

Annual Report 2008

Celebrating 50 Years of Service



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Irwin Davis



Dermot Murphy

In Memoriam

Since our last Annual Report, the Council is saddened to report the passing of two of its former Executive Officers, Irwin Davis and Dermot Murphy.

On August 15, 2008, Irwin Davis, the Council's first Secretary, passed away. Irwin served from 1958 until 1964. Upon retiring from the Council, Irwin moved to the Faculty of Commerce and Business Administration at UBC, where he served for 20 years as a law instructor and Associate Professor.

On February 26, 2008, Dermot Murphy, the Council's second Executive Officer, passed away after a short illness. Dermot served the Council as Assistant Secretary and then Secretary for 36 years until his retirement in June, 1995.

Both of these fine gentlemen had a substantial impact on the real estate industry in BC and will be deeply missed by the many people whose lives they touched.

Council Mandate

The Real Estate Council of British Columbia is a regulatory agency established by the 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 Council is responsible for licensing real estate representatives, brokers and brokerages engaged in real estate sales, rental and strata property management. The Council also enforces entry qualifications, investigates complaints against licensees and imposes disciplinary sanctions under the Act.

Within its terms of reference, the Council is responsible for ensuring that the interests of consumers who use the services of real estate licensees are adequately protected against wrongful actions by the licensees. A wrongful action may be deliberate or may be the consequence of inadequate exercise of reasonable judgment by a licensee in carrying out the normal duties and responsibilities as a licensee while acting for the parties involved in the transaction.

The Council is also responsible for determining what is appropriate education in real estate matters for individuals seeking to be licensed as real estate practitioners and arranging for licensing courses and examinations as part of the qualification requirement for licensing. Under the authority of the Council, licensing courses are conducted by the University of British Columbia's Sauder School of Business, Real Estate Division, Vancouver.

The first Council was appointed in 1958. The effectiveness of the Council and recognition of its mature discharging of its responsibilities is evidenced by the fact that for over 50 years, successive governments have not considered altering the Council's considerable powers but have, instead, broadened its role and delegated additional responsibilities to the Council.

On January 1, 2005, the *Real Estate Services Act* replaced the former Real Estate Act. The *Real Estate Services Act* significantly expands the regulatory authority and disciplinary powers of the Real Estate Council. On January 1, 2006, the licensing requirement for strata managers took effect in the province and requires anyone who provides strata management services to a strata corporation to be licensed under the *Real Estate Services Act*. On January 1, 2007, the Council introduced a Relicensing Education Program (REP) that requires licensees to complete education courses during the licensees' two-year licence period as a condition of continued licensing.

Mission

The Real Estate Council of British Columbia protects the public interest by assuring the competency of real estate licensees in B.C. and ensuring their compliance with the *Real Estate Services Act*. The Council is accountable to and advises government on industry issues and encourages public confidence by impartially setting and enforcing standards of conduct, education, competency and licensing for real estate licensees in the province.

Vision

The Real Estate Council of British Columbia will create a self-regulated industry that is recognized as a leader in industry integrity, innovation and viability in North America.

Celebrating 50 Years of Service!



The Honourable Colin Hansen
Minister of Finance
Province of British Columbia
Parliament Buildings
Victoria

Dear Minister Hansen:

Congratulations to you on your appointment as Minister of Finance.

On behalf of the Real Estate Council of British Columbia, I am pleased to enclose a copy of our Annual Report for the year ending June 30, 2008.

2008 marks the 50th Anniversary of the formation of the Real Estate Council and the appointment of Herbert R. Fullerton as its first Chair. Since that time, both the industry and the Council have undergone many significant changes. As you know, the enactment of the *Real Estate Services Act* in 2005 substantially increased the Council's regulatory authority and the Council appreciates the level of confidence that it has been shown by the government.

On June 30 my term as Council's Chair ended, as did my role as one of the three managing broker members for the County of Vancouver. The enactment of RESA, the formation of the Special Compensation Corporation, the licensing of strata managers and the introduction of

the Council's Relicensing Education Program are some of the changes that have occurred during my tenure on Council. I have thoroughly enjoyed the opportunity of serving on the Council over the past eight years, and it has been the highlight of my service career in the real estate industry.

On behalf of Council members and staff, my sincere thanks to former Minister Taylor and the staff at the Financial and Corporate Sector Policy Branch for all of their assistance over the past year.

Yours truly,

A handwritten signature in blue ink that reads "S.T. Sidhu". The signature is fluid and cursive.

Satnam T. Sidhu
CHAIR

Looking Forward to the Next 50 Years



This year marks the 50th anniversary of the formation of the Real Estate Council. In reviewing where we are at, it is gratifying to see the progress that has been made, both at the Council and industry level. Over the years, successive governments have delegated more regulatory responsibility to the Council, which culminated in the Council becoming a self-regulating organization with the introduction of the *Real Estate Services Act* in 2005.

There are many individuals and organizations who have contributed to this positive move of making the Council a self-regulating organization. They include both past and present Council members and staff; volunteers on the Council's committees and task forces; forward-looking staff in the Financial and Corporate Sector Policy Branch of the Ministry of Finance; the Office of the Superintendent of Real Estate; our education specialists at the Sauder School of Business at the University of British Columbia; and a supportive industry, including its affiliated associations, such as the British Columbia Real Estate Association and its member boards, the Professional Association of Managing Agents, and the Strata Property Agents of BC.

We can also be proud of the fact that, in British Columbia, we have a comprehensive and mandatory real estate errors and omissions insurance program, one of the highest funded special compensation funds, a real estate foundation involved in public good works, and a licensing education program, which in my estimation is one of the best on the continent. In addition, we have just completed the implementation of the licensing of strata property managers, the first year and a half of the mandatory Relicensing Education Program and anticipate the licensing

of personal real estate corporations in 2009. Looking ahead to the next 50 years, the Council will have to continue to evolve at an extremely high level in order to deal effectively with the challenges of regulating in this increasingly complex world.

You will note from the statistics contained in this report that our 50th anniversary year was also an extremely busy one. We experienced the highest number of individuals ever licensed in British Columbia, as well as the most number of complaints, hearings, and consent orders. The recent change in market conditions will no doubt impact these statistics but, given the resources of the Council and the strong foundation of the real estate industry, I know we will meet the challenge.

My thanks to Chair Satnam Sidhu, Vice-Chair Judi Whyte, the other members of the Council, and our committee and task force volunteers for their service over the past year. I would also like to thank the Council's staff for all their positive contributions. Their commitment to the Council and drive to provide service excellence to both members of the public and to licensees is a credit to each and every one of them.

A handwritten signature in blue ink that reads "R O Fawcett". The signature is stylized and cursive.

Robert O. Fawcett
EXECUTIVE OFFICER

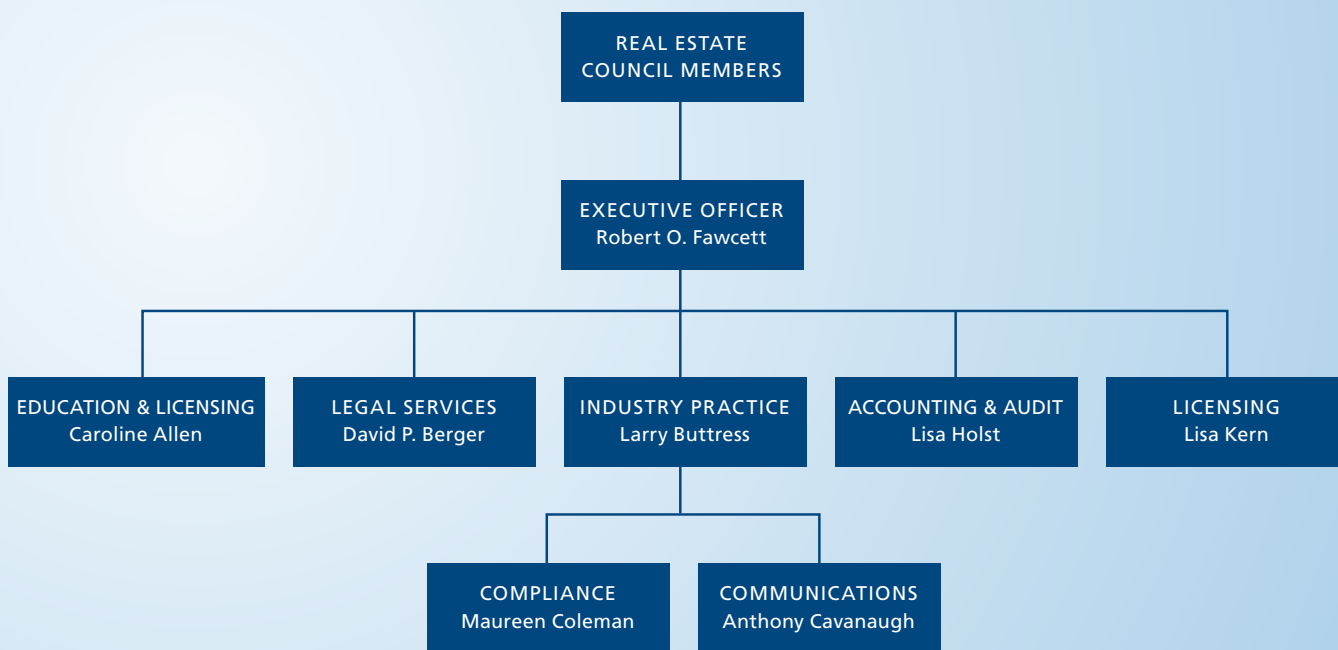
The Real Estate Council is comprised of appointed and elected representatives.

Council Members

There are 16 members of the Real Estate Council, including three members appointed by the provincial government. Thirteen members are chosen through an election process open to all real estate licensees in the province. The elected members are comprised of three representatives and nine brokers representing the various provincial counties. One individual is elected as the strata/rental property management member. Those elected have traditionally been individuals of broad experience who enjoy the professional respect of their fellow licensees. Members are elected for two-year terms, with half of the Council elected each year, thus ensuring continuity. A Chair and Vice-Chair are elected each year by the members.

Staff

Supporting the work of the members of the Council is an experienced professional staff. Based out of its offices in Vancouver, the Council employs 37 full and part-time staff members. Apart from administrative, licensing and education matters, their function includes investigations required in connection with disciplinary or complaint matters, as well as frequent checks on such aspects of real estate practice as the proper maintenance of trust accounts.



MEMBERS OF COUNCIL 2007/2008

Back row: Bryon Brandle, Danny Leung, Wayne Standlund, William Lim, John Finlayson, Gerry Martin, William Brown, Ramesh Rikhi, Jim McNeal, Robert Fawcett (Executive Officer)

Front row: Cynthia Chen, Ann Petrone, Judi Whyte (Vice-Chair), Satnam Sidhu (Chair), Rosemary Barnes, Liz Tutt

Missing from photo: Allan Corbett



Lieutenant Governor-in-Council Appointments

Name	Term Expires	Location
Danny Leung	June 30, 2008	Richmond
William Lim	June 30, 2008	Vancouver
Ramesh Rikhi	June 30, 2008	Summerland

Elected members

Name	Term Expires	Location
Judi Whyte	June 30, 2009	County of Vancouver Representative Member
Cynthia Chen	June 30, 2009	County of Vancouver Managing Broker Member
Allan Corbett	June 30, 2008	County of Vancouver Managing Broker Member
Satnam Sidhu	June 30, 2008	County of Vancouver Managing Broker Member
Wayne Strandlund	June 30, 2009	County of Victoria Managing Broker Member
Ann Petrone	June 30, 2008	Combined Counties of Victoria, Nanaimo, Yale, Kootenay, Cariboo and Prince Rupert Representative Member
John Finlayson	June 30, 2008	County of Nanaimo Managing Broker Member
Liz Tutt	June 30, 2009	County of Westminster (North and South) Representative Member
Rosemary Barnes	June 30, 2008	County of Westminster (North) Managing Broker Member
Gerry Martin	June 30, 2008	County of Westminster (South) Managing Broker Member
Bryon Brandle	June 30, 2009	County of Yale Managing Broker Member
Jim McNeal	June 30, 2009	Combined Counties of Kootenay, Cariboo and Prince Rupert Managing Broker Member
William Brown	June 30, 2009	Strata/Rental Property Management Member (All Counties)

The Real Estate Council is responsible for protecting the interests of consumers who use the services of real estate licensees.

Education

Licensing

Under the authority of the *Real Estate Services Act*, the Council is responsible for determining what is appropriate education for individuals seeking to be licensed as real estate practitioners, including real estate representatives, associate brokers and managing brokers engaged in real estate sales, rental and strata property management.

The administration of licensing courses has been delegated to the University of British Columbia's Sauder School of Business, Real Estate Division, Vancouver.

In addition to establishing licensing guidelines and reviewing licensing courses, on a daily basis the Council considers a multitude of education and experience exemption requests from both licensees and members of the public.

Further Education

The Council regularly provides licensees with industry updates and related information in order that licensees may effectively carry out their duties. The Council accomplishes this through its Licensee Practice Manual, Office Practice Manual, Newsletters (Report from Council) and Practice Points Bulletins. This information is currently provided to licensees, both in hard copy and on the Council's licensee website where it is also archived for future reference.

The Council has taken on a substantial role in public education through the publication of various brochures, its public website, and its day-to-day handling of telephone, e-mail, and written inquiries from the public.

Relicensing Education Program

The Relicensing Education Program (REP) took effect on January 1, 2007 and requires licensees to complete education courses during the licensees' two-year licence period as a condition of continued licensing.

Licensing

The Council is responsible for all licensing procedures associated with both individuals and brokerages under the *Real Estate Services Act*. The Council administers a number of processes in connection with the issuance of licences, including the following:

- determining suitability for all licence applicants, including
 - conducting criminal record checks;
 - conducting credit history checks;
 - ensuring that each brokerage has a managing broker in place;
 - ensuring that brokerages maintain a proper place of business.

The Council issues licences in the following categories: Trading Services, Rental Property Management Services and Strata Management Services.

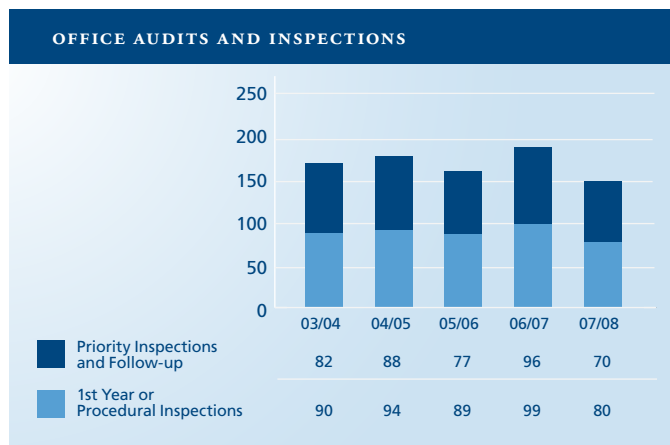
Compliance Processes

Office and Records Inspection Program

The Council has been performing office and records inspections since 1967. The mandate of the Council is to ensure that all licensed brokerages in the province have proper controls in place to protect trust monies at all times. The objective of an office and records inspection is to provide constructive feedback to the brokerage by identifying any deficiencies in the office and records as required by the *Real Estate Services Act*. The legislative authority which allows the Council to perform an office and records inspection is found in the *Real Estate Services Act*. The Act is very broad and allows auditors access to any documents which may relate to the brokerage's dealings as a licensee.

Office and records inspections are conducted on the following priority basis:

- a) as a result of complaints from consumers, licensees or the Superintendent of Real Estate;
- b) as a result of exceptions on Accountant's Reports;
- c) as a result of previous spot audit reports showing deficiencies;
- d) new brokerages involved in rental property management or strata management, followed by those engaged in trading services; and
- e) new branch offices that handle trust funds.



Disciplinary and Hearing Processes

Investigations of matters which involve possible contraventions of the *Real Estate Services Act*, Regulation or Rules, are also a responsibility of the Council.

There are several ways in which the Council's disciplinary procedures provided in the *Real Estate Services Act* may be initiated:

- a) a complaint may be submitted by a consumer, licensee or the Superintendent of Real Estate.
- b) the Council may also initiate an inquiry even where there is no complaint from a consumer. This could happen, for example, where the Council becomes aware of a court decision or news report which could indicate wrongdoing on the part of a licensee.

While the Council has the authority to issue licences, it also has the authority to:

- reprimand a licensee;
- suspend the licensee's licence for a period of time and/or until specified conditions are met;
- cancel the licensee's licence;
- impose restrictions or conditions on the licensee's licence, or vary any applicable restrictions or conditions;
- require the licensee to:
 - cease or carry out any specified activity related to the licensee's real estate business;
 - enroll in and complete a course of study or training;
 - pay for enforcement expenses incurred by the Council;
 - pay a disciplinary penalty in an amount of not more than \$20,000 in the case of a brokerage or former brokerage, or not more than \$10,000 in any other case.

The Council may also recover enforcement expenses in accordance with section 44 of the *Real Estate Services Act*.

Orders in Urgent Circumstances

If it is determined that a licensee may have acted in a way that could result in a disciplinary order, that the length of time it would take to make such an order would be detrimental to the public interest, and that it is in the public interest to make an order, a discipline committee may suspend a licensee's licence, impose restrictions or conditions on the licensee's licence, or require the licensee to cease or to carry out specified activities related to the licensee's real estate business. The *Real Estate Services Act* also provides the Council with the authority to freeze property if it considers such action to be in the public interest, e.g. where there is evidence that trust funds have been misappropriated.

It is important to note that the Council does not have the jurisdiction to adjudicate monetary or contract matters which come under the control of the civil courts. Anyone who seeks to deal with monetary or contract matters must pursue a civil remedy through legal proceedings.

Council Meetings and Decision Processes

Council members serve on a number of standing committees and several task forces. Various issues that arise at Council meetings, as well as matters brought forward by staff, are discussed at the committee/task force meetings. Staff provides research assistance, as well as makes recommendations where appropriate. Once a particular issue has been researched and a solution agreed upon, the matter is then brought forth to the Council as a whole. The Council will then discuss the issue and either ratify the recommendation, send it back to the committee/task force for further investigation or reject it. The Council generally meets eight times per year.

COMMITTEES

Committee Name

Authority

Responsibilities

Communications Committee

The purpose of the Committee is to effect the implementation of the Council's Communication Plan in order that the Council can communicate efficiently and effectively with stakeholders.

- to effect the implementation of the Council's Communications Plan;
- to effect the updating of the Council's printed materials;
- to effect the updating of the Council's website www.recbc.ca;
- to research and report on any miscellaneous topics referred by the Council.

Complaints Committee

The purpose of the Committee is to review complaint files referred to it by the Council staff. The Committee will decide whether the complaint file should be referred to a hearing, a letter of warning issued, or dismissed.

- may determine the number of times it must meet during the Council year and will report the disposition of complaint files to the Council;
- to review all complaint files referred to it;
- to ensure that complaints against licensees that may involve criminal conduct are forwarded to the Office of the Superintendent of Real Estate;
- to order hearings where a licensee commits professional misconduct or conduct unbecoming a licensee pursuant to section 35 of the *Real Estate Services Act*; or may not be suitable for licensing pursuant to section 10 of the *Real Estate Services Act*;
- to issue letters of warning for minor or technical contraventions of the *Real Estate Services Act* in which there has been no harm to consumers;
- to dismiss complaints where there is no evidence of a contravention of the *Real Estate Services Act* and to provide sufficient reasons to the complainant;
- when requested by staff, to review charges on their assigned files for which hearings have been ordered;
- to research and report on any miscellaneous topics referred by the Council.

Consent Order Review Committee

The purpose of the Committee is to review proposed Consent Orders submitted on behalf of licensees.

- to review proposed Consent Orders and either accept, vary or reject penalty recommendations;
- to ensure that Consent Orders result in fair and appropriate decisions.

Education and Licensing Committee

The purpose of the Committee is to consider and report on education exemptions and licensing requests.

- to consider and report on education and licensing requests referred from staff;
- to liaise with the Education Advisory Group to ensure that the Council is well informed with respect to pre and post licensing educational issues;
- to research and report on any amendments to legislation affecting education and licensing;
- to research and report on any miscellaneous topics referred by the Council.

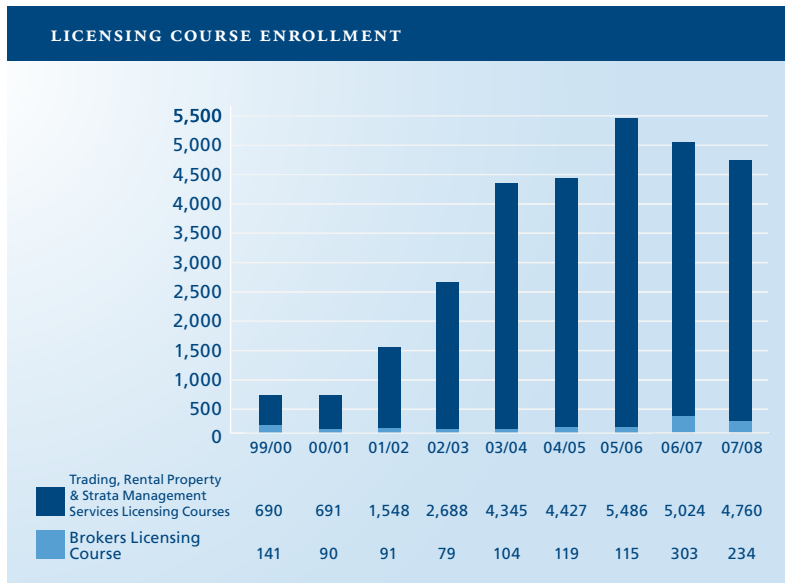
COMMITTEES, *continued*

Committee Name	Authority	Responsibilities
Governance and Management Committee	The purpose of the Committee is to identify education and training for Council and Committee members that will enhance leadership development within the organization, to attract qualified candidates to run for the elected positions on the Council and to assist the Council in meeting its fiduciary responsibilities.	<ul style="list-style-type: none"> • to identify and recommend education and training for Council and Committee members that enhance leadership development within the Council; • to attract qualified candidates to run for elected positions on the Council; • to review monthly financial statements; • to recommend the appointment of Council’s external auditors; • to review the audited financial statements with the Executive Officer and the auditors at the conclusion of the audit; • to review the auditor’s Management Letter and ensure that any recommendations are dealt with in an expeditious manner; • to recommend to the Council the acceptance of the auditor’s report and the financial statements; • to review any matters which fall outside the terms of reference/ charges to other committees.
Hearing Committees	The purpose of the Committee is to hear matters referred to it by the Complaints Committee or Council staff.	<ul style="list-style-type: none"> • pursuant to section 83 of the <i>Real Estate Services Act</i>, to conduct: <ul style="list-style-type: none"> • disciplinary hearings under Division 2 [Disciplinary Proceedings] of Part 4; • compensation hearings under Part 5 [Payments from Special Compensation Fund]; • any other hearings required or authorized to be conducted; • to render fair and appropriate decisions in a timely manner.
Industry Review Committee	The purpose of the Committee is to research and report on miscellaneous topics and legislation affecting real estate.	<ul style="list-style-type: none"> • to research and report on any amendments to legislation affecting real estate; • to research and report on any miscellaneous topics referred by the Council.
Property Management Committee	The purpose of the Committee is to liaise, research, and report on topics involving property management.	<ul style="list-style-type: none"> • to liaise with the Rental Property Management and Strata Management Advisory Group to ensure the Council is well informed with respect to property management issues; • to make recommendations with respect to the Rental Property Management and Strata Management Licensing Courses and the Rental Property Management and Strata Management Supplemental Courses; • to research and report on any amendments to legislation affecting rental property and strata management; • to research and report on any miscellaneous topics referred by the Council.
Real Estate Services Act Committee	The purpose of the Committee is to review any legislation, including rules, bylaws, and regulations.	<ul style="list-style-type: none"> • to review any legislation for comment at the request of the Financial and Corporate Sector Policy Branch; • when appropriate, to make recommendations for consideration by Council on any legislation.
Relicensing Education Program Committee	The purpose of the Committee is to liaise, research and report on the implementation of a Relicensing Education Program for licensees.	<ul style="list-style-type: none"> • to oversee and effect the implementation of the Relicensing Education Program (REP); • to liaise with the British Columbia Real Estate Association and its member boards/associations during the roll-out of REP.

The number of licensees in the province reached an all-time high of 20,264 individuals.

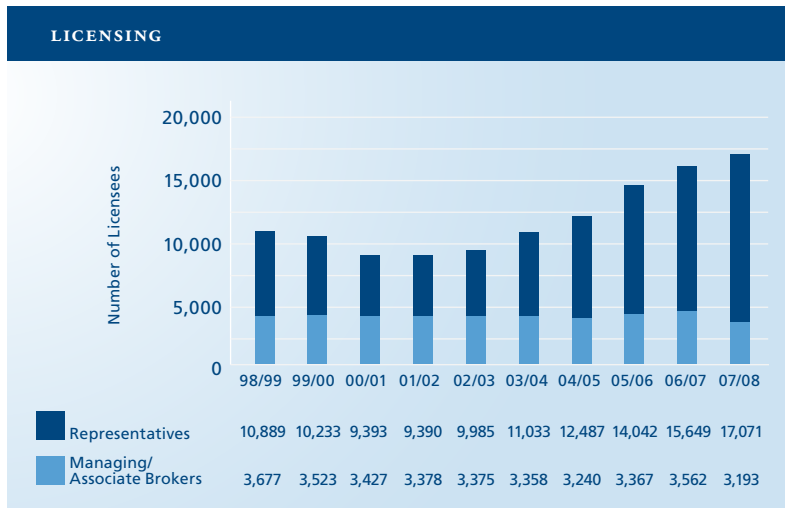
Education

For the second year in a row, enrollments in the licensing courses (Trading Services, Rental Property Management and Strata Management) decreased from the levels reached in 2005/06. This decrease is likely as a result of the reduction in the number of unit sales across the province.



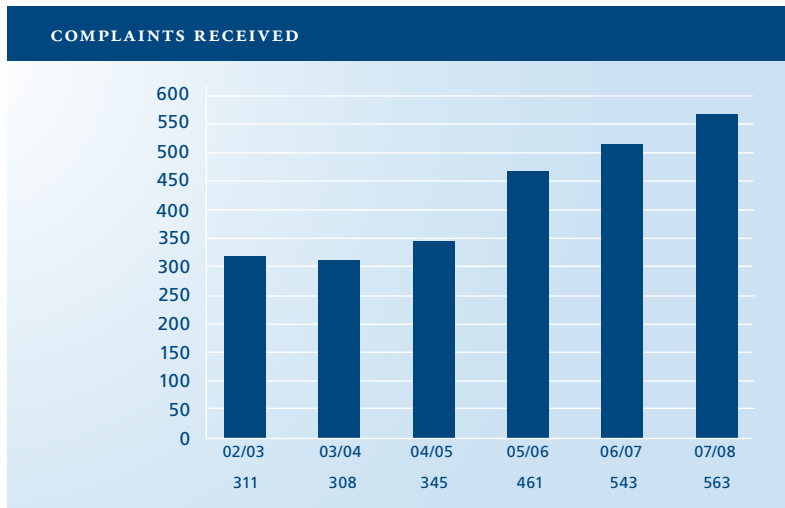
Licensing

The number of licensees in the province reached a new all-time high in May 2008 with 20,149 individuals, surpassing the previous all-time high of 20,143 reached in June of 1994. As of June 30th, the number of licensees was 20,264.



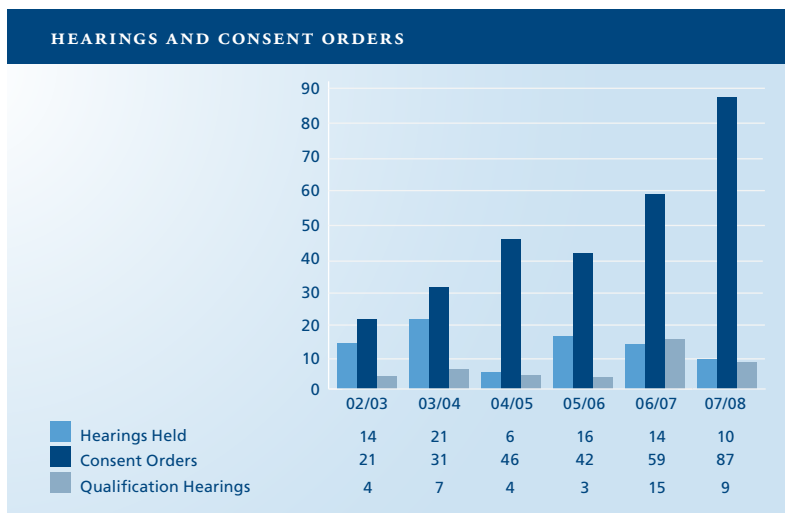
Complaints Received

As shown in the chart, the number of complaints received at the Council increased again this past year. The increase is due in part to the active real estate market over the past several years, as well as the Council's increased regulatory responsibilities with respect to strata manager licensing.



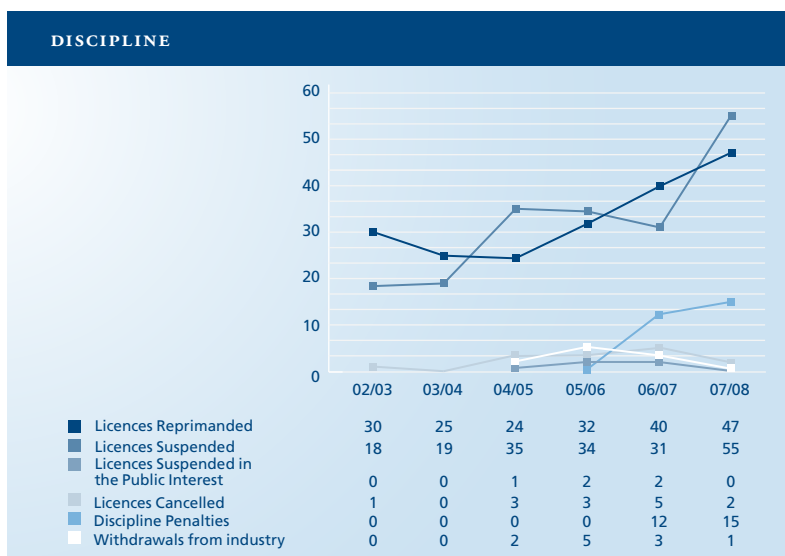
Hearings and Consent Orders

The number of Consent Orders entered into by the Council increased dramatically for the second year in a row. This increase is due in large part to the high number of complaint files received by the Council. Consent Orders avoid the necessity of a formal hearing and can save considerable time and expense.



Discipline

This chart reflects the penalties agreed to by Consent Order Review Committees and Hearing Committees over the past several years. The number of discipline penalties increased again this past year, reflecting the Council's commitment to ramp up the severity of the sanctions it imposes. In particular, the number of licence suspensions increased dramatically as compared with previous years. As reported last year, this chart shows the number of withdrawals from the industry and discipline penalties. Withdrawals from the industry occur in situations where an individual requests that the Real Estate Council discontinue disciplinary proceedings against them as they have decided to permanently retire from real estate practice. Discipline penalties may be levied pursuant to the *Real Estate Services Act* in amounts up to \$20,000.



The Real Estate Council has included the following audited financial statements in accordance with section 89 of RESA.

To the Members of the
Real Estate Council of British Columbia

We have audited the balance sheet of the **Real Estate Council of British Columbia** [the "Council"] as at June 30, 2008 and the statements of revenue and expenditures, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Council's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial

statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Council as at June 30, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Vancouver, Canada
August 15, 2008



Ernst & Young
CHARTERED ACCOUNTANTS

FINANCIAL REVIEW

Balance Sheet

as at June 30

	2008 \$	2007 \$
ASSETS		
Current		
Cash and cash equivalents	866,277	1,252,665
Short-term investments [Note 5]	580,147	383,899
Accounts and accrued interest receivable	88,472	98,580
Prepaid expenses	85,077	77,921
Total current assets	1,619,973	1,813,065
Long-term investments [Note 6]	1,573,444	1,281,568
Property and equipment, net [Note 7]	651,781	584,580
Total assets	3,845,198	3,679,213
LIABILITIES AND NET ASSETS		
Current		
Accounts payable and accrued liabilities	44,955	72,136
Unexpended capital contribution [Note 8]	57,870	57,870
Total current liabilities	102,825	130,006
Commitments and contingency [Note 10]		
Net assets		
Unrestricted	2,570,342	2,502,127
Internally restricted [Note 9]	400,000	400,000
Education fund [Note 9]	120,250	62,500
Investment in property and equipment	651,781	584,580
Total net assets	3,742,373	3,549,207
Total liabilities and net assets	3,845,198	3,679,213

See accompanying Notes

On behalf of the Council:



Judi A. Whyte
CHAIR



Robert O. Fawcett
EXECUTIVE OFFICER

Statement of Revenue and Expenditures

Year ended June 30

	2008 \$	2007 \$
REVENUE		
Licensing		
Gross licence fees collected	1,416,750	1,339,600
Less payable to Superintendent of Real Estate	708,375	669,800
Net fees collected	708,375	669,800
Assessments	3,970,625	3,758,325
Course fees	275,975	381,425
Interest and other investment income, net of expenses	41,664	19,482
Total revenue	4,996,639	4,829,032
OPERATING EXPENDITURES		
Administrative expenditures [Schedule 1]	3,029,389	2,631,688
Investigation expenditures [Schedule 2]	1,486,341	1,382,010
Other expenditures [Schedule 3]	340,425	304,374
Total operating expenditures	4,856,155	4,318,072
Excess of revenue over expenditures from operations	140,484	510,960
Other revenue		
Gain on disposal of property and equipment	1,952	—
Excess of revenue over expenditures for the year	142,436	510,960

See accompanying Notes

Statement of Changes in Net Assets

Year ended June 30

	2008				2007	
	Unrestricted Fund	Internally Restricted Fund	Education Fund	Investment in property and equipment	Total	Total
Net Assets, beginning of year	2,502,127	400,000	62,500	584,580	3,549,207	3,038,247
Investment adjustment from cost to market <i>[Note 2]</i>	(7,020)	—	—	—	(7,020)	—
Excess of revenue over expenditures for the year	374,390	—	—	(231,954)	142,436	510,960
Property and equipment purchases	(315,104)	—	—	315,104	—	—
Disposal of property and equipment	15,949	—	—	(15,949)	—	—
Contribution to Education Fund	—	—	57,750	—	57,750	—
Net assets, end of year	2,570,342	400,000	120,250	651,781	3,742,373	3,549,207

See accompanying Notes

Statement of Cash Flows

Year ended June 30

	2008 \$	2007 \$
OPERATING ACTIVITIES		
Excess of revenue over expenditures for the year	142,436	510,960
Add (deduct) for items not involving cash:		
Unrealized gain on investments	(27,506)	—
Gain on disposal of property and equipment	(1,952)	—
Amortization	231,954	240,153
Amortization of bond premium	—	15,447
	344,932	766,560
Changes in non-cash working capital balances related to operations:		
Accounts and accrued interest receivable	10,108	221,899
Prepaid expenses	(7,156)	(27,075)
Accounts payable and accrued liabilities	(27,181)	18,692
Cash provided by operating activities	320,703	980,076
INVESTING ACTIVITIES		
Purchase of short-term investments	(196,248)	(383,899)
Purchase of long-term investments	(271,390)	—
Net purchase of property and equipment	(297,203)	(416,808)
Contribution to Education Fund	57,750	28,250
Cash used in investing activities	(707,091)	(772,457)
Net increase (decrease) in cash during the year	(386,388)	207,619
Cash and cash equivalents, beginning of year	1,252,665	1,045,046
Cash and cash equivalents, end of year	866,277	1,252,665

See accompanying Notes

Notes to the Financial Statements

June 30, 2008

1. Nature of Operations

The Real Estate Council [the “Council”] is a regulatory agency established by the 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”].

The Council is responsible for licensing individuals and brokerages engaged in real estate sales, rental and strata property management. The Council 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), the Council qualifies as a non-profit organization and will, accordingly, be exempt from income taxes.

2. Change in Accounting Policy

Effective July 1, 2007, the Council adopted the Canadian Institute of Chartered Accountants’ Handbook [“CICA HB”] Section 3855, *Financial Instruments—Recognition and Measurement*, and changed the method by which investments are recorded from the cost method to the fair market value method. The Council designated all of its investments as held-for-trading, and carries them at fair value. This change has been applied prospectively and a change in unrealized gain on investments of \$27,506 has been recorded in the current year as interest and other investment income to reflect this change. The portion of the unrealized loss that arose as of July 1, 2007 on application of the CICA HB Section 3855 was \$7,020 and has been recorded in the statement of changes in net assets.

3. Significant Accounting Policies

Cash and cash equivalents

Cash and cash equivalents includes all balances held at banks excluding 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.

Long-term investments

Effective July 1, 2007, long-term investments are classified as held-for-trading and are recorded at fair value. The fair values of the long-term investments are determined as follows: fixed income securities and equity securities are valued at year end quoted market bid prices. Investment income, which consists of interest and realized and unrealized gains and losses, is recorded as revenue in the statement of revenue and expenditures. Transaction costs are expensed as incurred.

Property and equipment

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

Computer equipment	Three years
Office equipment	Five years
Automotive equipment	Six years
Leasehold improvements	Term of the lease plus one renewal period, being ten years

Revenue recognition

The Council collects licence and assessment fees for a 2-year period in advance. These fees are recognized as income in the period received because the Council has no continuing obligations with respect to the fees and does not refund licence and assessment fees.

Notes, *continued*

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles 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.

Leases

All leases are accounted for as operating leases and are charged to the statement of revenue and expenditures as incurred.

4. Financial Instruments

Effective July 1, 2007, the Council adopted the recommendations of CICA HB 3861: *Financial Instruments—Disclosure and Presentation*. The adoption of 3861 did not impact the financial statements in the prior or current year.

The Council's financial instruments consist of cash and cash equivalents, short-term investments, accounts and accrued interest receivable, long-term investments and accounts payable and accrued liabilities. It is management's opinion that the Council is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximate their carrying values, unless otherwise noted.

5. Short-term Investments

The Council's short-term investment portfolio is composed of term deposits in the amount of \$580,147 [2007 – \$383,899] with maturity dates of August 5, 2008 and bear interest at a rate of 4.28% [2007 – 3.95%].

6. Long-term Investments

The Council's long-term investment portfolio is composed as follows: government bonds in the amount of \$575,918 stated at fair market value [2007 – \$1,281,568; stated at cost], with maturity dates ranging from June 1, 2009 – December 1, 2011 and bear interest at rates ranging between 4.0% – 6.5% [2007 – 4.3% – 6.5%], and GIC's in the amount of \$997,526 stated at fair market value [2007 – nil] with maturity dates ranging between March 12, 2010 – June 10, 2013 and bear interest at rates ranging between 3.3% – 5.9%.

7. Property and Equipment

	2008			2007
	Cost \$	Accumulated amortization \$	Net book value \$	Net book value \$
Computer equipment	645,499	435,304	210,195	177,972
Office equipment	294,534	118,468	176,066	161,715
Automotive equipment	50,417	303	50,114	23,258
Leasehold improvements	280,928	65,522	215,406	221,635
	1,271,378	619,597	651,781	584,580

Notes, *continued*

8. Unexpended Capital Contribution

In 1997, the Council received \$250,000 from the Real Estate Errors and Omissions Insurance Corporation as a contribution towards replacing the Council's licensing database with a modern information management system of which \$192,130 had been expended to June 30, 2008 leaving an unexpended balance of \$57,870 [2007 – \$57,870]. The Council expects to utilize the remaining unexpended balance during fiscal 2009, to upgrade the licensing system to an on-line interface.

9. Internally Restricted Net Assets and Education Fund

	2008 \$	2007 \$
Technology Fund [a]	100,000	100,000
Legal Defense Fund—General [b]	250,000	250,000
Legal Defense Fund—Special Compensation Fund [b]	50,000	50,000
Total internally restricted net assets	400,000	400,000
Education Fund [c]	120,250	62,500
	520,250	462,500

[a] The Technology Fund is to be used for modifications to new licensing systems software. The Technology Fund is expected to be utilized during 2009.

[b] In 2003, the Council established a Legal Defense Fund to be used to pay on behalf of the Council, its members or employees, all sums which the Council, its members or employees [the "Party"] become liable to pay as compensating damages arising out of a claim made against the Party by a member of the public; a member of the Council, or an employee of the Council 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 the Council in their capacity with the Council. The maximum amount to be paid by the Legal Defense Fund—General is \$100,000 for each Claim regardless of the number of Parties. There is also a separate Legal Defense Fund—Special Compensation Fund for \$50,000 for the potential defense of claims related to the Real Estate Compensation Fund Corporation.

[c] In compliance with Section 43 under the *Real Estate Services Act*, an Education Fund was set up during 2006 from licensee payments of discipline penalties. When the discipline committee determines that a licensee has committed professional misconduct or conduct unbecoming a licensee, that licensee is required to pay a penalty in an amount of not more than \$20,000 in the case of a brokerage or former brokerage, or not more than \$10,000 in any other case. At June 30, 2008, the Education Fund contained \$120,250 [2007 – \$62,500] in collections from penalty payments. Under Section 44 of the *Real Estate Services Act*, money received by the Council on account of a discipline penalty under Section 43 may be expended by the Council 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.

Notes, *continued*

10. Commitments and Contingency

- [a] In 2006, the Council renegotiated the lease for their office premises for a five-year period ending on September 30, 2014 with an option to renew for another five-year period. Base rent due within each of the next five years and thereafter is estimated as follows:

	\$
2009	127,913
2010	174,103
2011	189,500
2012	189,500
2013	189,500
Thereafter	236,875
	1,107,391

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

- [b] The Council 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 the Council.

11. Recent Accounting Pronouncements

The Accounting Standards Board of the CICA has issued the following recommendations: CICA Handbook Section 1535 - Capital Disclosures ["Section 1535"] and Sections 3862—Financial Instruments—Disclosure and 3863—Financial Instruments—Presentation ["Sections 3862 and 3863"]. Section 1535 requires an entity to disclose information that enables users of its financial statements to evaluate the entity's objectives, policies and processes for managing capital, including disclosures of any externally imposed capital requirements and the consequences of non-compliance. Sections 3862 and 3863 require an increased emphasis on disclosures about the nature and extent of risk arising from financial instruments and how an entity manages these risks.

These new standards are applicable to fiscal years beginning on or after October 1, 2007. The Council will adopt these new standards on July 1, 2008 and is currently evaluating the impact of the adoption on its financial statements.

12. Comparative Figures

The comparative financial statements have been reclassified from statements previously presented to conform to the presentation of the current year financial statements.

Schedule of Expenditures

Year ended June 30

Schedule 1

Schedule of Administrative Expenditures

	2008 \$	2007 \$
Amortization	231,954	240,153
Council members' per diem	105,000	123,000
Equipment maintenance	26,298	25,636
Insurance	11,098	10,747
Office rent and operating costs, net	349,811	324,774
Postage, mailing and delivery	175,489	155,202
Printing and stationery	58,750	65,159
Professional services	141,886	88,370
Salaries	1,627,602	1,327,963
Telephone	17,306	18,612
Travel and accommodation	284,195	252,072
	3,029,389	2,631,688

See accompanying Notes

Schedule 2

Schedule of Investigation Expenditures

	2008 \$	2007 \$
Court reporter services	5,849	19,088
Criminal records searches	25,970	12,768
Forensic investigations	9,340	49,103
Professional services	425,855	269,252
Salaries	1,012,796	978,550
Spot audits	35,442	49,822
Travel and hearing (recovery)	(28,911)	3,427
	1,486,341	1,382,010

See accompanying Notes

Schedule 3

Schedule of Other Expenditures

	2008 \$	2007 \$
Conferences	79,370	85,512
Dues, subscriptions and publications	27,069	21,369
Electronic communication	93,971	112,928
Post licensing education/grants	50,870	18,611
Printing	85,666	60,146
Public relations	3,479	5,808
	340,425	304,374

See accompanying Notes



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