

Financial Statements of

ALBERTA REAL ESTATE FOUNDATION

Year ended October 31, 2009

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, 2009 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, 2009 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

January 7, 2010

ALBERTA REAL ESTATE FOUNDATION

Statement of Financial Position

October 31, 2009, with comparative figures for 2008

	2009	2008
Assets		
Current assets:		
Cash	\$ 3,048,848	\$ 912,183
Short-term investments	–	3,017,633
Accounts receivable	3,934	1,360
Interest receivable brokers' trust accounts	49,219	143,236
Prepaid expenses and deposits	6,377	11,099
	<u>3,108,378</u>	<u>4,085,511</u>
Long-term investments (note 2) (Cost – 2009 - \$7,016,506; 2008 - \$6,761,472)	7,652,244	7,003,570
Capital assets (note 3)	31,359	30,029
	<u>\$ 10,791,981</u>	<u>\$ 11,119,110</u>

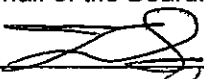
Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities	\$ 46,766	\$ 38,880
	<u>46,766</u>	<u>38,880</u>
Net Assets		
Invested in capital assets	31,359	30,029
Distributable income – committed (note 5)	1,298,175	1,752,898
Distributable income – uncommitted	8,779,943	9,055,205
Investment appreciation, not realized	635,738	242,098
	<u>10,745,195</u>	<u>11,085,230</u>
	<u>\$ 10,791,981</u>	<u>\$ 11,119,110</u>

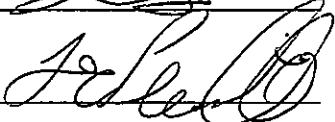
Commitments (note 6)

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, 2009, with comparative figures for 2008

	2009	2008
Revenue:		
Interest earned on brokers' pooled trust accounts	\$ 534,279	\$ 2,500,664
Less associated bank charges	(55,659)	(108,740)
	478,620	2,391,924
Investment income	278,470	510,969
Investment appreciation/(depreciation), not realized (note 2)	393,640	(1,303,873)
	1,150,730	1,599,020
Operating expenditures		
Amortization	13,973	16,071
Communications	28,216	50,315
Governors' honoraria	800	2,400
Office	57,614	70,527
Professional fees	10,344	5,456
Rent	35,394	34,167
Salaries and benefits	235,300	253,986
Travel	52,799	74,500
	434,440	507,422
Excess of revenues over expenditures	\$ 716,290	\$ 1,091,598

See accompanying notes to the financial statements.

ALBERTA REAL ESTATE FOUNDATION

Statement of Changes in Net Assets

Year ended October 31, 2009, with comparative figures for 2008

	Unrealized Fair Market Appreciation	Distributable Income - Committed (note 3)	Distributable Income - Uncommitted	2009 Total	2008 Total
Balance, beginning of year	\$ 242,098	\$1,752,897	\$ 9,085,235	\$11,080,230	\$11,270,806
Excess (deficiency) of revenue over expenses		-	716,290	716,290	1,091,598
Fair market appreciation	393,640		(393,640)	-	-
Prior period adjustment			3,656	3,656	(14,590)
Transfer to committed		812,267	(812,267)	-	-
Grants expended		(1,054,961)		(1,054,961)	(1,267,584)
Prior year grants returned		(212,029)	212,029	-	-
Balance, end of year	\$ 635,738	\$1,298,174	\$ 8,811,303	\$10,745,215	\$11,080,230

See accompanying notes to the financial statements.

ALBERTA REAL ESTATE FOUNDATION

Statement of Cash Flows

Year ended October 31, 2009, with comparative figures for 2008

	2009	2008
Cash provided by (used in):		
Operations:		
Excess of revenues over expenditures	\$ 716,290	\$ 1,091,599
Items not involving cash:		
Appreciation of investments, not realized (note 2)	(393,640)	1,303,873
Depreciation	13,973	16,071
Cash flow from operations	336,623	2,411,543
Changes in non-cash operating working capital		
Decrease/(increase) in accounts receivable	(2,574)	(723)
Decrease/(increase) in interest receivable	94,017	379,852
Decrease/(increase) in prepaid expenses	4,722	(2,697)
Increase/(decrease) in accounts payable and accruals	7,887	(70,962)
	104,052	305,470
Cash received from/(used in) investing activities		
Purchase of short-term investments	-	(2,517,633)
Matured short-term investments	3,017,633	3,352,997
Purchase of long-term investments	(255,034)	(2,383,876)
Purchase of capital assets	(15,304)	(7,086)
	2,747,295	(1,555,598)
Prior period adjustment	3,656	(14,591)
Grants expended during the year	(1,054,961)	(1,267,584)
	(1,051,305)	(1,282,175)
Increase/(decrease) in cash and cash equivalents	2,136,665	(120,760)
Cash and cash equivalents, beginning of year	912,183	1,032,943
Cash and cash equivalents, end of year	\$ 3,048,848	\$ 912,183

See accompanying notes to consolidated financial statements.

ALBERTA REAL ESTATE FOUNDATION

Notes to Financial Statements

For the year ended – October 31, 2009

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 2009 and 2008 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.

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Year ended October 31, 2009

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 2009, no unclaimed balances with transaction dates older than six years were recognized as part of interest earned on real estate brokers' pooled trust accounts (2008 - \$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 (2009 - \$55,766; 2008 - \$47,376).

(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.

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Year ended October 31, 2009

3. Capital assets:

	Cost	Accumulated depreciation	2009 Net book value	2008 Net book value
GIFTS Software	\$ 10,126	\$ 10,126	\$ -	\$ -
Computing equipment	53,091	37,362	15,729	4,568
Leasehold improvements	29,957	20,923	9,034	15,346
Furniture and fixtures	39,718	33,122	6,596	10,115
	\$ 117,589	\$ 80,766	\$ 31,359	\$ 30,029

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 originates from interest earned on cash on deposit and dividends, capital gains, and foreign and other income earned by long-term investments held by the Foundation. This income is comprised of the following:

	2009	2008
Interest and dividend income	\$ 253,217	\$ 383,876
Gains on dispositions of investments	1,818	205,350
	255,034	589,226
Less: Investment management fees	(13,737)	(19,549)
	\$ 241,297	\$ 569,677

5. Net assets – Distributable, committed:

During the year, the Foundation committed net assets for grants in the amount of \$812,267 (2008 - \$1,341,077) and returned \$212,029 (2008 - \$75,744) 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 approved by the Board of Governors as follows:

	2009	2008
Education and research	\$ 421,072	\$ 547,537
Housing affordability	31,275	489,250
Land stewardship and environment	157,420	204,290
Industry leadership	202,500	100,000
	\$ 812,267	\$ 1,341,077

As of October 31, 2009, the cumulative total of grants approved by the Board of Governors, but not expended to date, is \$1,298,175 (2008 - \$1,752,898).

DANIEL C. MACGREGOR / CHARTERED ACCOUNTANT

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Year ended October 31, 2009

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.

	2009
2010	\$ 16,163
2011	12,122
	<hr/> \$ 28,285 <hr/>