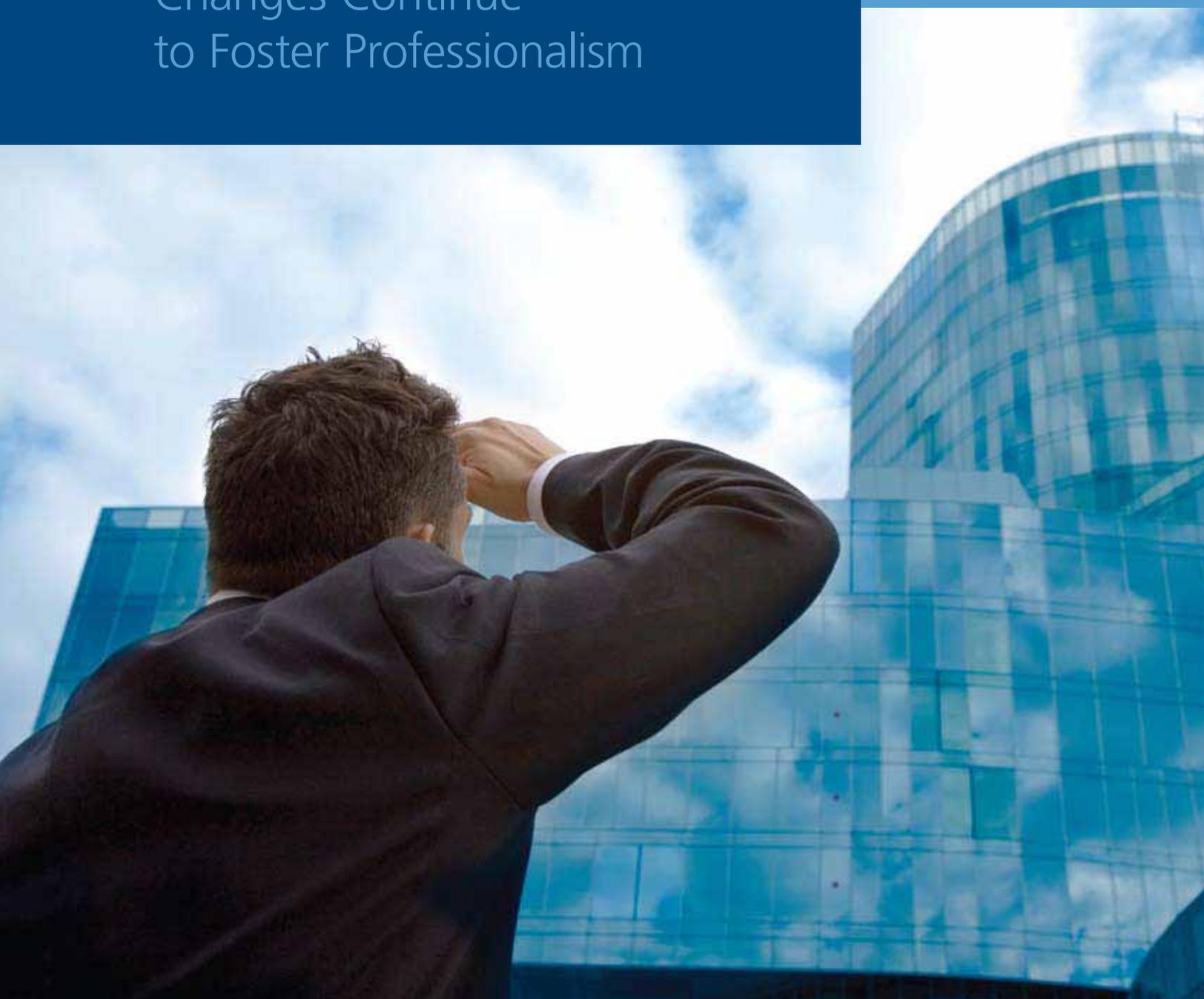


Annual Report 2009

Changes Continue to Foster Professionalism



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Real Estate Council of British Columbia

Mandate

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 51 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

Mission

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

Vision

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.

Economic Downturn Impacts Real Estate Industry



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, 2009.

You will note that once again, the Council had a busy and productive year. The economic downturn saw a decrease in course applications, first time licensees, and existing licensees, but despite this the Council remains optimistic about both the province's and the real estate industry's future.

After six years on Council, my term as Council's Chair, and as an elected member for the County of Vancouver, expired on June 30. It has been a gratifying experience—which I shall treasure.

The members and staff of the Council appreciate the excellent working relationship we have with the staff of the Strategic and Corporate Policy division, who continue to provide timely and thoughtful assistance to Council, for which I thank you.

Yours truly,



Judi Whyte
CHAIR

Judi Whyte, RI

Judi Whyte has had her real estate licence for 32 years and is licensed with Prudential Sussex Realty in West Vancouver. In addition to serving as Chair of the Council for the 2008/09 term, Judi is a past president and governor of the Real Estate Institute of BC, past director of the Vancouver Chapter of REIBC, past president and director of the Kootenay Real Estate Board and past co-chair of the B.C. Land Summit. Judi is also the first ever recipient of the Real Estate Board of Greater Vancouver's Professional Excellence award.

Judi's community involvement rivals that of her real estate involvement. Judi has served as past president of the Nelson Minor Hockey Association, past chair of the Nelson Shuzinji Friendship Society, past chair of hospitality for World Youth Day and as a gold level judge for the Canadian Figure Skating Association. Judi has also volunteered for numerous other community initiatives, including: Meals on Wheels, North Shore Community Housing Action Committee, Home Safe Home and North Shore Widows Network.

The Only Thing Inevitable about Time is Change



When I was in my late teens, I heard the phrase “the only thing inevitable about time is change.” It struck a note with me then and has stuck with me over the last 3½ decades.

In June of this year, I marked my 30th year of employment with the Council. When I look back over those 30 years, I am amazed at both the growth of the industry and its many changes. In June 1979, there were 8,347 licensees and now there are 19,331 licensees in the province. Back then, there was no Real Estate Errors & Omissions Insurance Corporation, Real Estate Foundation, Real Estate Compensation Fund Corporation, or many of the other things we take for granted in 2009.

This last year also saw a number of important changes to the industry. The licensing of Personal Real Estate Corporations was a major undertaking for this office, requiring amendments to our accounting and licensing systems, as well as the Council’s Bylaws and Rules. As of June 30th, there were 212 Personal Real Estate Corporations licensed in the province.

In response to changes in the Agreement on Internal Trade, the Council decided, after careful consideration at its March 2009 meeting, that it would recognize, without additional requirements, real estate licence applicants from all Canadian jurisdictions that have an occupational standard, who are currently licensed, qualified to be licensed, or who have been unlicensed for less than one year. The Council will carefully monitor the results of this initiative to ensure that licensees transferring in from other jurisdictions under the AIT operate at the same level as those licensees who complete their licensing programs in British Columbia.

With the commencement of the second cycle of the Relicensing Education Program this year, the Council has undertaken a review of the program to ensure it is meeting the needs of the Council. One area under review is the further harmonization of the Professional Development Program and the Relicensing Education Program to avoid confusion and eliminate duplication.

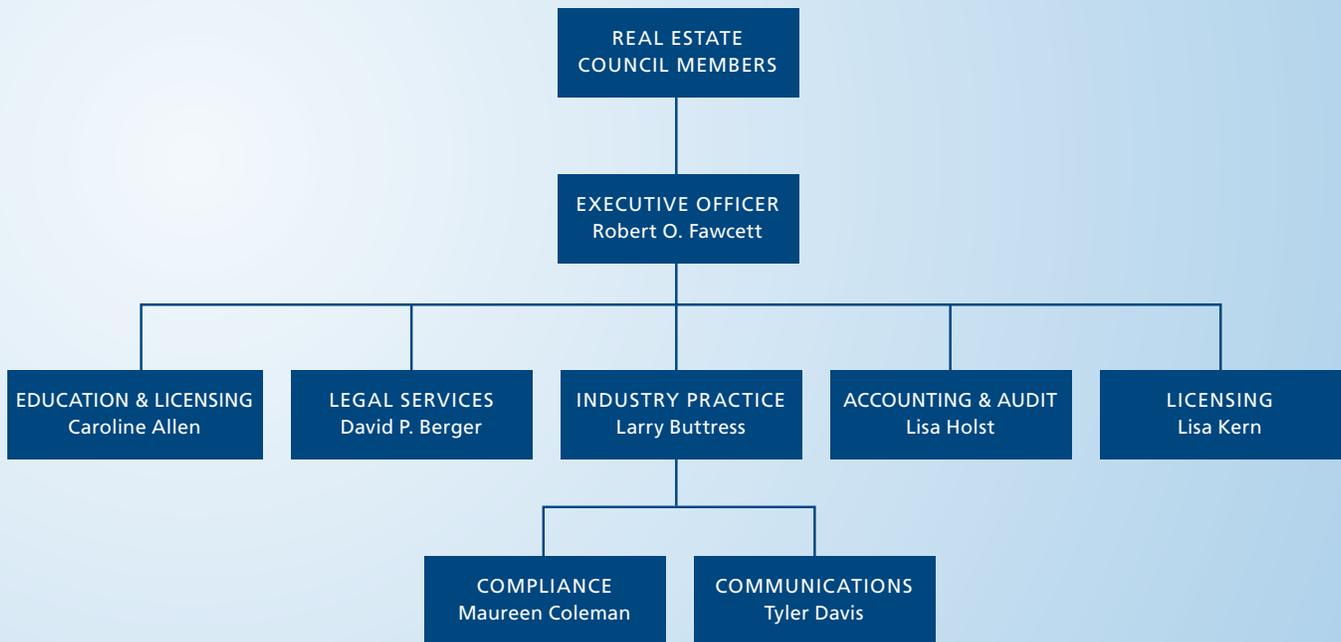
The global economic downturn, which commenced last summer, necessitated a modest increase in the Council’s assessment fee effective July 1, 2009. The increase was predicated on a decrease in the number of course applicants, first time licence applicants, and Council’s interest income. While the decrease in the number of licensees was less than anticipated, the increase in the Council’s assessment will ensure the Council’s sound financial circumstances over the next couple of years.

In closing, I would like to thank Chair Judi Whyte, Vice-Chair Bill Brown, and the rest of the members of the Council for their leadership, oversight and support over the last year. I would also like to thank our committee, task force, and advisory group volunteers for their contributions to the work of the Council. Finally, I would like to acknowledge the Council staff for all of their efforts over the past year. I feel fortunate to work with such a great team of individuals, both past and present, over these many years.

A handwritten signature in blue ink that reads "Robert 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 strata/rental property management member. Those elected have traditionally been individuals of broad experience who enjoy the professional respect

of their fellow licensees. Members are elected for two-year terms, with half of the Council elected each year, thus ensuring continuity. A Chair and Vice-Chair are elected each year by the members.

Staff

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, 2009, RECBC had 37 full-time employees.

MEMBERS OF COUNCIL 2008/2009



Back row: Bryon Brandle, Wayne Standlund, Jim McNeal, John Finlayson, Ramesh Rikhi, William (Bill) Phillips, Gerry Martin, William (Bill) Binnie, Bruce Turner, Danny Leung, Robert Fawcett (Executive Officer)

Front row: Liz Tutt, Cynthia Chen, William (Bill) Brown (Vice-Chair), Judi Whyte (Chair), Marshall Cowe, Ann Petrone

Lieutenant Governor-in-Council Appointments

Name	Term Expires	Location
Danny Leung	July 1, 2009	Richmond
Ramesh Rikhi	July 1, 2009	Summerland
Bruce Turner	July 1, 2009	Courtenay

Elected members

Name	Term Expires	Location
Judi Whyte	June 30, 2009	County of Vancouver Representative Member
William (Bill) Brown	June 30, 2009	Rental/Strata Management Member (All Counties)
William (Bill) Binnie	June 30, 2010	County of Vancouver Managing Broker Member
Cynthia Chen	June 30, 2009	County of Vancouver Managing Broker Member
William (Bill) Phillips	June 30, 2010	County of Vancouver Managing Broker Member
Wayne Strandlund	June 30, 2009	County of Victoria Managing Broker Member
Ann Petrone	June 30, 2010	Combined Counties of Victoria, Nanaimo, Yale, Kootenay, Cariboo and Prince Rupert Representative Member
John Finlayson	June 30, 2010	County of Nanaimo Managing Broker Member
Liz Tutt	June 30, 2009	County of Westminster (North and South) Representative Member
Marshall Cowe	June 30, 2010	County of Westminster (North) Managing Broker Member
Gerry Martin	June 30, 2010	County of Westminster (South) Managing Broker Member
Bryon Brandle	June 30, 2009	County of Yale Managing Broker Member
Jim McNeal	June 30, 2009	Combined Counties of Kootenay, Cariboo and Prince Rupert Managing Broker Member

The Real Estate Council is Responsible for Protecting the Interests of Consumers Who Use the Services of Real Estate Licensees.

Education

Licensing

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

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

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

Further Education

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

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

Relicensing Education Program

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

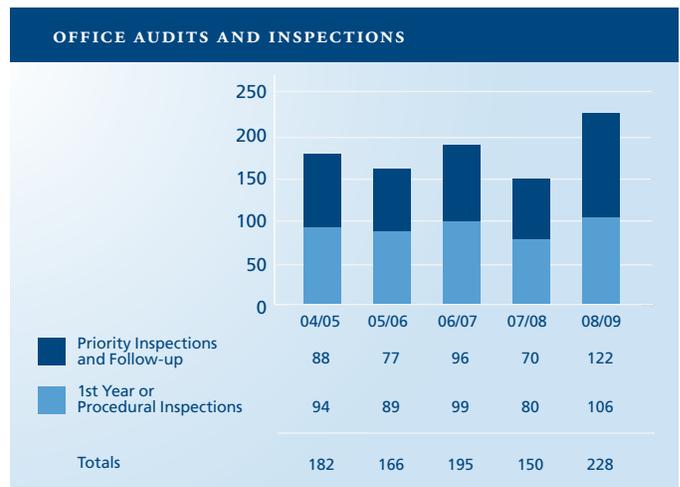
Compliance Processes

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 for enforcement expenses incurred by the Council;
 - pay a disciplinary penalty in an amount of not more than \$20,000 in the case of a brokerage or former brokerage, or not more than \$10,000 in any other case.

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

Orders in Urgent Circumstances

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

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

Council Meetings and Decision Processes

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

Economic downturn results in a dramatic decline in course enrollment but complaints and discipline activity remain active.

Education

This past year saw a marked decline in the number of enrollments in the licensing courses (Trading Services, Rental Property Management and Strata Management). The number of course enrollments dropped to 2,451 from 4,760 the year prior. The number of registrations in the Broker's Licensing Course also declined from 234 to 160 this past year. It is interesting to note that the second quarter of 2009, however, saw an increase in the number of unit sales in the province and, as a result, the number of licensing course registrations began to increase as well, albeit not enough to offset the significant decline when compared with last year.



Licensing

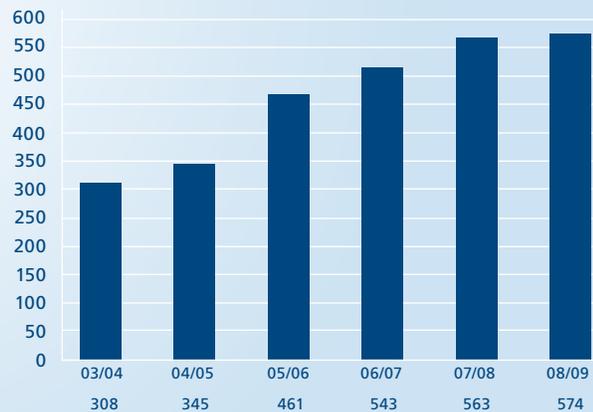
The number of licensees in the province at the Council's year-end decreased from the all-time high of 20,149 (May 2008) to 19,342 licensees. While this is a decrease of some 800 licensees, it is not as dramatic of a decrease as seen in the previous decline cycle of licensees that started in 1994. As noted, the second quarter of 2009 saw a significant slowdown in the number of licensees leaving the business combined with a steady inflow of new licensees.



Complaints Received

The number of complaints received at the Council office for the year ending June 30, 2009 increased to 574. This is the fifth year in a row that the number has increased and is likely a reflection of the active real estate market over the past several years, as well as greater consumer awareness of the role of the Real Estate Council.

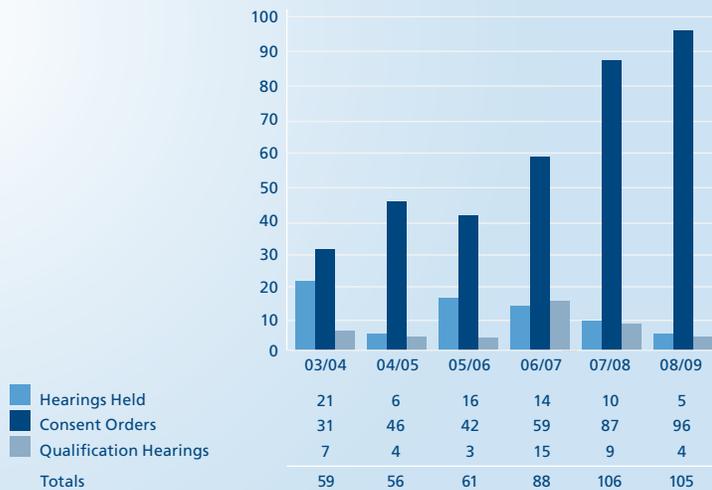
COMPLAINTS RECEIVED



Hearings and Consent Orders

The number of Consent Orders continued to increase in 2008/09 with 96 orders issued. However, the total number of hearings and consent orders at 105 remained stable compared to last year's total of 106.

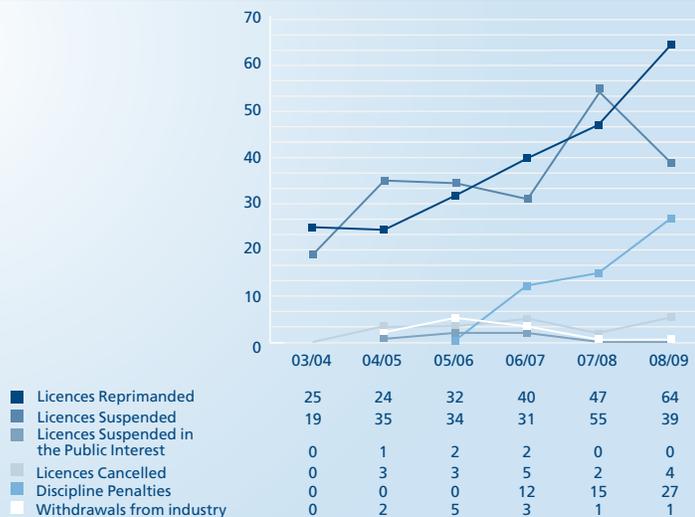
HEARINGS AND CONSENT ORDERS



Discipline

This chart reflects the penalties agreed to by Consent Order Review Committees and Hearing Committees over the past several years. The number of licence reprimands increased significantly over last year while the number of licence suspension issued were down slightly. The number of licence cancellations increased, along with a significant increase in the number of discipline penalties (fines) levied. This chart also includes the number of withdrawals from the industry. Withdrawals from the industry occur in situations where a licensee requests that the Real Estate Council discontinue disciplinary proceedings against them as the licensee has decided to permanently retire from real estate practice.

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;
- when requested by staff, to review charges on their assigned files for which hearings have been ordered;
- to research and report on any miscellaneous topics referred by the Council.

Consent Order Review Committee

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

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

Education and Licensing Committee

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

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

COMMITTEES, *continued*

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

Financial Review

as at June 30, 2009

This financial review is based on the audited financial statements for the year ended June 30, 2009 and the comparative figures for the year ended June 30, 2008.

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. 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, and licensee and other participants in the real estate industry in BC about the operation and regulation of the industry and issue related to the real estate and real estate services. These funds are to be held in trust and segregated from general operating funds.

Operations

Revenues

Recognized licensing and assessment revenues decreased by \$245,974 from \$4,679,000 in fiscal 2008 to \$4,433,026 in fiscal 2009 due, in part, to a 34% decline in first time licensees and 50% increase in transfers and reinstatements administered. Recognized course revenues have decreased by \$113,725 from \$275,975 in fiscal 2008 to \$162,250 in fiscal 2009. Recognized interest and other revenue income have decreased \$16,021 from \$41,664 in fiscal 2008 to \$25,643 in fiscal 2009.

Expenditures

Expenditures include general administration and facilities; Council and committee per diems and meeting costs; and other corporate expenses, such as communications activities, election costs, and grants and endowments. Total expenditures decreased in fiscal 2009 by \$88,645 to \$4,767,510 from \$4,856,155 the previous year. Administrative expenditures were lower by \$268,474; investigations higher by \$143,517; and other expenditures were higher by \$36,312.

Approximately 64% of the decrease in administrative expenditures of \$268,474 is due to the lower direct costs of the administrative salaries, and 34% of the decrease in professional services for the year. The investigation expenditures increased in fiscal 2009 by \$143,517 to \$1,629,858. The combined expenditures for staff salaries and professional services contributed to most of the increase. Other expenditures increased in fiscal 2009 by \$36,312 to \$376,737, which is 11% and predominantly attributable to increased printing expenditures. The expenditures also include the Council's contribution of \$36,000 to the P. Dermot Murphy Endowment at Simon Fraser University.

Operating Loss from Operations and Accumulated Net Assets

The net loss for the year was \$146,591 compared to a net surplus of \$142,436 in fiscal 2008. This loss, together with the decrease in the fund balances invested in property and equipment, resulted in a decrease in the accumulated fund balance of \$89,231 from \$2,570,342 in fiscal 2008 to \$2,481,111 in fiscal 2009.

Net Current Assets (working capital)

Net current assets were \$1,598,220 at June 30, 2009 compared to \$1,517,148 at June 30, 2008.

To the Members
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, 2009 and the statements of revenue and expenditures, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Council's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes

assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Council as at June 30, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The financial statements at June 30, 2008 and for the year then ended were audited by other auditors who expressed an opinion without reservation on those statements in their report dated August 15, 2008.

Vancouver, Canada
August 25, 2009



CHARTERED ACCOUNTANTS

Balance Sheet

June 30

	2009 \$	2008 \$
ASSETS		
Current		
Cash and cash equivalents	1,191,246	866,277
Short-term investments [Note 5]	465,972	580,147
Accounts and accrued interest receivable	133,404	88,472
Prepaid expenses	90,901	85,077
	1,881,523	1,619,973
Long-term investments [Note 6]	1,499,391	1,573,444
Property and equipment, net [Note 7]	594,421	651,781
	3,975,335	3,845,198
LIABILITIES		
Current		
Accounts payable and accrued liabilities	225,433	44,955
Unexpended capital contribution [Note 8]	57,870	57,870
	283,303	102,825
NET ASSETS		
Unrestricted	2,481,111	2,570,342
Internally restricted [Note 9]	400,000	400,000
Education fund [Note 9]	216,500	120,250
Investment in property and equipment	594,421	651,781
	3,692,032	3,742,373
	3,975,335	3,845,198

Commitments and contingency [Note 10]

See accompanying Notes

On behalf of the Council:



William (Bill) Brown
CHAIR



Robert O. Fawcett
EXECUTIVE OFFICER

Statement of Revenue and Expenditures

Year ended June 30

	2009 \$	2008 \$
REVENUE		
Licensing		
Gross licence fees collected	1,444,178	1,416,750
Less payable to Superintendent of Real Estate	722,089	708,375
Net fees collected	722,089	708,375
Assessments	3,710,937	3,970,625
Course fees	162,250	275,975
Interest and other investment income, net of expenses	25,643	41,664
	4,620,919	4,996,639
OPERATING EXPENDITURES		
Administrative expenditures [Schedule 1]	2,760,915	3,029,389
Investigation expenditures [Schedule 2]	1,629,858	1,486,341
Other expenditures [Schedule 3]	376,737	340,425
	4,767,510	4,856,155
Excess of (expenditures over revenue) revenue over expenditures from operations	(146,591)	140,484
Other revenue		
Gain on disposal of property and equipment	—	1,952
Excess of (expenditures over revenue) revenue over expenditures	(146,591)	142,436

Statement of Changes in Net Assets

Year ended June 30, 2009

	2009					2008
	Unrestricted Fund \$	Internally Restricted Fund \$	Education Fund \$	Investment in Property and Equipment \$	Total \$	Total \$
Net assets, beginning of year	2,570,342	400,000	120,250	651,781	3,742,373	3,549,207
Investment adjustment from cost to market <i>[Note 3]</i>	—	—	—	—	—	(7,020)
Excess of revenue over expenditures (expenditures over revenue) for the year						
Unrestricted fund	85,795	—	—	(232,386)	(146,591)	142,436
Discipline penalties contributed to education fund	—	—	96,250	—	96,250	57,750
Property and equipment purchases	(175,026)	—	—	175,026	—	—
Net assets, end of year	2,481,111	400,000	216,500	594,421	3,692,032	3,742,373

Statement of Cash Flows

Year ended June 30

	2009 \$	2008 \$
Cash derived from (applied to)		
OPERATING ACTIVITIES		
Excess of (expenditures over revenue) revenue over expenditures	(146,591)	142,436
Adjustments for items not affecting cash		
Unrealized loss (gain) on investments	13,511	(27,506)
Gain on disposal of property and equipment	—	(1,952)
Amortization	232,386	231,954
	99,306	344,932
Discipline penalties contributed to education fund	96,250	57,750
Changes in non-cash operating working capital		
Accounts and accrued interest receivable	(44,932)	10,108
Prepaid expenses	(5,824)	(7,156)
Accounts payable and accrued liabilities	180,478	(27,181)
	325,278	378,453
INVESTING ACTIVITIES		
Purchase of short-term investments, net	114,175	(196,248)
Purchase of long-term investments, net	60,542	(271,390)
Net purchase of property and equipment	(175,026)	(297,203)
	(309)	(764,841)
Net increase (decrease) in cash	324,969	(386,388)
Cash and cash equivalents, beginning of year	866,277	1,252,665
Cash and cash equivalents, end of year	1,191,246	866,277

Notes to the Financial Statements

June 30, 2009

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

New accounting pronouncement

Effective July 1, 2008, the Council adopted The Canadian Institute of Chartered Accountants Handbook (“CICA HB”) Section 1535 *Capital Disclosures*. The capital disclosures standard requires disclosure of the Council’s objectives and its policies and processes for managing capital, as well as its compliance with any externally imposed capital requirements. These new disclosures are included in Note 11 to the financial statements.

3. Summary of Significant Accounting Policies

Cash and cash equivalents

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

Short-term investments

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

Long-term investments

Effective July 1, 2007, long-term investments are classified as held-for-trading pursuant to CICA HB 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 revenue and expenditures. Transaction costs are expensed as incurred. The unrealized loss that arose as of July 1, 2007 on application of CICA HB Section 3855 totaled \$7,020 and was recorded in the statement of changes in net assets as at that date.

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

Revenue recognition

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

Notes, *continued*

Use of estimates

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

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, 2009 and 2008 are summarized as follows:

	June 30, 2009		June 30, 2008	
	Carrying Value \$	Fair Value \$	Carrying Value \$	Fair Value \$
Held-for-trading	3,156,609	3,156,609	3,019,868	3,019,868
Loans and receivables	133,404	133,404	88,472	88,472
Other financial liabilities	225,433	225,433	44,955	44,955

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*

5. Short-term Investments

The Council's short-term investment portfolio is composed as follows: government bonds having a June 30, 2009 estimated fair value of \$204,972 (2008: \$Nil), with maturity dates ranging from November 12, 2009 to December 2, 2009, bearing interest at rates ranging between 4.5% to 6.5% (2008: 4.5% to 6.5%); a GIC having a June 30, 2009 estimated fair value of \$261,000 (2008: \$Nil), with a maturity date of March 12, 2010, bearing interest at a rate of 3.96% (2008: 3.96%); and term deposits having a June 30, 2009 estimated fair value of \$Nil (2008: \$580,147).

6. Long-term Investments

The Council's long-term investment portfolio is composed as follows: government bonds having a June 30, 2009 estimated fair value of \$404,488 (2008: \$575,918), with maturity dates ranging from August 23, 2010 to January 6, 2014, bearing interest at rates ranging between 3.1% to 6.4% (2008: 4.0% to 6.5%), and GIC's having a June 30, 2009 estimated fair value of \$1,094,903 (2008: \$997,526) with maturity dates ranging between March 12, 2012 and June 1, 2014, bearing interest at rates ranging between 3.65% to 4.56% (2008: 3.3% to 5.9%).

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, 2009 or 2008.

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.

Notes, *continued*

7. Property and Equipment

	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

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

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 \$192,130 had been expended to June 30, 2009, leaving an unexpended balance of \$57,870 (2008: \$57,870). The Council expects to utilize the remaining unexpended balance during fiscal 2010.

Notes, *continued*

9. Internally Restricted Net Assets and Education Fund

	2009 \$	2008 \$
Technology Fund [a]	100,000	100,000
Legal Defence Fund—General [b]	150,000	250,000
Legal Defence Fund—Special Compensation Fund [b]	150,000	50,000
Total internally restricted net assets	400,000	400,000
Education Fund	216,500	120,250
	616,500	520,250

[a] The Technology Fund is to be used for modifications to new licensing systems software. The Technology Fund is expected to be utilized during 2010.

[b] In 2003, the Council established a Legal Defence Fund to be used to pay on behalf of Council, its members or employees, all sums which the Council, its members or employees (the “Party”) become liable to pay as compensating damages arising out of a claim made against the Party by a member of the public, a member of the Council, or an employee of the Council alleging a Wrongful Act; or made against the Party because of the Party’s status as a Council member or an employee thereof, provided that, in either situation, the Claim relates solely to the performance by the Party of services as a member or employee of the Council in their capacity with the Council. The maximum amount to be paid by the Legal 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 \$50,000 for the potential defence of claims related to the Real Estate Compensation Fund Corporation.

The Council reallocated \$100,000 from the Legal Defence Fund—General to the Legal Defence Fund—Special Compensation Fund, which was approved by Council members.

[c] In compliance with Section 43 under the *Real Estate Services Act*, an Education Fund was set up during 2006 from licensee payments of discipline penalties. When the discipline committee determines that a licensee has committed professional misconduct or conduct unbecoming a licensee, that licensee is required to pay a penalty in an amount of not more than \$20,000 in the case of a brokerage or former brokerage, or not more than \$10,000 in any other case. At June 30, 2009, the Education Fund contained \$216,500 (2008: \$120,250) in collections from penalty payments. Under Section 44 of the *Real Estate Services Act*, money received by the Council on account of a discipline penalty under Section 43 may be expended by the Council only for the purpose of educating the public, and licensees and other participants in the real estate industry in British Columbia about the operation and regulation of the industry and issues related to real estate and real estate services.

Notes, *continued*

10. Commitments and Contingency

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

	\$
2010	174,103
2011	189,500
2012	189,500
2013	189,500
2014	189,500
Thereafter	47,375
	<hr/> 979,478 <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 net assets invested in property and equipment, 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 2008 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

	2009 \$	2008 \$
Amortization	232,386	231,954
Council members' per diem	122,500	105,000
Equipment maintenance	27,291	26,298
Insurance	11,392	11,098
Office rent and operating costs, net	357,715	349,811
Postage, mailing and delivery	189,176	175,489
Printing and stationery	60,997	58,750
Professional services	51,880	141,886
Salaries	1,454,597	1,627,602
Telephone	16,178	17,306
Travel and accommodation	236,803	284,195
	2,760,915	3,029,389

Schedule 2

Schedule of Investigation Expenditures

	2009 \$	2008 \$
Court reporter services	8,892	5,849
Criminal records searches	20,730	25,970
Forensic investigations	296	9,340
Professional services	378,825	425,855
Salaries	1,222,907	1,012,796
Spot audits	51,065	35,442
Travel and hearing (recovery)	(52,857)	(28,911)
	1,629,858	1,486,341

Schedule 3

Schedule of Other Expenditures

	2009 \$	2008 \$
Conferences	72,666	79,370
Dues, subscriptions and publications	27,241	27,069
Electronic communication	101,825	93,971
Post licensing education/grants	50,335	50,870
Printing	121,500	85,666
Public relations	3,170	3,479
	376,737	340,425



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