

# Annual Report 2012

Published 2012/09/18

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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 54 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*.

## 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

A self-regulated organization that is a leader in industry integrity, innovation and viability.

Characteristics envisioned for the Council in the future include an organization that:

- is nimble and quick to respond to changing industry business models;
- encourages professionalism in the industry to protect consumers;
- is creative in approaches to effective industry discipline; and
- leverages emerging technology for efficiency.

## Values

The Council operates with the following principles and values:

|   |   |
|---|---|
| <b>Experience and Dedication</b>                | Council members are experienced real estate licensees and public appointees, dedicated to protecting the public interest in real estate services and to improving the industry.             |
| <b>Consultative Approach</b>                    | Council supports a regular consultative approach with industry groups, government and the public.   |
| <b>Impartial, Effective Processes</b>           | Council members and staff are impartial in setting and enforcing standards of conduct through effective education, licensing, and compliance processes.                                     |
| <b>Cost-effective &amp; Responsive Services</b> | Council management and staff work to provide cost-effective, responsive services to consumers and the real estate industry by using current professional business practices and technology. |
| <b>Open Communications &amp; Trust</b>          | Council members and staff work co-operatively to create a working environment where frank and open communications and trust prevail.  |

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## Message from the 2011/12 Chair

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

Dear Minister De Jong:

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, 2012.

You will note that once again, the Council had a busy and productive year. The number of real estate licensees in the province reached an all-time high at just under 21,000. The number of consumer complaints received by the Council decreased slightly while the number of discipline sanctions handed down increased slightly over the previous year.

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,



Bryon Brandle

CHAIR

## About Bryon Brandle

Bryon Brandle has been involved with the real estate industry since the 1970's and is currently the CEO of nine RE/MAX brokerages in the North Okanagan and Shuswap areas. Bryon has also done extensive work in the development of residential and commercial properties in the North Okanagan.

He holds a diploma in Urban Land Economics from the University of British Columbia and a law degree from the University of Victoria and was called to the Bar in 1987.

Bryon has been involved with several real estate organizations during the course of his career. He is a Fellow of the Real Estate Institute of Canada, a member and past Director of the Real Estate Institute of British Columbia and is a member and Past Director of the Okanagan Mainline Real Estate Board. He is also a member of the Canadian Bar Association and the Law Society of British Columbia. In 2001, Bryon received the Re/Max Western Canada Broker/Owner of the Year award and, in 2009, he received the Re/Max International Broker/Owner of the Year award.

Active in the community, Bryon has served as a director of the Community Foundation of the North Okanagan, a director of the Greater Vernon Teen Initiative Society and the Kalamalka Rotary Club. He is also a Past Chair of the Vernon Citizen of the Year Committee.



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## Message from the Executive Officer

Earlier this year, the Council approved a new strategic plan which contains over 20 tasks, projects or strategic initiatives under the goal areas of Governance, Stakeholder Communications, Education & Training, Discipline, and Efficiency & Responsiveness. Many of the immediate tasks have either been completed or are underway while others will require more detailed planning.

Under the goal area of Governance, the Council accepted staff recommendations to reduce the amount of time individual Council Members are required to devote to Council business. The changes include reducing the number of Council meetings from eight to seven and reducing the number of Council committees in favour of striking more advisory groups with representation from both licensees and industry professionals engaged in various practice areas.

Stakeholder Communications initiatives include initiating surveys of licensees and real estate consumers and holding focus groups to provide input on current issues in the real estate industry.

Education & Training initiatives include working with the British Columbia Real Estate Association on improvements to the Applied Practice Course. At the end of June, a revised Broker's Licensing Course was launched by the UBC Sauder School of Business in cooperation with the Council.

Discipline initiatives include a review of fines and suspensions currently levied by the Council as compared to other Canadian real estate regulators and other BC regulated professions. In addition, the Council will be reviewing the Real Estate Council of Alberta's approach to Alternative Dispute Resolution. Licensee seminars on the top ten most prominent trading services complaints will be added as a result of the very successful top ten strata complaints seminars that were held throughout the province in 2012.

In the area of Efficiency & Responsiveness, a number of IT projects have been completed, including making the *Report from Council* newsletter available in a more dynamic online format. In addition, the Council's internal communications for meetings have moved from paper to a secured web portal and the Council's July 2012 meeting was the first meeting where electronic devices were utilized rather than paper agendas. Council staff continues to work on a new online licence renewal and payment module which is expected to be in place by the spring of 2013.

All of these initiatives take time and staff resources and an annual planning session has been added to the Council agenda to ensure that these planning initiatives are monitored. Speaking of staff, the Council is well served with many long-serving staff who are committed to the work of the Council and I feel fortunate to work with so many dedicated individuals.

In closing, I would like to thank Chair Bryon Brandle, Vice-Chair Michael Ziegler 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 their work and guidance.



Robert O. Fawcett  
EXECUTIVE OFFICER

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## Organization of Council

### 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.

### Members of Council 2011/12



**Bryon Brandle** (Chair)  
County of Yale  
Managing Broker Member  
*Term ends June 30, 2013*



**Michael Ziegler** (Vice-Chair)  
County of Victoria  
Managing Broker Member  
*Term ends June 30, 2013*



**Barbara Barry**  
West Vancouver  
Lieutenant Governor-in-Council  
Appointment  
*Term Ends June 30, 2014*



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



**Bruce Turner**  
Courtenay  
Lieutenant Governor-in-Council  
Appointment  
*Term ends June 30, 2012*



**J. Garth Cambrey**  
County of Vancouver  
Rental/Strata Management Member  
*Term ends June 30, 2013*



**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, 2013*



**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, 2013*



**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*



**Marylou Leslie**  
County of Westminister  
(North and South of the Fraser River)  
Representative Member  
*Term ends June 30, 2013*



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



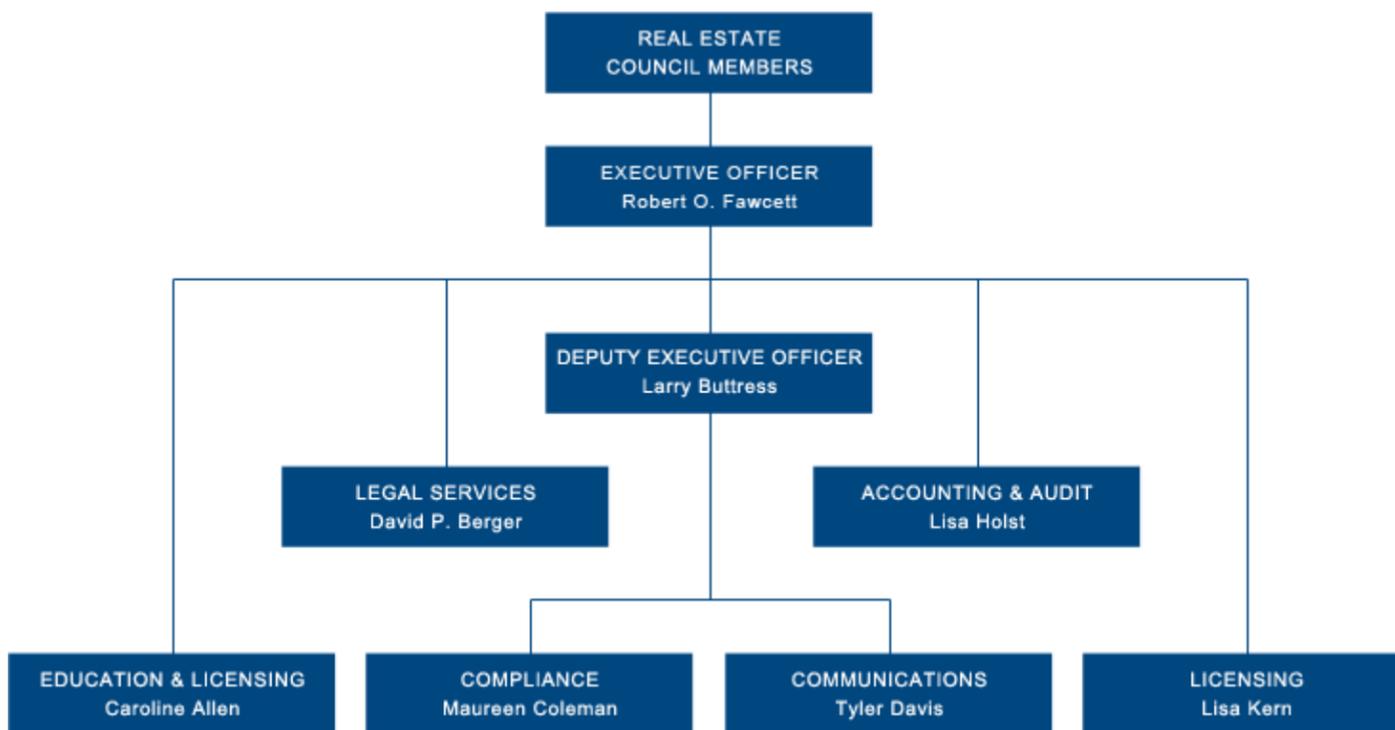
**Gerry Martin**  
County of Westminister  
(South of the Fraser River)  
Managing Broker Member  
*Term ends June 30, 2012*



**Susan Lynch**  
Combined Counties of Kootenay, Cariboo  
and Prince Rupert  
Managing Broker Member  
*Term ends June 30, 2013*

#### 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, 2012, the Council staff consisted of 39 full-time employees.



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## Performance Review

### 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 54 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.

For the Council's year ending June 30, 2012, the number of licensees that had taken the Council's Trading, Rental and Strata licensing courses decreased slightly to 3,860 compared with 4,044 the year prior. The number of individuals that took the Broker's licensing course also decreased to 169 compared with 196 the year prior. 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.



|  |       |       |       |       |       |       |       |       |       |       |
|--|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| <b>Trading, Rental Property &amp; Strata Management Services Licensing Courses</b> | 2,688 | 4,345 | 4,427 | 5,486 | 5,024 | 4,760 | 2,451 | 4,590 | 4,044 | 3,860 |
|--|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|

### 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.

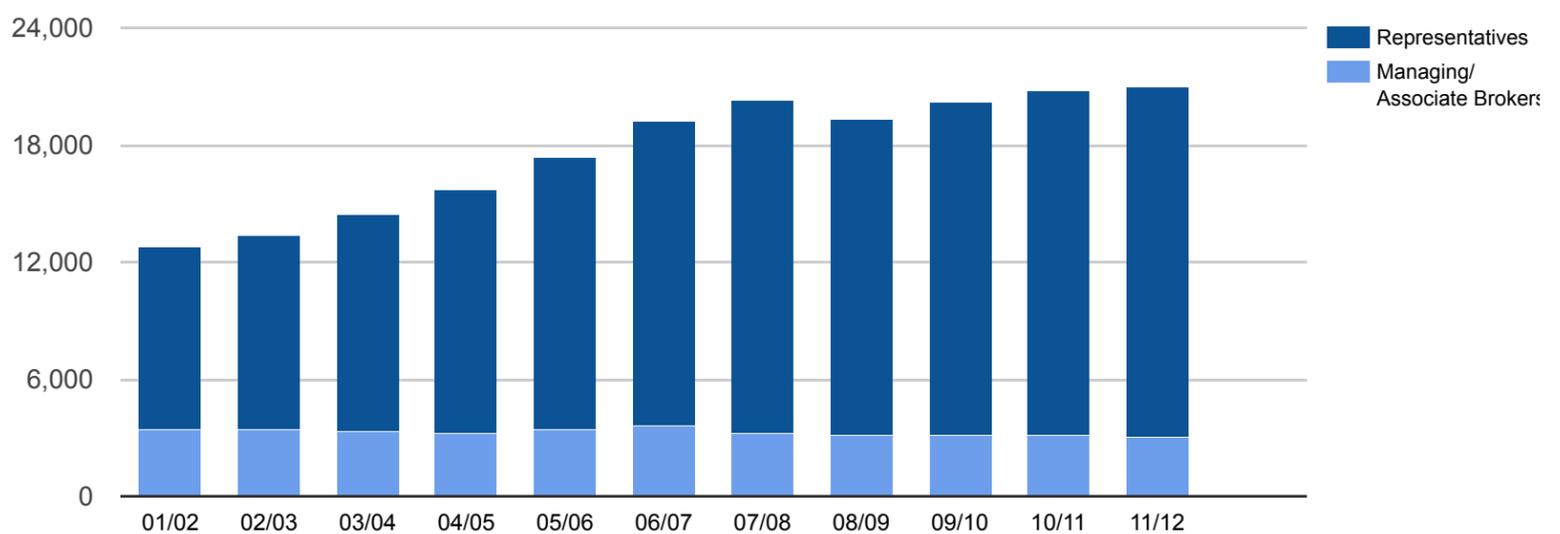
The Council is responsible for all licensing procedures associated with both individuals and brokerages under the *Real Estate Services Act*. The Council administers a number of processes in connection with the issuance of licences, including the following:

- 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 20,986, up from 20,762 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 17,942 in 2011/12.

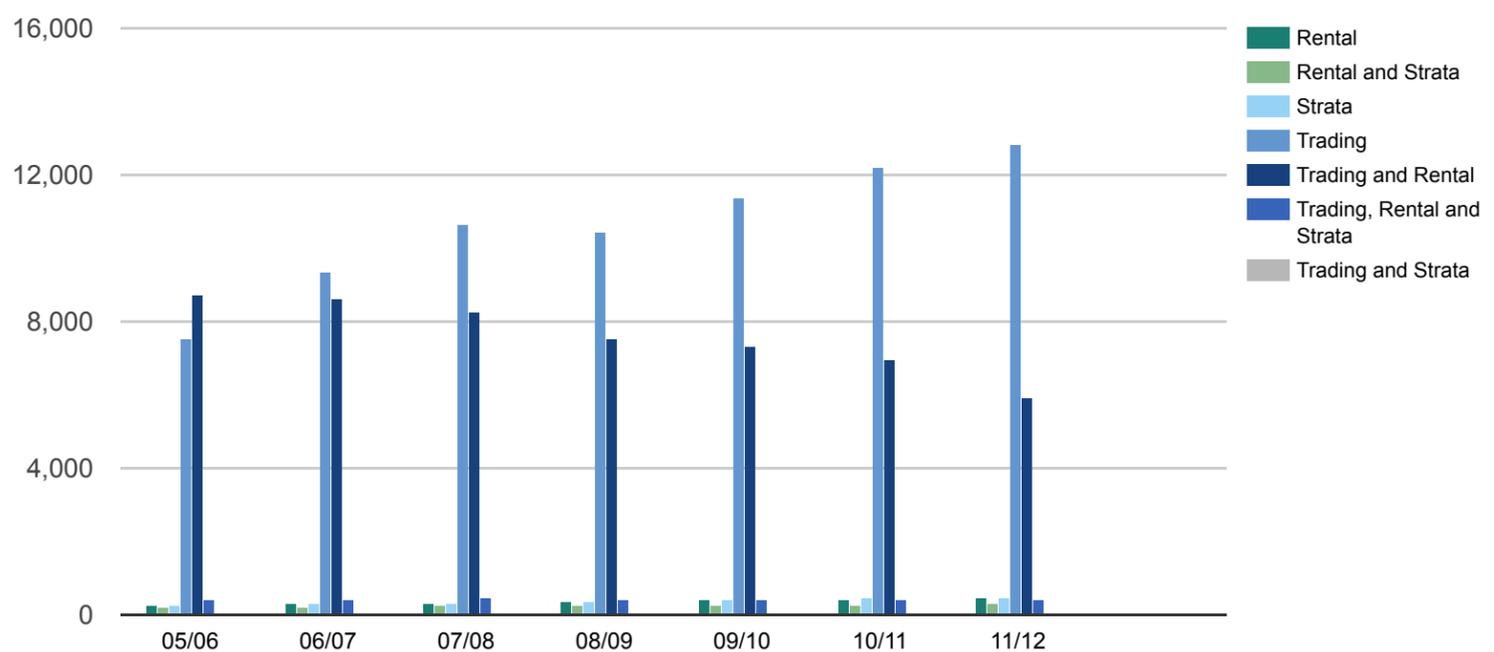
### LICENSING



|                                    |               |               |               |               |               |               |               |               |               |               |               |
|------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| <b>Representatives</b>             | 9,390         | 9,985         | 11,033        | 12,487        | 14,042        | 15,649        | 17,071        | 16,178        | 17,065        | 17,655        | 17,942        |
| <b>Managing/ Associate Brokers</b> | 3,378         | 3,375         | 3,358         | 3,240         | 3,367         | 3,562         | 3,193         | 3,164         | 3,124         | 3,107         | 3,044         |
| <b>Total</b>                       | <b>12,768</b> | <b>13,360</b> | <b>14,391</b> | <b>15,727</b> | <b>17,409</b> | <b>19,211</b> | <b>20,264</b> | <b>19,342</b> | <b>20,189</b> | <b>20,762</b> | <b>20,986</b> |

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



|                             |       |       |        |        |        |        |        |
|-----------------------------|-------|-------|--------|--------|--------|--------|--------|
| <b>Rental</b>               | 272   | 304   | 331    | 350    | 395    | 434    | 446    |
| <b>Rental &amp; Strata</b>  | 211   | 231   | 255    | 268    | 272    | 270    | 288    |
| <b>Strata</b>               | 281   | 304   | 318    | 359    | 409    | 442    | 454    |
| <b>Trading</b>              | 7,514 | 9,330 | 10,654 | 10,420 | 11,376 | 12,214 | 12,853 |
| <b>Trading &amp; Rental</b> | 8,715 | 8,607 | 8,240  | 7,517  | 7,306  | 6,971  | 5,903  |

|                                     |     |     |     |     |     |     |     |
|-------------------------------------|-----|-----|-----|-----|-----|-----|-----|
| <b>Trading, Rental &amp; Strata</b> | 405 | 416 | 442 | 405 | 411 | 411 | 420 |
| <b>Trading &amp; Strata</b>         | 11  | 19  | 24  | 24  | 21  | 20  | 19  |

### 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.

### 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.

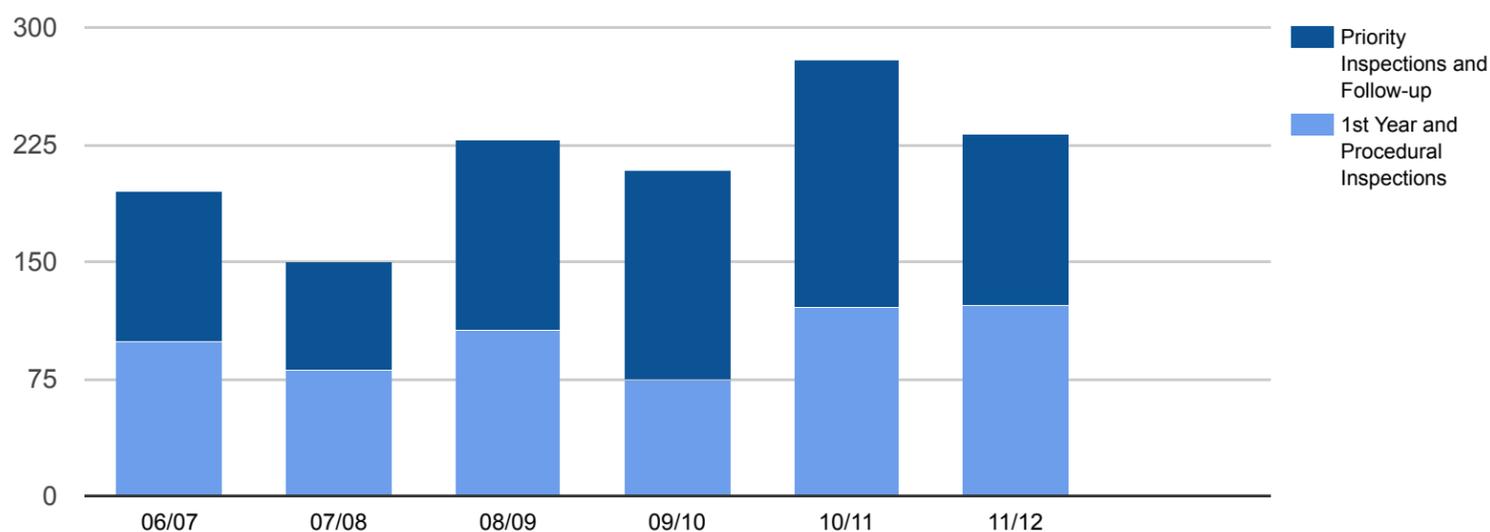


Office and records inspections are conducted on the following priority basis:

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



|  |            |            |            |            |            |            |
|--|------------|------------|------------|------------|------------|------------|
| <b>Priority Inspections and Follow-up</b>  | 96         | 70         | 122        | 133        | 158        | 110        |
| <b>1st Year and Procedural Inspections</b> | 99         | 80         | 106        | 75         | 121        | 122        |
| <b>Totals</b>                              | <b>195</b> | <b>150</b> | <b>228</b> | <b>208</b> | <b>279</b> | <b>232</b> |

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### 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.

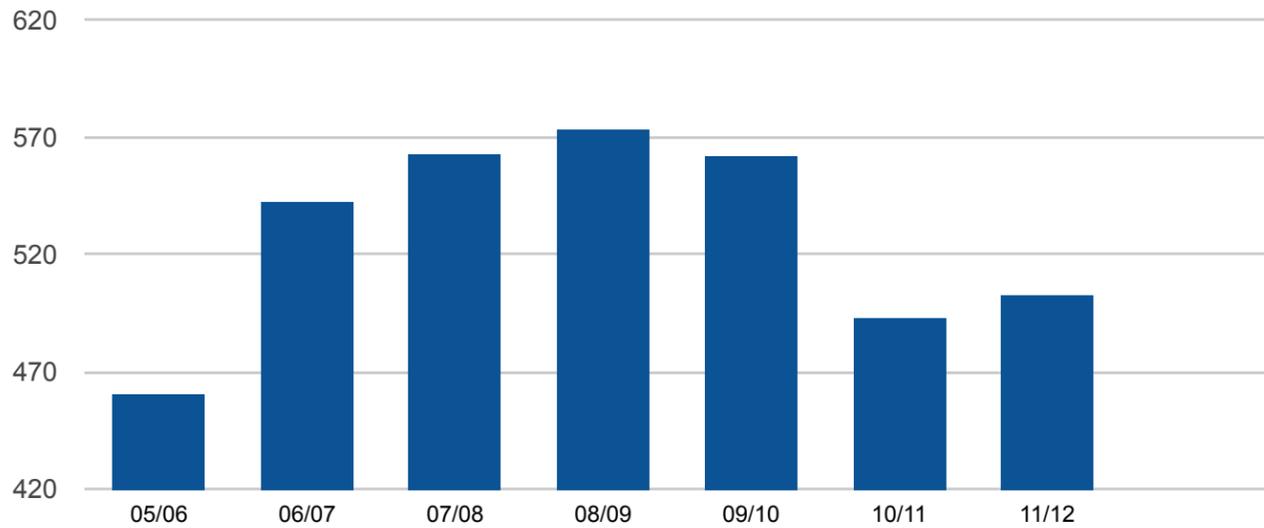
The Council appoints a Complaints Committee that has the responsibility for reviewing those complaints that have not been summarily resolved, together with the responses received from the licensee and the results of the Council's investigation. The Complaints Committee, assisted by the Council staff, 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, 2012 increased to 503, up slightly from 493 last year. This is the second year in a row that the number of complaints has remained around the 500 mark and may be indicative that the number of complaints is on a leveling 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



| Complaints Received | 461 | 543 | 563 | 574 | 562 | 493 | 503 |
|---------------------|-----|-----|-----|-----|-----|-----|-----|
|---------------------|-----|-----|-----|-----|-----|-----|-----|

### 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 licensee 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 97 Consent Orders for the year ending June 30, 2012, down from 113 last year. While below last year's level, the number of Consent Orders handed out in 2011/12 is consistent with the longer term trend over the past several years. The Council held one formal discipline hearing last year, down from four the year prior. The Council also held five qualification hearings—a form of hearing to determine the suitability of individuals for licensing under the *Real Estate Services Act*.

| Hearings Held | 16 | 14 | 10 | 5 | 6 | 4 | 1 |
|---------------|----|----|----|---|---|---|---|
|---------------|----|----|----|---|---|---|---|

|                               |    |    |    |    |    |     |    |
|-------------------------------|----|----|----|----|----|-----|----|
| <b>Consent Orders</b>         | 42 | 59 | 87 | 96 | 96 | 113 | 97 |
| <b>Qualification Hearings</b> | 3  | 15 | 9  | 4  | 10 | 13  | 5  |

### Sanctions

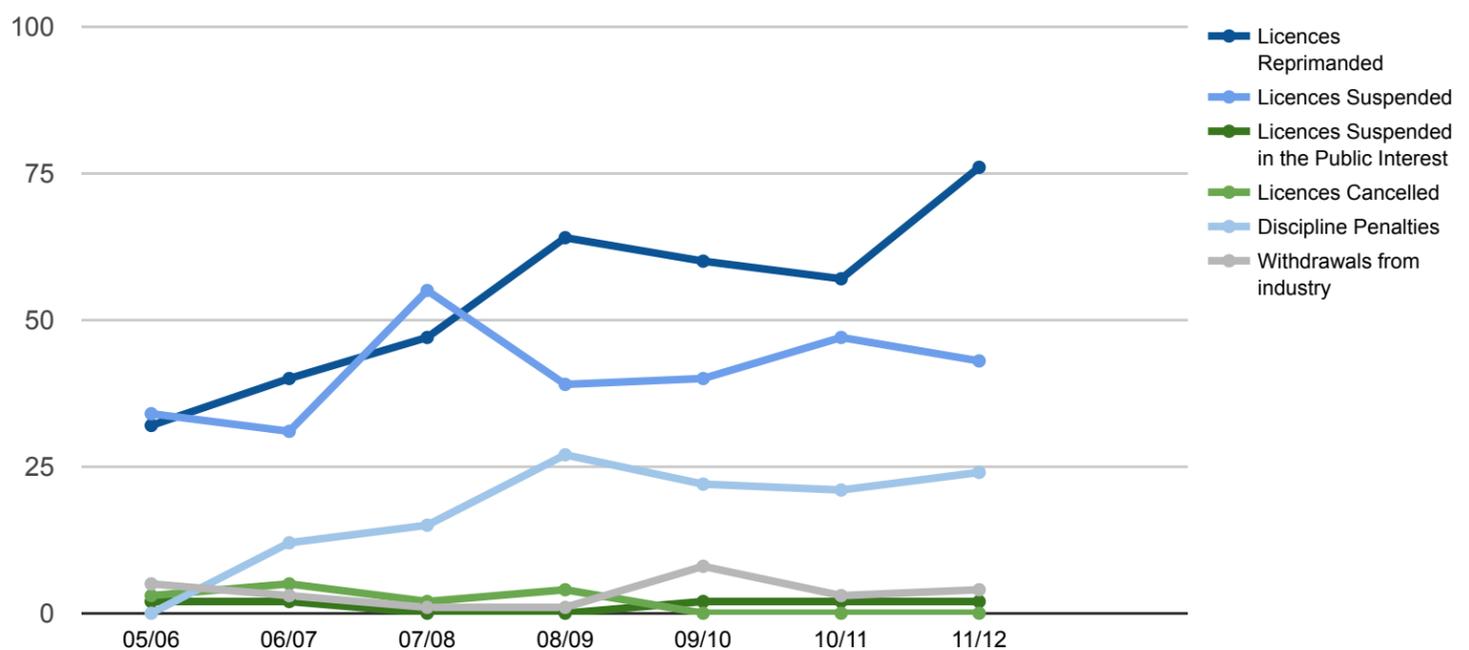
The *Real Estate Services Act* allows the Discipline Committee to impose a range of disciplinary sanctions if it determines that a licensee has committed professional misconduct or conduct unbecoming a licensee. If there is such a finding, section 43(2) of the *Real Estate Services Act* requires the 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;
  - 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 overall number of discipline decisions handed down by the Council in 2011/12 was relatively consistent with the year prior. The number of licence suspensions remained consistent at 43 compared with 47 the year prior, while the number of discipline penalties increased slightly to 24 compared with 21 over the same period. The number of licence reprimands increased to 76 compared with 57 the year prior. There were also four withdrawals from the industry, up slightly from three 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.

### DISCIPLINE



|  |    |    |    |    |    |    |    |
|--|----|----|----|----|----|----|----|
| <b>Licences Reprimanded</b>                      | 32 | 40 | 47 | 64 | 60 | 57 | 76 |
| <b>Licences Suspended</b>                        | 34 | 31 | 55 | 39 | 40 | 47 | 43 |
| <b>Licences Suspended in the Public Interest</b> | 2  | 2  | 0  | 0  | 2  | 2  | 2  |
| <b>Licences Cancelled</b>                        | 3  | 5  | 2  | 4  | 0  | 0  | 0  |
| <b>Discipline Penalties</b>                      | 0  | 12 | 15 | 27 | 22 | 21 | 24 |
| <b>Withdrawals from industry</b>                 | 5  | 3  | 1  | 1  | 8  | 3  | 4  |

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## Committees & Advisory Groups

### Council Meetings and Decision Processes

Council members serve on a number of standing committees and advisory groups. Various issues that arise at Council meetings, as well as matters brought forward by staff, are discussed at committee/advisory group 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/advisory group for further investigation or reject it. The Council generally meets eight times per year.

| Committee/Advisory Group 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 stakeholder. | <ul style="list-style-type: none"> <li>• to effect the implementation of the Council's Communications Plan;</li> <li>• to effect the updating of the Council's printed materials;</li> <li>• to effect the updating of the Council's website <a href="http://www.recbc.ca">www.recbc.ca</a>;</li> </ul> |

|   |   |  |
|---|---|--|
| 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"> <li>• to research and report on any miscellaneous topics referred by the Council.</li> <li>• may determine the number of times it must meet during the Council year and will report the disposition of complaint files to the Council;</li> <li>• to review all complaint files referred to it;</li> <li>• to ensure that complaints against licensees that may involve criminal conduct are forwarded to the Office of the Superintendent of Real Estate;</li> <li>• 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>;</li> <li>• 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;</li> <li>• 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;</li> <li>• 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;</li> <li>• when requested by staff, to review charges on their assigned files for which hearings have been ordered;</li> <li>• to research and report on any miscellaneous topics referred by the Council.</li> </ul> |
| 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"> <li>• to review proposed Consent Orders and either accept, vary or reject penalty recommendations;</li> <li>• to ensure that Consent Orders result in fair and appropriate decisions;</li> <li>• 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.</li> </ul>   |
| 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"> <li>• to consider and report on education and licensing requests referred from staff;</li> <li>• to liaise with the Education Advisory Group to ensure that the Council is well informed with respect to pre and post licensing educational issues;</li> <li>• to research and report on any amendments to legislation affecting education and licensing;</li> <li>• to research and report on any miscellaneous topics referred by the Council.</li> </ul>   |
| 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"> <li>• to identify and recommend education and training for Council and Committee members that enhance leadership development within the Council;</li> <li>• to attract qualified candidates to run for elected positions on the Council;</li> <li>• to review the annual budget prepared by staff and recommend its acceptance to the Council;</li> <li>• to review monthly financial statements;</li> <li>• to review staff recommendations re capital expenditures and technology requirements;</li> <li>• to recommend the appointment of the Council's external auditor;</li> <li>• to review the audited financial statements with the Executive Officer and the auditors at the conclusion of the audit;</li> <li>• to review the auditor's Management Letter and ensure that any recommendations are dealt with in an expeditious manner;</li> <li>• to recommend to the Council the acceptance of the auditor's report and the financial statements;</li> <li>• to provide a sounding board for the Chair, Vice-Chair and Executive Officer; and</li> <li>• to review any matters which fall outside the terms of reference/charges to other committees.</li> </ul>   |
| 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"> <li>• pursuant to section 83 of the <i>Real Estate Services Act</i>, to conduct: <ul style="list-style-type: none"> <li>◦ disciplinary hearings under Division 2 [Disciplinary Proceedings] of Part 4;</li> <li>◦ compensation hearings under Part 5 [Payments from Special Compensation Fund];</li> <li>◦ any other hearings required or authorized to be conducted;</li> </ul> </li> <li>• to render fair and appropriate decisions in a timely manner.</li> </ul>  |
| 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"> <li>• to research and report on any miscellaneous topics referred by the Council;</li> <li>• to research and report on any amendments to legislation affecting real estate;</li> <li>• 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;</li> <li>• 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> newsletter and the <i>Professional Standards Manual/Brokerage Standards Manual</i>.</li> </ul>   |
| 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"> <li>• 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;</li> <li>• 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;</li> <li>• to research and report on any amendments to legislation affecting rental property and strata management;</li> <li>• to research and report on any miscellaneous topics referred by the Council.</li> </ul>   |
| <i>Real Estate Services Act</i> Committee | The purpose of the Committee is to review any legislation, including rules, bylaws, and regulations.  | <ul style="list-style-type: none"> <li>• to review any draft legislation for comment at the request of the Strategic and</li> </ul>  |

|   |  |   |
|---|--|---|
| Education Advisory Group                  | The purpose of the Education Advisory Group is to provide the Council with access to expertise in real estate education.   | <ul style="list-style-type: none"> <li>• Corporate Policy Division, Ministry of Finance;</li> <li>• when appropriate, to make recommendations for consideration by the Council on any legislation.</li> <li>• provides the Council with input for the purposes of improving the licensing courses, and the Commercial/Residential Trading Services Applied Real Estate Course;</li> <li>• functions as a conduit for information in continuing with the Relicensing Education Program;</li> <li>• attends to such other duties as assigned by the Council;</li> <li>• serves as a vehicle by which industry organizations are able to bring concerns or recommendations to the attention of the Council.</li> </ul> |
| Rental Property Management Advisory Group | The purpose of the Rental Property Management Advisory Group is to provide the Council with access to expertise in the varied functions of rental property management. | <ul style="list-style-type: none"> <li>• to access expert knowledge in the field of rental property management;</li> <li>• to seek input on issues consistent with its mandate;</li> <li>• serves as a vehicle by which rental property management industry organizations are able to bring industry concerns or recommendations to the attention of the Council.</li> </ul>  |
| Strata Management Advisory Group          | The purpose of the Strata Management Advisory Group is to provide the Council with access to expertise in relation to the management of strata corporations.           | <ul style="list-style-type: none"> <li>• to access expert knowledge in the field of strata management;</li> <li>• to seek input on issues consistent with its mandate;</li> <li>• serves as a vehicle by which strata management industry organizations are able to bring industry concerns or recommendations to the attention of the Council.</li> </ul>  |

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## Financial Review

### as at June 30th, 2012

This financial review is based on the audited financial statements for the year ended June 30, 2012 and the comparative figures for the year ended June 30, 2011.

## 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 2012 are \$5,783,950, a decrease of \$85,255 from fiscal 2011 of \$5,869,205. The assessment fee was reduced by \$50 as of January 1, 2012. Recognized licensing and assessment revenues are \$5,382,888 for fiscal 2012, a decrease by \$141,342 from \$5,524,230 in fiscal 2011. Recognized course revenues in fiscal 2012 are \$235,850 and have decreased by \$4,025 from \$239,875 in fiscal 2011. Recognized interest, education fund, and other revenue income in fiscal 2012 are \$165,212 and have increased \$60,112 from \$105,100 in fiscal 2011.

### 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 2012 by \$13,092 to \$5,314,477 from \$5,327,569, the previous year. Administrative expenditures were higher by \$54,038, investigation expenditures lower by \$10,599, and other expenditures were lower by \$56,531.

Administration expenditures increased less than 2% respectively over the previous year. Investigation and other expenditures decreased in fiscal 2012 by \$67,130, more than 3%.

### Operating Gain from Operations and Accumulated Net Assets

The excess revenue over expenditures for the year was \$469,473 compared to \$541,636 in fiscal 2011. This surplus resulted in an increase in the unrestricted accumulated net assets of \$426,030 from \$4,083,703 in fiscal 2011 to \$4,509,733 in fiscal 2012.

### Net Current Assets (working capital)

Net current assets were \$2,705,933 at June 30, 2012 compared to \$2,046,099 at June 30, 2011.

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## Independent Auditor's Report

**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, 2012, 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, 2012, 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  
Chartered Accountants  
Vancouver, Canada – September 11, 2012

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**Balance Sheet**

June 30

|  | 2012             | 2011      |
|--|------------------|-----------|
|  | \$               | \$        |
| <b>ASSETS</b>                            |                  |           |
| <b>Current</b>                           |                  |           |
| Cash and cash equivalents                | 1,371,855        | 1,348,857 |
| Short-term investments (Note 4)          | 1,252,271        | 725,385   |
| Accounts and accrued interest receivable | 139,495          | 181,035   |
| Prepaid expenses                         | 143,898          | 99,708    |
|  | <b>2,907,519</b> | 2,354,985 |
| Long-term investments (Note 5)           | 2,124,934        | 2,230,487 |
| Property and equipment, net (Note 6)     | 301,347          | 386,155   |
|  | <b>5,333,800</b> | 4,971,627 |
| <b>LIABILITIES</b>                       |                  |           |
| <b>Current</b>                           |                  |           |
| Accounts payable and accrued liabilities | 127,566          | 181,091   |
| Deferred revenue                         | 16,150           | 69,925    |
| Unexpended capital contribution (Note 7) | 57,870           | 57,870    |
|  | <b>201,586</b>   | 308,886   |
| <b>NET ASSETS</b>                        |                  |           |
| Unrestricted                             | 4,509,733        | 4,083,703 |
| Internally restricted (Note 8)           | 400,000          | 400,000   |
| Education Fund (Note 8)                  | 222,481          | 179,038   |
|  | <b>5,132,214</b> | 4,662,741 |
|  | <b>5,333,800</b> | 4,971,627 |

Commitments and contingency (Note 9)  
See accompanying notes and schedules to the financial statements.

On behalf of the Council



Michael Ziegler  
CHAIR



Robert O. Fawcett  
EXECUTIVE OFFICER

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## Statement of Operations

Year ended June 30, 2012

|  | 2012                    |                      |                  | 2011                    |                      |                  |
|--|-------------------------|----------------------|------------------|-------------------------|----------------------|------------------|
|  | Unrestricted Fund<br>\$ | Education Fund<br>\$ | Total<br>\$      | Unrestricted Fund<br>\$ | Education Fund<br>\$ | Total<br>\$      |
| <b>REVENUE</b>                                 |                         |                      |                  |                         |                      |                  |
| Licensing                                      |                         |                      |                  |                         |                      |                  |
| Gross licence fees collected                   | 1,565,668               | –                    | 1,565,668        | 1,524,788               | –                    | 1,524,788        |
| Less: payable to Superintendent of Real Estate | 781,609                 | –                    | 781,609          | 762,394                 | –                    | 762,394          |
| Net fees collected                             | 784,059                 | –                    | 784,059          | 762,394                 | –                    | 762,394          |
| Assessments                                    | 4,598,829               | –                    | 4,598,829        | 4,761,836               | –                    | 4,761,836        |
| Course fees                                    | 235,850                 | –                    | 235,850          | 239,875                 | –                    | 239,875          |
| Discipline penalties                           | –                       | 59,500               | 59,500           | –                       | 62,000               | 62,000           |
| Grants   | –                       | –                    | –                | –                       | –                    | –                |
| Investment income                              | 105,712                 | –                    | 105,712          | 43,100                  | –                    | 43,100           |
|  | <b>5,724,450</b>        | <b>59,500</b>        | <b>5,783,950</b> | <b>5,807,205</b>        | <b>62,000</b>        | <b>5,869,205</b> |
| <b>OPERATING EXPENDITURES</b>                  |                         |                      |                  |                         |                      |                  |
| Administrative expenditures (Schedule 1)       | 3,176,915               | –                    | 3,176,915        | 3,122,877               | –                    | 3,122,877        |
| Investigation expenditures (Schedule 2)        | 1,804,840               | –                    | 1,804,840        | 1,815,439               | –                    | 1,815,439        |
| Other expenditures (Schedule 3)                | 316,665                 | 16,057               | 332,722          | 385,070                 | 4,183                | 389,253          |
|  | <b>5,298,420</b>        | <b>16,057</b>        | <b>5,314,477</b> | <b>5,323,386</b>        | <b>4,183</b>         | <b>5,327,569</b> |
| <b>Excess of revenue over expenditures</b>     | <b>426,030</b>          | <b>43,443</b>        | <b>469,473</b>   | <b>483,819</b>          | <b>57,817</b>        | <b>541,636</b>   |

See accompanying notes and schedules to the financial statements.

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## Statement of Changes in Net Assets

Year ended June 30, 2012

|  | Unrestricted Fund<br>\$ | Technology Fund<br>\$ | Legal Defence Fund-General<br>\$ | Legal Defence Fund-Special Compensation<br>\$ | Education Fund<br>\$ | Total<br>\$      |
|--|-------------------------|-----------------------|----------------------------------|---|----------------------|------------------|
| <b>Net assets, June 30, 2010</b>                 | 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          |
| <b>Net assets, June 30, 2011</b>                 | 4,083,703               | 100,000               | 150,000                          | 150,000                                       | 179,038              | 4,662,741        |
| Excess of revenue over expenditures for the year | 426,030                 | –                     | –                                | –   | 43,443               | 469,473          |
| <b>Net assets, June 30, 2012</b>                 | <b>4,509,733</b>        | <b>100,000</b>        | <b>150,000</b>                   | <b>150,000</b>                                | <b>222,481</b>       | <b>5,132,214</b> |

See accompanying notes and schedules to the financial statements.

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## Statement of Cash Flows

**Year ended June 30**

|  | 2012             | 2011      |
|--|------------------|-----------|
|  | \$               | \$        |
| Cash derived from (applied to)                 |                  |           |
| <b>OPERATING ACTIVITIES</b>                    |                  |           |
| Excess of revenue over expenditures            | 469,473          | 541,636   |
| Adjustments for items not affecting cash       |                  |           |
| Unrealized gain on investments                 | (1,350)          | (8,073)   |
| Amortization                                   | 184,774          | 231,953   |
|  | <b>652,897</b>   | 765,516   |
| Changes in non-cash operating working capital  |                  |           |
| Accounts and accrued interest receivable       | 41,540           | (25,302)  |
| Prepaid expenses                               | (44,190)         | (21,304)  |
| Accounts payable and accrued liabilities       | (53,525)         | 33,553    |
| Deferred revenue                               | (53,775)         | (87,100)  |
|  | <b>542,947</b>   | 665,363   |
| <b>INVESTING ACTIVITIES</b>                    |                  |           |
| (Purchase) sale of short-term investments, net | (42,983)         | 369,906   |
| Purchase of long-term investments, net         | (377,000)        | (397,899) |
| Net purchase of property and equipment         | (99,966)         | (114,067) |
|  | <b>(519,949)</b> | (142,060) |
| Net increase in cash                           | 22,998           | 523,303   |
| Cash and cash equivalents, beginning of year   | 1,348,857        | 825,554   |
| <b>Cash and cash equivalents, end of year</b>  | <b>1,371,855</b> | 1,348,857 |

See accompanying notes and schedules to the financial statements.

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## Notes to the Financial Statements

June 30, 2012

### 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.

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, 2012 and 2011 are summarized as follows:

|                             | June 30, 2012  |            | June 30, 2011  |            |
|-----------------------------|----------------|------------|----------------|------------|
|                             | Carrying Value | Fair Value | Carrying Value | Fair Value |
|                             | \$             | \$         | \$             | \$         |
| Held-for-trading            | 4,749,060      | 4,749,060  | 4,304,729      | 4,304,729  |
| Loans and receivables       | 139,495        | 139,495    | 181,035        | 181,035    |
| Other financial liabilities | 127,566        | 127,566    | 181,091        | 181,091    |

## 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, 2012.

### Financial instruments measured at fair value as at June 30, 2012

|                           | Level 1   | Level 2   | Level 3 | Total     |
|---------------------------|-----------|-----------|---------|-----------|
|                           | \$        | \$        | \$      | \$        |
| Bonds                     | –         | 307,423   | –       | 307,423   |
| Pooled money market funds | –         | 3,069,782 | –       | 3,069,782 |
| Cash                      | 1,371,855 | –         | –       | 1,371,855 |
|                           | 1,371,855 | 3,377,205 | –       | 4,749,060 |

## Risks

### 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, 2012 or 2011.

#### 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 Guaranteed Investment Certificates ("GICs").

### 4. Short-term Investments

|                                    | 2012       | 2011       |
|------------------------------------|------------|------------|
|                                    | Fair Value | Fair Value |
|                                    | \$         | \$         |
| Guaranteed investment certificates | 635,635    | 116,251    |
| Mutual funds                       | 616,636    | 609,134    |
|                                    | 1,252,271  | 725,385    |

Short-term investments consist primarily of GICs and mutual funds. GIC investments have interest rates ranging from 1.75% to 4.56% (2011: 1.8%) and will mature within the next year.

### 5. Long-term Investments

|                                    | 2012       | 2011       |
|------------------------------------|------------|------------|
|                                    | Fair Value | Fair Value |
|                                    | \$         | \$         |
| Government bond                    | 307,423    | 306,073    |
| Guaranteed investment certificates | 1,817,511  | 1,924,414  |
|                                    | 2,124,934  | 2,230,487  |

Long-term investments consist primarily of GICs and a government bond. GIC investments have interest rates ranging from 2.30% to 3.85% (2011: 3.00% to 4.56%) and will mature between June 1, 2014 and March 13, 2017. The government bond has an interest rate of 3.10% (2011: 3.10%) and will mature on June 1, 2014.

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

### 6. Property and Equipment

|                        | 2012      |                          |                |
|------------------------|-----------|--------------------------|----------------|
|                        | Cost      | Accumulated amortization | Net book value |
|                        | \$        | \$                       | \$             |
| Computer equipment     | 785,334   | 670,656                  | 114,678        |
| Office equipment       | 361,441   | 311,312                  | 50,129         |
| Automotive equipment   | 50,417    | 33,915                   | 16,502         |
| Leasehold improvements | 326,608   | 206,570                  | 120,038        |
|                        | 1,523,800 | 1,222,453                | 301,347        |

|                        | 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        |

## 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, 2012, leaving an unexpended balance of \$57,870 (2011: \$57,870). The Council expects to utilize the remaining unexpended balance during fiscal 2013.

## 8. Internally Restricted Net Assets and Education Fund

|  | 2012    | 2011    |
|--|---------|---------|
|  | \$      | \$      |
| 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)                                 | 222,481 | 179,038 |
|  | 622,481 | 579,038 |

### [a] Technology Fund

The Technology Fund is to be used for modifications to the licensing systems software.

### [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.

## 9. Commitments and Contingency

[a] In July 2012, the Council renegotiated the lease for its office premises to include additional space for a five year period ending on July 31, 2018.

Base rent due within each of the next five years and thereafter is estimated as follows:

|            | \$        |
|------------|-----------|
| 2013       | 220,940   |
| 2014       | 240,098   |
| 2015       | 251,669   |
| 2016       | 263,240   |
| 2017       | 274,811   |
| Thereafter | 358,701   |
|            | 1,609,459 |

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

[b] From time to time, the Council may 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.

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## Schedule of Expenditures

Year ended June 30, 2012

**Schedule 1**  
Schedule of Administrative Expenditures

|                                      | 2012                 |                  | 2011                 |                  |
|--------------------------------------|----------------------|------------------|----------------------|------------------|
|                                      | Unrestricted Fund \$ | Total \$         | Unrestricted Fund \$ | Total \$         |
| Amortization                         | 184,774              | 184,774          | 231,953              | 231,953          |
| Council members' honorarium          | 140,254              | 140,254          | 124,844              | 124,844          |
| Equipment maintenance                | 26,000               | 26,000           | 31,425               | 31,425           |
| Insurance                            | 11,084               | 11,084           | 10,849               | 10,849           |
| Office rent and operating costs, net | 463,073              | 463,073          | 458,122              | 458,122          |
| Postage, mailing and delivery        | 152,453              | 152,453          | 176,310              | 176,310          |
| Printing and stationery              | 50,849               | 50,849           | 47,362               | 47,362           |
| Professional services                | 117,858              | 117,858          | 80,412               | 80,412           |
| Salaries                             | 1,654,833            | 1,654,833        | 1,614,338            | 1,614,338        |
| Telephone                            | 15,289               | 15,289           | 16,472               | 16,472           |
| Travel and accommodation             | 237,546              | 237,546          | 214,724              | 214,724          |
| Visa and bank charges                | 122,902              | 122,902          | 116,066              | 116,066          |
|                                      | <b>3,176,915</b>     | <b>3,176,915</b> | <b>3,122,877</b>     | <b>3,122,877</b> |

**Schedule 2**  
Schedule of Investigation Expenditures

|                               | 2012                 |                  | 2011                 |                  |
|-------------------------------|----------------------|------------------|----------------------|------------------|
|                               | Unrestricted Fund \$ | Total \$         | Unrestricted Fund \$ | Total \$         |
| Court reporter services       | 8,762                | 8,762            | 5,269                | 5,269            |
| Criminal records searches     | 2,390                | 2,390            | 28,120               | 28,120           |
| Forensic investigations       | 72,915               | 72,915           | -                    | -                |
| Professional services         | 426,785              | 426,785          | 469,863              | 469,863          |
| Salaries                      | 1,333,908            | 1,333,908        | 1,348,192            | 1,348,192        |
| Spot audits                   | 27,798               | 27,798           | 56,082               | 56,082           |
| Travel and hearing (recovery) | (67,718)             | (67,718)         | (92,087)             | (92,087)         |
|                               | <b>1,804,840</b>     | <b>1,804,840</b> | <b>1,815,439</b>     | <b>1,815,439</b> |

**Schedule 3**  
Schedule of Other Expenditures

|                                      | 2012                 |                   |                | 2011                 |                   |                |
|--------------------------------------|----------------------|-------------------|----------------|----------------------|-------------------|----------------|
|                                      | Unrestricted Fund \$ | Education Fund \$ | Total \$       | Unrestricted Fund \$ | Education Fund \$ | Total \$       |
| Conferences                          | 74,753               | -                 | 74,753         | 68,810               | -                 | 68,810         |
| Dues, subscriptions and publications | 43,204               | -                 | 43,204         | 43,777               | -                 | 43,777         |
| Electronic                           |                      |                   |                |                      |                   |                |
| Electronic communication             | 118,735              | -                 | 118,735        | 111,746              | -                 | 111,746        |
| Post-licensing education/grants      | 2,185                | 16,057            | 18,242         | 77,725               | 4,183             | 81,908         |
| Printing                             | 75,698               | -                 | 75,698         | 81,149               | -                 | 81,149         |
| Public relations                     | 2,090                | -                 | 2,090          | 1,863                | -                 | 1,863          |
|                                      | <b>316,665</b>       | <b>16,057</b>     | <b>332,722</b> | <b>385,070</b>       | <b>4,183</b>      | <b>389,253</b> |

