Alberta Real Estate Foundation

Financial statements

October 31, 2021

Independent auditor's report

To the Governors of the
Alberta Real Estate Foundation

Opinion

We have audited the financial statements of the **Alberta Real Estate Foundation** [the "Foundation"], which comprise the statement of financial position as at October 31, 2021, and the statement of operations, statement of changes in net assets and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as at October 31, 2021, and its results of 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 Foundation 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.

Other information

Management is responsible for the other information. The other information comprises the information included in the Annual Report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained the Annual Report prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

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 Foundation'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 Foundation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Foundation's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from 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.

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 Foundation'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 Foundation'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 Foundation 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.

Ernst & Young LLP

Calgary, Canada
February 3, 2022

Chartered Professional Accountants

Alberta Real Estate Foundation

Statement of financial position

As at October 31

	2021	2020
	$	$
Assets		
Current		
Cash and cash equivalents	**794,071**	497,022
Interest receivable on brokers' trust accounts	**61,735**	49,958
Prepaid expenses and deposits	**11,101**	7,894
Investment in GIC's *[note 2]*	**2,700,000**	—
Total current assets	**3,566,907**	554,874
Long-term investments *[note 2]*	**14,489,989**	16,345,521
Property and equipment, net *[note 3]*	**8,951**	15,362
	18,065,847	16,915,757
Liabilities and net assets		
Current		
Accounts payable and accrued liabilities	**623,921**	303,164
Commitments *[notes 2 and 6]*		
Net assets		
Committed	**3,092,021**	1,276,976
Uncommitted	**14,349,905**	15,335,617
Total net assets	**17,441,926**	16,612,593
	18,065,847	16,915,757

See accompanying notes

On behalf of the Board:

Director　　　　Director

Alberta Real Estate Foundation

Statement of operations

Year ended October 31

	2021	2020
	$	$
Revenues		
Interest earned on brokers' trust accounts *[note 5]*	**656,750**	851,641
Other interest income	**4,134**	4,387
Less associated bank charges	**(48,107)**	(43,842)
	612,777	812,186
Change in value of long-term investments	**2,397,475**	1,164,406
Less associated investment management fees	**(48,520)**	(49,343)
	2,348,955	1,115,063
	2,961,732	1,927,249
Expenses		
Salaries and benefits	**345,840**	271,806
Communications	**10,890**	12,714
Consulting	**142,845**	198,329
Office	**49,018**	43,864
Travel	**25,566**	40,859
Rent	**30,325**	30,322
Professional fees	**25,369**	28,584
Amortization	**9,071**	8,365
	638,924	634,843
Excess of revenues over expenses before grant allocations	**2,322,808**	1,292,406
Grants expended *[note 4]*	**(1,493,475)**	(1,721,525)
Excess (deficiency) of revenues over expenses	**829,333**	(429,119)

Alberta Real Estate Foundation

Statement of changes in net assets

Year ended October 31

	Committed	Uncommitted	Total
	$	$	$
Net assets, October 31, 2019	1,184,751	15,856,961	17,041,712
Excess (deficiency) of revenues over expenses	(1,721,525)	1,292,406	(429,119)
Transfer to committed *[note 4]*	1,813,750	(1,813,750)	—
Net assets, October 31, 2020	1,276,976	15,335,617	16,612,593
Excess (deficiency) of revenues over expenses	**(1,493,475)**	**2,322,808**	**829,333**
Transfer to committed *[note 4]*	**3,308,520**	**(3,308,520)**	**—**
Net assets, October 31, 2021	**3,092,021**	**14,349,905**	**17,441,926**

See accompanying notes

Alberta Real Estate Foundation

Statement of cash flows

Year ended October 31

	2021	2020
	$	$
Operating activities		
Excess (deficiency) of revenues over expenses	**829,333**	(429,119)
Add (deduct) items not involving cash		
Change in long-term investments	**(2,397,475)**	(1,164,406)
Amortization	**9,071**	8,365
	(1,559,071)	(1,585,160)
Changes in non-cash working capital balances related to operations		
Interest receivable on brokers' trust accounts	**(11,777)**	110,989
Prepaid expenses and deposits	**(3,207)**	1,925
Accounts payable and accrued liabilities	**320,757**	209,716
Cash used in operating activities	**(1,253,298)**	(1,262,530)
Investing activities		
Purchase of long-term investments	**(246,993)**	(40,000)
Proceeds from sale of long-term investments	**4,500,000**	1,400,000
Purchase of GIC's	**(3,400,000)**	—
Redemption of GIC's	**700,000**	—
Purchase of property, plant and equipment	**(2,660)**	(4,648)
Cash provided by investing activities	**1,550,347**	1,355,352
Net increase in cash during the year	**297,049**	92,822
Cash and cash equivalents, beginning of year	**497,022**	404,200
Cash and cash equivalents, end of year	**794,071**	497,022

See accompanying notes

Notes to financial statements

October 31, 2021

General

The Alberta Real Estate Foundation [the "Foundation"] was created on October 19, 1991 under the *Real Estate Act of Alberta* [the "Act"]. The Foundation supports real estate initiatives that 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 Foundation is a not-for-profit organization under the *Income Tax Act of Canada* and, accordingly, is exempt from income taxes, provided certain requirements of the *Income Tax Act of Canada* are met.

1. Summary of significant accounting policies

The financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations.

Revenue

The Foundation follows the deferral method of accounting for revenue. Any externally restricted contributions are recorded as revenue in the year in which the related expenses are incurred.

Interest revenue is recognized on a time proportion basis. Other investment income, which is presented as part of change in value of long-term investments, is recognized when the investor's right to receive payment is established. In addition, revenue is recognized if the amount to be received can reasonably be estimated and collection is reasonably assured.

Unclaimed balances

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

Individual unclaimed balances less than $10,000 are recognized as part of interest earned on real estate brokers' trust accounts in the year received.

Cash and cash equivalents

The Foundation considers deposits in banks and certificates of deposit with original maturities of three months or less as cash and cash equivalents.

Property and equipment

Property and equipment are stated at cost less accumulated amortization. Amortization is provided on the straight-line basis designed to amortize the cost of the property and equipment over their estimated useful lives, as follows:

Computer equipment	50%
Furniture and fixtures	20%
Leasehold improvements	20%

Financial instruments

The Foundation initially records a financial instrument that was originated, issued or assumed in an arm's length transaction at fair value. The Foundation recognizes its transaction costs in net income in the period incurred. However, arm's length financial instruments that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their origination, issuance or assumption.

The Foundation invests in pooled funds consisting of money market, fixed income, and equity instruments. The Foundation has elected to subsequently measure its investment in pooled funds at fair value. The fair value of the pooled fund units is determined by the fund manager, based on the market prices of the underlying instruments that are traded in an active market.

Subsequently, the Foundation measures financial instruments as follows:

- Investments in pooled funds at fair value;
- All other investments in equity instruments, which include investments in the NMF Rental Housing Fund and in the Area One Farms Limited Partnership Fund IV, at cost less impairment;
- All other financial assets, which include cash and cash equivalents, interest receivable on broker's trust accounts, and investment in GIC's at amortized cost; and
- All financial liabilities, which includes accounts payable and accrued liabilities at amortized cost.

When there are indications of possible impairment, the Foundation determines if there has been a significant adverse change to the expected timing or amounts of future cash flows expected from the financial asset. The amount of any impairment loss is determined by comparing the carrying amount of the financial asset with the highest three amounts:

- For an arm's length financial asset, the present value of the cash flows expected to be generated by holding the asset, discounted using a current market rate of interest appropriate to that asset;
- The amount that could be realized by selling the asset at the date of the statement of financial position; and
- The amount the Foundation expects to realize by exercising its right to any collateral held to secure repayment of the asset, net of all costs necessary to exercise those rights.

A previously recognized impairment loss is reversed to the extent that the improvement can be related to an event occurring after the impairment was recognized, but the adjusted carrying amount of the financial asset shall be no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized.

2. Long-term investments

Long-term investments include the Foundation's investments in pooled funds with a fair value at October 31, 2021 of $14,062,700 [2020 – $16,165,226] and a cost of $12,145,629 [2020 – $15,014,814]. During the year ended October 31, 2021, $1,140,009 of additional pooled fund units were acquired through the reinvestment of distributions [2020 – $865,754]. Additionally, during the year the foundation disposed of pooled units for total proceeds of $4,500,000 [2020 – $1,400,000] and withdrew this cash from the long-term investment portfolio. $3,400,000 was used to invest in Guaranteed Investment Certificates ["GIC's]. At October 31, 2021, $2,700,000 of GIC's remain outstanding and mature on July 13, 2022.

On March 31, 2017, the Foundation committed to invest in the NMF Rental Housing Fund with the aggregate commitment totaling $250,000. The NMF Rental Housing Fund issues capital calls to the Foundation as funding is required. As at October 31, 2021, the Foundation has invested $147,288 [2020 – $17,795], which has reduced the remaining commitment to $102,712 [2020 – $232,205]. The investment of $147,288 [2020 – $17,795] is recorded at cost within long-term investments.

On October 28, 2019, the Foundation committed to invest in the Area One Farms Limited Partnership Fund IV with the aggregate commitment totaling $1,000,000. The Area One Farms Limited Partnership Fund IV issues capital calls to the Foundation as funding is required. During the 2021 year, the Foundation fulfilled a cash call for $117,500, bringing the total investment as at October 31, 2021 to $280,000 [2020 – $162,500]. The remaining commitment at October 31, 2021 is $720,000 [2020 – $837,500]. The investment of $280,000 [2020 – $162,500] is recorded at cost within long-term investments.

Notes to financial statements

October 31, 2021

3. Property and equipment

	2021			2020
	Cost	Accumulated amortization	Net book value	Net book value
	$	$	$	$
Computer equipment	**18,358**	**(15,073)**	**3,285**	4,439
Furniture and fixtures	**26,790**	**(21,488)**	**5,302**	10,223
Leasehold improvements	**1,679**	**(1,315)**	**364**	700
	46,827	**(37,876)**	**8,951**	15,362

4. Net assets – committed

During the year, the Foundation committed net assets for grants in the amount of $3,325,020 [2020 – $1,832,500] and returned $16,500 [2020 – $18,750] from net assets committed in prior periods back to uncommitted distributable net assets. The annual committed distributable net assets have been internally restricted for funding grants approved by the Board of Governors as follows:

	2021
	$
Real Estate Leadership	**782,020**
Built Environment	**130,000**
Land	**100,000**
Legacy	**2,313,000**
	3,325,020

Total grants expended during the year ended October 31, 2021 was $1,493,475 [2020 – $1,721,525], of which $509,350 was included in accounts payable and accrued liabilities at October 31, 2021 [2020 – $195,000].

5. Unclaimed balances

During the year ended October 31, 2021, the Foundation did not receive any individual deposits of unclaimed balances exceeding $10,000 [2020 – nil], to be deferred within accounts payable and accrued liabilities. Individual unclaimed balances of $10,000 or less totaled $76,016 [2020 – $55,738] for the year and were included within interest earned on brokers' pooled trust accounts.

6. Commitments

The Foundation has the following commitments for office and other equipment leases as follows:

	$
2022	32,221
2023	32,221
	64,442

7. Financial instruments and risk management

The Foundation is exposed to the following risks in respect of certain of the financial instruments held:

Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Foundation does not have any significant exposure to credit risk as the interest receivable from brokers' trust accounts and cash balances are held with credit-worthy financial institutions.

The Foundation is exposed to credit risk associated with the ability of debt issuers to discharge their obligations. The Investment Manager limits the Foundation's exposure to credit loss through ongoing credit evaluations of the issuers of the bonds and short-term notes in which it invests within the pooled fund.

Market risk

The Foundation is subject to market risk with its pooled fund investment. The fair values of the underlying fixed income and equity investments fluctuate as a result of changes in market factors.

Currency risk

Currency risk is the risk to the Foundation's earnings arising from fluctuations of foreign currency exchange rates and the degree of volatility of these rates. As at October 31, 2021, the Foundation had $6,735,886 [2020 – $7,305,411] of foreign currency denominated equity investments held within the pooled funds. The Foundation does not use derivative instruments to reduce its exposure to foreign currency risk.

Interest rate risk

Interest rate risk refers to the risk that the fair value of fixed-rate investments fluctuate, or the future cash flows of variable-rate investments fluctuate, due to changes in market interest rates. The Foundation is exposed to interest rate risk on its cash balance, short term investments and the fixed rate bond portfolio within the pooled funds.

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices [other than those arising from interest rate risk or currency risk], whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Foundation is exposed to other price risk from its long-term investments.

Liquidity risk

Liquidity risk is the risk that the Foundation cannot meet a demand for cash or fund its obligations as they come due. Liquidity risk is managed by maintaining a sufficient cash position to meet current liabilities.

There are no changes to these risk exposures from the prior year.