

Financial Statements of

# **ALBERTA REAL ESTATE FOUNDATION**

Year ended October 31, 2008

**DANIEL C. MACGREGOR / CHARTERED ACCOUNTANT**

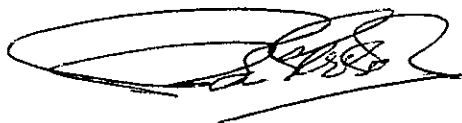
**AUDITORS' REPORT**

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, 2008 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, 2008 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.



Daniel C. MacGregor, CA

Calgary, Canada

December 18, 2008

# ALBERTA REAL ESTATE FOUNDATION

## Statement of Financial Position

October 31, 2008, with comparative figures for 2007

	2008	2007
<b>Assets</b>		
Current assets:		
Cash	\$ 912,183	\$ 1,032,943
Short-term investments	3,017,633	3,852,997
Accounts receivable	1,360	637
Interest receivable brokers' trust accounts	143,236	623,088
Prepaid expenses and deposits	11,099	8,402
	<u>4,085,511</u>	<u>5,418,068</u>
Long-term investments (note 2)	7,003,570	5,923,567
(Cost – 2008 - \$6,761,472; 2007 - \$4,377,596)		
Capital assets (note 3)	30,029	39,013
	<u>\$ 11,119,110</u>	<u>\$ 11,380,648</u>

## Liabilities and Net Assets

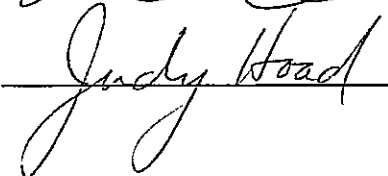
Current liabilities:		
Accounts payable and accrued liabilities	\$ 38,880	\$ 109,842
Due to the Alberta Real Estate Association	–	–
	<u>38,880</u>	<u>109,842</u>
Net Assets		
Invested in capital assets	30,029	39,013
Distributable income – committed (note 5)	1,752,898	1,755,149
Distributable income – uncommitted	9,055,205	7,930,673
Investment appreciation, not realized	242,098	1,545,971
	<u>11,085,230</u>	<u>11,270,806</u>
	<u>\$ 11,119,110</u>	<u>\$ 11,380,648</u>

Commitments (note 6)

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, 2008, with comparative figures for 2007

	2008	2007
Revenue:		
Interest earned on brokers' pooled trust accounts	\$ 2,500,664	\$ 4,618,787
Less associated bank charges	(108,740)	(123,487)
	2,391,924	4,495,300
Investment income	510,969	377,999
Investment appreciation/(depreciation), not realized (note 2)	(1,303,873)	377,082
	1,599,020	5,250,381
Operating expenditures		
Amortization	16,071	17,963
Communications	50,315	41,607
Governors' honoraria	2,400	2,400
Office	70,527	61,421
Professional fees	5,456	4,500
Rent	34,167	31,470
Salaries and benefits	253,986	241,868
Travel	74,500	60,370
	507,422	461,599
Excess of revenues over expenditures	\$ 1,091,598	\$ 4,788,782

See accompanying notes to the financial statements.

# ALBERTA REAL ESTATE FOUNDATION

## Statement of Changes in Net Assets

Year ended October 31, 2008, with comparative figures for 2007

	Unrealized Fair Market Appreciation	Distributable Income - Committed	Distributable Income - Uncommitted	2008 Total	2007 Total
			(note 3)		
Balance, beginning of year	\$1,545,971	\$1,755,149	\$ 7,969,686	\$ 11,270,806	\$ 7,676,715
Excess (deficiency) of revenue over expenses	-	-	1,091,598	1,091,598	4,788,782
Fair market appreciation	(1,303,873)	-	1,303,873	-	-
Prior period adjustment	-	-	(14,590)	(14,590)	(305,095)
Transfer to committed	-	1,341,077	(1,341,077)	-	-
Grants expended	-	(1,267,584)	-	(1,267,584)	(889,596)
Prior year grants returned	-	(75,744)	75,744	-	-
Balance, end of year	\$ 242,098	\$1,752,898	\$ 9,085,234	\$ 11,080,230	\$ 11,270,806

See accompanying notes to the financial statements.

# ALBERTA REAL ESTATE FOUNDATION

## Statement of Cash Flows

Year ended October 31, 2008, with comparative figures for 2007

	2008	2007
Cash provided by (used in):		
Operations:		
Excess of revenues over expenditures	\$ 1,091,598	\$ 4,788,782
Items not involving cash:		
Appreciation of investments, not realized (note 2)	1,303,873	(377,082)
Depreciation	16,071	17,963
Cash flow from operations	2,411,542	4,429,663
Changes in non-cash operating working capital		
Decrease/(increase) in accounts receivable	(723)	(637)
Decrease/(increase) in interest receivable	379,852	82,155
Decrease/(increase) in prepaid expenses	(2,697)	(4,001)
Increase/(decrease) in accounts payable and accruals	(70,962)	91,622
Increase/(decrease) in due to Alberta Real Estate Assoc.	-	(1,556)
	305,470	167,583
Cash received from/(used in) investing activities		
Purchase of short-term investments	(2,517,633)	(3,852,997)
Matured short-term investments	3,352,997	1,300,000
Purchase of long-term investments	(2,383,876)	(284,077)
Purchase of capital assets	(7,086)	(12,172)
	(1,555,598)	(2,849,246)
Prior period adjustment	(14,590)	(305,095)
Grants expended during the year	(1,267,584)	(889,596)
	(1,282,174)	(1,194,691)
Increase/(decrease) in cash and cash equivalents	(120,760)	553,309
Cash and cash equivalents, beginning of year	1,032,943	479,634
Cash and cash equivalents, end of year	\$ 912,183	\$ 1,032,943

See accompanying notes to consolidated financial statements.

# ALBERTA REAL ESTATE FOUNDATION

Notes to Financial Statements

For the year ended – October 31, 2008

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## 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 real estate and mortgage 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 2008 and 2007 fiscal years, the Foundation did not receive any externally restricted revenues.

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

### (b) Investments:

Section 3855 of the CICA Handbook, titled "Financial Instruments – Recognition and Measurement," became effective with fiscal years beginning after October 1, 2006. This new section states that fair value is the most relevant measure for financial instruments. A financial instrument is a contract that creates a financial asset for one party and a financial liability or equity instrument for the other party. Specific to the Alberta Real Estate Foundation, financial instruments include its investments in equities and guaranteed investment certificates and term-deposits.

Under the provisions of Section 3855, short-term investments are defined as "Held-to-maturity investments." The Foundation has both the intention and the ability to hold these investments until maturity. These investments are presented at the lower of cost and market value, plus accrued interest.

Long-term investments are defined as being held for trading. Under Section 3855, financial instruments held for trading are measured at fair value with any changes in fair value from one reporting period to another presented separately in the statement of operations.

# ALBERTA REAL ESTATE FOUNDATION

Notes to Financial Statements, Page 2

Year ended October 31, 2008

The Foundation's investments and corresponding fair market gains and losses have been presented on a retro-active basis to provide for financial statements that allow for comparison.

(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

(d) Financial instruments:

The foundation's financial instruments consist of cash, short-term and long-term investments, accounts receivable, interest receivable on brokers' trust accounts, accounts payable and accrued liabilities and due to Alberta Real Estate Association. Under the terms of CICA Handbook Section 3855, the carrying amounts of these instruments are measured at fair value with unrealized gains and losses recognized in net income and separately on the statement of net assets.

(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 2008, no unclaimed balances with transaction dates older than six years were recognized as part of interest earned on real estate brokers' pooled trust accounts (2007 - \$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 (2008 - \$47,376; 2007 - \$34,451).

(f) Measurement 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.

# ALBERTA REAL ESTATE FOUNDATION

Notes to Financial Statements, Page 3

Year ended October 31, 2008

### 3. Capital assets:

	Cost	Accumulated depreciation	2008 Net book value	2007 Net book value
GIFTS Software	\$ 10,126	\$ 10,126	\$ -	\$ -
Computing equipment	37,787	33,219	4,568	4,764
Leasehold improvements	29,957	14,611	15,346	21,648
Furniture and fixtures	39,719	29,604	10,115	12,601
	\$ 117,589	\$ 87,560	\$ 30,029	\$ 39,013

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.

### 4. Investment income:

Investment income is comprised of:

	2008	2007
Interest and dividend income	\$ 383,876	\$ 244,477
Gains on dispositions of investments	205,350	152,462
	589,226	396,939
Less: Investment management fees	(19,549)	(18,940)
	\$ 569,677	\$ 377,999

### 5. Net assets:

During the year, the Foundation committed net assets for grants in the amount of \$1,364,441 (2007 - \$1,860,281) and returned \$75,744 (2007 - \$53,873) 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:

	2008	2007
Industry and consumer education	\$ 547,537	\$ 991,211
Affordable housing initiatives	489,250	573,220
Land use and environment	204,290	205,250
Industry enhancement	100,000	90,600
	\$ 1,341,077	\$ 1,860,281

As of October 31, 2008, the total cumulative grants approved by the Board of Governors, but not expended to date, are \$1,752,898 (2007 - \$1,755,149).

# ALBERTA REAL ESTATE FOUNDATION

Notes to Financial Statements, Page 4

Year ended October 31, 2008

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## 6. 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.

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	2008
2009	\$ 16,163
2010	16,163
2011	12,122
	<hr/> \$ 44,448 <hr/>