

# ANNUAL REPORT 2013

## DEMONSTRATING THE VALUE OF COLLABORATION



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## MESSAGE FROM THE 2012/13 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 (the Council), congratulations again on being reappointed Minister of Finance this past June. I am pleased to provide you with the Council's Annual Report for the year ended June 30, 2013.

The Council is honoured to be the delegated provincial authority responsible for protecting the public interest through administration and enforcement of the *Real Estate Services Act*. The number of real estate licensees in BC remains close to last year's record of just under 21,000. The number of complaints received this year increased slightly while the number of sanctions imposed decreased by three. Each complaint is assessed very carefully and the information collected is considered as part of the Council's ongoing commitment to not only monitor and enforce but foster an environment of continuous improvement amongst licensees.

My term as Chair of the Council ended on June 30th, which marked my tenth year of service as a Council member. It has been a privilege to represent the best interests of the public in an industry whose members, I expect, should always represent professional best practices. I am looking forward to collaborating with fellow Council members as I serve my final two-year term on the Council, the first year of which will be under the Chairmanship of Marshall Cowe.

Yours truly,



Michael Ziegler  
CHAIR

### About Michael Ziegler

Michael Ziegler began his career in real estate in 1976 and is currently a co-managing broker of Newport Realty Ltd in Victoria, British Columbia.



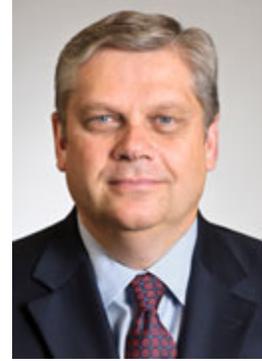
Michael has been involved in organized real estate for most of his career and has been a director of the Victoria Real Estate Board, the Canadian Real Estate Association (CREA) and the Real Estate Compensation Fund Corporation. In addition, he has served 10 years with the Real Estate Council of British Columbia. Michael was the youngest president of CREA – the largest trade association in Canada with over 100,000 members and is an honorary life member.

Michael has always been interested in promoting a high standard of business practice in the real estate profession and has been a *Continuing Professional Education (cpe)* course instructor since its inception. He is also the author/instructor of the highly regarded *cpe* course entitled: *Disclosure: Issues and Risks* offered by the British Columbia Real Estate Association.

Michael has always been community minded and an arts supporter. He has been a director of the Belfry Theatre in Victoria for 28 years and currently sits as a director emeritus.

## MESSAGE FROM THE EXECUTIVE OFFICER

Self-regulation is a privilege and the Real Estate Council of British Columbia (the Council) takes its responsibility very seriously in order to protect the public through enforcement of the *Real Estate Services Act* (RESA) and delivery of programs and initiatives that set a standard in order to protect the public interest. An aligned and collaborative effort to enforce RESA and steward best practices is shared by Council members, staff and other stakeholders – all of whom are united in their commitment to enforce the regulatory framework and contribute to the ongoing development of a robust profession.



The value of a shared, collaborative approach, exemplified by licensee practice and expertise, has been realized in several ways over the past year and as recently as September 20, 2013, when the Council was awarded the Association of Real Estate License Law Officials (ARELLO) Pre-licensing Education Program Award for the Broker's Business Planning & Financial Management Licensing Course, the result of our partnership with the UBC Sauder School of Business with input from licensee focus groups. We also collaborate with a number of other organizations to ensure the delivery of quality education programs – this includes the British Columbia Real Estate Association (BCREA) for the Applied Practice Course for licensees, and BCREA and the Professional Association of Management Agents for continuing education programs which satisfy the Council's relicensing education requirements.

We know that by working together in partnership with our advisory groups and committees, real estate boards and professional organizations, as well as home owners associations, we are strengthening the profession and putting measures in place to protect the public. We also know, first-hand, that licensees look to the Council for guidance on regulatory compliance and standards of business practice. A survey conducted this year by an independent market research company to gauge licensee awareness, understanding and satisfaction levels indicates that 85 per cent of licensees agree that the Council is the key source of information regarding RESA and the Council Rules and 90 per cent of licensees surveyed agree that the Council keeps them informed on these matters.

At the Council we are committed to education, enforcement and engagement with the public, licensees, our partners, the Superintendent of Real Estate, and each other. By working together, we can achieve the common goal of building the real estate profession while at the same time protecting the public interest. This collaborative approach, in my opinion, has given the real estate profession in BC the strong platform upon which it is based.

In addition to Council Members, Council's dedicated staff, and other industry stakeholders I have mentioned, I extend my thanks and appreciation to Chair Michael Ziegler and Vice-Chair Marshall Cowe for their diligence, support, and expertise.

A handwritten signature in black ink, appearing to read 'R O Fawcett', written in a cursive style.

Robert O. Fawcett  
EXECUTIVE OFFICER

## PERFORMANCE MANDATE

The Real Estate Council of British Columbia (the Council) is a regulatory agency established by the provincial government in 1958. Its mandate is to protect the public interest by enforcing the licensing and licensee conduct requirements of the *Real Estate Services Act* (RESA). 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.

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 delivered by the University of British Columbia's Sauder School of Business (Real Estate Division), Vancouver. In 2013, the Council was the recipient of the Pre-Licensing Education Program Award for the new Broker's Business Planning & Financial Management Licensing Course. Awarded by the Association of Real Estate License Law Officials (ARELLO), the recognition reinforces the strength of the partnership with the Sauder School of Business.

The Council has been accountable since 1967 for ensuring that all licensed brokerages in BC have stringent controls in place to protect trust monies. Through an Office and Records Inspection Program, any deficiencies noted are shared with the brokerage to ensure compliance.

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

In 2005, RESA replaced the former *Real Estate Act*. RESA significantly expands the regulatory authority and disciplinary powers of the Council.

### **Mission**

*The Real Estate Council of British Columbia (the Council) 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.*

### **Values**

*The Council operates with the following principles and values:*

***Experience and Dedication:*** 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.

***Consultative Approach:*** Council supports a regular consultative approach with industry groups, government and the public.

***Impartial, Effective Processes:*** Council members and staff are impartial in setting and enforcing standards of conduct through effective education, licensing, and compliance processes.

***Cost-effective & Responsive Services:*** 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.

***Open Communications & Trust:*** Council members and staff work co-operatively to create a working environment where frank and open communications and trust prevail.

## ORGANIZATION OF COUNCIL MEMBERS

The Real Estate Council of British Columbia (the Council) is comprised of appointed and elected representatives. The provincial government appoints three members and real estate licensees elect 13, three of whom are representatives and nine are 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 JULY 1ST, 2012 TO JUNE 30TH, 2013



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



**Marshall Cowe** (Vice-Chair)  
County of Westminister  
(North of the Fraser River)  
Managing Broker Member  
*Term ends June 30, 2014*



**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, 2015*



**Bruce Turner**  
Courtenay  
Lieutenant Governor-in-  
Council  
Appointment  
*Term ends June 30, 2014*



**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, 2014*



**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, 2014*



**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, 2014*



**Susan McGougan**  
County of Nanaimo  
Managing Broker Member  
*Term ends June 30, 2014*

## MEMBERS OF COUNCIL JULY 1ST, 2012 TO JUNE 30TH, 2013



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



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



**Dave Rishel**  
County of Westminister  
(South of the Fraser River)  
Managing Broker Member  
*Term ends June 30, 2014*



**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, 2013, the Council staff consisted of 42 full-time employees and one part-time employee.



Council Senior Staff. Back left to right: Larry Buttress, Deputy Executive Officer; Robert Fawcett, Executive Officer; Lisa Holst, Director, Accounting & Audit; Eric Wredenhagen, Director, Legal Services. Front row left to right: Maureen Coleman, Manager, Compliance; Lisa Kern, Senior Supervisor, Licensing; Caroline Allen, Education & Licensing Officer. Missing from photo: Debbie Morreau, IT Manager/Business Analyst.

## RULE MAKING AUTHORITY UNDER SELF-REGULATION

One of the hallmarks of self-regulated professions is their ability to set standards of practice for those working in the profession. The Real Estate Council of British Columbia (the Council) has been granted the authority to make rules respecting licensing, and regulating licensees in relation to the provision of real estate services.

One of the purposes of these rules is to set standards by which licensee conduct is measured, and the failure of a licensee to meet these standards can result in discipline. Of equal importance, however, is that licensees may look to these rules as a ready guide to proper behaviour. Professionals take pride in maintaining such standards because they know that a well-served public appreciates the value of the services provided.

As the provision of real estate services evolves with new consumer expectations and business models, so too do the Council Rules. In the past year the Council has fine-tuned its rules in a number of ways, including:

- Changes were made related to the writing of licensing examinations to lower the risk of individuals re-writing exams on several occasions over a short period of time in order to memorize exam questions. The intent is to increase examination security.
- Brokerages are now required to provide their reporting accountants with copies of any correspondence between the brokerage and the Council related to the books and records for the fiscal year upon which the accountant is reporting. The purpose is to ensure these accountants are aware of any outstanding record keeping issues between the brokerage and the Council.
- Requirements that must be met when brokerages and licensees agree with their clients to either modify duties, or to provide trading services within the parameters of designated agency, have been clarified.
- Standards have been established for the handling of blended payments received by strata managers who manage strata corporations with sections.

Since the first set of Council Rules was adopted in 2005, the Council has worked with the profession, the public, and the staff of the Ministry of Finance to ensure these rules are current, relevant, and serve to protect the public. Of particular note is the benefit the Council enjoys as a result of the cooperative and consultative relationship it has with the Financial and Corporate Policy Sector Branch of the Ministry of Finance. The Council is grateful to all those who took the time throughout the year to provide input and guidance during the various consultation processes undertaken.



Larry Buttress  
Deputy Executive Officer



## A COLLABORATIVE APPROACH STRENGTHENS EDUCATIONAL DELIVERY PLATFORM

Update from: Real Estate Division (RED), Licensing Education



Real Estate Division

Strengthening the educational platform has been the focus of the Licensing Education group at UBC's Sauder School of Business over the past year. The group recently leveraged UBC's Blackboard software licence to create a separate instance for RED courses. This new instance will work in conjunction with RED's existing proprietary learning management system, and will be used in partnership with the British Columbia Real Estate Association (BCREA) to provide the platform for anticipated online enhancements to the Real Estate Council of British Columbia (the Council)'s Applied Practice Course, required of all new real estate licensees in the province.

**Licensing Course Enrollments:** Course enrollments in the flagship Real Estate Trading Services (RETS) Course are cyclical and follow the residential real estate market, which means that we have experienced a slowdown in RETS course enrollments the past year.

**Broker's Course:** July 1st, 2013, marked the end of the first year of the new Broker's Licensing Course, which reflects significant changes to the course curriculum as a result of extensive industry review and input. Initial feedback is good and the refined focus on business planning, financial management, human resources management and leadership has been well received by licensees from all licence levels and in all categories of real estate services. In addition to providing the licensing education requirements for those who wish to become licensed as a brokerage, managing broker or associate broker, the course is well suited for those licensees looking to increase their knowledge on a variety of business, accounting and leadership topics. As usual, authors for the revised materials included a variety of UBC Sauder School of Business faculty members and instructors, including representatives from the MBA and Executive Education programs.

**Strata Management Licensing Course Review:** The Council and RED are currently reviewing the Strata Management Licensing Course and have already received significant input from strata management managing brokers and representatives, in addition to the input of various organizations and individuals representing owners, managers and the regulatory environment. The review is intended to provide recommendations that will lead to a comprehensive revision of the Strata Management Licensing Course curriculum.

**Credit Programs Update:** In addition to the licensing education programs, RED also provides credit and continuing education courses, including the nationally recognized Diploma in Urban Land Economics. Other program offerings include the Appraisal Institute of Canada's distance education program, as well as a variety of other certificate programs. New course development includes BUSI 433 (Real Estate Business) which is built upon our links to subject matter experts from within the Sauder faculty, as well as from industry. New courses are continually being developed for the Continuing Professional Development program (some of which satisfy BCREA's Professional Development Program (PDP) requirements, and include two new courses developed as part of a new Strata Reserve Fund Planning Program).



David Moore  
Director, Licensing  
Education, Sauder School  
of Business

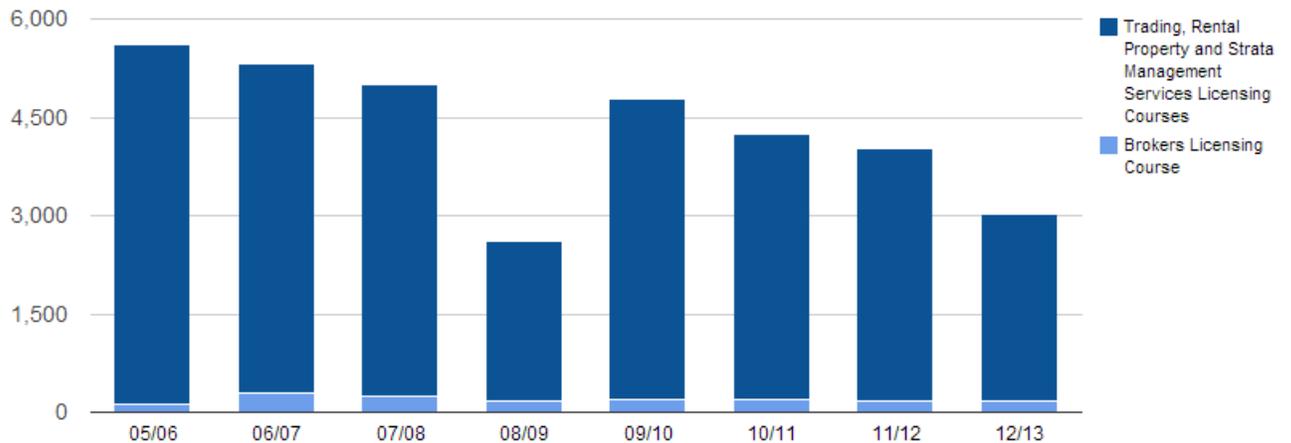
**Background:** The Licensing Education group at UBC’s Sauder School of Business provides provincial licensing education courses and examinations on behalf of the Council and on behalf of the Registrar of Mortgage Brokers, including:

- Real Estate Trading Services Licensing Course and Exam;
- Broker’s Business Planning and Financial Management Licensing Course and Exam;
- Rental Property Management Licensing Course and Exam;
- Strata Management Licensing Course and Exam; and
- Mortgage Brokerage in British Columbia Registration Course and Exam.

**2012-13 PERFORMANCE REVIEW**

**EDUCATION**

**LICENSING COURSE ENROLLMENT**

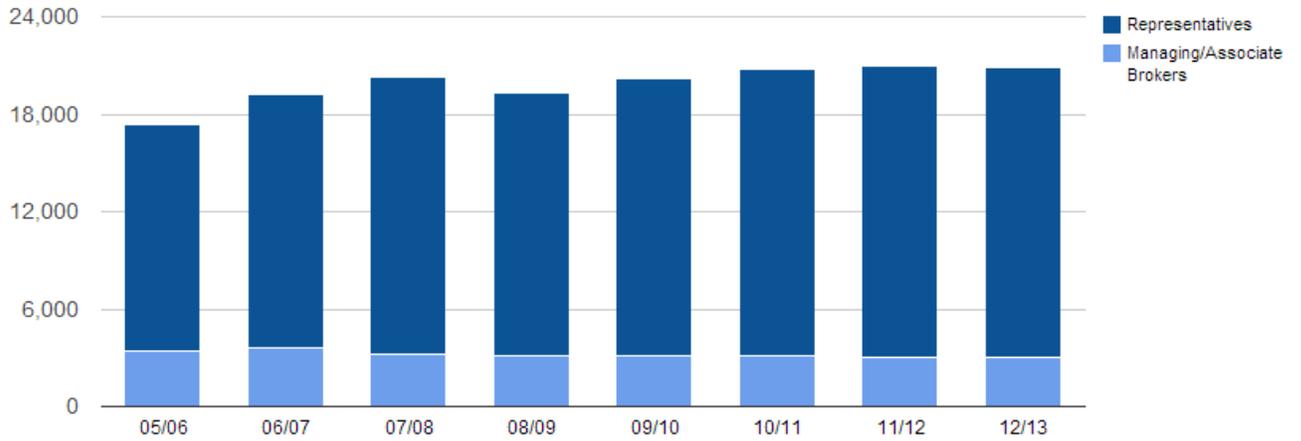


Broker's Licensing Course	115	303	234	160	190	196	169	180
Trading, Rental Property & Strata Management Services Licensing Courses	5,486	5,024	4,760	2,451	4,590	4,044	3,860	2,835

# LICENSING

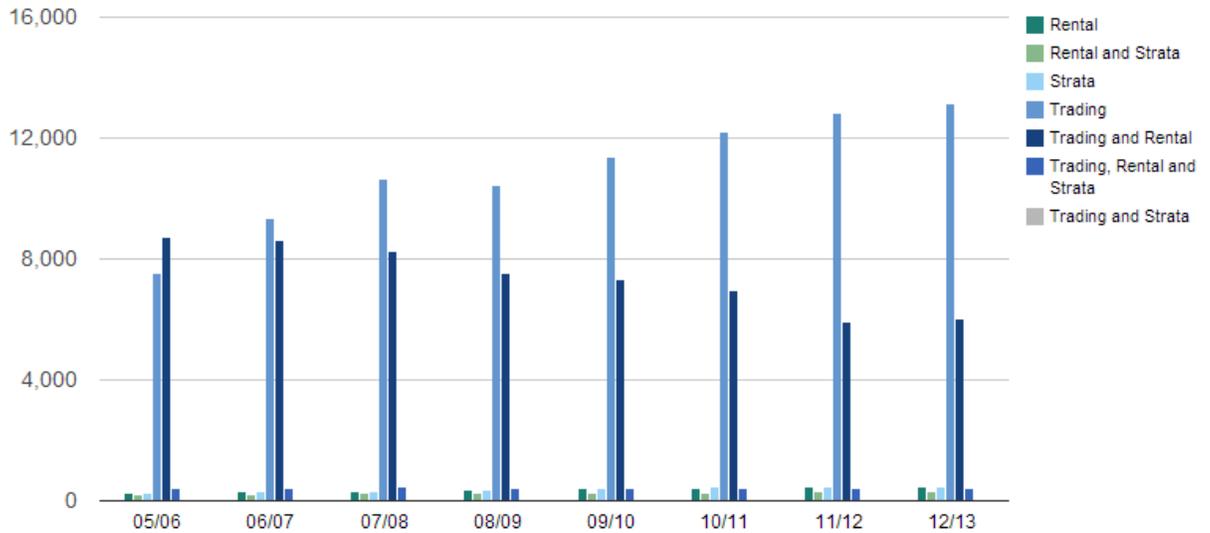
2012-13 Performance Review continued

## LICENSING



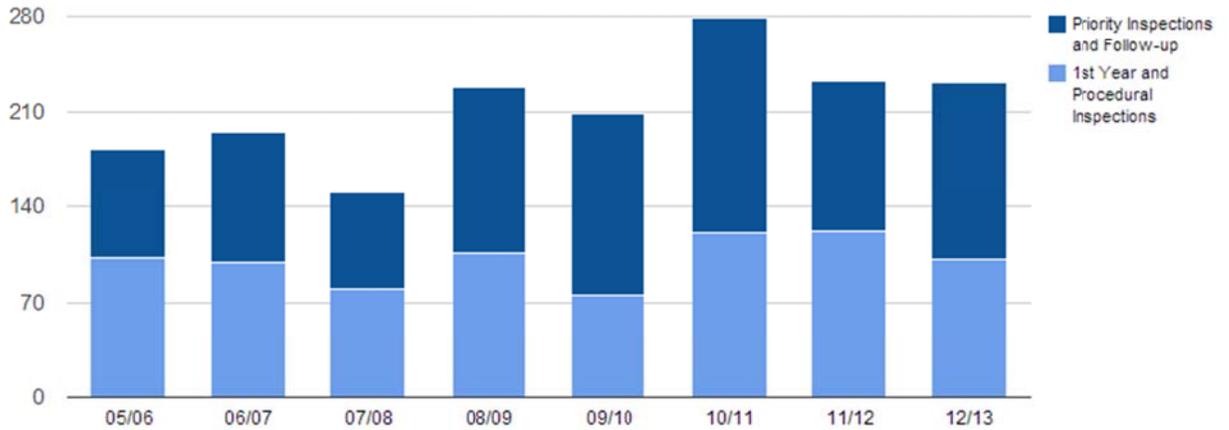
<b>Representatives</b>	14,042	15,649	17,071	16,178	17,065	17,655	17,942	17,859
<b>Managing/ Associate Brokers</b>	3,367	3,562	3,193	3,164	3,124	3,107	3,044	3,003
<b>Total</b>	<b>17,409</b>	<b>19,211</b>	<b>20,264</b>	<b>19,342</b>	<b>20,189</b>	<b>20,762</b>	<b>20,986</b>	<b>20,862</b>

## LICENSEES BY LICENCE CATEGORY



<b>Rental</b>	272	304	331	350	395	434	446	470
<b>Rental &amp; Strata</b>	211	231	255	268	272	270	288	311
<b>Strata</b>	281	304	318	359	409	442	454	461
<b>Trading</b>	7,514	9,330	10,654	10,420	11,376	12,214	12,853	13,164
<b>Trading &amp; Rental</b>	8,715	8,607	8,240	7,517	7,306	6,971	5,903	6,009
<b>Trading, Rental &amp; Strata</b>	405	416	442	405	411	411	420	427
<b>Trading &amp; Strata</b>	11	19	24	24	21	20	19	20

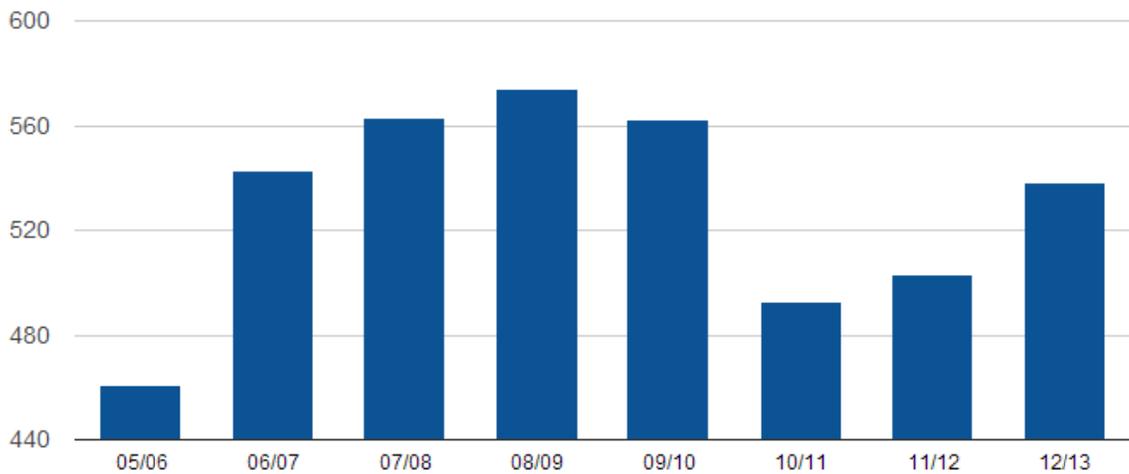
**OFFICE AUDITS AND INSPECTIONS**



Priority Inspections and Follow-up	80	96	70	122	133	158	110	101
1st Year and Procedural Inspections	102	99	80	106	75	121	122	130
<b>Totals</b>	<b>182</b>	<b>195</b>	<b>150</b>	<b>228</b>	<b>208</b>	<b>279</b>	<b>232</b>	<b>231</b>

**COMPLAINTS**

**COMPLAINTS RECEIVED**

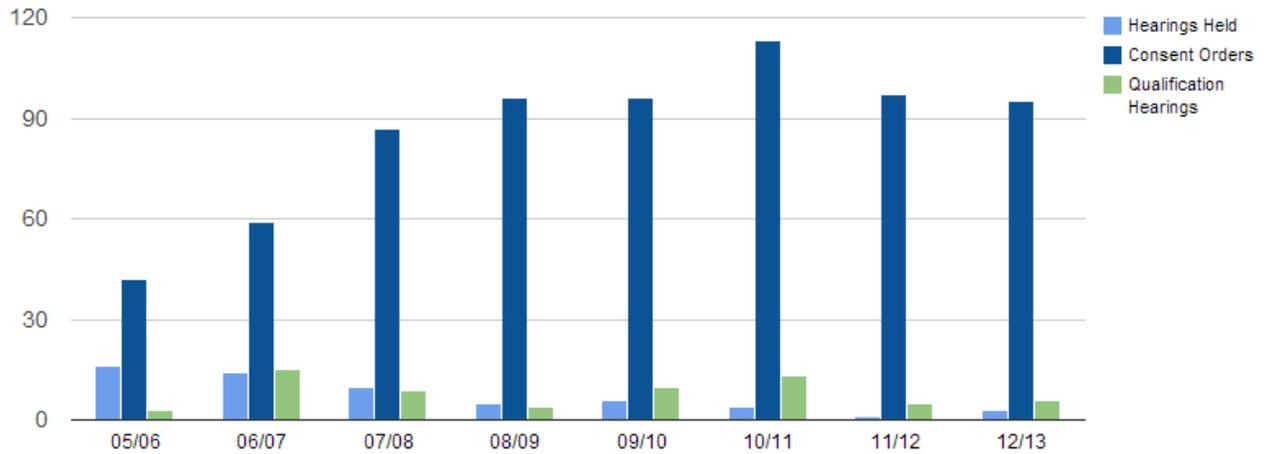


Complaints Received	461	543	563	574	562	493	503	538
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## DISCIPLINARY AND HEARING PROCESS

2012-13 Performance Review continued

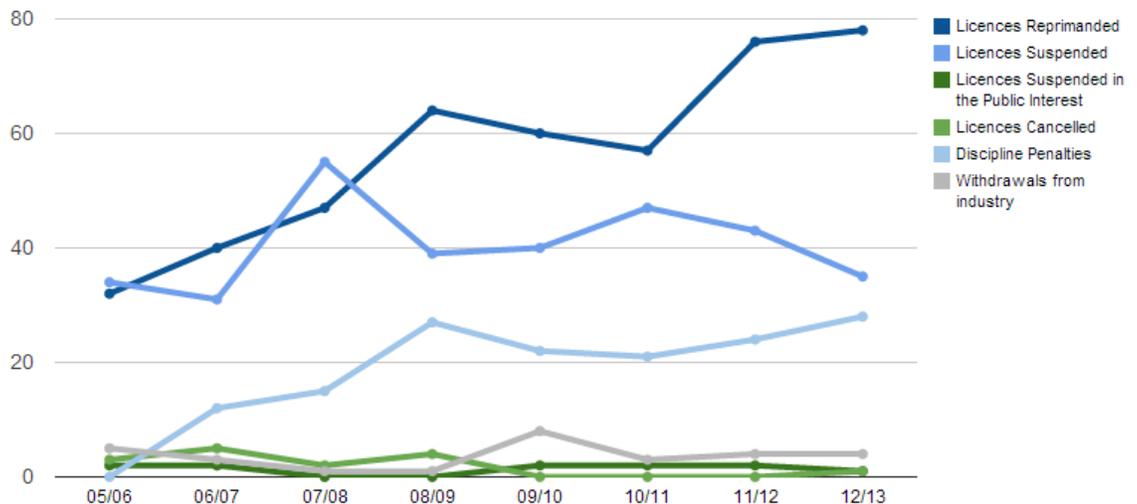
### HEARINGS AND CONSENT ORDERS



Hearings Held	16	14	10	5	6	4	1	3
Consent Orders	42	59	87	96	96	113	97	95
Qualification Hearings	3	15	9	4	10	13	5	6

## SANCTIONS

### DISCIPLINE



Licences Reprimanded	32	40	47	64	60	57	76	78
Licences Suspended	34	31	55	39	40	47	43	35
Licences Suspended in the Public Interest	2	2	0	0	2	2	2	1
Licences Cancelled	3	5	2	4	0	0	0	1
Discipline Penalties	0	12	15	27	22	21	24	28
Withdrawals from industry	5	3	1	1	8	3	4	4

## 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, including matters brought forward by the public and staff, are first considered at

committee/advisory group meetings. Staff provides research assistance, as well as makes recommendations where appropriate. Each committee and advisory group is led by an appointed Chair and is governed by Terms of Reference and a Code of Conduct. Once a particular issue has been researched and



a solution agreed upon, the matter is then brought 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	PURPOSE	KEY ACCOUNTABILITIES
Complaints Committee	Assess complaint files referred by Council staff.	<ul style="list-style-type: none"> <li>Decide if complaint files should be:</li> <li>Referred to hearing.</li> <li>Addressed by letter of warning.</li> <li>Dismissed.</li> <li>Refer complaints involving possible criminal misconduct to the Office of the Superintendent of Real Estate.</li> </ul>
Consent Order Review Committee	Review proposed Consent Orders submitted on behalf of licensees.	<ul style="list-style-type: none"> <li>Accept, vary or reject penalty recommendations.</li> <li>Ensure Consent Orders result in fair and appropriate decisions.</li> </ul>
Education and Licensing Committee	Consider and report on education exemptions and licensing requests from Council staff.	<ul style="list-style-type: none"> <li>Liaise with the Education Advisory Group to ensure coordination with respect to pre and post licensing educational issues.</li> <li>Research and report on amendments to legislation that impact education and licensing.</li> </ul>

COMMITTEE/ ADVISORY GROUP	PURPOSE	KEY ACCOUNTABILITIES
Education Advisory Group	Strengthen and evolve real estate education.	<ul style="list-style-type: none"> <li>• Provide a forum for input from licensees, industry organizations and educational institutions</li> </ul>
Finance & Governance Committee	Ensure the Council meets its fiduciary responsibilities and enhance Staff and Council leadership.	<ul style="list-style-type: none"> <li>• Oversee fiscal requirements and recommend to Council proposed budgets, financial statements, capital expenditures and auditors.</li> <li>• Identify education and training for Staff, Council and Committee members.</li> <li>• Attract qualified candidates to run for elected positions on the Council.</li> <li>• Provide support and guidance to the Chair, Vice-Chair and Executive Officer.</li> </ul>
Hearing Committees	Conduct hearings related to licence qualification, discipline, and compensation claims.	<ul style="list-style-type: none"> <li>• Hear matters referred to it by the Complaints Committee or Council Staff.</li> <li>• Render fair and appropriate decisions in a timely manner.</li> </ul>
<i>Real Estate Services Act</i> (RESA) Advisory Group	To seek input from experts knowledgeable with RESA.	<ul style="list-style-type: none"> <li>• Provide a forum to discuss RESA, the General Bylaws and the Council's Rules.</li> </ul>
Rental Property Management Advisory Group	To ensure Council access to expertise in the varied functions of rental property management.	<ul style="list-style-type: none"> <li>• Provide a forum for industry and public representatives to bring concerns and/or recommendations to Council.</li> </ul>
Strata Management Advisory Group	To ensure Council access to expertise in the management of strata corporations.	<ul style="list-style-type: none"> <li>• Provide a forum for industry and public representatives to bring concerns and/or recommendations to Council.</li> </ul>
Trading Services Advisory Group	To ensure Council access to expertise related to the purchase and sale of residential real estate.	<ul style="list-style-type: none"> <li>• Provide a forum for industry representatives to bring concerns and/or recommendations regarding residential trading services to the Council.</li> </ul>

## FINANCIAL REVIEW

AS AT JUNE 30TH, 2013

This financial review is based on the audited financial statements for the year ended June 30, 2013 and the comparative figures for the year ended June 30, 2012.

### 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.



Lisa Holst, CA  
Director, Accounting &  
Audit

### OPERATIONS

#### REVENUES

Total net revenues in fiscal 2013 are \$5,400,230, a decrease of \$383,720 from fiscal 2012 of \$5,783,950. Recognized licensing and assessment revenues are \$5,015,138 for fiscal 2013, a decrease by \$367,750 from \$5,382,888 in fiscal 2012. Recognized course revenues in fiscal 2013 are \$191,500 and have decreased by \$44,350 from \$235,850 in fiscal 2012. Recognized interest, education fund, and other revenue in fiscal 2013 are \$193,592 and have increased \$28,380 from \$165,212 in fiscal 2012.

#### EXPENDITURES

Expenditures include general administration and facilities, Council and committee honorariums, per diems, meeting costs, and other corporate expenses, such as communications activities, election costs, and grants and endowments. Total expenditures increased in fiscal 2013 by \$409,244 to \$5,723,721 from \$5,314,477, the previous year. Administrative expenditures were higher by \$111,732, investigation expenditures higher by \$109,271, and other expenditures were higher by \$188,241.

Administration expenditures increased 3% respectively over the previous year. Investigation and other expenditures increased 14% in fiscal 2013.

#### OPERATING DEFICIT FROM OPERATIONS AND ACCUMULATED NET ASSETS

The excess expenditures over revenue for the year was \$323,491 compared to a surplus of \$469,473 in fiscal 2012. This deficit resulted in a decrease in the unrestricted accumulated net assets of \$269,950 from \$4,509,733 in fiscal 2012 to \$4,239,783 in fiscal 2013.

#### NET CURRENT ASSETS (WORKING CAPITAL)

Net current assets were \$1,914,956 at June 30, 2013 compared to \$2,705,933 at June 30, 2012.

## INDEPENDENT AUDITOR'S REPORT

VANCOUVER, CANADA – SEPTEMBER 11, 2013



*To the members of*

### **Real Estate Council of British Columbia**

We have audited the accompanying financial statements of Real Estate Council of British Columbia (the "Council"), which comprise the statements of financial position as at June 30, 2013, June 30, 2012 and July 1, 2011, and the statements of operations, changes in fund balances, and cash flows for the years ended June 30, 2013 and June 30, 2012, 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 accounting standards for not-for-profit organizations, 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 audits. We conducted our audits 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 consolidated 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, 2013, June 30, 2012 and July 1, 2011, and the results of its operations and its cash flows for the years ended June 30, 2013 and June 30, 2012, in accordance with Canadian accounting standards for not-for-profit organizations.

Grant Thornton  
Chartered Accountants  
Vancouver, Canada – September 10, 2013

A handwritten signature in black ink that reads "Grant Thornton LLP".

## STATEMENTS OF FINANCIAL POSITION

	June 30 2013 \$	June 30 2012 \$	July 1 2011 \$
			(Note 11)
<b>ASSETS</b>			
<b>Current</b>			
Cash and cash equivalents	852,921	1,371,855	1,348,857
Short-term investments (Note 4)	1,043,570	1,252,271	725,385
Accounts and accrued interest receivable	114,390	139,495	181,035
Prepaid expenses	92,918	143,898	99,708
	<b>2,103,799</b>	2,907,519	2,354,985
Long-term investments (Note 5)	2,408,459	2,124,934	2,230,487
Property and equipment, net (Note 6)	485,308	301,347	386,155
	<b>4,997,566</b>	5,333,800	4,971,627
<b>LIABILITIES</b>			
<b>Current</b>			
Accounts payable and accrued liabilities (Note 7)	71,768	127,566	181,091
Deferred revenue	68,850	16,150	69,925
Deferred capital contribution (Note 8)	48,225	57,870	57,870
	<b>188,843</b>	201,586	308,886
<b>NET ASSETS</b>			
Unrestricted	4,239,783	4,509,733	4,083,703
Internally restricted (Note 9)	400,000	400,000	400,000
Education Fund (Note 9)	168,940	222,481	179,038
	<b>4,808,723</b>	5,132,214	4,662,741
	<b>4,997,566</b>	5,333,800	4,971,627

Commitments and contingency (Note 10)

See accompanying notes and schedules to the financial statements.

On behalf of the Council

Michael Ziegler  
EXECUTIVE OFFICE



Robert O. Fawcett  
CHAIR



## STATEMENTS OF OPERATIONS

YEARS ENDED JUNE 30, 2013 AND 2012

	2013			2012		
	General	Education	Total	General	Education	Total
	Fund	Fund		Fund	Fund	
	\$	\$	\$	\$	\$	\$
<b>REVENUE</b>						
Licensing						
Gross licence fees collected	1,593,844	-	1,593,844	1,565,668	-	1,565,668
Less: payable to Superintendent of Real Estate	796,922	-	796,922	781,609	-	781,609
Net fees collected	796,922	-	796,922	784,059	-	784,059
Assessments	4,218,216	-	4,218,216	4,598,829	-	4,598,829
Course fees	191,500	-	191,500	235,850	-	235,850
Discipline penalties	-	74,500	74,500	-	59,500	59,500
Investment income	98,549	-	98,549	105,712	-	105,712
Gain on disposal of property and equipment	10,898	-	10,898	-	-	-
Amortization of capital contribution (Note 8)	9,645	-	9,645	-	-	-
	<b>5,325,730</b>	<b>74,500</b>	<b>5,400,230</b>	5,724,450	59,500	5,783,950
<b>OPERATING EXPENDITURES</b>						
Administrative expenditures (Page 14)	3,288,647	-	3,288,647	3,176,915	-	3,176,915
Investigation expenditures (Page 15)	1,914,111	-	1,914,111	1,804,840	-	1,804,840
Other expenditures (Page 16)	392,922	128,041	520,963	316,665	16,057	332,722
	<b>5,595,680</b>	<b>128,041</b>	<b>5,723,721</b>	5,298,420	16,057	5,314,477
(Deficiency) excess of revenue over expenditures	<b>(269,950)</b>	<b>(53,541)</b>	<b>(323,491)</b>	426,030	43,443	469,473

## STATEMENTS OF CHANGES IN FUND BALANCES

YEARS ENDED JUNE 30, 2013 AND 2012

	General Funds				Restricted Fund	Total \$
	General Fund \$	Technology Fund \$	Legal Defence Fund \$	Legal Defence Fund – Special Compensation \$	Education Fund \$	
<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>	4,509,733	100,000	150,000	150,000	222,481	5,132,214
Deficiency of revenue over expenditures for the year	(269,950)	-	-	-	(53,541)	(323,491)
<b>Net assets, June 30, 2013</b>	<b>4,239,783</b>	<b>100,000</b>	<b>150,000</b>	<b>150,000</b>	<b>168,940</b>	<b>4,808,723</b>

See accompanying notes and schedules to the financial statements.

## STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30

	2013 \$	2012 \$
Cash flows derived from (applied to)		
<b>Operating activities</b>		
(Deficiency) excess of revenue over expenditures	(323,491)	469,473
<b>Adjustments for items not affecting cash</b>		
Amortization of capital contribution	(9,645)	-
Unrealized gain on investments	-	(1,350)
Gain on disposal of property and equipment	(10,898)	-
Amortization	176,532	184,774
	(167,502)	652,897
<b>Changes in non-cash operating working capital</b>		
Accounts and accrued interest receivable	25,105	41,540
Prepaid expenses	50,980	(44,190)
Accounts payable and accrued liabilities	(55,798)	(53,525)
Deferred revenue	52,700	(53,775)
	(94,515)	542,947
<b>Investing activities</b>		
Sale (purchase) of short-term investments, net	208,701	(42,983)

Purchase of long-term investments, net	<b>(283,525)</b>	(377,000)
Net purchase of property and equipment	<b>(349,595)</b>	(99,966)
	<b>(424,419)</b>	(519,949)
Net (decrease) increase in cash	<b>(518,934)</b>	22,998
Cash and cash equivalents, beginning of year	<b>1,371,855</b>	1,348,857
Cash and cash equivalents, end of year	<b>852,921</b>	1,371,855

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2013

### 1. Nature of operations

The Real Estate Council of British Columbia (the "Council") is a regulatory agency established by the British Columbia 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

#### BASIS OF ACCOUNTING

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations (Part III). In addition to the following significant accounting policies, the Council has applied The Canadian Institute of Chartered Accountants ("CICA") Handbook Section 1501 *First-Time Adoption by Not-for-Profit Organizations* in preparing these first financial statements in accordance with Canadian accounting standards for not-for-profit organizations (Note 11). The Council applies Canadian accounting standards for private enterprises ("ASPE" or "Part II") to the extent that Part II standards address topics not covered in Part III.

#### 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

The Council has elected to measure its short-term investments at fair value, which is estimated to be cost plus accrued interest.

## LONG-TERM INVESTMENTS

Long-term investments in equity instruments that are quoted in an active market are measured at fair value without any adjustment for transaction costs. The Council has elected to measure all other long-term investments at fair value. 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 revenue in the current period received because the Council has no continuing obligations with respect to the fees and does not refund licence and assessment fees. License and assessment fees received in the current period that relate to the subsequent period are recorded as deferred revenue.

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.

Capital contributions received for the purchase of property and equipment are deferred and recognized as revenue at the same rate as the property and equipment's amortization.

## USE OF ESTIMATES

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations 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.

### *3. Financial instruments*

The Council's financial instruments consist of cash and cash equivalents, short-term investments, accounts and accrued interest receivable, long-term investments, and accounts payable and accrued liabilities. Financial assets and financial liabilities are initially measured at fair value.

The Council subsequently measures all of its financial assets and financial liabilities as follows:

<b>Financial instrument</b>	<b>Subsequent measurement</b>
Cash and cash equivalents	Amortized cost
Short-term investments	Fair value
Accounts and accrued interest receivable	Amortized cost
Long-term investments	Fair value
Accounts payable and accrued liabilities	Amortized cost

Changes in fair value are recognized in excess (deficiency) of revenue over expenditures for the year.

Financial assets measured at amortized cost totalled \$967,311 at June 30, 2013 (June 30, 2012: \$1,511,350; July 1, 2011: \$1,529,892).

Financial assets measured at fair value totalled \$ 3,452,029 at June 30, 2013 (June 30, 2012: \$3,377,205; July 1, 2011: \$2,955,872).

Financial liabilities measured at amortized cost totalled \$71,768 at June 30, 2013 (June 30, 2012 \$127,566; July 1, 2011: \$181,091).

### *4. Short-term Investments*

The Council's short-term investment portfolio is composed as follows: a government bond having a June 30, 2013 estimated fair value of \$302,771 (GICs at June 30, 2012: \$635,635; July 1, 2011: \$116,251) with maturity date of June 1, 2014, bearing interest at a rate of 3.1% (2012: between 1.75% and 4.56%; 2011: 1.8%); and, mutual funds having a June 30, 2013 estimated fair value of \$740,799 (June 30, 2012: \$616,636; July 1, 2011: \$609,134).

It is management's opinion that the Council is not exposed to significant interest rate, market, liquidity or credit risk arising from the short-term investments.

### *5. Long-term Investments*

The Council's long-term investment portfolio is composed as follows: a government bond having a June 30, 2013 estimated fair value of \$Nil (June 30, 2012: \$307,423; July 1, 2011: \$306,073) bearing interest at a rate of (2012: 3.1%; 2011: 3.1%); and, GICs having a June 30, 2013 estimated fair value of \$2,408,459 (June 30, 2012: \$1,817,511; July 1, 2011: \$1,924,414) with maturity dates ranging between December 11, 2014 and March 13, 2017, bearing interest at rates ranging between 2.00% to 3.85% (June 30, 2012: 2.30% to 3.85%; July 1, 2011: 3.00% to 4.56%).

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

### *Interest rate risk*

The Council manages any interest rate risk exposure of its fixed income investments by using a laddered portfolio with varying terms of maturity. The laddered structure of maturities helps to enhance the average portfolio yield while reducing the sensitivity of the portfolio to the impact of interest rate fluctuations. The Council did not hold any investments in equity securities at June 30, 2013 or 2012.

### *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 GICs.

## *6. Property and Equipment*

	<b>June 30, 2013</b>		
	<b>Cost</b>	<b>Accumulated</b>	<b>Net book</b>
	<b>\$</b>	<b>Amortization</b>	<b>value</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Computer equipment	916,725	759,221	<b>157,504</b>
Office equipment	482,689	344,227	<b>138,462</b>
Automotive equipment	47,890	2,590	<b>45,300</b>
Leasehold improvements	401,294	257,252	<b>144,042</b>
	<b>1,848,598</b>	<b>1,363,290</b>	<b>485,308</b>

	<b>June 30, 2012</b>		
	<b>Cost</b>	<b>Accumulated</b>	<b>Net book</b>
	<b>\$</b>	<b>Amortization</b>	<b>value</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
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
	<b>1,523,800</b>	<b>1,222,453</b>	<b>301,347</b>

	<b>July 1, 2011</b>		
	<b>Cost</b>	<b>Accumulated</b>	<b>Net book</b>
	<b>\$</b>	<b>Amortization</b>	<b>value</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
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
	<b>1,423,834</b>	<b>1,037,679</b>	<b>386,155</b>

## 7. Government remittances payable

Included in accounts payable and accrued liabilities are government remittances owing for payroll remittances totalling \$Nil (June 30, 2012: \$Nil; July 1, 2011: \$Nil).

## 8. Deferred 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.

During fiscal year 2013, the remaining balance in this contribution, totalling \$57,870, was spent on the development of a new information management system. The deferred capital contribution balance at June 30, 2013 was \$48,225 (June 30, 2012: \$57,870; July 1, 2011: \$57,870).

## 9. Internally restricted net assets and education fund

	2013	2012	2011
	\$	\$	\$
Technology Fund (a)	100,000	100,000	100,000
Legal Defence Fund - General (b)	150,000	150,000	150,000
Legal Defence Fund - Special Compensation Fund (b)	150,000	150,000	150,000
Total internally restricted net assets	400,000	400,000	400,000
Education Fund (c)	168,940	222,481	179,038
	568,940	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.

#### 10. Commitments and Contingency

[a] In fiscal year 2013, the Council renegotiated the lease for their office premises for a five year period ending on September 30, 2019. Base rent due within each of the next five years is estimated as follows:

	\$
2014	240,098
2015	251,669
2016	263,240
2017	274,811
2018	286,382
Thereafter	72,119
	1,388,319

In addition to base rent, the Council is responsible for paying its 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. First-time adoption of Canadian accounting standards for not-for-profit organizations

These financial statements are the Council's first financial statements prepared in accordance with Canadian accounting standards for not-for-profit organizations. The date of transition to these standards is July 1, 2011.

The Council's significant accounting policies disclosed in Note 2 have been applied in preparing these financial statements. Further, the Council has applied CICA Handbook Section 1501 *First-Time Adoption by Not-for-Profit Organizations* in preparing these financial statements.

##### **First-time adoption mandatory exceptions and optional exemption applied**

Upon transition, CICA Handbook Section 1501 *First-Time Adoption by Not-for-Profit Organizations* prohibits certain mandatory exceptions and permits certain optional exemptions from retrospective application of these standards. The Council has applied all of the mandatory exceptions and has elected to designate all of its short-term and long-term investments to be measured at fair value.

##### **First-time adoption transitional adjustments, reconciliations and disclosures**

Upon transition, CICA Handbook Section 1501 *First-Time Adoption by Not-for-Profit Organizations* requires the Council to (1) present its opening statement of financial position at the date of transition; (2) present a reconciliation of its net assets at the date of transition; (3) present a reconciliation of its excess of revenue over expenses for the year ended June 30, 2012; and (4) disclose any material adjustments to its statement of cash flows as a result of the translation to Canadian accounting standards for not-for-profit organizations.

There was no impact to the Council's net assets at the date of transition, no impact to its excess of revenue over expenses for the year ended June 30, 2012, and no impact to operating, investing or financing activities within the statement of cash flows as a result of the transition to Canadian accounting standards for not-for-profit organizations.

## SCHEDULE OF EXPENDITURES

YEARS ENDED JUNE 30, 2013 AND 2012

### Schedule 1

#### Schedule of Administrative Expenditures

	2013		2012	
	General Fund \$	Total \$	General Fund \$	Total \$
Amortization	176,532	176,532	184,774	184,774
Council members' honoraria	130,817	130,817	140,254	140,254
Equipment maintenance	27,545	27,545	26,000	26,000
Insurance	13,830	13,830	11,084	11,084
Office rent and operating costs, net	535,482	535,482	463,073	463,073
Postage, mailing and delivery	123,196	123,196	152,453	152,453
Printing and stationery	66,612	66,612	50,849	50,849
Professional services	66,602	66,602	117,858	117,858
Salaries	1,819,331	1,819,331	1,654,833	1,654,833
Telephone	16,079	16,079	15,289	15,289
Travel and accommodation	200,057	200,057	237,546	237,546
Visa and bank charges	112,564	112,564	122,902	122,902
	<b>3,288,647</b>	<b>3,288,647</b>	<b>3,176,915</b>	<b>3,176,915</b>

### Schedule 2

#### Schedule of Investigation Expenditures

	2013		2012	
	General Fund \$	Total \$	General Fund \$	Total \$
Court reporter services	7,288	7,288	8,762	8,762
Criminal records searches	-	-	2,390	2,390
Forensic investigations	39,156	39,156	72,915	72,915
Professional services	372,988	372,988	426,785	426,785
Salaries	1,532,404	1,532,404	1,333,908	1,333,908
Spot audits	15,160	15,160	27,798	27,798
Travel and hearing (recovery)	(52,885)	(52,885)	(67,718)	(67,718)
	<b>1,914,111</b>	<b>1,914,111</b>	<b>1,804,840</b>	<b>1,804,840</b>

**Schedule 3**

## Schedule of Other Expenditures

	2013			2012		
	General Fund \$	Education Fund \$	Total \$	General Fund \$	Education Fund \$	Total \$
Conferences	110,060	-	110,060	74,753	-	74,753
Dues, subscriptions and publications	48,460	-	48,460	43,204	-	43,204
Electronic communication	139,705	-	139,705	118,735	-	118,735
Post-licensing education/grants	8,964	128,041	137,005	2,185	16,057	18,242
Printing	80,782	-	80,782	75,698	-	75,698
Public relations	4,951	-	4,951	2,090	-	2,090
	<b>392,922</b>	<b>128,041</b>	<b>520,963</b>	316,665	16,057	332,722