

Financial Statements of

ALBERTA REAL ESTATE FOUNDATION

Year ended October 31, 2010

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, 2010 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, 2010 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 21, 2011

ALBERTA REAL ESTATE FOUNDATION

Statement of Financial Position

October 31, 2010, with comparative figures for 2009

	2010	2009
Assets		
Current assets:		
Cash	\$ 1,809,738	\$ 3,048,848
Short-term investments	-	-
Accounts receivable	-	3,934
Interest receivable brokers' trust accounts	45,695	49,219
Prepaid expenses and deposits	6,267	6,377
	<u>1,861,700</u>	<u>3,108,378</u>
Long-term investments (note 2) (Cost – 2010 - \$7,236,945; 2009 - \$7,016,506)	8,497,462	7,652,244
Loan, Social Enterprise Fund (note 6)	500,000	-
Capital assets (note 3)	14,794	31,359
	<u>\$ 10,873,956</u>	<u>\$ 10,791,981</u>

Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities	\$ 51,595	\$ 46,766
	<u>51,595</u>	<u>46,766</u>
Net Assets		
Distributable income – committed (note 5)	1,133,348	1,298,175
Distributable income – uncommitted	8,428,497	8,779,943
Investment appreciation, not realized	1,260,516	635,738
	<u>10,822,361</u>	<u>10,745,195</u>
	<u>\$ 10,873,956</u>	<u>\$ 10,791,981</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, 2010, with comparative figures for 2009

	2010	2009
Revenue:		
Interest earned on brokers' pooled trust accounts	\$ 456,251	\$ 534,279
Less associated bank charges	(64,623)	(55,659)
	391,628	478,620
Investment income	202,620	278,470
Investment appreciation/(depreciation), not realized (note 2)	624,779	393,640
	1,219,027	1,150,730
Operating expenditures		
Amortization	18,456	13,973
Communications	19,715	28,216
Governors' honoraria	-	800
Office	58,489	57,614
Professional fees	12,046	10,344
Rent	34,240	35,394
Salaries and benefits	231,776	235,300
Travel	34,776	52,799
	409,498	434,440
Excess of revenues over expenditures	\$ 809,529	\$ 716,290

See accompanying notes to the financial statements.

ALBERTA REAL ESTATE FOUNDATION

Statement of Changes in Net Assets

Year ended October 31, 2010, with comparative figures for 2009

	Unrealized Fair Market Appreciation	Distributable Income - Committed (note 5)	Distributable Income - Uncommitted	2010 Total	2009 Total
Balance, beginning of year	\$ 635,738	\$1,298,174	\$ 8,811,303	\$10,745,215	\$11,080,230
Excess (deficiency) of revenue over expenses	-	-	809,529	809,529	716,290
Fair market appreciation	624,779	-	(624,779)	-	-
Prior period adjustment	-	-	6,583	6,583	3,656
Transfer to committed	-	630,089	(630,089)	-	-
Grants expended	-	(738,966)	-	(738,966)	(1,054,961)
Prior year grants returned	-	(55,949)	55,949	-	-
Balance, end of year	\$1,260,517	\$1,133,348	\$ 8,428,496	\$10,822,361	\$10,745,215

See accompanying notes to the financial statements.

ALBERTA REAL ESTATE FOUNDATION

Statement of Cash Flows

Year ended October 31, 2010, with comparative figures for 2009

	2010	2009
Cash provided by (used in):		
Operations:		
Excess of revenues over expenditures	\$ 809,529	\$ 716,290
Items not involving cash:		
Appreciation of investments, not realized (note 2)	(624,779)	(393,640)
Depreciation	18,456	13,973
Cash flow from operations	203,206	336,623
Changes in non-cash operating working capital		
Decrease/(increase) in accounts receivable	3,934	(2,574)
Decrease/(increase) in interest receivable	3,525	94,017
Decrease/(increase) in prepaid expenses	110	4,722
Increase/(decrease) in accounts payable and accruals	4,829	7,887
	12,398	104,052
Cash received from/(used in) investing activities		
Purchase of short-term investments	-	-
Matured short-term investments	-	3,017,633
Purchase of long-term investments	(220,442)	(255,034)
Advance to Social Enterprise Fund	(500,000)	-
Purchase of capital assets	(1,890)	(15,304)
	(722,332)	2,747,295
Prior period adjustment	6,583	3,656
Grants expended during the year	(738,966)	(1,054,961)
	(732,383)	(1,051,305)
Increase/(decrease) in cash and cash equivalents	(1,239,111)	2,136,665
Cash and cash equivalents, beginning of year	3,048,848	912,183
Cash and cash equivalents, end of year	\$ 1,809,737	\$ 3,048,848

See accompanying notes to consolidated financial statements.

ALBERTA REAL ESTATE FOUNDATION

Notes to Financial Statements

For the year ended – October 31, 2010

1. Purpose of the Foundation:

The Alberta Real Estate Foundation ("the Foundation") was created on October 19, 1991 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 2010 and 2009 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. The Alberta Real Estate Foundation financial instruments include its investments in equities and guaranteed investment certificates and term-deposits, and loans.

Under the provisions of Section 3855, short-term investments and loans 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

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Year ended October 31, 2010

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 2010, no unclaimed balances in excess of \$10,000 with transaction dates older than six years were recognized as part of interest earned on real estate brokers' pooled trust accounts (2009 - \$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 (2010 - \$55,206; 2009 - \$55,766).

(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.

DANIEL C. MACGREGOR / CHARTERED ACCOUNTANT

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Year ended October 31, 2010

3. Capital assets:

	Cost	Accumulated depreciation	2010 Net book value	2009 Net book value
GIFTS Software	\$ 10,126	\$ 10,126	\$ -	\$ -
Computing equipment	54,981	46,135	8,846	15,729
Leasehold improvements	29,957	27,235	2,722	9,034
Furniture and fixtures	39,719	36,493	3,226	6,596
	\$ 134,783	\$ 119,989	\$ 14,794	\$ 31,359

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:

	2010	2009
Interest and dividend income	\$ 188,805	\$ 290,390
Gains on dispositions of investments	37,389	1,818
	226,194	292,208
Less: Investment management fees	(23,574)	(13,738)
	\$ 202,620	\$ 278,470

5. Net assets – Distributable, committed:

During the year, the Foundation committed net assets for grants in the amount of \$630,089 (2009 - \$812,267) and returned \$55,949 (2009 - \$212,029) 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:

	2010	2009
Education and research	\$ 351,495	\$ 421,072
Housing affordability	70,000	31,275
Land stewardship and environment	23,594	157,420
Industry leadership	185,000	202,500
	\$ 630,089	\$ 812,267

As of October 31, 2010, the cumulative total of grants approved by the Board of Governors, but not expended to date is \$1,133,349 (2009 - \$1,298,175).

DANIEL C. MACGREGOR / CHARTERED ACCOUNTANT

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Year ended October 31, 2010

6. Investment – Loan:

The Foundation advanced a \$500,000 loan to the Social Enterprise Fund, Edmonton. The loan is for a three year period ending June 30, 2013. The Foundation has the option to renew the loan at the discretion of the Foundation. The loan is unsecured. Interest is payable to the Foundation on an annual basis at a rate reflective of one-half the interest earned by the Social Enterprise Fund for the year, currently estimated to be 5 to 6%, net 2.5 to 3% to the Foundation. Currently, the fair market value of the loan reflects the cost.

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.

	2010
2011	\$ 12,122
	\$ 12,122
