

# **Real Estate Council of British Columbia**

## **2020/21 Annual Service Plan Report**



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Published by the Real Estate Council of British Columbia

## **Board Chair's Accountability Statement**



The *Real Estate Council of British Columbia 2020/21 Annual Service Plan Report* compares the corporation's actual results to the expected results identified in the *2020/21 – 2022/23 Service Plan* created in February 2020. I am accountable for those results as reported.

A handwritten signature in cursive script that reads "Elain Duvall".

Elain Duvall  
Board Chair  
July 19, 2021

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## Letter from the Board Chair & CEO

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, 2021. The results described in this report were established in the 2020/21 – 2022/23 Service Plan and align with our 2020 [Mandate Letter](#).

2020 was a year like no other, but RECBC worked diligently to maintain service standards and continue to protect real estate consumers by enforcing the *Real Estate Services Act*, while protecting the health and safety of employees during the global COVID-19 pandemic. Despite the challenges posed by the public health emergency, RECBC has delivered substantively on key strategies described in our Service Plan to protect the public, and to support the provincial government's commitment to build a strong, sustainable economy and provide quality, cost-effective services to British Columbians.

Following the announcement on November 12, 2019 of the government's intention to create a single regulator for the financial services sector including real estate, we have worked collaboratively with the Office of the Superintendent of Real Estate ("OSRE") and BC Financial Services Authority ("BCFSA") to plan for the integration of the three organizations.

We have honoured government's commitment to deliver the services that people count on by implementing process improvements and investing in new technology to increase our efficiency, leading to a significant reduction of RECBC's existing inventory of complaints and to enhancements in our ability to process new licensing applications on a timely basis.

RECBC supports Government's commitment to reconciliation with Indigenous Peoples. We are taking steps to implement the Declaration of the Rights of Indigenous Peoples Act and the Calls to Action of the Truth and Reconciliation Commission within the context of our work to protect the public interest through the regulation of real estate professionals. We have also continued to work to ensure that RECBC's operations align with Government's climate plan to move towards a low-carbon economy, and we are applying the GBA+ lens to promote equity in our operations and programs.

RECBC's senior leadership engages regularly on both strategic and operational levels with the Ministry of Finance, OSRE and BCFSA. Quarterly meetings between the Council Chair and the Minister of Finance ensure alignment with government policy expectations and provide the opportunity to discuss priorities identified in the government Mandate Letter. RECBC has also worked with OSRE and BCFSA to ensure that the expanded role of the future integrated single regulator is taken into consideration when developing and implementing strategies. .

Leading up to the integration, anticipated this summer, we remain committed to fulfilling our mandate on behalf of B.C. consumers and achieving our vision: *Public trust in ethical and competent real estate professionals*. Following integration, we look forward to reviewing our performance measures and strategies and reflecting on our evolving priorities within the context of a single financial services regulator under BCFSA.

Elain Duvall



Board Chair, Real Estate Council of BC  
July 19, 2021

Erin Seeley



CEO, Real Estate Council of BC  
July 19, 2021

## Purpose of the Annual Service Plan Report

The Annual Service Plan Report 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 British Columbia ("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 transitioned from a self-regulatory organization to a crown agency in 2017/18, moving 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 conduct requirements of the *Real Estate Services Act* ("RESA"). RECBC has a Council of 13 publicly appointed members responsible for corporate governance and a staff of 107 at the close of the fiscal year. Additional information on our mandate, mission, vision, and values can be found on the [RECBC website](#).

RECBC serves 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 licensing qualifications;
- developing and delivering mandatory continuing education;
- investigating complaints against licensed real estate professionals; and
- imposing disciplinary sanctions under RESA.

RECBC does not receive taxpayer funding: our operations are fully funded through licensing assessment and education 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 British Columbia. 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 B.C. 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.

In November 2019, the Minister of Finance announced that RECBC and the Office of the Superintendent of Real Estate ("OSRE") would be integrated with BC Financial Services Authority ("BCFSA"). The date when RECBC and OSRE transition to BCFSA (the "Transition Date") will depend on when the required legislative amendments come into force, but it is

anticipated to occur in the fiscal year ending March 31, 2022. On the Transition Date, the assets, liabilities, regulatory authorities, and related operational responsibilities of RECBC and OSRE will transfer to BCFSA, and OSRE and RECBC, in their current forms, will both cease to exist. Lawsuits and legal proceedings for or against RECBC will be transferred to BCFSA and all RECBC assets and liabilities will be transferred to BCFSA at no cost. Costs related to the transition and restructuring are being borne by BCFSA.

## Strategic Direction

The strategic direction set by Government in 2017, and expanded upon in the Board Chair's [2020 Mandate Letter](#) from the Minister Responsible, shaped the goals, objectives, performance measures and financial plan outlined in the 2020/21 Real Estate Council of BC [Service Plan](#) and actual results reported on in this annual report.

The global COVID-19 pandemic resulted in many shifts in priorities, structures and operations across the public sector. Any changes to Real Estate Council of BC goals, objectives, performance measures or financial plan to align with the strategic direction established by Government in late 2020 are presented in the 2021/22 Service Plan.

## Operating Environment

Three main factors have impacted RECBC's operating environment over the 2020/21 fiscal year. The ongoing COVID-19 pandemic required the swift transition of many of RECBC's processes to accommodate remote work and virtual access, along with adaptations to maintain key services and programs required for ongoing consumer protection such as continuing education courses and brokerage audits. Planning and coordination for the integration with OSRE and BCFSA, expected to become effective in summer 2021, required the participation of staff at all levels and in every department at RECBC. Finally, the high levels of real estate activity in B.C. have impacted RECBC operations in numerous ways: increased numbers of new licensing applicants have resulted in high demand for required pre-licensing courses, while volumes of calls and reported concerns (complaints and anonymous tips) have increased due to the corresponding increase in the numbers of real estate transactions taking place in the province.

### *COVID-19*

Recognizing that the COVID-19 pandemic had significant business impacts on brokerages in the spring of 2020, RECBC and OSRE implemented an extension to deadlines for yearly filings known as Accountant's Reports, allowing brokerages with filings due between March 1 and April 30 until June 1, 2020 to file their reports with RECBC.

As a result of the COVID-19 pandemic, RECBC made significant changes to the delivery of regulatory education, including the transition of all continuing education classroom sessions to virtual delivery, enabling real estate professionals to complete their required education and maintain their licensing and ability to provide real estate services to consumers. The launch of a new mandatory continuing education course in June 2020, *Ethics for the Real Estate Professional*, was also adapted for virtual delivery in order to support real estate professionals to increase their understanding of the importance of ethical decision making in their work.



The pandemic required ongoing communications with real estate professionals, including strata and rental property managers, and consumers to build awareness and ensure compliance with health and safety guidelines and best practices to facilitate the safe provision of real estate services. RECBC, along with OSRE and the British Columbia Real Estate Association (“BCREA”) participated in consultations with WorkSafeBC to develop and review industry protocols and engaged its industry advisory groups to ensure that protocols were well understood. RECBC continued its focus on enhancing online services for consumers and real estate professionals through its [new website](#) which provides a modern platform for stakeholder and public engagement.

To mitigate the effects of the COVID-19 crisis on its operating budget and in anticipation of the transition to BCFSa, RECBC narrowed its focus on delivering essential regulatory services. The organization took steps to reduce operating costs including deferring technology investments, postponing planned consultation on an enhanced apprenticeship program, realizing savings from reduced travel and meeting expenses, and reviewing planned expenditures.

#### *Integration with BCFSa*

On November 12, 2019, the Minister of Finance announced the intention to amalgamate RECBC and OSRE with BCFSa to create a single regulator for the financial services sector including real estate. RECBC worked with the Ministry of Finance, OSRE, and BCFSa towards integration in 2021 while continuing to deliver regulatory services and protect consumers. Planning for the integration of the three organizations is a significant undertaking that required the participation of management and staff members from all areas of RECBC with a focus on bringing together the services to harmonize best practices in regulation, including the sharing of data and knowledge allowing for a coordinated regulatory approach. RECBC has worked collaboratively with OSRE and BCFSa to update strategic priorities that reflect the expanded role of the single regulator.

To support retention and recruitment, and to increase capacity across business areas, RECBC focused on continuing to build and maintain strong employee engagement through the year. While some investments in data management and information technology were deferred in light of the impending integration and due to the COVID-19 pandemic, key technology initiatives to manage business risks and to maintain and improve service delivery levels were implemented.

#### *Market Conditions*

RECBC does not receive taxpayer funding: the cost of RECBC’s regulatory oversight is covered by licensing fees paid by real estate professionals. Revenue is highly dependent on market activity. Historically, numbers of new entrants to licensing courses and applicants for licensing follow the patterns seen in market activity. Early in the fiscal year, due to the uncertainty of the pandemic, RECBC revised its revenue projections to mitigate the risk of lower licensing revenue. However, as the real estate market activity increased in early 2021, RECBC saw a significant increase in the number of new licence applicants. RECBC budgeted conservatively to limit the impact of any potential market downturn on our operating capacity and ensure that service standards can be maintained in the event of changes in licensing revenue.

One of the most significant challenges that RECBC has experienced in recent years is the sustained rise in complaint volumes, which have increased substantially: in 2014/15, RECBC received 536 complaints, compared to 998 complaints in 2020/21. As well, RECBC's Anonymous Tipline received an additional 536 tips, for a total of 1534 matters brought to the attention of the regulator in 2020/21. Complaint volumes reached a peak in March 2021 as a result of the unprecedented high numbers of real estate transactions in B.C..

While RECBC is better prepared than previously for a high volume of complaints, having made significant investments in additional staff capacity and technological improvements in our compliance department, the ability to effectively manage the volume and complexity of investigations in a timely manner remains a constant challenge. Despite the increased volume of complaints, RECBC made significant progress last year to reduce the inventory of aged complaint files and efforts are ongoing to increase operational efficiencies.

## Report on Performance: Goals, Objectives, Measures and Targets

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. This performance report highlights RECBC’s results achieved for the fiscal year ending March 31, 2021.

### Goal 1: RECBC fosters a culture of service excellence

#### Objective 1: Enhance the efficiency and timeliness of compliance and licensing processes

##### Key Highlights

- Implementation of coordinated file review project and improved categorization of files, resulting in reduction of compliance case inventory and disposition of 252 older case files.
- Improved productivity, streamlined workflows, enhanced tracking and reporting of complaint files realized through implementation of case management system software and the launch of a new online complaint portal.
- In collaboration with OSRE, introduced expanded administrative penalty framework as an alternative to disciplinary action in appropriate cases to promote timely resolution while increasing the focus of resources on more complex cases.
- As part of RECBC’s ongoing work to increase the efficiency of the licensing and renewal processes, continuing education course completion data was made available in RECBC’s secure online portal, replacing the need for real estate professionals to provide evidence of course completion at the time of relicensing.
- Introduced online licence surrenders, as the first step in automating and streamlining the process for transfer of licences between brokerages; also transitioned to online licence records, discontinuing the issuance of paper licences and thus realizing savings on mailing costs and printing.

Performance Measure(s)	2017/18 Baseline	2019/20 Actuals	2020/21 Target	2020/21 Actuals	2021/22 Target	2022/23 Target
1.1a Average number of calendar days to complete a complaint investigation <sup>1</sup>	310	218	Maintain or decrease from prior year	498	Maintain or decrease from prior year	Maintain or decrease from prior year

<sup>1</sup> Data source: Data Source: RECBC complaints tracking system.

Performance Measure(s)	2018/19 Baseline	2019/20 Actuals	2020/21 Target	2020/21 Actuals	2021/22 Target	2022/23 Target
1.1b Percentage of complete applications for new individual licences processed within three weeks <sup>1</sup>	89%	97%	Maintain or increase from prior year	97%	Maintain or increase from prior year	Maintain or increase from prior year
1.1c Reduction in 2018/19 inventory of compliance files <sup>2</sup>	700	395	400	148	Maintain or reduce from prior year	Maintain or reduce from prior year

<sup>1</sup> Data Source: RECBC licensing tracking system.

<sup>2</sup> Data Source: RECBC compliance department files.

## Discussion of Results

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 (PM 1.1a). In 2019/20 RECBC had made significant progress in reducing the number of days to complete an investigation, however this downward trend was not seen in 2020/21 results, due to the disposition of more than 250 older files as part of RECBC’s successful efforts to reduce its inventory (see PM 1.1c). This focus on resolving older open files resulted in an overall increase in the average number of days to complete an investigation in 2020/21, exceeding our target for PM 1.1a. However, the length of time required for investigations of newer files opened after April 1, 2019 was significantly lower, averaging just 229 days to complete. With its inventory of older files now significantly reduced, RECBC will continue to focus on enhancing the timeliness of its investigations.

In 2020/21, RECBC met its target for processing new licence applications within three weeks, providing efficient licensing services to qualified new entrants to the real estate industry (see PM 1.1b). Maintaining and improving licensing service standards is an ongoing focus for RECBC as we continue to introduce technological enhancements to our online licensing portal, streamlining processes and creating efficiencies.

RECBC’s success at reducing its inventory of active investigation files that were opened prior to April 1, 2019 (PM 1.1c) was the result of targeted strategies implemented by our legal and compliance department. Measures to reduce the inventory included the recruitment and training of additional investigators to expand the capacity of RECBC’s compliance department, process improvements to streamline file review and increase the efficiency of investigations, focused legal reviews of aged files, and referring investigative files to the Office of the Superintendent of Real Estate in some cases. These changes have had a significant impact on reducing the inventory of investigation files. As part of its transition to BCFSA, RECBC continued process improvements and training for more complex investigations.

## Objective 1.2: RECBC employees are engaged and motivated

### Key Highlights

RECBC pursued the following strategies and actions to meet its performance targets for this objective:

- Following its most recent employee engagement survey, RECBC was certified as a Great Place to Work for the third year in a row and recognized on the 2021 list of Best Workplaces in B.C.
- RECBC successfully transitioned staff to remote work during the provincial health emergency, providing supports to help ensure staff working remotely can do so safely and ergonomically, while maintaining essential in-office services with enhanced health and safety protocols and updating its business continuity plan to ensure the safety of staff
- RECBC continued to optimize its employee performance framework with clear goals and accountabilities that align with operational priorities and performance-based salary increases administered in accordance with Public Sector Employers' Council guidelines. Improved accessibility within the office and introduced an accommodation policy for staff.
- Partnering with external organizations to attract and retain Indigenous people, LGBTQ2S+ and people with disabilities, RECBC provided training opportunities for all managers and staff in targeted roles on Gender Based Analysis+, unconscious bias and Systemic Racism in the Canadian Context and signed the B.C. Lieutenant Governor's Diversity Pledge, committing to being #DifferentTogether and holding diversity as a fundamental value.

Performance Measure(s)	2018/19 Baseline	2019/20 Actuals	2020/21 Target	2020/21 Actuals	2021/22 Target	2022/23 Target
1.2 Level of employee engagement <sup>1</sup>	75%	84% <sup>2</sup>	Maintain or increase from prior year	82% <sup>3</sup>	Maintain or increase from prior year	Maintain or increase from prior year

<sup>1</sup>Data source: Great Place to Work™ survey results. RECBC conducts full employee engagement surveys biennially. In alternating years, results are drawn from an employee “pulse check” using a sub-set of questions from the full Great Place to Work™ survey. Results are accurate within +/- 5%.

<sup>2</sup>Results of the December 2019 “pulse check” survey using a sub-set of questions tied to biggest areas of opportunity from the full Great Place to Work™ survey.

<sup>3</sup>Great Place to Work™ survey July 2020.

### Discussion of Results

In 2020/21, RECBC focused on employee engagement and human resources practices to support employees in the transition to remote work and through the uncertainty related to the COVID-19 pandemic. A significant focus was placed on learning and engagement with tools to promote virtual collaboration, to ensure employees received the support they need to continue

implementing our strategic priorities and increase their skills, expand their knowledge, and develop their careers.

While survey results for 2020/21 are still within the margin of error of our 2020/21 target, results indicate a slight decline. The transition to remote work for all employees in the spring of 2020, as well as some initial uncertainty related to the expected amalgamation and the anxiety of the COVID-19 pandemic may have contributed to this slight decline. Further analysis is being conducted and additional focus on employee engagement has occurred as part of the transition to BCFSAs.

RECBC has continued to implement measures to enhance employee engagement in order to ensure a smooth transition to the integrated regulator. These include enhancements to our onboarding processes, improvements to performance goal setting and management, updates to human resources policies and procedures, expanded opportunities for continuous learning and development, and improved internal communications.

## **Goal 2: Consumers and real estate professionals have the information and resources they need to participate effectively in real estate transactions**

### **Objective 2.1: Increase the availability of consumer resources to support informed real estate decisions**

#### **Key Highlights**

- RECBC received the 2020 Communications Award from the Association of Real Estate License Law Officials (“ARELLO”), an international association which recognizes exemplary leadership in real estate regulation, for the successful redesign of its website featuring clearer pathways to access consumer information, better wayfinding and labelling, improved content display and readability, and full mobile capability.
- To support real estate consumers during the COVID-19 pandemic, RECBC developed a new section of its website featuring information to explain the impacts of the pandemic on real estate transactions and services, helping real estate consumers to safely navigate the rapidly changing situation. RECBC issued advisory notices, press releases, consumer guides and videos during the course of 2020/21 focused on informing consumers about safe real estate practices.
- With significant increases in real estate market activity in 2021, RECBC in collaboration with OSRE launched a social media campaign to build awareness among British Columbians of the risks related to buying and selling in a competitive market and support consumers with accurate, up-to-date information, to help them make informed decisions.
- RECBC’s professional standards advisors answered 3,399 inquiries from consumers in 2020/21, providing information about the duties and obligations of real estate professionals. The professional standards advisors experienced a significant rise in volume of inquiries from January through March, 2021.

Performance Measure(s)	2018/19 Baseline	2019/20 Actuals	2020/21 Target	2020/21 Actuals	2021/22 Target	2022/23 Target
2.1 Percentage of consumers who feel informed and knowledgeable to participate effectively in a real estate transaction <sup>1</sup>	70%	N/A <sup>2</sup>	5% increase from prior results	75%	N/A <sup>3</sup>	Maintain or increase from prior results

<sup>1</sup> Data Source: Biennial consumer survey. Results are accurate within +/- 5%.

<sup>2</sup> Surveys are conducted in alternating years: there is no data to report for this period.

<sup>3</sup> Surveys are conducted in alternating years: there is no target identified for this period

## Discussion of Results

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. RECBC has invested in developing online information to help consumers build the skills and knowledge they need to make sound real estate decisions, and to support real estate professionals to gain and maintain the professional knowledge to provide a high level of service, and to providing one-on-one information and support for consumers through its Professionals Standards Advisors. RECBC’s experienced and knowledgeable advisors respond to hundreds of inquiries from members of the public each month.

In 2020/21 RECBC met its target for growth of consumer confidence, as measured through the results of its biennial survey of consumers who have recently conducted a real estate transaction or expect to conduct a real estate transaction in the near future. These results can be attributed, in part, to RECBC’s launch of consumer-focused resources and guidance regarding safe real estate practices during the COVID-19 pandemic, including strong recommendations issued collaboratively with OSRE and BCREA that real estate professionals halt open houses during the pandemic. These efforts, which gained media attention, resulted in increased engagement with RECBC’s redesigned website, featuring a consumer-focused design and emphasis on providing resources to support informed real estate decisions.

As the numbers of real estate transactions in B.C. increased steadily through the winter and spring of 2020/21, RECBC took action to inform consumers of risks and challenges, by initiating a social media campaign targeted at potential home-buyers and developing a new section of its website devoted to “hot market” consumer resources. RECBC will continue to monitor market trends and develop resources to address the needs of real estate consumers and help ensure that they have access to independent, unbiased information about real estate transactions.

## Objective 2.2: Increase the standard of education and resources provided to real estate professionals

## Key Highlights

- In response to the COVID-19 pandemic, RECBC transitioned all classroom sessions of mandatory continuing education courses and applied practice courses to virtual classrooms, assuming full responsibility for session administration and technical support for learners.
- RECBC was the recipient of two awards in 2020 from ARELLO, an association which recognizes organizations around the world for exemplary leadership in real estate regulation. RECBC received the Education Award for its innovative Anti-Money Laundering in Real Estate Course, and the Communications Award for its redesigned website featuring a Professional Knowledge Base, a searchable database of regulatory information to help inform real estate professionals in the field.
- As part of an ongoing focus on providing enhanced resources for managing brokers to support their duty to oversee the activities and services of the brokerage, RECBC introduced a bi-weekly newsletter for managing brokers, a monthly webinar series, and reserved sessions of continuing education courses exclusively for managing brokers to allow for more intensive discussion of brokerage and managing broker responsibilities.
- RECBC launched new interactive online guides for real estate professionals to promote compliance with regulatory requirements, including an animated scenario and automated flow diagram to assist real estate professionals to manage and mitigate potential conflict of interest situations. The guides, to the Agreement on Conflict of Interest Between Clients Form and the Disclosure of Risks Associated with Dual Agency Form, were developed in collaboration with OSRE.
- Collaborated with real estate regulators in other Canadian jurisdictions through the Real Estate Regulators of Canada on the development of a national competency framework for real estate practitioners to inform design of educational programs and examinations/assessments, manage performance and identify quality assurance, continuing competency, and professional development needs.

Performance Measure(s)	2018/19 Baseline	2019/20 Actuals	2020/21 Target	2020/21 Actuals	2021/22 Target	2022/23 Target
2.2a Percentage of managing brokers who agree that RECBC education prepares real estate professionals for competent and professional practice <sup>1</sup>	87%	N/A <sup>2</sup>	Maintain or increase from prior results	84%	N/A <sup>3</sup>	Maintain or increase from prior results

<sup>1</sup> Data Source: Biennial survey of managing brokers. Results are accurate within +/- 5%.

<sup>2</sup> As surveys are conducted in alternating years, there is no data to report for this period.

<sup>3</sup> As surveys are conducted in alternating years, there is no target identified for this period.

## Discussion of Results

Managing brokers have attained a higher level of licensing, must be experienced practitioners, and are responsible for oversight of all real estate professionals at a real estate brokerage. They



are thus well positioned to assess the competency of real estate professionals under their supervision. While changes to the performance measure in 2020/21 are not statistically significant given that survey results are accurate within +/-5%, the slight decline in levels of agreement among managing brokers regarding continuing education may be related to the perceived impacts of the transition to virtual classrooms during the COVID-19 pandemic. RECBC's course design and delivery follows leading best practices for virtual learning and maintains identified learning outcomes for continuing education courses.

### **Goal 3: Ensuring public confidence in real estate regulation**

#### **Objective 3.1: Raise awareness of RECBC's mandate and strengthen relationships with stakeholders.**

In collaboration with OSRE, BCFSa and others, RECBC has engaged with its stakeholders including industry, government, and the public, to strengthen awareness of the role of the regulator of licensed real estate professionals and to help ensure that there is a strong foundation for the establishment of the single regulator of financial services including real estate.

#### **Key Highlights**

- Through effective collaboration with key stakeholders and government partners, including the British Columbia Real Estate Association, Office of the Superintendent of Real Estate, Professional Association of Managing Agents, LandlordBC, Condominium Home Owners Association of B.C., Residential Tenancy Branch, Real Estate Council of Alberta and WorkSafeBC, RECBC developed and published comprehensive recommendations and guidance to protect the health and safety of real estate professionals and the public in real estate transactions, rental property and strata management during the COVID-19 pandemic.
- In collaboration with OSRE, conducted a consultation on enhancing the regulation of real estate teams through potential regulatory improvements intended to provide greater clarity about the duties team members owe to their clients.
- Conducted a consultation on proposed changes to licensing fees, resulting in more than 1,100 responses, and demonstrating widespread industry understanding of the need to increase fees to sustain RECBC's oversight of the real estate sector.
- Engaged with stakeholders through RECBC Advisory Groups (including Trading Services Advisory Group, Strata Management Services Advisory Group, Education Advisory Group) to receive input from industry experts on proposed changes to practice standards, opportunities to improve RECBC service delivery, and track emerging regulatory issues.
- Awarded annual Real Estate Endowment Fund awards to business and real estate program students at UBC, SFU and BCIT who demonstrate good corporate citizenship, integrity, and ethics.

Performance Measure(s)	2017/18 Baseline	2019/20 Actuals	2020/21 Target	2020/21 Actuals	2021/22 Target	2022/23 Target
3.1 Percentage of recent real estate consumers who are aware of RECBC's mandate <sup>1</sup>	65%	N/A <sup>2</sup>	Maintain or increase from prior results	58%	N/A <sup>3</sup>	Maintain or increase from prior results

<sup>1</sup> Data Source: Biennial consumer survey. Results are accurate within +/- 5%.

<sup>2</sup> As surveys are conducted in alternating years, there is no data to report for this period.

<sup>3</sup> As surveys are conducted in alternating years, there is no target identified for this period.

## Discussion of Results

Strategies and activities planned for 2020/21 to build public awareness of RECBC's role and mandate and engage with stakeholders were curtailed due to the impending amalgamation of RECBC into BCFSA, as promoting brand recognition for RECBC would not be strategic. The COVID-19 pandemic caused further disruption to planned offline public engagement activities. As a result, a slight decline in awareness of RECBC among real estate consumers was noted.

**Objective 3.2: RECBC will work with OSRE, BCFSA and other partners to address market conduct and consumer risks**

**Key Highlights**

- In collaboration with OSRE, introduced expanded administrative penalty framework as an alternative to disciplinary action in appropriate cases to promote timely resolution while increasing the focus of resources on more complex cases.
- Launched Ethics for the Real Estate Professional, a mandatory continuing education course for all B.C. real estate professionals focusing on ethical decision-making in order to raise standards of conduct and reduce risk for consumers.
- Cooperated with British Columbia Real Estate Association and OSRE to strongly recommend that real estate professionals across B.C. do not hold open houses during the COVID-19 pandemic and follow safety protocols during showings and client interactions in order to protect the public and maintain confidence in the real estate industry.
- Developed and implemented social media campaigns for real estate consumers and professionals to build awareness of safe practices for real estate transactions to reduce the risk of COVID-19 transmission.
- Launched a new online complaint portal to reduce barriers for consumers in submitting complaints and anonymous tips, to ensure that conduct concerns are brought to the attention of the regulator in a timely way.

Performance Measure(s)	2017/18 Baseline	2019/20 Actuals	2020/21 Target	2020/21 Actuals	2021/22 Target	2022/23 Target
3.2 Number of people who access RECBC Advisory Notices online <sup>1</sup>	4,676	6,172	Maintain or increase from prior year	43,000	Maintain or increase from prior year	Maintain or increase from prior year

<sup>1</sup>Data Source: RECBC website analytics.

**Discussion of Results**

RECBC measures success through the number of visits to materials on our website alerting consumers and real estate professionals to emerging risks and providing guidance on ways to prevent or reduce the likelihood of harm.

The significant increase in access to online consumer materials in 2020/21 is related to the launch of the new RECBC website, to the ongoing publication throughout the year of numerous resources on safe real estate practices during the COVID-19 pandemic, and to social media campaigns undertaken to help ensure this information reached consumers.

### Objective 3.3: Implement measures to strengthen enforcement of conduct requirements for real estate professionals and increase consumer protection

RECBC is committed to developing and implementing measures to strengthen enforcement and increase consumer protection. We have worked collaboratively with OSRE, BCFSa and others to ensure requirements relating to anti-money laundering for real estate professionals are appropriately implemented, to support the effectiveness of B.C.’s anti-money laundering regime.

#### Key Highlights

- In the spring of 2020, RECBC’s auditors deferred regular in-person brokerage audits due to restrictions on travel and to minimize the risks of transmission of COVID-19. Recognizing that the pandemic introduced new challenges and risks to brokerage operations, RECBC developed and launched an Audit Outreach Program designed to increase connections with brokerages during this unprecedented crisis. Contacts through the outreach programs provided opportunities to build awareness of best practices for brokerage policy and records management.
- During the COVID-19 pandemic, to facilitate the just, effective, and efficient determination of disciplinary, qualification and Special Compensation Fund matters, all proceedings were heard by audio or video conference, or in writing. RECBC developed Virtual Hearing Procedures to guide the new hearing processes.
- RECBC and OSRE collaborated on the development and implementation of changes to Administrative Monetary Penalties. Following a public consultation in 2020, an expanded Administrative Penalty framework was implemented February 2021. These changes are expected to significantly impact the application of penalties and enhance the regulator’s ability to resolve discipline matters more transparently and efficiently.
- In collaboration with FINTRAC and the Land Title Survey Authority, development of new Anti-Money Laundering Guidelines for real estate professionals, in anticipation of changes to the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* in June 2021 and the launch of the Land Owner Transparency Registry.
- Ongoing participation with federal and provincial Governments, FINTRAC, OSRE, BCFSa and other agencies to ensure real estate professionals comply with anti-money laundering requirements.

Performance Measure(s)	2019/20 Actuals	2020/21 Target	2020/21 Actuals	2021/22 Target	2022/23 Target
3.3 Percentage of audits that do not result in administrative penalties or disciplinary proceedings <sup>1</sup>	92%	Maintain or increase from prior year	98% <sup>2</sup>	Maintain or increase from prior year	Maintain or increase from prior year

<sup>1</sup>Data Source: RECBC audit tracking system.

<sup>2</sup>Includes Audit Outreach Program and virtual audits.

## **Discussion of Results**

RECBC measures the effectiveness of initiatives to increase compliance by brokerages through tracking the number of audits that do not result in administrative penalties or disciplinary proceedings against the brokerage. Between April 2020 through August 2020, 370 brokerages were contacted through the virtual Audit Outreach Program introduced to mitigate consumer risk and support effective brokerage operations during the COVID-19 pandemic. Beginning in September 2020, 51 virtual audits were conducted, with a revised risk assessment of the brokerages as a result of the data collected from the Audit Outreach Program. Five audits resulted in an Administrative Monetary Penalty being issued and three matters were forwarded to the legal department for further action, due to the serious nature of contraventions identified.

## Financial Report

For the auditor's report and audited financial statements, see Appendix C. These can also be found on the Real Estate Council of BC [website](#).

### Discussion of Results

RECBC does not receive taxpayer funding. Key activities described in this 2020/21 Annual Service Plan Report were primarily funded through licensing assessment fees which are gathered biennially from the more than 27,000 individuals and brokerages we licence and regulate.

A small portion of our revenue in 2020/21 was derived from enforcement sanctions and, as is required under the *Real Estate Services Act* was directed to the internally restricted Education Fund, which was used to support licensee and consumer engagement initiatives, including the development of the new consumer-focused website, updates to consumer disclosure forms, comprehensive review of regulatory practice guidance materials, course development costs, and instructor fees.

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

### Highlights

This discussion of financial position and results of operations of RECBC should be read in conjunction with our audited consolidated financial statements for the year ended March 31, 2021.

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 REEOIC, a government business entity controlled by RECBC. The impacts 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 \$39,917,895, an increase of \$6,229,271 over the previous year. This is comprised of \$38,108,505 for the operating surplus and a gain of \$1,809,390 for the remeasurement gains and losses as a result of the consolidation with REEOIC as at March 31, 2021.

Although not specifically identified on the consolidated statement of financial position, the RECBC accumulated surplus, without REEOIC, is \$8,737,031.

## Financial Summary

[ (\$000)]	2019/20 Actual	2020/21 Budget	2020/21 Actual	2020/21 Variance
<b>Revenue</b>				
Licence Fees <sup>1</sup>	1,069	1,156	1,078	(78)
Assessment Fees <sup>1</sup>	9,577	10,509	10,003	(506)
Course Fees <sup>2</sup>	3,613	8,586	7,461	(1,125)
Other Interest and Investment Income (net)	686	304	517	213
<b>Total Revenue</b>	<b>14,945</b>	<b>20,555</b>	<b>19,059</b>	<b>(1,496)</b>
<b>Expenses</b>				
Operational and Administration	12,016	13,529	13,953	424
Investigative	991	1,147	798	(349)
Other <sup>3</sup>	2,238	5,879	3,766	(2,113)
<b>Total Expenses<sup>4</sup></b>	<b>15,245</b>	<b>20,555</b>	<b>18,517</b>	<b>(2,038)</b>
<b>Net Income</b>	<b>(300)</b>	<b>-</b>	<b>542</b>	<b>542</b>
<b>Total [Liabilities/Debt]<sup>5</sup></b>	<b>1,863</b>	<b>700</b>	<b>2,607</b>	<b>1,907</b>
<b>Capital Expenditures<sup>4, 6</sup></b>	<b>1,556</b>	<b>2,169</b>	<b>765</b>	<b>(1,404)</b>
<b>Accumulated Surplus (Deficit) - RECBC</b>	<b>8,195</b>	<b>8,495</b>	<b>8,737</b>	<b>242</b>
<b>Accumulated Surplus (Deficit) - REEOIC<sup>7</sup></b>	<b>25,494</b>	<b>24,086</b>	<b>31,181</b>	<b>7,095</b>

**Note 1:** No change in fees.

**Note 2:** 2019/20 consists of \$3,076,000 for course fees and \$537,000 for return of surplus funds from BCREA. 2020/21 includes administration of mandatory continuing education course for the full year.

**Note 3:** Increase expenditures for mandatory continuing education course administration for the full year, salaries, rent, IT, and depreciation.

**Note 4:** During the year RECBC incurred \$498,210 of operating and capital expenditures in anticipation of the transition date for the integration which was reimbursed by BCFSFA.

**Note 5:** Increases due to deferred revenue for licence fees and assessments and education course fee revenue, staff vacation accruals and increase in accrued liabilities.

**Note 6:** Reduced investment in anticipation of integration with BCFSFA in summer 2021.

**Note 7:** Change to investment in Controlled Entity REEOIC.

**Note 8:** The above financial information was prepared based on current Generally Accepted Accounting Principles.

## **Variance and Trend Analysis**

RECBC does not receive taxpayer funding. Most of our revenue comes from licensing fees, education fees, and enforcement sanctions issued against real estate professionals 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. There were no changes to licensing and assessment fees in 2020/21, however a licence fee increase took effect April 1, 2021.

RECBC collects licensing fees for: first time licensing applications and relicensing applications for individuals, personal real estate corporations, brokerages, branches, and sole proprietors; licence transfers or reinstatement applications; changes of licence level or category; and name changes.

Licensing and assessment fee revenue varies according to real estate market conditions. Licensing fee revenue in 2020/21 was \$1,078,304.

### *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 continuing education courses, and remedial education courses. RECBC also received education fees for the Applied Practice Course and mandatory continuing education courses.

Education revenue varies according to real estate market conditions and the numbers of new entrants to the real estate industry. In 2020/21, a new mandatory continuing education course was introduced, the Ethics for Real Estate Professionals course, delivered by the Real Estate Division, Sauder School of Business. Education revenues in 2020/21 were \$7,460,554.

### *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 professionals and the general public about real estate transactions and the services to expect of licensed real estate professionals.

### *Total Operating Expenses*

Employee compensation accounts for approximately 59% of operating expenses. RECBC competes for staff with law, accounting, and audit firms, as well as with other regulators. Our compensation package includes performance-based salary increases administered in accordance with Public Sector Employers' Council guidelines.



We engage consultants when we need specialized services, primarily legal services in relation to prosecution of disciplinary matters. Other professional services costs in 2020/21 include technology consultants, HR recruitment fees and hearing transcription services.

Our offices are in downtown Vancouver. Our 19,000 square feet of office space has a lease cost of approximately \$28/sq. ft for 2020/21.

### **Risks and Uncertainties**

RECBC maintains a business continuity plan to restore critical functions promptly in the event of a disaster or business disruptions.

Preparations for the planned amalgamation with OSRE and BCFSa in 2021 created additional demands on RECBC staff and required increased expenditures in consultancy fees. RECBC is taking steps to mitigate this by re-allocating staff resources and re-prioritizing initiatives in order to address requirements of the amalgamation.

Fee revenue is inherently uncertain and volatility in real estate markets can cause licensing and education revenues to fluctuate. RECBC maintains approximately four months operating expenses as unrestricted surplus to fund operations and maintains \$908,199 of operating surplus in internally restricted funds.

Revenue from enforcement sanctions cannot be predicted and budget forecast assumptions are based on the volume of discipline files in the legal department and previous year actuals.

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, 2021, the balance of unrealized gains for RECBC's investment in REEOIC, net of income taxes, was \$3,149,966.

## **Appendix A: Additional Information**

### **Organizational Overview**

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

<https://www.recbc.ca/about-us>

This includes links to information about:

- RECBC's mandate
- Core business areas and goals

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

<https://www.recbc.ca/public-protection/legislation-policies>

### **Corporate Governance**

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

<https://www.recbc.ca/about-us/governance>

### **Contact Information**

Real Estate Council of BC  
Suite 900 – 750 West Pender Street  
Vancouver, B.C.  
V6C 2T8

Phone: 604-683-9664 | 1-877-683-9664 | Email: [info@recbc.ca](mailto:info@recbc.ca) | Website: [www.recbc.ca](http://www.recbc.ca)

## **Appendix C: Auditor's Report and Audited Financial Statements**

# Consolidated Financial Statements

Real Estate Council of British Columbia

March 31, 2021

# Contents

## **Management's Report**

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## 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:



Elain Duvall  
Chair



Erin Seeley  
Chief Executive Officer

# Independent Auditor's Report

To the [Real Estate Council of British Columbia](#)

To the Ministry of Finance:

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**Grant Thornton LLP**  
Suite 1600  
333 Seymour Street  
Vancouver, BC  
V6B 0A4  
T +1 604 687 2711  
F +1 604 685 6569

## 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, 2021, 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, 2021, 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 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 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 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within RECBC to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.



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.

**Emphasis of matter**

We draw attention to Note 1 of the consolidated financial statements, which describes the amalgamation of RECBC into the BC Financial Services Authority to occur subsequent to year-end, after the date of this audit report. Our opinion is not modified in respect of this matter.

*Grant Thornton LLP*

Chartered Professional Accountants

Vancouver, Canada  
May 17, 2021

Real Estate Council of British Columbia  
**Consolidated Statement of Financial Position**

March 31

2021

2020

<b>Financial assets</b>		
Cash and cash equivalents	\$ 7,083,187	\$ 5,719,516
Investments (Note 3)	946,876	1,246,876
Investment in government business enterprise (Note 4)	31,180,864	25,493,902
Accounts and accrued interest receivable	716,758	336,937
	<u>39,927,685</u>	<u>32,797,231</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities (Note 5)	1,320,200	905,934
Deferred revenue	1,286,425	775,958
Deferred contributions - Education (Note 6)	-	180,705
	<u>2,606,625</u>	<u>1,862,597</u>
<b>Net financial assets</b>	<u>37,321,060</u>	<u>30,934,634</u>
<b>Non-financial assets</b>		
Prepaid expenses	242,792	322,270
Tangible capital assets (Note 7)	2,354,043	2,431,720
	<u>2,596,835</u>	<u>2,753,990</u>
<b>Accumulated surplus</b>	<u>\$ 39,917,895</u>	<u>\$ 33,688,624</u>
<b>Accumulated surplus is comprised of:</b>		
Accumulated operating surplus	\$ 38,108,505	\$ 34,416,230
Accumulated remeasurement gains (losses)	1,809,390	(727,606)
	<u>\$ 39,917,895</u>	<u>\$ 33,688,624</u>

Commitments and contingency (Note 9)  
 Impact of COVID-19 (Note 15)

On behalf of RECBC

\_\_\_\_\_ Chair

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

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

	2021 Budget	Year ended March 31, 2021	Year ended March 31, 2020
Revenue			
Licensing	\$ 1,156,202	\$ 1,078,304	\$ 1,069,152
Assessments	10,509,437	10,003,313	9,576,586
Return of Surplus Funds from BCREA	-	-	537,642
Course fees	8,586,275	7,460,554	3,075,786
Discipline penalties (Note 6)	400,000	465,245	499,431
Investment income and other	(96,479)	52,018	186,698
	<u>20,555,435</u>	<u>19,059,434</u>	<u>14,945,295</u>
Expenses (Note 14)			
Administrative expenses	13,529,325	13,953,227	12,015,540
Investigation expenses	1,147,000	797,994	991,371
Other expenses	5,879,110	3,765,904	2,238,311
	<u>20,555,435</u>	<u>18,517,125</u>	<u>15,245,222</u>
Excess (deficiency) of revenue over expenses	<u>\$ -</u>	<u>542,309</u>	<u>(299,927)</u>
Income from government business enterprise (Note 4)		<u>3,149,966</u>	<u>4,048,737</u>
Operating surplus		<u>3,692,275</u>	<u>3,748,810</u>
Accumulated operating surplus, beginning of year		<u>34,416,230</u>	<u>30,667,420</u>
Accumulated operating surplus, end of year		<u>\$ 38,108,505</u>	<u>\$ 34,416,230</u>

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Real Estate Council of British Columbia  
**Consolidated Statement of Remeasurement Gains**

	Year ended March 31, 2021	Year ended March 31, 2020
Accumulated remeasurement (losses) gains, beginning of year	\$ (727,606)	\$ 698,662
Other comprehensive income (loss) from government business enterprise (Note 4)	<u>2,536,996</u>	<u>(1,426,268)</u>
Accumulated remeasurement gains (losses), end of year	<u>\$ 1,809,390</u>	<u>\$ (727,606)</u>

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

	2021 Budget	Year ended March 31, 2021	Year ended March 31, 2020
Operating surplus	\$ -	\$ 3,692,275	\$ 3,748,810
Additions to tangible capital assets	(2,169,000)	(765,051)	(1,555,678)
Amortization of tangible capital assets	574,000	842,728	518,533
Change in prepaid expenses	-	79,478	(88,324)
Net remeasurement gains (loss)	-	<u>2,536,996</u>	<u>(1,426,268)</u>
Increase in net financial assets	<u>\$ (1,595,000)</u>	6,386,426	1,197,073
Net financial assets, beginning of year		<u>30,934,634</u>	<u>29,737,561</u>
Net financial assets, end of year		<u>\$ 37,321,060</u>	<u>\$ 30,934,634</u>

# Real Estate Council of British Columbia

## Consolidated Statement of Cash Flows

	Year ended March 31, 2021	Year ended March 31, 2020
Cash derived from (applied to)		
<b>Operating activities</b>		
Operating surplus	\$ 3,692,275	\$ 3,748,810
Adjustments for items not affecting cash		
Amortization of tangible capital assets	842,728	518,533
Income from government business enterprise	<u>(3,149,966)</u>	<u>(4,048,737)</u>
	1,385,037	218,606
Changes in non-cash working capital items		
Accounts and accrued interest receivable	(379,821)	(50,312)
Prepaid expenses	79,478	(88,324)
Accounts payable and accrued liabilities	414,266	516,677
Deferred revenue	510,467	568,658
Deferred contributions - Education	<u>(180,705)</u>	<u>(194,531)</u>
	<u>1,828,722</u>	<u>970,774</u>
<b>Investing activities</b>		
Purchase of investments	300,000	-
Purchase of tangible capital assets	<u>(765,051)</u>	<u>(1,555,678)</u>
	<u>(465,051)</u>	<u>(1,555,678)</u>
Net increase (decrease) in cash	1,363,671	(584,904)
Cash and cash equivalents, beginning of year	<u>5,719,516</u>	<u>6,304,420</u>
Cash and cash equivalents, end of year	<u>\$ 7,083,187</u>	<u>\$ 5,719,516</u>

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# Real Estate Council of British Columbia

## Notes to the Consolidated Financial Statements

March 31, 2021

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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.

In November 2019, the Minister of Finance announced that RECBC and the Office of the Superintendent of Real Estate (“OSRE”) would be combined with the BC Financial Services Authority (BCFSA). The date when RECBC and OSRE transition to BCFSA (the “Transition Date”) will depend on when the required legislative amendments come into force, but it is anticipated to occur in the fiscal year ending March 31, 2022. On the Transition Date, the assets, liabilities, regulatory authorities, and related operational responsibilities of RECBC and OSRE will transfer to BCFSA, and OSRE and RECBC, in their current forms, will both cease to exist. Lawsuits and legal proceedings for or against RECBC will be transferred to BCFSA and all RECBC assets and liabilities will be transferred to BCFSA at no cost. Costs related to the transition and restructuring are being borne by BCFSA.

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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, 2021, the balance of trust net assets was \$19,666,010 (2020 - \$17,598,289). The RECFC’s transactions RECBC are disclosed in Note 12.

## **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**



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Real Estate Council of British Columbia  
Notes to the Consolidated Financial Statements  
March 31, 2021

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Cash and cash equivalents include 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.

**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:

Website development	2 years
Education platform	4 years
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.

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**3. Investments**

	<u>2021</u>	<u>2020</u>
GICs at 1.90% to 2.91% (2020: 1.90% to 2.91%) maturing between June 14, 2021 and February 16, 2023	<b>\$ 946,876</b>	<b>\$ 1,246,876</b>

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**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:

<b>Statement of financial position</b>	<u>2021</u>	<u>2020</u>
Total assets	\$ 71,025,852	\$ 64,674,311
Total liabilities	39,844,988	39,180,409
Equity	31,180,864	25,493,902
<b>Statement of operations</b>	<u>Year ended March 31, 2021</u>	<u>Year ended March 31, 2020</u>
Revenue	\$ 11,217,037	\$ 10,840,373
Expenses	(8,745,165)	(7,493,106)
Other income	1,785,844	2,078,751
Earnings before income taxes	4,257,716	5,426,018
Income tax expense	1,107,750	1,377,281
Net earnings	3,149,966	4,048,737
Other comprehensive income (loss)	2,536,996	(1,426,268)
Net earnings and other comprehensive income	<u>\$ 5,686,962</u>	<u>\$ 2,622,469</u>

In fiscal 2021, RECBC charged a fee of \$84,345 (2020 - \$83,045) to REEOIC with respect to fees collected on REEOIC's behalf and cost recoveries of \$203,248 (2020 - \$194,712) to REEOIC with respect to credit card fees incurred.

Total liabilities include \$8,375 (2020 - \$5,965) payable to the RECBC.

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**5. Accounts payable and accrued liabilities**

Included in accounts payable and accrued liabilities are government remittances of \$ 56,508 (2020 - \$1,376).

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**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.

The restricted contributions related to discipline penalties are as follows:

	<u>2021</u>	<u>2020</u>
Balance, beginning of year	\$ 180,705	\$ 375,236
Discipline penalties received	284,540	304,900
Expenditures	<u>(465,245)</u>	<u>(499,431)</u>
Balance, end of year	<u>\$ -</u>	<u>\$ 180,705</u>

**7. Tangible capital assets**

	<u>Computer Equipment</u>	<u>Office Equipment</u>	<u>Leasehold Improvements</u>	<u>Website Development</u>	<u>Education Platform</u>	<u>Total</u>
Cost						
Balance, March 31, 2020	\$ 982,713	\$ 839,208	\$ 761,511	\$ 269,703	\$ 544,552	\$ 3,397,687
Additions	298,724	37,179	209,680	5,145	214,323	765,051
<b>Balance, March 31, 2021</b>	<b>1,281,437</b>	<b>876,387</b>	<b>971,191</b>	<b>274,848</b>	<b>758,875</b>	<b>4,162,738</b>
Accumulated depreciation						
Balance, March 31, 2020	404,922	264,398	138,462	67,426	90,759	965,967
Depreciation	256,756	163,218	69,394	136,138	217,222	842,728
<b>Balance, March 31, 2021</b>	<b>661,678</b>	<b>427,616</b>	<b>207,856</b>	<b>203,564</b>	<b>307,981</b>	<b>1,808,695</b>
Carrying amount, March 31, 2020	577,791	574,810	623,049	202,277	453,793	2,431,720
<b>Carrying amount, March 31, 2021</b>	<b>\$ 619,759</b>	<b>\$ 448,771</b>	<b>\$ 763,335</b>	<b>\$ 71,284</b>	<b>\$ 450,894</b>	<b>\$ 2,354,043</b>

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**8. Accumulated operating surplus**

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

	Balance, beginning of year	Operating surplus	Transfers	Balance, end of year
Internally restricted				
Technology fund (a)	\$ 457,218	\$ -	\$ (457,218)	\$ -
Legal defence fund (general) (b)	457,218	-	(203,823)	<b>253,395</b>
Legal defence fund (special compensation fund) (b)	152,110	-	(1,116)	<b>150,994</b>
Enforcement fund (c)	508,109	-	(4,299)	<b>503,810</b>
Education fund (d)	854,088	-	(854,088)	-
Unrestricted	5,765,979	542,309	1,520,544	<b>7,828,832</b>
Government business enterprise	26,221,508	3,149,966	-	<b>29,371,474</b>
Total accumulated operating surplus	<u>\$ 34,416,230</u>	<u>\$ 3,692,275</u>	<u>\$ -</u>	<u>\$ 38,108,505</u>

During the year, the Council approved the drawdown of internally restricted funds to restore the unrestricted fund to a position of four months budgeted operating expenses.

**(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**

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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.

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**9. Commitments and contingency**

- (a) RECBC has lease commitments for the office premises it occupies and has entered into an office space agreement with BCFSA to be reimbursed for lease related costs incurred on their behalf. Base rent is estimated as follows:

	<u>Total costs</u>	<u>To be reimbursed</u>	<u>Net costs</u>
2022	\$ 1,024,769	\$ 512,092	\$ 512,677
2023	1,057,471	531,000	526,471
2024	1,090,173	549,908	540,265
2025	1,127,602	573,543	554,059
2026	1,170,546	602,693	567,853
Thereafter	<u>9,667,301</u>	<u>4,970,444</u>	<u>4,696,857</u>
	<u>\$ 15,137,862</u>	<u>\$ 7,739,680</u>	<u>\$ 7,398,182</u>

In addition to base rent, RECBC is responsible for paying its 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, 2021, the financial assets measured at amortized cost totalled \$8,746,821 (2020 – \$7,303,329).

At March 31, 2021, the financial liabilities measured at amortized cost totalled \$1,320,200 (2020 - \$905,934).

**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, 2021.

**Currency risk**

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

## 10. Financial instruments (continued)

### 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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## 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 2021, RECBC charged a fee of \$13,210 (2020 - \$10,975) 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 2021, the RECFC has a payable to RECBC of \$4,785 (2020 - \$1,515).

During the year, RECBC collected licence fees of \$3,244,183 (2020 - \$3,207,476) 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.

During the year, RECBC incurred \$498,210 (2020 - \$Nil) of operating and capital expenditures in anticipation of the transition date for the integration project which was reimbursed by BCFSFA.

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## 13. Pension plan

To December 31, 2019, RECBC contributed to a defined contribution pension plan administered by Sun Life Financial for all staff that have been employed for more than 1 year. RECBC contributed 7% of regular staff salaries to the plan on a monthly basis. RECBC expense for the 2021 fiscal period was \$Nil (2020 - \$231,710). The final contributions to this plan were up to December 31, 2019.



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Beginning January 1, 2020, RECBC and its employees started contributing to the Public Service Pension Plan, which is a multiemployer jointly trustee plan. The plan is a defined benefit plan, providing pension on retirement based on the member's age of retirement, length of service and highest earnings averaged over five years. The board of trustees of the plan represents plan members and employers and is responsible for the management of the plan including investment of the assets and administration of the plan.

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**13 Pension plan (continued)**

The most recent actuarial valuation for the Public Service Pension Plan as at March 31, 2020 indicated a \$2,667 million funding surplus for basic pension benefits.

The plan is accounted for as a defined contribution plan. RECBC contributes 9.85% of regular staff salaries to the plan. During the year RECBC paid \$773,104 (2020 - \$164,870).

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**14. Expenses by object**

	<u>Year ended</u> <u>March 31, 2021</u>	<u>Year ended</u> <u>March 31, 2020</u>
Amortization of tangible capital assets	\$ 842,728	\$ 518,533
Conference	(1,804)	35,756
Contracted services	33,622	-
Council members honorariums/committee meeting fees	142,934	162,350
Court reporter services	38,989	-
Dues, subscriptions and publications	103,325	121,231
Education programs	2,720,031	1,235,906
Education/research grants awarded	123,016	99,175
Electronic communication	686,429	625,709
Equipment maintenance	65,598	73,928
Forensic investigation/receiverships	18,065	11,421
Insurance	16,881	13,869
Media and public relations	82,392	97,368
Office rent and operating costs, net	1,012,912	943,151
Postage, mailing and delivery	59,993	48,102
Printing and stationery	52,515	118,436
Professional services	1,251,398	1,571,032
Salaries	10,938,990	9,099,487
Spot audits	(5,876)	42,763
Telephone	93,187	86,567
Travel and accommodation	37,260	130,350
Travel and hearing recovery	(58,701)	(43,250)
Visa and bank charges	263,241	253,338
	<u>\$ 18,517,125</u>	<u>\$ 15,245,222</u>

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**15. Impact of COVID-19**

On March 11, 2020 the COVID-19 outbreak was declared a pandemic by the World Health Organization. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and our operations are not known at this time. These impacts could include potential future decreases in revenue and the value of investments held by RECBC's controlled government business enterprise. Management is closely monitoring the evolving situation and taking measures to mitigate potential negative impacts to RECBC.

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