities		
Purchase of short-term investments	(1,299,642)	(6)
Redemption of long-term investments	—	200,000
Purchase of long-term investments	(196,868)	(173,847)
Purchase of capital assets	(45,205)	(5,000)
	(1,541,715)	21,147
Grants expended during the year	(786,255)	(697,610)
Increase/(decrease) in cash and cash equivalents	419,840	(35,789)
Cash and cash equivalents, beginning of year	46,794	82,583
Cash and cash equivalents, end of year	\$ 466,634	\$ 46,794

See accompanying notes to consolidated financial statements.

ALBERTA REAL ESTATE FOUNDATION

Notes to Financial Statements

Year ended December 31, 2006

1. Purpose of the Foundation:

The Alberta Real Estate Foundation (the "Foundation") was created on October 15, 1990 under what is now known as the Real Estate Act (the "Act"). The Foundation supports real estate initiatives which benefit the industry and the people of Alberta. As required by the Act, the interest earned on the pooled trust accounts of licensed brokers in Alberta is to be remitted, at least on a quarterly basis, to the Foundation by financial institutions where the pooled trust accounts are held.

The Organization is a not-for-profit organization under the Income Tax Act and accordingly is exempt from income taxes.

2. Significant accounting policies:

(a) Revenue recognition:

The Foundation follows the deferral method of accounting for revenue. Any externally restricted revenues are recorded as revenue in the year in which the related expenses are incurred. Investment income is recognized as revenue when earned. During the 2006 and 2005 fiscal years, the Foundation did not receive any externally restricted revenues.

Interest earned on real estate brokers' pooled trust accounts is recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. The Foundation's recognition of interest earned on real estate brokers' pooled trust accounts is subject to uncertainties as the Foundation cannot verify the completeness of the amounts received from the financial institutions.

(b) Investments:

Short-term investments are stated at the lower of cost and market value, plus accrued interest.

Long-term investments are stated at the lower of cost and market value plus accrued interest where market value below cost is considered to other than a temporary decline.

Gains on investments are not recorded until realized.

(c) Capital assets:

Capital assets are stated at cost less accumulated amortization. Amortization is recorded using rates and methods designed to amortize the cost of the capital assets over their estimated useful lives, as follows:

	Depreciation Method
Computing equipment	50% straight-line
Office furnishings	20% straight-line
GIFTS Software	20% straight-line
Leasehold improvements	20% straight-line

ALBERTA REAL ESTATE FOUNDATION

Notes to Financial Statements, Page 2

Year ended October 31, 2006

(d) Financial instruments:

The foundation's financial instruments consist of accounts receivable, interest receivable on real estate brokers' pooled trust accounts, accounts payable and accrued liabilities and due to Alberta Real Estate Association. The carrying amounts of these instruments approximate fair value because of their short-term nature. Management does not believe the Foundation is exposed to significant interest rate, currency or credit risk.

(e) Unclaimed balances:

Licensed brokers are required by statute to remit unclaimed trust funds to the Foundation when those funds have been held in trust more than two years.

Individual unclaimed balances in excess of \$10,000 are deferred and included in current liabilities and only recognized as revenue six years from the real estate transaction date. In 2006, no unclaimed balances with transaction dates older than six years were recognized as part of interest earned on real estate brokers' pooled trust accounts (2005 - \$Nil).

Individual unclaimed balances less than \$10,000 are recognized as part of interest earned on real estate brokers' pooled trust accounts in the year received (2006 - \$31,562; 2005 - \$43,053).

(f) Measurement of uncertainty:

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures recorded during the reporting period. Actual results could differ from those estimates and these differences could have a significant impact on the financial statements.

3. Capital assets:

	Cost	Accumulated depreciation	2006 Net book value	2005 Net book value
GIFTS Software	\$ 10,126	\$ 10,126	\$ -	\$ 1,688
Computing equipment	37,750	28,956	8,794	5,174
Leasehold improvements	29,957	1,997	27,960	-
Furniture and fixtures	29,774	21,724	8,050	4,135
	\$ 107,607	\$ 62,803	\$ 44,804	\$ 10,997

The GIFTS software is a specialized software program used to record and monitor the status of grants and grant commitments. The software has been completely amortized for financial statement purposes. There is no current commitment to replace the existing software.

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Notes to Financial Statements, Page 3

Year ended October 31, 2006

4. Investment income:

Investment income is comprised of:

	2006	2005
Interest and dividend income	\$ 125,878	\$ 175,648
Gains on dispositions of investments	86,023	23,539
	211,901	199,187
Less: Investment management fees	(17,250)	(16,051)
	\$ 194,651	\$ 183,136

5. Contract administrative services:

During fiscal 2005, the Alberta Real Estate Association provided negotiated contractual services to the Foundation, including office space, facilities and equipment and accounting services. The total service contract amount for 2006 was \$44,239 (2005 - \$43,860). The Foundation obtained its own office space commencing July 1, 2006 and terminated the administrative contract services effective with the 2006 financial year end.

6. Net assets:

During the year, the Foundation committed net assets for grants in the amount of \$811,190 (2005 - \$890,265) and returned \$92,996 from net assets committed in prior periods back to uncommitted distributable net assets. The committed distributable net assets have been internally restricted for funding grants by the Board of Governors as follows:

	2006	2005
Industry and consumer education	\$ 299,440	\$ 332,754
Affordable housing initiatives	145,000	251,500
Land use and environment	183,250	161,000
Industry enhancement	183,500	145,000
	\$ 811,190	\$ 890,265

As of October 31, 2006, the total cumulative grants approved by the Board of Governors, but not expended to date, are \$838,336 (2005 - \$893,397).

7. Commitments:

On July 1, 2006, the Foundation entered into a lease for office premises for a term of five (5) years. The base rent set by the terms of the lease is \$16 per square foot per annum plus goods and services tax for a monthly rent of \$1,347. Operating costs are revised on an annual basis in accordance with the provisions of the lease and are not included in future commitments. Additional agreements with respect to storage space and parking are subject to cancellation clauses and are not included in future commitments.

ALBERTA REAL ESTATE FOUNDATION

Notes to Financial Statements, Page 4

Year ended October 31, 2006

Commitments continued:

	2006
2007	\$ 16,163
2008	16,163
2009	16,163
2010	16,163
2011	12,122
	<hr/> \$ 76,774 <hr/>