

**Real Estate Council of BC**

**2018/19**

**ANNUAL SERVICE PLAN REPORT**

**July 2019**



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## Board Chair's Accountability Statement



The Real Estate Council of BC *2018/19 Annual Service Plan Report* compares the corporation's actual results to the expected results identified in the *2018/19 - 2020/21 Service Plan* created in February 2018. I am accountable for those results as reported.

A handwritten signature in black ink that reads "Elaine Duvall".

*Elaine Duvall*  
*Board Chair*

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## Chair/CEO Report Letter

On behalf of the members of the Real Estate Council of BC and all RECBC employees, we are pleased to submit RECBC's Annual Service Plan Report for the year ending March 31, 2019. The results described in this report were established in the 2018/19 – 2020/21 Service Plan and align with our 2018/19 [Mandate Letter](#).

RECBC's performance supports the provincial government's three key commitments to British Columbians to make life more affordable, to deliver the services that people count on, and to build a strong, sustainable economy.

Since February 2018, RECBC has made the following achievements with respect to the commitments identified in our Mandate Letter:

- We have reported to government on our progress and activities to implement the recommendations of the Independent Advisory group, including our plans for implementing remaining recommendations;
- We have initiated a multi-year process improvement initiative, reporting to government on significant activities undertaken in 2018/19 and our plan for additional process improvements to be initiated in 2019/20;
- We have aligned our budgeting and reporting processes with government service plan requirements; and
- We continue to work with the Superintendent of Real Estate to improve market conduct in the real estate sector and to achieve government's commitment to improve housing affordability.

RECBC's senior leadership engages regularly with the Ministry of Finance to ensure alignment with government policy expectations through quarterly meetings between the Chair and the Minister to discuss actions identified in response to the government Mandate Letter.

In 2018 RECBC welcomed eleven new publicly appointed Council members. RECBC's orientation for new Council members supports them to become familiar with RECBC's mandate, finances, activities and their governance oversight responsibilities. It includes training in administrative law procedures to prepare for their role as members of RECBC hearing and discipline committees. Council members are provided with opportunities throughout the year to participate in learning and development through value-added sessions at Council meetings, along with opportunities to attend external conferences, trainings, and events.

This Annual Service Plan Report comprises RECBC's reporting on its first service plan under government reporting requirements as a Crown Agency. We will continue to review our performance measures and strategies in coming years to reflect our evolving priorities.



*Elaine Duvall*  
*Council Chair*



*Erin Seeley*  
*Executive Officer*

## Purpose of the Annual Service Plan Report

The Annual Service Plan Report (ASPR) is designed to meet the requirements of the *Budget Transparency and Accountability Act* (BTAA), which sets out the legislative framework for planning, reporting and accountability for Government organizations. Under the BTAA, the Crown Corporation's Board is required to report on the actual results of the Crown's performance related to the forecasted targets documented in the previous year's Service Plan.

## Purpose of the Organization

The Real Estate Council of BC (RECBC) is a regulatory agency established by the provincial government in 1958. RECBC's enabling legislation is the [Real Estate Services Act](#), SBC 2004, c. 42. RECBC became a crown agency in November 2016, and in 2017/18 moved its fiscal year end to March 31 to align the organization's financial reporting with the government's requirements for service plan reporting.

Our mandate is to protect the public interest by enforcing the licensing and licensee conduct requirements of the *Real Estate Services Act* (RESA). RECBC has a Council of 16 publicly appointed members responsible for corporate governance and a staff of approximately 75 located in Vancouver. Additional information on our mandate, mission, vision and values can be found on the [RECBC website](#).

RECBC benefits the public by protecting real estate consumers. We are responsible for:

- licensing individuals and brokerages engaged in real estate sales, rental and strata property management;
- enforcing entry qualifications;
- maintaining and advancing the knowledge, skill and competency of licensees
- investigating complaints against licensees; and
- imposing disciplinary sanctions under RESA.

RECBC does not receive taxpayer funding: our operations are funded through licensing assessment fees paid by licensed real estate professionals.

Our mission is to protect the public interest by promoting and enforcing professional standards to raise the competency and conduct of licensed real estate professionals in BC. Our vision is of public trust in ethical and competent real estate professionals. Together with the Superintendent of Real Estate, RECBC works to ensure that real estate services regulation in BC is effective, transparent and fair.

The consolidated financial statements of RECBC include the Real Estate Errors and Omissions Corporation, a government business enterprise controlled by RECBC.

## Strategic Direction

The strategic direction set by Government in 2017 and expanded upon in the Council Chair's [Mandate Letter](#) from the Minister of Finance in 2018 shaped the [2018/19 Service Plan](#) and the results reported in this ASPR.

The following table highlights the key goals, objectives or strategies that support the key priorities of Government identified in the 2018/19 Real Estate Council of BC Service Plan:

Government Priorities	Real Estate Council of BC Aligns with These Priorities By:
Making life more affordable	<ul style="list-style-type: none"><li>Working with the Minister of Finance to identify measures that the Council can action to achieve Government's commitment to improve housing affordability.</li></ul>
Delivering the services people count on	<ul style="list-style-type: none"><li>Ensuring RECBC is a trusted authority in real estate regulation.</li><li>Fostering a culture of service excellence.</li></ul>
A strong, sustainable economy	<ul style="list-style-type: none"><li>Providing consumers and licensees with the information to participate effectively in real estate transactions.</li></ul>

## Operating Environment

Several changes occurred within RECBC's operating environment that impacted 2018/19 performance results.

A major technological modernization initiative was launched to enable RECBC to update business-critical systems to provide more effective and efficient services to consumers and real estate licensees. This initiative provides the foundation to expand our ability to provide online services, and to continue the development of an online licensee platform with the goal of providing tools and resources that real estate licensees can use to manage their ongoing educational and licensing requirements.

RECBC made investments to support strong employee engagement, retention and recruitment, and to build capacity across business areas to help us deliver on our mandate. These efforts were also in response to extraordinary employee turnover of 49% through the fiscal year, in part as a result of the business transformation and also due to the competitive job market in the BC lower mainland. RECBC is further addressing this workforce risk by examining its total compensation and benefits in relation to those of other regulatory and crown agency employers. Operational efficiency and performance risks were addressed through organizational restructuring to create an Operations Department including a dedicated staff team to support technology modernization initiatives.

Risks and opportunities associated with implementing the agency and disclosure rules introduced by the Superintendent of Real Estate in June 2018 continue to be monitored by RECBC to ensure real



estate consumers, licensees and stakeholders understand the impacts of the ban on dual agency and new disclosure requirements, and licensees are able to access education and training resources needed to achieve a higher bar of professionalism.

The unprecedented high levels of real estate market activity and rising real estate values experienced in BC in recent years dropped significantly in 2018/19. Historically, numbers of new entrants to licensing courses and applicants for licensing follow the patterns seen in market activity. While no material decline in licensee numbers has yet been observed, RECBC plans budgets conservatively in order to ensure that service standards can be maintained in the event of changes in licensing revenue.

## **Report on Performance**

RECBC has made progress on each of the strategic actions set out by Government. The following section summarizes how RECBC measures and reports performance for its three key goals.

### ***Goals, Objectives, Measures and Targets***

This performance report highlights RECBC's results achieved for the fiscal year ending March 31, 2019.

### **Goal 1: Consumers and licensees have the information and resources they need to participate effectively in real estate transactions.**

To ensure that real estate consumers are well-informed and feel empowered to make the decisions that are most appropriate for them, they need access to independent, relevant, accessible information that helps them to understand the process of a real estate transaction, and the risks and issues that may be encountered. Real estate licensees require effective pre-licensing education and continuing professional regulatory education to ensure their skills and knowledge remain up-to-date in order to comply with regulatory requirements.

In 2018/19 RECBC invested in developing information for online and offline delivery to help consumers build the skills and knowledge they need to make sound real estate decisions, and to support real estate licensees to gain and maintain the professional knowledge to provide a high level of service.

## Objective 1.1 Increase the availability of consumer resources to support informed real estate decisions.

### Key Highlights:

- Developed series of five consumer information videos relating to the consumer disclosure forms introduced on June 15, 2018 for launch through social media channels as the first phase of an extended consumer awareness campaign.
- Developed an expanded consumer resources section of RECBC website, including fact sheets, FAQ's, consumer advisory notices, and resource directory, to support real estate consumers' information needs.
- Developed and launched updates to enhance usability of RECBC's public online database of real estate licensees and discipline decisions, to enable real estate consumers to more easily locate information about real estate professional's licensing and discipline.
- Completed an audit of RECBC's brand, with recommendations for key strategic enhancements to support increased engagement with members of the public and real estate licensees.

Performance Measure(s)	2017/18 Actuals	2018/19 Target	2018/19 Actuals	2019/20 Target	2020/21 Target
1.1a Percentage of consumers who feel informed and knowledgeable to participate effectively in a real estate transaction.	N/A	Establish baseline	70%	N/A	5% increase

**Data Source:** Biennial consumer survey

### Discussion

RECBC will measure real estate consumers' self-reported levels of knowledge and confidence through a survey conducted every two years by a third-party market research firm. In a survey of 1,100 British Columbians over the age of 18 conducted by the market research firm Insights West, respondents who had either bought or sold real estate within the past two years, or who planned to buy or sell real estate in the upcoming two years agreed that receiving consumer information at an early stage in the real estate process about real estate transactions and the services to expect from a real estate professional is important to ensure that consumers feel prepared to make informed real estate decisions. The survey results provide an important baseline for measuring the impacts and effectiveness of planned resources that REBC will develop and introduce for consumers through 2020/21 to ensure they understand key consumer disclosures provided to them by real estate licensees. The survey was conducted in September 2018.

## Objective 1.2: Increase the standard of education and resources provided to real estate licensees

### Key Highlights:

- A comprehensive third-party review of RECBC's regulatory education was completed in June 2018.
- In August 2018, RECBC published an education whitepaper outlining plans for achieving enhanced standards of regulatory education to promote increased professionalism among real estate licensees and to strengthen consumer protection.
- Transition of the development and administration of regulatory education from the BC Real Estate Association to RECBC was initiated in 2018/19.
- A new relicensing education requirement was developed and launched in May 2018 to ensure that real estate licensees have the skills and knowledge to comply with requirements under rules introduced in June 2018.
- Significant enhancements to RECBC relicensing education courses in 2018/19 include the addition of online components and assessment in advance of in-class instruction to enhance competency development, learning outcomes and practice by encouraging higher-order learning

Performance Measure(s)		2017/18 Actuals	2018/19 Target	2018/19 Actuals	2019/20 Target	2020/21 Target
1.2a	Percentage of managing brokers who agree that RECBC education prepares licensees for competent and professional practice	N/A	Establish baseline	87%	Maintain or increase	Maintain or increase
1.2b	Number of website visits to RECBC professional resources pages	134,000	5% increase	381,994	5% increase	5% increase

**Data Source:** Annual managing broker survey and [www.recbc.ca](http://www.recbc.ca) website analytics

### Discussion

Significant increases in the numbers of website visitors to RECBC professional resources for real estate licensees are attributable to a sustained communications campaign implemented in 2018/19 ahead of the effective date of the changes to BC's agency and disclosure rules for real estate licensees. RECBC provided weekly email updates to all licensees, along with explanatory videos, guides, online FAQs, webinars and podcasts. RECBC launched an additional professional resources section of its website containing an easily-searchable repository of the information produced for real estate licensees relating to the rules changes, as a convenient point of reference to assist real estate licensees to comply with the new requirements.

In a survey of licensees conducted in January 2019, managing brokers indicated that the new mandatory regulatory education course had been effective to ensure that real estate licensees understand how to comply with the requirements of the June 2018 rules changes and are prepared for

changes to their professional practice, enabling them to continue to provide competent service to real estate consumers.

## **Goal 2: RECBC is a Trusted Regulatory Authority**

### **Objective 2.1: Raise awareness of RECBC's mandate and strengthen relationships with stakeholders**

#### **Key Highlights:**

- RECBC strengthened relationships with key industry stakeholders by conducting a provincial Listening Tour from July – September 2018, meeting with industry representatives from each of the eleven regional real estate boards to hear feedback on the implementation of the agency and disclosure rules effective from June 15, 2018.
- Consultation meetings with representatives from the rental property management industry and commercial real estate industry were held in September 2018 to review issues arising from the introduction of agency and disclosure rules.
- RECBC conducted a survey of all real estate licensees assessing their self-reported levels of competence and confidence in complying with the regulatory requirements and assessing changes in practice resulting from the introduction of new agency and disclosure rules.
- RECBC developed and published an Implementation Report summarizing the key themes in feedback received from industry members and real estate consumers on the implementation of the agency and disclosure rules effective from June 15, 2018.
- RECBC enhanced the transparency of its decision-making and governance by opening Council meetings to members of the public and publishing dates of upcoming meetings, agendas and meeting minutes on the RECBC website. In addition, RECBC now publishes Council committee and Advisory Group membership and terms of reference on the RECBC website along with details of active and ongoing consultations with external stakeholders including real estate licensees and members of the public.
- Developed and adopted a Stakeholder Engagement Framework to guide future engagement with industry members, real estate consumers, and other key stakeholders.

Performance Measure(s)	2017/18 Actuals	2018/19 Target	2018/19 Actuals	2019/20 Target	2020/21 Target
2.1 Percentage of recent real estate consumers who are aware of RECBC and recognize the RECBC brand	N/A	Establish baseline	65%	maintain or increase	Maintain or increase

**Data Source:** Biennial consumer survey

## **Discussion**

In a survey of 1,100 British Columbians over the age of 18 conducted by the market research firm Insights West, respondents who had either bought or sold real estate within the past two years, or who

planned to buy or sell real estate in the upcoming two years were asked whether they recognized the Real Estate Council of BC. The survey was conducted in September 2018.

## **Objective 2.2: RECBC will work with partners to identify and reduce risks to consumers**

### **Key Highlights:**

- Signed a Memorandum of Understanding with the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC) to cooperate and share information to facilitate anti-money laundering enforcement activities in BC's real estate sector, becoming the first provincial real estate regulator to partner with FINTRAC in the fight against money-laundering.
- Collaborated with the Office of the Superintendent and Ministry of Finance on initiatives to examine the role of the managing broker in BC's changing real estate landscape, exploring potential regulatory approaches to enhance consumer protection.
- Presented to the Ministry of Finance's Expert Panel on Money Laundering in BC Real Estate assessing legislative and regulatory gaps that could contribute to risks of money laundering and administrative non-compliance in the real estate services sector.

Performance Measure(s)		2017/18 Actuals	2018/19 Target	2018/19 Actuals	2019/20 Target	2020/21 Target
2.2	Number of people who access RECBC Advisory Notices online	4,676	5% increase	32% increase	5% increase from prior year	Maintain or increase from prior year

**Data Source:** RECBC website analytics

### **Discussion**

In 2018/19 RECBC added new consumer advisory information to its website to inform real estate consumers about the introduction of new rules for real estate licensees banning the practice of dual agency and increasing mandatory disclosure requirements to consumers. These information resources were in addition to extensive consumer information developed by RECBC as part of the mandatory disclosure forms introduced for use with real estate consumers in all residential, commercial and rental real estate transactions effective June 15, 2018.

### **Objective 2.3: Implement those recommendations of the Independent Advisory Group Report under RECBC's responsibility**

The Independent Advisory Group Report published in 2016 included 28 wide-ranging recommendations on measures to strengthen the enforcement of conduct requirements for real estate licensees and increase consumer protection. RECBC committed to implementing recommendations that are within its jurisdiction and to working collaboratively with the Superintendent's office to support the implementation of those recommendations that require changes to the rules governing the conduct of real estate licensees.

#### **Key Highlights:**

- Published *Enhancing Protection for Real Estate Consumers in BC: Third Progress Report on Recommendations from the Independent Advisory Group on Conduct and Practices in the Real Estate Industry in BC*, a report on activities undertaken up to March 31, 2018, as requested in the government's Mandate Letter.
- Recommendation 5: introduced four new mandatory disclosure forms and a mandatory agreement to be used in specific cases of conflict of interest, ensuring that all forms reflected an appropriate emphasis on consumer protection and the public interest
- Recommendation 12: Ongoing advertising and communications to promote awareness of RECBC's Anonymous Tipline, to facilitate reporting of licensee misconduct.
- Recommendation 13: Completed an information-sharing agreement with FINTRAC to combat money laundering and promote licensee compliance with reporting requirements under the PCMLTFA
- Recommendation 14: Conducted webinar with managing brokers and developed educational materials for managing brokers to distribute to licensees, to promote awareness of advertising guidelines and potential consequences of aggressive marketing practices targeting vulnerable members of the public
- Recommendation 15: Expanded capacity of RECBC's audit department, development of new tools to increase awareness by managing brokers of policies and procedures to ensure compliance under the Real Estate Services Act
- Recommendation 18: Increased efficiencies and expanded capacity in compliance and legal departments, including procurement for a case management system
- Recommendation 26: Introduced new mandatory relicensing education course, Rule Changes: Agency and Disclosure
- Recommendation 28: Surveyed consumers and licensees to measure level of awareness, knowledge gaps regarding RECBC and real estate information; developed consumer videos and associated tools to promote awareness of new rules

Performance Measure(s)	2017/18 Actuals	2018/19 Target	2018/19 Actuals	2019/20 Target	2020/21 Target
2.3 Recommendations initiated or completed	25%	50%	80%	75%	100%

**Data Source:** RECBC progress reports

## Discussion

As reflected in the February 2019 Service Plan, we are retiring this measure in order to focus on implementing measures to strengthen enforcement of conduct requirements for real estate licensees and increase consumer protection. We will work collaboratively with OSRE to improve market conduct, identify measures to improve housing affordability, and support the implementation of any measures that will require changes to the rules governing the conduct of real estate licensees.

### Goal 3: RECBC fosters a culture of service excellence

#### Objective 3.1: RECBC employees are engaged and motivated

Engaged and motivated employees contribute to higher levels of organizational success. To create a workplace that enhances employee satisfaction and commitment, in 2018/19 RECBC invested in creating the foundation for a work environment in which all employees are accountable for implementing our strategic priorities and receive the support to increase their skills, expand their knowledge and develop their careers.

#### Key Highlights:

- Implemented an employee performance framework with clear goals and accountabilities that align with operational priorities and tie eligibility for increases to performance outcomes.
- Conducted a third-party compensation, benefits and pension review in 2018/19.
- Carried out a renovation of the RECBC physical premises, including installation of ergonomic workstations.
- Invested in technology to increase efficiency, enhance the ability of staff to collaborate and communicate effectively.
- Provided opportunities for internal education and communications, investments in employee training for business context.
- Contracted with Great Place to Work Canada to conduct an inaugural workplace engagement survey of RECBC employees.

Performance Measure(s)	2017/18 Actuals	2018/19 Target	2018/19 Actuals	2019/20 Target	2020/21 Target
3.1 Level of employee engagement	N/A	Establish baseline	75%	Maintain or increase	Maintain or increase

**Data Source:** Employee engagement survey trust index

## Discussion

RECBC measures its employee engagement through a workplace survey conducted by Great Place to Work Canada. RECBC achieved a 96% employee participation rate on the 2018/19 survey, its first-ever measurement of employee engagement. The GPTW survey asks participants questions relating to

leadership, organizational credibility, respect, fairness, pride and camaraderie in the workplace. The results of the survey provide a sound foundation upon which to build further employee engagement initiatives.

### **Objective 3.2: Enhance the efficiency and timeliness of compliance and licensing processes**

To ensure that RECBC can effectively manage the increasing number and complexity of complaints and investigations in a timely manner, we are committed to developing processes that enable the organization to respond effectively to a changing environment. In 2018/19, RECBC focused on streamlining administrative and licensing processes, automating internal document management, prioritizing and expediting critical investigations, and implementing practices to facilitate and encourage flexibility and problem-solving. RECBC has made significant strides in making licensing processes available online, and we will continue to streamline and enhance these services.

### **Key Highlights**

- Initiated the transition of licensing processes online with the goal of eliminating paper applications.
- Initiated procurement of a case management system to introduce process efficiencies in compliance and legal departments.
- Enhanced complaint intake process introduced to increase efficiency of investigations.

Performance Measure(s)		2017/18 Actuals	2018/19 Target	2018/19 Actuals	2019/20 Target	2020/21 Target
3.2a	Average number of calendar days to complete a complaint investigation	310	Maintain or decrease	296	Maintain or decrease	Maintain or decrease
3.2b	Percentage of complete applications for new individual licences processed within three weeks	76%	Maintain or increase	99%	Maintain or increase from prior year	Maintain or increase from prior year

**Data Source:** RECBC complaints tracking system and RECBC licensing tracking system (note that 2017/18 is a 9-month fiscal period)

### **Discussion**

RECBC demonstrates its ability to respond to reported conduct issues in a timely manner, while continuing to ensure administrative fairness, through the average length of time required to complete complaint investigations. As RECBC continues to streamline and automate processes, we will update this performance measure to improve service standards.

In addition to providing services to the public, RECBC has an obligation to provide licensing services to suitable and qualified applicants in a timely manner. The processing of new licence applications is a key indicator of licensing service standards and efficiency.



## Financial Report

The Real Estate Council of BC does not receive taxpayer funding. Key activities described in this 2018/19 Annual Service Plan Report were primarily funded through licensing assessment fees which are gathered biennially from the more than 25,000 individuals and brokerages we license and regulate. A small portion of our revenue in 2018/19 was derived from enforcement sanctions, and as is required under the *Real Estate Services Act* was directed to the internally-restricted deferred contribution Education Fund.

RECBC's budget includes fees collected and remitted on behalf of the Superintendent of Real Estate, the Real Estate Errors and Omissions Insurance Corporation, and the Real Estate Compensation Fund Corporation. RECBC expenditures are divided between investigative functions (compliance department and a portion of audit and legal expenses) and other administrative costs (education, communications, legal, audit and professional advisory services).

## Discussion of Results

For the year ended March 31, 2019.

## Highlights

This discussion of financial position and results of operations of the Real Estate Council of BC (RECBC) should be read in conjunction with our audited consolidated financial statements for the year ended March 31, 2019. Please note that prior year comparatives are to a nine-month fiscal year in 2017/2018, as RECBC changed its fiscal year end to March 31 in accordance with government service plan reporting requirements.

RECBC is the provincial crown agency responsible for protecting consumers by licensing and regulating real estate professionals providing trading services, rental property management services, and strata management services. Results include the consolidated financials of the Real Estate Errors and Omissions Corporation (REEOIC), a government business entity controlled by RECBC.

The impact of the audited financial statement of the REEOIC investment are significant and directly affect the accumulated remeasurement gains (losses) recognized annually by RECBC.

Together with REEOIC the accumulated surplus is \$31,366K and is comprised of \$30,667K for the operating surplus and a gain of \$699K for the remeasurement gains and losses as a result of the consolidation with REEOIC as at March 31, 2019.

Although not specifically identified on the consolidated statement of financial position, the RECBC accumulated surplus, without REEOIC, is \$8,495K.

**Resource Summary**

<b>\$ thousands</b>	<b>2017/18 Actual</b>	<b>2018/19 Budget</b>	<b>2018/19 Actual</b>	<b>2018/19 Variance Actual to Budget</b>	<b>2018/19 Variance Actual to 2017/18</b>
<b>Total Revenue</b>					
Licence Fees	776	1,141	1,100	(41)	324
Assessment Fees	5,465	10,002	9,809	(193)	4,344
Course Fees	259	902	1,301	399	1,042
Other Interest and Investment Income (net)	167	(179)	234	413	68
<b>Total Revenue</b>	<b>6,667</b>	<b>11,866</b>	<b>12,444</b>	<b>578</b>	<b>5,778</b>
<b>Total Expenses</b>					
Operational & Administration	3,247	5,150	5,699	550	2,452
Investigative	2,949	4,030	4,024	(6)	1,075
Other	496	1,312	907	(405)	411
<b>Total Expenses</b>	<b>6,692</b>	<b>10,492</b>	<b>10,630</b>	<b>139</b>	<b>3,938</b>
<b>Excess of Revenue over Expenditure</b>	<b>(25)</b>	<b>1,374</b>	<b>1,814</b>	<b>439</b>	<b>1,840</b>
Total Liabilities	881	881	972	91	91
Accumulated Surplus-RECBC	6,680	6,680	8,495	1,815	1,815
Accumulated Surplus-REEOIC	22,482	22,482	22,871	389	389
Capital Expenditure	201	1,208	1,339	131	1,138

**Note 1:** The above financial information was prepared based on Canadian public sector accounting standards.

**Note 2:** 2017/18 was a nine-month fiscal year.

## Variance and Trend Analysis

RECBC does not receive taxpayer funding. Our revenue comes from licensing fees, education fees, and enforcement sanctions issued against licensees under the *Real Estate Services Act*.

### *Licensing and Assessment Fee Revenue*

RECBC collects licensing fees and assessment fees as outlined in its Bylaws under section 85 of the *Real Estate Services Act*. A licence fee of \$50 is collected to cover costs associated with licence issuance, while an additional licence fee of \$150 is collected on behalf of the Superintendent of Real Estate and remitted to that office. An assessment fee of \$500 is collected to cover operational expenses and for matters under the administration of RECBC.

Licensing and assessment fee revenue varies according to real estate market conditions. Licensing fee revenues in 2018/19 were \$1,100K and assessment fee revenue was \$9,809K, for a total licensing and assessment fee revenue of \$10,909K.

### *Education Fee Revenue*

RECBC receives a portion of education fees paid to the University of British Columbia, Sauder School of Business, Real Estate Division for pre-licensing education courses, mandatory relicensing education courses, and remedial education courses. RECBC also receive a portion of education fees paid to the British Columbia Real Estate Association for Applied Practice Course and mandatory relicensing education courses.

Education revenue varies according to real estate market conditions and the numbers of new entrants to the real estate industry. In 2018, a new mandatory relicensing education course was introduced, the Rule Changes: Agency and Disclosure course, delivered by the Real Estate Division, Sauder School of Business. The course contributed an additional \$747K in revenue. RECBC received \$289K from the British Columbia Real Estate Association for the mandatory relicensing education course. Education revenues in 2018/19 were \$1,301K, a 402% increase over 2017/18.

### *Enforcement Sanction Revenue*

RECBC collects sanctions relating to enforcement matters. Enforcement sanctions revenue includes administrative penalties and discipline penalties issued under the *Real Estate Services Act*. Sanction revenue may vary significantly between periods and is allocated to RECBC's Education Fund, to be spent for the purposes of educating real estate licensees and the general public about real estate transactions and the services to expect of licensed real estate professionals. RECBC received \$147K in revenue, a 23% increase over 2017/18 as we increase the prosecution of discipline cases from conduct occurring after the RESA amendments in 2016.

### *Total Operating Expenses*

Employee compensation totals \$6,521K, which is approximately 61% of operating expenses. This is consistent compared to 2017/18, however represents an increase of \$2,529K, or 63% over the prior year. The increase was largely attributable to costs associated with organizational restructuring, recruitment and attrition, and were in line with budget for the year. RECBC competes for staff with law, accounting and audit firms, as well as with other regulators. Our compensation package includes performance-based salary increases. To remain competitive, we introduced a total compensation framework in 2018 to ensure our salaries are comparable with other similar organizations.

We engage consultants when we need specialized services, primarily legal services in relation to prosecution of disciplinary matters. Other professional services costs in 2018/19 include technology consultants, recruitment fees and hearing transcription services.

Our offices are in downtown Vancouver. In 2018/19 we expanded our premises to accommodate our growing organization. Our 17,000 square feet of office space cost approximately \$26/sq ft for 2018/19.

## **Risks and Uncertainties**

RECBC is developing an enterprise risk management program to identify and manage our risks and support our strategic planning priorities. RECBC maintains a business continuity plan to restore critical functions promptly in the event of a disaster or business disruptions.

Volatility in real estate markets can cause licensing and education revenues to fluctuate. We hold approximately six months operating expenses as unrestricted surplus to fund operations and maintain \$2,416K of operating surplus in internally restricted funds.

Revenue from enforcement sanctions cannot be predicted.

The REEOIC investments are impacted by investment returns, both realized (through sales, interest, or dividends) and unrealized (through fluctuations in market values). At March 31, 2019 the balance of unrealized gains for RECBC's investment in REEOIC, net of income taxes, was \$699K.

## *Auditor's Report*



### **Management's Report**

#### **Management's responsibility for the financial statements**

The financial statements have been prepared by management of the Real Estate Council of British Columbia (the "Council") in accordance with the Canadian public sector accounting standards and the integrity and objectivity of these statements are management's responsibility. Management is also responsible for all of the notes to the financial statements, and for ensuring that this information is consistent, where appropriate, with the information contained in the financial statements. A summary of the significant accounting policies are described in Note 2 to the financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced. The internal controls are designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the financial statements.

The Council is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal control and exercise this responsibility through the Finance and Audit Committee of the Council.

The external auditors, Grant Thornton LLP, conduct an independent examination, in accordance with Canadian auditing standards, and express their opinion on the financial statements. The external auditors have full and free access to financial management of the Council and meet when required. The accompanying Independent auditor's report outlines their responsibilities, the scope of their examination and their opinion on the financial statements.

On behalf of the Council:

A handwritten signature in blue ink, appearing to read 'Elain Duvall'.

**Elain Duvall**  
**Chair**

A handwritten signature in blue ink, appearing to read 'Erin Seeley'.

**Erin Seeley**  
**Executive Officer**



# Independent Auditor's Report

To the Real Estate Council of British Columbia

To the Ministry of Finance:

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## Opinion

We have audited the consolidated financial statements of Real Estate Council of British Columbia ("RECBC"), which comprise the consolidated statement of financial position as at March 31, 2019, and the consolidated statements of operations and accumulated operating surplus, remeasurement gains, changes in net financial assets and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of RECBC as at March 31, 2019, and its results of operations, its changes in its net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

## 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 Consolidated Financial Statements* section of our report. We are independent of RECBC in accordance with the ethical requirements that are relevant to our audit of the consolidated 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.

## Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing RECBC's ability to continue as a going concern, disclosing, as applicable, matters related to a going concern and using the going concern basis of accounting unless management either intends to liquidate RECBC or to cease operations, or has no realistic alternative but to do so.

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



**Auditor's responsibilities for the audit of the consolidated financial statements**

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 RECBC'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 RECBC'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 consolidated 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 RECBC to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated 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.

*Grant Thornton LLP*

Chartered Professional Accountants

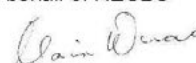
Vancouver, Canada  
May 13, 2019

***Audited Financial Statements***

<b>Real Estate Council of British Columbia</b>		
<b>Consolidated Statement of Financial Position</b>		
March 31	2019	2018
<b>Financial assets</b>		
Cash and cash equivalents	\$ 6,304,420	\$ 5,008,474
Investments (Note 3)	1,246,876	1,890,059
Investment in government business enterprise (Note 4)	22,871,433	22,482,490
Accounts and accrued interest receivable	286,625	154,020
	<u>30,709,354</u>	<u>29,535,043</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities (Note 5)	389,257	217,645
Deferred revenue	207,300	492,415
Deferred contributions - Education (Note 6)	375,236	170,704
	<u>971,793</u>	<u>880,764</u>
<b>Net financial assets</b>	<u>29,737,561</u>	<u>28,654,279</u>
<b>Non-financial assets</b>		
Prepaid expenses	233,946	216,305
Tangible capital assets (Note 7)	1,394,575	291,650
	<u>1,628,521</u>	<u>507,955</u>
<b>Accumulated surplus</b>	<u>\$ 31,366,082</u>	<u>\$ 29,162,234</u>
<b>Accumulated surplus is comprised of:</b>		
Accumulated operating surplus	\$ 30,667,420	\$ 29,246,129
Accumulated remeasurement gains (losses)	698,662	(83,895)
	<u>\$ 31,366,082</u>	<u>\$ 29,162,234</u>

Commitments and contingency (Note 9)

On behalf of RECBC


  
 \_\_\_\_\_ Chair



\_\_\_\_\_ Executive Officer



# Real Estate Council of British Columbia Consolidated Statement of Operations and Accumulated Operating Surplus

	Budget	Year ended March 31, 2019	Nine months ended March 31, 2018
Revenue			
Licensing	\$ 1,141,000	\$ 1,100,415	\$ 776,207
Assessments	10,002,000	9,809,048	5,464,610
Course fees	902,000	1,301,100	259,100
Discipline penalties	-	147,094	119,789
Investment income and other	(179,000)	87,185	46,975
	<u>11,866,000</u>	<u>12,444,842</u>	<u>6,666,681</u>
Expenses (Note 15)			
Administrative expenses	5,149,500	5,699,086	3,247,065
Investigation expenses	4,029,500	4,023,780	2,948,573
Other expenses	1,312,000	907,071	495,586
	<u>10,491,000</u>	<u>10,629,937</u>	<u>6,691,224</u>
Excess (deficiency) of revenue over expenses	<u>\$ 1,375,000</u>	<u>1,814,905</u>	<u>(24,543)</u>
(Loss) income from government business enterprise (Note 4)		<u>(393,614)</u>	<u>1,279,060</u>
Operating surplus		<u>1,421,291</u>	<u>1,254,517</u>
Accumulated operating surplus, beginning of year		<u>29,246,129</u>	<u>27,991,612</u>
Accumulated operating surplus, end of year		<u>\$ 30,667,420</u>	<u>\$ 29,246,129</u>

## Real Estate Council of British Columbia

### Consolidated Statement of Remeasurement Gains

	Year ended March 31, 2019	Nine months ended March 31, 2018
Accumulated remeasurement (losses) gains, beginning of year	\$ (83,895)	\$ 523,667
Other comprehensive income (loss) from government business enterprise (Note 4)	<u>782,557</u>	<u>(607,562)</u>
Accumulated remeasurement gains (losses), end of year	<u>\$ 698,662</u>	<u>\$ (83,895)</u>

## Real Estate Council of British Columbia Consolidated Statement of Changes in Net Financial Assets

	Budget	Year ended March 31, 2019	Nine months ended March 31, 2018
Operating surplus	\$ 1,375,000	\$ 1,421,291	\$ 1,254,517
Additions to tangible capital assets	(1,083,000)	(1,338,949)	(201,150)
Amortization of tangible capital assets	255,012	236,024	146,875
Change in prepaid expenses	-	(17,641)	(67,265)
Net remeasurement gains (loss)	-	782,557	(607,562)
Increase in net financial assets	<u>\$ 547,012</u>	<u>1,083,282</u>	<u>525,415</u>
Net financial assets, beginning of year		<u>28,654,279</u>	<u>28,128,864</u>
Net financial assets, end of year		<u>\$ 29,737,561</u>	<u>\$ 28,654,279</u>

## Real Estate Council of British Columbia Consolidated Statement of Cash Flows

	Year ended March 31, 2019	Nine months ended March 31, 2018
Cash derived from (applied to)		
<b>Operating activities</b>		
Operating surplus	\$ 1,421,291	\$ 1,254,517
Adjustments for items not affecting cash		
Amortization of tangible capital assets	236,024	146,875
Loss (income) from government business enterprise	393,614	(1,279,060)
	<b>2,050,929</b>	122,332
Changes in non-cash working capital items		
Accounts and accrued interest receivable	(132,605)	23,116
Prepaid expenses	(17,641)	(67,265)
Accounts payable and accrued liabilities	171,612	(270,037)
Deferred revenue	(285,115)	158,515
Deferred contributions - Education	204,532	(21,539)
	<b>1,991,712</b>	(54,878)
<b>Investing activities</b>		
Purchase of investments	643,183	698,855
Purchase of tangible capital assets	(1,338,949)	(201,150)
	<b>(695,766)</b>	497,705
Net increase in cash	<b>1,295,946</b>	442,827
Cash and cash equivalents, beginning of year	<b>5,008,474</b>	4,565,647
Cash and cash equivalents, end of year	<b>\$ 6,304,420</b>	\$ 5,008,474

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## **Real Estate Council of British Columbia**

### **Notes to the Consolidated Financial Statements**

March 31, 2019

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#### **1. Nature of operations**

The Real Estate Council of British Columbia ("RECBC") is a provincial Crown corporation established by the British Columbia provincial government. Its mandate is to protect the public interest by enforcing the licensing and licensee conduct requirements of the *Real Estate Services Act* (the "Act").

RECBC is responsible for licensing individuals and brokerages engaged in real estate sales, rental and strata property management. RECBC also enforces entry qualifications, investigates complaints against licensees and imposes disciplinary sanctions under the Act.

Pursuant to section 149(1) (1) of the *Income Tax Act* (Canada), RECBC qualifies as a non-profit organization and is exempt from income taxes.

On September 30, 2016, the Province of British Columbia made legislative amendments to the Real Estate Services Act and the Real Estate Services Regulation which empowered the Province of British Columbia to appoint all 16 members of RECBC. Those changes resulted in the Province acquiring control of RECBC on that date. As a result in fiscal 2018, RECBC aligned its financial reporting with government service plan requirements and a March 31 fiscal year end.

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#### **2. Summary of significant accounting policies**

##### **Basis of accounting**

These financial statements have been prepared in accordance with Canadian public sector accounting standards ("PSAS") established by the Canadian Public Sector Accounting Board.

##### **Controlled entities**

RECBC controls the Real Estate Compensation Fund Corporation ("RECFC") since it has the ability to appoint the majority of its board members. RECFC provides protection for members of the public who have entrusted real estate licensees (or unlicensed individuals related to the brokerage) with money that was either misappropriated or wrongfully converted; intentionally not paid over or accounted for; or obtained by the fraud of a licensee or individual.

The funds administered by the RECFC under the Act meet the definition of a trust under administration and are not included in RECBC's financial statements. At March 31, 2019, the balance of trust net assets was \$17,724,505 (2018 - \$16,428,171). The RECFC's transactions RECBC are disclosed in Note 12.

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## **Real Estate Council of British Columbia**

### **Notes to the Consolidated Financial Statements**

March 31, 2019

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#### **2. Summary of significant accounting policies (continued)**

##### **Investment in government business enterprise**

Real Estate Errors and Omissions Corporation ("REEOIC") is a government business enterprise ("GBE") controlled by RECBC. REEOIC is a special act corporation incorporated as a corporation without share capital under the Real Estate Services Act. REEOIC is taxable under the Income Tax Act (Canada). REEOIC pools the insurance premiums paid by real estate licensees in a fund that is used to pay the costs of defending and indemnifying licensees against professional liability claims.

The investment in government business enterprise is accounted for by the modified equity method. Under this method, RECBC accounts for its investment using the equity method of accounting such that it is not modified to adjust the government business enterprise's accounting policies to conform with those of the RECBC.

If the government business enterprise has other comprehensive income, it is accounted for within the consolidated statement of remeasurement gains. Inter-organizational transactions and balances have not been eliminated, except for any profit or loss on transactions between entities on assets that remain within the entities controlled by the RECBC.

##### **Revenue recognition**

RECBC collects licence and assessment fees for a two year period in advance. These fees are recognized as revenue in the period received because RECBC has no continuing obligations with respect to the fees and does not refund licence and assessment fees. Licence and assessment fees received in the current period that relate to the subsequent period are recorded as deferred revenue.

Course fees are recorded as revenue when the service is provided and if the amount to be received can be reasonably estimated and collection is reasonably assured.

Restricted contributions and discipline penalties are recorded as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Investment and other income is recorded as revenue as it is earned.

##### **Use of estimates**

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenue and expenses during the period. Actual results may differ from those estimates.

##### **Cash and cash equivalents**

Cash and cash equivalents includes all balances held at banks excluding any overdraft amounts, and all highly liquid financial instruments purchased with an original maturity of three months or less. Cash equivalents consist of money invested in a term deposit and are recorded at cost plus accrued interest, which approximates market value.

## Real Estate Council of British Columbia

### Notes to the Consolidated Financial Statements

March 31, 2019

#### 2. Summary of significant accounting policies (continued)

##### Tangible capital assets

Tangible capital assets are recorded at cost and are amortized on a straight-line basis over their expected useful lives as follows:

Computer equipment	4 years
Office equipment	5 years
Leasehold improvements	term of the lease plus one renewal period, being 15 years

##### Financial instruments

RECBC's financial instruments consist of cash and cash equivalents, investments, accounts and accrued interest receivable, and accounts payable and accrued liabilities. Financial assets and financial liabilities are initially measured at fair value and subsequently at amortized cost.

Unrealized gains and losses from changes in the fair value of financial instruments held by the government business enterprises are recognized in the statement of remeasurement gains until such time as the financial instrument is derecognized due to disposal. At the time of derecognition, the related realized gains and losses are recognized in the consolidated statement of operations and accumulated operating surplus and are reversed from the consolidated statement of remeasurement gains.

For financial instruments measured using amortized cost, the effective interest rate method is used to determine interest revenue or expense.

Interest and dividends attributable to financial instruments are reported in the consolidated statement of operations.

<b>3. Investments</b>	<b>2019</b>	<b>2018</b>
GICs at 1.90% and 2.91% (2018: 1.40% to 2.91%) maturing between October 5, 2020 and February 16, 2023	<b>\$ 1,246,876</b>	<b>\$ 1,890,059</b>

## Real Estate Council of British Columbia

### Notes to the Consolidated Financial Statements

March 31, 2019

#### 4. Investment in government business enterprise

Condensed financial information for the government business enterprise that is part of RECBC's reporting entity are as follows:

Statement of financial position	2019	2018
Total assets	\$ 60,369,857	\$ 54,961,113
Total liabilities	37,498,424	32,478,623
Equity	22,871,433	22,482,490
Statement of operations	Year ended March 31, 2019	Nine months ended March 31, 2018
Revenue	\$ 10,807,316	\$ 8,176,895
Expenses	(13,041,660)	(7,480,076)
Other income	1,526,133	1,075,362
Earnings before income taxes	(708,211)	1,772,181
Income tax expense	314,597	(493,121)
Net earnings	(393,614)	1,279,060
Other comprehensive income (loss)	782,557	(607,562)
Net earnings and other comprehensive income	\$ 388,943	\$ 671,498

In fiscal 2019, RECBC charged a fee of \$81,070 (2018 - \$60,940) to REEOIC with respect to fees collected on REEOIC's behalf.

Total liabilities include \$5,080 (2018 - \$7,575) payable to the RECBC.

#### 5. Accounts payable and accrued liabilities

Included in accounts payable and accrued liabilities are government remittances of \$37,000 (2018 - \$Nil).

#### 6. Deferred contribution – Education

In compliance with Section 43(2)(i) of the *Real Estate Services Act*, when the discipline committee determines that a licensee has committed professional misconduct or conduct unbecoming a licensee the discipline committee may require the licensee to pay a discipline penalty in an amount of (i) not more than \$500,000, in the case of a brokerage or former brokerage, or (ii) not more than \$250,000, in any other case. Under Section 44 of the *Real Estate Services Act*, money received by RECBC on account of a discipline penalty under Section 43 (2) (i) may be expended by RECBC only for the purpose of educating the public and licensees and other participants in the real estate industry in British Columbia about the operation and regulation of the industry and issues related to real estate and real estate services.



## Real Estate Council of British Columbia

### Notes to the Consolidated Financial Statements

March 31, 2019

#### 6. Deferred contribution – Education (continued)

The restricted contributions related to discipline penalties are as follows:

	<b>2019</b>	2018
Balance, beginning of year	<b>\$ 170,704</b>	\$ 192,243
Discipline penalties received	<b>351,626</b>	98,250
Expenditures	<b>(147,094)</b>	(119,789)
Balance, end of year	<b>\$ 375,236</b>	\$ 170,704

#### 7. Tangible capital assets

	Computer Equipment	Office Equipment	Leasehold Improvements	Total
<b>Cost</b>				
Balance, March 31, 2018	\$ 1,342,745	\$ 583,429	\$ 504,287	\$ 2,430,461
Additions	260,311	541,983	536,655	1,338,949
Disposals	(1,043,419)	(482,688)	(401,294)	(1,927,401)
<b>Balance, March 31, 2019</b>	<b>559,637</b>	<b>642,724</b>	<b>639,648</b>	<b>1,842,009</b>
<b>Accumulated depreciation</b>				
Balance, March 31, 2018	1,173,268	533,186	432,357	2,138,811
Depreciation	108,541	72,005	55,478	236,024
Disposals	(1,043,418)	(482,689)	(401,294)	(1,927,401)
<b>Balance, March 31, 2019</b>	<b>238,391</b>	<b>122,502</b>	<b>86,541</b>	<b>447,434</b>
<b>Carrying amount, March 31, 2018</b>	<b>169,477</b>	<b>50,243</b>	<b>71,930</b>	<b>291,650</b>
<b>Carrying amount, March 31, 2019</b>	<b>\$ 321,246</b>	<b>\$ 520,222</b>	<b>\$ 553,107</b>	<b>\$ 1,394,575</b>

## Real Estate Council of British Columbia

### Notes to the Consolidated Financial Statements

March 31, 2019

#### 8. Accumulated operating surplus

RECBC has set aside the following amounts in the accumulated operating surplus to be used for the purposes noted below:

	2019	2018
Technology Fund (a)	\$ 453,395	\$ 450,000
Legal Defence Fund - General (b)	453,395	450,000
Legal Defence Fund - Special Compensation Fund (b)	150,994	150,000
Enforcement Fund-Accounting and Legal (c)	503,810	500,000
Education Fund (d)	854,088	500,000
Total funds	\$ 2,415,682	\$ 2,050,000

##### (a) Technology Fund

The Technology Fund is to be used for investing in new technology that would increase efficiency and improve services to real estate consumers and licensees

##### (b) Legal Defence Funds

The Legal Defence Fund is to be used to pay, on behalf of RECBC, its members or employees (collectively, the "Party"), all sums which the Party becomes liable to pay as compensating damages arising out of a claim made against the Party by a member of the public, a member of RECBC, or an employee of RECBC alleging a Wrongful Act, or made against the Party because of the Party's status as a Council member or an employee thereof, provided that, in either situation, the claim relates solely to the performance by the Party of services as a member or employee of RECBC in their capacity with RECBC. The maximum amount to be paid by the Legal Defence Fund – General is \$100,000 for each claim regardless of the number of parties.

There is also a separate Legal Defence Fund – Special Compensation Fund for \$150,000 for the potential defence of claims related to the Real Estate Compensation Fund Corporation.

##### (c) Enforcement Fund

The Enforcement Fund is to be used to pay any unusual enforcement expenses such as receivers, special investigators, forensic accounting or other unforeseen costs that result from Orders in urgent circumstances, trust account defalcations, or other significant enforcement actions.

##### (d) Education Fund

The Education Fund was funded by a \$500,000 transfer of licensing course revenue surplus from the British Columbia Real Estate Association (BCREA) in fiscal 2017 and an allocation of relicensing education course fees, New Rules (UBC) for \$354,088 in fiscal 2019. This fund is used to pay for expenses related to the development and delivery of licensing education programs.

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**Real Estate Council of British Columbia**  
**Notes to the Consolidated Financial Statements**March 31, 2019

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**9. Commitments and contingency**

- (a) RECBC has lease commitments for its office premises it occupies. Base rent is estimated as follows:

2020	\$	492,000
2021		499,000
2022		513,000
2023		527,000
2024		541,000
Thereafter		<u>6,532,000</u>
	\$	<u>9,104,000</u>

In addition to base rent, RECBC is responsible for paying their portion of operating costs.

- (b) RECBC may, from time to time, be subject to claims and legal proceedings brought against it in the normal course of business. Such matters are subject to many uncertainties. Management believes that adequate provisions have been made in the financial statements where required and the ultimate resolution of such contingencies will not have a material adverse effect on the financial position of RECBC.

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**10. Financial instruments**

At March 31, 2019, the financial assets measured at amortized cost totalled \$7,837,921 (2018 – \$7,052,553).

At March 31, 2019, the financial liabilities measured at amortized cost totalled \$389,257 (2018 - \$217,645).

*Interest rate risk*

RECBC manages any interest rate risk exposure of its fixed income investments by using a laddered portfolio with varying terms of maturity. The laddered structure of maturities helps to enhance the average portfolio yield while reducing the sensitivity of the portfolio to the impact of interest rate fluctuations. RECBC did not hold any investments in equity securities at March 31, 2019.

*Currency risk*

RECBC does not hold any investments denominated in foreign currencies; therefore, it is not exposed to any currency risk.

*Credit and market risk*

RECBC has an investment policy that restricts the types and amounts of its eligible investments and requires dealing with highly rated counterparties. Risk and volatility of investment returns are mitigated through investing in only government bonds and Guaranteed Investment Certificates (GICs).

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## **Real Estate Council of British Columbia**

### **Notes to the Consolidated Financial Statements**

March 31, 2019

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#### **11. Real Estate Foundation of BC**

The mission of the Real Estate Foundation of BC (the "Foundation") is to transform land use attitudes and practices through innovation, stewardship and learning. RECBC is related to the Foundation by common control by the Province of BC and the ability to appoint 1 of the 7 members of the Board of the Foundation. There are no transactions between the RECBC and the Foundation.

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#### **12. Related party transactions and balances**

In fiscal 2019, RECBC charged a fee of \$13,240 (2018 - \$11,085) to the RECFC for revenue collected on their behalf with respect to the compensation fund. RECBC controls the RECFC since it has the ability to appoint the majority of its board members.

As of 2019, the RECFC has a payable to RECBC of \$2,720 (2018 - \$1,420).

During the year, RECBC collected licence fees of \$3,247,994 (2018 - \$776,207) on behalf of the Office of Superintendent of Real Estate, a regulatory agency of the BC government. These amounts have not been included in the statement of operations.

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#### **13. Pension plan**

RECBC contributes to a defined contribution pension plan administered by Sun Life Financial for all staff that have been employed for more than 1 year. RECBC contributes 7% of regular staff salaries to the plan on a monthly basis. RECBC expense for the 2019 fiscal period was \$222,218 (2018 - \$158,182).

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#### **14. Comparative figures**

Certain of the comparative figures have been reclassified to conform to the classifications used in the current year.

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## Real Estate Council of British Columbia

### Notes to the Consolidated Financial Statements

March 31, 2019

#### 15. Expenses by object

	Year ended March 31, 2019	Nine months ended March 31, 2018
Amortization of tangible capital assets	\$ 236,024	\$ 146,875
Council members honorariums/committee meeting fees	181,048	130,002
Conference	68,726	26,805
Court reporter services	13,528	16,818
Dues, subscriptions and publications	97,905	50,571
Education/research grants awarded	147,478	119,913
Electronic communication	450,923	254,026
Equipment maintenance	49,593	28,778
Forensic investigation/receiverships	28,422	-
Insurance	10,503	6,547
Media and public relations	118,209	22,534
Office rent and operating costs, net	838,382	479,141
Postage, mailing and delivery	47,255	56,795
Printing and stationery	92,438	64,283
Professional services	1,354,992	997,427
Salaries	6,521,097	3,992,031
Spot audits	22,996	31,065
Telephone	59,685	29,716
Travel and accommodation	158,138	112,025
Travel and hearing (recovery)	(115,520)	(24,370)
Visa and bank charges	248,115	150,242
	<b>\$ 10,629,937</b>	<b>\$ 6,691,224</b>

Salaries have been allocated as follows by functional area:

- Administrative expenses 53%
- Investigation expenses 47%
- Other expenses Nil%

## **Appendix A – Additional Information**

### ***Corporate Governance***

Information about RECBC's Corporate Governance can be found at:

<https://www.recbc.ca/about/governance.html>

This includes links to information regarding:

- Council members
- Council committees and advisory groups
- Executive Team

### ***RECBC Organizational Overview***

Information about RECBC's operating environment can be found at:

<https://www.recbc.ca/about/overview.html>.

This includes links to information about:

- RECBC's mandate
- Core business areas
- Organizational goals

The *Real Estate Services Act*, the enabling statute for RECBC, is available here:

<https://www.recbc.ca/licensee/legislation.html>.

### ***Contact Information***

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V6C 2T8

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### ***Related Organizations***

Information about the **Real Estate Compensation Fund Corporation** can be found at:

<https://www.recbc.ca/about/ar.html>

Information about the **Real Estate Errors and Omissions Corporation** can be found at:

<https://www.reeoic.com/>

Information about the **Office of the Superintendent of Real Estate** can be found at:

<https://www2.gov.bc.ca/gov/content/governments/organizational-structure/ministries-organizations/central-government-agencies/office-of-the-superintendent-of-real-estate>