

Annual Report 2011

Maintaining the Regulatory Course



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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 53 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.

Message from the Chair



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

Dear Minister Falcon:

On behalf of the members of the Real Estate Council of British Columbia, congratulations again on your appointment as Minister of Finance. I am also pleased to provide you with our Annual Report for the year ending June 30, 2011.

As a long-time real estate licensee in British Columbia, I have been amazed with the amount of change that the industry has undertaken on both the organized real estate side and the regulatory side. These changes have served to enhance professionalism within the industry as well as to increase consumer protection.

I have certainly enjoyed the opportunity to serve on the Council and the honour of serving as its Chair for this past year and I look forward to completing my term on Council over the next year.

Yours truly,

A handwritten signature in blue ink that reads "Gerry Martin". The signature is fluid and cursive.

Gerry Martin
CHAIR

About Gerry Martin

Gerry Martin was first licensed in real estate in 1978 with Wall and Redekop Realty. In 1991, he went on to be a founding partner of Landmark Realty in Abbotsford and also served as its managing broker. In 2000, Gerry became the managing broker for B.C. Farm and Ranch Realty Corp. in Abbotsford where he continues to work to this day.

Gerry served on the board of directors of the Fraser Valley Real Estate Board (FVREB) in 1994/95 and again in 2004/05. He served on and chaired the FVREB's Broker's Council and Agency Task Force. Gerry has served on the Real Estate Council of BC since 2006 and was Chair in 2010/11.

Gerry's community involvement rivals that of his real estate involvement. During the 1980's and 90's, Gerry coached Abbotsford minor softball and minor hockey teams. During the same time he was also a softball umpire where he umpired two Canadian championships. Gerry also served as a youth soccer referee and is a past President of Softball BC.

Message from the Executive Officer



This January marked the fifth anniversary of the requirement for strata managers to be licensed under the *Real Estate Services Act*. Over the past five years, significant work has been accomplished with respect to developing appropriate education and rules for the strata management segment of the real estate industry. In June of this year, the Council published the “Working with a Strata Management Company” brochure on its website to assist consumers and strata managers with the many important aspects of living in a strata development. My thanks to the members of the Council’s Strata Management Advisory Group for their hours of assistance to the Council, both on this brochure and other strata management issues.

In November 2010, the Council changed to a single payment system for licensees. This resulted in a significant reduction in the number of cheques, money orders and credit card transactions that the Council processes for itself, as well as the Errors and Omissions Insurance Corporation and the Real Estate Compensation Fund Corporation. This change also reduced the amount of time involved in submitting licence applications.

In a further effort to reduce costs, the annual *Notice of Council Elections* was included in the February 2011 *Report from Council* newsletter rather than sending out a separate mailing. This saved a significant amount of paper, as well as reducing printing and postage costs. The process went extremely well and, as a result, the Council will follow this same process in future elections, not only to save costs but to raise licensee awareness of the Council’s elections.

In February, the Council began sending important notices to managing brokers by email instead of fax. Emailing notices of this nature is both expedient and cost effective, enabling the Council to communicate with specific groups of licensees as needed.

In May, the Council revised its website to give it a fresh new look with easier navigation for both consumers and licensees. The new navigation is consistent with industry best practice standards and maintains the Council’s desire to have a user friendly website.

In closing, I would like to thank Chair Gerry Martin, Vice-Chair Bryon Brandle and the other members of the Council for their support over the last year. In addition, I would also like to thank our advisory groups and committee members for all of their work and guidance. Finally, I would be remiss if I did not thank the Council staff—they are a loyal and dedicated group of individuals who consistently work to ensure that the Council meets its mandate under the *Real Estate Services Act*.

A handwritten signature in blue ink that reads "R. O. Fawcett". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

Robert O. Fawcett
EXECUTIVE OFFICER

The Appointed and Elected Representatives of the Council

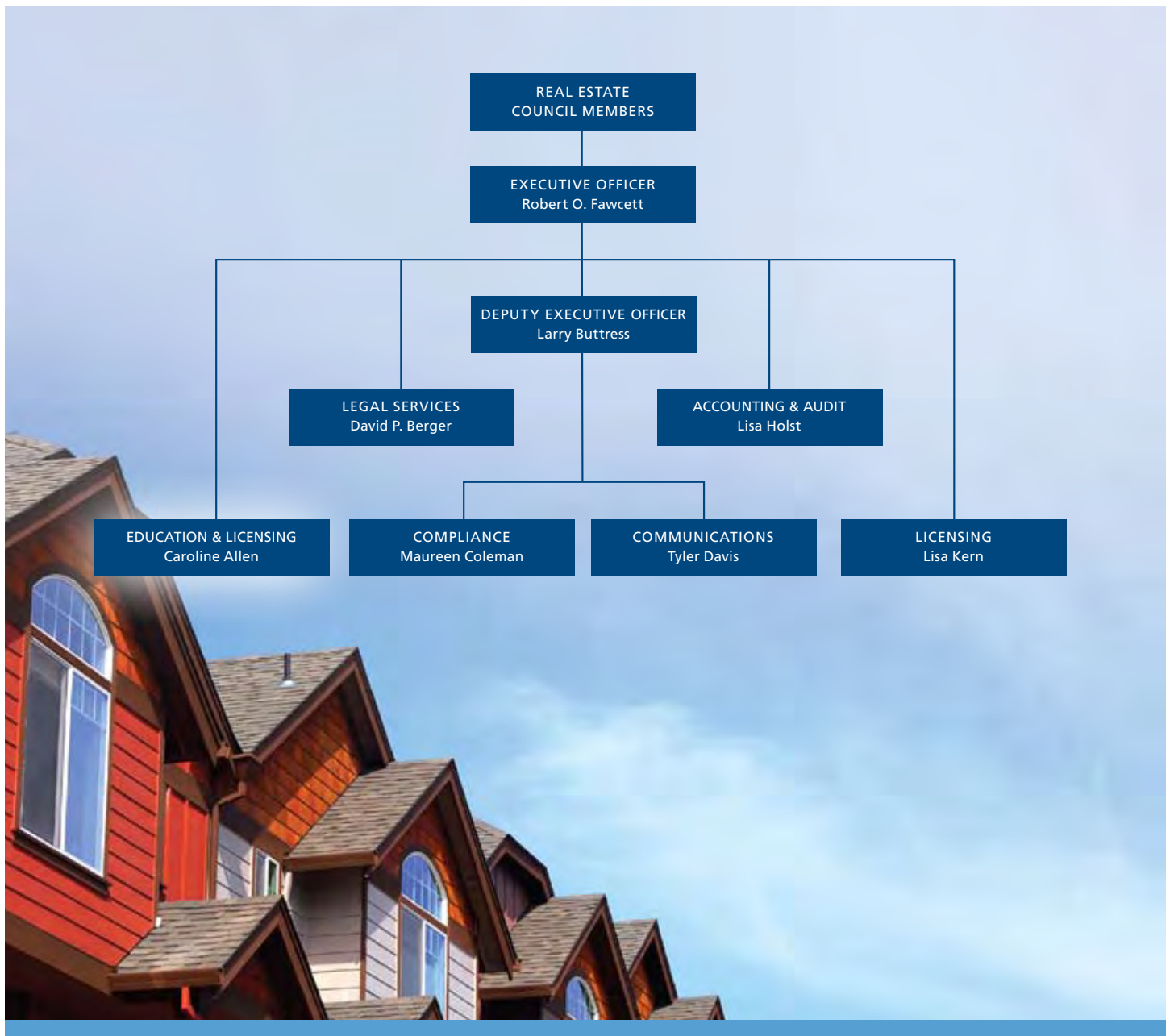
Council Members

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 the Council staff 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, 2011, the Council staff consisted of 38 full-time employees.



MEMBERS OF COUNCIL 2010/11



Gerry Martin (CHAIR)
County of Westminster
(South of the Fraser River)
Managing Broker Member
Term ends June 30, 2012



Bryon Brandle (VICE-CHAIR)
County of Yale
Managing Broker Member
Term ends June 30, 2011



Barbara Barry
West Vancouver
Lieutenant Governor-in-Council
Appointment
Term Ends June 30, 2011



John Nagy
Richmond
Lieutenant Governor-in-Council
Appointment
Term ends June 30, 2012



Bruce Turner
Courtenay
Lieutenant Governor-in-Council
Appointment
Term ends June 30, 2011



William (Bill) Brown
Rental/Strata Management Member
Term ends June 30, 2011



William (Bill) Binnie
County of Vancouver
Managing Broker Member
Term ends June 30, 2012



Patrick O'Donnell
County of Vancouver
Managing Broker Member
Term ends June 30, 2011



William (Bill) Phillips
County of Vancouver
Managing Broker Member
Term ends June 30, 2012



Abdul Ghouri
County of Vancouver
Representative Member
Term ends June 30, 2011



Michael Ziegler
County of Victoria
Managing Broker Member
Term ends June 30, 2011



Subhadra Ghose
Combined Counties of Victoria, Nanaimo,
Yale, Kootenay, Cariboo & Prince Rupert
Representative Member
Term ends June 30, 2012



Susan McGougan
County of Nanaimo
Managing Broker Member
Term ends June 30, 2012



Liz Tutt
County of Westminister
(North and South of the Fraser River)
Representative Member
Term ends June 30, 2011



Marshall Cowe
County of Westminister
(North of the Fraser River)
Managing Broker Member
Term ends June 30, 2012



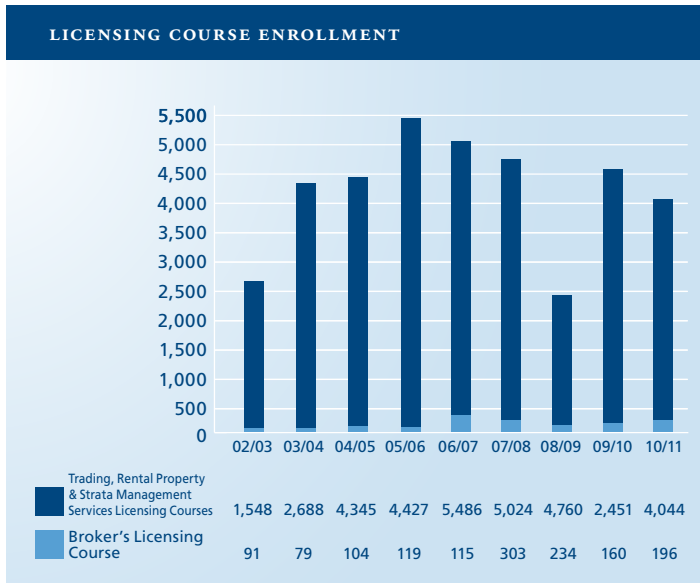
Jim McNeal
Combined Counties of Kootenay,
Cariboo and Prince Rupert
Managing Broker Member
Term ends June 30, 2011

Continuing the Council’s mandate of protecting the interests of consumers who use the services of Real Estate Licensees

Education

The administration of licensing courses has been delegated to the Real Estate Division at the Sauder School of Business, University of British Columbia, a task which it has been doing for over 53 years. British Columbia is the only jurisdiction in Canada that engages a university to oversee initial licensing education. This arrangement has, no doubt, enabled British Columbia to have some of the highest educational standards in North America.

The number of licensees taking the Council’s licensing courses declined slightly when compared with last year. The number of individuals that took the Broker’s licensing course remained consistent with last year. It should be noted that not all individuals who enroll in the 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

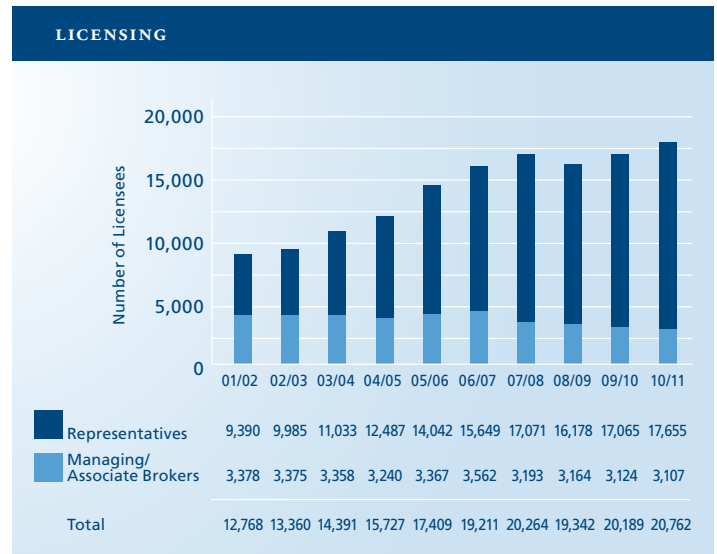
Under the authority of the *Real Estate Services Act*, the Council is responsible for determining what is appropriate education for individuals seeking to be licensed as real estate practitioners, including real estate representatives, associate brokers and managing brokers engaged in real estate sales,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

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.

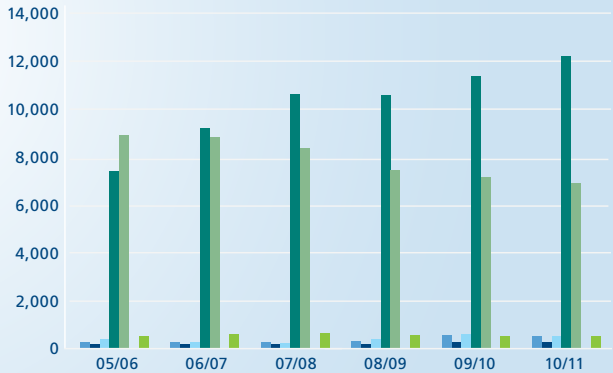
The number of individuals licensed in the province increased to a new all time high with 20,762, up from 20,189 last year. Over the past 10 years, the number of managing and associate broker licensees has remained consistent, averaging about 3,200 while at the same time the number of representative licensees has increased dramatically from 9,390 in 2001/02 to 17,655 in 2010/11.



Licensees in the province may be licensed to provide trading and/or rental and/or strata management services. The following chart shows the number of licensees by service category.



LICENSEES BY LICENCE CATEGORY



Rental	272	304	331	350	395	434
Rental & Strata	211	231	255	268	272	270
Strata	281	304	318	359	409	442
Trading	7,514	9,330	10,654	10,420	11,376	12,214
Trading & Rental	8,715	8,607	8,240	7,517	7,306	6,971
Trading & Strata	11	19	24	24	21	20
Trading, Rental & Strata	405	416	442	405	411	411



Continuing Education

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. At its July 2010 meeting, the Council decided to defer its decision regarding what the REP course requirements will be for a third cycle. The Council continues to work on developing the format and delivery method for future course requirements.

Office and Records Inspection Program

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. In order to assist with this, the Council has been performing office and records inspections since 1967. 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

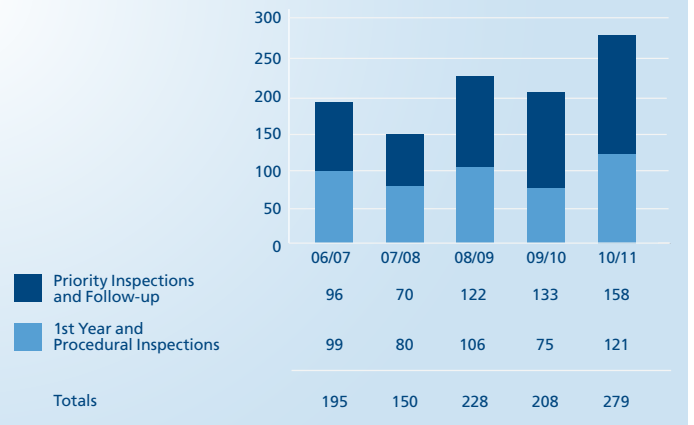
broad and allows auditors access to any documents which may relate to the brokerage’s dealings as a licensee.

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.

The following chart shows the number of Council office audit and inspections over the past several years. The chart shows priority and follow-up audits, as well as 1st year and procedural inspections.

OFFICE AUDITS AND INSPECTIONS



Complaints

Where a complaint has been received from a consumer or a licensee, the Council may conduct an investigation to determine whether a licensee has committed professional misconduct or conduct unbecoming a licensee within the meaning of the *Real Estate Services Act*. The Council may also conduct an investigation on its own initiative. This could include, for example, where the Council becomes aware of a court decision or news report that suggests professional misconduct or conduct unbecoming on the part of a licensee.

The basic purpose of the investigation is to determine whether a licensee has committed:

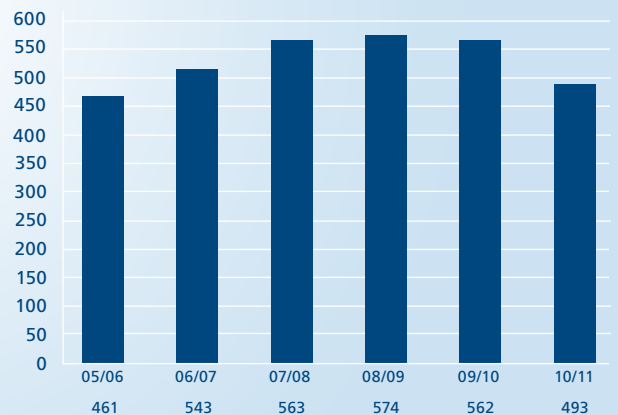
- professional misconduct by conduct that:
 - contravenes the *Real Estate Services Act*, Regulation, Bylaws or the Rules
 - contravenes a licence restriction or licence condition
 - demonstrates incompetence in performing any activity for which a licence is required
 - misappropriates or wrongfully converts money or other property entrusted to or received by the licensee in relation to the provision of real estate services
 - fails to comply with an order of the Council, a Discipline Committee, or the Superintendent of Real Estate
- conduct unbecoming a licensee if the licensee engaged in conduct that:
 - is contrary to the best interests of the public
 - undermines public confidence in the real estate industry
 - brings the real estate industry into disrepute.

The Council appoints a Complaints Committee that has the responsibility for reviewing those complaints that have not been summarily resolved, together with the responses received from the licensee and the results of the Council's investigation. The Complaints Committee, assisted by the Council staff, has the right to further investigate the facts and circumstances of the complaint and the response received from the licensee. This investigation may include an inspection of the books, documents and records of the licensee. If the Complaints Committee is satisfied that there is no indication of professional misconduct or conduct unbecoming a licensee, the Committee will dismiss the complaint and close the file, and the Complainant and the licensee are so informed. If it appears that a licensee may have committed professional misconduct or conduct unbecoming a licensee, then the recommendation of the Complaints Committee will depend upon the apparent seriousness of the contravention. The Complaints Committee may recommend:

- a letter of warning
- a formal disciplinary hearing.

The number of complaints received at the Council office for the year ending June 30, 2011 decreased to 493 from 562 last year. This is the second year in a row that the number of complaints decreased and may be indicative that the number of complaints is on a downward trend. As noted last year, many factors, including the supervision of managing brokers and the industry's Professional Development Program may have helped to reduce the overall number of consumer complaints.

COMPLAINTS RECEIVED



Disciplinary and Hearing Processes

The Council has the authority, pursuant to sections 40 and 42 of the *Real Estate Services Act*, to hold formal disciplinary hearings. At the conclusion of the hearing, the Discipline Committee will retire to reach a decision. A written decision of the Discipline Committee is usually communicated within 30 days to the licensees and the complainant.

In some circumstances, the facts in a matter may be fairly straight forward and, as a result, there may be no argument regarding what happened. Also, a licensee may wish to admit to some or all of the Council's allegations. If the licensee and the Council staff agree, an agreed statement of facts may be submitted to the Discipline Committee. This could eliminate the necessity of calling witnesses and, while the hearing would still proceed, it could be reduced in scope and less costly for all parties involved.

In the event that a licensee wishes to admit the allegations and consents to a Discipline Committee making a specified order under section 43 of the *Real Estate Services Act*, the licensee may make a proposal under section 41 to settle the matter by way of a Consent Order. This process avoids the necessity of a formal hearing and can save considerable time and expense for the licensee. A proposal includes an agreed statement of facts, appropriate admissions and a request as to outcome on terms acceptable to the Council legal staff. Once a draft proposal has been settled by the licensee and the Council's legal staff, it will then be reviewed by a Discipline Committee called a Consent Order Review Committee. This committee may accept, reject or counter the proposal.



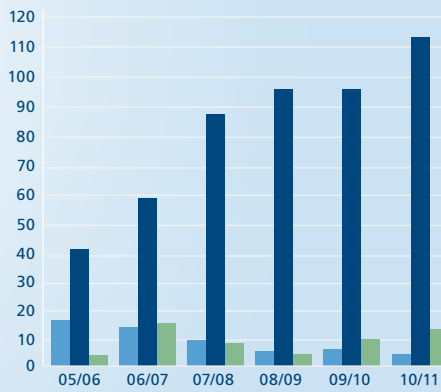
The Council entered into 113 Consent Orders for the year ending June 30, 2011, up from 96 last year. This is the highest number of Consent Orders ever recorded by the Council. The number of formal discipline hearings held was four, down from six last year. The Council also held 13 qualification hearings—a form of hearing to determine the suitability of individuals for licensing under the *Real Estate Services Act*.

—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*.

The number of discipline decisions handed down by the Council in 2010/11 was down slightly compared with last year. The number of licence reprimands decreased to 57 compared with 60 the year prior, while the number of licence suspensions was 47 compared with 40 over the same period. The Council issued 21 discipline penalties compared with 22 last year. There were three withdrawals from the industry, down from eight the year prior. 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.

HEARINGS AND CONSENT ORDERS



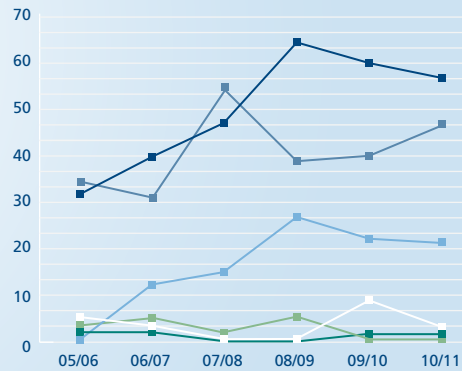
Hearings Held	16	14	10	5	6	4
Consent Orders	42	59	87	96	96	113
Qualification Hearings	3	15	9	4	10	13

Sanctions

The *Real Estate Services Act* allows the Discipline Committee to impose a range of disciplinary sanctions if it determines that a licensee has committed professional misconduct or conduct unbecoming a licensee. If there is such a finding, section 43(2) of the *Real Estate Services Act* requires the Discipline Committee to, by order, do one or more of the following:

- reprimand the licensee;
- suspend the licensee’s licence for a period of time and/or until specified conditions are met;
- suspend the licence in urgent circumstances
- 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;

DISCIPLINE



Licences Reprimanded	32	40	47	64	60	57
Licences Suspended	34	31	55	39	40	47
Licences Suspended in the Public Interest	2	2	0	0	2	2
Licences Cancelled	3	5	2	4	0	0
Discipline Penalties	0	12	15	27	22	21
Withdrawals from industry	5	3	1	1	8	3

Committees

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.

Committee Name	Authority	Responsibilities
Communications Committee	The purpose of the Committee is to effect the implementation of the Council's Communications Plan in order that the Council can communicate efficiently and effectively with stakeholders.	<ul style="list-style-type: none"> 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.	<ul style="list-style-type: none"> 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 <i>Real Estate Services Act</i>; or may not be suitable for licensing, pursuant to section 10 of the <i>Real Estate Services Act</i>; to issue letters of warning for minor or technical contraventions of the <i>Real Estate Services Act</i> in which there has been no harm to consumers; to dismiss complaints where there is no evidence of a contravention of the <i>Real Estate Services Act</i> 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.	<ul style="list-style-type: none"> 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.	<ul style="list-style-type: none"> 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 30th, 2011

This financial review is based on the audited financial statements for the year ended June 30, 2011 and the comparative figures for the year ended June 30, 2010.

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 net revenues in fiscal 2011 are \$5,869,205, an increase of \$27,153 from fiscal 2010 of \$5,962,611. Recognized licensing and assessment revenues are \$5,524,230 for fiscal 2011, an increase by \$100,005 from \$5,424,225 in fiscal 2010. Recognized course revenues in fiscal 2011 are \$239,875 and have increased by \$3,200 from \$236,675 in fiscal 2010. Recognized interest, education fund, and other revenue

income in fiscal 2011 are \$105,100 and have decreased \$196,611 from \$301,711 in fiscal 2010.

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 decreased in fiscal 2011 by \$205,969 to \$5,327,569 from \$5,533,538, the previous year. Administrative expenditures were higher by \$58,034; investigation expenditures higher by \$25,915; and other expenditures were lower by \$289,918.

Administration and investigation expenditures increased less than 2% respectively over the previous year. Other expenditures decreased in fiscal 2011 by \$289,918 to \$389,253 as we had completed the publication of the 7th edition of the Professional Standards Manual in fiscal 2010.

Operating Gain from Operations and Accumulated Net Assets

The excess revenue over expenditures for the year was \$541,636 compared to \$429,073 in fiscal 2010. This gain resulted in an increase in the unrestricted accumulated net assets of \$483,819 from \$3,599,884 in fiscal 2010 to \$4,083,703 in fiscal 2011.

Net Current Assets (working capital)

Net current assets were \$2,046,099 at June 30, 2011 compared to \$1,792,549 at June 30, 2010.

Independent Auditors' Report

Vancouver, Canada • September 20, 2011



To the Members of
Real Estate Council of British Columbia

We have audited the accompanying financial statements of the Real Estate Council of British Columbia (the "Council"), which comprise the balance sheet as at June 30, 2011, and the statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including

the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Real Estate Council of British Columbia as at June 30, 2011, 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

	2011 \$	2010 \$
ASSETS		
Current		
Cash and cash equivalents	1,348,857	825,554
Short-term investments <i>[Note 4]</i>	725,385	1,095,291
Accounts and accrued interest receivable	181,035	155,733
Prepaid expenses	99,708	78,404
	2,354,985	2,154,982
Long-term investments <i>[Note 5]</i>	2,230,487	1,824,515
Property and equipment, net <i>[Note 6]</i>	386,155	504,041
	4,971,627	4,483,538
LIABILITIES		
Current		
Accounts payable and accrued liabilities	181,091	147,538
Deferred revenue	69,925	157,025
Unexpended capital contribution <i>[Note 7]</i>	57,870	57,870
	308,886	362,433
NET ASSETS		
Unrestricted	4,083,703	3,599,884
Internally restricted <i>[Note 8]</i>	400,000	400,000
Education Fund <i>[Note 8]</i>	179,038	121,221
	4,662,741	4,121,105
	4,971,627	4,483,538

Commitments and contingency *[Note 9]*

See accompanying notes and schedules to the financial statements.

On behalf of the Council:



Bryon Brandle
CHAIR



Robert O. Fawcett
EXECUTIVE OFFICER

Statement of Operations

Year ended June 30, 2011

	2011			2010		
	Unrestricted Fund \$	Education Fund \$	Total \$	Unrestricted Fund \$	Education Fund \$	Total \$
REVENUE						
Licensing						
Gross licence fees collected	1,524,788	—	1,524,788	1,487,834	—	1,487,834
Less payable to Superintendent of Real Estate	762,394	—	762,394	743,917	—	743,917
Net fees collected	762,394	—	762,394	743,917	—	743,917
Assessments	4,761,836	—	4,761,836	4,680,308	—	4,680,308
Course fees	239,875	—	239,875	236,675	—	236,675
Discipline penalties	—	62,000	62,000	—	67,750	67,750
Grants	—	—	—	—	100,000	100,000
Investment income	43,100	—	43,100	133,961	—	133,961
	5,807,205	62,000	5,869,205	5,794,861	167,750	5,962,611
OPERATING EXPENDITURES						
Administrative expenditures [Schedule 1]	3,122,877	—	3,122,877	3,064,843	—	3,064,843
Investigation expenditures [Schedule 2]	1,815,439	—	1,815,439	1,789,524	—	1,789,524
Other expenditures [Schedule 3]	385,070	4,183	389,253	416,142	263,029	679,171
	5,323,386	4,183	5,327,569	5,270,509	263,029	5,533,538
Excess (deficiency) of revenue over expenditures	483,819	57,817	541,636	524,352	(95,279)	429,073

See accompanying notes and schedules to the financial statements.

Statement of Changes in Net Assets

Year ended June 30, 2011

	Unrestricted Fund \$	Technology Fund \$	Legal Defence Fund – General \$	Legal Defence Fund – Special Compensation \$	Education Fund \$	Total \$
Net assets, June 30, 2009	3,075,532	100,000	150,000	150,000	216,500	3,692,032
Excess 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
Excess of revenue over expenditures for the year	483,819	—	—	—	57,817	541,636
Net assets, June 30, 2011	4,083,703	100,000	150,000	150,000	179,038	4,662,741

See accompanying notes and schedules to the financial statements.

Statement of Cash Flows

Year ended June 30

	2011 \$	2010 \$
Cash derived from (applied to)		
OPERATING ACTIVITIES		
Excess of revenue over expenditures	541,636	429,073
Adjustments for items not affecting cash		
Unrealized gain on investments	(8,073)	(61,335)
Amortization	231,953	245,945
	765,516	613,683
Changes in non-cash operating working capital		
Accounts and accrued interest receivable	(25,302)	(22,329)
Prepaid expenses	(21,304)	12,497
Accounts payable and accrued liabilities	33,553	(77,895)
Deferred revenue	(87,100)	157,025
	665,363	682,981
INVESTING ACTIVITIES		
Sale (purchase) of short-term investments, net	369,906	(603,796)
Purchase of long-term investments, net	(397,899)	(289,312)
Net purchase of property and equipment	(114,067)	(155,565)
	(142,060)	(1,048,673)
Net increase (decrease) in cash	523,303	(365,692)
Cash and cash equivalents, beginning of year	825,554	1,191,246
Cash and cash equivalents, end of year	1,348,857	825,554

See accompanying notes and schedules to the financial statements.

Notes to the Financial Statements

June 30, 2011

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. 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 The Canadian Institute of Chartered Accountants 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.

Notes, continued

Deferred revenue reported in the balance sheet 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.

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. 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

3. 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, 2011 and 2010 are summarized as follows:

	June 30, 2011		June 30, 2010	
	Carrying Value \$	Fair Value \$	Carrying Value \$	Fair Value \$
Held-for-trading	4,304,729	4,304,729	3,745,360	3,745,360
Loans and receivables	181,035	181,035	155,733	155,733
Other financial liabilities	181,091	181,091	147,538	147,538

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.

Notes, *continued*

Fair value disclosure

The Council's financial instruments measured at fair value have been categorized based upon a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lower priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1** Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the investment manager has the ability to access at the measurement date.
- Level 2** Inputs other than quoted prices that is observable for the asset or liability either directly or indirectly, including inputs that are not considered active.
- Level 3** Inputs that are unobservable. There is little, if any, market activity. Inputs into the determination of fair value require significant management judgment or estimation.

The following fair value hierarchy table presents information about the Council's financial assets measured at fair value on a recurring basis as at June 30, 2011.

Financial instruments measured at fair value as at June 30, 2011

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Bonds	—	506,073	—	506,073
Pooled money market funds	—	2,449,799	—	2,449,799
Marketable securities	—	—	—	—
Cash	1,348,857	—	—	1,348,857
	1,348,857	2,955,872	—	4,304,729

4. Short-term Investments

The Council's short-term investment portfolio is composed as follows: a GIC having a June 30, 2011 estimated fair value of \$116,251 (2010: \$392,589) with maturity date of December 14, 2011, bearing interest at a rate of 1.8% (2010: between 1.55% and 4.07%); and, mutual funds having a June 30, 2011 estimated fair value of \$609,134 (2010: \$702,702).

5. Short-term Investments

The Council's long-term investment portfolio is composed as follows: a government bond having a June 30, 2011, estimated fair value of \$306,073 (2010: \$303,045) with a maturity date of June 1, 2014, bearing interest at a rate of 3.1% (2010: 3.1%); and, GIC's having a June 30, 2011, estimated fair value of \$1,924,414 (2010: \$1,521,470) with maturity dates ranging between February 13, 2012 and March 31, 2016, bearing interest at rates ranging between 3.00% to 4.56% (2010: 3.85% to 4.25%).

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

Notes, continued

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, 2011 or 2010.

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.

6. Property and Equipment

	2011		
	Cost \$	Accumulated amortization \$	Net book value \$
Computer equipment	710,382	569,969	140,413
Office equipment	348,550	275,642	72,908
Automotive equipment	50,417	25,511	24,906
Leasehold improvements	314,485	166,557	147,928
	1,423,834	1,037,679	386,155

	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

7. 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, 2011, leaving an unexpended balance of \$57,870 (2010: \$57,870). The Council expects to utilize the remaining unexpended balance during fiscal 2011.

Notes, continued

8. Internally Restricted Net Assets and Education Fund

	2011 \$	2010 \$
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]	179,038	121,221
	579,038	521,221

[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 the 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*

9. 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 four years is estimated as follows:

	\$
2012	189,500
2013	189,500
2014	189,500
2015	47,380
	<hr/> 615,880 <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.

10. 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.

11. Comparative Figures

Certain 2010 comparative figures have been reclassified to conform with the financial statement presentation adopted for 2011.

Schedule of Expenditures

Year ended June 30, 2011

Schedule 1

Schedule of Administrative Expenditures

	2011		2010	
	Unrestricted Fund \$	Total \$	Unrestricted Fund \$	Total \$
Amortization	231,953	231,953	245,945	245,945
Council members' honorarium	124,844	124,844	123,970	123,970
Equipment maintenance	31,425	31,425	25,402	25,402
Insurance	10,849	10,849	11,465	11,465
Office rent and operating costs, net	458,122	458,122	402,466	402,466
Postage, mailing and delivery	176,310	176,310	164,577	164,577
Printing and stationery	47,362	47,362	62,524	62,524
Professional services	80,412	80,412	119,985	119,985
Salaries	1,614,338	1,614,338	1,551,973	1,551,973
Telephone	16,472	16,472	15,633	15,633
Travel and accommodation	214,724	214,724	220,344	220,344
Visa and bank charges	116,066	116,066	120,559	120,559
	3,122,877	3,122,877	3,064,843	3,064,843

Schedule 2

Schedule of Investigation Expenditures

	2011		2010	
	Unrestricted Fund \$	Total \$	Unrestricted Fund \$	Total \$
Court reporter services	5,269	5,269	10,735	10,735
Criminal records searches	28,120	28,120	28,290	28,290
Forensic investigations	—	—	18,725	18,725
Professional services	469,863	469,863	399,939	399,939
Salaries	1,348,192	1,348,192	1,321,408	1,321,408
Spot audits	56,082	56,082	43,292	43,292
Travel and hearing (recovery)	(92,087)	(92,087)	(32,865)	(32,865)
	1,815,439	1,815,439	1,789,524	1,789,524

Schedule 3

Schedule of Other Expenditures

	2011			2010		
	Unrestricted Fund \$	Education Fund \$	Total \$	Unrestricted Fund \$	Education Fund \$	Total \$
Conferences	68,810	—	68,810	62,970	—	62,970
Dues, subscriptions and publications	43,777	—	43,777	33,079	—	33,079
Electronic communication	111,746	—	111,746	91,352	—	91,352
Post-licensing education/grants	77,725	4,183	81,908	127,743	263,029	390,772
Printing	81,149	—	81,149	98,231	—	98,231
Public relations	1,863	—	1,863	2,767	—	2,767
	385,070	4,183	389,253	416,142	263,029	679,171



Suite 900-750 West Pender Street Vancouver, BC Canada V6C 2T8
TEL: 604 683 9664 | TOLL-FREE: 1 877 683 9664 | FAX: 604 683 9017

www.recbc.ca