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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 are evidenced by the fact that for over 52 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 expanded 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 requirements 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 BC 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.

Changes Enhance Consumer Protection



The Honourable Colin Hansen
Minister of Finance
Province of British Columbia
Parliament Buildings
PO Box 9048 Stn Prov Govt.
Victoria BC V8W 9E2

Dear Minister Hansen:

On behalf of the members of the Real Estate Council of British Columbia, I am pleased to provide you with our Annual Report for the year ending June 30, 2010.

Since the *Real Estate Services Act* came into effect on January 1, 2005, the real estate industry in BC has experienced several major changes that have served to improve the knowledge and skill of licensees while at the same time enhancing consumer protection. I am proud of what has been accomplished during this time and look forward to the Council providing more updates in future Annual Reports.

I was first appointed to the Council in 2005 as the rental/strata property management representative. This position was created as part of the *Real Estate Services Act* to assist the Council with the initial licensing of strata managers, as well as to provide ongoing guidance for the regulation of this sector of the industry.

The members and staff of the Council appreciate the excellent working relationship we have with your staff at the Strategic and Corporate Policy Division who continue to provide timely and thoughtful assistance to the Council.

It has been an honour to serve as the Chair of the Council this past year. My time on the Council has been rewarding and I look forward to another interesting year ahead.

Yours truly,



William R. Brown
CHAIR

William R. Brown

Bill Brown obtained a Bachelor of Commerce degree, majoring in Urban Land Economics, from the University of British Columbia in 1973. He obtained his real estate licence in 1977 and, in 1984, he received a commission as a Notary Public for the Province of British Columbia. Bill joined the family firm, Brown Bros. Agencies in 1973, and currently serves as its president. The firm is one of Victoria's largest privately owned financial services companies offering general insurance, real estate and property management services, as well as mortgage brokerage. While working at Brown Bros. Agencies, Bill has also operated a successful Notary Practice in the city of Victoria.

Bill is a past director and president of the Insurance Brokers Association of British Columbia and the Victoria Insurance Agents Association. He is also a member of the Real Estate Institute of BC's

Professional Division. For the past five years, Bill has served on the Real Estate Council of BC and was Chair of the Council in 2009-2010. Bill currently holds a Level 3 General Insurance Broker's licence, a real estate trading, rental and strata management services licence, a real estate managing broker's licence and a sub-mortgage broker's licence.

Bill's community involvement rivals that of his professional accomplishments. He is a past director of Junior Achievement of Victoria and a past director and treasurer of the Glenlyon Norfolk Alma Mater Society. He served as a director, secretary and president of the Friends of the Royal British Columbia Museum Foundation and is a past director and co-chair of the original Special Operating Agency for the Royal British Columbia Museum.

RESA—Five Years Later



When I started thinking about this year's Annual Report, I was somewhat surprised when I realized that this would be our sixth Annual Report since the new *Real Estate Services Act* (RESA) was introduced in January 2005. In looking back over those five years, I am amazed by the changes to the real estate industry in BC. The licensing of strata managers, the creation of personal real estate corporations, the Council's ability to make its own rules, and the introduction of the Relicensing Education Program have all been positive initiatives to the industry's self-regulation.

Despite the economic slowdown in many parts of the province, the number of licensees in BC continues to grow with 20,189 licensees as of June 30th. In addition, there are now 543 personal real estate corporations licensed. While the number of licensees has increased, the number of complaints has remained static over the last several years, which is another positive indicator of the industry's desire to maintain professionalism.

Earlier this year, the Council reprinted the 7th Edition of the Licensee Practice Manual, which is now known as the Professional Standards Manual. In an effort to go green, the Council decided to not provide every licensee with a printed copy but instead posted the Professional Standards Manual on its website, as is the Brokerage Standards Manual. The Council then provided all managing brokers with a printed copy of the newly revised Professional Standards

Manual and indicated to them that they could order manuals for those licensees who wanted a printed copy rather than relying on the electronic version on the Council's website. The Council anticipates distributing approximately half the number of manuals, resulting in substantial savings in both printing and postage.

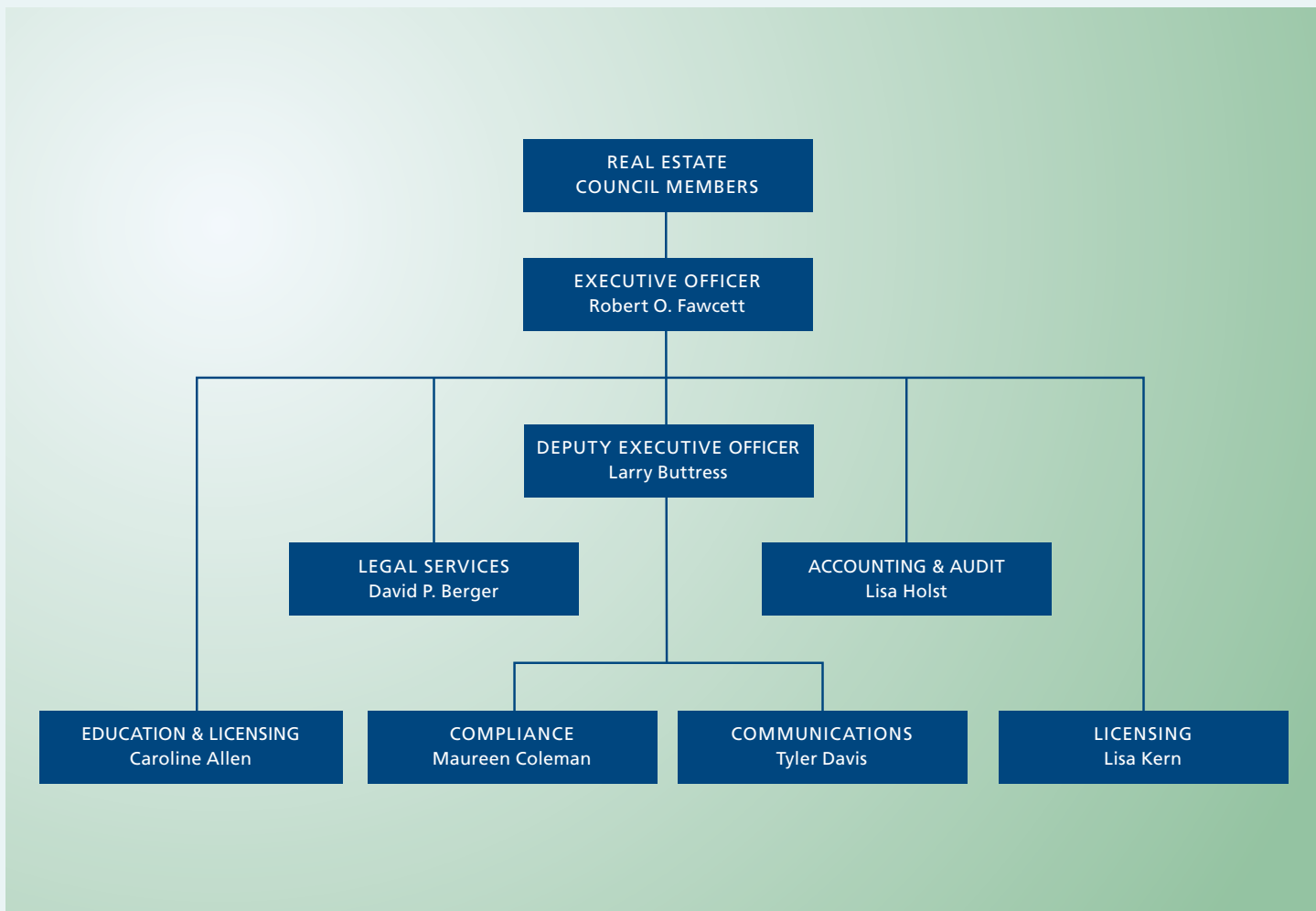
The Council continues to make enhancements to its Relicensing Education Program, including adding many more elective course selections and requiring that the mandatory Real Estate Errors & Omissions Insurance Legal Update Course is available online. The Council's review of the Relicensing Education Program continues to ensure that it meets the needs of both the Council and licensees.

My thanks to Chair Bill Brown, Council members and staff for all of their great work over the past year. Their efforts, combined with the extraordinary work of our advisory groups and task force volunteers, contribute greatly to fulfilling the Council's objectives under RESA.

A handwritten signature in blue ink that reads "R. O. Fawcett". The signature is fluid 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 rental/strata 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

The day-to-day management of RECBC is the responsibility of the Executive Officer. The management team and staff support the delivery of programs and services for consumers and licensees. As of June 30, 2010, RECBC had 38 full-time employees.

MEMBERS OF COUNCIL 2009/2010



Back row: Abdul Ghouri, Michael Ziegler, John Finlayson, Robert O. Fawcett (Executive Officer), Jim McNeal, John Nagy, Bruce Turner, William (Bill) Binnie, Danny Leung

Front row: Marshall Cowe, Liz Tutt, Gerry Martin (Vice-Chair), William (Bill) Brown (Chair), Bryon Brandle, Ann Petrone, Patrick O'Donnell

Missing from photo: William (Bill) Phillips

Lieutenant Governor-in-Council Appointments

Name	Term Expires	Location
Danny Leung	June 30, 2010	Richmond
John Nagy	June 30, 2010	Richmond
Bruce Turner	June 30, 2010	Courtenay

Elected members

Name	Term Expires	Location
William (Bill) Brown	June 30, 2011	Rental/Strata Management Member
Gerry Martin	June 30, 2010	County of Westminster (South of the Fraser River) Managing Broker Member
William (Bill) Binnie	June 30, 2010	County of Vancouver Managing Broker Member
Patrick O'Donnell	June 30, 2011	County of Vancouver Managing Broker Member
William (Bill) Phillips	June 30, 2010	County of Vancouver Managing Broker Member
Abdul Ghouri	June 30, 2011	County of Vancouver Representative Member
Michael Ziegler	June 30, 2011	County of Victoria Managing Broker Member
Ann Petrone	June 30, 2010	Combined Counties of Victoria, Nanaimo, Yale, Kootenay, Cariboo & Prince Rupert Representative Member
John Finlayson	June 30, 2010	County of Nanaimo Managing Broker Member
Liz Tutt	June 30, 2011	County of Westminster (North and South of the Fraser River) Representative Member
Marshall Cowe	June 30, 2010	County of Westminster (North of the Fraser River) Managing Broker Member
Bryon Brandle	June 30, 2011	County of Yale Managing Broker Member
Jim McNeal	June 30, 2011	Combined Counties of Kootenay, Cariboo and Prince Rupert Managing Broker Member

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 Professional Standards Manual, Brokerage Standards Manual and *Report from Council* newsletter. This information is currently provided to licensees, both in hard copy and on the Council's 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. The Council continues to adapt REP so that licensees can more easily incorporate the culture of continued education into their real estate practice.

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.

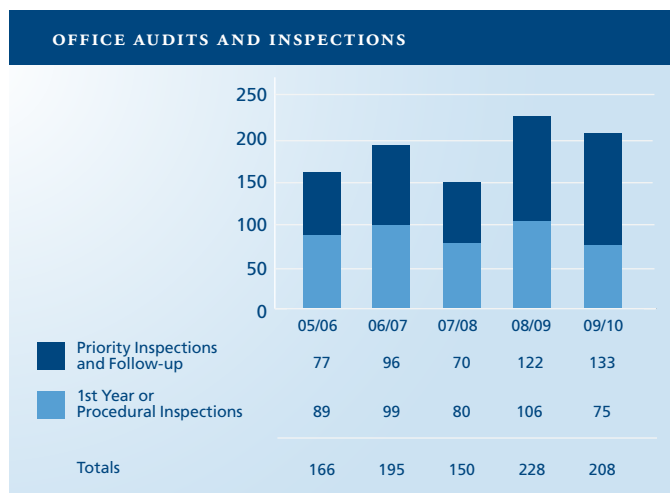
Compliance Processes

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;
- e) new branch offices that handle trust funds; and
- f) as a result of suspensions due to disciplinary orders.



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 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.

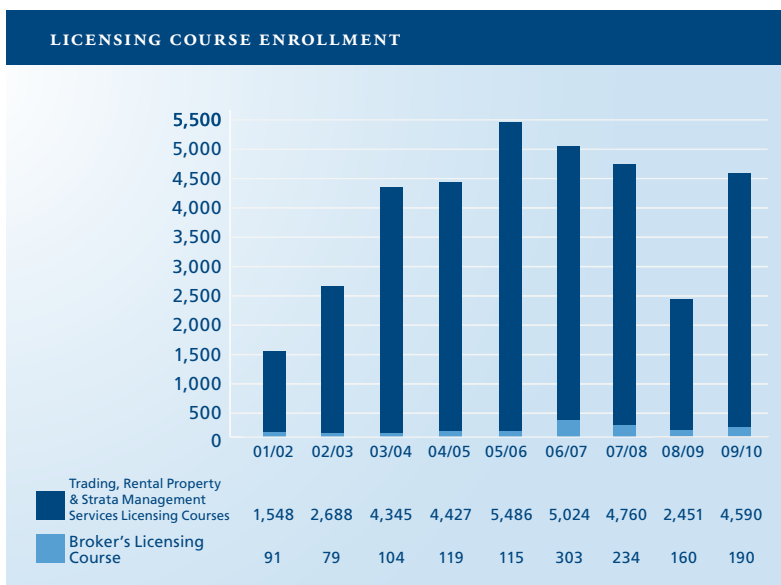
Council Meetings and Decision Processes

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.

Increased Market Activity Boosts Course Enrollment While Complaint and Discipline Activity Remain Consistent.

Licensing Course Enrollment

After a steep decline in enrollments in the trading, rental and strata management services licensing courses in 2008/09, the number of individuals that registered during the Council's year ending June 30, 2010 nearly doubled to 4,600 registrants. This number is similar to the number of enrollments in 2006, 2007 and 2008. The number of registrations in the broker's licensing course increased to 190 for the Council's year ending June 30, 2010, up from 160 last year. It should be noted that not all individuals who enroll in licensing courses go on to obtain their real estate licence as many individuals either do not complete the course, fail the course examination, or withdraw from the course.



Licensing

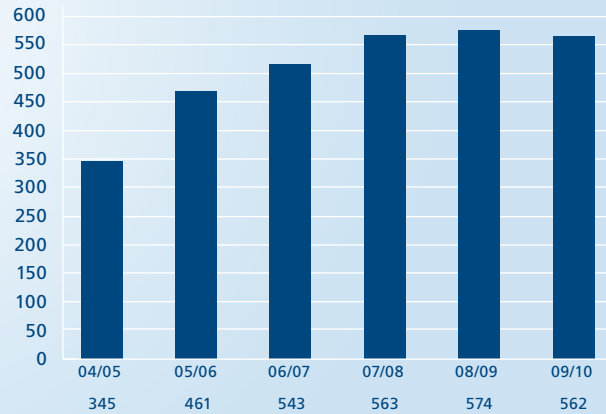
The number of individuals licensed in the province increased to 20,189 for the year ending June 30, 2010. This is a slight increase from the year prior but is virtually the same as two years ago. Over the past 10 years, the number of managing and associate broker licensees has remained consistent, averaging about 3,200, while at the same time, the number of representative licensees has increased from about 9,400 in 2000/01 to over 17,000 in 2009/10.



Complaints Received

The number of complaints received at the Council office for the year ending June 30, 2010 was 562, down from 574 the year prior. This number is about the same as the previous two years and may be indicative that the overall number of complaints may have leveled out or begun a downward trend. Many factors, including the supervision of managing brokers, the industry's Professional Development Program and the Council's Relicensing Education Program have helped to stem the rise in the number of consumer complaints.

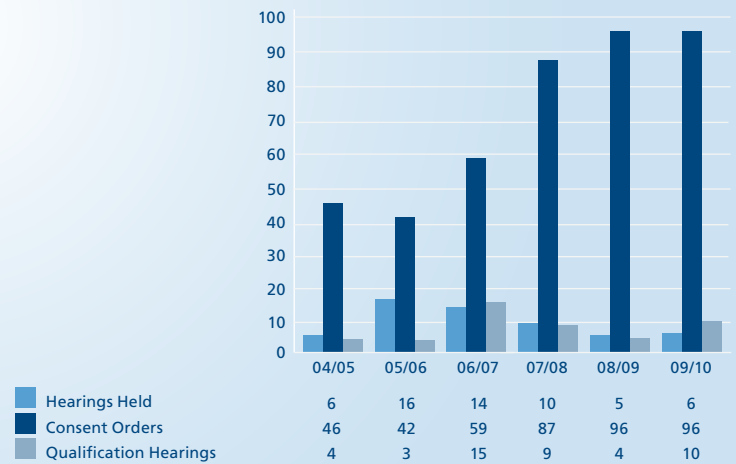
COMPLAINTS RECEIVED



Hearings and Consent Orders

The Council entered into 96 consent orders for the year ending June 30, 2010, which is the same number that it entered into the year prior. The number of formal discipline hearings held during the 2009/10 year was in line with the year prior with six hearings held compared with five in 2008/09. The Council also held 10 qualification hearings—a form of hearing to determine the suitability of individuals for licensing under the *Real Estate Services Act*.

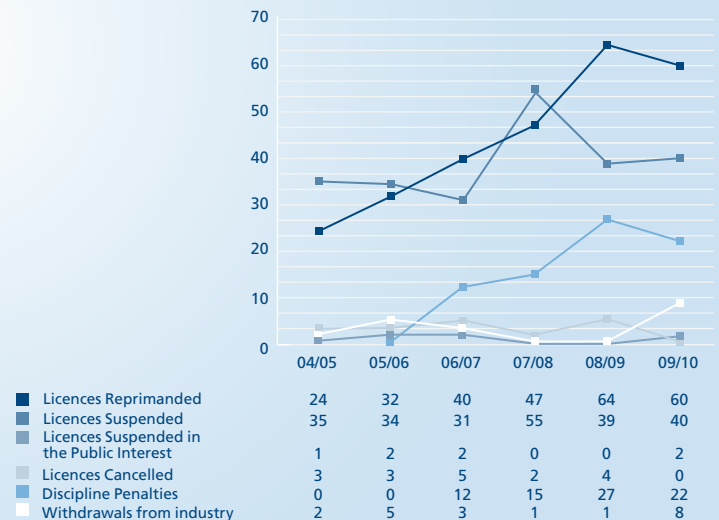
HEARINGS AND CONSENT ORDERS



Discipline

The number of discipline decisions meted out by the Council's discipline committees in 2009/10 was very similar to previous years. The number of licence reprimands issued in 2009/10 was 60, down slightly from 64 issued the year prior. Similarly, the number of licences suspended increased to 40 compared with 39 last year. The Council issued 22 discipline penalties (fines) to licensees, down slightly from 27 the year prior. The Council also suspended two licences in the public interest without a hearing during 2009/10. (A discipline committee may suspend a licensee's licence without a hearing if the 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 such an order.) There were eight withdrawals from the industry, which is up considerably from previous years. Withdrawals from the industry occur in situations where a licensee requests that the Council discontinue disciplinary proceedings against them as the licensee has decided to agree to a lifetime ban from real estate practice in British Columbia.

DISCIPLINE



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;
- where appropriate, may also direct the Council staff to issue a letter of dismissal with advisement to a licensee with suggestions for improved business practices;
- 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;
- to provide written reasons to licensees or their legal counsel in instances where they are rejecting a Consent Order proposal and the reasons for the counter proposal.

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 the annual budget prepared by staff and recommend its acceptance to the Council; • to review monthly financial statements; • to review staff recommendation re capital expenditures and technology requirements; • to recommend the appointment of the Council’s external auditor; • 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 provide a sounding board for the Chair, Vice-Chair and Executive Officer; and • 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 miscellaneous topics referred by the Council; • to research and report on any amendments to legislation affecting real estate; • to solicit from Committee members information with respect to any emerging trends related to real estate practices for research, discussion and possible recommendation to the Council; • to review common areas of practice that give rise to complaints and identify topics related to those areas of practice for development of articles for publication in upcoming <i>Reports from Council</i> and the Professional Standards Manual/Brokerage Standards Manual.
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 Groups 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 draft legislation for comment at the request of the Strategic and Corporate Policy Division, Ministry of Finance; • when appropriate, to make recommendations for consideration by the Council on any legislation.

Financial Review

as at June 30, 2010

This financial review is based on the audited financial statements for the year ended June 30, 2010 and the comparative figures for the year ended June 30, 2009.

Overview

General operations are funded predominantly by revenues from licensing and assessment fees required under the Council Bylaws under the *Real Estate Services Act*. The fees collected are for a two-year period in advance and are recognized as income in the period received. Deferred revenue is recognized on the effective date of the licence. Other sources of revenue include application fees, course revenue, net interest income, and discipline hearing cost recoveries. All receipts for discipline penalties may only be expended by the Council for the purpose of education of the public, licensee and other participants in the real estate industry in BC about the operation and regulation of the industry and issues related to real estate and real estate services. These funds are held in trust and segregated from general operating funds.

Operations

Revenues

Total revenues in fiscal 2010 are \$5,842,052, an increase of \$1,124,883 from fiscal 2009 of \$4,717,169. Recognized licensing and assessment revenues are \$5,424,225 for fiscal 2010, an increase by \$991,199 from \$4,433,026 in fiscal 2009 due, in part, to a 30% increase in licence renewals and 26% increase in first time licensees and transfers and reinstatements administered. Recognized course revenues in fiscal 2010 are \$236,675 and have increased by \$74,425 from \$162,250 in fiscal 2009. Recognized interest and other revenue income in fiscal 2010 are \$13,402 and have decreased \$12,241 from \$25,643 in fiscal 2009.

Expenditures

Expenditures include general administration and facilities, Council and committee honorariums, per diems, meeting costs, and other corporate expenses, such as communications activities, election costs, and grants and endowments. Total expenditures increased in fiscal 2010 by \$645,469 to \$5,412,979 from \$4,767,510 the previous year. Administrative expenditures were higher by \$183,369; investigations higher by \$159,666; and other expenditures were higher by \$302,434.

Approximately 53% of the increase in administrative expenditures of \$183,369 is due to changes and an increase in operational staff, 37% of the increase in professional services, and 25% of the increase in office rent for the year. The investigation expenditures increased in fiscal 2010 by \$159,666 to \$1,789,524 due to the higher direct costs of the investigative salaries. Other expenditures increased in fiscal 2010 by \$302,434 to \$679,171, which is 80% and predominantly attributable to expenditures for the publication of the 7th edition of the Professional Standards Manual. Other expenditures include a separate disclosure of expenditures from the Education Fund.

Operating Gain from Operations and Accumulated Net Assets

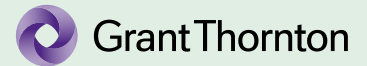
The excess revenue over expenditures for the year was \$429,073 compared to a net loss of \$146,591 in fiscal 2009. This gain resulted in an increase in the unrestricted accumulated net assets of \$524,352 from \$3,075,532 in fiscal 2009 to \$3,599,884 in fiscal 2010.

Net Current Assets (working capital)

Net current assets were \$1,792,549 at June 30, 2010 compared to \$1,598,220 at June 30, 2009.

Auditors' Report

Vancouver, Canada August 20, 2010



To the Members of
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, 2010 and the statements of operations and changes in fund balances 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, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Grant Thornton LLP

CHARTERED ACCOUNTANTS

Balance Sheet

June 30

	2010 \$	2009 \$
ASSETS		
Current		
Cash and cash equivalents	825,554	1,191,246
Short-term investments [Note 5]	1,095,291	465,972
Accounts and accrued interest receivable	155,733	133,404
Prepaid expenses	78,404	90,901
	2,154,982	1,881,523
Long-term investments [Note 6]	1,824,515	1,499,391
Property and equipment, net [Note 7]	504,041	594,421
	4,483,538	3,975,335
LIABILITIES		
Current		
Accounts payable and accrued liabilities	147,538	225,433
Deferred revenue	157,025	—
Unexpended capital contribution [Note 8]	57,870	57,870
	362,433	283,303
NET ASSETS		
Unrestricted	3,599,884	3,075,532
Internally restricted [Note 9]	400,000	400,000
Education fund [Note 9]	121,221	216,500
	4,121,105	3,692,032
	4,483,538	3,975,335

Commitments and contingency [Note 10]

See accompanying notes to the financial statements.

On behalf of the Council:



Gerry Martin
CHAIR



Robert O. Fawcett
EXECUTIVE OFFICER

Statement of Operations

Year ended June 30

	2010			2009		
	Unrestricted Fund \$	Education Fund \$	Total \$	Unrestricted Fund \$	Education Fund \$	Total \$
REVENUE						
Licensing						
Gross licence fees collected	1,487,834	—	1,487,834	1,444,178	—	1,444,178
Less payable to Superintendent of Real Estate	743,917	—	743,917	722,089	—	722,089
Net fees collected	743,917	—	743,917	722,089	—	722,089
Assessments	4,680,308	—	4,680,308	3,710,937	—	3,710,937
Course fees	236,675	—	236,675	162,250	—	162,250
Discipline penalties	—	67,750	67,750	—	96,250	96,250
Grants	—	100,000	100,000	—	—	-
Interest and other investment income, net of expenses	13,402	—	13,402	25,643	—	25,643
	5,674,302	167,750	5,842,052	4,620,919	96,250	4,717,169
OPERATING EXPENDITURES						
Administrative expenditures [Schedule 1]	2,944,284	—	2,944,284	2,760,915	—	2,760,915
Investigation expenditures [Schedule 2]	1,789,524	—	1,789,524	1,629,858	—	1,629,858
Other expenditures [Schedule 3]	416,142	263,029	679,171	376,737	—	376,737
	5,149,950	263,029	5,412,979	4,767,510	—	4,767,510
Excess (deficiency) of revenue over expenditures	524,352	(95,279)	429,073	(146,591)	96,250	(50,341)

See accompanying notes to the financial statements.

Statement of Changes in Net Assets

Year ended June 30, 2010

	Unrestricted Fund \$	Technology Fund \$	Legal Defence Fund – General \$	Legal Defence Fund – Special Compensation \$	Education Fund \$	Total \$
Net assets, June 30, 2008	3,222,123	100,000	250,000	50,000	120,250	3,742,373
Excess (deficiency) of revenue over expenditures for the year	(146,591)	—	—	—	96,250	(50,341)
Interfund transfer	—	—	(100,000)	100,000	—	—
Net assets, June 30, 2009	3,075,532	100,000	150,000	150,000	216,500	3,692,032
Excess (deficiency) of revenue over expenditures for the year	524,352	—	—	—	(95,279)	429,073
Net assets, June 30, 2010	3,599,884	100,000	150,000	150,000	121,221	4,121,105

See accompanying notes to the financial statements.

Statement of Cash Flows

Year ended June 30

	2010 \$	2009 \$
Cash derived from (applied to)		
OPERATING ACTIVITIES		
Excess (deficiency) of revenue over expenditures	429,073	(50,341)
Adjustments for items not affecting cash		
Unrealized (gain) loss on investments	(61,335)	13,511
Amortization	245,945	232,386
	613,683	195,556
Changes in non-cash operating working capital		
Accounts and accrued interest receivable	(22,329)	(44,932)
Prepaid expenses	12,497	(5,824)
Accounts payable and accrued liabilities	(77,895)	180,478
Deferred revenue	157,025	—
	682,981	325,278
INVESTING ACTIVITIES		
Purchase of short-term investments, net	(603,796)	114,175
Purchase of long-term investments, net	(289,312)	60,542
Net purchase of property and equipment	(155,565)	(175,026)
	(1,048,673)	(309)
Net (decrease) increase in cash	(365,692)	324,969
Cash and cash equivalents, beginning of year	1,191,246	866,277
Cash and cash equivalents, end of year	825,554	1,191,246

See accompanying notes to the financial statements.

Notes to the Financial Statements

June 30, 2010

1. Nature of Operations

The Real Estate Council of British Columbia (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 is exempt from income taxes.

2. Changes in Accounting Policies

Effective July 1, 2009, the Council adopted the following new accounting standards:

Financial statement presentation by not-for-profit organizations

Amendments to The Canadian Institute of Chartered Accountants (“CICA”) Handbook Section 4400 *Financial Statement Presentation by Not-For-Profit Organizations* modify the requirements with respect to various elements of financial statement presentation. These amendments include:

- reporting certain revenue items in the statement of operations and changes in fund balances at their gross amount;
- amortizing capital assets reported as assets on the balance sheet, regardless of the size of the organization;
- when a not-for-profit organization classifies its expenses by function and allocates some of its fundraising and general support costs to another function, disclosing the policy adopted for expenses and amounts allocated from each of these two functions to other functions; and
- the elimination of the requirement to treat net assets invested in capital assets as a separate component of net assets.

As a result of these changes, the balance of “investment in property and equipment” totalling \$651,781 as at June 30, 2008 was reclassified retroactively and added to the balance of “unrestricted fund” which had previously been reported as \$2,570,342 as at June 30, 2008.

Disclosure of related party transactions by not-for-profit organizations

Section 4460 *Disclosure of Related Party Transactions by Not-for-Profit Organizations* has been amended to align the definition of related parties to CICA Section 3840 *Related Party Transactions*. Related parties exist when one party has the ability to exercise, directly or indirectly, control, joint control or significant influence over the other. Two or more parties are related when they are subject to common control, joint control or significant influence. Two not-for-profit organizations are related parties if one has an economic interest in the other. Related parties also include management and immediate family members. The adoption of this standard had no impact to the Council’s financial statements.

Disclosure of allocated expense by not-for-profit organizations

Section 4470 *Disclosure of Allocated Expenses by Not-For-Profit Organizations* establishes disclosure standards for a not-for-profit organization that classified its expenses by function and allocates its expenses to a number of functions to which the expenses relate. The adoption of this standard had no impact to the Council’s financial statements.

Credit risk and the fair value of financial assets and financial liabilities

In January 2009, the Emerging Issues Committee (“EIC”) issued Abstract No. 173 *Credit Risk and the Fair Value of Financial Assets and Financial Liabilities* (“EIC-173”). EIC-173 requires an entity to take into account its own credit risk and that of the relevant counterparty when determining the fair value of financial assets and financial liabilities, including derivative instruments, for presentation and disclosure purposes. EIC-173 is applicable to the Council’s annual financial statements for its fiscal year ending June 30, 2010. The adoption of EIC-173 did not result in a material impact to the valuation of the Council’s financial assets and financial liabilities as disclosed in Note 4.

Notes, *continued*

3. Summary of Significant Accounting Policies

Fund accounting

The Council follows the restricted fund method of accounting.

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.

Short-term investments

Short-term investments are recorded at fair value, which approximates cost.

Long-term investments

Long-term investments are classified as held-for-trading pursuant to CICA Handbook Section 3855 *Financial Instruments—Recognition and Measurements* and are recorded at fair value. The fair value 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 operations. 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	3 years
Office equipment	5 years
Automotive equipment	6 years
Leasehold improvements	term of the lease plus one renewal period, being 10 years

The Council applies the half-year rule in the year of acquisition of assets.

Revenue recognition

The Council follows the restricted fund method of accounting for revenue. Restricted revenues and expenses of specific funds are recorded as increases or decreases to the respective funds only.

The Council collects licence and assessment fees for a two year period in advance. These fees are unrestricted and 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.

Course fees, interest and investment and other income are recorded when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Deferred revenue reported in the operating fund relates to licence and assessment fees that are received in the current period and relate to the subsequent period. The deferred revenue is recognized on the effective date of the licence.

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.

Notes, *continued*

Financial instruments

All financial instruments are classified into one of five categories: held-for-trading, held-to-maturity investments, loans and receivables, available-for-sale financial assets, or other financial liabilities. All financial instruments are measured in the balance sheet at fair value except for loans and receivables, held-to-maturity investments and other financial liabilities, which are measured at amortized cost. Transaction costs are included in the carrying value of financial instruments. Subsequent measurement and changes in fair value will depend on their initial classification as follows: held-for-trading financial assets are measured at fair value and changes in fair value are recognized in excess of revenues over expenditures; available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the instrument is derecognized or impaired.

The Council has classified its financial instruments as follows:

Cash and cash equivalents	held-for-trading
Short-term investments	held-for-trading
Accounts and accrued interest receivable	loans and receivable
Long-term investments	held-for-trading
Accounts payable and accrued liabilities	other financial liabilities

4. Financial Instruments

For certain of the Council's financial instruments, including cash and cash equivalents, short-term investments, accounts and accrued interest receivable, and accounts payable and accrued liabilities, the carrying amounts approximate fair value due to their short-term nature. The carrying value of long-term investments is based on quoted market prices at bid.

The carrying value and fair value of financial instruments as at June 30, 2010 and 2009 are summarized as follows:

	June 30, 2010		June 30, 2009	
	Carrying Value \$	Fair Value \$	Carrying Value \$	Fair Value \$
Held-for-trading	3,745,360	3,745,360	3,156,609	3,156,609
Loans and receivables	155,733	155,733	133,404	133,404
Other financial liabilities	147,538	147,538	225,433	225,433

It is management's opinion that the Council is not exposed to significant interest rate, market, liquidity or credit risk arising from these financial instruments.

5. Short-term Investments

The Council's short-term investment portfolio is composed as follows: a government bond having a June 30, 2010 estimated fair value of \$100,777 (2009: \$204,972) with a maturity date of August 26, 2010, bearing interest at a rate of 6.37%; GIC's having a June 30, 2010 estimated fair value of \$392,589 (2009: \$261,000) with maturity dates ranging from November 17, 2010 to March 14, 2011, bearing interest at rates ranging between 1.55% and 4.07% (2009: 3.96%); and, mutual funds having a June 30, 2010 estimated fair value of \$601,925 (2009: \$ Nil).

Notes, *continued*

6. Long-term Investments

The Council's long-term investment portfolio is composed as follows: a government bond having a June 30, 2010 estimated fair value of \$303,045 (2009: \$404,488) with a maturity date of June 1, 2014, bearing interest at a rate of 3.1% (2009: 3.1% to 6.4%); and, GIC's having a June 30, 2010 estimated fair value of \$1,521,470 (2009: \$1,094,903) with maturity dates ranging between March 12, 2012 and May 14, 2015, bearing interest at rates ranging between 3.85% to 4.25% (2009: 3.65% to 4.56%).

The Council's investment philosophy is to invest conservatively with highly rated counterparties to preserve capital while earning a reasonable rate of return.

Interest rate risk

The Council 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. The Council did not hold any investments in equity securities at June 30, 2010 or 2009.

Currency risk

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

Credit and market risk

The Council 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 the investing in only government bonds and GIC's.

7. Property and Equipment

	2010		
	Cost \$	Accumulated amortization \$	Net book value \$
Computer equipment	663,140	450,074	213,066
Office equipment	325,540	224,938	100,602
Automotive equipment	50,417	17,109	33,308
Leasehold improvements	286,640	129,575	157,065
	1,325,737	821,696	504,041

	2009		
	Cost \$	Accumulated amortization \$	Net book value \$
Computer equipment	539,470	300,035	239,435
Office equipment	298,963	169,905	129,058
Automotive equipment	50,417	8,706	41,711
Leasehold improvements	281,322	97,105	184,217
	1,170,172	575,751	594,421

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 the Council's licensing database with a modern information management system of which \$Nil had been expended during the year ended June 30, 2010, leaving an unexpended balance of \$57,870 (2009: \$57,870). The Council expects to utilize the remaining unexpended balance during fiscal 2011.

9. Internally Restricted Net Assets and Education Fund

	2010 \$	2009 \$
Technology Fund [a]	100,000	100,000
Legal Defence Fund—General [b]	150,000	150,000
Legal Defence Fund—Special Compensation Fund [b]	150,000	150,000
Total internally restricted net assets	400,000	400,000
Education Fund [c]	121,221	216,500
	521,221	616,500

[a] Technology Fund

The Technology Fund is to be used for modifications to new licensing systems software. The Technology Fund is expected to be utilized during 2011.

[b] Legal Defence Fund

In 2003, the Council established a Legal Defence Fund to be used to pay on behalf of Council, 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 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 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] Education Fund

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. 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 is estimated as follows:

	\$
2011	189,500
2012	189,500
2013	189,500
2014	189,500
2015	47,380
	<hr/> 805,380 <hr/>

In addition to 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. Capital Disclosure

The capital structure of the Council consists of internally restricted net assets, education fund and unrestricted net assets.

The Council's objective when managing capital is to safeguard its ability to continue to protect the public interest in the areas of real estate services including trading, rental property and strata management; therefore, it strives to hold sufficient unrestricted net assets to enable it to withstand unexpected financial events.

The Council maintains sufficient liquidity to meet its obligations as they become due. The Council does not carry long-term debt and is not subject to any externally imposed capital requirements.

12. Comparative Figures

The 2009 comparative figures 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

	2010		2009	
	Unrestricted Fund \$	Total \$	Unrestricted Fund \$	Total \$
Amortization	245,945	245,945	232,386	232,386
Council members' honorarium	123,970	123,970	122,500	122,500
Equipment maintenance	25,402	25,402	27,291	27,291
Insurance	11,465	11,465	11,392	11,392
Office rent and operating costs, net	402,466	402,466	357,715	357,715
Postage, mailing and delivery	164,577	164,577	189,176	189,176
Printing and stationery	62,524	62,524	60,997	60,997
Professional services	119,985	119,985	51,880	51,880
Salaries	1,551,973	1,551,973	1,454,597	1,454,597
Telephone	15,633	15,633	16,178	16,178
Travel and accommodation	220,344	220,344	236,803	236,803
	2,944,284	2,944,284	2,760,915	2,760,915

Schedule 2

Schedule of Investigation Expenditures

	2010		2009	
	Unrestricted Fund \$	Total \$	Unrestricted Fund \$	Total \$
Court reporter services	10,735	10,735	8,892	8,892
Criminal records searches	28,290	28,290	20,730	20,730
Forensic investigations	18,725	18,725	296	296
Professional services	399,939	399,939	378,825	378,825
Salaries	1,321,408	1,321,408	1,222,907	1,222,907
Spot audits	43,292	43,292	51,065	51,065
Travel and hearing (recovery)	(32,865)	(32,865)	(52,857)	(52,857)
	1,789,524	1,789,524	1,629,858	1,629,858

Schedule 3

Schedule of Other Expenditures

	2010			2009		
	Unrestricted Fund \$	Education Fund \$	Total \$	Unrestricted Fund \$	Education Fund \$	Total \$
Conferences	62,970	—	62,970	72,666	—	72,666
Dues, subscriptions and publications	33,079	—	33,079	27,241	—	27,241
Electronic communication	91,352	—	91,352	101,825	—	101,825
Post licensing education/grants	127,743	263,029	390,772	50,335	—	50,335
Printing	98,231	—	98,231	121,500	—	121,500
Public relations	2,767	—	2,767	3,170	—	3,170
	416,142	263,029	679,171	376,737	—	376,737

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